2017
Annual Report

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

ASR Nederland N.V.

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2017
Annual Report

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The financial statements for 2017 as included in this Annual Report are on the agenda for adoption at the Annual General Meeting of shareholders of 31 May 2018.

1.1 At a glance

ASR Nederland N.V., hereinafter 'a.s.r.', is the Dutch insurance company for all types of insurance. a.s.r. offers a broad range of financial products in the areas of non-life, life and income protection insurance. a.s.r. also offers investment and (bank) savings products. a.s.r. is also active as an investor and offers asset management services to institutional clients. Furthermore a.s.r. is a full-service provider for intermediaries. a.s.r. operates exclusively in the Dutch market, except for a small Belgian funeral insurance portfolio, which is recognised as a business line of ASR Levensverzekering N.V.

Structure

ASR Nederland N.V.

Non-life
- P&C
- Disability
- Health

Life
- Pensions
- Individual life
- Funeral

Banking and Asset Management
- a.s.r. bank
- a.s.r. mortgages
- a.s.r. asset management
- a.s.r. real estate investment management

Distribution and Services
- VKG
- Dutch ID
- SuperGarant
- Corins
- PoliService

Holding and Other

Our brands

Multi-brand and multi-channel distribution; focus on intermediary.

Founded in

1720

Head office of a.s.r.

Utrecht, The Netherlands

Other locations: Ardanta in Enschede and a number of distribution units at various locations in the Netherlands.

Number of employees
(Internal FTEs)

3,493

a.s.r. is the

third largest

insurance company in the Netherlands measured by GWP (excluding health insurance).

Highlights of 2017

Privatisation completed

Announcement of proposed acquisition of
Generali Nederland

a.s.r. first insurer
issuing Euro dominated Restricted Tier 1 Contingent Convertible capital instrument

Development of new Collective Labour Agreement (CLA)
De Andere Cao
Effective date: 1 January 2018

1.2 Key figures

Financial key figures

Operating result

€ 729m

+17.2%
(2016: € 622m)

IFRS net result

€ 906m

+37.5%
(2016: € 659m)

Operating ROE

15.6%

up to 12% target
(2016: 14.6%)

Solvency II

196%

+7% pts
(2016: 189%)

Organic capital creation

€ 377m

11% on SCR
(2016: € 348m)

Combined ratio

95.1%

Target <97%
(2016: 95.6%)

Non-financial key figures

Net Promoter Score

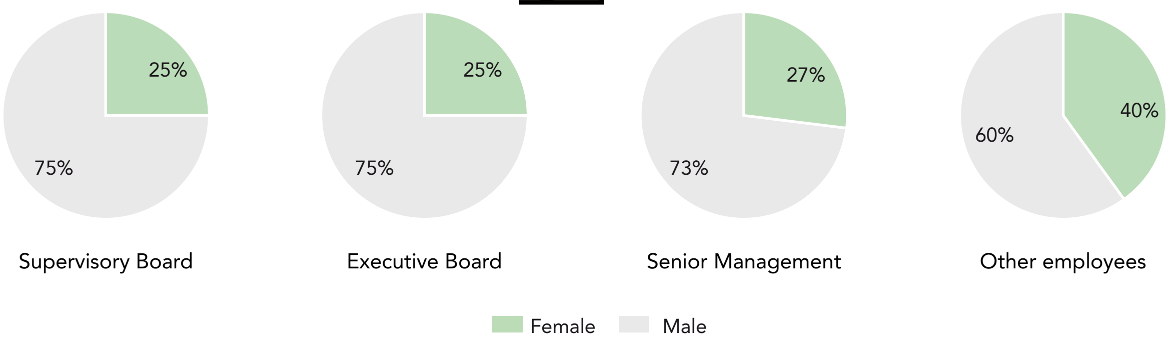
+40
for customers
(2017: Q4)

+56
for intermediaries
(2017: Q4)

Sustainable Asset Management

100%
of the assets under management by Group Asset Management are compliant with a.s.r. SRI policy.

Diversity



1.3 Message from the Chairman

'Pride in looking back over a good year, but our focus remains on the future'

2017 was in many respects an excellent year for a.s.r. We achieved full privatisation, posted an operating result of € 729 million and can take pride in a strong solvency ratio of 196%. Our customers and intermediaries awarded us a higher Net Promoter Score (NPS), and we welcomed Generali Nederland, among others, to the group. 'Pride in what we achieved in 2017 is certainly appropriate, but we are also resolutely looking forward.'

The Executive Board is pleased with the results obtained by a.s.r. Discipline in executing our strategy led us to exceed all our medium-term financial targets in 2017. Our operating result rose by 17.2% to € 729 million, with all business segments contributing to the increase. At 15.6%, operating return on equity was well above our target of 'up to 12%'. In non-life insurance, our expertise was reflected in an increase in Gross Written Premiums (GWP) of nearly 6%, while at the same time we managed to reduce our cost base by € 3 million. The Combined Ratio was 95.1%, which was well below the target of 'less than 97%'. Our Solvency II ratio, based on the standard formula and taking into account the dividend proposal, was robust at 196% and exceeded our target of 'safely above 160%'.

The sharp rise in the operating result allows us to pay out a higher dividend. Based on the results for 2017, we are proposing a dividend of € 229.7 million. This is a cash dividend of € 1.63 per share, an increase of more than 28% compared to last year. As of this year, we also start paying out interim dividends, which will be set at 40% of the total dividend of the previous year (€ 0.65). We strive for a stable growing dividend per share in the long-term.

a.s.r. is ambitious to grow, both organically and through acquisitions. In 2017, we finalised the integration of the insurance portfolio of funeral services company NIVO, the integration and migration of De Eendracht Pensioenen, announced the acquisition of Generali Nederland and completed the acquisition of First Investments. We have already taken initial steps to integrate the various businesses in anticipation of closing Generali Nederland into a.s.r., and on 1 June 2018 our new colleagues are planned to relocate to Utrecht.

Improving our service and focusing on customers is a top priority which we are working on each day. The Net Promoter Score from customers and intermediaries is a reliable yardstick in this regard. We are therefore delighted that the NPS from customers went up in 2017 from +36 to +40 and from intermediaries from +50 to +56. Their appreciation was also reflected in growth in our sales figures, with an increase of more than 32% in the number of *Vernieuwde Voordeel Pakketten* (non-life insurance packages) sold and a 48% increase in premiums for the *WerknemersPensioen* (employee pension). a.s.r.'s brand awareness also rose in 2017, and we are increasingly being recognised as a socially responsible insurer. This shows that profitable growth and serving the public benefit can go hand in hand.

In 2017, we achieved a number of visible results in this area, such as the creation of a Health Impact Bond for the successful occupational reintegration of cancer patients, the creation of a new credit ESG fund in which external investors can participate and the announcement of our intention to provide, in conjunction with Triodos Bank, € 600 million in financing to sustainable projects over the next four years. a.s.r. is also increasingly being recognised and acknowledged in the market as a prominent exponent of sustainability. In 2017, this was confirmed by various studies (VBDO, Eerlijke Verzekeringswijzer and the annual sustainability report of the United Nations Principles for Responsible Investments (UN PRI)).

We will continue to focus on operating in a smarter, more efficient and more cost-effective way. To this end, in 2017 we further simplified our organisation by merging a number of staff departments. To speed up the digital transformation and better anticipate evolving customer needs, we also established the Innovation & Digital team to meet growing customer demand for online communication. Using artificial intelligence and robotics, this team is further automating (simple) processes to give our employees more scope to focus on complex customer queries and work that adds greater value. The Innovation & Digital team is also exploring evaluating new (*insurtech*) initiatives and testing and building initiatives of its own.

In September 2017, NLFI sold the remaining interest in a.s.r. on behalf of the Dutch State. In the fifteen months since the initial public offering (IPO) in June 2016, a.s.r. has made a full return to the stock market. Looking back on the process from nationalisation to full privatisation, we are proud of the way this was achieved. The total proceeds from the sale was € 3.80 billion against an initial investment of € 3.65 billion. During the period of State ownership, a dividend of € 636 million was paid out. This is an achievement that would certainly not have been realised without the effort and dedication of our employees. We are grateful to them for their significant contribution to this process. We are also of course indebted to NLFI and the Dutch Ministry of Finance for their constructive cooperation over the past years, of which I and my fellow Board Members have very positive recollections.

2018 looks set to be another interesting year for a.s.r. We will continue to shape the integration of Generali Nederland, and its contribution to our results will become visible as a result. We will in the meantime also carry on seeking out more opportunities for organic growth and acquisitions. We will closely monitor developments of the financial markets in order to gauge their consequences for our investment policy. Extreme weather events are another aspect we must take into account, especially following the winter storms of January 2018.

2018 is the final year of the medium-term targets that we announced at the IPO in 2016. During the fourth quarter, at our first Capital Markets Day on 10 October, we will present an update on our strategy and renewed medium-term financial targets. Before this, we have our General Shareholders' Meeting on 31 May, where we look forward to meeting our shareholders and presenting our results.

We will continue to focus on long-term value creation for our customers, shareholders, employees and other stakeholders in the year ahead. The phrase 'past performance is no guarantee of future results' is one of which we are acutely conscious. So, while it is good to celebrate our strong results, we will be swiftly shifting our focus back to tomorrow and beyond.

Jos Baeten,
Chairman of the Executive Board

2.1 Our strategy

The story of a.s.r.

Helping by doing

a.s.r.'s *raison d'être* is to help people. We help customers share risks and build up capital for the future. We are committed to understand what they need and to deliver it clearly and transparently. Using our expertise, we fulfil their needs in a service-driven way. We pay a great deal of attention to sustainability because we feel responsible for our environment and are convinced that in the near future consumers will only want to do business with sustainable companies.

This can only be achieved with enthusiastic and committed employees. Our work is guided by our core values: I'm helpful, I think ahead and I act decisively. These values drive our behaviour.

a.s.r. will focus on learning in order to develop continuously. We are committed to understanding our customers' needs and will continue to innovate and develop new services. We aim to proactively offer innovative solutions for prevention and in addressing risk issues of our customers. We are also committed to competent and efficient claims handling, which allows us to continuously offer our customers attractively priced solutions to cover their risks. To enable our customers to build up capital, we focus on developing asset management solutions.

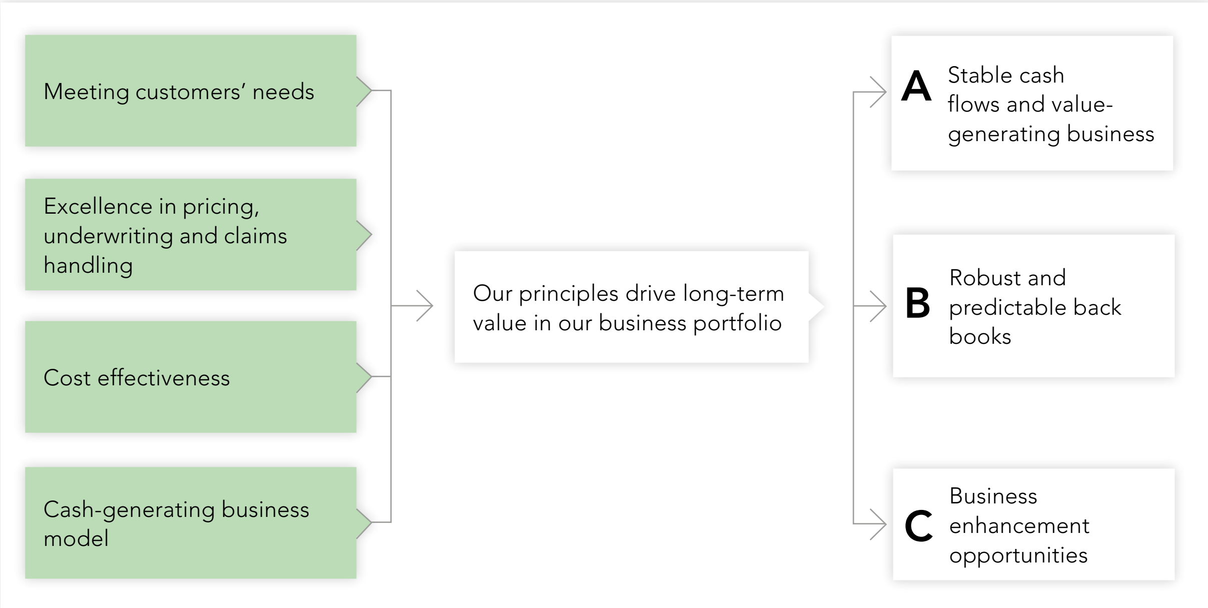
We are highly cost-conscious in our business operations, compile well-founded risk assessments and are financially sound, realising sustainable, attractive returns for our shareholders. In addition to organic growth, we strive for growth through the acquisition of small and medium-sized insurers and/or asset management companies.

We are only satisfied if our customers are getting value for premium paid and their financial advisors believe that a.s.r. is providing the right level of service and offering the right products and services, if our employees are continuously developing their skills and our shareholders are being given attractive returns. Our customers need to be convinced on a daily basis that we are doing our job with dedication and expertise. Our aim is to be a future-proof insurer who performs above expectations.

2.1.1 Strategic pillars

a.s.r. defines four pillars as guiding principles in its strategy. These principles ensure that a.s.r. creates value for all its stakeholders within its general 'value over volume' principle.

Four principles of strategy



Meeting customers' needs

a.s.r. offers customers transparent products that aim to meet their needs. a.s.r. continuously strives to improve its services to its customers and to the intermediary channel. a.s.r. is aware of its position and its role in the wider community, and gives due consideration to its impact on the environment.

a.s.r. operates a multi-brand, multi-channel distribution strategy. The key distribution channel is the intermediary channel in the form of independent advisors and brokers. a.s.r. feels that advisors and brokers are well-positioned to provide customers with independent advice and to help them select the products that are best tailored to their individual needs, be it the transfer of risks or savings and pension solutions. a.s.r. also offers products and services directly to customers wishing to take out insurance without the advice of an independent advisor.

a.s.r.'s employees are dedicated to helping customers whenever possible, in accordance with its core values. Its staff helps to identify key solutions for customers needs and to implement them effectively. a.s.r. focuses on retail customers, the self-employed and small and medium-sized enterprises (SMEs). It also provides pension, disability and asset management products to pension funds and large institutional investors.

a.s.r. fosters close contact with its customers, both directly through customer panels and surveys, and through feedback from intermediaries. It monitors changes in customers' needs and uses customer feedback to improve existing products and to develop new products and services. Customer and intermediary satisfaction is monitored closely through the measurement of closed-loop feedback such as the NPS.

In order to respond swiftly to market trends and evolving customer behaviour and needs, a.s.r. has an efficient, streamlined organisational structure in which business lines generally have end-to-end responsibility through the inclusion of decentralised functions such as distribution, product marketing and IT. In recent years, a.s.r. has also acquired distribution service providers, giving it an additional source of information on changing customer behaviour and needs.

Excellence in pricing, underwriting and claims handling
a.s.r. maintains a disciplined pricing strategy based on an in-depth understanding of customer behaviour. a.s.r. continues to build on its experience and skills in pricing, underwriting and claims handling, since these are key drivers in the creation of sustainable value.

a.s.r. applies these capabilities to all of its insurance products. a.s.r.'s insurance expertise has contributed to a strong combined ratio in the Non-life segment for many years.

Cost effectiveness
Cost competitiveness is a key prerequisite for commercial success as well as for bottom-line performance. Cost awareness is embedded throughout the organisation. It has become an integral part of a.s.r.'s culture.

a.s.r. is permanently focused on responsible expenditure management, and aims to further improve its cost effectiveness over the coming years. End-to-end responsibility in the various business lines, fewer management layers and the decentralisation of certain functions such as distribution, product marketing and IT will all help to maintain cost effective. a.s.r. will continue to simplify and rationalise its existing product portfolio, particularly in the life and pensions businesses. a.s.r. is reducing the number of back-office systems in its business lines.

a.s.r.'s cost base has become more agile. It has been outsourcing certain activities to third parties, enabling it to achieve cost benefits. a.s.r. does not outsource activities involving its intellectual capital, which is seen as essential to its insurance operations and contributes to its unique competitive position. Such activities include pricing, underwriting, asset management and claims management (including medical advisors and personal injury claims).

Cash-generating business model
a.s.r.'s financial objective is to achieve robust, high-quality earnings and strong capital generation backed by a moderate financial framework. This enables a.s.r. to deliver on its promises, providing customers with the financial protection they expect and offering attractive returns to shareholders.

a.s.r.'s risk appetite is a key factor in executive and senior management decisions. a.s.r. has a moderate risk profile and sets minimum solvency levels in order to remain entrepreneurial, to absorb potential losses, and to remain financially robust and resilient. With these levels, the requirements of the regulator are also respected.

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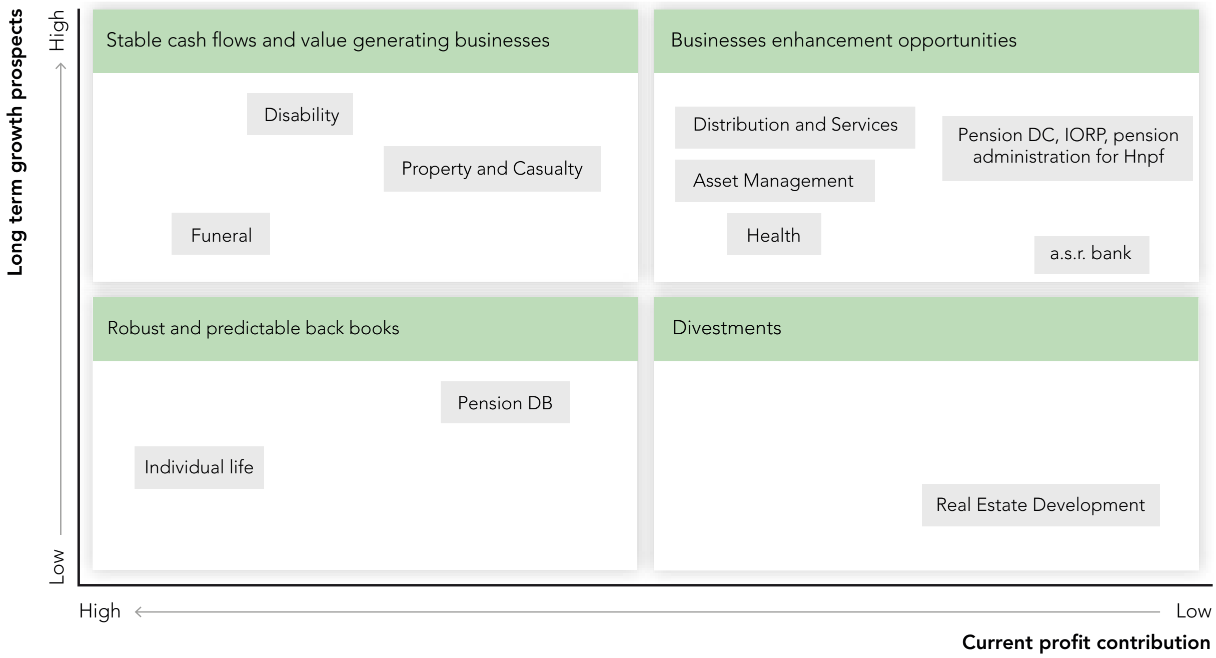
2.1.2 Portfolio and execution

The four strategic principles described in Chapter 2.1.1 (Strategic pillars) are the value drivers in a.s.r.'s business portfolio. On an ongoing basis, a.s.r. reviews its business portfolio for its contribution to profits, as well as its future growth outlook.

Given the profit contribution and growth outlook of the businesses, a.s.r. divides its portfolio info four categories:
I Activities that provide stable cash flows and generate value with relatively strong growth potential;
II Businesses that represent robust and predictable back books and contribute to current profits;
III Activities that offer business enhancement opportunities, typically capital-light, and;
IV Non-core activities which will eventually be divested.

Acquisitions are evaluated against strict financial criteria as well as the stategic fit in the categories mentioned above. Generali Nederland was signed in 2017 (and closed in February 2018) adding € 313 million[1] of GWP in Disability/Property and Casualty (P&C) and € 96 million[1] of GWP to a.s.r.'s life segment.

Optimal and balanced business mix



Stable cash flow and value-generating business with relatively strong growth potential
In P&C and Disability, a.s.r. focuses on maintaining profitable underwriting and pricing discipline combined with excellent claims handling for customers. a.s.r. strives for selective organic and inorganic growth in this segment. Maintaining its leadership position in the intermediary distribution channel is key to this ambition. Non-life insurance offers a.s.r. organic growth potential, which is reflected in the organic GWP growth of these business lines in 2017. The customers of Generali Nederland will be migrated in 2019, strengthening our market position.

a.s.r.'s cost-efficient platform in the funeral insurance business gives it a strong competitive position. Moreover, the funeral insurance business carries mortality risks that strongly diversify the longevity risk in a.s.r.'s pensions businesses. With its strong market position, a.s.r. is well positioned to buy 'blocks of business' in funeral and to offer a high level of service and generating long-term value for its customers and shareholders.

Robust and predictable backbooks
This category represents large life and pension-insurance books that have been built up over many years and are major contributors to a.s.r.'s profit. These businesses offer limited or no growth potential except for buying 'blocks of business'. These books are excepted to inevitably decline over time. a.s.r. is committed to safeguard the value of these service books by lowering and variabilising its cost base, by providing a high level of customer

1 Unaudited indicative figures

service to prevent unnatural lapses and by protecting the investment margin by hedging interest rate sensitivity. To make the individual life cost base, more variable, a.s.r. is migrating its individual life portfolios to a Software as a Service (SaaS) platform, managed by an external provider. a.s.r. has been successful in this strategy given the portfolios which have already been migrated in time and on budget. This migration is on track and is scheduled for completion mid-2019. The Generali Nederland book will be migrated to this platform, presenting the first external 'block of business'. This will also enable a.s.r. to become a consolidator of individual life backbooks.

Business enhancement opportunities

a.s.r. sees growth opportunities in the capital-light business. These include capital-light pension propositions such as defined contribution (DC) plans. With new legislation on 'doorbeleggen', a.s.r. has enhanced the defined contribution solution with an individual pay-out product.

The Distribution and Services segment delivers fee revenues and has grown organically and through acquisitions in recent years. a.s.r. has acquired specialist distribution companies and its aim now is to unlock the earnings potential that a.s.r. envisages for each of these companies.

In asset management, a.s.r. is focused on expanding its third-party asset management activities through product development and bolt-on acquisitions. With the acquisition of BNG in 2016 and First Investments in 2017, skills and approximately € 5.5 billion in assets under management were added. Regarding asset management product development, a.s.r. launched the ASR Hypotheek fonds ('a.s.r. mortgage fund') in 2017.

Divestments

Managing the business portfolio is not just about acquiring businesses and integrating them into the a.s.r. organisation. It is equally about divesting businesses that are either strategically no longer core or that structurally underperform. a.s.r. has for example terminated its real estate development business and divested a large portion of its real estate development projects. The remaining property development activities (Leidse Rijn Centrum) are in run-off and divestment opportunities are explored continuously.

2.2 Value creation model

a.s.r. operates in a broader context, developments in the environment and key trends influence the organisation's policies, products and services and performance. At the same time, a.s.r.'s activities have an impact on stakeholders. This is further illustrated by the value creation model. The International Integrated Reporting Council (IIRC) framework was used to present the value creation model of a.s.r. together with a brief explanation of the input, business model and output & outcome.

Input: An important input for an insurer such as a.s.r. is financial capital. In addition, human capital is crucial in order to deliver services and products. The relationships with and knowledge of intermediaries and other partners are also vital in this context.

Business model: a.s.r. offers a wide range of insurance products and services to both private and corporate customers. a.s.r. uses different labels, each with its own mix of products and distribution channels. It is important that employees are professional and service-oriented. In order to serve customers now and in the future, a.s.r. pays a great deal of attention to the vitality and development of its employees. a.s.r. also invests in innovation to further improve its existing products and services and to develop new business models. The Banking and Asset Management segment focuses on responsible management of financial resources in order to achieve optimal investment results. As an investor, a.s.r. is also active in the management of real estate. a.s.r. also offers asset management services to pension funds, insurance companies, guarantee funds and wealth funds, charities, local governments, health and educational institutions and other parties.

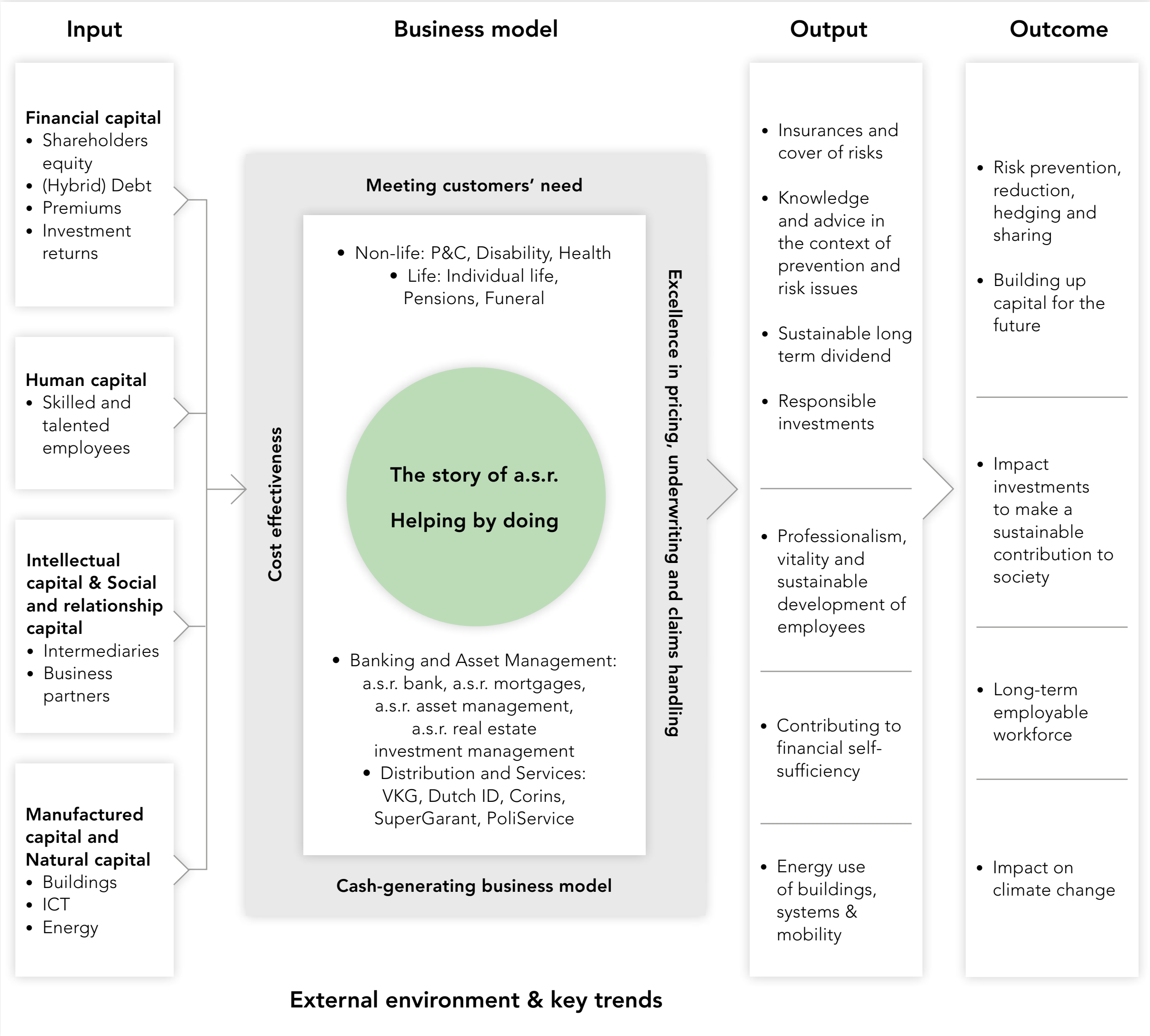
Output & outcome: a.s.r. creates value for its customers by helping them to prevent or mitigate risks and to build up capital for the future. a.s.r. does this by offering sustainable, transparent and comprehensible insurance products and by investing customer premiums carefully and responsibly. An important objective of its activities is satisfied customers, shareholders and engaged employees. Also important is the mandate, the license to operate, that a.s.r. receives from the society at large (e.g. media, regulators, business partners) to continue operating.

Providing the right services and products leads to loyal customers that provide long term value that leads to an attractive return for shareholders. A long-term employable workforce contributes to this and a.s.r. thus also creates (long-term) value for its employees. a.s.r. also wants to contribute to sustainable economic development by investing resources responsibly. a.s.r. therefore follows a strict investment policy based on Environment, Social, Governance (ESG) good practices. Organisations with above-average performance in the field of ESG are preferred.

a.s.r. also cares about its direct impact on the environment. In order to minimise environmental impact, a.s.r. uses resources such as energy and water efficiently.

To conclude, the a.s.r. foundation helps people with financial self-reliance through the voluntary dedication of knowledge and skills of its employees.

Value creation model



* The above model provides a simplified representation of the a.s.r. business model.

2.2.1 Sustainability governance

a.s.r. seeks to be a leader in sustainable business practices in the financial sector and takes account of sustainability wherever possible. a.s.r. does this on the basis of four themes that fall under Corporate Social Responsibility (CSR): 'Sustainable insurer', 'Sustainable investor', 'Sustainable employer' and the 'Social role of a.s.r.'.

In order to continue to drive and monitor sustainability in all its aspects within a.s.r., sustainability has been earmarked as a separate topic. Within the Executive Board, the CEO is ultimately responsible for a.s.r.'s CSR themes. The Director of Corporate Communications coordinates the implementation together with a CSR Task Force. The Task Force consists of a secretary, the directors of the departments Services, Human Resources, Asset Management, Real Estate Investment Management, Integrity, Group Risk Management, Non-life, Pensions and Bank & Mortgages and the secretary of the Executive Board. The Task Force meets regularly to form an integral CSR vision and set objectives. All members of the Task Force subsequently promote this vision and objectives within their own focus areas. The Task Force also establishes CSR Key Performance Indicators (KPIs).

Under the Task Force, an CSR Work Force operates with delegates from the directors above. It reports quarterly on the established CSR KPIs to the Task Force, which evaluates the results achieved or take actions where necessary. Each focus area has a CSR Work Force for substantive discussions and working out (sub)activities.

2.2.2 a.s.r.'s contribution to the UN Sustainable Development Goals

On 25 September 2015, 193 world leaders committed themselves to seventeen Sustainable Development Goals (SDGs) to work on sustainable development worldwide. Between now and 2030, these goals will focus on the eradication of global poverty and inequality, combating climate change and creating a prosperous and peaceful life for all. Not only governments, but also companies have a contribution to make in this context.

a.s.r. contributes to the SDGs in its value creation process. a.s.r. examined where the largest contribution is made. Although the seventeen SDGs are related and a.s.r. has an impact on different fronts, a.s.r. contributes to SDG 8 (Decent work and economic growth) objectives in all four roles. As an insurer, a.s.r. contributes to income and work by focusing on prevention (and reducing the risks) of unemployment due to sickness or disability. As an investor, a.s.r. invests with a strict ESG policy aimed at stimulating sustainable economic growth. As an employer, a.s.r. contributes to economic productivity through a strong focus on vitality and development. And, to conclude, a.s.r. contributes to people's financial self-reliance and is committed to keeping products available for customers with payment problems (access to financial services).

Decent work and economic growth: *Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.*

a.s.r. also contributes to other SDGs that are further reflected in the relevant sections. Below is a brief overview of its impact, subdivided into the four themes: 'Sustainable insurer', 'Sustainable investor', 'Sustainable employer' and 'Social role'.

Sustainable insurer

a.s.r. investigates the possibilities of making its insurance products and services more sustainable. a.s.r. focuses on prevention, safety and building up capital responsibly. For example, there is attention for climate adaptation (SDG 13) within Non-life. Within Pensions, the SRI policy and the exclusion list of Group Asset Management is pragmatically applied (for the relevant SDGs, see below, under 'Sustainable investor'). And within Disability, De Amersfoortse has started a partnership with other parties to get people, who have or had cancer, back to work (SDG 3 and 8). Also, in order to further strengthen the impact of a.s.r., conscious choices are made in whether or not to enter into relationships with customers and suppliers by pursuing the Customer Due Diligence (CDD) policy (for more information about CDD policy see also Chapter 2.4 and 3.1.3). Read more about a.s.r.'s impact regard its products and services in Chapter 3.2 (Segment performance).

Sustainable investor

In the investment process, a.s.r. pays special attention to impact investing, seeking to make a sustainable contribution to society, for instance through investing in renewable energy (solar and wind, SDG 7) and social enterprises (SDG 8). On the other hand, a.s.r. does not invest in arms trading (SDG 16) or the tobacco industry (SDG 3). As a real estate investment manager, a.s.r. contributes to sustainable and liveable cities (SDG 11) by investing in, among other things, energy-efficient buildings, renewable energy applications, greenery and liveability. As a sustainable investor, a.s.r. touches on a wide range of SDGs. Read more about sustainable investing and sustainable real estate investing on pages 66 and 70.

Sustainable employer

a.s.r. strives for an inclusive culture, in which the diversity of employees is recognised, valued and put to use, and in which people with a distance from the labour market also have a place (SDG 8). Specific targets have been set in the context of gender equality (SDG 5). Read more about a.s.r.'s diversity policy on page 35.

Social role

The department a.s.r. foundation initiates projects on awareness and financial self-reliance. By teaching and supporting people in reading and arithmetic, being able to handle money and organising their financial administration, a.s.r. contributes to financial self-reliance (SDG 1). a.s.r. also adheres to and executes the ethics manifesto 'From Debts to Opportunities': customers who are behind on payments are approached in a timely and pro-active manner to resolve their payment problems (SDG 8). Read more about the objectives and results regarding financial self-reliance on page 44.

a.s.r. is convinced that it is important to pay attention to its own direct footprint and sets a good example as a responsible company by limiting its negative impact on the environment. a.s.r. therefore sets the ambition to become 100% carbon-neutral by 2020 (SDG 7). Read more about the targets and results regarding a.s.r.'s carbon footprint on page 46.

2.3 Key trends

The coming years may bring changes that could have a major impact on a.s.r. The most important of these will be driven by technological innovation, economic developments and their impact on global financial markets, social and demographic trends, politics and regulatory supervision, climate change and a declining insurance market.

Technological innovation

Various technological innovations will have a significant impact on the scope and position of insurers in the value chain. Big data is generating a vast amount of information that can be used for a range of purposes such as customised solutions to meet customer requirements, risk pricing, improvement of retention rates, prevention, lead generation and fraud detection. The Internet of Things, where devices are constantly online and sending or receiving relevant information, could improve prevention of damage, resulting in a reduction of claims. Smartphones and tablets are increasingly being used in customer interfaces that require simple and straightforward digital services. Health-related technology can contribute to a longer, healthier life. Predictability and determination of factors influencing people's health is improving thanks to wearables, which give customers (and insurance companies, where possible and desired) more information that could help them move from cure to prevention.

Technological developments in the area of artificial intelligence, blockchain, quant computing and robotics have the potential to disrupt or to re-invent the insurance industry. Artificial intelligence and big data, for example, could prompt a shift from risk mitigation (via insurance solutions) towards risk prevention (e.g. self-driving cars, increased focus on preventing illness). These technologies could change the nature, magnitude and type of risks that customers want to mitigate. Insurers could help to cover the residual risk and their role could therefore shift to helping customers prevent risks. Robotics could also dramatically improve process efficiencies and, in the long term, could also improve the quality of processes.

Opportunities

- New technology is creating new forms of risks for which customers seek cover. (e.g. cyber risk and security, for more information see Chapter 3.3.1 (Risk Management);
- Technological developments could disrupt traditional insurance models;
- Customers are becoming more comfortable with exploring opportunities with non-traditional 'start-up' companies in the financial sector. They could be willing to consider products that offer something different than traditional savings and pension models;
- Technologies can help customers and solve their problems;
- Talent with digital skills is crucial for success and is becoming increasingly difficult to find. The in-house development of this talent is key;
- Through technology, customers or alternative platforms are able to offer services themselves without or with less help from traditional parties. More and more alternative collectives and several platforms are emerging in this way.

Risks

- New technology is creating new forms of risk for which customers seek cover. (e.g. cyber risk and security, for more information see Chapter 3.3.1 (Risk Management);
- Technological developments could disrupt traditional insurance models;
- Customers are becoming more comfortable with exploring opportunities with non-traditional 'start-up' companies in the financial sector. They could be willing to consider products that offer something different than traditional savings and pension models;
- Talent with digital skills is crucial for success and is becoming increasingly difficult to find. The in-house development of this talent is key;
- Through technology, customers or alternative platforms are able to offer services themselves without or with less help from traditional parties. More and more alternative collectives and several platforms are emerging in this way.

a.s.r.'s answers
Technological developments are changing the world. They are providing new opportunities for optimising current service delivery and developing additional services. Big data also poses an ethical dilemma. Full transparency on individual profiles could lead to a selective acceptance of risks, undermining the collective principle of insurance.

Exploiting these new opportunities requires an innovative approach. In this context, a.s.r. distinguishes three horizons:
1. Optimisation of current processes, focusing on efficiency and cost savings (e.g. in distribution and communication);
2. Transforming the existing business model with the aim of making the end-to-end service provision more relevant, mainly through digitisation;
3. Developing disruptive initiatives focusing on new business, service and revenue models (separate from the existing business).

In 2017, a special team (Innovation & Digital) was set up to support the transformation and disruption. For disruptive initiatives with the potential to quickly capture market share or penetrate new markets, a new innovation space was also set up, the Mission Control lab. This team organises customer panels to test new concepts. A growing number of online tools are also being used and web and data analyses are being further developed.

The selected approach is in line with the a.s.r. business strategy, which aims to improve and further develop the current business and to proactively develop new business. This can give rise to a conflict of interests, for example in finding a balance between the optimisation of current processes and transformation on the one hand and disruptive initiatives on the other.

Investments in optimisation generally yield more revenue and security. Transformation and disruptive models, on the other hand, require different skills and metrics. They may create more risk in the short term, but in the longer term they could provide more value for all stakeholders. Bringing innovation together in one place within the organisation forces clear choices to be made.

The Innovation & Digital team reports directly to the Executive Board. Disruptive initiatives are managed separately and are organised separate from the a.s.r. organisation.

In 2017, the Innovation & Digital team contributed to a new and dedicated website with an innovative tool: www.potjevoorlater.nl. This gives customers an easy way to decide how they want to live later on in life and how much money they will need to do so. The website serves a clear customer need now that the State is stepping back and people are having to save more for their pensions themselves.

Big data plays an important role in many innovations. Mission Control is also considering applications such as prevention of damage to cars. a.s.r.'s knowledge on the number, times and locations of claims can be translated into customer information and used to develop new products and services, such as an insurance product for a specific route and/or a specified number of kilometres.

In 2017, the Innovation & Digital team built a new website for De Amersfoortse using an innovative 'target group-driven' concept. Customers don't automatically see all information on the website, but each target group is offered only the information that is relevant. In late 2016, the asr.nl website was also overhauled, becoming a fully dialogue-driven insurance website in the Netherlands. The new website was further optimised during the year. In 2017, asr.nl was awarded a silver jury prize by 'Lovie' for Europe's best website, chiefly for its uniqueness in financial services.

Robotic Process Automation (RPA) is piloted in several departments (Finance, P&C and Individual life). If a process is not straight through, RPA can create further efficiency. In 2017, the Life segment began using a RPA to perform simple tasks. This primarily helps to reduce costs. It also frees up employees to focus more on tasks with added value for customers. Finally, the initiative gives a.s.r. the experience and knowledge to deploy robots elsewhere in its business processes.

Economic developments
The insurance industry has operated in a low interest rate environment for many years. Institutional investors such as insurance companies search for adequately yielding assets for their investment portfolios. Global economic growth accelerated in 2017. Economic growth in the Eurozone and the United States was healthy and stock markets in these regions performed very well. Interest rates rose somewhat, yet remained at historically low

levels, especially in the Eurozone, driven by the ECB's policy of quantitative easing. On the back of ECB activity and compounded by strong economic growth, there was a further tightening of credit spreads. The investment portfolio consequently performed strongly in 2017, but conditions for insurers and other institutional investors remained challenging, with low interest rates and low risk premiums resulting in reduced investment returns. Against this background, a.s.r. expects the search for yield to continue. Central Banks, including the Federal Reserve in the US and the ECB in the Eurozone, have begun reducing their monetary expansion of past years, and are likely to continue doing so in the years ahead. Margins on traditional, capital intensive spread-based products have become thin. At the same time, regulators require insurers to hold more capital to ensure that policyholders' interests are safeguarded at all times. Products with guaranteed minimum returns have become highly expensive. This is causing insurers to move from capital-intensive to capital-light products, such as defined contribution pensions and asset management propositions.

Opportunities

- Capital-light life products (e.g. defined contribution plan products);
- Further development of the Distribution and Services segment;
- Sustainable business enhancement via asset management solutions across all assets classes for external clients.

Risks

- Prolonged low interest rate environment and/or financial markets turmoil, and reduced rewards for risk which may squeeze future profits and as reduced investment returns this may reduce the attractiveness of spread-based businesses such as defined benefit plans. For more information see Chapter 3.3.1 (Risk Management);
- Capital-light life products (e.g. defined contribution plan products).

a.s.r.'s answers

a.s.r. expects the risk of rising rates to be higher than that of lower rates. a.s.r. is positioning its investment portfolio and interest rate hedging strategy accordingly.

a.s.r. is offering a wide range of capital-light pension products (defined contribution), het Nederlandse pensioenfonds (Dutch pension fund; Hnpf) and IORP (Institution of Occupational Retirement Provision) products via a joint venture. a.s.r. has successfully increased its market share in the defined contribution product segment. During 2017, a.s.r. migrated a large part of the existing defined contribution products to a single platform.

In the past years, a.s.r. strengthened its position in the Distribution and Services segment through the acquisition of Van Kampen Groep (VKG), Dutch ID, SuperGarant and Corins.

In 2017, a.s.r. asset management significantly expanded its third-party asset management business, successfully introducing two flagship mutual funds for institutional investors in the mortgages and Euro ESG investment grade credits asset classes. The a.s.r. mortgage fund gives investors access to Dutch residential mortgages originated by a.s.r. A unique element of this fund is that it offers two subsidiary funds: investing in mortgages with or without national mortgage guarantee. The assets under management amount to € 0.5 billion at the end of 2017. The fund also received € 0.3 billion in commitments. The a.s.r. ESG Euro credit fund fully includes the a.s.r. Socially Responsible Investment (SRI) policy in its investment process and offers an attractive risk-return profile against the benchmark. The assets under management in this fund grew to approximately € 0.5 billion. At the end of 2017, a.s.r. further strengthened its asset management capabilities through the acquisition of First Investments, an asset manager specialising in liability-driven solutions for pension funds.

Social and demographic developments

Trends in society are encouraging the development of new products and services and/or altering the procedures adopted by insurance companies. Different factors play a role in this context.

Consumer behaviour is shifting away from owning items and towards sharing them. There is a trend towards individualisation: 'Why should I pay for the risk incurred by someone else?' This development is intensified by what is termed usage-based insurance (UBI) and the growing availability of data, which allows for a radical differentiation which could lead to further individualisation. This is putting pressure on the solidarity principle, potentially resulting in 'uninsurable risks' at the peripheries of society.

Fewer people spend their entire working life with the same employer. Jobs are continually being created and evolve or disappear over time. This process also invokes many job switches, including from flexible to definite contracts, from having an employer to being self-employed and vice versa. In recent years, the trend towards fewer permanent employees, more employees on flexible contracts and more self-employed people has become more pronounced.

Life expectancy is rising. This is making the existing social welfare system less affordable. In the future, pensions are likely to be designed more individually. This might affect the product portfolios offered by insurers and pension funds. Another consequence of the steady increase in life expectancy, combined with expensive technological innovations, is that health care will become more expensive year on year. This seems to be an ongoing trend which will put pressure on the existing medical insurance system.

Opportunities

- Changes in consumer behaviour, resulting in declining and evolving demand for insurance products. For more information see Chapter 3.3.1 (Risk Management);
- Supporting the health of customers and employees is in line with a.s.r.'s objective to contribute to society and potentially lower claims in Health and Disability;
- Further reduction of the principle of solidarity and growing attention for individual solutions, possibly offset by mandatory solutions for uninsurable groups;
- Increasing number of self-employed professionals (ZZP), seeking insurance and savings solutions;
- Customers need to prepare for longer working life in order to sustain lifestyle.

Risks

- Changes in consumer behaviour, resulting in declining and evolving demand for insurance products. For more information see Chapter 3.3.1 (Risk Management);
- Unforeseen rises in life expectancy may have a major impact on future profitability, though mitigated by a.s.r.'s funeral and term life business;
- The move from retail to wholesale purchase of insurance products (for instance, when consumers move from car ownership to car-sharing, cover will be purchased by the organisation that owns the vehicle), which will squeeze margins;
- Further reduction of the principle of solidarity and growing attention for individual solutions, possibly compensated by mandatory solutions for uninsurable groups.

a.s.r.'s answers

a.s.r. pensions responds to the increasing rate of life expectancy by focusing on capital-light products (DC product with reinvestment, IORP). It also makes the best possible use of current legislation and closely monitors changes in legislation. The expected expansion of individual choices is already visible in legislation. a.s.r. pensions is anticipating this by facilitating communication and extensive digitisation with a personal touch. Within Disability a.s.r. is providing customers (self-employed) with services to remain mentally and physically fit.

a.s.r. encourages employees to continue to develop themselves and boost their long-term employability. This approach is also anchored in 'De Andere Cao', which has been in force since 1 January 2018. The 'In Motion' programme and the programmes linked to the annual employee review are also geared to personal development and sustainable employability. This is covered in more detail in Chapter 2.5 (Our people). Not only does a.s.r. encourages its employees to take preventive measures and remain healthy, it encourages its customers too, where possible.

Politics and regulatory supervision

In the financial sector, the trend is towards more regulation and State intervention. Consumer protection (for example, regulations to increase the protection of personal information – the General Data Protection Regulation) takes precedence and risk mitigation is broadly supported by politicians and regulatory bodies alike. There is an increased effort needed to comply with regulation, as illustrated by the emergence of Solvency II and the upcoming change in accounting standards (e.g. IFRS 17).

Opportunities

- Solvency II and increased scrutiny of the capitalisation of insurance companies may speed up consolidation in the Netherlands and enhance the opportunity-set for possible acquisitions for a.s.r.;
- IFRS17;
- Quicker reporting on Solvency II;
- Privacy / AVG.

Risks

- New and increased levels of regulation, for instance, in the field of Pensions, Disability and Health, may impact existing business models. For more information see Chapter 3.3.1 (Risk Management);
- Juridification of society with specific political, regulatory and public attention to unit-linked life insurance policies. Current and/or future legal proceedings (e.g. of unit-linked life insurance products) brought upon a.s.r., could be applied to or be relevant for other insurance products. For more information see Chapter 3.3.1 (Risk Management);
- Increasing levels of regulation, forcing a move from entrepreneurship to 'de facto' implementation of publicly established regulations.

a.s.r.'s answers

a.s.r. recognises the need for clear and sound regulation, as this will help to build and maintain trust in the financial sector. It is important, however, to achieve the right balance and prevent regulation from severely disrupting the business, which will in turn increase costs for customers and reduce their appetite for buying protection for risks, also those which they may not be able to bear individually.
The Legal and Integrity departments supervise controlled and ethical business operations, investing heavily in awareness and knowledge. In 2017, for example, all employees were asked to take part in an online game and Q&A session (Gamification) which refreshed their knowledge of the code of conduct, among other aspects.
A legislative and regulatory committee was set up in 2017 to respond efficiently to changing legislation and regulations. This committee helps the various business lines identify and apply legislative changes in time. a.s.r. is currently investigating to what extent automation can play a role. Products are also being rationalised and the ICT system landscape of e.g. P&C, Individual life and Pensions is being simplified. This will mitigate the impact of legislation and regulations.

Financial implications of climate change

Climate change poses significant financial challenges and opportunities, now and in the future. The risk-return profile of organisations exposed to climate-related risks may change significantly as such organisations are increasingly impacted by the physical effects of climate change, climate policy and new technologies. Climate change also alters the risk profile of insurers as the predictability of the weather decreases and claim patterns potentially change over time. Well-educated and experienced employees who understand underwriting and risk-pricing are therefore crucial for the future profitability of insurers. Risk prevention is likely to become more important.

Opportunities

- Developing additional services to differentiate and help make customers more aware of the need for prevention (expertise, inspection, prevention and damage repair);
- Climate change may impact clients' perception of exposure to risks they are unable or unwilling to bear and persuade them to seek insurance cover;
- Growing investor attention for ESG criteria provides a basis for ESG-driven investment funds.

Risks

- Impact of climate change on the risk profile of P&C business, P&C clients and a.s.r. itself as an asset manager.

a.s.r.'s answers

a.s.r. is aware of the importance and responsibility of its combined role as an insurance company, asset-holder and manager of assets and real estate. Climate change poses a direct threat to a.s.r.'s business, both in term of its liabilities – the claims it has to pay out – and in terms of its assets – the value of its investments. Climate change also enforces unprecedented necessity for action.

As an insurer, there are various ways in which a.s.r. can be impacted by climate change risks. a.s.r. believes that climate change risks are mainly likely to affect the P&C business. For example, more frequent weather-related events such as wind or hailstorms could lead to a higher claims ratio, affecting the profitability in P&C. In October 2017, P&C set up the a.s.r. climate committee to examine what measures must be taken to manage risks and support customers as effectively as possible from the impact of climate change. a.s.r. currently manages the impact of climate change and weather-related events at different levels in its operations. It analyses climate change as a whole and calamities in particular on a regular basis.

As a signatory to the Paris Pledge for Action, a.s.r. is involved in initiatives to limit global warming to 1.5°C. It has also analysed and identified risks for the investment portfolio, such as stranded assets and changing business models in the mining and energy sectors. As a result, for its investment portfolio a.s.r. expanded its exclusion policy in July 2017 with controversial environmental activities, for example excluding companies that derive 33% or more of their revenues from tar-sands and shale oil. It also excludes countries that achieve a low score (below 50) on the environmental performance index. On the other hand, a.s.r. invests in renewable energy and 'cleantech' and endorses high-scoring countries and companies in its ESG integration policy. Its strict ESG policy (see page 67), which incorporates extensive requirements with regard to climate change, also makes a.s.r. more attractive for a growing number of (responsible) investors.

a.s.r. aims to manage its environmental footprint effectively by reducing its use of natural resources, seeking green alternatives and offsetting its carbon emissions (see page 46).

Declining insurance market

The Dutch insurance market is saturated. Looking at the volumes of GWP which includes higher lapses at this point in time, a.s.r. envisages a steady long-term run-off pattern in the individual life market. The volumes of a.s.r.'s GWP – excluding acquisitions – are roughly in line with market developments. If lapses and early surrenders continue at the present rate, a.s.r.'s life portfolio will be less than half its current size in a decade's time. In pensions, where the market has also declined in recent years, traditional defined benefits contracts are slowly shifting towards defined contribution or asset management solutions.

The P&C and disability markets have undergone cyclical contraction. Due to a.s.r.'s value-over-volume strategy, a limited fall in the GWP in P&C was noticed in the period 2012-2014, which – after having bottomed out – now has new scope for a limited and healthy increase driven by price and volumes.

Opportunities

- Consolidation potential in the 'closed' book for life and funeral insurance;
- Opportunities to grow organically and inorganically in the non-life and disability insurance markets.

Risks

- Further consolidation of other insurers affecting a.s.r.'s position and resulting intense competition in the Dutch market. For more information see Chapter 3.3.1 (Risk Management);
- Acceleration of decline, fuelling 'cost squeeze' at a.s.r. life.

a.s.r.'s answer

When opportunities for acquisitions arise in the market, a.s.r. reviews these opportunities carefully and thoroughly based on pre-determined criteria. a.s.r. does not acquire at any price, but only if doing so is in line with its strategy, complies with strict financial frameworks and strengthens the sum of the parts. The preference is for consolidation of single lines of business allowing other parts of the company to continue their day-to-day business without interference. In the past three years, a.s.r. has made ten acquisitions that fit this policy. In 2017, a.s.r. announced the acquisition of Generali Nederland. In addition to organic growth, a.s.r. sees further opportunities to grow its business through acquisitions.

2.4 Our stakeholders and material issues

a.s.r.'s main stakeholders are its customers, employees, shareholders and society at large. It is in continuous dialogue with these stakeholders about its priorities, objectives and policy, a context in which customers play a central role. Long-term relationships with its customers enable a.s.r. to create long-term value for its employees, shareholders and society at large as well.

Customers
Customers entrust their assets (premiums) to a.s.r., giving it a 'license to operate'. They need to be confident that these funds are being skilfully managed and that a.s.r. will continue to fulfil its long-term commitments. They also want this done in an impeccable, socially responsible, relevant and ethical way. Product requirements, perceptions and social standards are constantly evolving, and a.s.r. is committed to anticipating and responding to this changing context.

Employees
Employees want a professional working relationship allowing them to make their own career choices and to retain and enhance their attractiveness to the labour market. They also want to be proud of the company they work for. Personal development, pride and income security within (and eventually after) a.s.r. translate into employee engagement. All this makes a positive contribution to the interests of a.s.r. and its stakeholders.

Shareholders
a.s.r.'s shareholders rely on the implementation of its strategy. They expect management to seize the opportunities that arise and permanently monitor risks. They want a dividend that offers attractive return on their investment. Shareholders are also increasingly interested in the social relevance of the companies they invest in. It is in their interest that a.s.r. adequately represents the interests of all stakeholders in order to achieve long-term value creation and return on capital.

Society at large
Other a.s.r. stakeholders are business partners including intermediaries, regulators, politicians, trade unions, the media and civil society organisations. They expect a.s.r. to create a sustainable and responsible societal value in both the short and long term.

Dialogue with stakeholders
a.s.r. believes it is important to maintain a good relationship and good communications with all of its stakeholders, therefore a.s.r. conducts an ongoing dialogue with its stakeholders. Last year, it invited a group of internal and external stakeholders to engage in an in-depth discussion of a number of material issues. This dialogue concerned the testing and updating of the materiality matrix from 2016 to determine relevant reporting themes for 2017 and to support the development and implementation of (sustainability) policies.

During the 2017 dialogue, members of the Executive Board discussed with a broad group of stakeholders the question 'What does it mean to be a sustainable and socially valuable and desirable insurer?'. Discussions centred on three subsidiary themes: 'Sustainable insurer', 'Sustainable investor' and the 'Social role of a.s.r.'. Participants were drawn from key internal and external stakeholder groups representing the broadest possible cross-section of a.s.r.'s stakeholders.

One of the key discussion points during the dialogue with stakeholders was the coherence and consistency (and hence integration) between a.s.r.'s corporate strategy, investment policy and general policy. The organisation undertakes several roles: investor, supplier of insurance products and services, lessee and lessor of real estate and buyer of products and services. In some situations, these roles can conflict with one another and give rise to dilemmas. a.s.r. has therefore devised an assessment framework for addressing social and ethical dilemmas, the aim being to help each other, learn from each other and work together on a solution. The CSR Taskforce (Chapter 2.2 CSR Governance) acts as a platform within a.s.r. to discuss social and ethical dilemmas. Decision-making can also take place in the Taskforce if this is not possible in the business line. a.s.r. believes that external transparency on this issue is vital. Stakeholders also specifically mentioned this as a point requiring attention. As a sustainable insurer, a.s.r. wants to engage in dialogue and exert influence in order to set parties in motion rather than exclude them. This is in line with a.s.r.'s commitment to be a sustainable insurer.

Social and ethical dilemmas

a.s.r. wants to play a prominent role in corporate social responsibility (CSR) in the financial sector. As an insurer, investor, employer and as a committed member of the community, a.s.r. is always looking for the right balance between people, planet and profit.

For a.s.r.'s insurance activities the Customer Due Diligence (CDD) policy has been put in place to avoid that business relations are established with customers (and suppliers) involved in crime or other socially undesired actions, thus jeopardising a.s.r.'s reputation and integrity. Examples include money laundering, tax fraud, insurance fraud, financing terrorism, corruption, environmental offences, conflicts of interest and insider trading.

For the investments of Group Asset Management (GAM), the Socially Responsible Investment (SRI) policy applies. The SRI policy focuses on the screening of large, international and listed companies on ethical and sustainability criteria. Countries and external providers are also screened. These screenings result in an SRI exclusions list for investing. GAM also excludes businesses based on their conduct, such as gross violations of the UN Global Compact principles, for example in the area of human rights, labour rights and the environment.

These different angles of CDD, SRI and CSR may however conflict with one another and create social and ethical dilemmas. For instance, is it an acceptable exception to offer employees of an excluded company a pension insurance solution? If so, under which conditions is such an exception justified to all stakeholders? Another example of a dilemma is when a company acting in violation of a.s.r.'s exclusions policy has formed a pension foundation for its staff in the past and now wants to transfer the existing entitlements of its (former) employees to a.s.r. (buy-out). This, too, poses the dilemma for a.s.r. as to whether the SRI policy should be guiding in such decisions, or whether the rights of individual participants should be prioritised.

Considerations such as corporate versus private customers, new versus existing customers and the nature of products should be taken into account in this context. But also customers with a parent company that is active in a field of controversial activities, changes in the exclusion list (by the changing spirit of the age, for example) and customers arising from acquisitions, make that every case is unique and mean that careful consideration is required of the different interests of the stakeholders involved in relation to a.s.r.'s policy before a decision can be taken on, for example, whether or not to accept customers.

A third key discussion point mentioned by stakeholders was cooperation. a.s.r. has considerable knowledge and operates a large network within and beyond the insurance industry. It can further strengthen its social role by working more closely with national and regional parties and players within the sector. In CSR and innovation in particular, a.s.r. is seeking opportunities to invest with other parties, exchange knowledge and help in the further development of social initiatives. In 2017, for example, it set up a financing structure with Triodos in order to exert a sustainable influence on the business community through investments. Other examples are the involvement in the *'Beter Bereikbaar Utrecht-Oost'* (towards a more accessible Eastern Utrecht) platform, through which a.s.r. is contributing to the region's accessibility in conjunction with the University Medical Center (UMC), Utrecht University (UU) and Utrecht University of Applied Sciences (HU). This takes the form of combined promotion of bicycle use and efforts to improve and encourage use of public transport, reduce traffic problems and cut the CO_2 footprint. a.s.r. is also one of six partners in the *GOUD* project *(Geothermie Oost Utrecht Duurzaam, or Sustainable East Utrecht Geothermics)*, which investigates whether ultra-deep geothermics is feasible in the eastern Utrecht region. In the area of sustainable deployment, a.s.r.'s career coaches seek, in collaboration with *Stichting Tussenvoorziening* in Utrecht, to help formerly homeless people to re-enter the job market by, for example, offering workshops (on how to apply for a job, for example). Also, a number of formerly homeless people received individual guidance from talented participants of the development programme. Furthermore, a.s.r. is seeking collaboration with fintech and insurtech start-ups and accelerators to develop new customer solutions and applications and explore new business models to create shared value for a.s.r. and its stakeholders.

One of the points of attention for reporting which emerged was that a.s.r. could communicate more about its contribution to the Sustainable Development Goals (SDGs). In 2017, a.s.r. investigated where its impact on the goals was greatest and where it could make concrete contributions. Chapter 2.2 (Value creation model) discuss this in more detail.

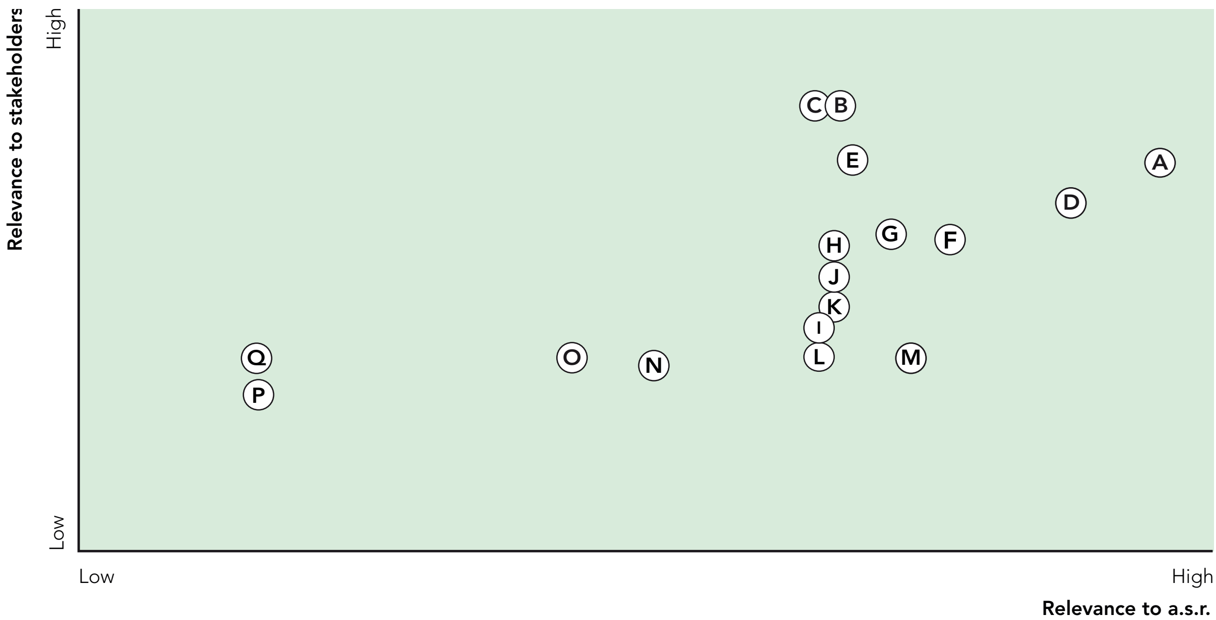
More information about the a.s.r.'s stakeholder approach can be found in Annex D (GRI 102-43).

Determining a.s.r.'s most material topics

a.s.r. compiles an annual materiality matrix. This is done to determine reporting themes and to map out stakeholders' interests and expectations, which serves as relevant input for policy design and implementation. The materiality analysis takes issues into account that influence stakeholder assessments and decisions, and topics that are important for a.s.r.'s overall business performance. This also includes the impact a.s.r. has on the economy, the environment and the society, both positively and negatively. The results are shown in the materiality matrix below.

The 2016 materiality matrix was the starting point for determining a.s.r.'s material themes for 2017. The themes in the materiality matrix were further tested during internal and external stakeholder dialogues and adjusted on the vertical axis where necessary. Senior managers at a.s.r. were also consulted to reassess the material themes. These are themes that are relevant for the implementation of the strategy and long-term value creation of a.s.r. (horizontal axis). The Executive Board has validated the materiality matrix.

Materiality matrix 2017



#	Material themes and description	Reference (Chapter)
A	**Customer satisfaction** Degree of customer satisfaction in terms of quality and availability of services, comprehensible communication and customer orientation.	3.1.3, 3.2
B	**Offering socially responsible products and services** To develop sustainable products and services and encourage customers to positively and actively opt for them. The focus is on initiatives in the areas of safety (around the home, in traffic, at work, etc.), prevention (of care and disability) and sustainable asset-building.	3.2
C	**Transparent product and service descriptions** Clear and accessible communication with customers about products and services to enable them to understand the added value and characteristics of a product or service in order to facilitate choice.	3.1.3
D	**Financial performance** A financially reliable and stable institution strong enough to achieve its financial targets and objectives.	3.1.1, 3.1.2, 5
E	**Continuing to meet increasingly stringent legislation and regulations** Compliance with ever-evolving national and international legislation and regulations and the resulting requirements of regulators.	3.3
F	**Solvency** The solvency position reflects the way a.s.r. can fulfil its short-term and long-term obligations and commitments to all its stakeholders. This is expressed by the ratio of available capital and solvency capital requirement (SCR ratio). a.s.r. has set limits and internal targets for the statutory framework at different levels. The key objective in this context is to guarantee the required level of solvency and to uphold S&P 'single A' rating at group level.	3.1.2, 5.8, 5.9
G	**Socially responsible investment** Investing with due regard for ethical standards, policies and procedures, in line with the interests of a.s.r. stakeholders, whereby the integration of ESG criteria is key. This includes respect for fundamental human rights, labour rights, the environment and adequate corporate governance.	3.2.3

#	Material themes and description	Reference (Chapter)
H	**Integrity** Acting in compliance with applicable laws and regulations, ethical standards and the internal standards to which they give rise. Meeting the (justified) expectations of stakeholders and putting the customer's interests first.	3.1.3
I	**Innovation** A corporate culture focused on continuously adapting and translating new customer expectations into new solutions and applications that deliver relevance and sustainable value for customers and society. This is achieved by adopting other ways of working (together) both internally and externally, as well as anticipating and applying new technologies.	2.3
J	**Vitality** Helping employees to remain mentally and physically healthy and vital at work so that they can continue to add value to a.s.r.	2.5
K	**Risk management** Risk management is an integral part of daily business operations. a.s.r. applies an integral approach to managing risks, thereby ensuring that strategic objectives are met. Value is created by striking the right balance between risk and return, whilst ensuring that obligations to stakeholders are met. Risk management supports and advises a.s.r. in identifying, measuring and managing risks, and ensures that adequate and immediate action is taken in the event of changes in the risk profile.	3.3.1, 5.8
L	**Sustainable employment** Encouraging employees to develop themselves with the aim of maintaining and or increasing their opportunities in the internal and external labour market.	2.5
M	**Information and cyber security** a.s.r.'s protection against, and response to, attack, theft or damage to infrastructure, hardware, software or information (customer data), as well as disruption or misdirection of the services it provides by managing people, processes and technology.	3.3.1
N	**Climate change** The impact and risks of climate change on a.s.r.'s customers, advisors, products and services.	2.3, 3.2.1
O	**Diversity** A balanced workforce composition based on age, gender, cultural or social origin, skills, views and working styles.	2.5
P	**Assessing suppliers on their impact on society** Encouraging environmental and social standards in a.s.r.'s supply chain as well as assessing the positive and negative impact of suppliers on society.	3.1.3
Q	**Contributing to financial self-reliance** Offering the knowledge and skills of its employees to help people avoid getting into debt or to get them out of debt.	3.1.3

2.5 Our people

Our mission is helping by doing. Employees are a crucial factor in successfully executing a.s.r.'s strategy. As described in the story of a.s.r. (Chapter 2.1 Our strategy), customers and the wider society benefit from the excellent service, expertise, positive attitude and social commitment of its employees.

a.s.r. needs competent and vital employees who are enterprising and versatile to realise 'the story of a.s.r.'. Employees who can and dare to take control of their day to day work, including their own careers. That is why a.s.r.'s personnel policy focuses on employability, on supporting employees in their professional development and on boosting their continued employability and labour market attractiveness. This is also reflected in the starting points of 'De Andere Cao', a.s.r.'s new, home-grown corporate Collective Labour Agreement (CLA) which took effect on 1 January 2018.

The a.s.r. culture

The story of a.s.r. was written in early 2017. a.s.r.'s strategy, mission, vision and core values were also reformulated at this time (see also Chapter 2.1 Our strategy).
Everyone at a.s.r. abides by the organisation's core values, which sets out the basic approach and are used as a behavioural compass. These core values are:

- 'I'm helpful'. Employees are approachable, listen attentively, then help with solutions using their expertise, experience and commitment;
- 'I think ahead'. Employees empathise and think ahead to proactively help customers, advisors and colleagues;
- 'I act decisively'. Employees are alert and sharp to content and process, and come up with solutions.

They coordinate, are persistent and stand by their commitments.

Leadership is key to all this. Not only from managers, but from everyone. The way in which employees interact with each other ties in with this: for example, in the sharing of practical dilemmas. There is no hierarchy in this regard. The point of departure is that employees help each other, learn from each other and work together to come up with a solution. There is room for dialogue, the framework in which work is done are clear and responsibility is placed at the lowest possible level. It is about doing rather than talking.

The story of a.s.r. was shared by the Executive Board with senior management and their management teams and subsequently within the business lines. It was transposed to make it applicable for each business line. The employees then set to work within their teams to discuss what the core values meant for their roles and where they could develop themselves further. The story of a.s.r. is regularly highlighted and made visible through various communication channels, like the gamification platform. The story of a.s.r. was also given a prominent role in the new in-house CLA which a.s.r. compiled with the trade unions in 2017.

Permanent employability and agility

Development and vitality

a.s.r. considers the promotion of ongoing employability and agility in its employees to be crucial. It therefore invests in development, vitality and facilities that encourage time- and location-independent work. In order to enhance professional knowledge and skills, employees are offered a wide range of job-related education and training courses. All employees can moreover call on career coaching and choose from a wide range of workshops on sustainable employability. In 2017, groups of employees were also offered tailor-made (development) programmes. These included the Professional development programme and the Talent development programme for employees identified as (emerging) professional talent or top talent in the annual employee review. a.s.r. also runs a Management Development Programme for employees who are in or may be assuming a leadership role. Finally, a special programme was launched in 2017 for employees who, based on the employee review, are in the designated 'right person in the right place' group.

In motion

a.s.r.'s 'In Motion' initiative encourages employees to continue to develop themselves in order to improve their employability (inside or outside a.s.r.) and avoid (future) redundancies. 'In Motion' is intended for all employees, with specific attention for those affected by a reorganisation. The resources used in this context are career guidance, development programmes, workshops and IM cafes, a live meeting place where career development and ongoing employability are the central focus. 12 IM cafes were organised in 2017 with 658 employees taking part.

Annual employee review
During the annual employee review, the performance and potential of all a.s.r. employees is discussed. The employee review is carried out by line manager, the HR advisor and at least one other manager within the same business line, based on the '4 eyes' principle. The results of the employee review are discussed individually with each employee and are used for strategic personnel planning, succession planning, mobility and recruitment, as well as the targeted implementation of the development programmes.

Vitality
At the beginning of 2017, the Works Council approved the 2016-2020 working conditions policy, after which implementation began. One of the initiatives is Periodic Medical Examinations (PMEs) within all business lines. A PME, known within a.s.r. as the 'vitality scan', identifies vitality and health, the work-life balance and possible health risks in all employees. A PME has been offered on a voluntary basis and aims to make employees more aware of the interaction of work and health. They are also given advice on how to deal responsibly with potential health problems and work-related risks. Employees receive a personal report. If necessary, they are invited to attend an interview with an employment expert or the company doctor.

a.s.r.'s policy on sickness absence was updated in 2017, with more emphasis given to employees' responsibility in preventing absenteeism and their own role in the absenteeism process. The aim is to reduce absenteeism within a.s.r. The absenteeism rate for 2017 was 3.95% (2016: 3.68%).

Absenteeism rates

	31 December 2017	31 December 2016
Male	3.19%	2.76%
Female[1]	5.30%	5.34%
Total	**3.95%**	**3.68%**

Employee development training

	2017	2016
Employees have completed job-related training	1,729	1,506
Employees took part in one of the development programmes	819	661
Employees followed a workshop sustainable employability	589	948
Employees have completed an individual coaching programme	266	286
Employees were given guidance in the context of redundancy	182	112

Recruitment and selection
a.s.r. is regularly looking for new employees who have the ability to learn and develop, have the right knowledge and skills and who feel attracted to 'the story of a.s.r.'. For HR, therefore, 2017 was partly dominated by employer branding to increase the positive brand awareness of a.s.r. As a result, the recruitment site 'werkenbijasr.nl' was brought into line with 'the story of a.s.r.'. The same was done with the social media which a.s.r. uses to recruit new employees.

In 2017, 389 new employees joined a.s.r. In 2017, 31% of vacancies were filled internally; which was within the 30% target.

a.s.r. also wants to attract young talent and introduce them to the company. It therefore entered into partnerships with various students' associations and universities. In 2017, a.s.r. was represented at various events at colleges and universities, including National Econometrist Day, Utrecht University's Career Day and the Erasmus Recruitment Days. a.s.r. invites college and university students to familiarise themselves with the company. In 2017, for example, a group of second-year Business Economics students from Utrecht University of Applied Sciences visited the company and a.s.r. also organised the Finance Expedition, which involved 24 top students studying Finance.

1 Excluding maternity leave.

Trainee programme

a.s.r. has its own trainee programme in which young talented people carry out roughly four different assignments in one business line over an 18-month period. In addition to the assignments, trainees follow a customised development programme which includes training courses, a buddy programme and projects. After their traineeship, most of the trainees successfully leave the organisation. They particularly appreciate the help and scope they are given to explore what they are good at and what they want to specialise in or further develop themselves in. Eleven trainees started at the company in 2017.

Diversity and inclusivity

a.s.r. strives for an inclusive culture in which differences between employees are recognised, valued and exploited. At a.s.r., everyone who wants to use their talents to achieve the company's objectives will have the opportunity to do so, regardless of gender, age, ethnicity or sexual orientation. By diversity, a.s.r. means all aspects in which people differ from each other: both visible differences, such as age or gender, and less visible ones, such as cultural and social background, physical and mental capacity and styles of working.

The fundamental principles of a.s.r.'s diversity policy:

1. A balanced workforce composition based on age, gender, cultural or ethnic origin, physical and mental capacity, beliefs and working styles;
2. Promotion of a balanced composition of management through a policy of positive discrimination;
3. Equal development opportunities for all employees;
4. Participation of people with limited labour market potential.

Objectives of the diversity policy

At least 30% of the Supervisory Board, Executive Board and senior management are women. In 2017, both the Supervisory and Executive Boards had three male members and one female member. This brings the representation of women to 25% on both Boards. On 31 December 2017, senior management consisted of 22 members, 6 of whom were women and 16 of whom were men (27%:73%). In order to achieve the 30% target, application of the diversity policy has been explicitly included in the recruitment of the Supervisory and Executive Board members. Diversity policy is part of the recruitment process and the employee review, in which, among other things, succession planning is discussed.

a.s.r. is committed to employing at least 70 people through the Participation Desk by 2026. These are individuals with an employment restriction who are covered by the Labour Participation Act. In 2017 a.s.r. had 31 employees with an occupational impairment. In order to achieve the target, the Participation Desk was further professionalised in 2017. Attention was also drawn to this theme within the Management Teams (MTs), the aim being to increase awareness of the Participation Desk and hence the scope to employ people with limited labour market prospects.

Employee engagement and organisational success

In early 2017, a.s.r. replaced the employee engagement survey for measuring employee satisfaction with the Denison organisational success survey, which measures the success of an organisation in several dimensions and hence gives a broader picture than engagement alone. The results are more comparable to the global benchmark of large organisations, which use the Denison organisational success survey.

Over two thirds of a.s.r. employees (69%) took part in this scan. As this was a new research method, the results could not be directly compared to those of previous employee engagement surveys. However, it is clear that a.s.r. achieved a high score for engagement in 2017 compared to other companies. In 'commitment' (a co-determining factor for engagement in which vision, core values and and behaviour, knowledge development and empowerment are included), a.s.r. attained a place in the highest scoring 30% of the global benchmark using the new methodology.

The overall results show that employees characterise a.s.r. as a learning organisation. They also show that they want more clarity about the strategic direction the company is moving in. Translating customer requirements into concrete solutions is also sometimes experienced as difficult. 'The a.s.r. story' focuses on several of these issues. The results of the scan differed for each business line. Each MT discussed the results for each business line and devised a follow-up.

Working conditions

'De Andere Cao'
a.s.r. and the trade unions De Unie, CNV and FNV together established that the sectoral CLA of the Dutch Association of Insurers was no longer sufficiently aligned with the ambition, strategy and 'the story of a.s.r.' The parties therefore responded by compiling their own CLA for a.s.r. in 2017: 'De Andere Cao'. 'De Andere Cao' contributes to a sustainable and future-proof a.s.r. A consultation with a.s.r. employees who belonged to one of the aforementioned trade unions showed that all three trade unions were individually supportive of 'De Andere Cao'. 'De Andere Cao' runs for a year and took effect on 1 January 2018.

The underlying aim of 'De Andere Cao' is self-management, a mature employment relationship and boosting the labour market value of employees. Freedom of choice is possible though not compulsory, and the relationship between manager and employee is based on trust rather than control. The customer is central and 'De Andere Cao' contributes to a better work-life balance. The hallmark of 'De Andere Cao' is 'Het Andere Gesprek'. This is held on an ongoing basis and conversation partners and topics can change. 'Het Andere Gesprek' is used to discuss personal development, conclude agreements on, and evaluate, goals, behaviour and performance, give or ask for coaching and to coordinate efforts, attendance and absence.
The 'De Andere Cao' consists of four clusters: Culture, Development, Time and Mobility and applies to all employees. The key implications of 'De Andere Cao' are:
1. The standard assessment cycle has been abolished; performance, behaviour and development are reviewed on an ongoing basis;
2. Intensive and substantial investment in development, expertise, sustainable employability and vitality and making use of each other's talents;
3. Working with a standard number of annual hours with no fixed schedules. Attendance and absence at the office and working hours are agreed between manager and employee;
4. The timeframes within which work is done have been extended;
5. A system with plus and minus hours gives employees and managers more scope to absorb peaks and troughs in workloads within the annual standard hours;
6. The allowance for travel expenses will take place via a mobility budget based on, among other things, a kilometrage allowance.

With effect from 1 January 2018, all employees will be paid a negotiated pay raise of 2%.

Remuneration

Principles and governance
Chapter 1.3 of the published remuneration policy (see www.asrnl.com) sets out the applicable principles. Governance is covered in Chapter 7.

Peer groups
Once every three years, an independent consultancy is hired to perform a market comparison (remuneration benchmark). The ASR Remuneration Policy starts from the principle that the average level of total remuneration should actually be below the median of the peer group. The relevant peer group for a.s.r. employees (excluding the Executive Board of ASR Nederland N.V. and Asset Management) consists of the general market.

Key features of the remuneration system
The fixed pay awarded to the a.s.r. employees consists of a fixed gross monthly salary, a fixed allowance (as a result of the conversion of variable pay for those employed at a.s.r. on 1 July 2014), 8% holiday allowance and a year-end compensation. The level of fixed pay depends on the weight attributed to an employee's role, the relevant salary group and the employee's general performance rating (assessment of deliverables and agreements on appropriate conduct). Fixed pay is adjusted for structural wage developments in accordance with the 2017 CLA. Variable remuneration awarded to identified staff prior to 1 July 2014 is paid in instalments over the next few years. Identified staff are conditionally awarded a material share (i.e. 50%) of their variable pay in the form of cash and non-cash instruments. The conditional variable pay is deferred for three years; a reappraisal is carried out at the end of the three-year period, after which the cash component is paid out. The non-cash component is subject to an additional retention period of two years. Some of the unconditional variable pay is paid out in cash immediately. The non-cash component of the unconditional variable pay is also retained for two years.

In compliance with the remuneration policy, the remuneration of our employees consists solely of fixed remuneration, with the exception of a number of specific small groups. In addition, a.s.r. knows a few other special forms of variable remuneration which occur only occasionally and are awarded in accordance with legislation and regulations. The same applies to severance pay. In December 2017, the Supervisory Board and the Executive Board decided to grant all employees of a.s.r. a one-off payment equal to a monthly salary. It has been agreed with DNB to qualify this payment as a one-off variable payment.

A clawback mechanism, fairness clause and penalty scheme are applicable, meaning that the Supervisory Board can claw back any variable pay already awarded if it was based on incorrect information. The Supervisory Board is also entitled to adjust the level of the conditional variable pay if leaving the payment unchanged would go against the principles of reasonableness and fairness.

For the complete a.s.r. remuneration policy, see: www.asrnl.com.

'Het Andere Plan'

In order to provide the best possible support and guidance for employees during a reorganisation, a.s.r. applies 'Het Andere Plan'. This is a social plan centring on guidance from work to work which places emphasis on the development and sustainable employability of employees. 'Het Andere Plan' 2017-2018 divides a possible reorganisation into three phases:
1. My plan phase 1: in anticipation of (potential) redundancy;
2. My plan phase 2: following notice of redundancy;
3. My plan phase 3: from the moment of redundancy.

The aim of this phased approach is to encourage employees to work at an early stage on increasing their labour market value and thus take more control of their own career opportunities. The sooner they start working on their development, the bigger the budget a.s.r. will make available.

Employees made use of 'Het Andere Plan'

	2017
Phase 1	243
Phase 2	87
Phase 3	54
Guidance by In Motion team	174

The a.s.r. code of conduct

The a.s.r. code of conduct sets out the required attitude and behaviour of employees. The aim of the code of conduct is to protect a.s.r.'s reputation through the integrity and professional conduct of all its employees. It covers behaviour that upholds the principles of a.s.r. as expressed in 'the story of a.s.r.'.

Anyone who carries out work (on a regular basis) at or for a.s.r. must take the oath or make a solemn affirmation. New employees (both internal and external) must take this oath or make this affirmation within 3 months of taking up their duties.

In 2017, a.s.r. introduced 'Gamification' to keep knowledge of the code of conduct up to date. By daily answering related questions, employees can refresh their knowledge of the code of conduct. Since its launch, 46% of employees played the game 2 to 3 times a week. This has led to an 18% increase from 67% to 85% in knowledge of the code of conduct.

Ethical behaviour

a.s.r. attaches great importance to maintaining its integrity and good reputation as a financial institution, and actively takes measures to prevent unethical behaviour such as fraud and corruption. a.s.r.'s policy to prevent unethical behaviour is based on the sector-wide policy that financial institutions use to combat fraud. This policy promotes compliance with relevant laws, regulations, internal procedures and ethical standards. a.s.r. has an incident policy and allows employees to report incidents and data leaks (anonymously).

Under the Whistleblower policy, employees and third parties, including former employees, clients and other contracting parties, can report cases of alleged malpractice anonymously, freely and without feeling threatened. Violation of or non-compliance with the a.s.r. code of conduct may lead to disciplinary action.

An integrity screening is carried out prior to hiring new employees. This also applies to everyone who regularly works for a.s.r., including suppliers and brokers. In this way, a.s.r. seeks to prevent the risk of physical, financial or reputational damage to the company, its customers and/or other business relations.

3.1 Group performance

3.1.1 Financial review

Premiums

GWP

€ 3,920 m

(2016: € 4,328m)

Solvency

Solvency II ratio (standard formula)

196[1] %

(2016: 189%)

Expenses

Operating expenses

€ 584 m

(2016: € 569m)

Number of FTEs (internal)

3,493

(2016: 3,461)

Profit/loss

Operating result

€ 729 m

(2016: € 622m)

Operating return on equity

15.6 %

(2016: 14.6%)

Profit / (loss)
for the year attributable to holders of equity instruments

€ 906 m

(2016: € 659m)

Return on IFRS equity

21.2 %

(2016: 17.0%)

1 After proposed dividend and excluding a.s.r. bank. Solvency II ratio 203% pre-dividend.

3.1.2 Performance on financial targets

During the IPO-process and listing in 2016 on Euronext Amsterdam, a.s.r. communicated the following targets for the medium-term.

Medium-term financial targets

Financial targets	Performance 2017
Operating return on equity (ROE) a.s.r. seeks to generate an ROE of up to 12% per year in the medium term. For the long-term, a.s.r. aims to achieve an operating ROE of above 10% on average.	15.6%
Cost savings a.s.r.'s aim is to reduce operating expenses by an aggregate € 50 million in the medium term.	On target Effectively already realised € 41 million of € 50 million
Dividend In 2016, a.s.r. announced a dividend policy with effect as from 2017. The annual dividend will be based on a pay-out ratio of 45% to 55% of net operating result attributable to shareholders (i.e. net of hybrid costs). a.s.r. applies a boundary condition based on its Solvency II position. a.s.r. does not plan to pay a cash dividend if the Solvency II ratio were to fall below 140%.	45% € 229.7 million
In 2018, a.s.r. announced the intention to introduce an interim dividend as of 2018.	40%
Combined ratio In the Non-life segment, a.s.r. strives to achieve an overall combined ratio ('COR') of below 98%, and below 97% for 2017.	95.1%
Solvency/capital a.s.r. aims to maintain a Solvency II ratio – based on the Standard formula – of above 160%.	196%
Additionally, a.s.r. wants to attain a single A (S&P) 'Financial Strength Rating' for its insurance subsidiaries and a financial leverage of below 30%.	Single A 25.3%

Operating return on equity increased to 15.6% (2016: 14.6%). The increase was attributable to an increase in the operating result which exceeded the increase in equity. The outcome remains well above the target of up to 12%. **Return on equity on IFRS basis** stood at 21.2% (2016: 17.0%).

Operating expenses amounted to € 584 million (2016: € 569 million). Operating expenses associated with ordinary activities (part of the operating result) were € 560 million, which is an increase of € 11 million compared with the same period last year. This was mainly attributable to higher current net service costs for a.s.r.'s own pension scheme, an increased cost base because of acquisitions and investments in the growth segments Banking and Asset Management and Distribution and Services. In the Non-life and Life segment operating expenses decreased.

Combined ratio amounted to 95.1%, which is an improvement of 0.5%-point (2016: 95.6%). Operating result in the Non-life segment rose 26.5% to € 172 million mainly due to the exceptionally low level of claims in H1 2017.

Dividend

Management proposes to distribute a cash dividend of € 229.7 million for the full year 2017. This is a € 43 million (23%) increase compared to the cash dividend of € 187.0 million for 2016. The increase in dividend is driven by the improved operating result. The proposed annual dividend is in line with the earlier announced dividend policy for 2017 and based on a pay-out ratio of 45% to 55% of net operating result attributable to shareholders (i.e. net of hybrid costs).

Proposed dividend over 2017 per share amounts to € 1.63 per share payable in cash, up 28.3% from 2016 (2016: € 1.27). Proposed dividend per share of € 1.63 is based on 141 million shares. Dividend over 2016 of € 1.27 was based on 147 million shares.

Following the approval of the Annual General Meeting on 31 May 2018, the dividend will become payable with effect from 7 June 2018. The a.s.r. stock will trade ex-dividend on 4 June 2018.

In 2018, a.s.r. intends to introduce interim dividend, set at 40% of the total dividend for the previous year (in 2018: € 0.65 per share). The interim dividend is within the framework of the dividend policy and under the condition of sufficient results payable after HY results.

The Solvency II ratio increased by 7%-points to 196% (year-end 2016: 189%). The Solvency II ratio before the proposed dividend amounts to 203%. The Solvency II ratio increased mainly due to organic capital creation, positive capital market developments and issue of a Restricted Tier 1 bond (RT1). These developments were partially offset by re-risking of the investment portfolio (including impact of low interest rates), the lower volatility-adjustment, the proposed dividend over 2017 and the buy-backs of own shares.

All medium-term financial targets were exceeded in 2017.

Generali Nederland

On 5 February 2018, ASR Nederland N.V. completed its acquisition of Generali Nederland N.V. (hereafter GNL) by acquiring all issued and outstanding shares in cash.

GNL is the group company of a number of entities, the main being Generali levensverzekering maatschappij N.V. and Generali schadeverzekering maatschappij N.V. GNL focuses on non-life and life insurance contracts in the Dutch market. Generali Nederland N.V. has been renamed to ASR Utrecht N.V.

The acquisition of GNL further strengthens a.s.r.'s position on the Dutch insurance market and ties in with a.s.r.'s strategy of combining organic growth and growth through targeted acquisitions. Business synergies, diversification benefits and elimination of capital tiering restrictions generate significant synergy potential.

The full integration of GNL's activities into a.s.r. will take place in phases and is likely to be completed by 2020 at the latest. GNL staff will move to a.s.r. locations in the course of 2018. The GNL products will be rebranded into a.s.r. or one of a.s.r.'s labels in due course. Legal mergers between Generali levensverzekering maatschappij N.V. and ASR Levensverzekering N.V. as well as Generali schadeverzekering maatschappij N.V and ASR Schadeverzekering N.V. are expected to take place in 2018.

The acquisition price amounts to € 145 million which is paid at closing of the transaction on 5 February 2018. a.s.r. expects the total net capital commitment (including acquisition price) to amount to approximately € 200 million. The a.s.r. Solvency II SCR is expected to decrease by 9%-points as per 5 February 2018. To meet the a.s.r. solvency criteria, a.s.r. is planning to make capital injections to Generali levensverzekering maatschappij N.V. and Generali schadeverzekering maatschappij N.V. via ASR Levensverzekering N.V. and ASR Schadeverzekering N.V. respectively. GNL is expected to have a limited impact on the IFRS profit after tax and the operating result in 2018.

3.1.3 Performance on non-financial themes

Customer satisfaction

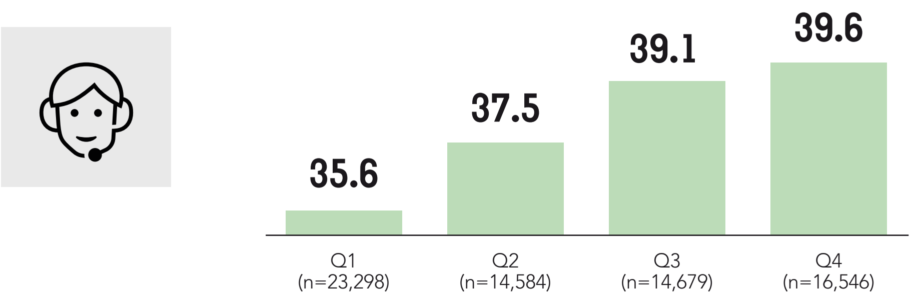
'Meeting customer needs' is one of the strategic pillars of a.s.r. Continuous efforts are being made to improve processes to better help customers and to develop sustainable insurance products. One of the ways in which this is done is by making information accessible and understandable. To this end, a.s.r. invests in new (more digital and accessible) IT platforms. Customers are increasingly asking for clear and comprehensible information. They want to be able to make an informed and fitting choice in the purchase of insurance products and services. In order to monitor and where necessary improve the performance of a.s.r., various customer and intermediary surveys are carried out. Two of those are the Net Promoter Score (NPS) and the Customer Interest Central Dashboard of 'AFM' (Dutch Authority for the Financial Markets).

NPS

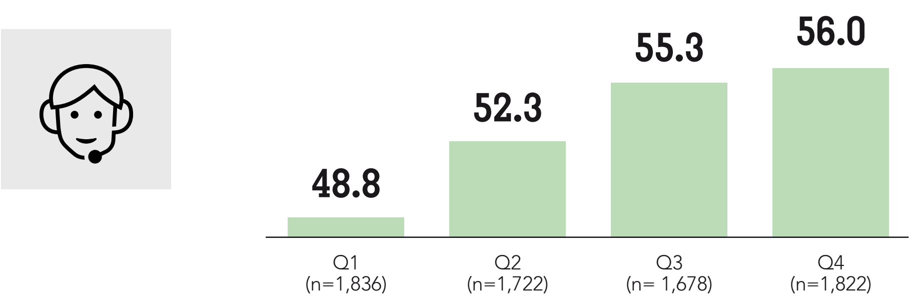
a.s.r. continuously measures the Net Promoter Score (per business line). At the beginning of 2017, a new method was chosen in which the questions were tightened. The question to the customer now places the emphasis on the employee of a.s.r.: *How likely is it that you will recommend a.s.r. to family, friends and colleagues based on your experience with me?* This used to be: *How likely is it that you will recommend us to a friend or colleague?*
A comparison with earlier NPS measurements is therefore not possible (the score went from +5 in December 2016 to +36 in January 2017).

In 2017, the NPS customer contact moment for customers increased by 4 points during the year, from 36 to 40[1]. Intermediaries[2] were more positive: the NPS rose from 50 to 57. The business lines each monitor their own NPS scores. Many business lines themselves have also formulated targets on the NPS. The NPS per business line is presented in Chapter 3.2 (Business performance).

Net Promoter Score - Customers



Net Promoter Score - Intermediaries



1 The NPS is calculated by subtracting from the percentage of promoters (rating 9-10) the percentage of detractors (rating 0-6) on a scale of 0-10.

2 Intermediaries and customers are asked the same question.

Customer Interest Central Dashboard

The Customer Interest Central Dashboard (Dutch abbreviation: KBC) provides insight into the extent to which the sector places customer interest at the centre of its products and services. Various research modules are the basis for this. The modules that formed part of the Customer Interest Central Dashboard in 2017 were 'Mortgage Advice and Management', 'Payment Arrears at Mortgages', 'Claims handling', '(Aftercare) Investment Insurance' and 'Information Provision by Insurers'. The table below shows the scores of a.s.r. The scores are compared to the average score of all the companies that were researched. a.s.r. scored above-average in the provision of information on life insurance policies. Just like last year, a.s.r. scored high in the research into claims handling at Non-life. a.s.r. also performed above-average in managing the existing mortgage portfolio. This was mainly due to the good score on the policy aspect. a.s.r. can improve even further in the module 'Payment Arrears at Mortgages'. This involves providing information and activating and supporting vulnerable mortgage holders. A plan of action has now been drawn up for this purpose. a.s.r. also lags behind in the area of arrears management, particularly in terms of quality control and policy. A number of actions have already been taken to meet these concerns. It has also been established that a.s.r. has sufficiently complied with (the aftercare of) investment insurance policies. Surveys and quality checks have led to improvements. a.s.r. has made a great deal of effort to actively approach clients with an investment insurance policy and has achieved good results.

Customer Interest Central Dashboard

Scores on (sub)modules	Score	Average
Mortgage Advice and Management	3.5	3.7
Payment Arrears at Mortgages	2.4	2.8
Claims handling	3.6	3.3
(Aftercare) Investment Insurance	3.7	3.2
Information Provision by Insurers	3.8	3.6

Complaints management

The Complaints Management team monitors the implementation of a.s.r.'s complaints policy and directs the complaints organisation. The complaints handling itself is decentralised within the organisation. Key objectives of complaints management are:

- a.s.r. is open to complaints, making it easier for customers to lodge a complaint;
- a.s.r. communicates its views and a resolution of the complaint in an understandable fashion;
- a.s.r. wants to learn from its mistakes. Therefore we welcome any complaints.

Training complaints officers

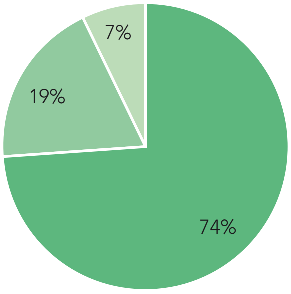
In collaboration with the bureau Interim & Meer, a.s.r. has developed tailor-made training programmes for complaints officers, enabling them to develop the necessary skills to conduct complaints interviews.
During this training programme, the complaints officers will learn what the customer expects from them, and how this can be given shape in a proper way. After completing the training, the officers will be able to conduct a high-quality interview and will know the importance of a proper introduction. They will be capable of discovering the customer's real question and bringing the interview to a satisfactory end. The training programmes are completed with personal coaching relating to complaints interviews conducted in which the subject matter is put into practice.

Learning and improving

In 2017, a.s.r. asked customers for their feedback on a.s.r.'s complaints handling. The questionnaire was personalised. For the first time customers can mark their satisfaction with the complaints officer. On a scale of 1:10, the average for 2017 was 7.9.

Complaints settled

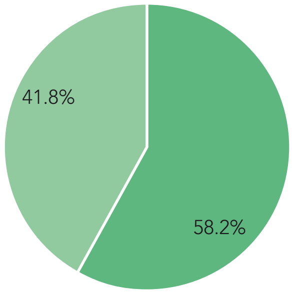
One of the questions is whether the complaint has been settled in the customer's opinion.



The outcome is as follows:

Yes, fully	74%
No, not fully but the follow-up is clear to me	19%
No, not fully and the follow-up is unclear to me	7%

Complaints handled



	2017	2016
Upheld	2,924	3,563
Rejected	2,103	2,754

Transparent product and service descriptions

Customers increasingly value transparent products and services with clear choices. This is also one of the outcomes of the central stakeholder dialogue (for more information see Chapter 2.4 Our stakeholders and material issues).

Product Approval & Review Process

The Product Approval & Review Process (PARP) is one of the internal tools for assessing the relevance of products and services. The focus is on customers and customer interests. The PARP process is implemented in various situations: when developing new products and services; in the event of changes due to, for example, changing legislation and regulations and in the event of complaints from customers. Products that are actively offered and inactive products and services are also regularly reviewed. The PARP tests Cost Efficiency, Usefulness, Safety and Comprehensibility (Dutch abbreviation: KNVB), among other things. This KNVB test includes AFM questions and own a.s.r. policy. For example, the usefulness of a product and/or service for the customer is assessed: to what extent is the product a response to a well-founded need of the target group and does it actually have added value? The comprehensibility test examines whether the target group can properly assess the functioning of a product on the basis of the information the customer receives from a.s.r. This includes tests for comparability, completeness of the information provided and whether the characteristics of the product are clearly defined.
In 2017, the PARP Committee approved two new propositions and two propositions that had already been initiated, 12 product adjustments and 25 reviews of existing products.

Integrity

a.s.r. strengthens its ultimate raison d' être, helping people, by being a sustainable insurer at the heart of communities and having an unbreakable reputation as a solid and responsible financial institution. Integrity and ethical conduct are prerequisites for an unbreakable reputation. In addition to the use of clear frameworks, sound and controlled business operations are above all driven by good intrinsically secured core values. Ethical behavior is naturally and open to discussion. Ethical dilemmas are discussed and shared. The culture that accompanies this is one of continuous learning and being accessible.

a.s.r. has a central Integrity department, responsible for of Compliance and Security Matters. The department supervises sound and controlled business operations, including monitoring the reputational risks of a.s.r. The framework is formed by laws and regulations and standards of a.s.r. itself, including the a.s.r. code of conduct. Safeguarding the customer's interests is central in this context. a.s.r. also wants to ensure in respect of all its employees that ethical behaviour is self-evident. That is why a.s.r. continually invests in raising awareness on the various themes of integrity. Employees are encouraged to make integrity issues open to discussion and enter into dialogue. Various activities took place in 2017 to further raise awareness. For more information on this, see Chapter 2.5 (Our People, page 37, paragraph 'Ethical behaviour').

In order to guarantee sound and controlled business operations, a.s.r. has taken a number of control measures. This involves preventing, recognising and combating conduct that does not respect integrity, including the risk of corruption. a.s.r. uses the Dutch Central Bank's definition: 'Corruption risk is the risk that financial companies in the Netherlands are involved in forms of bribery and/or conflict of interest that impair the integrity of and trust in the financial company or the financial markets.' Within a.s.r. this has been further elaborated in various policy documents, including an anti-corruption policy and an incentive policy. In 2017, 771 incentives were reported to Compliance and in 22 cases the advice was not to accept them. Within the a.s.r. businesses, high-risk processes are identified, as well as the risks and control of these risks.

a.s.r. investigates signals of unethical behaviour of employees, intermediaries and suppliers. In the event of a lack of integrity, including corruption and fraud, a.s.r. imposes appropriate measures. This is done with due observance of the applicable laws and regulations and protocols within the sector. In 2017, 49 incidents were recorded at the Security Affairs department where there was a proven lack of integrity that led to the imposition of a measure. A lack of integrity involved in 17 cases the conduct of an employee, in 31 cases the conduct of an intermediary and in one case the conduct of a supplier.

In general, the number and scope of integrity-related risks is limited. From a compliance perspective, changing legislation and regulations are the main risk to sound and controlled business operations. This is partly due to the usually short implementation time. Continued attention will also be needed for future changes in legislation and regulations and the related monitoring.

Assessing suppliers on their impact on the society

a.s.r. considers it important to operate in a responsible and sustainable manner. It also expects this from its suppliers.

Screening

a.s.r. does not do business with partners involved in crime or other socially undesirable acts such as money laundering, fraud or the financing of terrorism. This may endanger its reputation and integrity. a.s.r. has a Customer Due self-reliance Diligence (CDD) policy that requires screening before a contract is signed. The contract management policy also stipulates that a screening is carried out periodically. If, in the opinion of a.s.r., there is reason to doubt the integrity of a supplier, appropriate measures are taken.

Socially Responsible Procurement policy

a.s.r. imposes additional requirements on its suppliers in the areas of the environment, human rights and working conditions. These requirements are part of the procurement contracts concluded between a.s.r. and its suppliers. The main objective of the Social Responsible Procurement (SRP) policy is to be in dialogue with suppliers on these socially relevant themes. This subject is therefore a recurrent agenda item in the (board) meetings between a.s.r. and its suppliers. For 2017, the Procurement department's objective was to add a specified SRP supplement to the contracts with the ten most strategic suppliers. This target was achieved by a.s.r. Since medio 2017, this annex has also been a standard part of the contract set used by a.s.r. In this way, all new suppliers automatically implement the SRP policy.

KPI

	2017 target	2017 result
SRP annex is part of the procurement contracts concluded between a.s.r. and its suppliers.	SRP annex is part of the procurement contract with the ten most strategic suppliers.	☑

Contributing to financial self-reliance

a.s.r. helps customers in sharing risks and building up assets together for the future. Customers must be able to make conscious financial choices and be financially self-sufficient for this.

a.s.r. foundation

For a.s.r. social involvement is more than just sustainable entrepreneurship. It also means investing in various sustainable social initiatives. That is why a.s.r. foundation initiates projects with the help of the voluntary efforts of colleagues with regard to two themes:

- Financial self-reliance: providing help to prevent people from getting into debt or to get people out of debt again with the help of voluntary commitments of employees;
- Helping by doing: inspiring, motivating and mobilising a.s.r. employees to voluntarily engage in community activities in a broad sense, at home or in a team.

The experiences a.s.r. employees gain in this way also contribute substantially to the customer contacts desired by a.s.r. The starting point is a helpful and service-oriented approach. The customer values a.s.r. for its excellent service and expertise, but also for its positive attitude and social commitment. The customer realises that what a.s.r. does is socially responsible and sustainable.

Financial self-reliance

In the Netherlands, one in five households has high-risk or problematic debts. The debt burden is on average € 40,000 spread across fourteen different creditors[1]. The chance of someone ending up with a hard to resolve debt burden is a combination of factors. However, it does appear that having a disorganised administration, a lack of proper financial upbringing and low literacy increase the risk of debt. a.s.r. foundation provides support:

- In promoting the financial education of children and young people (reading and teaching);
- To households with (a risk of) problematic debts.

In 2017, a.s.r. foundation worked together with the following (social) organisations in the context of projects within Financial self-reliance: De Tussenvoorziening, Diversion, FC Utrecht Maatschappelijk, Feyenoord Maatschappelijk, Giovanni van Bronckhorst Foundation, Humanitas, Kinderzwerfboek, Nederlandse Vereniging van Banken (Netherlands Bankers' Association), Nibud (Dutch National Institute for Family Finance Information), Stichting Leven en Financiën (LEF), Taal doet meer, U-Centraal, Verbond van Verzekeraars (Dutch Association of Insurers).

Helping by doing

a.s.r. considers it important to play a broad social role in the community. This fits in well with the desire of many employees to be actively involved in the community in a meaningful way. Annually, a.s.r. makes time and finances available for this purpose.

- In a team context – Social Team Activity (Dutch abbreviation: MTA)
  More and more departments within a.s.r. extend their help as a team in a social organisation. This creates a fine combination of team building and 'helping by doing'. Teams work together with organisations that really need a helping hand. For example, a.s.r. teams took elderly people on a walk in the forest or picked fruit with mentally challenged people.
- At home – Encouragement Plan
  An individual Encouragement Plan has been put in place to encourage volunteering in colleagues' private environment. The financial contribution of up to € 500 plan by a.s.r. foundation is an extra backing. If an idea is only about receiving a financial contribution, the proposal will be rejected. Colleagues can apply for an Encouragement Plan once per calendar year.

Total commitment for a.s.r. foundation

KPI	2017 target	2017 result	2016 result
Voluntary contribution to financial self-reliance (number of times[2])	170	254	179
Voluntary contribution to financial self-reliance (number of hours)	1,700	3,996	2,002
Voluntary contribution to Helping by doing/roll up your sleeves – MTA (number of times)	30 times by 450 colleagues	47 made by 945 colleagues	18 made by 553 colleagues
Voluntary contribution to Helping by doing/roll up your sleeves – MTA (number of hours)	2,700	5,441	3,632
Voluntary contribution to Helping by doing/roll up your sleeves – MTA Encouragement Plans (number of times)	40 applications	44 applications from 57 colleagues	32 applications
Total Voluntary contribution (number of times)	**975**	**1,256**	**769[3]**
Total Voluntary contribution (number of hours)	**6,825**	**9,437**	**5,634**

1 https://www.movisie.nl/artikel/schulden-nederland-wat-werkt-gaan-we-doen, https://schuldhulpmaatje.nl/feiten-op-een-rij/

2 Because colleagues are or can be committed to various projects, we speak of number of times instead of a unique number of individuals.

3 In the 2016 Annual Report, the total voluntary commitment was 966 times and 6,426 hours. This included other projects that a.s.r. no longer offers in 2017, which is why a.s.r. excludes them from this comparison

Contributing to prevent payment problems at customers

In October 2016, a.s.r. signed the ethical manifesto From Debts to Opportunities. In this way, a.s.r. joined a group of companies committed to proactively helping customers who are behind on payments. These companies have united in the Creditors' Coalition. Through this coalition, a.s.r. remains connected to developments in the market and the public debate surrounding the subject.

Based on its raison d' être helping by doing, a.s.r. wants to help customers avoid payment problems. a.s.r. makes every effort to ensure that customers are financially self-sufficient. This ties in with 'the story of a.s.r.' and with the core values. Signing and complying with the ten rules of the ethical manifesto fits in very well with this. In this way, a.s.r. wants to reduce the number of customer cancellations due to payment arrears and problems. It also wants to reduce situations in which customers are confronted with cost-increasing measures. In all cases, a.s.r. strives to avoid non-payment. If that happens, a solution that suits him or her will be considered together with the customer.

a.s.r.'s businesses put the ten rules of the ethical manifesto into effect in their own way. Several results from 2017:
- Suspension of 300 insured persons at the Dutch Central Administration Office (Dutch abbreviation: CAK) because payment arrangements were made with these customers via pro-active receivables management;
- The development of arrears on mortgage loans from short-term to long-term (> 3 months) decreased strongly. From 0.57% (arrears percentage on mortgage loans) in 2015 to 0.21% in 2017. In addition to help from the economy, the deployment of a job coach and budget coach also contributed to the decline.

Carbon footprint a.s.r. head office

a.s.r. intends to be a good steward of nature and the environment by preventing waste and limiting negative impacts. a.s.r. puts special focus on its carbon footprint, which comes in two varieties:
- Indirect footprint, as a result of investment activities (see Chapter 3.2.3 Banking and Asset Management);
- Direct footprint, due to its own activities.

The direct carbon footprint of a.s.r. itself is limited and therefore not defined as a material theme by the management of a.s.r. and its stakeholders when it comes to impact on the environment and its business. However, a.s.r. thinks it is important to pay attention to its own footprint to set a good example as a responsible organisation and limit its negative impact on the environment. a.s.r. therefore sets the ambition to become 100% carbon-neutral by 2020.

Direct carbon footprint

The direct footprint of a.s.r. head office consists of waste, fuel, heat, electricity, cooling, commuter travel and business travel[1]. In 2017, a.s.r. sought to reduce its direct footprint by 2% compared to 2016. This target is not achieved; the total footprint increased by 0.2%[2]. When looking at the emissions per FTE, emissions remained more or less the same compared to 2016.

The scope 1 emissions decreased by 194 tonnes of CO_2-equivalent, mainly due to the use of fewer and more economical lease cars and the reduced use of natural gas. However, the scope 3 emissions increased by 210 tonnes of CO_2-equivalent. This is due to an increase in commuter traffic in kilometres, with car use increasing proportionally (compared to, for example, public transport use).

With a reduction of 6.8%, the target of achieving a 5% reduction in emissions from the a.s.r. fleet was achieved. As mentioned above, this is due to the use of fewer and more economical lease cars. Translated into kilometres, the reduction of carbon emissions is 21.9% per kilometre.

Direct carbon footprint

KPI	Target 2017	Result 2017
Direct carbon footprint	2% reduction on 2016	+ 0.2%
Fossil fuel consumption (carbon emissions) with respect to mobility[3]	5% reduction on 2016	- 6.8%

1 87% of all lease cars are allocated to head office.

2 In 2017, a new more accurate calculation method was used, resulting in an increase in the total footprint of 3.65% compared to 2016. In order to be able to compare results with previous year, the results for 2016 have been recalculated in this overview on the basis of the new calculation method and adjusted emission factors for 2017 for waste and mobility.

3 This includes the fossil fuel consumption of all a.s.r. lease cars.

Environmental performance a.s.r. head office

Carbon emissions

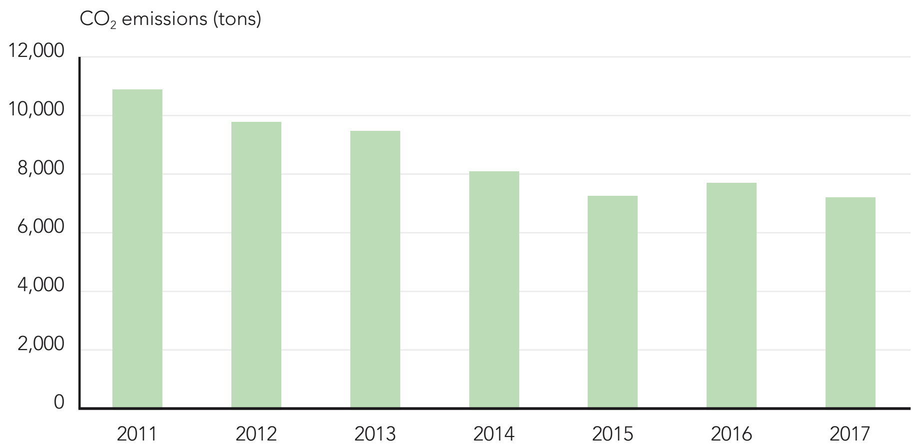
	2017	2016
Tons of carbon equivalents (scope 1, 2 and 3)	7,724.61	7,708.2
Category of carbon emissions (%)		
Fuel and heat	1.1	1.5
Electricity	0.0	0.0
Cooling	0.7	0.7
Business travel	33.2	35.2
Commuting	62.8	60.0
Waste	2.2	2.6
Total	**100.00**	**100.00**

Energy consumption

a.s.r. has undertaken the following measures to reduce its carbon emissions:

- MYA3: achieved 4.1% energy[1] savings in 2017, compared to 2016. A 30% energy efficiency improvement under the MYA3 covenant 2005-2020 was achieved back in 2014;
- a.s.r. achieved further savings, 4.9% kWh in 2017, by reducing the energy consumption of the in-house data centre. In 2018, energy consumption will be further reduced by replacing equipment of the Data Centre with more energy-efficient units;
- The building's energy efficiency label is A++ and the building was awarded a BREEAM Excellent rating;
- In 2017, electricity use was offset by the use of Swedish wind energy, using emission factor zero.

Carbon emissions



Emissions are compensated via 'Trees for all'[2] credits in 2017.

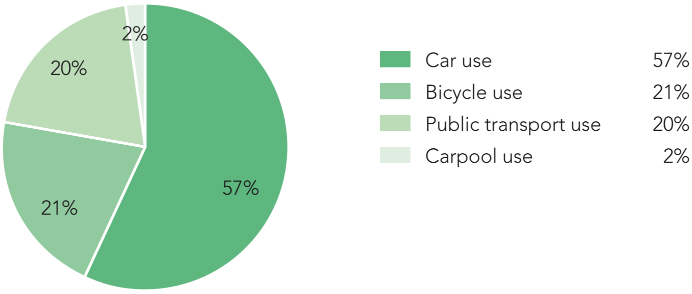
1 Usage of electricity and gas

2 Gold Standard Project Bolivia: Compensation via Gold Standard certificates stands for the amount of CO_2 that the forest holds. Trees are planted if necessary, but compensation also takes place by the conservation of the forest through education, alternative income support for local residents etc.

Mobility
Mobility (business travel and commuter travel) accounts for a major proportion of a.s.r.'s carbon footprint. In 2017, fossil fuel consumption made up 96% of a.s.r.'s total carbon footprint.

In 2017, mobility at a.s.r. can be broken down as follows:

Mobility



Mileage clocked up by head office workers

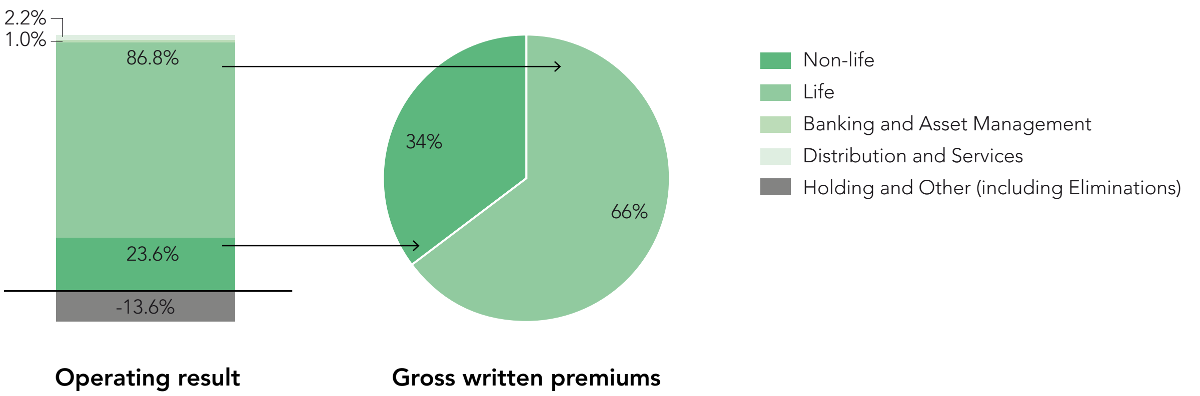
(in kilometres)	2017	2016
Commuting mileage	27,789,115	27,413,478
Airplane mileage	861,256	1,008,660

Geothermal energy
In 2017, a.s.r. continued its collaboration with a consortium of organisations consisting of a.s.r., Utrecht University, Stichting Kantorenpark Rijnsweerd (Rijnsweerd business park foundation), energy firm Engie, the University of Applied Sciences Utrecht and University Medical Center Utrecht. The consortium submitted a research document to the Dutch Ministry of Economic Affairs about whether geothermal heat/electricity can be used to heat or cool office buildings, thus making them virtually carbon-neutral.

3.2 Segment performance

At an organisational level, a.s.r.'s operations are divided into six operating segments. These segments are the Non-life and Life segment and the segments Banking and Asset Management, Distribution and Services, Holding and Other (including Eliminations) and Real Estate Development.

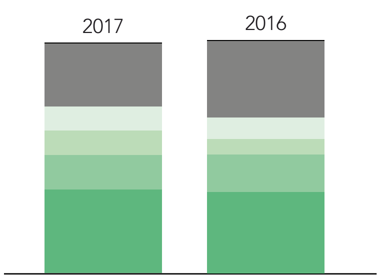
Operating result & Gross written premiums (%)



Operating result

	2017	2016
Non-life	172	136
Life	633	559
Banking and Asset Management	7	2
Distribution and Services	16	12
Holding and Other (including Eliminations)	-99	-87
Operating result	**729**	**622**

Segmentation of a.s.r.'s workforce[1]



Segments	2017	2016
Non-life	1,498	1,460
Life	622	666
Banking and Asset Management	430	268
Distribution and Services	430	390
Holding and Other (including Eliminations)	1,114	1,356
Real Estate Development	23	20
Total workforce	**4,117**	**4,160**

1 The total workforce consists of the number of internal and external FTEs.

3.2.1 Non-life

The Non-life segment consists of P&C, Disability and Health. They offer non-life insurance contracts, including policies insuring risks related to motor vehicles, fire, travel and leisure, liability, legal assistance, disability and medical expenses. The most significant legal entities of the Non-life segment are ASR Schadeverzekering N.V., ASR Basis Ziektekostenverzekeringen N.V. and ASR Aanvullende Ziektekostenverzekeringen N.V. With an 10.9% market share in 2016[1] (2015: 8,5%), a.s.r. occupies a third place in the non-life market in the Netherlands.

Financial performance

Key figures

(in € millions, unless stated otherwise)	2017	2016
Gross written premiums	2,579	2,433
Operating expenses	-201	-204
Provision for restructuring expenses	-2	-6
Operating result	**172**	**136**
Incidental items (not included in operating result)	**69**	**51**
- Investment income	70	30
- Underwriting incidentals	-	27
- Other incidentals	-1	-6
Profit / (loss) before tax	241	187
Profit / (loss) for the year attributable to holders of equity instruments	**190**	**143**
New business, Non-life	257	220

Combined ratio Non-life

	2017	2016
Combined ratio	**95.1%**	**95.6%**
- Commission ratio	14.7%	15.3%
- Cost ratio	7.6%	8.3%
- Claims ratio	72.8%	72.0%

Combined ratio entities

	2017	2016
P&C	95.5%	98.5%
Disability	90.9%	88.2%
Health	99.2%	99.1%

1 Source: DNB- At the moment of writing, the market share figures for 2017 are unknown.

P&C

With a market share of 10.9% in 2016 (9.8% in 2015), a.s.r. was the third largest general provider of P&C insurance products in the Netherlands in 2016[1], as measured by GWP. a.s.r. offers a broad range of P&C insurance products under the a.s.r. brands, Ditzo and Europeesche Verzekeringen.

Products

a.s.r.'s broad P&C insurance product range offering can be divided into the following product categories:

- **Motor** a.s.r.'s motor policies for retail and commercial customers provide third-party liability coverage for motor vehicles and commercial fleets, including property damage and bodily injury, as well as coverage for theft, fire and collision damage;
- **Fire** a.s.r.'s fire policies for retail and commercial customers provide coverage for a variety of property risks including fire, storm and burglary. Private coverage is provided on both a single-risk and multi-risk basis, with multi-risk policies providing coverage both for loss or damage to dwellings and damage to personal goods;
- **Travel and Leisure** a.s.r. offers travel insurance policies for retail customers and is a market leader in the travel and leisure market in the Netherlands;
- **Other** a.s.r. also offers other non-life insurance products such as transport goods in transit only, liability, agricultural and construction motorised vehicles, construction all risk and assistance.

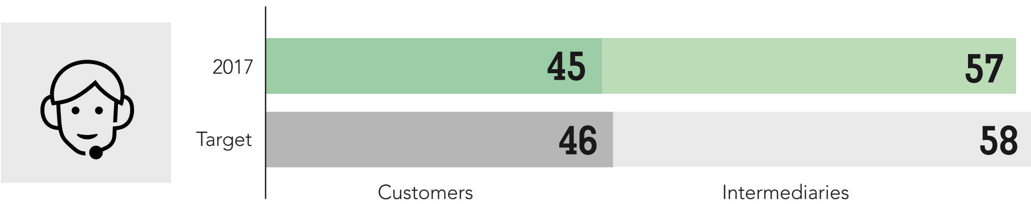
Market

The non-life market consists of many insurers with similar products, especially in the private non-life insurance market. This has led to fierce price competition. The non-life market in general has been loss-making in recent years. The losses in the market resulted in premium increases. Consolidation of other insurers have also affected a.s.r.'s position in the Dutch market. Insurers distribute their insurance policies through intermediaries (80% of the market volume) and directly (20% of the market volume). In the private market, online distribution has become more important. This mainly involves simple products, such as car insurance. Consumers increasingly use the internet to orientate themselves, compare and purchase products. Customers who opt for online buying of insurance are usually customers for a shorter period of time and more frequently switch to another insurer. With the introduction of social media and WhatsApp, customers' service needs are changing. In the SME market, advisors continue to maintain their dominant position, in particular due to the more complex products involved.

Strategy and achievements

On the P&C insurance front, a.s.r. endeavours to leverage its existing strengths and to achieve a combined ratio of less than 98%. The P&C business is expected to grow in line with GDP development. While leveraging existing strengths and distinctive profitability, a.s.r. aims to further develop its expertise in pricing, underwriting and claims handling and good service, which a.s.r. believes are its key drivers for sustainable value creation.

Net Promoter Score



Another important part of the strategy is to further simplify the product portfolio and infrastructure. The new non-life platform will lead to the improvement and digitisation of services to customers and intermediaries. It will also reduce costs, which further strengthens a.s.r.'s competitive position. Various policy terms & conditions are also being rationalised. For customers and distribution partners, this makes the product range simple and clear. Meanwhile, the first portfolio has been successfully converted to this new platform.

The acquisition of Generali Schade and agreement on the right to convert Avéro Achmea intermediary portfolio to a.s.r. further strengthens the position of a.s.r. In co-insurance in particular, the market position doubled following the acquisition of Generali.

Robotics

In 2017, P&C began using Robotic Process Automation (RPA) in order to more efficiently perform routine tasks. The aim is to migrate the Avéro Achmea portfolio using RPA.

1 Source: DNB - At the moment of writing, the market share figures for 2017 are unknown.

Sustainability
P&C has a number of CSR initiatives. These focus on three pillars: prevention, safety and sustainability. The ambitions of P&C are as follows:
- To be recognised by customers, advisors and employees for its contribution to prevention and sustainability;
- To advise and communicate on how to prevent damage;
- To make the customer's environment safer;
- In the event of damage: to promote sustainable recovery.

To achieve these ambitions, P&C took the following actions in 2017:
- Preventive measures were organised for (potential) customers and advisors;
- Knowledge sessions for advisors on electrical equipment/NEN, vehicle crime, calamities and climate & sustainability were organised;
- In cooperation with the Amsterdam Amstelland fire brigade, home visits were organised;
- New 'fly and drive safely' apps were launched;
- Preventive content was shared via social media with appealing titles such as 'Driving a car with your slippers on: is that allowed?', 'Avoid overheating in bed' and 'Prevent car theft with a keyless starter system'.

In addition, all repair companies that P&C engages in the event of fire damage have met the Sustainable Repairs quality mark since 2017. These repair companies work in construction, glass repair, reconditioning, electronics, interior restoration, flooring and painting. Repair companies that are entitled to display the quality mark are tested for sustainability and meet strict requirements. P&C is one of the initiators of Sustainable Repairs and fulfils a Chairman role in the Body of Experts.

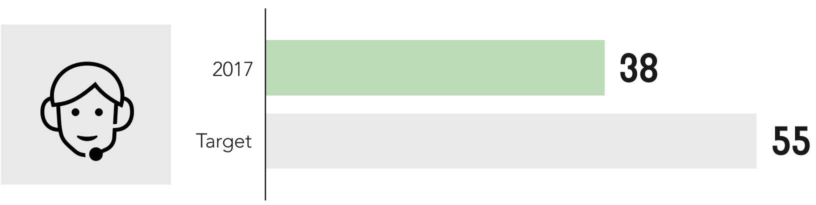
Ditzo
Ditzo has been an independent business within the P&C segment since 2014. Ditzo wants to continuously address the (latent) problems in the market. To this end, it goes back to its core business of providing insurance based on the theme 'redesigning, because things can be done better'. In this context, Ditzo touches on socially relevant themes such as the use of social media in traffic. For example, Ditzo has conducted a campaign with media company RUMAG against the use of mobile phones in traffic.

Central themes in the strategy of Ditzo include:
- Continuous optimisation of customer acquisition costs through online channels;
- Focus on customer satisfaction through Ditzo's customer service (especially WhatsApp);
- Increasing product ownership of existing customers for both health and non-life insurance policies;
- Increasing diversity in non-life products through increased non-motor related sales.

In 2017, Ditzo began the transition to a new administration platform with a revised product portfolio. Migration to the new platform will be completed in the first half of 2018. The P&C companies including a.s.r., Ditzo and Europeesche Verzekeringen are migrating to a single platform. This will result in cost savings at P&C level, simplification and a shorter time-to-market.

Europeesche Verzekeringen
The travel and leisure activities of Europeesche Verzekering Maatschappij N.V. has been (legally) merged with ASR Schadeverzekering N.V. since 2016. Until that time, it was an independent business and risk carrier within ASR Nederland N.V. Europeesche Verzekeringen positions itself as the travel and leisure insurer for travel enthusiasts. This was further emphasised in 2017 in online and personalised services. Access to the market was enhanced by selling travel and leisure insurance directly online. In addition, the revenue model was strengthened for the long-term by selling off loss-making relations and implementing policy measures and regulations. In conclusion, further progress was made on the integration with P&C, which started in April 2017. The integration should lead to improved customer and distribution partner services and cost savings.

Net Promoter Score



Impact and risks of climate change

Within P&C, the Climate Committee was started in 2017. The objective of the committee is to determine the measures and solutions necessary to manage climate risks in the a.s.r. portfolio and to provide clients with the best possible support and information. Adaptation of climate change by the (international) insurance sector is of major importance in a.s.r.'s view. It supports societies in reducing their vulnerability to climate change and, where possible, in benefiting from it.

Climate has a major impact on our customers and on a.s.r. as an insurer. One example is the severe hailstorm in June 2016. At that time, in a relatively small area in the south of our country, a very substantial cost of claims arose (for all insurers in total approximately € 500 million). The number of claims was extremely high. Climate has a particular impact on products in the sectors of Fire (buildings, household effects/inventory) and Traffic, for both business and private customers.

The Climate Committee focuses on the impact and risks of climate change on customers, advisors and a.s.r. The objectives and scope of the Climate Committee were determined in 2017. In 2018, a number of actions will be taken to improve a.s.r.'s understanding of climate risks, changing precipitation patterns and the risk factors involved.

a.s.r. believes it is important that customers and advisors become more aware of the consequences of climate change. And that they recognise that they themselves can also contribute to mitigate the effects of climate change. For example, by ensuring that excess water on and around the house is easily discharged. Furthermore, a.s.r. wants to give (new) customers practical prevention advice, organise prevention sessions and disseminate prevention advice from local authorities. a.s.r. also participates in initiatives of the Dutch Association of Insurers that provide insight into the consequences of climate change and keep them insurable.

Disability

a.s.r. was one of the first insurers to respond to the demand for disability insurance solutions under the De Amersfoortse brand and today offers a broad range of disability insurance products for SMEs, self-employed persons and individual customers.

a.s.r. has been a thought leader in this market, with a market share of 21.6% in 2016 (2015: 21.4%), measured by GWP. The total Dutch disability insurancemarket measured by GWP amounted to € 3.61 billion in 2016[1]. In 2017 a.s.r. was the second largest provider of disability insurance products in the Netherlands, after the merger of NN and Delta Lloyd.

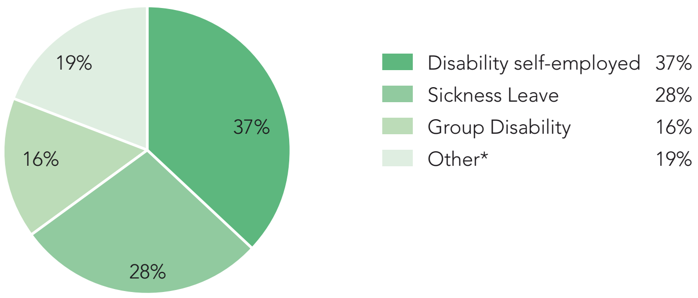
Products

- Disability self-employed:
  - Products for self-employed entrepreneurs to protect against loss of income in the event of sickness or disability;
  - Products for employees to protect the payment of fixed expenses in the event of sickness or disability and to cover loss of income above the wage limit (WIA - Dutch Work and Income (Capacity for Work Act) supplementary insurance) in the event of disability.
- Sickness Leave:
  - Products for employers to cover the costs associated with the employers' obligation to continue to pay wages in the event of employee sickness.
- Group Disability:
  - Products for employers to cover their own WGA risk carrier status;
  - Products for the benefit of employees (taken out by employers) to cover loss of income due to the inability to (fully) perform work as a result of disability according to the WIA (Dutch Work and Income (Capacity for Work Act).

1 Source: DNB - At the moment of writing, the market share figures for 2017 are unknown.

In addition to insurance products, a.s.r. offers the services of in-house medical advisors, occupational reintegration managers, vocational experts and external parties offering reintegration, health and safety services (arbodiensten), combined with skilled claims handlers, for all policyholders, to assist with their occupational reintegration. In Group Disability, a.s.r. also has a joint venture with another new insurer called 'Keerpunt' (a workplace reintegration services provider), in addition to its own in-house specialists.

Product share Disability



* a.s.r. also offers products related to Sickness Leave and Group Disability via authorised agents and mandated brokers. Due to the importance of this distribution channel, a.s.r. presents these sales as a part of a separate product category ('Other').

Market

The Dutch disability market is divided into:

- Disability self-employed: the entrepreneur has no social security concerning loss of income caused by sickness or disability and is able to insure disability risk up to retirement age. In the event of disability, the claim will depend on the amount and period insured, the degree of disability and the own risk period (>14 days). Return to work programs and skilled claims handling processes are key for insurers in managing COR and profitability;
- Group Disability (the employer and its employees):
  - Sickness Leave (short term, 2 years): Employers are - in the event of sickness leave of the employee - responsible for continued payment of salary to the employee for up to two years. The employer can insure this risk on the private market which in practice is done by most SMEs. Disability insurers can differentiate themselves in the support they deliver for reintegration. After two years of sickness leave the employer is no longer responsible for the salary payment and the employee can be laid off;
  - Disability (long-term, up to retirement age): After two years of sickness the employee may appeal to the WIA. WIA is the Act relating to work and income according to labour capacity); a public act for all employees in the Netherlands administered by UWV (Employee Insurance Agency). UWV checks the sick employee and determines the amount of benefit based on the individual's earning capacity (e.g. the income that the (partly) sick employee can earn through work). This can involve a significant fall in income. Insurers have developed several products to cover this risk, so disabled employees can receive - in addition to the payment of the WIA - up to 80% of their last earned income. These products are often offered by employers as secondary employment conditions to employees. The employer may also choose to bear the risk himself and transfer that risk to an insurer (WGA-ERD).

Strategy and achievements

a.s.r. has a strong position in the Dutch disability insurance market and with De Amersfoortse brand it believes it is well-positioned to capture profitable growth opportunities in this market. Furthermore, a.s.r. has a leading position in the advisory distribution channel. Disability insurance is expected to grow in line with general macro-economic developments. a.s.r. intends to pursue growth opportunities especially within the SME and self-employed customer segments, leveraging its strength in the intermediary channel. Customer interest comes first in all this. Disability will start working on the basis of the outcomes of customer journeys.
For example:

- Conducting interim and final talks at claims handling in order to increase customer satisfaction and the NPS;
- Customised quotation software to increase ease of use;
- More personal contact by the medical department and increased use of the vocational experts.

Through its disability product line, a.s.r. aims to achieve the targeted combined ratio in the range of 93-95%. With regard to disability insurance, a.s.r. plans to capitalise on its unique integrated approach of utilising a dedicated multi-disciplinary team of professionals and by maintaining focus on the enhancement and further development of pricing and underwriting, which a.s.r. believes are key drivers for sustainable value creation. To improve competitiveness, the disability business plans to introduce new products, develop a tender application using a device that offers optimal accessibility and functionality, and improve the performance of its new IT platform at Group Disability in terms of flawlessness, speed and accuracy.

Product developments
a.s.r. intends to continue providing high quality services and high-quality products to its customers. It expects to do so by reducing the complexity of its products and by keeping product offerings up-to-date through the introduction and development of new propositions in order to seize market opportunities. Recently planned or introduced product developments include:
- The development and introduction of a new product to cover the 12-year risk of disability including occupational reintegration services complementary to the new social legislation ‘BeZaVa’ (Dutch Sickness Absence and Occupational Disability among Sickness Benefit Claimants (Restrictions) Act);
- Improving access for and insurability of the self-employed by developing an disability insurance for the heavier work category up to retirement age;
- The introduction of ‘Doorgaan’ insurance under the De Amersfoortse brand. This is an integrated disability and health insurance proposition whose benefits for the customer include lower premiums and additional services;
- Within De Amersfoortse, Disability and Health began a collaboration with service providers in informal care, home help and childcare, as well as counselling and aftercare in the event of cancer, care after an accident and support with financial and social psychological problems. This protects and utilises the working capacity of entrepreneurs and their employees in favour of income security and business continuity.

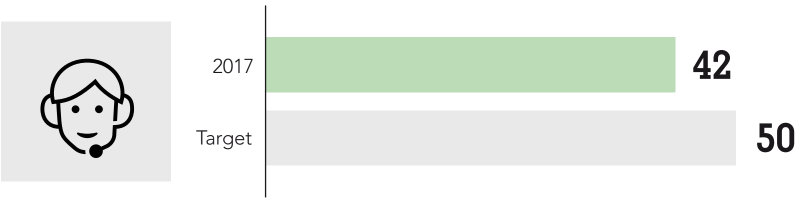
Hybrid distribution
a.s.r. assists the intermediary channel with e-based underwriting systems and online channels to provide online product offerings. In addition, a.s.r. aims to support the authorised agents in exploring the local SME market, including the introduction of new propositions. a.s.r., moreover, believes it has further strengthened its position in the mandated broker segment.

Digital communication by De Amersfoortse
In October 2017, Disability began implementing the latest developments in the field of digital transformation for De Amersfoortse together with e-Health. The aim is to enhance visibility and potential relevance, especially for young customers. The ‘Always On’ project focuses primarily on digital communication via a mobile device instead of a laptop or PC.

The website of De Amersfoortse has also been adapted, making it easier to find information by classifying it by customer group, so that visitors can immediately find the information that is relevant to them after they have chosen one of the four target groups.

Customer satisfaction
In order to further improve customer service, the portfolio of sickness leave insurance has been converted into a new IT platform with a high degree of straight through processing. As a result, customers can arrange more of their insurance administration themselves, and faster.

Net Promoter Score



Health

With a market share of 2.1%, a.s.r. was the eighth largest provider of health insurance products in the Dutch market in 2017, as measured by number of customers[1]. a.s.r. offers health insurance products under the brands Ditzo and De Amersfoortse.

Products

Health sells two types of products: basic insurance and supplementary insurance. Basic insurance provides cover in accordance with the guidelines of the law. Supplementary insurance covers specific risks that are not covered by basic insurance. For example, costs for dentist, physiotherapy, orthodontics, medical support abroad.

Market

The Dutch health insurance market is a concentrated market. The top four insurance companies held a combined market share of 90% measured by GWP in 2017. In 2016, nine insurance companies were active in the market. In 2017, a new health insurer entered the market.

Health business insurance is a highly regulated market. The Dutch healthcare system distinguishes between two types of insurance products: basic health insurance coverage and supplementary coverage. All Dutch residents are obligated to have basic health insurance coverage. Basic coverage is free for minors. Basic coverage is the same across all insurers as coverage is mandated by the government. There are limited possibilities for insurers to differentiate from their competitors. One is through price, another is whether or not insured persons can freely choose their own healthcare providers.

Insurers are obliged to accept all Dutch residents for basic coverage. A government-run system of risk equalisation enables this obligation and provides insurers with compensation for excessive costs resulting from their customer base. The government is continuously seeking to improve the system of risk equalisation in order to provide the same starting position to every insurer. Consumers are free to decide whether they purchase supplementary coverage. Supplementary coverage is usually offered in packages and varies per insurer. The number of customers that switches per calendar year has been relatively stable over the past four years, a little over 6%.

In 2017, 17 million adults in the Netherlands paid for basic coverage[2]. The number of adults paying for additional coverage declined from 84.5% in 2014 to 84.1% in 2017. The volume of the market in terms of GWP increased by 16.7% between 2013-2017.

Strategy and achievements

a.s.r.'s strategy for Health is to run it as an 'independent' division within a.s.r., meaning that Health intends to fund the growth of its business exclusively by organically generated capital without any capital injection from a.s.r. group.

Health strives to be an agile niche player benefiting from smart alliances (e.g. for the procurement of medical care and Delphi R&D for its back-office processes), providing excellent customer service and supporting Ditzo, P&C and De Amersfoortse Disability with brand appreciation and cross-selling.

Digitisation and innovation

Health aims for further digitisation and innovation. In this way, Health supports its health customers as much as possible with digital services, such as the My Environment (MijnOmgeving) and mobile app for, among other things, simple declaration of expenses. Last year, this app from Ditzo and De Amersfoortse was awarded the second-best declaration app of all health insurers. The aim is also to digitise the acceptance and declaration processes.

Extra service 'Pechvogelhulp'

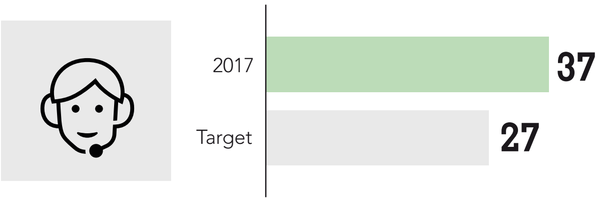
In 2017, 'Pechvogelhulp' was added as a new cover. 'Pechvogelhulp' is an extra service for all customers who have health insurance with Ditzo. 'Pechvogelhulp' provides cover for extra medical costs of up to € 10,000 after an accident in the Netherlands. These are costs that the basic insurance or supplementary health insurance does not reimburse.

1 Source: Vektis

2 Source: NZA Marktscan 2017

Customer satisfaction
Health focuses continuously on increasing customer satisfaction. For example, data-driven Workforce Management and Real Time Management have worked on the accessibility of customer service. As a result, predictions can be made on an hourly basis in the number of customers that will contact us and capacity can be adjusted where necessary. Health also worked on constantly updating practical information and making content available to employees so that they can continuously improve the quality and speed of information provision.

Net Promoter Score



3.2.2 Life

The Life segment comprises the life insurance entities Pensions, Individual life and Funeral. The segment offers insurance policies that involve asset building, immediate (pension) annuities, asset protection, term life insurance and funeral expenses for consumers and business owners. The operations are conducted by life legal entity ASR Levensverzekering N.V. With an 14.8% market share in 2016[1] (2015: 12.9%), a.s.r. occupies a third place in the life market in the Netherlands.

Financial performance

Key figures

(in € millions, unless stated otherwise)	2017	2016
Recurring premiums	1,243	1,279
Single premiums	210	734
Gross written premiums	1,453	2,013
Operating expenses	-184	-203
Provision for restructuring expenses	-7	-9
Operating result	**633**	**559**
Incidental items (not included in operating result)	**298**	**83**
- Investment income	271	114
- Underwriting incidentals	32	-16
- Other incidentals	-5	-15
Profit / (loss) before tax	931	642
Profit / (loss) for the year attributable to holders of equity instruments	**731**	**492**
Cost-premium ratio (APE)	11.0%	11.7%
New business (APE)	89	152

1 DNB - At the moment of writing, the market share figures for 2017 are unknown.

Pensions

a.s.r. is a major provider of pension insurance products in the Netherlands. a.s.r. offers pension insurance products under the brand a.s.r. It has an IORP in a joint venture with Brand New Day. The current customer base of the pensions business comprises circa 20,000 companies and 475,000 participants.

Products

- Defined contributions (DC): a.s.r. provides pension products based on defined contribution with recurring premiums where benefits are based on investment returns on specified funds in some cases with guarantees.
- Defined benefits (DB): a.s.r.'s DB Pension products are traditional 'capital intense' insurance products based on life-long guaranteed pension payments with recurring premiums with or without profit-sharing. These products also provide an option for additional single premiums for indexation and back services[1].

Market

In the pension market, there is a shift towards capital-light products. Customers want to reduce their interest rate exposure. a.s.r. believes that it is well positioned to gain market share in this segment with DC and IORP propositions, through high-level service, cost effectiveness and execution power, while meeting its pricing policy. The modern DC proposition of a.s.r. has been further developed in order to strengthen its competitive position in the DC market. Through this proposition a.s.r. believes it is well-positioned for anticipated further individualisation in the future, which may be the result of the current pension debate in the Netherlands.

Furthermore, a.s.r. is also active in the pension market through Het nederlandse pensioenfonds (Hnpf). a.s.r. delivers pension administration for Hnpf. Hnpf was founded in 2016 by a.s.r. in order to offer new and existing customers an alternative DB product. As of 2017, the first customers were welcomed, including De Efteling and DAS. In 2018, Stichting Pensioenfonds Arcadis Nederland (Arcadis Netherlands Pension Fund) will transfer its pension scheme to Hnpf. Hnpf is one of the six general pension funds in the Netherlands. Hnpf has now reached a top 3 position in terms of committed assets.

Strategy and achievements

The DC proposition of a.s.r. (the Employee Pension called WnP) is aimed to be competitive in pricing (Top 3), rewarded for its fund selection (by independent advisors) and digital in communication to the employees of a.s.r. customers. In 2017, a.s.r. implemented several improvements (relabelling to a.s.r. brand, adjusting life cycles, changing fund selection, improving portals and redesigning Sales & Customer Service) to strengthen the position of WnP in the market. The results of these efforts are already reflected in our excellent top 3 position in IG&H's important pension survey.

In 2017 the integration and migration of De Eendracht Pensioenen was completed. a.s.r. is further reducing complexity in the existing portfolio by offering more basic products and closing the more complex products (phasing out of SA contracts). The renewal of DB contracts is only considered if customers have the intention to shift to DC in the near future and has to meet strict financial criteria.
a.s.r.'s strategy for its existing DB book focuses on preserving its value, reducing capital requirements, enhancing cost coverage and lowering risks.
Generali customers will be migrated to a.s.r. platforms, while offering the same services to these new customers and while enhancing the market position.

Cost control

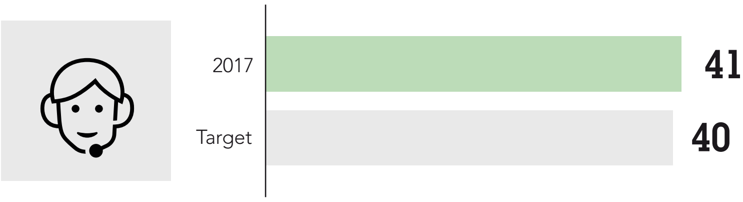
In 2017, a start was made with the migration of inactive participants of the old legacy system of De Amersfoortse. After completion, both migration processes will contribute to further reducing costs. The outsourcing of part of the back-office activities to Infosys led to a further improvement of the operational processes in 2017. In order to further develop this success, part of the IT run and change activities is now also part of the outsourcing programme. This ensures sustainable continuity, lower management costs and a further improvement of the management focus.

1 The purchase of pension over past years of service (versus coming service = future years of service). This occurs in final salary schemes.

Digitisation and innovation
a.s.r. pensions has improved digital customer service by investing in more user-friendly portals, a more integrated online environment and apps for PC, mobile and tablet.
The legally required documents, such as starting letters and UPO, were also further digitised in 2017. As a result, a substantial print reduction was achieved, which contributed to CSR policy, cost reduction and customer convenience.

Steps were also taken in 2017 to enable robotisation of work, at the same time improves customer service. Customers are served earlier and better, appropriate to their situation. The efforts will continue in 2018.

Net Promoter Score



Sustainability
'Sustainable' is one of the promises to customers in the strategy of Pensions. For Pensions, the emphasis is on insurance and investment. 'Insurance' because Pensions is providing security to customers. Customers must be confident that a.s.r. always meets its financial obligations, especially in the case of long-term obligations such as pensions. Sustainable financial soundness is therefore essential. As far as investing is concerned, it is about implementing a responsible investment policy (for more information see page 67).

Individual life

a.s.r. is the third largest provider of individual life insurance products measured by GWP. a.s.r. offers individual life products under the a.s.r. brand.

Products

- *Term life insurance*
  Term life insurance offering consists of traditional life insurance policies that pay death benefits without a savings or investment feature. a.s.r.'s term life insurance products are mainly sold in combination with mortgage loans or investment accounts and generally require recurring premium payments.
- *Immediate annuities*
  a.s.r.'s immediate annuities are traditional life insurance products with guaranteed returns for the customer. Under an immediate annuity, the annuitant pays a single premium, in return for which a.s.r. agrees to make life-long annual payments to the annuitant immediately. a.s.r.'s immediate annuities are mainly sold to customers whose traditional life savings products are maturing. The sale of these products was terminated after 31 December 2017.

Market

The premium volume has fallen in recent years. The reasons are low interest rates and tax changes. This contraction is expected to continue in the years to come. The market for these products cannot be expected to pick up in the short term. From 1 January 2018, therefore, a.s.r. has only offered life insurance products as from 1 January 2018, other products will no longer be sold within Individual life.

a.s.r. is well positioned to become the consolidator in the Dutch back book market. With the acquisition of Generali Leven, a.s.r. added 'block of business' for the first time. The book will be migrated in the same way as the migrations resulting from the service book strategy.

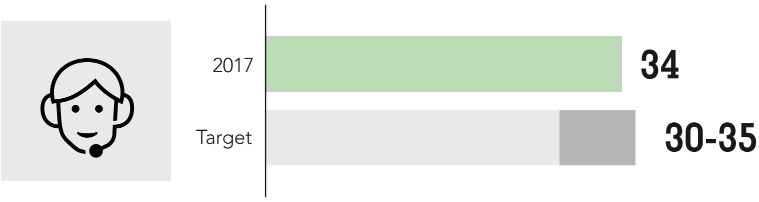
Strategy and achievements
The strategy of Individual life aims to maximise and sustain of the current value of the individual life book. In order to achieve this a.s.r. focusses on optimising customer satisfaction and making cost lower and more variable.

1. *Optimise customer satisfaction*
   To increase the value of the individual life book, a.s.r.'s strategy is to maximise customer satisfaction. a.s.r. believes that maintaining customer satisfaction is crucial to efficiently manage the way in which customers behave and to avoid unnatural lapses. While focusing on customer satisfaction, a.s.r. strives to further digitise its services and to make the services easier to use for its customers.

2. *Lower its cost base and shift towards variable costs*
   In order to preserve the value of the individual life in force portfolio, a.s.r. aims to simplify its organisation and shift its cost base from fixed costs towards more variable costs.
   In order to reduce costs and shift the overall cost mix in the individual life book, a.s.r. is simplifying the individual books of business within the individual life portfolio and migrating them to a SaaS platform. a.s.r. intends to maintain this strategy, analysing books on an individual basis to find the most appropriate and value enhancing solution while minimising operational costs and complexity. The programme is on track. Four books have been successfully migrated (two in 2017). The acquired Generali life customers will be migrated to the same platform.

Digitisation and innovation
In 2017, in line with its strategy, Individual life focused on improving customer-oriented communication. Where possible, communication was digitised. Processes were also improved, partly as a result of the use of robotisation. Individual life also worked on completing the activation of unit-linked insurance policies. Non-accumulating policies (NOP) reached an activation rate of 99.9% and activation of unrestricted policies was fully completed. For more information, see Chapter 3.3.1 (Risk Management – Unit-linked insurance policies).

Net Promoter Score



Funeral

As at 31 December 2017, the funeral portfolio consisted of approximately 6.4 million policies and 3.8 million customers. Approximately 98% of the funeral GWP was attributable to premium payments and 2% against purchase price. Based on the volume of premiums, Ardanta is the second funeral insurer in the Netherlands.

Products
Ardanta's primary aims is to insure funeral expenses. Ardanta offers capital and insurance products for this purpose. Ardanta to offer practical guidance to descendents in terms of personal losses. Ardanta helps insured persons and relatives with arranging and advising on practical matters concerning the theme of death. This is done by deploying various initiatives, such as the portal 'doodgaanendoorgaan.nl' and the services of a funeral coach, who assists survivors from the moment of death and the days after the funeral.

Market
The market is characterised by consolidation. As a result of the low interest environment, premium levels of funeral insurance have been raised. The distinctive selling point of Ardanta is the 'free choice' with respect to the delivery of funeral services, and as a consequence Ardanta has an unique market position which is cherished.

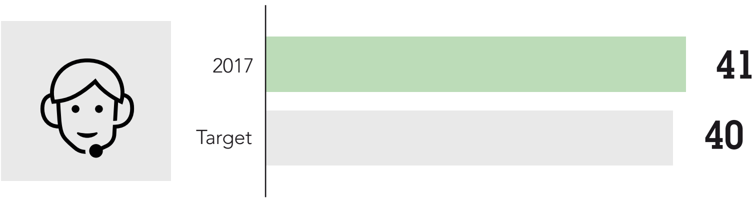
Strategy and achievements
The strategy is aimed at growth through acquisitions. In 2017, NIVO's portfolio was integrated into Ardanta. This meant that the 280,000 NIVO policies of 135,000 customers were transferred to the Ardanta administration.

Approximately 360,000 Generali funeral policies will migrate to Ardanta following the acquisition of Generali Leven. The focus continues to be placed on new opportunities that arise. In addition, the strategy focuses on 'value creation among existing customers'.

Digitisation and innovation
Ardanta is fully committed to increase digital process support. Thanks to improved customer portals and service & contact pages, customers and intermediaries experience digital convenience. In addition, new customers find Ardanta more easily online. Production from online increased by 48% in 2017 compared to 2016. Furthermore, the accessibility of the website will be improved for users with an audio-visual disability and work will continue on digital ease of use.

In 2017, investments were made in improving the data quality of the insured persons' information; 227,000 addresses were retrieved.

Net Promoter Score



Research on awareness raising about the consequences of a death
In May 2017, Ardanta commissioned a survey among more than a thousand Dutch people[1] in the Randstad conurbation to gain insight into the awareness of Dutch people about the consequences of a death.

The results of the research showed that 86% of the respondents did talk about death with family and friends, but the topics discussed were superficial and rarely actually recorded. When asked what they were most concerned about when they die, people's main concern was the grief of their families. In addition, 76% of the respondents reported that they had not arranged anything to care for their children in the event of death.

By communicating the research results, Ardanta wants to make people aware of the importance of recording things that have life-determining consequences for their children, for example. It is important to think now about what should be arranged after death, so that there is no ambiguity at the time of death. If you have children, it should also be a logical topic for discussion.

1 Of the respondents, over 45% were over 50 years old and 60% of the respondents had children, of which 36.3% were over 18 years old.

3.2.3 Banking and Asset Management

The Banking and Asset Management segment consists of all banking activities and activities related to asset management, including investment property management. These activities are carried out by:

Banking:
- ASR Bank N.V.

Asset Management:
- ASR Vastgoed Vermogensbeheer B.V.
- ASR Vermogensbeheer N.V.

Financial performance

Key figures

(in € millions)	2017	2016
Total income	170	128
Operating expenses	-94	-58
Provision for restructuring expenses	-2	-1
Operating result	**7**	**2**
Incidental items (not included in operating result)	**-**	**5**
- Investment income	2	6
- Underwriting incidentals	-	-
- Other incidentals	-2	-1
Profit / (loss) before tax	7	7
Tax	-1	-2
Profit / (loss) for the year attributable to holders of equity instruments	**6**	**5**

Banking

ASR Bank N.V. (a.s.r. bank) offers savings and investment products that complement a.s.r.'s individual life products and other insurance products for retail customers in the Netherlands. a.s.r. bank uses the savings entrusted to it mainly to finance residential mortgages, that were (self) originiated by ASR Hypotheken. a.s.r. bank is a wholly-owned subsidiary of a.s.r. and is regulated by the Dutch Central Bank (DNB) and the Netherlands Authority for the Financial Markets (AFM).

ASR Hypotheken B.V. (a.s.r. mortgages) provides mortgage loan related services with respect to the administration of mortgages recognised on the balance sheet of a.s.r. group entities. The market share of a.s.r. mortgages in 2017 was 2.4% (2016: 2.0%).

Products

Mortgages of a.s.r. 'Welthuis Hypotheek'
a.s.r. is active in the residential mortgage market. Mortgage loans are issued by a.s.r. life, which is a part of the Life segment. A portion of the mortgages originating from a.s.r. life is subsequently acquired by a.s.r. bank and a.s.r.'s mortgage fund, which was launched by a.s.r. asset management in 2017. Mortgages are exclusively distributed via the intermediary channel. a.s.r.'s residential mortgage portfolio includes annuity mortgages, linear mortgages, interest-only mortgages and bank annuity mortgages.
All other operations with respect to the mortgage portfolio are executed conducted by Stater N.V. (a mortgage service provider and wholly-owned subsidiary of ABN AMRO Group N.V.).

a.s.r. bank
Products include bank annuities (long-term fiscal saving and investment products), deferred annuities (fiscal savings product), savings accounts (e.g. variable interest, term deposits) and retail investments.
For sales of bank products, a.s.r. distributes new business mainly via the intermediary and direct channels. a.s.r. bank strives to address the increasing demand for online services via its own online channel and direct customer services.

In addition to a.s.r.'s residential mortgage lending proposition, a.s.r. bank has issued bank guarantees related to mortgage applications as from the fourth quarter of 2017. The introduction of this product has allowed a.s.r. to be a one-stop shop for an individual's mortgage application without any additional effort by either the customer or the financial intermediary.

Market

Mortgages
The Dutch housing market continued its strong recovery from the average 22% fall in prices between 2008 and 2013. Housing prices increased by 7.6% on average in 2017, compared to 2016, and they are now on average 23% above the 2013 trough. Especially the four largest cities and their suburban areas show some signs of overheating in terms of affordability and supply.

Residential mortgage lending by insurers and other non-bank institutions, institutional investors and insurers to consumers and business continues to be a serious alternative to mortgage lending by banks. At present, the former group fund approximately 30% of new mortgage production (source: Dutch land registry). The definitive Basel 4 guidelines, especially those regarding the use of a capital floor, which were published on 7 December 2017, may have an impact on the Dutch mortgage market. Given that the guidelines were published recently and still need to be translated into European legislation, a.s.r. cannot at this point in time estimate what their impact will be.

Savings
Owing to the ECB's continued monetary stimulus, saving rates continued to fall in the Netherlands during 2017 and they are now at historic lows. This keeps curbing the growth of the savings market, despite the fact that private spendable income has increased due to the economic recovery. Customers are increasingly looking for easy and 'round-the-clock' access to their savings accounts. Other providers are only 'one click away' and online has become the norm. Consumers will increasingly want to be able to get an overall picture of their (future) income. Awareness in this context is growing and this is also facilitated by advances in technology.

Strategy and achievements

a.s.r.'s strategy with regard to mortgage loan services is to have lean and reliable processes and to achieve economies of scale from servicing growing mortgage loan portfolios. The increase in volume of loans assets under administration was partly a consequence of the organic growth of the mortgage loan portfolio in a.s.r. life and a.s.r. bank but related primarily to the introduction of the a.s.r. mortgage fund. a.s.r. considers mortgage loans an anchor product to private customers and aims to stay active in this market to further improve its brand recognition and potentially capitalise on cross-selling opportunities.

Given the low interest rate environment, a.s.r. bank's strategy focuses on a modest growth of its balance sheet to improve its service provision to customers and to increase its operational efficiency. a.s.r. bank will continue to do so in 2018.

Our customers

Customers wish to have an ever better understanding of their financial position and make their own decisions on the accrual and management of their net worth. In order to meet these wishes, a.s.r. bank continued to invest in its internet portal (www.asr.nl/sparen) in 2017 with the aim to make it easier to do business with a.s.r. bank. In addition, a.s.r. bank introduced a value chain management model in order to align all activities directed at customers. During the second half of 2017, a.s.r. bank integrated its savings and investments operations and the customer contact centre to have one single point of contact for customers. This new department is the beating heart of a.s.r. bank and works relentlessly to provide a better and faster service.

In addition to a.s.r.'s residential mortgage lending proposition, a.s.r. bank has issued bank guarantees as from the fourth quarter of 2017. The introduction of this product allows a.s.r. to be a one-stop shop for an individual's mortgage application without any additional effort by either the customer or the financial intermediary. The focus on meeting customers' needs was rewarded in 2017 when MoneyView awarded a.s.r. bank five stars for the terms and conditions of its tax-driven bank savings products and five stars for the price of its investment product, Extra Pensioen Beleggen.

Efforts of a.s.r. bank has further improved its service level to customers. This is demonstrated by the continued improvement of the NPS in 2017 which increased from +38 in January to +41 in December 2017. As a result of our customer acquisition objective, the number of a.s.r. bank's customers rose to 148,000 (2016: 141,000).

a.s.r. bank has active relationships with some 2,000 independent financial intermediaries to meet the needs of customers and provide independent advice. One of the ways in which a.s.r. bank maintains these relationships is by offering intermediaries webinars on its products and processes.

Net Promoter Score

Asset Management

Since 1 December 2017, ASR Vermogensbeheer N.V. (AVB) has been conducting all of a.s.r.'s asset management activities with the exception of direct real estate, and is active in the market as a.s.r. the Dutch asset manager.

Products

a.s.r. offers asset management services for pension funds, insurance companies, guarantee and donor-advised funds, charities, local and regional authorities, healthcare and education institutions and other parties in the social playing field.

The product array consists of: euro corporate bonds, interest rate overlay, euro government bonds, euro equities, balanced mandates, tailor-made bond portfolios, interloans, fixed-income index investments, real estate and a mortgage fund proposition. a.s.r. offers tailor-made solutions with a sound return on investment. In addition to tailor-made mandates, a.s.r. offers institutional investment funds and integrated/comprehensive management with modular elements such as ALM advice or reports for regulators.

Market

In addition to complying with more complex and increasing legislation and regulations and at the same time achieving economies of scale, consolidation in the asset management market is also strengthening. The number of independent Dutch asset managers is decreasing while at the same time there is a need for specific knowledge of the Dutch market. This offers opportunities for a.s.r. asset management as a down-to-earth and Dutch asset manager.

Strategy and achievements

a.s.r.'s investments are aimed at long-term value creation: in its investment activities, a.s.r. strives to take into account the fact that this generation has inherited the world and will pass it on to the next. Sustainable investment is of importance. a.s.r. applies the same strict criteria when it invests for its clients as a for itself.

ASR Vermogensbeheer B.V. (AVB) invests in fixed-income securities such as government bonds (rates) and corporate bonds (credits), including overlay/LDI, European equities, real estate and mortgages. These products are offered both as individual building blocks and as integral solutions. Integral management is the management of an investment portfolio, including interest rate hedging, and of return portfolios, with an Index Plus style. Modular elements such as ALM advice or reports for regulators can be added. Examples of building blocks are tailor-made mandates, the a.s.r. mortgage fund and the a.s.r. ESG INDEX plus corporate bond fund and the ESG index plus European equity fund.
AVB is cost-efficient as confirmed in a benchmark study. a.s.r. is convinced that active management and selective deviation from the index can add additional returns. This investment style is referred to as Index Plus investing. A selective deviation from the index is based on a rigorous proces, using quality criteria and sustainability aspects, among other things.

At the beginning of 2018, a.s.r. announced its intention to lend € 600 million to sustainable businesses together with Triodos Bank over the next four years. The financing is intended for companies, institutions and projects in the field of green energy, sustainability of real estate and the healthcare sector. The initiative for the joint financing structure stems from a.s.r.'s need, through its investments, to have a sustainable impact on the business community and, where possible, to further increase it.

Customers

The common denominator of the client groups is working with specific investment guidelines. AVB has incorporated its knowledge of these investment guidelines, such as Solvency-II, New Financial Assessment Framework (FTK), Financing Local Governments (FiDO) and the scheme for Public Service Organisations (ANBI) into the investment, risk and reporting processes. With this knowledge and these possibilities of application, insurers, (medium-sized) pension funds, local governments, education and healthcare institutions, donor-advised and guarantee funds and charities can be served tailored to suit their needs.

Acquisition of First Investments

The acquisition of First Investments was completed in December 2017. With the arrival of the First Investments team, a.s.r. strengthens its proposition in the field of (tailor-made) matching/return solutions for pension funds in particular.

Developments in assets under management
In 2017, the inflow of new assets amounted to € 1.8 billion. This growth is due both to tailor-made mandates and the integrated approach in the pension funds and insurers segment. In addition, the a.s.r. mortgage fund and the a.s.r. ESG INDEX plus corporate bond fund were well received in the institutional market. The internal growth in assets under management is mainly due to marketing of the Employee Pension (WnP). a.s.r. asset management expects this growth to continue in 2018.

Socially responsible investment

a.s.r. is fully aware of the importance and the responsibility expected from its role as an investor; both as asset owner and asset manager. Therefore, sustainability is an essential part of a.s.r.'s investment beliefs. For a.s.r., the integration of Environmental, Social and Governance (ESG) factors into the management of its investments contributes directly to the reduction of risks (both financial and reputational risks) and positively impacts its long-term performance and value creation.

The a.s.r. Socially Responsible Investment (SRI) policy describes the ethical and sustainability criteria that apply to a.s.r. investments for internal and external client portfolios, covering internally managed as well as externally managed assets. The SRI policy and its results are explained in more detail below. The full a.s.r. SRI policy is available on asrnl.com.

Exclusion criteria for countries and companies
a.s.r. pursues a strict exclusion policy based on controversial activities, which a.s.r. applies to internally managed portfolios, in respect of both countries and companies. In 2017, the policy was expanded in order to strengthen the environmental criteria for companies (exclusion of companies deriving more than 33% of their revenues from tar-sands and shale oil) and for countries (exclusion of countries scoring less than 50 on the Environmental Performance Index). By the end of 2017, 247 of the screened companies had been excluded due to: involvement in human rights violations (3), labour rights violations (3), environmental violations (6), armaments (107), tobacco (17), gambling (39), coal (63), tar-sands and shale oil (10) and nuclear energy-related activities (5). With regard to investments in sovereign debt, a.s.r. has excluded 85 countries that are poor performers in the Annual Report of Freedom in the World, have a low ranking on the Corruption Perceptions Index or in the Environmental Performance Index. In 2017, a.s.r. expanded its exclusion criteria for both companies and countries and published the updated policy and its consequences in the form of exclusions lists on the corporate website.

Publication of list of excluded companies and countries

Target 2017	Result 2017*	Result 2016
Publication of expanded* list of excluded companies and countries	☑	☑

ESG Integration for best-in-class investments
Best-in-class investing is part of the a.s.r. selection process for companies based on ESG best practices and products. a.s.r. favours companies that deliver above-average in the area of ESG policy and implementation. Based on VigeoEiris research, they are classified as pioneering, best-in-class and performing above average in the industry companies using a relative, sector-based ranking for six domains of analysis: Human Resources, Environment, Market Ethics, Good Governance, Social Impact and Human Rights. A detailed description of these criteria is published on asrnl.com.

In 2017, a.s.r. introduced additional criteria for its ESG best-in-class selection of countries based on their SDG performance, according to the SDG country ranking published by the Sustainable Development Solutions Network (SDSN) and the Bertelsmann Stiftung: the weighted average score of a.s.r.'s sovereign portfolio will be positioned within the first quartile (best-in-class) of the SDG Index.

Screening process
VigeoEiris (vigeoeiris.com), an independent agency accredited by Arista, screens companies based on the a.s.r. SRI policy along the Equitics® methodology developed by Vigeo. The Arista Standard sets the rules for assessing evidence of transparency and verifiability of the processes involved in the Responsible Investing research. In addition, Forum Ethibel (forumethibel.org) conducts an independent audit and certification of SRI principles in a.s.r.'s investment portfolio and the engagement process on a semi-annual basis.

Human rights

Human rights are the basic rights and freedoms that all human beings are entitled to, without discrimination. a.s.r. respects and subscribes to the fundamental human rights as internationally agreed upon in the Universal Declaration of Human Rights and its legally binding documents. a.s.r. signed the United Nations Principles for Responsible Investments (UNPRI) and the United Nations Global Compact (UN GC) in 2011. Moreover, it endorses the UN Guiding Principles for Business and Human Rights that were published in 2011, setting out the global standards for companies to respect human rights via a 'protect, respect and remedy' framework, as well as other more detailed standards such as the OECD Guidelines for Multinational Enterprises or the Equator Principles for the financial sector.

These sets of principles have formed the basis for a.s.r.'s SRI policy formalised in 2007. Human and labour rights are essential criteria for a.s.r. in the assessments of countries and companies, both to avoid controversial practices and risks and to identify best practices and opportunities. As a consequence, a.s.r. favours companies performing well in their policies on and implementation of Human Rights, for example, performing on-going human rights due diligence studies, setting targets to promote diversity, respecting the right to privacy or promoting collective bargaining. At the same time, a.s.r. either engages in or excludes investments in companies if they are complicit in systematic and/or gross violations of human or labour rights, including child labour, forced labour or severe controversies regarding decent wages in the supply chain. More details on the criteria and the way in which a.s.r. pursues human and labour rights policies can be found on the a.s.r. website.

Climate change

Protection of the environment and efforts to limit the impacts of climate change are of the utmost importance to preserve our planet for future generations. For a.s.r., climate change is a direct risk to our business, both to our liabilities the claims we pay out and to our assets the value of our investments. But, as complex as climate risks may be, climate change also presents unprecedented opportunities for action.

In 2015, a.s.r. became a signatory to the Paris Pledge for Action, committing to make efforts to limit global warming to 1.5°C. Since 2016, a.s.r. has integrated Climate change and Energy transition as an explicit theme/driver into its strategic asset allocation and has taken measures to implement its commitment across the investment portfolio. a.s.r. has analysed and identified risks for the investment portfolio, such as stranded assets and changing business models in the mining and energy sectors in the long-term. As a result, a.s.r. is gradually expanding its SRI policy, recognising the different implementation instruments per asset class with the objective of addressing both the 'mitigation' and the 'adaptation' aspects of climate change. Moreover, a.s.r. has contributed as much as possible to advancement of the SDG's targeted environmental benefits, such as SDG 7 and SDG 13.

a.s.r. will continue conducting periodical measurements and evaluating the results of these efforts, the final goals being to support the energy transition and to contribute to limiting the rise in temperature to 1.5 degrees Celsius. Furthermore, a.s.r. will explore opportunities and improvements to further reduce the carbon footprint of its investment portfolio. This is intended to result in a zero emission investment portfolio in the long-term.

More details on our criteria and on the way in which we pursue our climate and energy transition policies can be found on the a.s.r. website, including an insight into the carbon footprint of the a.s.r. investment portfolio.

Engagement

a.s.r. recognises three types of engagement:

- Engagement for the purpose of influencing: This type of engagement is used with companies who have been identified as acting in violation of the UN Global Compact Principles governing human rights, labour rights or the environment. In 2017, a.s.r. participated in 11 engagement projects (listed on a.s.r. website);

- Engagement for the purpose of monitoring: During 2017, a.s.r. discussed the importance of sustainability with various companies in its investment portfolio, mostly with our largest holdings such as TKH and Corbion. Additionally, a.s.r. was in dialogue with other players in the investment landscape, like fund or index providers, to encourage actively further ESG integration for their role in the investment chain. In 2017, these players included BNP Paribas AM, AXA IM, Black Rock, State Street, Northern Trust and VigeoEiris;

- Public engagement: In 2017, a.s.r. actively participated in a broad dialogue to create an International Corporate Social Responsibility (ICSR) sector covenant, together with peers, the public sector and various NGOs. From the DNB Platform for Sustainable Financing, a.s.r. actively took part in 2 working groups i.e. (1) SDG impact metrics, where a.s.r. was part of the writing group and (2) Platform Carbon Accounting Financials, where a.s.r. was part of the Sounding Board. Additionally, a.s.r. co-signed a petition to the Dutch Upper House for a new Dutch law to prevent child labour (SDG 8) and participated in a number of UNPRI initiatives: signing the UNPRI Investor Statement for the World No Tobacco Day (SDG 3), the UNPRI Investor engagement to eliminate child labour in the cocoa industry (SDG 8) and the UN PRI Investor expectations on deforestation in the cattle supply chains (SDG 15), which are expected to be followed by subsequent engagements on soy and timber/pulp and paper. a.s.r. spoke at various ESG events, such as the Impact Summit (April) and a round table with Al Gore (December).

Active engagement dialogues

Target	Result 2017	Result 2016
> 7 engagement projects per calendar year	a.s.r. participated in 11 engagement projects for influencing purposes[1]	a.s.r. participated in 12 engagement projects for influencing purposes

Voting policy
A shareholders' right to vote is essential for a proper functioning of any corporate governance system. a.s.r. exercises this right whenever this is relevant. a.s.r.'s voting policy (asrnl.com) has been developed in accordance with the Dutch Corporate Governance Code and a.s.r.'s SRI policy. The policy applies to all internally managed listed equities. In the 4th quarter of the year under review, two new funds were introduced that have also been subject to the voting policy as from the first quarter of 2018. In 2017, a.s.r. voted at nearly 95% of the shareholder meetings held by equity investors. From the 193 shareholders' meetings, there were 69 (36%) with at least 1 vote Against, Withhold or Abstain. Of this 69 meetings, there were 18 meetings with one or more votes against remuneration with regard to the Board of Directors or Supervisory Board and 22 meetings with one or more votes against appointments. The voting accountability report provides a quarterly review of how a.s.r. exercised its voting rights at shareholder meetings. The full report for 2017 is available on the a.s.r. website.

Impact investing
In the investment process, a.s.r. pays special attention to impact investing in order to make a sustainable contribution to society, for instance through waste recycling, renewable energy (solar and wind), social enterprises or contributing to health improvements. In 2017, a.s.r. invested in the first European sustainable real estate fund to achieve zero emission, contributing to SDG 11 (environmental and spatial quality) and SDG 13 (from zero emission to zero energy). a.s.r. decided to invest an additional € 25 million in four new initiatives with the intention of making a positive contribution to: (1) SDG 7, via an energy efficiency fund , (2) SDGs 1, 7, 8, 9, 12 and 13, via a clean energy fund, (3) SDGs 2, 6, 14 and 15, via a healthy eco-systems fund and (4) SDGs 2, 3, 6, 9, 11, 12, 13 and 14, via an energy transition fund to migrate from fossil fuels to biochemical-based sources. By the end of 2017, a.s.r. exposure to listed and non-listed impact investments addressing specific environmental or societal needs stood at nearly € 300 million.

Externally managed assets
The external providers SRI policy is a key decision criterion in the selection of external managers. As minimum standards, a.s.r. requires exclusion of controversial weapons according to the Sustainable Investing Code from the Dutch Insurance Association and a best possible effort to be a signatory to the UNPRI and the UN Global Compact principles. In addition, a.s.r. engages with its external managers to enhance their SRI policies and implementation of the policies as well as their transparency. In 2017, a.s.r. engaged actively with new and existing managers such as BNP Paribas AM, who was one of the managers to expand its SRI criteria to exclude tobacco activities from its investments. a.s.r. receives frequent sustainability reporting from its external managers and, whenever possible, a.s.r. requests impact metrics along with the SDG reporting.

SRI policy compliance
a.s.r. safeguarded its full compliance with the SRI policy by way of a three-step process in 2017:
1. Internal teams using the SRI policy (Investment departments);
2. Compliance check through a.s.r.'s internal compliance process (Risk);
3. Biennial independent audits by an external party (Forum Ethibel).

1 The list of engaged companies is published on the a.s.r. website, including controversial issues and status of engagement.

On the asset management front, 2017 was a year to strengthen the implementation of the a.s.r. SRI policy in the defined contribution pension (DC pension) product and external clients offering to improve their SRI weighting.

SRI policy compliance

Target	Result 2017	Result 2016
100% compliance with own SRI policy	☑	☑

Sustainability Benchmarks and Indices

a.s.r. is recognised and acknowledged in the market as a leading player in the area of applied sustainability. This was also demonstrated in various studies that were conducted in 2017:

- a.s.r. rose from third (2015) to **second** place in the benchmark 'Sustainable investments by insurers in the Netherlands' of the Dutch Association of Investors for Sustainable Development (VBDO).
- Of the ten major life insurers in the Netherlands, a.s.r. ranks **first** in the Fair Insurance Guide in terms of environmentally responsible investment (MVB) policy.
- a.s.r. has been awarded an **A+ rating** for strategy and governance in the annual sustainability report of the United Nations Principles for Responsible Investments (UNPRI), the international network for promoting sustainable investment practices to asset managers.

a.s.r. real estate investment management

a.s.r. real estate investment management (a.s.r. reim) invests in direct and indirect real estate and manages real estate portfolios for institutional investors. The substantial Dutch retail, residential and office portfolio is open to institutional investors who are looking for stable capital growth. Clients can participate in the funds of a.s.r. reim; ASR Dutch Prime Retail Fund, ASR Dutch Core Residential Fund and ASR Dutch Mobility Office Fund. Institutional investors can also appoint a.s.r. reim to manage their mandates for national and international real estate. On behalf of a.s.r.'s own account investments, a.s.r. reim manages the largest private portfolio of agricultural land in the Netherlands, and the ASR Property Fund for unit-linked insurance products.

Market

Not only the economy in the Netherlands is prospering, the Dutch real estate markets also demonstrated sound figures last year. Both income return and capital growth were quite positive. In general, vacancy levels are dropping (or were low already) and user demand is increasing, resulting in upward pressure on rents but also increases in overall market valuations, ultimately reducing rental yields as a percentage of market values. Especially at prime locations there is a stronger upward movement achievable. The Dutch real estate investment market had a very good year. Once again, the total investment volume broke a record. In 2017, it was over 25% higher than a year earlier.

Macro-economic prospects for the years to come are good: above-average GDP growth rates are forecasted for 2018 and 2019. The unemployment rate, which is already low, is expected to decline further to a stable level of below 4%. This will be positive for the Dutch real estate markets, both for occupier and investor. On average, a.s.r. real estate expects positive market dynamics, increasing rents and decreasing vacancy levels. Overall, a.s.r. real estate expects the property investment market to show healthy demand again. The availability of supply will determine the final level of investment volumes. Geographic differences will nonetheless remain substantial. a.s.r. reim will therefore continue to focus on key regions, towns and locations. However, acquiring high-quality products, will continue to be a challenge, given current investor demand and the low supply levels on good locations. Due to the limited supply and currently lower yields in the most attractive areas of the Netherlands, investors are expected to shift their focus slightly to non-core areas.

Strategy and achievements

The strategy aims to create long-term value for investors. To this end, agreements are made and in which returns are to be achieved at acceptable risk levels. For the longer term, it is important that real estate contributes substantially to the (economic) objectives of tenants and lessees.

The aim is to generate profit by on the one hand optimising management fees, and cost control on the other hand. Management activities focus on fund management and separate mandates for international real estate.
In cooperation with ASR Vermogensbeheer B.V., the asset management activities for a.s.r. customers and third parties will be further expanded.

In January 2017, a.s.r. reim's team for rural real estate investments organised a meeting with relations with soil fertility as the main topic on the table. a.s.r. reim considers it important to deal with the use of soil in a sustainable way, so that the quality is guaranteed for future generations. A fertile soil is essential for a good yield and preservation of the value of the land. This benefits farmers and landowners.

a.s.r. reim introduced a SaaS-solution that ensures that efficiency and professionality are improved. It can digitally sign documents via email, website or app, for example, and helps to reduce print and paper consumption and thus enhance sustainability. The tool also enables a.s.r. reim to work even more independently of time and location. This fits in with the desire to make processes simpler and faster, resulting in greater customer satisfaction.

The residential team has put together a CSR welcome package for new tenants to make them aware that not only energy factors determine the sustainability of a house, but also living behaviour.

Tenant satisfaction
Real estate is not only approached as an investment, a.s.r. reim also aims for aware, involved and satisfied tenants. In this context, a.s.r. reim conducts periodical tenant satisfaction surveys amongst tenants of residential, retail, office and rural real estate. The feedback will show how they rate the services, properties and their living and working environments. The outcomes are processed by asset management and, where applicable, discussed with the internal or external property managers. a.s.r. reim aims to achieve an average tenant satisfaction rating of at least 7 (out of 10).

Tenant satisfaction

Target	Result 2017	Result 2016
Tenant satisfaction > 7	7.1	7.3

Rural real estate portfolio asbestos-safe by 2020
a.s.r. reim seeks to minimise the presence of asbestos in its existing Dutch real estate investments. To achieve this, the entire portfolio of retail, office and residential properties has been made asbestos-safe. Some buildings in the rural real estate portfolio may still contain asbestos. In order to make its rural real estate portfolio fully asbestos-safe by 2020, the goal for 2017 was to conduct an asbestos screening and perform asbestos abatement procedures at no less than 20% of at-risk holdings.

Rural portfolio asbestos-safe[1]

Target	Result 2017	Result 2016
A rural portfolio that is asbestos-safe for 20%	45% of the holdings in the portfolio were declared asbestos-safe	27% of the holdings in the portfolio were declared asbestos-safe

1 The KPI 'Portfolio asbestos-safe' includes the number of rehabilitated properties plus the number of properties sold compared to the portfolio of 2015.

Sustainable real estate

As a real estate investment manager focussing on long-term value creation, the objective of making real estate more sustainable is important. a.s.r. reim believes in long-term relationships with its stakeholders. Together with them, a.s.r. reim wants to reduce its carbon footprint, increase its share of renewable energy, and focus on reusable materials. But CSR goes further than just a sustainable management of real estate. a.s.r. reim wants to contribute to both the environment and society by investing in neighbourhoods and offering internships, among other things.

The funds and business lines continuously strive to make the properties in their portfolios more sustainable. The focus is on both sustainable acquisition and making standing investments more sustainable with a keen eye for energy efficiency of the buildings, using sustainable materials & methods and greenery.

When possible, a Green Building Certificate (such as BREEAM) will be deployed. a.s.r. reim is continuously investigating and implementing new developments and applications, such as solar parks, transforming vacant spaces and/or buildings, energy-neutral dwellings, charging points for electric cars and green rooftops.

Based on the idea of investing in sustainably attractive real estate and thus remaining attractive in the future, the sustainability of 389 homes was enhanced to energy label A(+) in 2017, two shopping centres were BREEAM certified and it was decided that, for the renovation of a large Utrecht office, a strong focus will be placed on sustainability in accordance with the guidelines of the BREEAM Excellent certificate.

Sustainable investing

By participating annually in GRESB, a.s.r. reim improves its transparency and awareness of sustainability. In 2017, all three funds improved their scores in comparison with their scores in 2016. As a result, all of the funds now score above the average for their peer groups.

ASR Real Estate Investment Management

Fund	2016	2017	Change
ASR Dutch Core Residential Fund	56	72 (70)	+28.5%
ASR Dutch Prime Retail Fund	63	66 (61)	+4.8%
ASR Property Fund	54	64 (63)	+10.5%

The ASR Dutch Mobility Office Fund, which was set up in December 2016, will take part in GRESB for the first time in 2018.

Society - Investing in local neighbourhoods

a.s.r. reim considers it important that areas in which it manages property, continue to thrive. That is why a.s.r. reim is actively involved in these districts and communities. a.s.r. reim contributes to associations for city centre management and organises activities in the various shopping centres. The company also sponsors neighbourhood and city centre initiatives so that these areas remain attractive places to work, shop, recreate and/or live. a.s.r. reim sets aside a budget to invest in neighbourhood facilities and greenery, such as playgrounds, hiking trails, green roofs, Tiny Forests or other enhancements. In addition, a.s.r. reim has revitalised and opened up many country estates and nature conservation areas to the public to strengthen the relationship between citizens and nature.

3.2.4 Distribution and Services

The Distribution and Services segment covers activities relating to the distribution of insurance contracts and intermediary services, and is carried out by Van Kampen Groep Holding B.V. (VKG), Dutch ID B.V., Corins B.V., SuperGarant Verzekeringen B.V. and PoliService B.V.

Financial performance

Key figures

(in € millions)	2017	2016
Total income	62	48
Operating expenses	-45	-35
Provision for restructuring expenses	-	-
Operating result	**16**	**12**
Incidental items (not included in operating result)	**-**	**-**
- Investment income	-	-
- Underwriting incidentals	-	-
- Other incidentals	-	-
Profit / (loss) before tax	16	12
Tax	-4	-3
Profit / (loss) for the year attributable to holders of equity instruments	**12**	**9**

Market

The footprint of a.s.r. in the distribution landscape through the aforementioned distribution businesses also contributes to insight in developments within the insurance distribution market. Recent developments in this market show that the distribution landscape remains in motion. Relevant developments in the distribution landscape are for example the growth of service providers and mandated broker businesses, as well as the on-going consolidation of intermediaries.

The overall trend is that the larger distribution businesses gain market share, due to organic as well as in-organic growth; the top-50 companies in the distribution field are increasing their power within the total distribution landscape. Next, hybrid distribution models of insurance products remains in place and the independent advisory channel did gain market share in a few submarkets last year. a.s.r. is with its own distribution businesses well positioned for these developments, as well as to support the independent advisory channel.

Strategy and achievements

a.s.r. acquired the businesses VKG, Dutch ID, Corins and SuperGarant in 2015 and 2016, consistent with its strategy of seeking to enhance and strengthen its relationships with intermediaries. a.s.r. believes that VKG, Boval, SuperGarant and Corins will similarly benefit from their inclusion in a.s.r., since a.s.r.'s support (e.g. for product offerings and/or innovation possibilities) will allow them to develop and grow their businesses.

The acquisitions offered a.s.r. forward integration in the insurance chain and improved insights into customer needs, which a.s.r. believes will enable it to adjust its product portfolio and/or distribution mix and therefore align its product range more closely with customer needs.
a.s.r. also believes these acquisitions provide learning and innovation opportunities by giving it the ability to develop and test new product ideas with direct input from the distribution and customer sides. The integrated chain approach enables a.s.r. to accelerate the implementation and marketing of innovations and new products, allowing it to innovate quickly and implement its learning throughout the rest of the organisation.

VKG

VKG is a full service provider and a mandated broker to a number of Dutch insurance companies, including a.s.r.'s P&C insurance business. As at 31 December 2017, VKG acted as service provider and as a mandated broker for 23 financial institutions, and distributes products from 94 insurers, banks and other credit institutions through VKG's relationships with intermediaries. VKG also provides access to the insurance exchange and mortgages. Based on these associations, VKG offers administration and consulting services to advisors for their commercial and back-office operations. As at 31 December 2017, VKG had agreements with approximately 3,000 advisors in the Netherlands, 500 of whom have fully outsourced their administrative functions to VKG.

Dutch ID (Boval and Felison)
Dutch ID is an advisor, service provider and mandated broker to a.s.r.'s disability and P&C insurance businesses, as well as to other insurance companies operating in the Dutch non-life insurance market.

As at 31 December 2017, Dutch ID acted as an advisor for insurance products and provided mandated brokerage services for some of the products and business lines offered by insurance companies. Based on these associations, Dutch ID provides administration services as a service provider to other advisors in respect of their commercial and back-office operations. It also offers consulting and other services, such as claims management, risk management, prevention, reintegration and leasing. Dutch ID focuses primarily on the agricultural, transport, overhaul and civil construction sectors. Dutch ID has ties with business associations in the agricultural (LTO) and transport (EVO) sectors.

Corins
Corins has been successful as an reputable for high quality underwriting agency in the Dutch co-insurance market since 2003. The company services over 60 brokers and will continue to represent the multiple insurers it currently does business with. Inclusion of Corins into a.s.r. contributes to a.s.r.'s expansion in the Dutch commercial P&C insurance market. For example, a.s.r. participates in the co-insurance pool of Corins, which enables a.s.r. to grow in the Dutch co-insurance market within the terms of its own risk appetite.

SuperGarant
SuperGarant operates as an intermediary and underwriting agent. As an ISO9001 and Arbo-certified service provider, it constitutes a unique advisory center offering integrated disability propositions consisting of prevention, re-integration and disability insurance products aimed at retail sector. SuperGarant also sells P&C products to its clients. SuperGarant works in close collaboration with SME sector associations and has a direct line of contact with franchise and purchasing organisations.

PoliService
Poliservice is an intermediary for a.s.r. and its business which sells, gives advise and manages different types of insurance, giving direct mortgage and pension advice to its customers and managing the portfolios of intermediaries that have ceased to operate. It acts as a tied agent and is also an insurance intermediary for a.s.r.'s own employees.

3.2.5 Holding and Other (including Eliminations)

The segment Holding and Other consists primarily of the holding activities of a.s.r. (including the Group-related activities), other holding and intermediate holding companies and the activities of ASR Deelnemingen N.V. This segment includes the pension contract of the Group with ASR Levensverzekering N.V. on behalf of a.s.r. for a.s.r.'s employees.

Financial performance

Key figures

(in € millions)	2017	2016
Operating expenses	-56	-63
Provision for restructuring expenses	-	-1
Operating result	**-99**	**-87**
Incidental items (not included in operating result)	**15**	**92**
- Investment income	-3	-1
- Underwriting incidentals	1	-
- Other incidentals	17	93
Profit / (loss) before tax	-84	5
Tax	38	-4
Non-controlling interest	1	1
Profit / (loss) for the year attributable to holders of equity instruments	**-45**	**2**

Operating result decreased with € 12 million from € -87 million to € -99 million. This is mainly the result of higher current net service costs (€ 11 million) for a.s.r.'s own pension scheme. As a result of lower discount rates primo 2017.

Operating expenses decreased from € -63 million to € -56 million, mainly related to a reduction of non-ordinary costs with € 8 million in 2017 due to preparation costs for the IPO of a.s.r. in the first half of 2016.

The **incidental items** amounted to € 15 million compared to € 92 million in 2016. The decrease mainly relates to a release in 2016 of € 100 million of a.s.r.'s post-employment benefit plan for future inflation indexation for former employees (IAS 19).

Profit before tax decreased from € 5 million to € -84 million. This decrease was mainly attributable to the above mentioned incidental items.

3.2.6 Real Estate Development

A part of the Real Estate Development company was legally split on 30 December 2015 retroactively as per 1 January 2015 into ASR Vastgoed Projecten B.V., which consists primarily of a.s.r.'s Leidsche Rijn Centrum project (including commitments and guarantees in respect thereof), aftercare projects and joint ventures in real estate projects. The Real Estate Development activities of a.s.r. are effectively in run off. a.s.r. will opportunistically explore divestment opportunties for the remaining projects in its portfolio.

Financial performance

Key figures

(in € millions)	2017	2016
Profit / (loss) for the year from continuing operations	14	3
Profit / (loss) for the year from discontinued operations	-	4
Profit / (loss) attributable to non-controlling interests	-2	1
Profit / (loss) for the year attributable to holders of equity instruments	**12**	**8**

Until 2016, the activities of ASR Vastgoed Projecten B.V., which consist of the run-off real estate development activities, were considered partly as continuing and partly as discontinued operations. In 2016, some of the discontinued operations were sold. The small remaining part of the business is not expected to be sold in the near future. These operations therefore no longer meet the IFRS requirements to be classified as 'held for sale and discontinued operations' and have been reclassified as continuing operations as of 1 January 2017.

Profit for the year increased from € 8 million to € 12 million, reflecting an increase in residential and retail volumes sold, especially in the project Leidsche Rijn Centrum (LRC).

The profit from discontinued operations in 2016 (€ 4 million) was related to projects sold in 2016.

3.2.7 Brand and distribution channels

In order to position itself effectively in different customer segments of the Dutch insurance market, a.s.r. uses a hybrid, multi-brand distribution strategy and offers its products to approximately 1.46 million households (through the a.s.r., De Amersfoortse and Ditzo labels). The majority of a.s.r.'s insurance products are distributed through the intermediary channel. Ditzo is a.s.r.'s online brand. Ardanta is active in the funeral insurance and has approximately 3.8 million customers.

a.s.r. uses a multi-brand model which is designed to target different market segments and comprises three core brands: a.s.r., De Amersfoortse and Ditzo, as well as two niche brands: Europeesche Verzekeringen and Ardanta.

Multi-brand model

Brand	Type	Products	Distribution	Coverage	Platform
a.s.r.	Generalist	Individual life, Pensions, P&C, Banking	Advisors and specialists	Nationwide	asr.nl
De Amersfoortse	Specialist	Income protection, Pensions and Health	Advisors	Nationwide	amersfoortse.nl
Ditzo	Generalist	P&C and Health	Online	Nationwide	ditzo.nl
Europeesche Verzekeringen	Specialist	Travel and Leisure	Multi-channel	Nationwide	europeesche.nl
Ardanta	Specialist	Funeral	Multi-channel	Nationwide	ardanta.nl

a.s.r.'s current brand and distribution channels includes:

a.s.r.

Under the a.s.r. brand, a.s.r. offers products for P&C (all customer segments), pensions (DB and DC products for the SME and commercial market), individual life (term life and annuity) and banking products (mortgages, savings and investments) for retail clients. a.s.r.-branded products are mainly distributed through the intermediary channel (e.g. P&C, mortgages and DB pension products), and by exemption online (e.g. term life, savings and individual annuity). In addition, mandated brokers, aggregators and service providers can sell a.s.r.'s products under their own brand names. The a.s.r. brand targets retail and commercial (primarily SME) customers.

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

De Amersfoortse

Under De Amersfoortse brand, a.s.r. offers disability and health cover, mainly aimed at the commercial market. De Amersfoortse products and services are sold exclusively through intermediaries.

DE AMERSFOORTSE
een merk van a.s.r.

Ditzo

Ditzo is a.s.r.'s online brand, focusing on P&C and health products for retail clients. Ditzo-branded products are sold online (directly) through its own and aggregator websites.

Ditzo
een merk van a.s.r.

Europeesche Verzekeringen

a.s.r. sells travel and leisure insurance under the Europeesche Verzekeringen brand. Europeesche Verzekeringen insurance policies are sold through the intermediary channel, including through specialist partners, such as tour operators, sports federations and online channels. The Europeesche Verzekeringen brand primarily targets retail customers.

europeesche verzekeringen

Ardanta

Ardanta is a.s.r.'s funeral insurance brand. Most of Ardanta's funeral insurance policies have historically been sold through the intermediary channel. Ardanta currently applies a multi-channel distribution strategy, offering its products through intermediaries, direct sale and online. The Ardanta brand targets retail customers.

ARDANTA

3.3 Risk management and Compliance

3.3.1 Risk management

Risk management is an integral part of a.s.r.'s daily business operations. a.s.r. applies an integrated approach to managing risks, ensuring that strategic objectives are met. Value is created by striking the right balance between risk and return and capital, whilst ensuring that obligations to stakeholders are met. The Risk Management Function (RMF) supports and advises a.s.r. in identifying, measuring and managing risks, and ensures that adequate and immediate action is taken in the event of developments in the risk profile.

a.s.r. is exposed to a number of risks, such as strategic risks, market risks, counterparty default risks, liquidity risks, underwriting risks (life and non-life) and operational risks. Its risk appetite is formulated at both group and legal entity level and provides a consistent framework of risk appetite statements that supports effective risk selection and monitoring.

The notes to the financial risk appetite statements give a detailed description of the risk management system, the risk profile and quantitative and qualitative information relating to identified risks, including the Own Risk and Solvency Assessment (ORSA) and Risk Management System (see Chapter 5.8 Risk management).

Strategic risk management in 2017

Strategic risk management aims to identify and manage the key risks that could affect a.s.r.'s strategic objectives. Essential elements of strategic risk management are Control and Risk Self-Assessment (CRSA), Own Risk and Solvency Assessment (ORSA) and Recoveryplan.

The RMF monitors the risk profile of a.s.r. and its legal entities in order to ensure that it stays within the risk appetite. The risk appetite is defined as the level and type of risk a.s.r. is willing to bear in order to meet its strategic, tactical and operational objectives. The risk appetite is formulated to give direction to the management of the (strategic) risks. The risk appetite contains a number of qualitative and quantitative risk appetite statements, and is defined for both financial (FR) and non-financial risks (NFR).

In 2017 the Risk Appetite statements and limits were evaluated to ensure alignment with the strategy, and were updated by the Executive Board and approved by the Supervisory Board.

The statements highlight the risk preferences and limits of the organisation and are viewed as key elements for the realisation of our strategy. In 2017 the performance against these statements was monitored by the risk committees.

Risk appetite Statement ASR Nederland N.V. 2017

1	ASR Nederland N.V. places long-term value creation at the forefront of its (strategic) operations. ASR Nederland N.V. is a socially responsible organisation which ensures that all stakeholders' interests are met in a balanced and sustainable way.	NFR
2	ASR Nederland N.V. ensures that operational risks are controlled efficiently and effectively: a. ASR Nederland N.V. has efficient and effective business processes; b. ASR Nederland N.V. has reliable financial reports; c. ASR Nederland N.V. has controlled internal and external outsourcing; d. ASR Nederland N.V. has IT that processes information reliably.	NFR
3	ASR Nederland N.V. complies with current laws, regulations and ethical (and inherent internal) norms. ASR Nederland N.V. meets the (reasonable) expectations of stakeholders and offers solid and reliable products which are cost-efficient, useful, safe and comprehensible to customers, intermediaries and ASR's internal organisation. Conducting honest business ensures that ASR's reputation, business model and financial solidity are protected.	NFR

4	ASR Nederland N.V. has a minimum SCR ratio of 120%.	FR
5	ASR Nederland N.V. remains within the bandwidth of periodically reassessed market risk budgets.	FR
6	ASR Nederland N.V. retains, in accordance with the S&P Capital model, a minimum rating of single A.	FR
7	ASR Nederland N.V. has a maximum financial leverage ratio of 40%. Financial leverage ratio = Debt / (Debt + Equity)	FR
8	ASR Nederland N.V. has a maximum double leverage ratio of 135% with a soft limit of 115%. Double leverage ratio = Total value of associates / (equity attributable to shareholders + hybrids and subordinated liabilities)	FR
9	ASR Nederland N.V. has a minimum interest coverage ratio of between 4 and 8. Interest coverage ratio = EBIT operational / interest expense	FR
10	ASR Nederland N.V. is capable of releasing liquidities worth up to € 1 billion over a 1-month period following stress and remains capable of meeting its collateral requirements in the event of a 3% interest increase.	FR
11	ASR Nederland N.V. generates a robust and high-quality operational ROE, i.e. pursues an overall ROE > 10% and seeks an ROE > 8% for individual investment decisions.	FR
12	ASR Nederland N.V. has a maximum combined ratio of 99%.	FR

The risk profile is periodically discussed in the risk committees. After being discussed in the Business Risk Committees (BRC), the non-financial risk profile is reported to the Non-Financial Risk Committee (NFRC) and the financial risk profile is reported to the Financial Risk Committee (FRC). The integrated risk profile is reported to the a.s.r. Risk Committee. In the event of breaches, the committees are authorised to decide on corrective actions. The risk governance structure thus ensures that the risk profile is monitored effectively and that action is taken at the correct and applicable time.

a.s.r. has adopted a combined top-down (Strategic Risk Analysis) and bottom-up (Control Risk Self-Assessments) approach for identifying major risks to which it can be exposed. Output from the Strategic Risk Analysis (SRA) and Control Risk Self-Assessments (CRSA) provides insight into the overall risk profile of a.s.r. and the risk profiles of the underlying legal entities. The main risks are translated into 'risk priorities' at group level and are monitored throughout the year in the a.s.r. Risk Committee.

As part of the regular ORSA process, a.s.r. annually assesses the accuracy of the Solvency II standard formula, taking into account the identified risks and those risks that are not part of the standard formula (such as inflation risk, strategic and reputational risk, model risk, contagion risk and liquidity risk).

Based on the output of the ORSA, a.s.r. draws conclusions regarding its capital adequacy. Risk-mitigating measures are also identified as part of the ORSA process and are integrated into the relevant risk management cycles. Risk management cycles are embedded in day-to-day business in order to structurally measure, analyse, monitor and evaluate the identified risks at odds with the risk appetite.

As it does every year, a.s.r. updated its recovery plan in 2017. The purpose of the recovery plan is to increase the chances of a successful early intervention in the event of a financial crisis situation and to further guarantee that the interests of policyholders and other stakeholders are protected. The recovery plan ensures that a.s.r. has effective measures in place to deal with potentially severe financial scenarios. The recovery plan enables a.s.r. to improve its chances of successful intervention in such extreme scenarios and ensures that it is better prepared for financial crisis situations.

In 2017 as in 2016, a.s.r. took various steps to support the reasonable assurance given by the actuarial function and the risk management function on the reliability of the Solvency II calculations and reports. In relation to this, a.s.r. maintained attention for data quality to improve sound data quality and information management systems. To gain reasonable assurance regarding the accuracy of model outcomes in accordance with the Solvency II regulation, a.s.r. applies model validation and other mitigating measures. The primary scope of model validation consists of best-estimate liabilities determination and solvency capital requirement models.

Management of financial risks in 2017

a.s.r. strives for an optimal trade-off between capital, risk and return. Steering on capital, risk and return is applied in decision-making throughout the entire product cycle: from PARP (Product Approval Review Process) to the payment of benefits and claims. At a more strategic level, decision-making takes place through balance sheet management. A robust solvency position takes precedence over profit, premium income and direct investment income. Risk tolerance levels and limits are disclosed in the financial risk appetite statements (financial RAS) and are monitored by the FRC. The FRC evaluates financial risk positions against the RAS on a monthly basis. Where appropriate, a.s.r. takes additional mitigating measures.

Developments in financial markets throughout 2017 were favourable and contributed to the growth of the group's own funds. Despite the slight increase, interest rates remained low and continued to be a dominant theme. The interest rate hedge was reduced to enable a.s.r. to benefit from a potential future rise in interest rates. Group Risk Management (GRM) carried out a review on the underlying proposals. Its conclusion was that the down-side risk was acceptable vis-à-vis the current solvency level. The interest rate sensitivity of the SCR ratio remained within the limits of the interest rate policy during 2017. Exposure to shares, property and corporate bonds rose during 2017 in order to support the anticipated capital generation. The corresponding increase in the required capital for market risk remained within the limits set. Finally, net exposure to core sovereign bonds was reduced in order to mitigate the negative effects of a potential normalisation of swap spreads. GRM subscribed to this modification in the bond portfolio.

In 2017 the Actuarial Function performed its regulatory tasks in assessing the adequacy of the Solvency II technical provisions, giving an opinion on reinsurance and underwriting and contributing to the risk management. The actuarial function report relating to these areas was discussed by the Executive Board, Risk Committee and by the Audit & Risk Committee. See the Financial Statements (Chapter 5.8 Risk management) for further information about a.s.r.'s management of financial risks.

Management of non-financial risks in 2017

Non-financial risk appetite statements are in place to manage the risk profile within the limits determined by the Executive Board and approved by the Supervisory Board. The Non-Financial Risk Committee (NFRC) monitors and discusses on a quarterly basis whether non-financial risks are adequately managed. Should the risk profile exceed the risk appetite, the NFRC will decide on actions to be taken. The financial and non-financial risk profiles are integrated on behalf of the a.s.r. Risk Committee. In the event of breaches, the a.s.r. Risk Committee is authorised to decide on corrective actions. The risk profile and internal control performance of each business is discussed on a quarterly basis with senior management in the business risk committees and the NFRC.

In 2017, a.s.r. took steps to further improve the effectiveness of its operational risk control framework by adopting a more risk-based approach. In 2017, a risk analysis project was carried out. The management of the businesses (re) evaluated their key risks and controls and redesigned and implemented their risk-control frameworks accordingly.

In order to enhance the uniformity, efficiency and effectiveness of the risk- and control cycle, a.s.r. additionally purchased and began the roll-out of the Governance and Risk Compliance (GRC) tool ('Cerrix'). In 2018, it will continue the roll-out of the tool throughout the organisation to include all the businesses. a.s.r. will naturally continue to look for opportunities to improve the management of its operational risks in 2018.

In 2017, a.s.r. took various actions to enhance the measurement and reporting of data quality for financial reporting purposes. A data quality project has now been completed, including the mitigation of associated risks through quality controls. In 2018 a.s.r. will take further steps in this area. A further initiative addressing end-user computing risks and basic data, among other things, is currently under way.

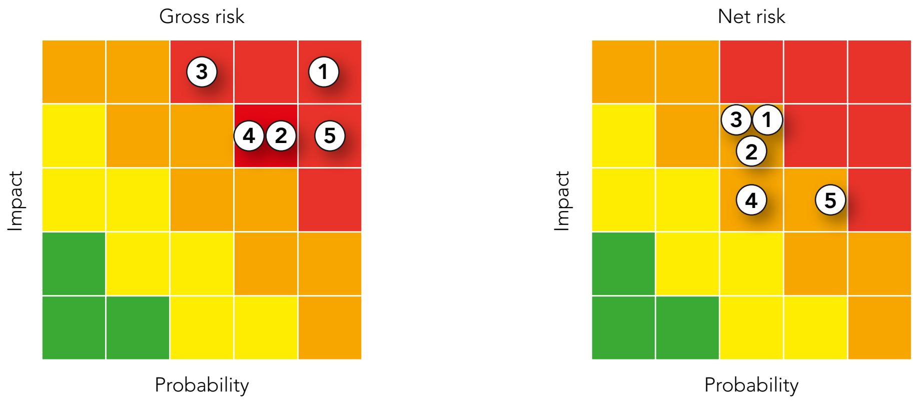
Risk priorities

The risk priorities of a.s.r. are annually defined by the Executive Board based on the Strategic Risk Analysis and bottom-up Control Risk Self-Assessments of the legal entities. The most recent status of the risk priorities and progress on the defined actions are reported to the a.s.r. Risk Committee quarterly.

The risk priorities are:
1. Pressure on result and renewal of cash-generating business model;
2. Juridification of society;
3. Continuing low interest rates and volatile markets;
4. Impact of supervision, laws and regulations;
5. Information (cyber) security risk.

To determine the degree of risk, a.s.r. uses a risk scale based on probability and impact (Level of Concern). For the risk priorities, the degree of risk is determined by the a.s.r. Risk Committee quarterly. The following table shows the degree of risk per 2017Q4.

Degree of risk per 2017Q4



LoC 1: low degree of risk (inside risk appetite boundaries)	LoC 2: acceptable degree of risk (inside risk appetite boundaries)	LoC 3: high degree of risk (outside risk appetite boundaries)	LoC 4: very high degree of risk (outside risk appetite boundaries)

Gross risk: the risk that exists if there are no control measures in place to mitigate it.
Net risk: risk when taking into account a.s.r.'s mitigating measures.

a.s.r. takes measures to mitigate the risks which are outside the risk appetite boundaries. For each risk priority the measures are described in the text below.

Pressure on result and renewal of cash-generating business model

The insurance market is changing and the (cash-generating) business model of many insurers is under pressure due to shrinking customer demand, changes in customer behaviour, changes in distribution channels, the current economic climate (low interest rates), regulatory changes and technological developments. Competition in the current market is fierce and cost-consciousness is growing, which could lead to an increase in non-life policy cancellations, loss of retention in the life business, a decline in new insurance contract sales and limited scalability of departments.

a.s.r. continually monitors and assesses its product portfolio and distribution channels for relevant alterations in order to meet the changing needs of customers and to achieve planned cost reductions as premiums fall.
It is, for example, actively monitoring the market to study potential acquisitions and mergers, and has increased its market share through the acquisition of Generali Nederland. In the case of this acquisition a non-regular ORSA has been performed and Group Risk Management reviewed this ORSA. Other mitigating measures include the roll-out of capital-light initiatives (such as third party asset management and focus on pension DC) and the creation of an Innovation & Digital team through which it focuses on innovation.

Juridification of society

Risk description
Political, regulatory and public attention has been focused on unit-linked life insurance policies for some time now. Elements of a.s.r.'s unit-linked life insurance policies are being challenged on multiple legal grounds in current legal proceedings, and may continue to be in the future. There is a risk that one or more of the current and/or future claims and/or allegations will be upheld. To date, a number of rulings relating to unit-linked life insurance products have been issued by the Financial Services Complaints Board (FSCB) and (appeal) courts in the Netherlands against a.s.r. and other insurers in specific cases. In these proceedings, different (legal) approaches have been taken to arrive at a ruling. The outcomes of these rulings are diverse. Because the record of (a.s.r.'s) policies dates back many years, it contains a wide variety of products with different features and conditions, and since rulings are so diverse, no reliable estimate can be made concerning the timing and outcome of these current and future legal proceedings.
Although the financial consequences of these developments could be substantial, a.s.r.'s exposure cannot be reliably estimated or quantified at this point. If one or more of these legal proceedings succeed, there is a risk

that a ruling, although only legally binding on the parties involved in the proceedings, could be applied to or be relevant for other unit-linked life insurance policies sold by a.s.r. Consequently, the financial consequences of any current and/or future legal proceedings brought upon a.s.r. could be substantial for a.s.r.'s life insurance business, and may have a material adverse effect on a.s.r.'s financial position, business, reputation, revenues, results of operations, solvency, financial condition and/or prospects.

Unit-linked products (beleggingsverzekeringen)
One of the aspects of the juridification of society are the current legal actions (partly class actions) with respect to unit-linked products sold.

Since the end of 2006, individual unit-linked life insurance products (beleggingsverzekeringen) have been receiving negative attention in the Dutch media, from the Dutch Parliament, the AFM, consumers and consumer protection organisations. Elements of unit-linked policies are being challenged or may be challenged on multiple legal grounds. The criticism and scrutiny of unit-linked life insurance products has led to the introduction of compensation schemes by Dutch insurance companies that have offered unit-linked products. In 2008, a.s.r. life concluded an outline agreement with two leading consumer protection organisations to offer compensation to unit-linked policyholders if the cost and/or risk premium exceeded a specified maximum. A full agreement on implementation of the compensation scheme was reached in 2012. The total recognised cumulative financial costs relating to the compensation scheme for Individual life in a.s.r.'s income statement until 2017 was € 1,031 million. This includes, amongst other things, compensation paid, amortisation of surrender penalties and costs relating to improved product offerings. The remaining provision in the balance sheet as at 31 December 2017 amounted to € 45.3 million and is available only to cover potential additional compensation (for distressing cases and costs relating to the compensation scheme). Under this agreement, a.s.r. offered consumers additional measures such as alternative products and less costly investment funds. In addition to the compensation scheme, a.s.r. implemented additional measures (supporting policy), including the ten best in class principles as formulated by the Dutch Minister of Finance. On 17 July 2015, the Dutch Ministry of Finance published an Order in Council (algemene maatregel van bestuur) under which insurance companies can be sanctioned if they fail to meet the compulsory targets set for approaching policyholders of unit-linked life insurance policies and prompting them to review their existing policies.

The agreement with the two consumer protection organisations and additional measures are not binding on policyholders. Consequently, neither the implementation of the compensation schemes nor the additional measures offered by a.s.r. prevent individual policyholders from initiating legal proceedings against a.s.r. and submitting claims for damages.

Legal proceedings
a.s.r. is the subject of a number of legal proceedings initiated by individual unit-linked policyholders, represented in most cases by claims organisations. While fewer than 15 cases are pending before Dutch courts, including courts of appeal and fewer than 120 cases are pending before the FSCB (the Dispute Committee and the Committee of Appeal of the FSCB), there is no assurance that further proceedings will not be brought against a.s.r. in the future. Future legal proceedings regarding unit-linked life insurance policies could be brought against a.s.r. by consumers individually, by consumer organisations acting on their behalf or in the form of a class action. There is also ongoing lobbying by consumer protection organisations such as the Consumentenbond and Stichting Geldbelangen to gain sustained media attention for unit-linked life insurance policies. These organisations argue, amongst other things, that consumers did not receive sufficient compensation under the compensation scheme.

a.s.r. is currently the subject of two class actions. In June 2016, Woekerpolis.nl initiated a class action asking the Midden-Nederland District Court to declare that a.s.r. sold products that were defective in various respects (e.g. lack of transparency regarding cost charges and other product characteristics, and including risks which the insurer failed to warn against, such as substantial stock depreciations, inability to realise the projected final policy value, unrealistic capital projections due to differences in geometric versus arithmetic returns and general terms and conditions governing costs which Woekerpolis.nl considered to be unfair). In March 2017, the Consumentenbond also brought a class action against a.s.r. This class action was on grounds similar to that brought by Woekerpolis.nl. The class action brought by the Consumentenbond is currently pending before the Midden-Nederland District Court. a.s.r. has rejected all the claims in both cases. The timing and outcome of both class actions is as yet unclear.

In 2011, three individual test cases were initiated by ConsumentenClaim B.V. on behalf of three policyholders against a.s.r. regarding certain unit-linked life insurance products. ConsumentenClaim argued, among other things, that a.s.r. (a) failed to provide the policyholders with sufficient information about certain aspects of the products, such as costs, risk premiums and the leverage capital consumption risk, (b) had a duty of care towards the policyholders which a.s.r. had breached, and (c) had applied general terms and conditions governing costs that were unfair. In two of the cases, the 's-Hertogenbosch Court of Appeal (having the same composition) issued rulings on 2 May 2017 and 31 October 2017 respectively. In the first of the two judgments (2 May 2017), some specific general terms governing costs were considered to be unfair in the light of Directive 93/13/EEC concerning unfair terms in consumer contracts. In the second judgment (31 October 2017), some specific general terms governing costs were considered to be unlawful in light of general contract law which was applicable at the time when the product was sold. In both cases, the 's-Hertogenbosch Court of Appeal ruled that a.s.r. was required to repay certain costs it had charged in the product to the customer concerned. The third case is still pending before the The Hague Court of Appeal. The timing and outcome of these proceedings are as yet uncertain.

Risk profile and contingent liability unit-linked life insurance products
The political, regulatory and public attention which is focused on unit-linked life insurance policies continues. Elements of a.s.r.'s unit-linked life insurance policies are being challenged on multiple legal grounds in current legal proceedings, and may continue to be so in future. There is a risk that one or more of the current and/or future claims and/or allegations will succeed. To date, a number of rulings regarding unit-linked life insurance products have been issued by the FSCB and courts (of appeal) in the Netherlands against [a.s.r.] and other insurers in specific cases. In these proceedings, a variety of (legal) approaches have been taken to arrive at a ruling. The outcomes of these rulings are diverse. Because a.s.r.'s book of policies dates back many years, it contains a variety of products with different features and conditions, and since the rulings are diverse, no reliable estimate can be made regarding the timing and outcome of current and future legal proceedings brought against a.s.r. and other insurance companies.

The total costs relating to compensation for unit-linked insurance contracts as described above have been fully recognised in the financial statements based on the management's best knowledge of current facts, actions, claims, complaints and events. Provisions are recognised in the liabilities arising from insurance contracts and legal provisions (see Chapter 5.5.14 Insurance liabilities). Although the financial consequences of the legal developments could be substantial, a.s.r.'s exposures cannot be reliably estimated or quantified at this point. If one or more of these legal proceedings succeed, there is a risk that a ruling, although legally binding only on the parties involved in the proceedings, could be applied to or be relevant for other unit-linked life insurance policies sold by a.s.r. Consequently, the financial consequences of any of the current and/or future legal proceedings brought against a.s.r. could be substantial for a.s.r.'s life insurance business and could have a material adverse effect on a.s.r.'s financial position, business, reputation, revenues, results of operations, solvency, financial condition and/or prospects.

Continuing low interest and volatile markets
The (cash-generating) business models of insurers are being severely impacted by structurally low interest rates. It is becoming an ever-increasing challenge to generate sufficient returns on investment and to be able to reinvest against attractive terms. The pressure to generate investment returns (search for yield) creates much tension between risk and return.
Unforeseen political developments and/or macroeconomic trends combined with decreased liquidity in the market due to the limited scope banks have to supply money creates the threat of financial markets becoming volatile and could in turn weaken a.s.r.'s solvency position.
a.s.r. will remain permanently alert to the risk of a scenario developing in Europe with a major impact on capital and solvability. It therefore continuously monitors its interest rate position and reports the findings to the Financial Risk Committee. The Interest Rate Risk Committee then holds preparatory discussions to decide whether or not to adjust the interest rate hedge. The consequences of possible interest rate fluctuations are also examined more fully in the Strategic Asset Allocation (SAA), an annual ALM study which a.s.r. conducts at its own expense, and also to some extent in the ORSA.

Impact of supervision, laws and regulations
As a result of increasing political and regulatory pressure, there is the risk that:
Due to growing political and regulatory pressure, there is the risk that:
- a.s.r.'s reputation will come under pressure if new requirements are not met in time;
- Available resources will largely be utilised to align the organisation with new legislation, meaning there are fewer resources to spend on core customer processes;
- Processes will become less efficient and pressure on the workforce will increase;
- a.s.r. will have administrative fines or sanctions imposed on it for failure to comply with requirements (on time).

a.s.r. constantly monitors changing laws and regulations and assess their impact and the corresponding actions required (in cooperation with Compliance and Legal). Also the availability of capacity is monitored continuously to have sufficient resources to process all regulations in a timely manner. As mentioned under 'key trends', in 2017 a.s.r. set up a multidisciplinary legislation and regulation committee to help the various businesses signal and adopt legislative amendments in good time. The committee reports to the NFRC. a.s.r. has also set up an internal centralised project group to monitor legislation on data protection, Algemene Verordening Gegevensbescherming (AVG). This project group manages and supports processes, policy guidelines and the interpretation of privacy aspects throughout a.s.r. In addition, in 2017 knowledge sessions were again organised for the decentralised project organisations, a fit-gap analysis was conducted and policy guidelines were formulated. The set-up and approach used by a.s.r. to meet the stricter requirements imposed by the AVG (GDPR) in a timely manner were also assessed externally. a.s.r. must be fully compliant by 25 May 2018.

In May 2017, the International Accounting Standards Board (IASB) published IFRS 17, the new IFRS standard for insurance contracts. IFRS 17 will take effect on 1 January 2021, at which time it will replace the existing IFRS 4 standard. IFRS 17 is designed to facilitate comparability between insurers and increase transparency in relation to risks, contingencies, losses and embedded options in insurance contracts. IFRS 9 Financial instruments was published in July 2014 and has had a major impact on the processing of the financial instruments (investments). IFRS 9 will, like IFRS 17, be applied by a.s.r. group from 1 January 2021 in order to maintain cohesion between these two standards and guard against IFRS 9 being implemented twice. This postponement is not available to ASR Bank N.V., which therefore began applying IFRS 9 from 1 January 2018. In 2017, a.s.r. launched an internal programme to prepare for the implementation of IFRS 17 and IFRS 9 throughout the group. This programme will have a major impact on the group's primary financial processing and reporting and could have a significant effect on its capital, financial statements and related KPIs. Finance, risk, audit and the business have all been given responsibility in the programme due to the need to develop an integrated vision. For more information, see Chapter 5.3.3 (New standards), interpretations of existing standards or amendments to standards not yet effective in 2017.

Information (cyber) security risk

Information (cyber) security risks have increased due to new technological developments – such as cloud computing, bring-your-own devices, social networks and online transactions with customers. In order to prevent cyber attacks and information security breaches, a.s.r. must be sufficiently aware of the potential threats posed to the organisation. a.s.r. runs the risk of new technological developments requiring different and increased expertise and other mitigating measures. The potential of confidential information becoming available to third parties, intentionally or unintentionally, is a risk facing both a.s.r. and its customers, and one which could ultimately lead to significant reputational harm. All our employees are therefore expected to be fully aware of the risks associated with the handling of confidential information regarding our customers, employees, financial information and strategy, and are asked to do their utmost to protect our assets.

The use of, and dependence on, IT is significant for both a.s.r. and its customers. Cybercrime could therefore have a major impact on a.s.r.'s security and continuity. The attempted cybercrime attacks a.s.r. experienced in 2017, which included phishing, malware and ransomware attacks, have become a well-known phenomenon.

a.s.r. made ongoing investments throughout 2017 to further strengthen its defences against cybercrime and to enhance the expertise of its teams. a.s.r.'s cybercrime experts closely monitor and evaluate developments in cybercrime, and take suitable measures where necessary. a.s.r. regularly tests the organisation's ability to detect and respond to cyber incidents (red team test). In 2017 this test was carried out by a leading security company in the Netherlands. An awareness programme to improve the ability of employees and management to recognise phishing and other cyber threats was conducted throughout 2017, and due to the importance of the different outsourcing initiatives, a.s.r. also screened the cyber controls of its own suppliers. As a result, a.s.r. has succeeded in keeping obstacles to a minimum. Partnerships with other financial institutions and public agents, such as the Dutch National Cyber Security Center (NCSC), are crucial to mounting an effective defence against cybercrime, and a.s.r. is actively involved in this.

3.3.2 Compliance

The mission of the compliance function is to enhance and ensure a controlled and sound business operation where impeccable, professional conduct is self-evident.

Positioning and structure of the compliance function

The compliance function is a centralised function and, together with Investigation, part of the Integrity department. The Integrity department is headed by a director who is appointed as the a.s.r. compliance officer for both a.s.r. and the supervised entities. The compliance function, the second line of defence, is considered a key function in accordance with the Solvency II regulation. The CEO has ultimate responsibility for the compliance function and the a.s.r. Compliance Officer reports directly to him. The Integrity Director, in addition to the direct reporting obligation to the CEO and the boards under the articles of association, has also a formal reporting obligation to the Chairman of the a.s.r. Audit and Risk Committee or the Chairman of the Supervisory Board to safeguard the independent position of the compliance function and enables it to operate autonomously. The a.s.r. Compliance Officer is entitled to upscale critical compliance matters to the highest organisational level or the Supervisory Board.

Responsibilities and duties

The compliance function, as part of the second line of defence, is responsible for:
- Encouraging compliance with relevant rules and regulations, ethical standards and the internal standards derived from them ('rules') by providing advice and formulating policies;
- Monitoring compliance with rules;
- Managing compliance risks by developing adequate compliance risk management, including monitoring and, if necessary, making arrangements related to management actions to be taken;
- Creating awareness about compliance with rules and social and ethical issues, in which context ethical behaviour within a.s.r. is self-evident;
- Coordinating contacts with regulators in order to maintain effective and transparent relationships with them.

Annual compliance plan

Developments in rules, the management of high compliance risks and action plans provide the basis for the annual compliance plan and the compliance monitoring activities. a.s.r. continuously monitors changing legislation and regulations and assesses the impact and corresponding actions to be taken. In 2017, a.s.r. paid specific attention to:
- General Data Protection Regulation (GDPR): The privacy officer falls under Compliance and is a member of the central project group AVG. Compliance advises on privacy issues and monitors as second line of defence the progress made in implementing the AVG within the businesses and tests compliance with legislation and regulations;
- MiFID2: Legal Affairs in collaboration with Compliance has conducted a substantive test for compliance of the existing policy documents and processes. It was established that these meet the MiFID 2 rules;
- Insurance distribution directive (IDD): Compliance and Legal Affairs together with representatives of the relevant businesses are taking stock of the impact of this directive, whose implementation has been postponed until October 2018;
- Compliance: In 2017, Compliance conducted a.s.r.-wide monitoring surveys into compliance with the sanction regulations and CDD policy, privacy and quality of customer contacts and underlying procedures.

Reporting

The compliance function reports quarterly on compliance matters and progress made on the relevant actions at Group level, supervised entity level and division level. The quarterly report at division level is discussed with the responsible management and scheduled for discussion by the Business Risk Committee.
The quarterly report at Group level and supervised entity level is presented to and discussed with the a.s.r. Risk Committee, and submitted to the Audit & Risk Committee. The report is shared and discussed with the DNB, the AFM and the external auditor.

3.4 Statements Executive Board

a.s.r.'s consolidated and company financial statements for 2017, as well as Chapters 1, 2 and 3 of the annual report, have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and with Part 9, Book 2 of the Dutch Civil Code.

As required by Section 5:25c paragraph 2(c) of the Dutch Financial Supervision Act, the Executive Board declares that, to the best of its knowledge:
1. The financial statements provide a true and fair view of the assets, liabilities, financial positions and earnings of a.s.r. and the enterprises included in the consolidation taken as a whole;
2. The management report provides a fair view of the position at the balance sheet date and developments during the year under review and the enterprises included in the consolidation taken as a whole, together with a description of the principal risks confronting a.s.r.

In accordance with best practice 1.4.3 of the Dutch Corporate Governance Code of December 2016 and based on the evaluation carried out, the Executive Board declares that, to the best of its knowledge:
i. The report provides sufficient insight into any failings in the effectiveness of the internal risk management and control systems (see Chapter 3.3 Risk management and Compliance);
ii. The aforementioned systems provide reasonable assurance that the financial reporting does not contain any material inaccuracies (see Chapter 3.3 Risk management and Compliance and 5.8 Risk management);
iii. Based on the current state of affairs, the preparation of the financial reports on a going concern basis is justified (see Chapter 2.1 Our strategy and 5 Financial statements 2017); and
iv. The report states those material risks and uncertainties that are relevant to the expectation of the company's continuity for the period of twelve months after the preparation of the report (see Chapter 2.1 Our strategy, 2.3 Key trends and 5 Financial statements 2017).

Utrecht, the Netherlands, 27 March 2018

Jos Baeten (Chairman)
Karin Bergstein
Chris Figee
Michel Verwoest

3.5 Assurance report of the independent auditor

To: Shareholders and the Supervisory Board of ASR Nederland N.V.

Our conclusion

We have reviewed the sustainability information in the Annual Report for the year 2017 of ASR Nederland N.V. at Utrecht, the Netherlands (hereafter referred to as a.s.r.). A review engagement is aimed at obtaining limited assurance.

Based on our procedures performed nothing has come to our attention that causes us to believe that the sustainability information does not present, in all material respects, a reliable and adequate view of:
- The policy and business operations with regard to sustainability;
- The thereto related events and achievements for the year 2017.

in accordance with the Sustainability Reporting Standards (option: core) of the Global Reporting Initiative (GRI) and the applied supplemental reporting criteria as disclosed in Annex B of the Annual Report.

The Sustainability information consists of the following Chapters and Annexes:
- 1 Introduction
- 2 About a.s.r.
- 3.1.3 Performance on non-financial themes
- 3.2 Segment performance (excluding financial information)
- Annex A – Notes to the reader
- Annex B – Glossary
- Annex F – GRI Content Index

Basis for our conclusion

We have performed our review engagement on the sustainability information in accordance with Dutch law, including Dutch Standard 3810N 'Assurance engagements relating to sustainability reports', which is a specified Dutch Standard that is based on the International Standard on Assurance Engagements (ISAE) 3000 'Assurance Engagements other than Audits or Reviews of Historical Financial Information'. Our responsibilities under this standard are further described in the section 'Our responsibilities for the review of the sustainability information' of our report.

We are independent of a.s.r. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. This includes that we do not perform any activities that could result in a conflict of interest with our independent assurance engagement. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Limitations to the scope of our review engagement

Unexamined prospective information

The sustainability information includes prospective information such as ambitions, strategy, plans, expectations, estimates and risk assessments. Inherently, the actual future results are uncertain. We do not provide any assurance on the assumptions and achievability of prospective information in the sustainability information.

Unreviewed references to external sources

The references to external sources or websites in the sustainability information are not part the sustainability information as reviewed by us. We therefore do not provide assurance on this information.

Responsibilities of the Executive Board and the Supervisory Board for the sustainability information

The Executive Board is responsible for the preparation of the Sustainability Information in accordance with the Sustainability Reporting Standards (option: core) of GRI and the applied supplemental reporting criteria as disclosed in Annex B of the Annual Report including the identification of stakeholders and the definition of material matters. The choices made by the Executive Board regarding the scope of the Sustainability Information and the reporting policy are summarised in Annex A of the Annual Report.

The Executive Board is also responsible for such internal control as management determines is necessary to enable the preparation of the sustainability information that are free from material misstatement, whether due to fraud or errors.

The Supervisory Board is responsible for overseeing the reporting process of a.s.r.

Our responsibilities for the review of the sustainability information

Our responsibility is to plan and perform our review engagement in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion.

Procedures performed to obtain a limited level of assurance are aimed to determine the plausibility of information and vary in nature and timing from, and are less in extent, than for a reasonable assurance engagement. The level of assurance obtained in review engagements is therefore substantially less than the assurance obtained in audit engagements.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the sustainability information. The materiality affects the nature, timing and extent of our review procedures and the evaluation of the effect of identified misstatements on our conclusion.

We apply the ‘Nadere voorschriften kwaliteitssystemen’ (Regulations for Quality management systems) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and other applicable legal and regulatory requirements.

We have exercised professional judgement and have maintained professional skepticism throughout the review engagement performed by a multi-disciplinary team, in accordance with the Dutch Standard 3810N, ethical requirements and independence requirements.

The procedures of our review engagement consisted amongst others of

- Performing an external environment analysis and obtaining insight into relevant social themes and issues and the characteristics of the organisation;
- Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures in the sustainability information, including the evaluation of the results of the stakeholders’ dialogue and the reasonableness of estimates made by management;
- Obtaining an understanding of the reporting processes for the sustainability information, including obtaining a general understanding of internal control relevant to our review engagement;
- Reconciling the relevant financial information with the financial statements;
- Identifying areas of the sustainability information where material misstatements, whether due to fraud or error, are likely to arise, and performing further procedures aimed at determining the plausibility of the sustainability information responsive to this risk analysis. These procedures consisted amongst others of:
  - Interviewing relevant staff at corporate business level responsible for the sustainability strategy, policy and results;
  - Interviewing relevant staff responsible for:
    - Providing the information for;
    - Carrying out internal control procedures on; and
    - Consolidating the data in the sustainability information;
  - Reviewing relevant internal and external documentation, on a limited test basis, in order to determine the reliability of the sustainability information; and
  - An analytical review of the data and trends submitted for consolidation at corporate level.
- Evaluating the presentation, structure and content of the sustainability information as a whole, including the disclosures, in relation to the reporting criteria used.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the review engagement and significant findings that we identify during our review engagement.

The Hague, the Netherlands, 27 March 2018

Ernst & Young Accountants LLP

signed by R.J. Bleijs

4.1 Corporate governance

General
a.s.r. is a public company with limited liability under Dutch Law. The company has a two-tier board structure; it has a Supervisory Board and an Executive Board. a.s.r. has been listed on Euronext Amsterdam since 10 June 2016. Since the listing, a.s.r. has applied a full two-tier board structure.

Recent history
In the autumn of 2008, the Dutch State acquired the Dutch entities of Fortis Group and spun off Fortis Verzekeringen Nederland N.V., which now operates as a.s.r. Although a.s.r. was acquired by the Dutch State as a result of the nationalisation of Fortis Group, a.s.r. never received state aid.

In September 2011, the Dutch State transferred all of its shares to NLFI in exchange for depositary receipts for the shares. NLFI was responsible for managing the shares and exercising all rights associated with these shares under Dutch Law, including voting rights. In November 2015, NLFI and the Dutch Minister of Finance agreed that all conditions for a privatisation of the Group had been met. In January 2016, the Dutch Parliament agreed to the exit strategy proposed by the Dutch Minister of Finance based on the NLFI advice, after which the Dutch Minister of Finance formally asked NLFI and a.s.r. to start the sale process through an IPO.

On 13 May 2016, NLFI confirmed its intention to proceed with the next step towards an IPO and the listing of the ordinary shares of the Group on Euronext Amsterdam. a.s.r. became a listed company on Friday 10 June 2016 and the price was set at € 19.50 per offered share.

Sell down and contact shareholders
In 2017, NLFI's interest was reduced completely and all shares of a.s.r. are now tradable on the stock exchange. The sell downs are further described in Chapter 4.2 (Our investors). As NLFI's interest has been reduced completely, the Relationship Agreement, describing the rights and obligations relating to the share ownership, lapsed. Contacts with shareholders are currently conducted entirely on the basis of the Policy on fair disclosure and bilateral dialogue with shareholders (the Relationship Agreement was an exception to this). The Policy on fair disclosure and bilateral dialogue with shareholders is published on asrnl.com. The Disclosure Committee of the Group is, for example, responsible for advising and supporting the Executive Board in relation to supervision on the accuracy and timeliness of public disclosures by a.s.r.

Structure
ASR Nederland N.V. is the Group's holding company. The supervised entities (OTSOs) within the Group are ASR Levensverzekering N.V., ASR Schadeverzekering N.V., ASR Basis Ziektekostenverzekeringen N.V., ASR Aanvullende Ziektekostenverzekeringen N.V., ASR Bank N.V. and, since the acquisition of Generali Nederland on 5 February 2018, also Generali levensverzekering maatschappij N.V. and Generali schadeverzekering maatschappij N.V. The last two companies are intended to merge legally with ASR Levensverzekering N.V. and ASR Schadeverzekering N.V., respectively, in 2018. ASR Utrecht N.V. (before Generali Nederland N.V.) is the holding company of the Generali entities. The Executive Board and Supervisory Board members are the same as of those of ASR Nederland N.V.

The Executive Board members and Supervisory Board members of ASR Levensverzekering N.V. and ASR Schadeverzekering N.V. are the same as those of ASR Nederland N.V. The Executive Board of Generali levensverzekering maatschappij N.V. and Generali schadeverzekering maatschappij N.V. is also the same as that of ASR Nederland N.V. These companies have dispensation for having a Supervisory Board ASR Basis Ziektekostenverzekeringen N.V., ASR Aanvullende Ziektekostenverzekeringen N.V. and ASR Bank N.V. have their own Executive Board. The Supervisory Board of these entities consists of a combination of members of the Executive Board and members of the Supervisory Board of ASR Nederland N.V.

General Meeting of Shareholders

At least one General Meeting is held annually, no later than by 30 June. During this General Meeting, the financial statements are adopted. The articles of association set out, among other things, the procedure for convening a General Meeting. The Articles of Association also set out special resolutions that the General Meeting can adopt at the proposal of the Executive Board with the approval of the Supervisory Board. No later than three months after the General Meeting, the draft report is available to the shareholders via the corporate website. They have three months to respond. The report of the General Meeting is then adopted and signed by the Chairman and the secretary.

After the IPO, a.s.r. held its first General Meeting on 31 May 2017. 301 shareholders were present or represented, who represented 81% of the issued capital. The financial statements for the 2016 financial year were adopted and all other proposals were adopted at this General Meeting. The next General Meeting will be held on 31 May 2018.

Anti-takeover measures

a.s.r. and ASR Nederland Continuity Foundation (Stichting Continuïteit ASR Nederland) (the 'Foundation') have concluded an agreement under which the Foundation can acquire preference shares. This call option on preference shares is currently a measure that could be considered a potential protection of a.s.r. against acts that are, in the opinion of the Foundation, actually contrary to the interests of a.s.r., its business or its stakeholders. The Foundation is entitled to exercise the option on preference shares in such a way that the number of preference shares acquired under the call option will never exceed the total number of shares that form the issued capital of a.s.r. at the time of exercising the call option, less the number of preference shares already held by the Foundation at that time (if any) and minus one. In the event of the Foundation exercising the option on preference shares, the Executive Board and the Supervisory Board will be given the opportunity to determine their position with respect to, for example, the announcement of a public offer for shares in the capital of a.s.r. or the legitimate expectation that such a public offer will be announced without having reached an agreement with a.s.r. on the offer or the offer being supported by a.s.r., or an activist a.s.r. shareholder (or group of activist a.s.r. shareholders acting in concert) directly or indirectly representing at least 25% of the ordinary shares forming part of the issued share capital of a.s.r. (in each case to the extent this is actually contrary to the aforementioned interests of a.s.r., its business and its stakeholders). The Boards will then be able to examine and implement alternatives. The Foundation has an independent board. For more information please see Chapter 7 (Report of Stichting Continuïteit ASR Nederland).

4.1.1 Executive Board

The Executive Board is collectively responsible for the day-to-day conduct of business of a.s.r. as a whole and for its strategy, structure and performance. In performing its duties, the Executive Board is guided by a.s.r.'s interests, which include the interests of the businesses connected with a.s.r., which, in turn, include the interests of customers, shareholders, employees and society in general. For the performance of its duties, the Executive Board is accountable to the Supervisory Board and to the General Meeting of shareholders.

Certain resolutions of the Executive Board require approval of the Supervisory Board and/or the General Meeting. These resolutions are outlined in the articles of association of a.s.r. and in the Rules of Procedure of the Executive Board. Both are available on asrnl.com.

Composition

According to the articles of association, the Executive Board consists of a minimum of two members, including at least a CEO and CFO. The Supervisory Board appoints the Executive Board members and may suspend or dismiss any member of the Executive Board at any time. The Supervisory Board notifies the General Meeting of proposed appointments. Only candidates found to meet the 'fit and proper test' under the Dutch Financial Supervision Act are eligible for appointment. In 2017, there were no changes in the composition of the Executive Board.

a.s.r. aims to have an adequate and balanced composition of the Executive Board. The Executive Board in 2017 consisted of four members, one woman and three men. In 2017, the Supervisory Board adopted a formal diversity policy. a.s.r. uses the following definition for diversity: a balanced composition of the workforce, based on age, gender, cultural or social origin, competences, views and working styles. One of the objectives is an Executive Board consisting of at least 30% women and at least 30% men. The current composition of the Executive Board does not meet the gender balance of having at least 30% women amongst the members of the Executive Board. a.s.r. will continue to strive for an adequate and balanced composition of the Executive Board in future appointments, by taking into account the diversity policy and all relevant selection criteria such as executive experience, experience in finance and experience in the political and social environment.

Remuneration

Information on the remuneration policy for members of the Executive Board and their individual remunerations can be found in the Remuneration report, Chapter 4.4.

Education and evaluation

With a view to innovation, the members of the Executive Board spent a week in Silicon Valley, California, in early 2017, visiting Singularity University and several innovative companies. During this trip, the members of the Executive Board were informed about the latest developments and gained inspiration to work on certain themes within a.s.r., such as robotisation and developments in the field of health.

Specific sessions were also organised jointly with the Supervisory Board with the aim of further education. The first session was a training (and live play) of the defence manual led by a commercial bank and law firm. All disciplines that have a role in the defence manual were involved. The second session concerned a note to IFRS 17, the new accounting standard for insurance contracts. The new rules will affect the future external reporting on insurance contracts. The implementation of IFRS 17 within a.s.r. is an extensive project that will have a major impact.

The Executive Board evaluated its own performance regularly in 2017 by holding what are known as Executive Board team conduct evaluation sessions. Furthermore, a specific self-evaluation session was held after the results of a 360-feedback questionnaire was received. With this 360-feedback, the Executive Board (as a whole) received feedback from members of the Supervisory Board, senior management, two members of the Works Council and from themselves. In the context of the 360-feedback questionnaire, the leadership themes from 'the story of a.s.r.' were specifically asked for; dilemmas, dialogue, clear frameworks and actions. The outcome of the questionnaire was discussed within the Executive Board under the guidance of an expert/consultant of the supplier of the 360 tooling to further interpret the results. The overall impression that emerged from this self-assessment was positive. It turned out that the Executive Board is more critical of itself than other providers of feedback are. Positive points include the open and interested attitude of the Executive Board and its decisiveness/execution power. Recommendations include providing clearer frameworks to senior management and openly discussing dilemmas that where opinions diverge the Executive Board and for which more time is needed in decision-making.

In addition to the self-evaluation, the performance of the members of the Executive Board was also assessed by the Supervisory Board as part of the scope of the annual assessment process. In that context, interviews are held twice a year with the individual members of the Executive Board (by two members of the Supervisory Board each time).

4.1.2 Corporate Governance Codes and regulations

Articles of Association and rules of procedure

The current Articles of Association (dated 9 June 2016) have been posted on a.s.r.'s corporate website: asrnl.com. The Supervisory Board Rules and the Executive Board Rules are also posted on a.s.r.'s corporate website. These rules were amended and adopted in 2017 as a result of the amended Dutch Corporate Governance Code being implemented.

Dutch Corporate Governance Code

As of the listing on Euronext Amsterdam, a.s.r. has been required to adhere to the Dutch Corporate Governance Code. a.s.r. has complied with all principles and best practices of the Dutch Corporate Governance Code, apart from those that do not apply to a.s.r. Additionally, in the Corporate Governance section of its website, a.s.r. publishes a detailed 'comply or explain' list, which also specifies which principles and best practices do not apply to a.s.r.

Dutch Banking Code

ASR Bank N.V. is subject to the Dutch Banking Code (latest version 1 January 2015). This Code, which was drafted by the Dutch Banking Association, contains principles for governance and governance oversight, risk management, audit and remuneration policy. ASR Bank N.V. is governed by this Code. Details on how ASR Bank N.V. complies with the Dutch Banking Code can be found in its Annual Report, which is available online at asrnl.com.

Professional oath

On 1 January 2013, the Dutch financial sector introduced a mandatory oath for Executive and Supervisory Board members of financial institutions licensed in the Netherlands. With respect to insurance companies, apart from the Executive and Supervisory Board members, persons with a management position directly below the Executive Board who are responsible for persons that may have a significant influence on the risk profile of the insurance company, are also required to take the oath, as are certain other employees. This includes persons that may (independently) significantly influence the risk profile of the undertaking as well as those persons that are or may be involved in the provision of financial services.

For banks based in the Netherlands, such as ASR Bank N.V., all persons working under the responsibility of the bank need to take a similar bankers' oath with effect from 2015. In addition, persons having taken the bankers' oath are thereby subject to disciplinary rules.

Regardless of the above, a.s.r. has decided that employees and other persons performing activities under its responsibility must take the oath. New employees take the oath within three months of joining the company.

Decision on disclosure of non-financial information and Decision on disclosure of diversity policy

a.s.r. also wants to be transparent about non-financial information in its Management Report. Since the reporting year 2017, the relating legal requirements have been tightened up for large companies of public interest. These organisations, including a.s.r., are expected to make clear how they deal with environmental, social and personnel issues, respect for human rights and the fight against corruption and bribery in their business operations and value chain. Large listed companies must also provide insight into the diversity policy regarding the Executive Board and Supervisory Board. Annex F indicates where the information requirements of the new legislation can be found in the annual report.

4.1.3 CV's

CV's of the Executive Board

a.s.r.'s registered address, 10 Archimedeslaan, 3584 BA Utrecht, the Netherlands, serves as the business address for all members of the Executive Board.

J.P.M. (Jos) Baeten (CEO)

Jos Baeten (Dutch, 1958) is the Chairman of the Executive Board and Chief Executive Officer (CEO).
His areas of responsibility are Human Resources, Corporate Communications, Strategy, Risk Management of the investment funds managed by ASR Vermogensbeheer, Corporate Social Responsibility, Audit, Integrity and Legal.

Jos Baeten studied law at Erasmus University Rotterdam and started his career in 1980 when he joined Stad Rotterdam Verzekeringen N.V., one of a.s.r.'s main predecessors. He joined the Executive Board of Stad Rotterdam Verzekeringen N.V. in 1997 and was appointed CEO of this company in 1999. He then joined the Management Board of Fortis ASR Verzekeringsgroep N.V., becoming Chairman of the Board of De Amersfoortse Verzekeringen N.V. in June 2003. In 2005, Jos Baeten was appointed Chairman of the Board of Directors of Fortis ASR Verzekeringsgroep N.V.
Jos Baeten was appointed CEO of a.s.r. on 26 January 2009.
Current term of office: 2017 – 2021

Additional positions

Currently, Jos Baeten is a member of the Executive Board of the Dutch Association of Insurers (Verbond van Verzekeraars) and Chairman of the Supervisory Board of Stichting Theater Rotterdam. In addition, he is a member of the General Administrative Board of VNO-NCW and a Board Member of Stichting Grote Ogen and Stichting Fietshelm is Hoofdzaak.

H.C. (Chris) Figee (CFO)

Chris Figee (Dutch, 1972) serves as CFO. His areas of responsibility are Group Accounting, Reporting & Control, Business Finance & Risk, Group Asset Management, Real Estate Investment Management, Real Estate Projects (as of 1 March 2017), Group Balance Sheet Management and Group Risk Management.

Chris Figee earned a degree (with honours) in Financial Economics from the University of Groningen and is an EFFAS Certified Investment Analyst. He also studied Risk Management at Stanford University. Chris Figee started his career at Aegon, where he held various positions, including that of Senior Portfolio Manager. In 1999, he moved to McKinsey, where he rose to the role of partner in 2006. After ten years at McKinsey, he joined Achmea as Director of Group Strategy & Performance Management in 2009. He also served as a member of the Achmea Group Committee. Chris Figee's last position at Achmea was Director of Group Finance.

Chris Figee was appointed as a member of the Executive Board on 1 May 2014.
Current term of office: 2014 – 2018 (proposed re-appointment will be discussed at the General Meeting of Shareholders on 31 May 2018)

Additional positions

Chris Figee is a member of the Board of Stichting DSI and a member of the Supervisory Board of Unicef Nederland.

K.T.V. (Karin) Bergstein

Karin Bergstein (Dutch, 1967) has been responsible (as of 1 March 2017) for Innovation and Digitalisation, Information Technology and Change, and the product lines Pensions, Individual life, Banking and Mortgages and Funeral.

Karin Bergstein studied medical biology at Utrecht University (Masters in 1991) and in 1998 earned an MBA from Nyenrode University and the University of Rochester in the United States. She started her career in 1991 at ING Bank, where she held various positions until 2010. Her last position was that of Director of Products & Processes, which gained her a seat on the Executive Board of ING Bank Nederland. Prior to that, she served as CEO of ING Car Lease International from 2003 until 2009.

Karin Bergstein was appointed as a member of the Executive Board of a.s.r. on 1 September 2011.
Current term of office: 2015 – 2019

Additional positions

Karin Bergstein is a member of the Supervisory Board of Stichting Sanquin Bloedvoorziening and a member of the Supervisory Board of Utrecht University.

M.H. (Michel) Verwoest

Michel Verwoest (Dutch, 1968) has been responsible (as of 1 March 2017) for the product lines P&C, Disability Insurance, Health Insurance, Services and a.s.r.'s distribution companies.

Michel Verwoest studied marketing at TiasNimbas Business School in Tilburg and business administration at IBO Business School, and held several executive positions at ING Group between 1997 and 2012. At ING, he served as CEO of RVS Insurance and was in charge of the individual life business of Nationale Nederlanden. His last position in the insurance business of ING Group was a managing board member of Nationale Nederlanden Netherlands.

Michel Verwoest was appointed to the Executive Board of a.s.r. on 1 December 2012.
Current term of office: 2016 – 2020

Additional positions

Michel Verwoest is a member of the Supervisory Board of Human Total Care.

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CV's of the Supervisory Board

a.s.r.'s registered address, Archimedeslaan 10, 3584 BA Utrecht, the Netherlands, serves as the business address for all the members of the Supervisory Board. The retirement schedule of the Supervisory Board can be found on asrnl.com. A member of the Supervisory Board is reappointed or retires no later than at the next General Meeting which takes place after the end of the term of appointment.

C. (Kick) van der Pol

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

Kick van der Pol (Dutch, 1949) serves as Chairman of the Board of Directors of Ortec Finance and Chairman of the Board of the Federation of Dutch Pension Funds. He is also a member of the DNB's Bank Council and a member of the Supervisory Board of the Holding Nationale Goede Doelen Loterijen N.V. In the past, Kick van der Pol served as Vice-Chairman of the Executive Board of Eureko/Achmea and as Chairman of the Executive Board of Interpolis.

First appointed on: 15 December 2008
Current term of office: 2014 – 2018

A.P. (Annet) Aris

Chair of the Selection & Appointment Committee and the Remuneration Committee
Member of the Audit & Risk Committee

Annet Aris (Dutch, 1958) had a 17-year career at McKinsey as a management consultant, including nine years as a partner in the firm. She currently holds supervisory directorships at several Dutch and foreign enterprises and institutions, including ASML N.V. in the Netherlands, ProSiebenSat1 AG and Jungheinrich AG in Germany and Thomas Cook PLC in London. Annet Aris has been proposed as a member of the Supervisory Board of Randstad Holding N.V. as of 27 march 2018. In May 2018, she will resign as a member of the Supervisory Board of ProSiebenSat1 AG. Annet Aris is adjunct professor of digital strategy at INSEAD international business school (Fontainebleau, France). Annet Aris is a Supervisory Board member appointed by the Works Council.

First appointed on: 7 December 2010
Current term of office: 2014 – 2018

C.H. (Cor) van den Bos

Vice-Chairman of the Supervisory Board
Chairman of the Audit & Risk Committee

Cor van den Bos (Dutch, 1952) served on the Executive Board of SNS REAAL N.V. until August 2008, where he was responsible for all insurance operations. Cor van den Bos is Vice-Chairman and a Non-Executive Member of the Board at the investment firm Kardan N.V.

First appointed on: 15 December 2008
Current term of office: 2015 – 2019

H.C. (Herman) Hintzen

Member of the Audit & Risk Committee

Herman Hintzen (Dutch, 1955) was Chairman Insurance EMEA at UBS Investment Bank until January 2016. He currently serves as Chairman of the Board of Amlin International SE. In the past, Herman Hintzen also acted as an adviser to the Executive Board at APG Asset Management and served as Managing Director in the Financial Institutions investment banking groups of Morgan Stanley, Credit Suisse and JP Morgan.

First appointed on: 1 January 2016
Current term of office: 2016 – 2020

4.2 Our investors

a.s.r. attaches great value to a strong relationship with the investment community in the broadest sense and sets high standards with respect to transparent communication and fair disclosure. The aim of a.s.r.'s investor relations is to provide all relevant information that could help investors to make well-informed investment decisions. a.s.r. makes every effort to ensure that the information it discloses is accurate, complete and provided timely.

a.s.r. provides relevant insight into its activities via selected financial and non-financial disclosures. To that end, a.s.r. regularly updates the markets on its financial performance, the progress it makes in the execution of its strategy and any other relevant developments via press releases, webcasts, conference calls and other means. a.s.r. seeks active engagement with existing and potential shareholders, bondholders, research analysts and rating agencies to build enduring relationships based on constructive dialogue. a.s.r.'s executive management team hosts one-on-one and group investor meetings during (international) roadshows or in-house, and also attends broker-organised investor conferences. Please refer to the corporate website for a.s.r.'s policy on fair disclosure and bilateral dialogue.

Initial public offering and subsequent selldowns by the Dutch State

a.s.r. became a listed company following an initial public offering (IPO) on 10 June 2016. Stichting Administratiekantoor Beheer Financiële Instellingen (NLFI), which acted on behalf of the Dutch State, placed 36.3% of the shares in the market at an introduction price of € 19.50 per share. During 2017, NLFI executed four further selldowns (in January, April, June and September) in which it disposed its entire position in a.s.r.

Revenue Dutch state sale of a.s.r.

Date		#Shares	Price	Revenue (in € mln)
10-jun-16	IPO	54,449,885	€ 19.50	€ 1,061.8
13-jan-17	Selldown I	20,400,000	€ 22.15	€ 451.9
5-apr-17	Selldown II	20,000,000	€ 25.75	€ 515.0
13-jun-17	Selldown III	25,000,000	€ 29.00	€ 725.0
14-sep-17	Selldown IV	30,150,115	€ 33.75	€ 1,017.5
		150,000,000		**€ 3,771.2**

In order to support the process of privatisation, a.s.r. participated in three selldowns and bought back nine million shares for a total consideration of € 255 million. The repurchases are in line with a.s.r.'s strategy of using its capital to take advantage of value-creating opportunities and to return capital to its shareholders. The shares purchased by a.s.r. on 13 January 2017 were cancelled during the Annual General Meeting (AGM) of 31 May 2017. It is a.s.r.'s intention to cancel the other repurchased shares at the next AGM in May 2018.

Share buy backs a.s.r.

Date		#Shares	Price	Revenue (in € mln)
13-jan-17	Selldown I	3.000.000	€ 22,15	€ 66,5
13-jun-17	Selldown III	3.000.000	€ 29,00	€ 87,0
14-sep-17	Selldown IV	3.000.000	€ 33,75	€ 101,2
		9.000.000		**€ 254,7**

In 2008, a.s.r. was nationalised for an amount of € 3.65 billion. The total proceeds from the sale of a.s.r. amount to € 3.8 billion. During the period that a.s.r. was state-owned, the Dutch State received a total sum of € 636 million in dividends.

Dividend

a.s.r. strives to pay a dividend that creates sustainable long-term value for its shareholders. Over the 2017 financial year, a.s.r. proposes to pay a dividend of € 1.63 per share, an increase of 28.3% compared to the prior year (2016: € 1.27 per share). The increase in dividend reflects a.s.r.'s strong operational and financial performance over 2017. a.s.r. has a dividend policy with a pay-out ratio of 45% to 55% of the net operating result attributable to shareholders (i.e. net of hybrid costs). In 2018, a.s.r. intends to introduce interim dividend, set at 40% of the total dividend for the previous year (in 2018: € 0.65 per share). The interim dividend is within the framework of the dividend policy and under the condition of sufficient results.

To support its ability to pay out cash dividends, a.s.r. maintains a cash target of € 350 million at the holding company. a.s.r. aims to operate at a Solvency II ratio above a management threshold level. This management threshold level is currently defined as above 160% of the SCR. In general, a.s.r. would not expect to pay a cash dividend (interim or final) if the Group level Solvency II ratio falls below 140%.

Dividend history

	Dividend (in € mln)	Dividend per share (DPS)	# shares entitled to dividend (in € mln)	# shares outstanding
2016	187	1.27	147	150
2017	**230**	**1.63**	**141**	**147**

Important dates 2018

Wednesday 21 February	12M 2017 results
Thursday 31 May	Annual General Meeting
Monday 4 June	Ex-dividend
Tuesday 5 June	Record date
Thursday 7 June	Dividend payment over 2017
Wednesday 29 August	6M 2018 results

Shareholders

Since the IPO, a.s.r. shares have been held by an international and diversified shareholder base. Based on a shareholder survey conducted in October 2017, institutional investors in the US and the UK represent the majority of a.s.r.'s shareholders, owning 61% of the outstanding shares. The remainder is held by investors in the rest of Europe (21%) and the Netherlands (10%). Approximately 1% of the shares is held by retail shareholders.

Shareholders database

Current Composition
(% Shares in issue)

Major shareholders

Dutch law requires shareholders to report their holdings in Dutch listed companies to the Dutch Authority for the Financial Markets ('AFM'), when these holdings exceed 3% of the total outstanding share capital (and at certain higher thresholds). According to the AFM register, the following shareholders had a position in a.s.r. of more than 3% as at 31 December 2017:

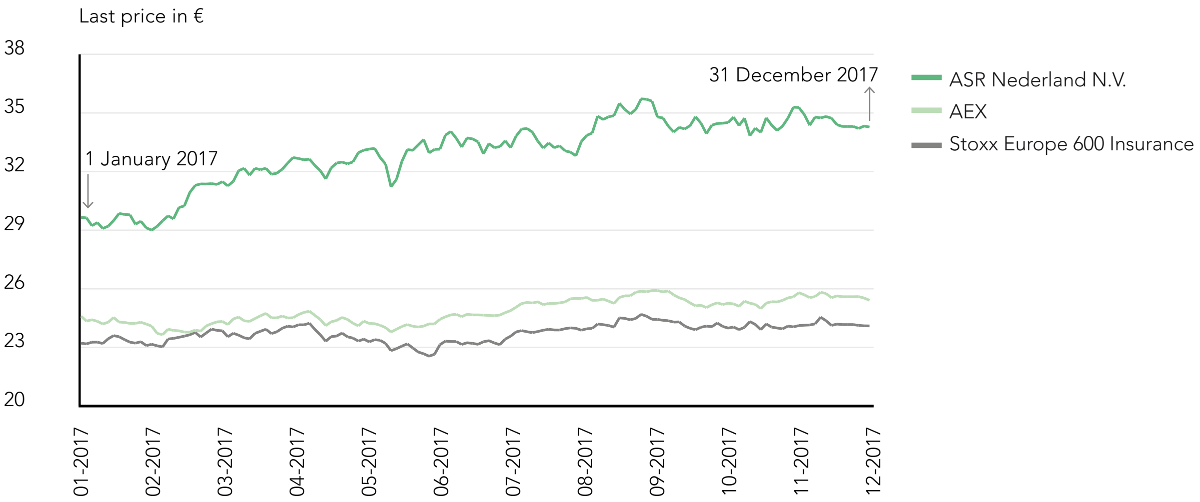
- OMAM Inc. 3.02% (reported on 28 November 2017)
- NN Group N.V. 3.02% (reported on 23 October 2017)
- UBS Group AG 4.97% (reported on 13 October 2017)
- Standard Life Aberdeen Plc 4.97% (reported on 15 September 2017)
- Franklin Mutual Series Fund Inc. 3.00% (reported on 14 September 2017)
- Norges Bank 3.95% (reported on 13 June 2017)
- JP Morgan Asset Management Holdings Inc. 3.00% (reported on 5 June 2017)

The stated percentages are the interests reported by the relevant shareholders to the AFM on the indicated dates. It is possible that the stated interests differ from the current position of the relevant shareholder.

Shares and share price performance

The shares are listed on Euronext Amsterdam (symbol: ASRNL, ISIN: NL0011872643) and have been included in the AMX index (Amsterdam Midcap Index) since 19 September 2016. During 2017 the a.s.r. share delivered a strong performance, both in relative terms as well as in absolute return. Total shareholder return[1] amounted to 58.6% (including dividend reinvestment in a.s.r. shares). a.s.r. shares significantly outperformed the Euronext AEX index as well as the Stoxx Europe 600 Insurance Index, by 39.1% and 44.9%, respectively.

Share price ASRNL at 31 December 2017



Share price performance[2]

Starting price 2017	€ 22.60
Highest closing price 2017	€ 35.74
Lowest pricing close 2017	€ 21.90
Closing price as at 31 December 2017	€ 34.31
Market cap as at 31 December 2017	€ 5,043 million
Average daily volume shares	602,768
Average daily volume (excluding selldowns) shares	317,569

Ratings and bonds

a.s.r. also issues debt instruments to fund its businesses. On 31 December 2017, a.s.r. had five bonds outstanding with a listing of a total nominal amount of € 1,499 million. In 2017, a.s.r. issued a € 300 million RT1 contingent convertible bond with a coupon of 4.625% (listed on the Irish Stock Exchange). For more information about the bonds, please refer to the corporate website / Chapter 5.5.12.5 (Other equity instruments) of the financial report.

1 Source: Bloomberg.

2 2017, as from 13/06/2017 (excluding listing day).

a.s.r. has ratings from Standard & Poor's. The single A rating of the insurance entities has applied since 29 September 2008; the stable outlook since 23 August 2012.

Stable outlook

Standards & Poor		Rating	Outlook	Rating & outlook since
ASR Nederland N.V.	CCR	BBB+	Stable	15 May 2014
ASR Levensverzekering N.V.	CCR	A	Stable	23 August 2012
ASR Levensverzekering N.V.	IFSR	A	Stable	23 August 2012
ASR Schadeverzekering N.V.	CCR	A	Stable	23 August 2012
ASR Schadeverzekering N.V.	IFSR	A	Stable	23 August 2012
10% Tier 1 hybrid bond		BBB+		21 August 2012
7.253% Tier 1 hybrid bond		BBB+		21 August 2012
5% Tier 2 hybrid bond		BBB-		16 September 2014
5.125% Tier 2 hybrid bond		BBB-		16 September 2014
4.625% Tier 1 hybrid bond		BB		5 October 2017

CCR: counterparty credit rating

IFSR: insurer financial strength rating

4.3 Supervisory Board report

4.3.1 Supervisory Board

The Supervisory Board performs its duties on the basis of three roles; the supervisory role, the advisory role and the employer's role. The Supervisory Board supervises the policy pursued by the Executive Board and the general course of affairs at a.s.r. and its group entities. Specific powers are vested in the Supervisory Board, including the approval of certain decisions taken by the Executive Board.

Composition

According to a.s.r.'s articles of association, the Supervisory Board should consist of at least three members.
The Supervisory Board currently has four members. In 2017, there were no changes to the composition of the Supervisory Board. As mentioned in Chapter 4.1 (Corporate governance) the composition of the Supervisory Board of ASR Levensverzekering N.V. and ASR Schadeverzekering N.V. is the same as that of ASR Nederland N.V.
The Supervisory Board has drawn up a profile for its size and composition, taking into account the nature of a.s.r.'s business, its activities and the desired expertise and background of its members. The full profile of the Supervisory Board is available on asrnl.com. In 2017, the Supervisory Board adopted a formal diversity policy. One of the objectives of the policy is a Supervisory Board consisting of at least 30% women and at least 30% men. The current composition of the Supervisory Board does not meet the gender balance of having at least 30% women amongst the members of the Supervisory Board.
The composition of the Supervisory Board is such that each member of the Supervisory Board has the skills to assess the main aspects of the overall policy and that the Supervisory Board as a whole meets the profile thanks to a combination of experience, expertise and independence of the individual members. The diversity of its members ensures the complementary profile of the Supervisory Board. a.s.r. will continue to strive for an adequate and balanced composition of the Executive Board in future appointments, by taking into account the diversity policy and all relevant selection criteria such as executive experience, experience in finance and experience in the political and social environment.

Supervisory Board profile

Name	Date of initial appointment	End of current term of appointment	Years in Board Outlook	Year of birth	Gender	General business management Strategy	Finance (balance, solvency & reporting)	Financial markets/disclosure, communication	Audit, risk, compliance, legal & governance	Insurance (life, non-life, asset management & banking)	M&A	IT/Digital & innovation	Social/employment	Sustainability/ politics
Kick van der Pol	12-2008	06-2018	9	1949	M	•	•			•			•	•
Annet Aris	12-2010	12-2018	7	1958	F	•			•			•	•	•
Cor van den Bos	12-2008	06-2019	9	1952	M	•	•	•	•	•	•			
Herman Hintzen	01-2016	01-2020	2	1955	M	•	•	•	•	•	•			

A member of the Supervisory Board is reappointed or retires no later than at the next Annual General Meeting of Shareholders, which takes place after the end of the term of appointment. The term of appointment of the current Chairman will end at the 2019 General Meeting and the Vice-Chairman, who is also Chairman of ARC, at the 2020 General Meeting. A selection process for new members was started in 2017 with the help of an external agency (see also Selection and Appointment Committee). To the Supervisory Board's delight, the interviews resulted in two strong (female) candidates who enjoy the trust of all Board members for a nomination. The Dutch Central Bank has approved both proposed appointments and the Supervisory Board will nominate both candidates for appointment for a four-year period at the 2019 Annual General Meeting of Shareholders. One of the two candidates is a financial expert and envisaged to succeed the present Chairman of ARC. The other candidate brings with her complementary knowledge and experience. The Supervisory Board will be expanded with this candidates.

Independence and conflicts of interest

In 2017, there were no reports of potential conflicts of interest relating to members of the Supervisory Board. Also, the Supervisory Board could conduct its tasks independently. In the 2016 Annual Report, the Supervisory Board included an exception in this respect because Herman Hintzen had previously performed activities for a.s.r. through UBS. The Supervisory Board is of the opinion, now that a year has passed, that Herman Hintzen also qualifies as an independent member of the Supervisory Board as from 1 January 2017 (based on the Dutch Corporate Governance Code).

Education and evaluation

The Supervisory Board performs an annual self-assessment. A self-assessment with external guidance is carried out every three years. The self-assessment for 2017 was performed with external guidance. The assessment was based on written and oral input from the members of the Supervisory Board, the members of the Executive Board, the Corporate Secretary and several senior managers. The following aspects were assessed:

- Composition of the Supervisory Board;
- Communication, information-gathering and decision-making;
- Interaction and dynamics; and
- Important supervisory issues.

The outcome of the assessment was discussed by the members of the Supervisory Board and the external assessor. The overall impression that emerged from this self-assessment was positive. The Supervisory Board is seen as an effective / impactful team in terms of content, with a balanced and high-quality composition. This was also considered closely in the context of the end of current terms of appointment. The atmosphere is open and the relationship with the Executive Board is good. One recommendation made was to improve an open dialogue on relevant strategic issues at an early stage. In this context, the actions taken were to tighten the content-related meeting schedule for Supervisory Board meetings and create room for this dialogue. It was also discussed to devote more attention to succession management. To conclude, the reports received by the Supervisory Board were improved last year.

In 2017, two continuing education (CE) sessions were organised for the members of the Supervisory Board together with the members of the Executive Board. The first session was a defence manual training, led by an investment bank and a law firm. The second session concerned an explanation of IFRS 17, the new accounting standard for insurance contracts. The new regulations will impact the external reporting on insurance contracts in the future. The implementation of IFRS 17 within a.s.r. is a major project.

Meetings

The Supervisory Board met with the Executive Board at six scheduled routine meetings and one off-site meeting. Several ad-hoc meetings were also held to discuss issues related to specific (M&A) transactions. The Supervisory Board also held periodic operational meetings (without the Executive Board's presence).

Attendance record of the members of the Supervisory Board (plenary sessions and committee meetings)

	Kick van der Pol	Annet Aris	Cor van den Bos	Herman Hintzen
Supervisory Board	10/10	9/10	10/10	9/10
Audit & Risk Committee	-	6/7	7/7	6/7
Selection & Appointment Committee	4/4	4/4	-	-
Remuneration Committee	5/5	5/5	-	-

The Supervisory Board has an excellent relationship with the Executive Board. The quality of the reports and information provided was further improved in 2017 following suggestions from the Supervisory Board. From his position, the Chairman of the Supervisory Board has regular contact with the CEO. In addition, one or more Supervisory Board members are regularly approached outside meetings for advice on various matters. The Supervisory Board as a whole also receives periodic updates, outside meetings, from the Executive Board on various developments within the company, including product development, (potential) M&A transactions and personnel matters.

The year 2017 began with a first sell down on 13 January in which a.s.r., with the approval of the Supervisory Board, repurchased its own shares. To everyone's satisfaction, the last NLFI shares were sold on 14 September 2017. The Supervisory Board expresses its appreciation for the way in which the Executive Board and all the employees involved have shown great commitment and energy in effectuating this. Of course, the energetic sell down has also been a consequence of a.s.r.'s good results and investors have confidence in the story of a.s.r.

Strategy
Each year, the Executive Board presents various matters to the Supervisory Board for approval, such as the (quarterly) figures, the multi-year budget, the investment plan and the risk appetite. These documents were all discussed and approved by the Supervisory Board in 2017. The Executive Board also discusses the strategy in detail with the Supervisory Board. The Supervisory Board supports the Executive Board's value creation model as well as the starting point of value over volume. In 2017, a great deal of attention was paid to the solvency and capital position and, of course, the implementation of a.s.r.'s (portfolio) strategy. The Supervisory Board notes that progress was made in all areas. In 2017, for example, organic growth was achieved in line with the strategy and a number of acquisitions were made. Costs were also generally further reduced, efficiency was improved, customer service was improved and the brand awareness of a.s.r. increased.

a.s.r.'s strategy was discussed at every meeting between the Supervisory Board and the Executive Board. For a.s.r. as a multiline insurer, this involves the portfolio strategy (as described in Chapter 2.1 Our Strategy) and the strategy for small and medium-sized acquisitions. The conclusion, which is also supported by the Supervisory Board, is that, with its size, a.s.r. is a player with impact, and can also be a player with impact in the future. a.s.r. is also flexible enough to anticipate future developments that are not yet clear at every level. a.s.r. manages to attract and keep the right people on board. Almost every segment has its own market dynamics, and factors such as political and regulatory developments play a role. Developments within a number of selected businesses are discussed in more depth with the Supervisory Board each year. In 2017, developments within the following businesses were discussed in more detail; a.s.r. reim, Health, Disability, Pensions and Non-life.

In recent years, a.s.r. reim was transformed from a solely internally focused business line into a business line that now also serves external customers. A further growth of Assets under Management (AuM) was achieved last year. The confidence of institutional investors increased in recent years and a.s.r. reim also works together with Group Asset Management in this area.

The market for health insurance is a very politically driven market with intensive regulation. The business started an excellent collaboration with Disability through the 'Doorgaan' proposition. This proposition, although relatively new, shows good developments by focusing more on prevention. Developments in the area of long-term employability of employees were also discussed at length. Two trends can be seen: postponement of the retirement age and an ageing population. It is likely that the present political and economic climate will once again lead to choices in terms of long-term employability. a.s.r. health will follow this closely. To conclude, the ways in which a.s.r. is active in the pension market and the developments and trends that can be seen in this market were discussed at length.

Financial and operational matters within the Non-life domain have been well organised in recent years. Since 2013, the business segment has shown a better COR than the market, and a strong growth. Product rationalisation was discussed as well as a further variability of costs and the progress on the new IT-platform.

The Supervisory Board is periodically informed of developments in the field of unit-linked insurance. The legal proceedings involving a.s.r. have been discussed at length. The total range of judgements by judges and dispute committees is very diverse and has so far not led to a different approach to this matter for a.s.r. The Supervisory Board appreciates the commitment and dedication of the team. a.s.r. has received good scores from the AFM on its capitalisation policy, especially for the quality of capitalisation. In December 2017, all insurers, including a.s.r., published the scores on their website. At the end of 2017, almost all customers with non-accruing investment insurance were capitalised by a.s.r. From 2018 onwards, continuous aftercare will follow.

An important acquisition decision in 2017 concerned the acquisition of Generali Nederland, which was of course discussed extensively with the Supervisory Board. The Supervisory Board has been involved in the entire acquisition process and will also monitor the integration.

IT and innovation
In 2017, a.s.r. also continued to implement its IT strategy. Almost all business lines have now opted for an IT system that is well suited to the future, both in terms of customer expectations and cost flexibility.

The Supervisory Board is also regularly informed about developments in the field of innovation. At the beginning of 2017, the Supervisory Board also supported the Executive Board in its decision to implement an organisational change, including the creation of the Innovation & Digital team. Innovation at a.s.r. is organised along three horizons: optimisation, transformation and disruption. Various initiatives and projects have been started, with a clear distance being taken from the existing organisation in order to be able to test and grow.

Financial performance
The Supervisory Board met once a quarter to discuss the financial performance, covering standing issues such as developments in earnings, premium income, returns and solvency. The members of the Supervisory Board were satisfied with a.s.r.'s financial performance in 2017. The increase in underlying earnings was due to an improvement in underwriting profit and growth, also thanks to strategic acquisitions that contributed to a sustainable increase in profits.

The status of cost savings and improvements in claims management were discussed extensively. The combined ratios of the different non-life operations were below 100%. The solvency ratio is evidently robust. The Supervisory Board further considers as one of a.s.r.'s key priorities to increase premium income where possible, despite the fact that the market can be challenging, for instance, due to saturated submarkets and low levels of interest rates. In this process, a.s.r. prefers to pursue value over volume.

It is apparent that the GWP of P&C has grown in recent years. The growth has been absorbed by the same organisation. Health also absorbed steady growth without expanding the organisation. Life is faced with a shrinking portfolio and is in the process of IT migration. This migration is expected to be completed by the end of 2018. Despite a shrinking portfolio, the Supervisory Board notes that pressure from external regulators will not diminish. This also means that the pressure of staff on the business remains tangible.

To conclude, the Supervisory Board has agreed with the issuance of a restricted Tier 1 loan for an amount of € 300 million. The intended issue was announced on Thursday 5 October 2017, after which a roadshow was held to inform investors. The interest turned out to be substantial and the pricing of a 4.625% pre-tax coupon was announced on 12 October 2017.

At year-end, the Supervisory Board, upon the recommendation of the Audit & Risk Committee, approved the 2018-2020 multi-year budget.

Risk management and solvency
At year-end, the Supervisory Board approved the risk appetite for both a.s.r. and the supervised entities. a.s.r.'s risk appetite is based on the Solvency II regime and a prudent approach to risk management, translated into standards for solvency, liquidity and achievable returns. The Supervisory Board is satisfied with the execution of the risk management. Solvency levels remain acceptable and adequate thanks to the organisation's prompt and adequate response to external developments based on the chosen risk appetite and the associated risk-mitigating measures. The risk appetite is an important criterion for the Supervisory Board in making tactical and strategic decisions. The Supervisory Board appreciates the prudent approach taken to comply with Solvency II and other regulations and regularly engages in dialogue with the Executive Board about its views of the targets and intervention level related to Solvency II ratios.

Culture and Treating Customers Fairly (TCF)
Each quarter, the Supervisory Board considered the theme of Treating Customers Fairly on the basis of various reports, including the a.s.r. TCF Dashboard. The TCF Dashboard sets out developments and results with respect to TCF and of the best practices shared and lessons learned in this regard across the organisation. The Supervisory Board believes that a.s.r. goes to great lengths to deliver a good TCF performance.

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The Supervisory Board regularly discussed the organisation and culture of a.s.r. with the Executive Board. In 2017, the commitment of employees increased and a great deal of attention was paid to culture. The Supervisory Board compliments the Executive Board on 'the story of a.s.r.' in which the core values and competencies were redefined. The culture of a.s.r. was also discussed by the Supervisory Board with the Works Council. Finally, a.s.r. took a good step forward in the past year with the negotiations on its own in-house Collective Labour Agreement, which came into force on 1 January 2018.

Contacts with the Works Council
All Supervisory Board members attended a routine consultative meeting of the Works Council. Besides routine consultative meetings, the Works Council's executive committee maintains regular contact with Annet Aris, the member of the Supervisory Board appointed on the nomination of the Works Council. The Supervisory Board

also greatly appreciates the bilateral dialogues with the Works Council, sometimes together with one or more members of the Executive Board.

The members of the Supervisory Board have great appreciation for the approach taken by the Works Council to major developments impacting a.s.r., such as the privatisation and the acquisition of Generali Nederland. Considering the interests both of a.s.r. as a whole and of its employees, the Works Council makes thorough preparations when addressing the wide range of issues it is presented with, discusses them in a constructive dialogue with the Executive Board, and issues balanced, well-considered opinions and recommendations.

The Supervisory Board compliments the Works Council on the decision to introduce a new employee participation model from the start of the new Works Council term (2018-2020). This is in line with the way in which a.s.r. is organised. The hope is that the new model will increase employee involvement in employee participation and effectiveness.

Contacts with external regulators and auditors

The Supervisory Board consulted periodically with the Dutch Central Bank (DNB). The independent external auditor, EY, attended the Supervisory Board meetings at which the annual and interim financial results were discussed. During these meetings, the auditor elaborated on the audit reports and answered specific questions.

4.3.2 Supervisory Board Committees

There are three committees that support the Supervisory Board; the Audit & Risk Committee, the Remuneration Committee and the Selection & Appointment Committee. The committees are responsible for preparing items delegated to them on which the chair of each committee verbally reports the main points of discussion and the resulting recommendations in the next meeting of the Supervisory Board. The records of the committees are also shared with the members of the Supervisory Board.

Audit & Risk Committee

The composition of the Audit & Risk Committee is such that specific business expertise, financial accounting expertise and related financial management expertise (risk and control) in the activities of a.s.r. is present. The Audit & Risk Committee has three members; Cor van den Bos, a financial expert with a deep experience in finance matters in insurance, is the Chairman and the other two members are Annet Aris and Herman Hintzen.

In 2017, the Committee held seven meetings. In accordance with the Audit & Risk Committee Rules, these meetings were also attended by the CFO, the Director of Group Risk Management, the Director of Group Accounting, Reporting & Control, the Director of Finance & Risk, the Director of Compliance, the Director of Audit and the independent external auditor. The standing agenda items included the financial (quarterly) results and the quarterly risk, compliance and audit reports. In addition, the Committee addressed issues specific to the supervised entities, including the impact of changing market conditions and the report related to Solvency II matters. Also, the management letter of the external auditor highlighting key internal control observations was discussed in the fourth quarter.

During the year, outside the regular meetings, the Committee met on two occasions with the Audit, Compliance, Risk Management and Actuarial Functions in their roles as countervailing powers. The Chairman of the Committee had two one-on-one meetings with each of the directors of Audit, Compliance and Group Risk Management and had two meetings with the External Auditor EY.

After each quarter end, the Committee met to discuss the financial results based on detailed risk, compliance and internal and external audit reports and analyses. Progress on the recommendations of the internal and external auditor was monitored. The full 2017 reporting year was discussed in the first quarter of 2018 on the basis of the press release, the Annual Report, the financial statements, the Board Report and the actuarial report. The Committee advised the Supervisory Board positively. The discussion of the actuarial report was also attended by the Actuarial Function. The Committee issued positive opinions on the Annual Report and the financial statements to the Supervisory Board.

The Audit & Risk Committee specifically focused on the effectiveness of the audit, compliance, risk and actuarial functions within a.s.r. The Committee discussed and approved the annual plan for 2018 of the Compliance department, Group Risk Management, including Actuarial Function. The updated Compliance Charter, the Charters of the Risk Management Function and the Actuarial Function were adopted in 2017. After positive advise of the Committee the Supervisory Board approved the annual plan and charter of the Audit department. The Committee also approved the independent external auditor's audit plans for 2017.

In 2017 the outcomes of the SCR calculations and the ORSA were discussed by the Committee. The UFR effect within the Solvency II framework was highlighted and special attention was paid to the economic UFR scenario that has been defined by a.s.r. At year-end, the Audit & Risk Committee also discussed the updated risk appetite statement for 2018, which is based on a detailed risk assessment. The risk appetite for 2018 was approved by the Supervisory Board. The a.s.r. risk appetite is based on a prudent approach to risk management and translates the risk appetite into requirements for solvency, liquidity and returns; solvency takes priority over profit and profit takes priority over premium income. Furthermore, a.s.r.'s updated capital and dividend policy was discussed and positive advice for approval was given to the Supervisory Board.

The Committee discussed the potential issuance of Tier 1 capital in the second half of 2017. Also, the key changes due to the forthcoming implementation of IFRS9 and IFRS17 were highlighted in a special meeting. The Committee periodically monitored the status of the risk appetite during the year via a.s.r.'s Integrated Risk Dashboard and the status report on the management of risk priorities. The Committee was informed of the outlines of the reinsurance programme. Also, the internal control structure (Management in Control 2.0) was a regular item of discussion by the Committee. The structure allows the management of a.s.r. to verifiably manage the principal risks that pose a threat to achieving the company's strategic targets.

To conclude, in December, the multi-year budget for 2018-2020 and the investment plan for 2018 were discussed at length, after which the multi-year budget was adopted by the Supervisory Board.

Remuneration Committee

The Remuneration Committee advises the Supervisory Board on, among other things, the remuneration policy regarding the Executive Board, the terms and conditions of employment of members of the Executive Board, and it reviews the remunerations of members of senior management.

The Remuneration Committee was in session on five occasions in 2017 and the members of the Remuneration Committee are Annet Aris (chair) and Kick van der Pol. Its meetings are also attended by the CEO (except when issues relating to the Executive Board are discussed) and the Human Resources Director, who doubles as secretary. The Committee solicits support and advice from departments such as Group Risk Management, Compliance, Audit and Human Resources. Where needed, it calls in the expertise of independent legal and pay & benefit experts.

In accordance with the policy, the Committee advised the Supervisory Board on target setting, performance appraisals and the ex-post assessments of variable payments awarded to identified staff. The remuneration policy was updated in line with new rules and regulations and the Remuneration Committee discussed the implementation of the remuneration policy for our subsidiaries and participations. The results of the audit plan on the application of a.s.r.'s remuneration policy were discussed.

In 2017, the Remuneration Committee used the services of Korn Ferry for a benchmark of the remuneration for the Executive Board (periodic three-year benchmark). In the run-up to the sell down, the Remuneration Committee held extensive discussions on the remuneration of the Executive Board and the fact that, after the sell down, the remuneration policy can be applied to the members of the Executive Board (as also applied to the employees of a.s.r.). Various scenarios were discussed. The interests of various stakeholders were weighed up, such as those of customers, employees, directors and shareholders. At year-end 2017, the Supervisory Board decided to gradually increase the remunerations of the members of the Executive Board with effect from 1 January 2018. This resolution is further explained in more detail in the Remuneration report, Chapter 4.4.

To conclude, the Committee was informed about the outline of the new collective labour agreement, which was a process in co-creation with the trade unions.

Selection & Appointment Committee

Among other things, the Selection & Appointment Committee advises the Supervisory Board on selection and appointment procedures, on the compositions of the Boards and it prepares (re)appointments of members. The Selection & Appointment Committee was in session on four occasions in 2017 and its members are Annet Aris (chair) and Kick van der Pol. Its meetings are also attended by the CEO (except when issues relating to the Executive Board are being discussed) and the Human Resources Director, who doubles as secretary.

The committee decided and advised on topics such as the procedure of (re)appointing members of the Executive Board and Supervisory Board, the Succession plan and the Diversity Policy. At the beginning of 2017, the Supervisory Board discussed the composition of the Board The term of appointment of the current Chairman will end at the 2019 General Meeting and the Vice-Chairman, also Chairman of ARC, at the 2020 General Meeting. The committee prepared the search for future members of the Supervisory Board and chose an independent executive search firm to conduct the search. As part of the selection process, several candidates met with both members of the Supervisory Board and members of the Executive Board. The interviews resulted in two strong (female) candidates who enjoy the trust of all Board members in a nomination. During the 2018 General Meeting of Shareholders, the Supervisory Board will nominate the two candidates for appointment for a four-year period.

A possible reappointment of the CFO was also discussed and prepared. The proposed reappointment of Chris Figee as CFO for a four-year period will be placed on the 2018 AGM agenda for discussion.

To conclude, the Selection and Appointment Committee discussed the annual assessments of senior management. A nine-box grid was used to evaluate senior managers and to discuss their individual development and possible successors. The Selection and Appointment Committee was also informed about the results of the Denison scan, a new tool to measure the success of the organisation.

2017 Financial statements and dividend

The Executive Board prepared the 2017 Annual Report and discussed it with the Supervisory Board in the presence of the external auditor. The 2017 financial statements will be submitted for adoption by the General Meeting on 31 May 2018. a.s.r. will propose to pay a dividend of € 1.63 per ordinary share, or € 229.7 million in total, based on the number of outstanding shares, excluding the shares held by a.s.r. in its own capital in treasury.

Appreciation

The Supervisory Board wishes to express its gratitude to the members of the Executive Board and senior management for impressively leading a.s.r. and thereby giving a.s.r. a good position in the market. This also allowed a fast selldown in 2017.
The Supervisory Board very much appreciated the continuous open and constructive dialogue and cooperation between the Executive Board and the Supervisory Board. The Supervisory Board also wants to thank all employees of a.s.r. (in employment or on a contract basis) for their dedication to a.s.r. and especially with regard to all aspects of the story of a.s.r. (as described in Chapter 2.1 Our strategy). All employees help to achieve the mission of a.s.r. to helping customers to share risks and build up capital for the future. Together, we are building a useful and sustainable insurer.

Utrecht, the Netherlands, 27 March 2018

Kick van der Pol (Chairman)
Annet Aris
Cor van den Bos
Herman Hintzen

4.4 Remuneration report

Introduction

a.s.r. was nationalised in 2008 and, from that moment, the Dutch State was the sole owner of all a.s.r. shares. As a state-owned financial institution, considerable constraints were imposed on the remuneration of the Executive Board. In 2011 this was formalised by a special act for state-owned financial institutions which prohibited variable payments as well as increasing fixed payments (Sections 1:128 and 1:129 of the Dutch Financial Supervision Act (Wft) and the corresponding transitional provisions). Effectively, therefore a.s.r.'s remuneration policy was put on hold and the remuneration of the Executive Board was fixated for many years. In 2016, a.s.r. re-listed on the stock exchange and became fully independent from the Dutch State on 14 September 2017. As a result, the fixation of the Executive Board's remuneration by act no longer applied. In response, the Supervisory Board has decided to re-instate and apply the existing remuneration policy.

Executive Board

Principles and governance remuneration policy

The ASR Group remuneration policy applies to all employees of a.s.r., including the members of the Executive Board. a.s.r.'s remuneration policy is controlled and sustainable and aims to improve and maintain the integrity and robustness of a.s.r. The policy supports the strategy, objectives, values, culture and long-term interests of a.s.r. and all its stakeholders. It enables a.s.r. to retain employees and attract the right people. An organisation-wide variable remuneration is not a part of the remuneration policy. The full remuneration policy can be found at www.asrnl.com.

The AGM has decision-making powers concerning the remuneration policy that applies to the Executive Board and the individual remuneration of the members of the Supervisory Board. The Supervisory Board informs the AGM about the individual remuneration of the members of the Executive Board. The Supervisory Board has decision-making powers with regard to determining the individual remuneration of the members of the Executive Board in accordance with the remuneration policy.

Remuneration 2017

In line with a.s.r.'s remuneration policy, the remuneration of the members of the Executive Board consists structurally of fixed remuneration, it does not include a variable remuneration system. This comprises a fixed amount per month, including holiday allowance. The pay is indexed in accordance with the CBA for the insurance industry.

A comparison with a peer group is made regularly to determine the competitiveness of the total remuneration. The relevant peer group for the Executive Board consists of a mix of Dutch financial institutions and medium-sized listed Dutch businesses outside the financial sector. The Remuneration Committee checks periodically whether the choice of the peer group is still adequate or should be revised. Once every three years, an independent consultant makes a market comparison (remuneration benchmark). The remuneration policy starts from the principle that the average level of total remuneration should be competitive but somewhat below the peer group's median.

Following the successfull return of a.s.r. to the market as fully listed company, the Supervisory Board and the Executive Board decided in December 2017 to grant all employees of a.s.r. an exceptional one-off payment equal to a monthly salary (including the members of the Executive Board). It has been agreed with DNB to qualify this payment as a one-off variable payment.

The performance of each member of the Executive Board is reviewed annually, based on a set of financial and non-financial targets that is determined by the Supervisory Board. The targets for 2017 were summarised as follows:
Financial: realisation of the multi-year budget within the established risk appetite.
Customer: operational improvements and creating a recognisable positioning of a.s.r. for its customers.
CSR: traction on realisation CSR objectives for 2020 (among others, a CO_2 neutral a.s.r. and distinctive capacity for socially responsible investment).
Craftsmanship: further development of a.s.r. as a listed company.
These goals are supplemented with specific strategic priorities per board member.

Pay ratio highest and the median salary

The pay ratio is 9.05. This is the pay ratio of the annual total compensation for the highest-paid individual (€ 543,000) and the median annual total compensation for all employees (€ 60,000). In 2016 the pay ratio was 9.15 (€ 540,000/€ 59,000).

Severance pay

The following conditions apply to severance pay for policymakers (including members of the Executive Board).

- The maximum severance pay is 100% of the fixed annual remuneration;
- Severance pay is not awarded in the event of failure on the part of the company;
- Severance pay that can be classified as variable is not awarded to a.s.r.'s policymakers or banks and insurers that are part of the Group.

Severance pay, either fixed or variable, may not be awarded in the following cases:

- In the event that an employment relationship is terminated early at the employee's own initiative, except where this is due to serious culpable conduct or neglect on the part of the company;
- In the event of serious culpable conduct or neglect on the part of the employee in the performance of his or her role.

Remuneration of current and former members of the Executive Board

The remuneration can be broken down as follows:

Annual remuneration for members of the a.s.r. Executive Board

Amounts for 2017 in € thousand

Executive Board member	Fixed employee benefits[1]	Short-term variable employee benefits[2]	Pension benefits[3]	Expense allowance	Termination benefits	Long-term variable remuneration	Total
J.P.M. Baeten	543	23	307	3	-	-	876
H.C. Figee	428	15	82	3	-	-	528
K.T.V. Bergstein	424	15	134	3	-	-	576
M.H. Verwoest	430	15	123	3	-	-	571
Total	**1,825**	**68**	**646**	**12**	**-**	**-**	**2,551**

Annual remuneration for members of the a.s.r. Executive Board

Amounts for 2016 in € thousand

Executive Board member	Fixed employee benefits[1]	Short-term variable employee benefits	Pension benefits[3]	Expense allowance	Termination benefits	Long-term variable remuneration	Total
J.P.M. Baeten	540	-	273	3	-	-	816
H.C. Figee	424	-	73	3	-	-	500
K.T.V. Bergstein	414	-	121	3	-	-	538
M.H. Verwoest	429	-	111	3	-	-	543
Total	**1,807**	**-**	**578**	**12**	**-**	**-**	**2,397**

1 The fixed salary of the three ordinary board members is similar and amounts to € 413 thousand in 2017. Variations arise as a result of the fiscal treatment of lease cars depending on the price and private use of the car and personnel interest rate discount related to mortgages. The fixed salary for the CEO amounts to € 534 thousand in 2017.

2 The increase is caused by the formentioned one-off payment in December 2017 equal to a monthly salary granted by the Supervisory Board. This payment concerns 60% of the gross monthly salary of December 2017. The remaining 40% will be paid in 2020. It has been agreed with DNB to qualify this payment as a one-off variable payment.

3 The commitment on pensions has not changed in 2017. The increase in annual pension expenses is caused by a decrease of the interest rates. The calculation of the annual pension expenses is based on the total granted pension rights during the term of service at a.s.r. Further changes in the cost of pension benefits are mainly the result of the impact of age, term of service, gender and age differentiated disability, mortality and other actuarial assumptions. The pension costs include pensions based on maximum pensionable salary cap, compensation for maximum pensionable salary cap (at employees discretion to be utilised for pensions) amounting to € 206 thousand (2016: € 209 thousand) in total, and VPL. The Pension benefits, excluding compensation for maximum pensionable salary cap, represent post-employment benefits.

Adjustment of remuneration of the Executive Board as from 1 January 2018

The Supervisory Board has decided, now that a.s.r. is an independently listed company is no longer subject to previously mentioned specific regulation, to apply the (existing) remuneration policy also to the Executive Board. and adjust the remuneration of the members of the Executive Board.

As part of the remuneration policy, comparisons are made with Dutch financial institutions and medium-sized listed Dutch companies outside the financial sector on a periodical basis. The comparison that was made in 2017 showed that the salaries of the members of the Executive Board were substantially below the median of the relevant benchmarks. In line with the remuneration policy, wich takes into account the principles of the Dutch Corporate Governance Code, a.s.r.'s Supervisory Board has decided to gradually increase the individual remuneration of the members of the Executive Board and reduce the gap with the peer group.

The salaries of the members of the Executive Board will be increased in several phases, starting from 1 January 2018 and ending on 1 January 2020 at the latest. The remuneration of Jos Baeten, CEO, will increase from € 543,000 (2017) to € 740,000; the remuneration of Chris Figee, CFO, will increase from € 428,000 to € 670,000 and the remuneration of Karin Bergstein and Michel Verwoest, both COOs, will increase from average € 428,000 to € 650,000. Whereas these increases in remuneration will narrow the gap with the benchmark, the total direct compensation of the members of the Executive Board will still remain clearly below the median of the benchmark. The timing and magnitude of the increases reflect the balance which the Supervisory Board has struck between the need to reduce the gap with the benchmark, on the one hand, and the viewpoint of Dutch society on this topic, on the other. The remuneration of the Executive Board in 2020 still remains below a pay ratio of 20 (annual total compensation for the highest-paid individual/the median annual total compensation for all employees).

The Supervisory Board has made arrangements with the members of the Executive Board to acquire a.s.r. shares. Each member of the Executive Board has made a personal and individual commitment to purchase a.s.r. shares. In doing so, the members of the Executive Board demonstrate their commitment to a.s.r. and establish further alignment with the interests of its shareholders. The desired situation is that, in due course, the CEO will own shares in a.s.r. representing at least 50% of his or her gross fixed annual salary. For the CFO and the COOs, this is intended to be at least 25% of their gross fixed annual salary. Acquired shares must be kept for at least 5 years.

The Supervisory Board has very carefully weighed all the elements influencing its decision to adjust the Executive Board's remuneration. The Supervisory Board believes that the assessment made in this context is also appropriate in view of a.s.r.'s position in society. The interests of various stakeholders have been considered, as have those of customers, employees, directors and shareholders. The labour market position and the continuity of the company and its management also were important considerations. The fact that the views of the various stakeholders differ is clear and at the same time illustrate the dilemma with regard to executive remuneration in general.

The Supervisory Board continuously assesses and evaluates the remuneration policy for the Executive Board and will continue to do so in the coming period, with caution taking precedence over speed. This will include conducting extensive consultations with various stakeholders including shareholders, clients and employees. These consultations will take place in the course of 2018. The Supervisory Board will submit the remuneration policy for the Executive Board to the 2019 AGM for a shareholder vote.

Pensions

The calculation of annual pension expenses is based on the total pension rights granted during a term of service at a.s.r. pension costs include
- Pensions based on a maximum pensionable salary cap (€ 103,317 - 2017, fiscal maximum);
- Compensation for the maximum pensionable salary cap (to be used for pensions at employee's discretion);
- Pension benefits related to historically awarded pension rights;
- VPL (early retirement and life cycle; 'VUT, Prepensioen en Levensloop').

All components of the Executive Board's remuneration are included in the base used for calculating the pension benefits.

Supervisory Board

The remuneration policy applying to the members of the Supervisory Board, including fees, expense allowances and other benefits, has been adopted by the Annual General Meeting of Shareholders. The remuneration paid to the members of the Supervisory Board does not depend on the financial performance of a.s.r. and none of the members of the Supervisory Board own a.s.r. shares.

The annual fee paid to each member of the Supervisory Board is € 30,000; that paid to the Chairman of the Supervisory Board is € 45,000. In addition, the annual fee paid to each member of the Audit and Risk Committee is € 10,000; that paid to each member of the Selection and Appointment Committee is € 2,500; and that paid to each member of the Remuneration Committee is also € 2,500. In addition members of the Supervisory Board who also serve as a member of the Supervisory Board of ASR Bank NV receive €4,000 per annum.
Annual fees are not paid to members of the Executive Board who are also a member of the Supervisory Board of one of the Group entities such as ASR Bank N.V.

Remuneration of the Supervisory Board

The annual remuneration for members of the Supervisory Board has been calculated as follows.

Annual remuneration for members of the a.s.r. Supervisory Board

Amounts in € thousand			2017			2016
Supervisory Board member	As a Supervisory Board member	As a committee member	Total	As a Supervisory Board member	As a committee member	Total
C. van der Pol[1]	45	5	50	45	5	50
A.P. Aris[1,2]	30	15	45	30	15	45
C.H. van den Bos[2,3]	30	14	44	30	14	44
H.C. Hintzen[2,3]	30	14	44	30	14	44
Total	**135**	**48**	**183**	**135**	**48**	**183**

1 The amount as committee member includes remuneration for services as member of the Selection and Appointment Committee and the Remuneration Committee amounting in total € 5,000 per annum per member.

2 The amount as committee member includes remuneration for services as member of the Audit and Risk Committee amounting € 10,000.

3 The amount as a committee member also includes remuneration for services as Supervisory Board member of ASR Bank N.V. amounting to € 4,000 per annum per Supervisory Board member.

4.5 Employee participation

The Works Council of a.s.r. regularly consults with the Chairman or members of the Executive Board, the secretary of the Executive Board and the HR Director. There are also ad hoc meetings as needed. In 2017, the Works Council received a total of five requests for advice and three requests for approval. Important topics in 2017 were the transition to a new employee participation model, the completion of the privatisation of a.s.r. and various acquisition processes. In early 2018 elections will be held and a new Works Council and new Business Unit committees (OCs) will be elected. In the last months of 2017, the Council was busy preparing for these elections.

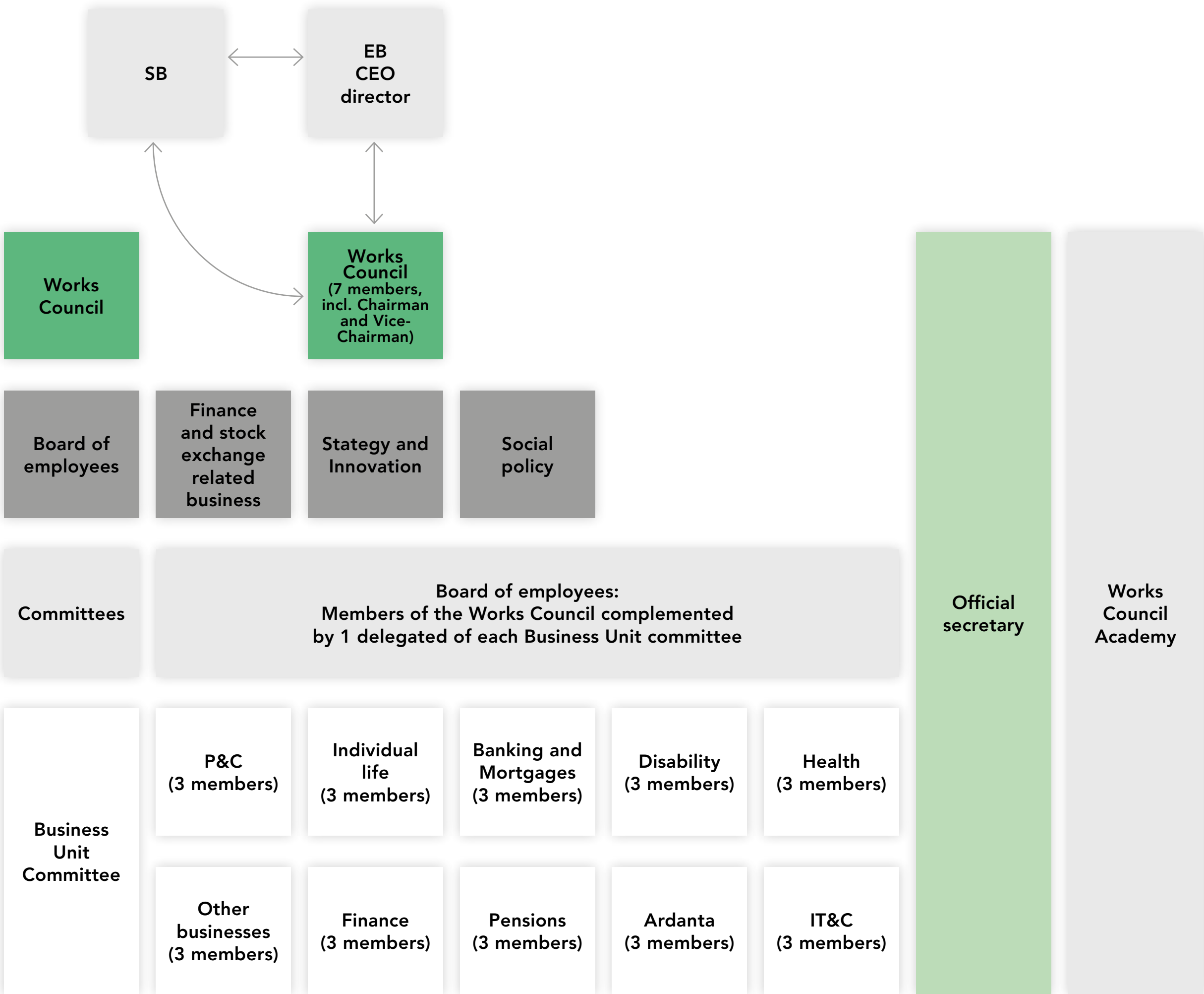
Attendance record of the members of the Supervisory Board (plenary sessions and committee meetings)

Meeting	Participants	Number of meetings
Regular meeting	Managing Committee of Works Council with Chairman of Executive Board, secretary of the Executive Board and HR Director	11
Ad hoc meeting	Managing Committee of Works Council with Chairman of Executive Board, secretary of the Executive Board and HR Director	1
Works Council meetings with a member of the Executive board	Chairman of Executive Board, secretary of the Executive Board, HR Director, and Works Council	6
Works Council meetings with a member of the Executive board and members of the Supervisory Board	Chairman of Executive Board, member(s) of the Supervisory Board, secretary of the Executive Board, HR Director, and Works Council	2
Works Council meetings without a member of the Executive Board	Works Council	11

Transition to new employee participation model

On behalf of the Works Council, the Committee on Modern Participation examined whether the current employee participation model is still adequate in relation to the way in which a.s.r. is organised. In addition, it examined how to increase employee involvement in employee participation. Based on this research, the Committee proposed a new employee participation model in late 2016. The model was optimised in the course of 2017 and translated into the (future) daily practice. In the summer of 2017, it was definitively decided to start working with the new model from the start of the new Works Council term (2018-2020). The new model should lead to increased visibility of the Works Council and OCs and thus increase accessibility for employees. More involved employees in various issues leads in turn to a broader embedding of employee participation in the organisation.

Employee participation a.s.r. as of 1 March 2018 - The Other Works Council



The most important changes when compared to the current situation are as follows:
- Reducing the number of elected members (Works Council from 19 to 7 and OCs from 5 to 3);
- The involvement of external members on an ad hoc basis;
- Establishing a council of employees (meeting between the Works Council and delegates of the OCs).

The Works Council is pleased with the end result and looks forward confidently to the future of employee participation within a.s.r.

a.s.r. fully privatised

The year 2017 was also the year in which a.s.r. again became fully privately owned. The Works Council was closely involved in the entire privatisation process. The primary focus for the Works Council was the right balance between the interests of the employees, the company and other stakeholders. The Works Council considers it important that the story of a.s.r. is expressed in a credible manner and that a careful balance is struck between the various interests. Customers need to recognise that a.s.r. is indeed the insurer with a difference that it claims to be. The Works Council regularly discussed with the Chairman of the Executive Board how to maintain this course of action now that a.s.r. is fully privatised again. The Works Council believes that the story is shared consistently with the various stakeholders and that this should remain a constant focus of attention.

Strategy of a.s.r.

The Works Council also discussed strategic issues with each other and with the Chairman of the Executive Board on several occasions. The future of a.s.r. was one of the issues discussed. Is blockchain a threat to our business model and is a.s.r. sufficiently capable of anticipating it? Does the company have sufficient innovative power to provide a rebuttal to start-ups that storm the market without legacy? Questions that cannot always be answered immediately, but about which dialogue has been started to think about the continuity of the company and not to be surprised by external developments.

Apart from these issues, several acquisition files were discussed in 2017. The acquisition of Generali Nederland was discussed extensively in the Works Council. This led to a positive advice. This acquisition strengthens a.s.r.'s position in the Dutch market. Moreover, Generali fits in well with a.s.r. in terms of culture. The first contacts with the Works Council of Generali are very positive.

2017
Financial statements

5
Financial statements 2017

5.1 Introduction

5.2 Consolidated financial statements

5.3 Accounting policies

5.4 Group structure and segment information

5.5 Notes to consolidated balance sheet

5.6 Notes to consolidated income statement

5.7 Other notes

5.8 Risk management

5.9 Capital management

5.10 Company financial statements

5.1 Introduction

5.1.1 General information

ASR Nederland N.V. (a.s.r.) is a leading insurance company in the Netherlands. a.s.r. sells insurance products under the following labels: a.s.r., De Amersfoortse, Ardanta, Europeesche Verzekeringen and Ditzo. a.s.r. has a total of 3,493 internal FTE's (31 December 2016: 3,461).

a.s.r. is a public limited company under Dutch law having its registered office located at Archimedeslaan 10, 3584 BA in Utrecht, the Netherlands. a.s.r. has chosen the Netherlands as 'country of origin' (land van herkomst) for the issued share capital and corporate bonds which are listed on Euronext Amsterdam and the Irish Stock Exchange. As of 10 June 2016 a.s.r. is listed on Euronext Amsterdam (Ticker: ASR NL).

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

The financial statements for 2017 were approved by the Supervisory Board on 27 March 2018 and will be presented to the Annual General Meeting of Shareholders for adoption on 31 May 2018. The Executive Board released the financial statements for publication on 28 March 2018.

5.1.2 Statement of compliance

The consolidated financial statements of a.s.r. have been prepared in accordance with the International Financial Reporting Standards (IFRS) – including the International Accounting Standards (IAS) and Interpretations – as adopted by the European Union (EU), and with the financial reporting requirements included in Title 9, Book 2 of the Dutch Civil Code, where applicable.

Pursuant to the options offered by Section 362, Book 2 of the Dutch Civil Code, a.s.r. has prepared its company financial statements in accordance with the same principles as those used for the consolidated financial statements.

5.2 Consolidated financial statements

5.2.1 Consolidated balance sheet

Consolidated balance sheet

(in € millions) (Before profit appropriation)	Note	31 December 2017	31 December 2016
Intangible assets	5.5.1	333	326
Property and equipment	5.5.2	171	171
Investment property	5.5.3	1,597	3,057
Associates and joint ventures at equity method	5.5.4	45	20
Investments	5.5.5	25,681	25,471
Investments on behalf of policyholders	5.5.6	7,684	7,745
Loans and receivables	5.5.7	12,174	11,468
Derivatives	5.5.8	2,527	3,060
Deferred tax assets	5.5.9	226	595
Reinsurance contracts	5.5.14	546	635
Other assets	5.5.10	672	773
Cash and cash equivalents	5.5.11	3,749	3,581
Assets held for sale	5.4.6	-	50
Total assets		**55,405**	**56,952**
Share capital	5.5.12	24	24
Share premium reserve		1,018	1,038
Unrealised gains and losses	5.5.12	869	726
Actuarial gains and losses	5.5.12	-674	-755
Retained earnings		3,383	2,747
Treasury shares	5.5.12	-188	-
Equity attributable to shareholders		**4,432**	**3,780**
Other equity instruments	5.5.12	1,001	701
Equity attributable to holders of equity instruments		**5,433**	**4,481**
Non-controlling interests	5.5.12	-1	-10
Total equity		**5,432**	**4,471**
Subordinated liabilities	5.5.13	497	497
Liabilities arising from insurance contracts	5.5.14	31,057	32,484
Liabilities arising from insurance contracts on behalf of policyholders	5.5.14	9,804	9,928
Employee benefits	5.5.15	3,161	3,257
Provisions	5.5.16	33	49
Borrowings	5.5.17	39	114
Derivatives	5.5.8	403	577
Due to customers	5.5.18	2,184	1,911
Due to banks	5.5.19	2,254	2,835
Other liabilities	5.5.20	541	827
Liabilities relating to assets held for sale	5.4.6	-	2
Total liabilities		**49,973**	**52,481**
Total equity and liabilities		**55,405**	**56,952**

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

5.2.2 Consolidated income statement

Consolidated income statement for the year ended 31 December

(in € millions)	Note	2017	2016 (restated)
Continuing operations			
Gross premiums written		3,920	4,328
Change in provision for unearned premiums		43	58
Gross insurance premiums	5.6.1	**3,963**	**4,386**
Reinsurance premiums		-60	-126
Net insurance premiums		**3,903**	**4,260**
Investment income	5.6.2	1,266	1,303
Realised gains and losses	5.6.3	417	639
Fair value gains and losses	5.6.4	14	121
Result on investments on behalf of policyholders		462	322
Fee and commission income	5.6.5	121	112
Other income	5.6.6	181	170
Share of profit / (loss) of associates and joint ventures		14	7
Total income		**2,475**	**2,674**
Insurance claims and benefits		-3,861	-4,846
Insurance claims and benefits recovered from reinsurers		26	120
Net insurance claims and benefits	5.6.7	**-3,835**	**-4,726**
Operating expenses	5.6.8	-584	-569
Restructuring provision expenses		-11	-17
Commission expenses		-390	-398
Impairments	5.6.9	26	15
Interest expense	5.6.10	-197	-257
Other expenses	5.6.11	-259	-127
Total expenses		**-1,415**	**-1,353**
Profit before tax		**1,128**	**855**
Income tax (expense) / gain	5.6.12	-220	-201
Profit after tax from continuing operations		**908**	**654**
Discontinued operations			
Profit / (loss) from discontinued operations, after tax	5.4.6	-	4
Profit for the year		**908**	**658**
Attributable to:			
- Non-controlling interests		2	-1
- Shareholders of the parent		872	625
- Holders of other equity instruments		45	45
- Tax on interest of other equity instruments		-11	-11
Profit attributable to holders of equity instruments		**906**	**659**

The numbers following the line items refer to the relevant chapters in the notes.
The comparative figures for 2016 have been restated (see Chapter 5.3.1).

Where applicable, in accordance with IFRS, comparative figures have been included in the new presentation format to ensure comparability. For the change in the definition of operating result see Chapter 5.4.1.

Earnings per share

(in €)	Note	2017	2016
Basic earnings per share			
Basic earnings per share from continuing operations	5.5.12	6.03	4.14
Basic earnings per share from discontinued operations	5.5.12	-	0.03
Basic earnings per share		**6.03**	**4.17**
Diluted earnings per share			
Diluted earnings per share from continuing operations	5.5.12	5.92	4.14
Diluted earnings per share from discontinued operations	5.5.12	-	0.03
Diluted earnings per share		**5.92**	**4.17**

5.2.3 Consolidated statement of comprehensive income

Consolidated statement of comprehensive income for the year ended 31 December

(in € millions)	Note	2017	2016
Profit for the year		**908**	**658**
Remeasurements of post-employment benefit obligation	5.5.15	108	-382
Unrealised change in value of property for own use	5.5.2	3	10
Income tax on items that will not be reclassified to profit or loss		-28	91
Total items that will not be reclassified to profit or loss		**83**	**-281**
Unrealised change in value of available for sale assets		126	864
Realised gains/(losses) on available for sale assets reclassified to profit or loss		-395	-460
Shadow accounting	5.5.14	443	-338
Segregated investment pools		-15	-17
Income tax on items that may be reclassified subsequently to profit or loss		-18	-16
Total items that may be reclassified subsequently to profit or loss		**141**	**33**
Total other comprehensive income for the year, after tax		**224**	**-248**
Total comprehensive income		**1,132**	**410**
Attributable to:			
- Non-controlling interests		2	-1
- Shareholders of the parent		1,096	377
- Holders of other equity instruments		45	45
- Tax on interest of other equity instruments		-11	-11
Total comprehensive income attributable to holders of equity instruments		**1,130**	**411**

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

Shadow accounting allows a recognised but unrealised gain or loss on an asset to be transferred to liabilities arising from insurance contracts (see accounting policy I, Chapter 5.3.4).

5.2.4 Consolidated statement of changes in equity

Consolidated statement of changes in equity

(in € millions)	Share capital	Share premium reserve	Unrealised gains and losses	Actuarial gains and losses (pension obligation)	Retained earnings	Treasury shares	Equity attributable to shareholders	Other equity instruments	Non-controlling interest	Total equity
At 1 January 2016	**100**	**962**	**686**	**-467**	**2,293**	**-**	**3,574**	**701**	**-16**	**4,259**
Profit for the year	-	-	-	-	659	-	659	-	-1	658
Total other comprehensive income	-	-	40	-288	-	-	-248	-	-	-248
Total comprehensive income	**-**	**-**	**40**	**-288**	**659**	**-**	**411**	**-**	**-1**	**410**
Dividend paid	-	-	-	-	-170	-	-170	-	-1	-171
Discretionary interest on other equity instruments	-	-	-	-	-45	-	-45	-	-	-45
Tax relating to interest on other equity instruments	-	-	-	-	11	-	11	-	-	11
Increase (decrease) in capital	-76	76	-	-	-	-	-	-	-	-
Capital investment non-controlling interest	-	-	-	-	-	-	-	-	8	8
Other	-	-	-	-	-1	-	-1	-	-	-1
At 31 December 2016	**24**	**1,038**	**726**	**-755**	**2,747**	**-**	**3,780**	**701**	**-10**	**4,471**
At 1 January 2017	**24**	**1,038**	**726**	**-755**	**2,747**	**-**	**3,780**	**701**	**-10**	**4,471**
Profit for the year	-	-	-	-	906	-	906	-	2	908
Total other comprehensive income	-	-	143	81	-	-	224	-	-	224
Total comprehensive income	**-**	**-**	**143**	**81**	**906**	**-**	**1,130**	**-**	**2**	**1,132**
Dividend paid	-	-	-	-	-187	-	-187	-	-	-187
Discretionary interest on other equity instruments	-	-	-	-	-45	-	-45	-	-	-45
Tax relating to interest on other equity instruments	-	-	-	-	11	-	11	-	-	11
Issue of other equity instruments	-	-	-	-	-	-	-	300	-	300
Increase (decrease) in capital	-	-20	-	-	-47	67	-	-	7	7
Cost of issue of other equity instruments	-	-	-	-	-2	-	-2	-	-	-2
Treasury shares acquired	-	-	-	-	-	-255	-255	-	-	-255
At 31 December 2017	**24**	**1,018**	**869**	**-674**	**3,383**	**-188**	**4,432**	**1,001**	**-1**	**5,432**

Unrealised gains and losses include shadow accounting adjustments (see accounting policy I, Chapter 5.3.4). For more detailed information on the unrealised gains and losses, see Chapter 5.5.12.2.

The actuarial gains and losses (after tax) impacted equity positively by € 81 million (2016: negative impact of € 288 million), primarily due to the increase (€ 2016: decrease) in the discount rate of the benefit obligation. For more information see Chapter 5.5.15.

In January 2017, NLFI sold 20,400,000 shares in a.s.r. at a price of € 22.15 per share and a.s.r. repurchased 3,000,000 shares in the offering, which is the maximum to which a.s.r. was authorised to acquire shares in its own capital. In April 2017 NLFI sold 20,000,000 shares in a.s.r. at a price of € 25,75. In June 2017, NLFI sold another 25,000,000 shares at a price of € 29.00 per share. a.s.r. again repurchased 3,000,000 shares in its own capital in June 2017. In September 2017, NLFI sold the remaining 30,150,115 shares at a price of € 33.75 per share. In this final offering of a.s.r. shares by NLFI, a.s.r. again repurchased 3,000,000 of its shares and the remaining shareholding of NLFI as from this date is nil.

a.s.r. did not receive any proceeds from the sales. In the Annual General Meeting of Shareholders on 31 May 2017 the resolution was adopted to cancel the 3,000,000 shares that have been repurchased in January 2017. This was effected in the beginning of August 2017.

5.2.5 Consolidated statement of cash flows

The table below represents the cash flows from continuing and discontinued operations. Cash flows related to discontinued operations are included in Chapter 5.4.6.

Consolidated statement of cash flows

(in € millions)	2017	2016
Cash and cash equivalents as at 1 January	**3,581**	**2,632**
Cash generated from operating activities		
Profit before tax[1]	1,128	859
Adjustments on non-cash items included in profit		
Revaluation through profit or loss	-184	-124
Retained share of profit of associates and joint ventures	-14	15
Amortisation of intangible assets	13	13
Depreciation of property and equipment	11	10
Amortisation of investments	106	88
Impairments	-25	-34
Changes in operating assets and liabilities		
Net (increase) / decrease in investment property	60	-262
Net (increase) / decrease in investments	990	-96
Net (increase) / decrease in investments on behalf of policyholders	61	179
Net (increase) / decrease in derivatives	359	-664
Net (increase) / decrease in amounts due from and to customers	-266	-533
Net (increase) / decrease in amounts due from and to credit institutions	-619	689
Net (increase) / decrease in trade and other receivables	-126	45
Net (increase) / decrease in reinsurance contracts	89	-24
Net increase / (decrease) in liabilities arising from insurance contracts	-984	1,572
Net increase / (decrease) in liabilities arising from insurance contracts on behalf of policyholders	-124	-69
Net (increase) / decrease in other operating assets and liabilities	-70	-318
Income tax received / (paid)	-4	-209
Cash flows from operating activities	**401**	**1,137**
Cash flows from investing activities		
Investments in associates and joint ventures	-5	-
Proceeds from sales of associates and joint ventures	5	-
Purchases of property and equipment	-6	-20
Purchases of group companies (less acquired cash positions)	-7	-25
Sales of group companies (less sold cash positions)	-	6
Purchase of intangible assets	-13	-
Cash flows from investing activities	**-26**	**-39**

1 Profit before tax includes results from continuing operations of € 1,128 million (2016: € 855 million). For 2016, results from discontinued operations amounted to € 4 million (after tax € 4 million).

	2017	2016
Cash flows from financing activities		
Proceeds from issues of borrowings	30	76
Repayment of borrowings	-57	-10
Dividend paid	-187	-170
Discretionary interest to holders of equity instruments	-45	-45
Non-controlling interests	7	-1
Issue of other equity instruments	300	-
Repurchase of treasury shares	-255	-
Cash flows from financing activities	**-207**	**-150**
Cash and cash equivalents as at 31 December	**3,749**	**3,581**
Further details on cash flows from operating activities		
Interest received	1,180	1,341
Interest paid	-197	-318
Dividend received	69	62

Cash and cash equivalents

	2017	2016
Total cash and cash equivalents		
Cash and cash equivalents from continuing operations	3,749	3,581
Cash and cash equivalents classified as assets held for sale	-	-
Total cash and cash equivalents as at 31 December	**3,749**	**3,581**

5.3 Accounting policies

5.3.1 Changes in comparative figures

The changes in the comparative figures mainly concern the representation of discontinued operations to continued operations, impact of € 17 million on profit before tax, in the consolidated income statement. In line with IFRS accounting requirements the comparative figures in the consolidated balance sheet have not been restated.

In addition the current presentation differs from last year's presentation in some aspects. Where applicable, in accordance with IFRS, comparative figures have been included in the new presentation format to ensure comparability. The main change in presentation is driven by the expansion and increased focus of the asset management activities to third parties, as a result of which fee income of Asset Management (segment Banking and Asset management), until 2016 presented as part of investment income, is presented in the line item fee and commission income.

The impact of the mentioned changes for the period ended 31 December 2016 is as follows:

Changes in comparative figures

	FY 2016 As reported	Restatements	Restated
Continuing operations			
Gross premiums written	4,328	-	4,328
Change in provision for unearned premiums	58	-	58
Gross insurance premiums	**4,386**	**-**	**4,386**
Reinsurance premiums	-126		-126
Net insurance premiums	**4,260**	**-**	**4,260**
Investment income	1,356	-53	1,303
Realised gains and losses	639	-	639
Fair value gains and losses	121	-	121
Result on investments on behalf of policyholders	322	-	322
Fee and commission income	59	53	112
Other income	168	2	170
Share of profit / (loss) of associates and joint ventures	3	4	7
Total income	**2,668**	**6**	**2,674**
Insurance claims and benefits	-4,846	-	-4,846
Insurance claims and benefits recovered from reinsurers	120	-	120
Net insurance claims and benefits	**-4,726**	**-**	**-4,726**
Operating expenses	-569	-	-569
Restructuring provision expenses	-17	-	-17
Acquisition costs	-398	-	-398
Impairments	12	3	15
Interest expense	-258	1	-257
Other expenses	-134	7	-127
Total expenses	**-1,364**	**11**	**-1,353**
Profit before tax	**838**	**17**	**855**
Income tax (expense) / gain	-197	-4	-201
Profit from continuing operations	**641**	**13**	**654**
Discontinued operations			
Profit / loss from discontinued operations, after tax	17	-13	4
Profit for the year	**658**	**-**	**658**

5.3.2 Changes in EU endorsed published IFRS standards and interpretations effective in 2017

The following changes in the EU-endorsed IFRS standards and IFRIC interpretations are effective from 1 January 2017:
- Amendments to IAS 7: Disclosure Initiative;
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses;
- Annual improvements to IFRSs 2014-2016 cycle: IFRS 12 – Disclosure of Interests in Other Entities.

The changes have no material effect on total equity attributable to shareholders, profit or loss or disclosures for the reporting period of a.s.r.

5.3.3 New standards, interpretations of existing standards or amendments to standards, not yet effective in 2017

The main following new standards, amendments to existing standards and interpretations, published prior to 1 January 2018 and effective for accounting periods beginning on or after 1 January 2018, were not early adopted by a.s.r.:
- IFRS 9: Financial Instruments (2018);
- IFRS 15: Revenue from Contracts with Customers (2018);
- Clarifications to IFRS 15: Revenue from Contracts with Customers (classification) (2018);
- IAS 40: Transfers of investment property (2018);
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (2018);
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (2018);
- IFRIC 22: Foreign Currency Transactions and Advance Consideration (2018);
- Annual improvements to IFRSs 2014-2016 cycle: IFRS 1 First-time adoption of IFRS and IAS 28 Investments in Associates and Joint Ventures (2018);
- IFRS 16: Leases (2019);
- Amendments to IFRS 9: Prepayment Features with Negative Compensation (2019);
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (2019);
- IFRIC 23: Uncertainty over Income Tax Treatments (2019);
- Annual improvements to IFRSs 2015-2017 cycle (2019);
- IFRS 17: Insurance Contracts (2021).

With the exception of IFRS 9 and IFRS 17 Insurance Contracts the changes in the above IFRSs and IFRIC interpretations are not expected to have a material effect on total equity attributable to shareholders, profit or loss or disclosures for the reporting period of a.s.r.

Amendments to IFRS 4 Insurance Contracts

This amendment becomes effective as of 1 January 2018. The IFRS 4 amendments permit insurers to apply a temporary exemption from applying IFRS 9 for predominant insurance entities or to use overlay approach, until the implementation of IFRS 17 (new accounting standard for insurance contracts) or at the latest 1 January 2021.

Based on the amended IFRS 4 and the a.s.r. 2015 Annual report, a.s.r. meets the criteria of a predominant insurer as the percentage of the total carrying amount of its liabilities connected with insurance related activities to the total carrying amount of all its liabilities exceeds 90%. As a result a.s.r. decided to apply the temporary exemption from applying IFRS 9 until IFRS 17 (new accounting standard for insurance contracts) is implemented. The implementation of amended IFRS 4 will not have a significant impact on the consolidated financial statement of a.s.r.; but it does introduce additional disclosure requirements.

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts was issued by the IASB in May 2017 and will replace IFRS 4 Insurance Contracts. The standard will be effective from 1 January 2021, subject to endorsement by the EU. IFRS 17 is expected to increase comparability by requiring all insurance contracts to be accounted for in a consistent manner. Insurance obligations will be accounted for using current values – instead of using tariff rates (‘tariefgrondslagen’) as is currently the a.s.r. accounting policy (see accounting policy I).

This standard represents the most significant change to European insurance accounting requirements in decennia, and will have a significant impact on the information presented in the financial statements (the primary statements as well as the disclosures). The standard introduces three models for the measurement of the insurance contracts. The general model (commonly known as the building block approach), the variable fee approach for contracts with a direct participating feature and the premium allocation approach which is a simplified version of the general model and can be used mainly for short-duration contracts.

The building block approach measures insurance liabilities by taking the present value of future cash flows adding a risk adjustment (RA) as well as a contractual service margin (CSM). The CSM represents the unearned profits of insurance contracts and will change the recognition of revenue in each reporting period for insurance companies.

Under current a.s.r.'s accounting policy, revenue for insurance contracts is recognised when premiums are earned or received. Under IFRS 17, the Insurance contract revenue depicts the insurance coverage and other services provided arising from the group of insurance contracts at an amount that reflects the consideration to which a.s.r. expects to be entitled in exchange for those services. Revenue includes the release of the CSM and RA in profit or loss over the coverage period. Insurance service result is a new income statement line item which is effectively a net result on non-financial risks of all Insurance contracts.

Programme
In 2017, a.s.r. started a combined IFRS 17 and IFRS 9 programme to implement IFRS 17 and IFRS 9 Financial Instruments and has performed a high level impact assessment. The programme in 2017 has focused on the following activities:
- Project organisation and communication structures have been set up;
- Training of key staff;
- Drafting Technical Implementation Documents to gain a better understanding of the detail and complexity in IFRS 17 including the combination with IFRS9;
- Various workstreams have started their projects to address the implementation in the operations and these have prepared implementation plans for the period till the effective date of IFRS 17.

At this moment, given the complexity and options available in IFRS 17, it is too early to quantify the actual impact on IFRS equity and profit for the year. However, a.s.r. expects IFRS 17 to have a significant impact.

IFRS 9 Financial Instruments
IFRS 9 is effective from 1 January 2018 and EU endorsed. a.s.r. will apply the temporary exemption from applying IFRS 9 for predominant insurance entities as permitted by the amendments to IFRS 4. The IFRS 4 amendments postpone the implementation of IFRS 9 until the effective date of the new insurance contracts standard IFRS 17, which is 1 January 2021.

IFRS 9 replaces most of the current IAS 39 'Financial Instruments: Recognition and Measurement', and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Classification and measurement
The classification and measurement of financial assets under IFRS 9 will depend on a.s.r.'s business model and the instrument's contractual cash flow characteristics. These may result in financial assets being recognised at amortised cost, at fair value through other comprehensive income (equity) or at fair value through profit or loss. In many instances, the classification and measurement under IFRS 9 will be similar to IAS 39, although certain differences will arise. The classification of financial liabilities remains unchanged. The final outcome of the classification and measurement will be highly dependent on the interaction between IFRS 17 insurance contract accounting and IFRS 9 accounting for financial assets and liabilities taking into account decisions and guidance prepared in the IFRS 17 and IFRS 9 implementation project. Identifying potential accounting mismatches and addressing volatility / predictability of the income statement will be a.s.r.'s major priority.

Impairment
The recognition and measurement of impairment under IFRS 9 is intended to be more forward-looking than under IAS 39. The new impairment requirements will apply to all financial assets measured at amortised cost and at fair value through other comprehensive income with the exception of equity instruments. Initially, a provision is required for expected credit losses resulting from default events that are expected within the next twelve months. In the event of a significant increase in credit risk, a provision is required for expected credit losses resulting from all possible default events over the expected life of the financial asset.

Hedge accounting
The hedge accounting requirements of IFRS 9 aim to simplify the application of hedge accounting.

Programme
a.s.r. is currently assessing the impact of the new requirements. In 2017 a.s.r. concluded the investigation into the classification and measurement of the financial instruments of ASR Bank. In 2017 a.s.r. started the investigation into the classification and measurement of the financial instruments (the SPPI test) related to the insurance activities, as part of the overall IFRS 17 and IFRS 9 programme. The implementation of IFRS 9 may have a significant impact on Shareholders' equity, Net result and/or Other comprehensive income and on the consolidated financial statements of a.s.r.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 becomes effective as of 1 January 2018 and is EU endorsed. IFRS 15 provides more specific guidance on recognising revenue other than insurance contracts and financial instruments. The implementation of IFRS 15 is not expected to have a significant impact on the consolidated financial statements of a.s.r.

IFRS 16 Leases
IFRS 16 is effective for annual periods beginning on or after 1 January 2019, subject to endorsement by the EU. IFRS 16 contains a new accounting model for lessees. Under the new lease standards the current operational lease accounting (where a.s.r. is the lessee) will change, introducing a right-of-use asset and lease liability. The main items a.s.r. is leasing are cars, rented buildings and IT equipment.

The implementation of IFRS 16, if and when endorsed by the EU, is not expected to have a significant impact on the consolidated financial statements of a.s.r.

5.3.4 Key accounting policies

A. Estimates and assumptions
The preparation of the financial statements requires a.s.r. to make estimates, assumptions and judgements in applying accounting policies that have an effect on the reported amounts in the financial statements.
These relate primarily to the following:
- The fair value and impairments of unlisted financial instruments (see accounting policy B and E);
- The estimated useful life, residual value and fair value of property and equipment, investment property, and intangible assets (see accounting policy C, D and T);
- The measurement of liabilities arising from insurance contracts (see accounting policy I);
- Actuarial assumptions used for measuring employee benefit obligations (see Chapter 5.5.15);
- When forming provisions, the required estimate of existing obligations arising from past events;
- The recoverable amount of impaired assets (see accounting policy B, E and G).

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

B. Fair value of assets and liabilities
The fair value is the price that a.s.r. would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants on the transaction date or reporting date in the principal market for the asset or liability, or in the most advantageous market for the asset or liability and assuming the highest and best use for non-financial assets.
Where possible, a.s.r. determines the fair value of assets and liabilities on the basis of quoted prices in an active market. In the absence of an active market for a financial instrument, the fair value is determined using valuation techniques. Although valuation techniques are based on observable market data where possible, results are affected by the assumptions used, such as discount rates and estimates of future cash flows. In the unlikely event that the fair value of a financial instrument cannot be measured, it is carried at cost.

Fair value hierarchy

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

Level 1. Fair value based on quoted prices in an active market

Level 1 includes assets and liabilities whose value is determined by quoted (unadjusted) prices in the primary active market for identical assets or liabilities.

A financial instrument is quoted in an active market if:

- Quoted prices are readily and regularly available (from an exchange, dealer, broker, sector organisation, third party pricing service, or a regulatory body); and
- These prices represent actual and regularly occurring transactions on an arm's length basis.

Financial instruments in this category primarily consist of bonds and equities listed in active markets. Cash and cash equivalents are also included as level 1.

Level 2. Fair value based on observable market data

Determining fair value on the basis of Level 2 involves the use of valuation techniques that use inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is derived from prices of identical or similar assets and liabilities). These observable inputs are obtained from a broker or third party pricing service and include:

- Quoted prices in active markets for similar (not identical) assets or liabilities;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Input variables other than quoted prices observable for the asset or liability. These include interest rates and yield curves observable at commonly quoted intervals, volatility, loss ratio, credit risks and default percentages.

This category primarily includes:

I. Financial instruments: unlisted fixed-interest preference shares and interest rate contracts;
II. Financial instruments: loans and receivables (excluding mortgage loans)[1];
III. Other financial assets and liabilities[1].

I. Financial instruments: unlisted fixed-interest preference shares and interest rate contracts

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

II. Financial instruments: Loans and receivables (excluding mortgage loans)

The fair value of the loans and receivables is based on the discounted cash flow method. It is obtained by calculating the present value based on expected future cash flows and assuming an interest rate curve used in the market that includes an additional spread based on the risk profile of the counterparty.

III. Other financial assets and liabilities

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

Level 3. Fair value not based on observable market data

The fair value of the level 3 assets and liabilities are determined in whole or in part using a valuation technique based on assumptions that are not supported by prices from observable current market transactions in the same instrument and for which any significant inputs are not based on available observable market data. The financial assets and liabilities in this category are assessed individually.

1 Not measured at fair value on the balance sheet for which the fair value is disclosed.

Valuation techniques are used to the extent that observable inputs are not available. The basic principle of fair value measurement is still to determine a fair, arm's length price. Unobservable inputs therefore reflect management's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are generally based on the available observable data (adjusted for factors that contribute towards the value of the asset) and own source information.

This category primarily includes:
I. Financial instruments: private equity investments (or private equity partners);
II. Financial instruments: loans and receivables – mortgage loans;
III. Investment property, buildings for own use (include mortgages) and real estate equity funds.

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

II. Financial instruments: loans and receivables – mortgage loans
The fair value of the mortgage loan portfolio is based on the discounted cash flow method. It is obtained by calculating the present value based on expected future cash flows and assuming an interest rate curve used in the market that includes an additional spread based on the risk profile of the counterparty. The valuation method used to determine the fair value of the mortgage loan portfolio bases the spread on the interest rate curve for discounting the mortgage portfolio cash flows on consumer rates and includes assumptions for originating cost, proposal risk, and the options related to early redemption and moving.

III. Investment property and buildings for own use
The following categories of investment properties and buildings for own use is recognised and methods of calculating fair value are distinguished:
- Residential – based on reference transaction and discounted cash flow method;
- Retail – based on reference transaction and income capitalisation method;
- Rural – based on reference transaction and discounted cash flow method;
- Offices – based on reference transaction and discounted cash flow method (including buildings for own use);
- Other – based on reference transaction and discounted cash flow method;
- Under construction – based on both discounted cash flow and income capitalisation method.

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

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

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

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

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

For the categories residential, offices and other in applying the discounted cash flow method, the significant inputs are the discount rate and market rental value. These inputs are verified with the following market observable data (that are adjusted to reflect the state and condition, location, development potential etc. of the specific property):
- Market rent per sq.m. for renewals and their respective re-letting rates;
- Reviewed rent per sq.m.;
- Investment transactions of comparable objects;
- 10 Year Dutch Government Bond Yield (%) as published by the Dutch Central Bank.

When applying the discounted cash flow method for rural valuations, the significant inputs are the discount rate and market lease values. These inputs are verified with the following market observable data (that are adjusted to reflect the state and condition, location, development potential etc. of the specific property):
- Market value per acre per region in accordance with the 'rural land price monitor';
- 10 Year Dutch Government Bond Yield (%) as published by the Dutch Central Bank.

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

The significant inputs for retail valuations are the reversionary yield and the market or reviewed rental value. These inputs are generally verified with the following observable data (that are adjusted to reflect the state and condition, location, development potential etc. of the specific property):
- Market rent per square meter for renewals;
- Reviewed rent per square meter (based on the rent reviews performed in accordance with Section 303, Book 7 of the Dutch Civil Code).

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

The accounting policies for the treatment of investment property and buildings for own use are described in accounting policy D and T respectively. The fair value of investment property and buildings for own use is disclosed in Chapter 5.5.2, 5.5.3, 5.7.1.

Transfers between levels
The hierarchical level per individual instrument, or group of instruments, is reassessed at every reporting period. If the instrument, or group of instruments, no longer complies with the criteria of the level in question, it is transferred to the hierarchical level that does meet the criteria. A transfer can for instance be when the market becomes less liquid or when quoted market prices for the instrument are no longer available.

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

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

Goodwill has an indefinite useful life and is not amortised. a.s.r. performs an impairment test annually, or more frequently if events or circumstances warrant so, to ascertain whether goodwill has been subject to impairment. As part of this, the carrying amount of the cash-generating unit to which the goodwill has been allocated is compared with its recoverable amount. The recoverable amount is the higher of a cash-generating unit's fair value less costs to sell and value in use. The carrying value is determined as the net asset value including goodwill. The methodologies applied to arrive at the best estimate of the recoverable amount involves two steps.

In the first step of the impairment test, the best estimate of the recoverable amount of the CGU to which goodwill is allocated is determined separately based on Price to Earnings or Price to EBITDA ratios. The ratio(s) used per CGU depends on the characteristics of the entity in question. The main assumptions in this valuation are the multiples for the aforementioned ratios. These are developed internally but are either derived from or corroborated against market information that is related to observable transactions in the market for comparable businesses.

If the outcome of the first step indicates that the difference between the recoverable amount and the carrying value may not be sufficient to support the amount of goodwill allocated to the CGU, step two is performed. In step two an additional analysis is performed in order to determine a recoverable amount in a manner that better addresses the specific characteristics of the relevant CGU.

The additional analysis is based on an internal model, wherein managements assumptions in relation to cash flow projections for budget periods up to and including five years are used and, if deemed justified, expanded to a longer period given the nature of the insurance activities.

If the recoverable amount is lower than its carrying amount, the difference is directly charged to the income statement as an impairment loss.

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

Value of Business Acquired
The Value of Business Acquired (VOBA) represents the difference between the fair value and the carrying amount of insurance portfolios that have been acquired, either directly from another insurer or through the acquisition of a subsidiary. VOBA is recognised as an intangible asset with a finite useful life and amortised over the term of the current insurance contracts at acquisition date, in conjunction with the corresponding obligations. With regard to VOBA, allowance is made for the outcome of the annual compulsory Liability Adequacy Test (LAT) for insurance contracts (see accounting policy I). Amortisation charges related to VOBA are included in net claims and benefits. Negative VOBA, or an additional provision, is recognised and presented under the Liabilities arising from insurance contracts. The negative VOBA is amortised based on the expected run-off of the portfolio.

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

D. Investment property
Investment property is property held to earn rent or for capital appreciation or both. Property interests held under operating leases are classified and accounted for as investment property. In some cases, a.s.r. is the owner-occupier of investment properties. If owner-occupied properties cannot be sold separately, they are treated as investment property only if a.s.r. holds an insignificant portion for use in the supply of services or for administrative purposes. Property held for own uses (owner-occupied) is recognised within property and equipment.

Investment property is primarily recognised using the fair value model. After initial recognition, a.s.r. remeasures all of its investment property (see accounting policy B) whereby any gain or loss arising from a change in the fair value of the specific investment property is recognised in the income statement under fair value gains and losses.

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

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

The following categories of investment property are recognised by a.s.r. based primarily on the techniques used in determining the fair value of the investment property:
- Retail;
- Residential;
- Rural;
- Offices;
- Other (consisting primarily of parking);
- Investment property under development.

Property under development for future use as investment property is recognised as investment property.
The valuation of investment property takes (expected) vacancies into account.

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

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

E. Investments
When a.s.r. becomes party to a financial asset contract, the related assets are classified into one of the following categories:
- Financial assets at fair value through profit or loss;
- Loans and receivables (see accounting policy G);
- Financial assets available for sale.

The classification of the financial assets is determined at initial recognition. The classification depends on the purpose for which the investments were acquired. For detailed information on the fair value of the financial assets see accounting policy B.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include:
- Derivatives that do not qualify for hedge accounting (see accounting policy B and H); and
- Financial assets, designated by a.s.r. as carried at fair value through profit or loss. This option is available whenever:
  - It eliminates or significantly reduces a measurement inconsistency that would otherwise arise from measuring assets or liabilities on different bases (accounting mismatch); or
  - a.s.r. manages a group of financial instruments (assets, liabilities or both) on the basis of fair value in accordance with a documented risk management or investment strategy;
  - The financial assets contain one or more embedded derivatives and a.s.r. does not separate the derivative from the host contract;
- Associates for which a.s.r. uses the fair value option under IAS 28.

Financial assets at fair value through profit or loss are stated at fair value. At initial recognition, transaction costs are recognised in the income statement. Realised and unrealised gains and losses in the fair value are also recognised in the income statement.

Financial assets available for sale
Financial assets available for sale are financial assets that are not accounted for as financial assets at fair value through profit or loss, or as loans and receivables. On initial recognition, financial assets available for sale are measured at fair value (including transaction costs). They are subsequently measured at fair value, including any

unrealised fair value changes in equity, taking into account any deferred tax liabilities. Financial assets available for sale include equities (ordinary and preference shares), bonds, other fixed-income securities, unit trusts, variable-income securities and interests in investment pools.

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

In the case of equity investments available for sale, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment. a.s.r. considers as a significant or prolonged decline to have occurred if the fair value:
- Has fallen 25% or more below cost; or
- Has fallen below cost for an uninterrupted period of twelve months or longer.

Fixed-income financial assets available for sale are tested for impairment if objective evidence exists that the counterparty will default. Objective evidence includes: bankruptcy, financial reorganisation or delinquency in payments for more than 30 days. The assessment may also involve circumstances requiring a more detailed estimate, such as in the event of an equity deficit, recurring financial difficulties, downgrading of the credit rating or other creditors reverting to legal action. This assessment is made at each reporting date by the Level of Concern Committee, where the portfolio managers and analysts assign a level of concern from 'Nil' to 'Three' to each of the fixed-income assets. A level of concern 'Nil' means that there is no reason for concern, while a level of concern 'Three' indicates that the situation is critical and that an impairment is highly recommended. The final decision to recognise an impairment loss on a financial asset or to reverse a prior impairment loss is taken in the quarterly Impairment Committee, chaired by the Group Asset Management director.

Impairment losses are recognised directly in the income statement and represent the difference between amortised cost and the fair value at the balance sheet date, net of any previously recognised impairments.

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

F. Investments on behalf of policyholders
Investments made for the account and risk of policyholders mainly concern unit-linked insurance contracts and group contracts with segregated pools. These investments are carried at fair value. Any realised and unrealised value changes of the investments are recognised in the income statement as gains or losses on investments on behalf of policyholders.

G. Loans and receivables
Loans and receivables are measured at fair value plus transaction costs on initial recognition. They are subsequently measured at amortised cost based on the effective interest rate method, less impairment losses where deemed necessary.

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

Receivables from credit institutions
Receivables from credit institutions concern business loans, deposits and the savings portion of savings mortgages concluded by a.s.r.

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

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

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

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

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

Incurred but not reported (IBNR) losses are also taken into account. IBNR is estimated by reference to historical loss patterns. The current economic climate is reflected, and account is taken of potentially higher credit risk based on an analysis of the economic situation.

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

H. Derivatives and hedge accounting

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

Cash flow hedge accounting was primarily used for property development activities and ended in 2016.

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

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

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

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

If a hedge no longer meets the criteria for hedge accounting or is otherwise discontinued, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction or the firm commitment is settled. If the forecast transaction or the firm commitment is no longer expected to take place, any related cumulative gain or loss on the hedging instrument that was reported in equity is recognised in the income statement.

I. Liabilities arising from insurance contracts

General

This includes liabilities arising from insurance contracts issued by a.s.r. that transfer significant insurance risks, and in some cases also financial risk, from the policyholder to a.s.r.

Liabilities arising from non-life insurance contracts

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

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

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

Additional provisions are generally recognised for realised gains or losses on financial assets allocated to insurance contracts if and to the extent that the current interest rate is lower than the interest rate that was used in the pricing principles at inception of the insurance contract.

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

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

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

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

These financial assets include fixed-income financial assets available for sale, specific financial assets designated at fair value through profit or loss, and specific derivatives (i.e. swaptions, interest rate swaps and inflation rate swaps). The realised gains or losses are amortised based on the remaining maturity period of the disposed financial assets. The realised gains or losses and the amortisation thereof are included in net insurance claims and benefits.

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

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

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

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

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

Shadow accounting
The Group's insurance accounting policies include the application of shadow accounting which is a specialised accounting treatment commonly utilised in insurance accounting and is permitted under IFRS.
The purpose of shadow accounting is to help reduce potential accounting mismatches which can occur when related assets and liabilities:
- Are measured on a different basis; or
- Have changes in their measurements recorded in different IFRS performance statements (Income Statement or OCI).

Under shadow accounting, adjustments are made to the insurance liability to reflect the unrealised gains or losses from the financial instruments backing these insurance liabilities.
The shadow accounting policy is applied to certain types of insurance liabilities:
- Insurance contracts with participation features;
- Non-participating insurance contracts if and to the extent that the IFRS LAT would be triggered. This would be the case when current interest rates are lower than the interest rates that were used in the pricing principles at inception of the insurance contract.

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

Shadow accounting is applied to unrealised value changes in fixed-income financial assets available for sale, specific financial assets designated at fair value through profit or loss, and specific derivatives (i.e. swaptions and interest rate and inflation rate swaps) that are backing the liabilities arising from insurance contracts.

The related adjustment to the insurance liability is recognised in OCI if, and only if, the unrealised gains or losses are recognised in other comprehensive income. Unrealised gains and losses on assets at fair value through profit or loss are recognised in the income statement with a corresponding adjustment for shadow accounting in the income statement under 'Net insurance claims and benefits'.

No shadow accounting is applied to:
- Impairments;
- Revaluations of debt instrument that have been subject to impairment.

IFRS Liability Adequacy Test Non-life
The Liability Adequacy Test (LAT) is performed at each reporting date to assess the adequacy of insurance liabilities for Non-life. The insurance liabilities for the LAT are calculated in accordance with Solvency II, using the UFR rate prevailing at the reporting date.

Where the Property & Casualty (motor, fire and liability) and Health liabilities business is concerned, the LAT is performed using statistical analyses. Any identified losses are used as a basis for estimating future claims arising from an insurance contract from the portfolio on the balance sheet date. This is the best estimate. An appropriate risk margin is added. The risk margin is determined for each homogeneous risk group using the Cost of Capital (CoC) method that is also used for Life. With effect from 2016 the Non-life CoC rate of 6% is used for all Non-life business, including Disability. The total of best estimate and risk margin is compared to the technical provision recorded in the balance sheet.

The LAT for the disability portfolio is based on cash flow projections using realistic assumptions comparable to the LAT for the life portfolio (see below).

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

IFRS Liability Adequacy Test Life
The LAT is performed at each reporting date to assess the adequacy of insurance liabilities. The insurance liabilities for the LAT are calculated in accordance with Solvency II, using the UFR rate prevailing at the reporting date.

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

Also unrecognised gains and losses from relevant assets that are not carried at fair value in the balance sheet are taken into account to the extent these assets are allocated to cover the insurance liabilities. The various elements of the Liability Adequacy Test are further discussed below.

Best estimate
The best estimate of an insurance contract is the net present value of the projected cash flows of benefits and expenses, less the net present value of premiums. These cash flows are estimated using realistic ('best estimate') assumptions in relation to mortality, longevity, lapse rate, expense and inflation. The best estimate assumptions regarding mortality and longevity include recent trend assumptions for life expectancy in the Netherlands, as provided by the Dutch Actuarial Association. The best estimate includes the intrinsic value and the time value of options and guarantees (TVOG: Time Value of Financial Options and Guarantees) and is calculated using stochastic techniques.

Where applicable, the participating features of the insurance contracts, such as profit sharing, are taken into account in the future cash flows. The cash flows are discounted using the Euro swap curve including a credit risk adjustment (CRA), with Ultimate Forward Rate (UFR) and volatility adjustment (VA).

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

Risk margin
The risk margin is determined for each homogeneous risk group using the CoC method. For life a CoC rate of 6% (2016: 6%) is used. a.s.r. uses the latest standard Solvency II model, to quantify the risks. The risks that are incorporated in the risk margin are: mortality, longevity, disability, lapse, catastrophe, expense and operational risk. A projection of expected future risks is made and all these risks are projected into the future. The total risk for every future year is determined based on correlations between the risks described in the Solvency II standard model. The projected total risk for every year is multiplied by a cost of capital charge and discounted at the balance sheet date.

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

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

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

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

Liabilities arising from insurance contracts on behalf of policyholders also include obligations in connection with savings pools and group pension contracts, with policyholders bearing the investment risk. These liabilities also include a provision for compensation of possible high cost of the unit linked insurance contracts, as agreed in 2008 with the consumer organisations. The additional compensation related to the unit linked insurance contracts for the past has been included in the insurance liability and is therefore included in the investment portfolio.
In addition, there is still a provision for compensation for claimants and compassionate and supportive policy 'flankerend beleid'.

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

K. Employee benefits (IAS 19)

Pension obligations

A number of defined benefit plans for own staff exist. These are schemes under which staff are awarded pension benefits upon retirement, usually dependent on one or more factors, such as years of service and compensation. The defined benefit obligation is calculated at each reporting date by independent actuaries. The majority of employees are formally employed by ASR Nederland N.V. A limited amount of employees are employed by other group companies.

The liability in respect of defined benefit plans is the present value of the defined benefit obligation at the balance sheet date, less the fair value of the plan assets where the pension plans are insured by third parties.

ASR Levensverzekering N.V. administers most of the post-employment benefit plans and hold the investments that are intended to cover the employee benefit obligation. These investments do not qualify as plan assets in the consolidated financial statements under IFRS.

Pension obligations are calculated using the projected unit credit method. Inherent to this method is the application of actuarial assumptions for discount rates, future salary increases and bonuses, mortality rates and consumer price indices. The assumptions are updated and checked at each reporting date, based on available market data. The assumptions and reports were reviewed by Risk Management.

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

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

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

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

a.s.r. also has a defined contribution plan for a limited number of employees in the recent acquisitions. For defined contribution plans, a.s.r. pays contributions to privately administered pension insurance plans on a contractual basis. a.s.r. has no further payment obligations once the contributions have been paid. The contributions are recognised as operating expenses in the profit or loss account during the period the services are rendered. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Other long-term employee benefits

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

Other post-retirements obligations

a.s.r. offers post-employment benefit plans, such as arrangement for mortgage loans at favourable interest rates. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology that is similar to that for defined benefit plans.

Vacation entitlements

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

L. Discontinued operations and assets and liabilities held for sale

Classification as held for sale occurs when the carrying amount will be recovered principally through a sale transaction rather than through continuing use. This is only the case when the sale is highly probable:

- The disposal group or group of assets is available for immediate sale in its present condition;
- a.s.r. is committed to a plan to sell these assets and has an active programme to locate a buyer;
- The sale is expected to occur within one year from the date of classification as held for sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale. When a group of assets classified as held for sale represents a major line of business or geographical area the disposal group classifies as discontinued operations. Assets classified as held for sale (including assets of operations which are discontinued) are recorded at the lower of their carrying amount and their fair value, less the expected cost to sell the assets.

Any impairment is restricted to the carrying amount of the non-current assets within the scope of IFRS 5 measurement requirements. The comparative consolidated income statement and consolidated statement of comprehensive income are restated to show the discontinued operations separately from the continuing operations.

Where applicable in the notes to the financial statements the reclassification to assets held for sale and liabilities related to assets held for sale are recognised in the changes in the composition of the group.

M. Acquisitions (Business combinations)

Acquisitions are accounted for according to the acquisition 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 a.s.r.'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 gain on bargain purchase (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 income statement. 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.

Where applicable in the notes to the financial statements the acquisitions are recognised in the changes in the composition of the group.

5.3.5 Other accounting policies

N. Basis for consolidation - subsidiaries

The consolidated financial statements include the financial statements of ASR Nederland N.V. and its subsidiaries. Subsidiaries are those entities over which a.s.r. has control. Control exists when a.s.r. is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. This is the case if more than half of the voting rights may be exercised or if a.s.r. has control in any other manner. Subsidiaries are fully consolidated from the date on which control is acquired by a.s.r. and are deconsolidated when control ceases to exist.

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

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

Intragroup transactions

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

O. Product classification

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

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

Non-life insurance contracts

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

Life insurance contracts

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

- Individual and group participating contracts;
- Individual contracts with discretionary participation features (see accounting policy I); and
- Group contracts with segregated pools with return on investment guarantees.

Life insurance contracts on behalf of policyholders

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

P. Segment information

At organisational level, a.s.r.'s operations have been divided into six operating segments. The main segments are the Non-life segment and Life segment that include all insurance activities. The non-insurance activities are presented as four separate segments being the Banking and Asset Management, Distribution and Services, Holding and Other and Real Estate Development (Discontinued operations) segment. There is a clear difference between the risk and return profiles of these six segments.

Intersegment transactions or transfers are conducted at arm's length conditions. For detailed information per segment, see Chapter 5.4 (Group structure and segment information).

Q. Transaction date and settlement date

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

R. Securities lending

a.s.r. participates in securities lending transactions, whereby collateral is received in the form of securities or cash. Cash received as collateral is recognised on the balance sheet and a corresponding liability is recognised as liabilities arising from securities lending in 'Due to banks'. Securities lent remain on the balance sheet. Securities received as collateral are not recognised in the balance sheet.

S. Statement of cash flows

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

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

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

T. Property and equipment

Property held for own use

Property held for own use comprises of land and office buildings and is measured at fair value (revaluation model) based on annual valuations, conducted by external, independent valuators with adequate professional expertise and experience in the specific location and categories of properties.

They are subsequently measured at fair value, including any unrealised fair value changes in equity, taking into account any deferred tax liabilities. For the method of determining the fair value reference is made to accounting policy B for investment property.

Increase in the fair value exceeding the cost price is added to the revaluation reserve in shareholders' equity, less deferred taxes. Decreases in the fair value that offset previous increases of the same asset, are charged against the revaluation reserve. The revaluation reserve cannot be negative. All other decreases in fair value are accounted for in the income statement. Increases that reverse a revaluation decrease on the same asset previously recognised in net result are recognised in the income statement.

Buildings are depreciated using the straight-line method based on expected useful life, taking into account their fair value amount, the residual value from the time when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The useful life of buildings is assessed annually for every individual component (component approach).

Property classified into components and their maximum life

Components (expressed in years)	
Land	Not applicable
Shell	50
Outer layer	30
Systems	20
Fittings and fixtures	15

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

Upon the sale of a property, the part of the revaluation reserve related to the sold property, within equity, is transferred to 'other reserves' and is not reclassified to the income statement. Therefore annually a transfer is also made from the revaluation reserve related to 'other reserves' in line with the depreciation recognised in the income statement for the revalued portion.

Equipment

Equipment is recognised at cost, less accumulated depreciation and/or any accumulated impairment losses. Cost corresponds with the cash paid or the fair value of the consideration given to acquire the asset. The accounting policy for equipment is unchanged.

Equipment is depreciated over its useful life, which is determined individually (usually between three and five years). Repair and maintenance costs are charged to the income statement in the period in which they are incurred. Expenses incurred after the acquisition of an asset are capitalised if it is probable that the future economic benefits will flow to a.s.r. and the cost of the asset can be measured reliably.

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

U. Associates and joint ventures

Associates

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

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

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

When the application of the equity method produces information that is not relevant to the investors, a.s.r. may use the exemption of IAS 28 to measure the investments in those associates at fair value through profit or loss in accordance with IAS 39. a.s.r. applies fair value measurement for investments in (real estate) equity funds, over which a.s.r. has significant influence.

Joint ventures

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

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

If objective evidence of impairment exists, joint ventures are tested for impairment and, if necessary an impairment is recognised in the income statement.

Joint operations

a.s.r. has a limited number of non-material joint operations. These are recognised in relation to a.s.r's interest in the joint operation's individual balance sheet and income statement items.

V. Reinsurance contracts

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

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

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

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

W. Other assets

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

Property developments consist of property under development commissioned by third parties. Measurement is at cost including any directly attributable costs and construction period interest, less invoiced instalments and impairments. If the contract revenue can be reliably estimated, it is accounted for by reference to the stage of completion, using the percentage of completion method. If the contract revenue cannot be reliably estimated the contract revenue is then accounted for upon completion of the development (completed contract method).

X. Cash and cash equivalents

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

Y. Equity

Share capital and share premium reserve

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

Reserve for unrealised gains and losses

This reserve consists of:

- Unrealised gains and losses from assets available for sale net of tax and taking account of adjustments due to shadow accounting (see accounting policy I);
- The share of unrealised gains and losses of associates and joint ventures held by a.s.r. (see accounting policy U);
- Unrealised gains and losses on the effective portion of cash flow hedges net of tax (see accounting policy H);
- Unrealised change in value of property for own use (see accounting policy T);
- Reserve for discretionary participation features (see accounting policy I); and
- Reserve for exchange rate differences arising from assets available for sale.

Actuarial gains and losses

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

Retained earnings

Retained earnings also include other reserves.

Other equity instruments

This item represents the par value of the other equity instruments. Costs directly attributable to the equity issue and the tax impact thereof are recognised in retained earnings.

Non-controlling interest

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

Dividends on ordinary share capital

Dividends on ordinary shares are recognised as a liability and recognised in equity when they are approved by a.s.r.'s shareholders. Interim dividends are recognised in equity when they are paid.

Dividends for the year that are approved after the reporting date are treated as an event after the reporting date.

Discretionary interest on other equity instruments

Discretionary interest on other equity instruments is recognised in equity upon payment.

Z. Financing

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

AA. Insurance premiums

Non-life insurance premiums

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

Life insurance premiums

Life insurance premiums relating to life insurance contracts are recognised as income when received from policyholders. Liabilities arising from insurance contracts are recognised based on estimated future benefits and expenses, and charged to the income statement. These expenses are recorded within 'insurance claims and benefits'. Therefore, in accordance with the matching principle, the profits are realised over the estimated term of the contracts.

BB. Investment income

Investment income primarily comprises interest income, dividends on equities and rentals from investment property.

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

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

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

CC. Realised gains and losses
Realised gains and losses include proceeds from the disposal of financial assets available for sale, associates and joint ventures and loans and receivables.

With respect to financial assets available for sale, realised gains or losses comprise:
- The proceeds from the sale or disposal of an asset or liability less the amortised cost of the asset or liability sold;
- Impairments previously recognised (except for equity instruments); and
- Hedge accounting adjustments.

Any unrealised gains and losses previously recorded in equity (the difference between the carrying amount and amortised cost) are recognised in the income statement.

DD. Fair value gains and losses
Fair value gains and losses include realised and unrealised changes in the value of financial assets at fair value through profit or loss, derivatives and investment property held at fair value. With respect to derivatives, this is based on the fair value excluding accrued interest (clean fair value).

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

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

GG. Insurance claims and benefits
This item includes changes in liabilities arising from insurance contracts (see accounting policy I) and the related benefits. Expenses associated with contracts on behalf of policyholders relate to changes in liabilities arising from insurance contracts on behalf of policyholders, including the benefits charged to the liabilities.

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

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

Payments made under operating leases (a.s.r. is the lessee) are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

II. Commission expenses
This mainly relates to commissions paid. Commission paid to acquire insurance contracts are charged to the income statement, generally within one year.

JJ. Impairments

An asset is impaired when its carrying amount exceeds its recoverable amount. Impairment losses are recognised in the income statement as soon as they are identified. For details, see the relevant items of Chapter 5.3.4 as mentioned earlier.

KK. Income tax expense

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

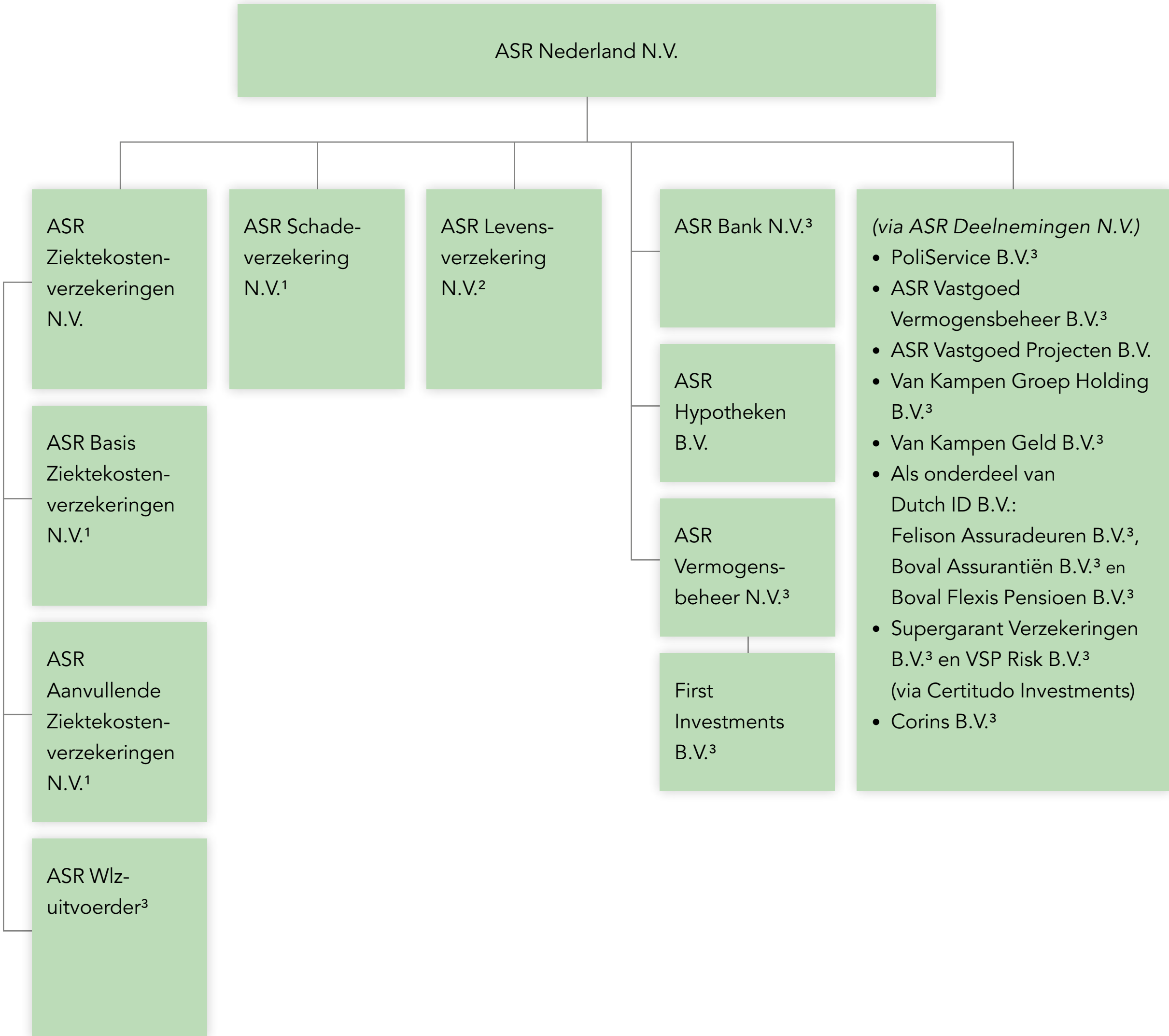
Deferred taxes in respect of revalued assets and liabilities, whose value adjustments were directly credited or charged to equity, are taken to equity and, upon realisation, included in the income statement together with the value adjustments.

5.4 Group structure and segment information

5.4.1 Group structure

The a.s.r. group comprises a number of operating and holding companies.

Legal structure of the most significant a.s.r. group entities as per 31 December 2017



1 Registered non-life insurance companies.
2 Registered life insurance companies.
3 Other Wft registered companies (included in the segments Banking and Asset Management and Distribution and Services).

Segment information
The operations of a.s.r. have been divided into six operating segments. The main segments are the Non-life segment and Life segment in which all insurance activities are presented. The other activities are presented as four separate segments being the Banking and Asset Management, Distribution and Services, Holding and Other and Real Estate Development.

Insurance activities
Insurance entities are entities that accept the transfer of insurance risks from policyholders. The Non-life segment consists of non-life insurance entities and their subsidiaries. These non-life insurance entities offer non-life insurance contracts. The Life segment comprises the life insurance entity and their subsidiaries. These life insurance entities offer financial products such as life insurance contracts and life insurance contracts on behalf of policyholders. The Non-life and Life segments have different levels of profitability and growth opportunities, as well as a different outlook and risk profile. See Chapter 5.7.7 for a list of principal group companies and associates in the relevant segments.

Other activities
The other activities consist of:
- The Banking and Asset Management segment involves all banking activities and the activities related to asset management including investment property management. These activities include amongst others ASR Bank N.V., ASR Vastgoed Vermogensbeheer B.V., ASR Vermogensbeheer N.V., ASR Financieringen B.V. and First Investments B.V.;
- The Distribution and Services segment includes the activities related to distribution of insurance contracts and includes the financial intermediary business of PoliService B.V., Van Kampen Groep Holding B.V. (and Van Kampen Geld B.V.), Dutch ID B.V., SuperGarant Verzekeringen B.V. (as of April 2017 including subsidiary VSP Risk B.V.) and Corins B.V.;
- The Holding and Other segment consists primarily of the holding activities of ASR Nederland N.V. (including the group related activities), other holding and intermediate holding companies and the activities of ASR Deelnemingen N.V.; and
- The Real Estate Development consists of the activities where property development occurs and includes ASR Vastgoed Projecten B.V. As of 1 January 2017, all activities in the Real Estate Development segment are classified as continuing. For further disclosure, reference is made to Chapter 5.4.6.

The eliminations applied in the reconciliation of the segment information to the consolidated balance sheet and the consolidated income statement are separately presented in Chapter 5.4.2 and 5.4.3.

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

Segment information has been prepared in accordance with the accounting principles used for the preparation of a.s.r.'s consolidated financial statements (as described in Chapter 5.3). Goodwill and other intangibles are presented in the related CGU's segment. Intersegment transactions are conducted at arm's length conditions. In general, cost related to centralised services are allocated to the segments based on the utilisation of these services.

The segments are assessed on their operating result, which is based on the profit before tax adjusted for:
- Investment related income: income for own account of an incidental nature (for example realised capital gains and losses, impairment losses or reversals and (un)realised changes of investments held at fair value;
- Incidentals insurance segments: incidental items relating to changes in methods, changes in accounting policies, accounting/administrative actions or changes not related to the performance of underlying insurance portfolios and revaluation of insurance liabilities;
- Incidentals other segments: incidental items relating to changes in methods, accounting/administrative actions or changes not related to the underlying performance of the other segments; and
- Other incidentals: personnel related items (for example provision for restructuring expenses and a.s.r.'s own pension scheme excluding the current net service cost), costs related to M&A activities and items not related to the core-business or on-going business.

For comparative purposes the 2016 operating result has been adjusted due to reassessment of the incidentals in the category other. This mainly relates to all results of a.s.r.'s own pension scheme, excluding the current net service cost, which is now included in the other incidentals category.

5.4.2 Segmented balance sheet

Segmented balance sheet

As at 31 December 2017	Non-life	Life	Banking and Asset Management	Distribution and Services	Holding and Other	Real Estate Development	Eliminations	Total
Intangible assets	13	144	8	168	-	-	-	333
Property and equipment	-	146	-	5	20	-	-	171
Investment property	135	1,462	-	-	-	-	-	1,597
Associates and joint ventures at equity method	-	3	-	1	16	25	-	45
Investments	4,607	20,803	130	-	2,889	-	-2,748	25,681
Investments on behalf of policyholders	-	7,684	-	-	-	-	-	7,684
Loans and receivables	338	10,433	1,503	15	51	15	-181	12,174
Derivatives	5	2,520	2	-	-	-	-	2,527
Deferred tax assets	-	-	-	-	225	1	-	226
Reinsurance contracts	366	180	-	-	-	-	-	546
Other assets	155	563	24	-	-208	138	-	672
Cash and cash equivalents	467	2,554	191	33	490	14	-	3,749
Assets held for sale	-	-	-	-	-	-	-	-
Total assets	**6,086**	**46,492**	**1,858**	**222**	**3,483**	**193**	**-2,929**	**55,405**
Equity attributable to holders of equity instruments	1,286	4,332	151	181	-512	37	-42	5,433
Non-controlling interests	-	10	-	-	-	-1	-10	-1
Total equity	**1,286**	**4,342**	**151**	**181**	**-512**	**36**	**-52**	**5,432**
Subordinated liabilities	15	-	-	-	497	-	-15	497
Liabilities arising from insurance contracts	4,579	28,796	-	-	-	-	-2,318	31,057
Liabilities arising from insurance contracts on behalf of policyholders	-	9,804	-	-	-	-	-	9,804
Employee benefits	-	-	-	1	3,160	-	-	3,161
Provisions	-	12	1	-	15	5	-	33
Borrowings	-	31	3	1	-	133	-129	39
Derivatives	5	398	-	-	-	-	-	403
Deferred tax liabilities	73	-245	5	5	176	-	-14	-
Due to customers	53	873	1,646	9	-	-	-397	2,184
Due to banks	2	2,251	1	-	-	-	-	2,254
Other liabilities	73	230	51	25	147	19	-4	541
Liabilities relating to assets held for sale	-	-	-	-	-	-	-	-
Total liabilities	**4,800**	**42,150**	**1,707**	**41**	**3,995**	**157**	**-2,877**	**49,973**
Total equity and liabilities	**6,086**	**46,492**	**1,858**	**222**	**3,483**	**193**	**-2,929**	**55,405**
Additions to								
Intangible assets	20	-	-	-	-	-	-	20
Property and equipment	-	-	-	-	6	-	-	6
Total additions	**20**	**-**	**-**	**-**	**6**	**-**	**-**	**26**

Segmented balance sheet

As at 31 December 2016	Non-life	Life	Banking and Asset Management	Distribution and Services	Holding and Other	Real Estate Development	Eliminations	Total
Intangible assets	1	155	4	166	-	-	-	326
Property and equipment	-	147	-	5	19	-	-	171
Investment property	366	2,691	-	-	-	-	-	3,057
Associates and joint ventures at equity method	-	3	-	-	15	2	-	20
Investments	4,618	20,475	255	-	2,802	-	-2,679	25,471
Investments on behalf of policyholders	-	7,745	-	-	-	-	-	7,745
Loans and receivables	304	10,079	1,166	11	63	4	-159	11,468
Derivatives	4	3,055	1	-	-	-	-	3,060
Deferred tax assets	-	-	-	-	582	2	11	595
Reinsurance contracts	442	193	-	-	-	-	-	635
Other assets	108	797	14	-	-235	138	-49	773
Cash and cash equivalents	174	2,876	106	31	387	7	-	3,581
Assets held for sale	-	-	-	-	-	1	49	50
Total assets	**6,017**	**48,216**	**1,546**	**213**	**3,633**	**154**	**-2,827**	**56,952**
Equity attributable to holders of equity instruments	1,174	3,890	112	176	-859	26	-38	4,481
Non-controlling interests	-	9	-	-	-	-10	-9	-10
Total equity	**1,174**	**3,899**	**112**	**176**	**-859**	**16**	**-47**	**4,471**
Subordinated liabilities	15	-	-	-	497	-	-15	497
Liabilities arising from insurance contracts	4,611	30,196	-	-	-	-	-2,323	32,484
Liabilities arising from insurance contracts on behalf of policyholders	-	9,928	-	-	-	-	-	9,928
Employee benefits	-	-	-	3	3,254	-	-	3,257
Provisions	-	23	-	-	25	1	-	49
Borrowings	2	97	-	1	10	55	-51	114
Derivatives	5	572	-	-	-	-	-	577
Deferred tax liabilities	54	-548	5	7	488	-4	-2	-
Due to customers	55	840	1,386	11	-	-	-381	1,911
Due to banks	1	2,758	1	-	75	-	-	2,835
Other liabilities	100	451	42	15	143	84	-8	827
Liabilities relating to assets held for sale	-	-	-	-	-	2	-	2
Total liabilities	**4,843**	**44,317**	**1,434**	**37**	**4,492**	**138**	**-2,780**	**52,481**
Total equity and liabilities	**6,017**	**48,216**	**1,546**	**213**	**3,633**	**154**	**-2,827**	**56,952**
Additions to								
Intangible assets	-	-	4	36	-	-	-	40
Property and equipment	-	5	-	1	14	-	-	20
Total additions	**-**	**5**	**4**	**37**	**14**	**-**	**-**	**60**

5.4.3 Segmented income statement and operating result

Segmented income statement and operating result

2017	Non-life	Life	Banking and Asset Management	Distribution and Services	Holding and Other	Real Estate Development	Eliminations	Total
Continuing operations								
Gross premiums written	2,579	1,453	-	-	-	-	-112	3,920
Change in provision for unearned premiums	43	-	-	-	-	-	-	43
Gross insurance premiums	**2,622**	**1,453**	**-**	**-**	**-**	**-**	**-112**	**3,963**
Reinsurance premiums	-54	-6	-	-	-	-	-	-60
Net insurance premiums	**2,568**	**1,447**	**-**	**-**	**-**	**-**	**-112**	**3,903**
Investment income	109	1,103	39	-	10	-	5	1,266
Realised gains and losses	72	346	1	-	-	-1	-1	417
Fair value gains and losses	15	-4	1	-1	-	-	3	14
Result on investments on behalf of policyholders	-	456	-	-	-	-	6	462
Fee and commission income	23	2	129	49	-	-	-82	121
Other income	2	24	-	13	21	124	-3	181
Share of profit / (loss) of associates and joint ventures	-	-1	-	1	1	13	-	14
Total income	**221**	**1,926**	**170**	**62**	**32**	**136**	**-72**	**2,475**
Insurance claims and benefits	-1,972	-1,987	-	-	-	-	98	-3,861
Insurance claims and benefits recovered from reinsurers	28	-2	-	-	-	-	-	26
Net insurance claims and benefits	**-1,944**	**-1,989**	**-**	**-**	**-**	**-**	**98**	**-3,835**
Operating expenses	-201	-184	-94	-45	-104	-4	48	-584
Restructuring provision expenses	-2	-7	-2	-	-	-	-	-11
Commission expenses	-401	-15	-	-	-	-	26	-390
Impairments	9	18	-	-	-1	-	-	26
Interest expense	-4	-95	-20	-	-17	-3	-58	-197
Other expenses	-5	-170	-47	-1	3	-112	73	-259
Total expenses	**-604**	**-453**	**-163**	**-46**	**-119**	**-119**	**89**	**-1,415**
Profit before tax	**241**	**931**	**7**	**16**	**-87**	**17**	**3**	**1,128**
Income tax (expense) / gain	-51	-199	-1	-4	39	-3	-1	-220
Profit after tax from continuing operations	**190**	**732**	**6**	**12**	**-48**	**14**	**2**	**908**
Discontinued operations								
Profit / (loss) from discontinued operations, after tax	-	-	-	-	-	-	-	-
Profit for the year	**190**	**732**	**6**	**12**	**-48**	**14**	**2**	**908**
Profit attributable to non-controlling interests	-	-1	-	-	-	-2	1	-2
Profit attributable to holders of equity instruments	**190**	**731**	**6**	**12**	**-48**	**12**	**3**	**906**

Operating result

2017	Non-life	Life	Banking and Asset Management	Distribution and Services	Holding and Other	Real Estate Development	Eliminations	Total
Profit before tax	241	931	7	16	-87	17	3	1,128
minus: investment related	70	271	2	-	-2	-	-1	340
minus: incidentals	-1	27	-2	-	20	17	-2	59
Operating result	**172**	**633**	**7**	**16**	**-105**	**-**	**6**	**729**

The incidentals in 2017 are mainly related to the a.s.r. post-employment benefit plans in segment Holding and Other (see Chapter 5.6.6) and to the run-off activities in segment Real Estate Development. Furthermore, various relatively small administrative differences of prior years have been resolved which led to a release of provisions in the Life insurance business of in total € 27 million. This amount is classified as an incidental as it does not reflect the underlying performance of the insurance portfolio.

Impairments

2017		Non-life	Life	Banking and Asset Management	Distribution and Services	Holding and Other	Real Estate Development	Eliminations	Total
Property and equipment	Impairment	-	-	-	-	-	-	-	-
	Reversal	-	-	-	-	-	-	-	-
Investments	Impairment	-4	-14	-	-	-	-	-	-18
	Reversal	11	31	-	-	-	-	-	42
Associates and joint ventures	Impairment	-	-	-	-	-	-	-	-
	Reversal	-	-	-	-	-	-	-	-
Investments available for sale	Impairment	-	-	-	-	-	-	-	-
	Reversal	-	-	-	-	-	-	-	-
Loans and receivables	Impairment	-7	-1	-	-	-4	-	-	-12
	Reversal	9	2	-	-	3	-	-	14
Total impairments	**Impairment**	**-11**	**-15**	**-**	**-**	**-4**	**-**	**-**	**-30**
	Reversal	**20**	**33**	**-**	**-**	**3**	**-**	**-**	**56**
	Total	**9**	**18**	**-**	**-**	**-1**	**-**	**-**	**26**

Segmented income statement and operating result

2016 (restated)	Non-life	Life	Banking and Asset Management	Distribution and Services	Holding and Other	Real Estate Development	Eliminations	Total
Continuing operations								
Gross premiums written	2,433	2,013	-	-	-	-	-118	4,328
Change in provision for unearned premiums	58	-	-	-	-	-	-	58
Gross insurance premiums	**2,491**	**2,013**	**-**	**-**	**-**	**-**	**-118**	**4,386**
Reinsurance premiums	-122	-4	-	-	-	-	-	-126
Net insurance premiums	**2,369**	**2,009**	**-**	**-**	**-**	**-**	**-118**	**4,260**
Investment income	119	1,128	38	-	10	-	8	1,303
Realised gains and losses	56	621	5	-	-	-	-43	639
Fair value gains and losses	15	94	1	-	2	-	9	121
Result on investments on behalf of policyholders	-	318	-	-	-	-	4	322
Fee and commission income	34	2	84	40	-	-	-48	112
Other income	2	28	-	8	109	23	-	170
Share of profit / (loss) of associates and joint ventures	-	3	-	-	-	4	-	7
Total income	**226**	**2,194**	**128**	**48**	**121**	**27**	**-70**	**2,674**
Insurance claims and benefits	-1,917	-3,116	-	-	-	-	187	-4,846
Insurance claims and benefits recovered from reinsurers	116	4	-	-	-	-	-	120
Net insurance claims and benefits	**-1,801**	**-3,112**	**-**	**-**	**-**	**-**	**187**	**-4,726**
Operating expenses	-204	-203	-58	-35	-87	-6	24	-569
Restructuring provision expenses	-6	-9	-1	-	-1	-	-	-17
Commission expenses	-396	-16	-	-	-	-	14	-398
Impairments	14	-2	-	-	-	3	-	15
Interest expense	-4	-142	-20	-	-30	-	-61	-257
Other expenses	-11	-77	-42	-1	-11	-22	37	-127
Total expenses	**-607**	**-449**	**-121**	**-36**	**-129**	**-25**	**14**	**-1,353**
Profit before tax	**187**	**642**	**7**	**12**	**-8**	**2**	**13**	**855**
Income tax (expense) / gain	-44	-149	-2	-3	-	1	-4	-201
Profit after tax from continuing operations	**143**	**493**	**5**	**9**	**-8**	**3**	**9**	**654**
Discontinued operations								
Profit / (loss) from discontinued operations, after tax	-	-	-	-	-	4	-	4
Profit for the year	**143**	**493**	**5**	**9**	**-8**	**7**	**9**	**658**
Profit attributable to non-controlling interests	-	-1	-	-	-	1	1	1
Profit attributable to holders of equity instruments	**143**	**492**	**5**	**9**	**-8**	**8**	**10**	**659**

Operating result

2016	Non-life	Life	Banking and Asset Management	Distribution and Services	Holding and Other	Real Estate Development	Eliminations	Total
Profit before tax	**187**	**642**	**7**	**12**	**-8**	**2**	**13**	**855**
minus: investment related	30	114	6	-	1	-	-2	149
minus: incidentals	21	-31	-1	-	84	2	9	84
Operating result	**136**	**559**	**2**	**12**	**-93**	**-**	**6**	**622**

The incidentals in 2016 are mainly the past service cost related to the amendment to the a.s.r. post-employment benefit plans in segment Holding and Other (see Chapter 5.6.6).

Impairments

		Non-life	Life	Banking and Asset Management	Distribution and Services	Holding and Other	Real Estate Development	Eliminations	Total
Property and equipment	Impairment	-	-	-	-	-	-	-	-
	Reversal	-	-	-	-	-	-	-	-
Investments	Impairment	-4	-24	-	-	-	-	-	-28
	Reversal	9	20	-	-	-	-	-	29
Associates and joint ventures	Impairment	-	-	-	-	-	-	-	-
	Reversal	-	-	-	-	-	-	-	-
Investments available for sale	Impairment	-	-	-	-	-	-	-	-
	Reversal	-	-	-	-	-	-	-	-
Loans and receivables	Impairment	-7	-4	-	-	-	3	-	-8
	Reversal	16	6	-	-	-	-	-	22
Total impairments	**Impairment**	**-11**	**-28**	**-**	**-**	**-**	**3**	**-**	**-36**
	Reversal	**25**	**26**	**-**	**-**	**-**	**-**	**-**	**51**
	Total	**14**	**-2**	**-**	**-**	**-**	**3**	**-**	**15**

5.4.4 Non-life ratios

Non-life segment combined ratio

	2017	2016
Claims ratio	72.8%	72.0%
Commission ratio	14.7%	15.3%
Expense ratio	7.6%	8.3%
Combined ratio	**95.1%**	**95.6%**
Disability	90.9%	88.2%
Health	99.2%	99.1%
Property & Casualty	95.5%	98.5%

The combined ratio is 95.1% (2016: 95.6%) mainly due to a decreasing ratio at Property & Casualty.

Small differences are possible in the tables due to rounding. The claims, commission and expense ratio can be calculated based on the following information:

Claims, commission and expenses

	2017	2016
Net insurance premiums Non-life	**2,568**	**2,369**
Net insurance claims and benefits	-1,944	-1,801
Adjustments:		
- Compensation capital gains (Disability)	13	37
- Interest accrual on provisions (Disability)	64	62
- Prudence margin (Health)	-1	-4
Total corrections	**76**	**95**
Net insurance claims and benefits (after adjustments)	**-1,868**	**-1,706**
Fee and commission income	23	34
Commission expense	-401	-396
Commission	**-378**	**-362**
Operating expenses	-201	-204
Correction made for investment charges	6	8
Operational expenses (after adjustments)	**-195**	**-196**

5.4.5 Acquisitions

See accounting policy M.

Acquisitions in 2017

VSP Risk

In April 2017 SuperGarant Verzekeringen B.V. acquired 100% of the shares of VSP Risk B.V. With this acquisition SuperGarant strengthens its position of advisory center for offering integrated disability propositions. VSP Risk B.V. operates as an intermediary with focus on small and medium-sized enterprises. The staff of VSP Risk B.V. will be employed by SuperGarant Verzekeringen B.V.

The total assets and total income for the year ending 31 December 2016 of VSP Risk as published in its financial statements amounted to € 2 million and € nil respectively. VSP Risk is consolidated within the Distribution and Services segment as of 6 April 2017 and an amount of € 3.6 million is recognised as goodwill.

First Investments

In December 2017 a.s.r. Vermogensbeheer N.V. acquired 100% of the shares of First Investments B.V. With this acquisition a.s.r. Vermogensbeheer N.V. will strengthen its position as an asset manager for institutional clients. First Investments is specialised in innovative investment solutions for the pension sector. Its assets under management, which total are well over € 550 million, have been invested in customised solutions for balance sheet management (matching and return). The staff of First Investments B.V. is employed by ASR Nederland N.V.

The total assets and total result for the year ending 31 December 2017 of First Investments amounted to € 0.9 million and € -0.3 million respectively. First Investments is consolidated within the Banking and Asset Management segment as of December 2017. The total consideration for the First Investments acquisition amounted to € 3.2 million.

Cash and cash equivalents related to acquisitions VSP Risk and First Investments

	Acquired date
Consideration paid	-8
Acquired cash and cash equivalents	1
Increase/(decrease) in cash and cash equivalents at acquisition	**-7**

Goodwill is recognised as the difference between the consideration paid and the fair value of the net assets and liabilities upon acquisition date (see Chapter 5.5.1). In accordance with the applicable reporting standards, the final acquisition balance sheet will be drawn up within 12 months of the acquisition. No significant differences compared with the provisional balance sheet are expected for the acquisitions of 2017.

Acquisitions in 2016

In 2016 a.s.r. concluded three acquisitions, which are in line with a.s.r.'s strategic focus in strengthening its position in the Asset management market and the Distribution and Services market.

BNG Vermogensbeheer

In May 2017 the final acquisition balance sheet of BNG Vermogensbeheer B.V. (now a.s.r. Vermogensbeheer N.V.) was established. No differences with the provisional balance sheet were identified, therefore no retrospective adjustments were made.

SuperGarant

In September 2017 the final acquisition balance sheet of SuperGarant was established. No differences with the provisional balance sheet were identified, therefore no retrospective adjustments were made.

Corins

In October 2017 the final acquisition balance sheet of Corins B.V. was established. No differences with the provisional balance sheet were identified, therefore no retrospective adjustments were made.

Deferred and contingent consideration

The deferred and contingent consideration related to acquisitions amounts to € 11 million (2016: € 22 million) with a maximum amount of contingent consideration of € 15 million (2016: € 15 million). During 2017 an amount of € 12 million deferred consideration was paid in relation to Dutch ID B.V. and Axent Nabestaanden Zorg N.V.

5.4.6 Discontinued operations and assets held for sale and related liabilities

See accounting policy L.

Until 2016, the activities of ASR Vastgoed Projecten B.V., which consist of real estate development activities, were partially considered as continuing and partially as discontinued operations. The Executive Board has decided to look for a strategic buyer for the discontinued part and therefore classified a part of its real estate development business as 'held for sale'. With this in mind, the discontinued operations were recognised as held for sale in the balance sheet.

As a consequence, the financial results were disclosed in condensed form in the income statement. In 2016 part of the discontinued operations were sold. For the remaining discontinued operations it is not expected that they will be sold in the near future. Therefore these operations no longer meet the IFRS requirements to be classified as held for sale and are reclassified to continuing per 1 January 2017.

The assets and liabilities related to assets held for sale can be summarised as follows:

Assets held for sale and related liabilities

	31 December 2017	31 December 2016
Associates and joint ventures	-	13
Loans and receivables	-	9
Other assets	-	28
Total assets held for sale	**-**	**50**
Provisions	-	5
Other liabilities	-	-3
Total liabilities relating to assets held for sale	**-**	**2**

There is no significant difference between the carrying amount and the fair value of these financial assets and liabilities included above.

Results of discontinued operations

	2017	2016
Total income	-	6
Total expense	-	-2
Result before tax	**-**	**4**
Income tax (expense)/gain	-	-
Result for the period	**-**	**4**

Cash flows from discontinued operations

	2017	2016
Cash and cash equivalents as at 1 January	-	3
Cash flows from operating activities	-	-8
Cash flows from investing activities	-	-
Cash flows from financing activities	-	5
Cash and cash equivalents as at 31 December	**-**	**-**

5.5 Notes to the consolidated balance sheet

5.5.1 Intangible assets

See accounting policy C.

Intangible assets

	31 December 2017	31 December 2016
Goodwill	193	186
Value of Business Acquired (VOBA)	95	106
Other intangible assets	45	34
Total intangible assets	**333**	**326**

Intangible assets

	Goodwill	VOBA	Other intangible assets	Total 2017	Total 2016
Cost price	193	432	90	715	695
Accumulated amortisation and impairments	-	-337	-45	-382	-369
At 31 December	**193**	**95**	**45**	**333**	**326**
At 1 January	186	106	34	326	299
Acquisitions	-	-	13	13	-
Amortisation	-	-11	-2	-13	-13
Changes in the composition of the group	7	-	-	7	40
At 31 December	**193**	**95**	**45**	**333**	**326**

Goodwill
For the purpose of impairment testing, goodwill is allocated to the cash-generating units (CGU) of the relevant operating segment. As a result of acquisitions during 2017, disclosed as changes in the composition of the group (please see Chapter 5.4.5) the amount of goodwill increased by € 7 million (2016: € 31 million).

Goodwill allocation per segment

	31 December 2017	31 December 2016
Life	49	49
Banking and Asset management	8	4
Distribution and Services	136	133
Total goodwill	**193**	**186**

The results of the annual goodwill impairment test are as follows:

Segment Life
The goodwill impairment test was conducted at the segment Life level as CGU. The result of the goodwill impairment test, using the multiples methodology, shows an excess recoverable value over the book value. As a result, a second step was not necessary and there is no significant exposure of goodwill impairment for sensitivities in the underlying assumptions. No goodwill impairment was recognised.

Segments Banking and Asset Management and Distribution and Services
The outcome of the goodwill test on step 1 showed that the difference between the recoverable amount and the carrying value may not be sufficient to support the amount of goodwill allocated to the CGU. Therefore the step 2

additional analysis was performed in order to determine a recoverable amount in a manner that better addresses the specific characteristics of the CGU.
Assumptions used in the step 2 internal model are:
- A steady state growth rate used to extrapolate cash flow projections beyond the budget periods (1.6%) which reflects the market segment in which the CGU's operate;
- Future cashflows are based on expected market developments and past experience and on the long term characteristics of the markets in which the CGU's operate;
- The (pre-tax) discount rate used in the estimate of value in use is 8.6% for Banking and Asset Management segment and 7.7% for Distribution and Services segment.

The second step as described above in the CGU's of segments Banking and Asset Management and Distribution and Services indicate that there is an excess of recoverable amount over the bookvalue of all CGU's to which goodwill has been allocated (buffer).

A deterioration within reasonable limits on one of the above mentioned assumptions in isolation would not lead to an impairment. The buffer is also capable of absorbing a combination of negative factors. However, should circumstances on multiple factors deteriorate significantly, it could lead to a negative outcome for the buffer (the difference between the recoverable value and the book value).

Management believes that any reasonable possible change in the key assumptions on which the other CGU's recoverable amounts are based would not cause the carrying amounts to exceed their recoverable amounts.

Value of Business Acquired (VOBA)
VOBA mainly relates to the acquisition of Amersfoortse Stad Rotterdam. At year-end 2017, the remaining amortisation period of VOBA is 13 years and the average amortisation for the next 5 years will be € 9 million per year.

Other intangible assets
The other intangible assets mainly relate to Dutch ID, SuperGarant and the acquisition of a customer client list in 2017. The other intangible assets relate to trade name, distribution relationships and customer relationships.

5.5.2 Property and equipment

See accounting policy T.

Property and equipment

	31 December 2017	31 December 2016
Land and buildings for own use	147	149
Equipment	24	22
Total property and equipment	**171**	**171**

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Changes in property and equipment

	Land and buildings for own use	Equipment	Total 2017	Total 2016
At 1 January	149	22	171	166
Additions	-	6	6	20
Transfers to Investment property	-	-	-	-16
Depreciation	-6	-5	-11	-10
Revaluations through profit or loss	-	-	-	1
Revaluations through equity	3	-	3	10
Other changes	1	1	2	-
At 31 December	**147**	**24**	**171**	**171**
Gross carrying amount as at 31 December	229	179	408	429
Accumulated depreciation as at 31 December	-82	-155	-237	-239
Accumulated impairments as at 31 December	-	-	-	-19
Net carrying value as at 31 December	**147**	**24**	**171**	**171**
Revaluation surplus				
At 1 January	15	-	15	5
Revaluation in the year	3	-	3	10
At 31 December	**18**	**-**	**18**	**15**

Depreciation of property and equipment is recorded in the operating expenses (see Chapter 5.6.8).

The fair value of land and buildings for own use based on the external valuations is disclosed in Chapter 5.7.1.3.

5.5.3 Investment property

See accounting policy D.

Changes in investment property

	2017	2016
At 1 January	3,057	2,667
Changes in value of investments, realised / unrealised gains and losses:		
- Fair value gains and losses	65	129
- Other	1	-1
Purchases	105	421
Issues	1	1
Disposals	-175	-178
Transferred between investments on behalf of policyholders and investment property	9	2
Transferred from property and equipment	-	16
Transfer of real estate equity funds to investments	-1,466	-
At 31 December	**1,597**	**3,057**

Investment property is leased to third parties and is diversified over the rural, residential, offices and retail sectors in the Netherlands. For more detailed information about the investment property, please refer to Chapter 5.7.1. The significant inputs are the net initial yield and market rental value. These inputs are verified with the following market observable data:

- Market rent per sq.m. for renewals and their respective re-letting rates;
- Reviewed rent per sq.m.;
- Investment transaction of comparable objects;
- 10 Year Dutch Government Bond Yield (%) as published by the Dutch Central Bank.

In 2017, the real estate equity funds ASR DMOF, ASR DCRF and ASR DPRF were reclassified to investments. For more information reference is made to Chapter 5.5.5.

Rental income is recognised as investment income. For details, see Chapter 5.6.2. In 2017, rentals amounted to € 54 million (2016: € 115 million). The decrease is the result of the transfer of real estate equity funds to investments. Direct operating expenses arising from investment property amounted to € 12 million (2016: € 29 million). Given the overall low vacancy rate, virtually all direct operating expenses relate to investment properties generating rental income. Direct operating expenses of investment property are classified as operating expenses.

5.5.4 Associates and joint ventures

See accounting policy U.

Associates and joint ventures

	Interest	31 December 2017	31 December 2016
At equity method			
Associates and joint ventures	ranging between 10% and 50%	45	20
At fair value through profit or loss			
Real estate equity funds	ranging between 30% and 70%	1,563	-

The real estate equity funds consists of the ASR DMOF, ASR DPRF and the ASR DCRF. The interests in these funds are classified and presented as an investment at fair value through profit or loss. For more information, please refer to Chapter 5.5.5 and 5.7.1.

Changes in associates and joint ventures at equity method

	Associates and other joint ventures at equity method	
	2017	2016
At 1 January	20	20
Acquisition	5	-
Disposal	-5	-
Share of profit / (loss)	14	3
Dividend	-1	-4
Other changes	-1	1
Changes in the composition of the group	13	-
At 31 December	**45**	**20**

Some participating interests in which a.s.r. has an interest of less than 20% qualify as associates, because a.s.r. has significant influence as a result of contractual agreements. a.s.r. also has interests of 50% or more in associates at fair value through profit or loss. a.s.r. has no control over these entities as the ability to direct the relevant activities is limited by contractual agreements and therefore does not consolidate these entities.

Where the associate's and the joint venture's accounting policies are different from a.s.r.'s, carrying amounts have been changed to ensure that they are consistent with the policies used by a.s.r.

The information disclosed in the tables below is based on the most recent financial information available from the associates and joint ventures. This is primarily based on the investee's financial statements and their accounting policies.

Financial information available from the associates and joint ventures

	31 December 2017			31 December 2016		
	Associates and joint ventures at equity method	Real estate equity funds	Total	Associates and joint ventures at equity method	Real estate equity funds	Total
Total assets	992	2,992	3,984	631	-	631
Total liabilities	846	253	1,099	516	-	516
Total income	343	158	501	473	-	473
Profit and loss from continuing operations	16	268	284	15	-	15
Total comprehensive income	16	268	284	15	-	15

The total assets of the real estate equity funds consist primarily of investment property (€ 2,914 million).

The interest in the real estate equity funds is as follows:

Investments

	31 December 2017
ASR DPRF	655
ASR DCRF	838
ASR DMOF	70
Total	**1,563**

In 2017, loans to associates and joint ventures amounted to € 3 million (2016: € 4 million). These loans are classified as related party transactions (see Chapter 5.7.3).

5.5.5 Investments

See accounting policy E.

Investments

	31 December 2017	31 December 2016
Available for sale (Chapter 5.5.5.1)	23,975	25,340
At fair value through profit or loss (Chapter 5.5.5.2)	1,706	131
	25,681	**25,471**

The investments at fair value through profit or loss increased in 2017 by € 1,575 primarily due to the transfer of real estate equity funds from investment property.

Breakdown of investments

	31 December 2017			31 December 2016		
	Available for sale	Fair value through profit or loss	Total	Available for sale	Fair value through profit or loss	Total
Government bonds	10,409	-	10,409	12,566	-	12,566
Corporate bonds	10,290	-	10,290	9,817	-	9,817
Mortgage-backed securities	77	-	77	98	-	98
Other asset-backed securities	77	-	77	94	-	94
Equities	3,103	121	3,224	2,668	131	2,799
Real estate equity funds	-	1,585	1,585	-	-	-
Other participating interests	12	-	12	2	-	2
Other investments	7	-	7	95	-	95
Total investments	**23,975**	**1,706**	**25,681**	**25,340**	**131**	**25,471**

The equities consist primarily of listed equities and investment in investment funds.

In 2017, due to the ongoing sales of tranches in real estate equity funds to institutional investors and transactions in fund participations as a result of the legal merger between a.s.r. leven and ANVM the classification of the real estate equity funds was reassessed. For the real estate equity funds for which a.s.r. leven has significant influence, being ASR DMOF, ASR DPRF and ASR DCRF, the exemption of IAS 28 was used, thereby measuring the investments at fair value through profit or loss and presenting them as a separate category within the investments at fair value through profit or loss. For a breakdown of the real estate equity funds ASR DMOF, ASR DPRF and ASR DCRF, please refer to Chapter 5.5.4.

All investments at fair value through profit or loss are designated as such by a.s.r. upon initial recognition. For more detailed information about the fair value valuation of the investments, please refer to Chapter 5.7.1.

5.5.5.1 Investments available for sale

Changes in investments available for sale

	2017	2016
At 1 January	25,340	24,930
Purchases	5,674	6,687
Repayments	-890	-857
Disposal	-6,056	-6,403
Realised gains through profit or loss	418	644
Revaluation recognised in equity	-269	404
(Reversals of) Impairments	24	1
Amortisation	-106	-88
Exchange rate differences	-67	18
Other changes	-93	3
Changes in the composition of the group	-	1
At 31 December	**23,975**	**25,340**

a.s.r. has equities and bonds that have been transferred, but do not qualify for derecognition amounting to € 5,491 million (2016: € 5,183 million). The majority of these investments are part of a securities lending programme whereby the investments are lent in exchange for a fee with collateral obtained as a security. The collateral furnished as security representing a fair value of € 7,073 million (2016: € 6,447 million) consists of mortgage loans and corporate and government bonds. See accounting policy R about securities lending.

Impairment of investments available for sale

Changes in impairments of investments available for sale

	2017	2016
At 1 January	-517	-555
Increase in impairments through profit or loss	-18	-28
Reversal of impairments through profit or loss	42	29
Reversal of impairments due to disposal	60	37
At 31 December	**-433**	**-517**

The reversal of impairments through profit or loss are mainly related to the disposal of collateral debt obligations which were impaired in 2008. There is a high degree of uncertainty about the repayment of the remaining collateral debt obligations.

5.5.5.2 Investments at fair value through profit or loss

Changes in investments at fair value through profit or loss

	2017	2016
At 1 January	131	133
Purchases	135	31
Disposal	-143	-29
Revaluation through profit or loss	119	-6
Transfer between investments on behalf of policyholders and investments	32	2
Net transfer of real estate equity funds	1,432	-
At 31 December	**1,706**	**131**

Due to further tranches in real estate equity funds which were sold by a.s.r. to institutional investors and transactions in fund participations in the context of the legal merger of ASR Nederland Vastgoed Maatschappij N.V. with ASR Levensverzekering N.V., which occurred in 2017, we reassessed the classification of these funds. This leads to an adjustment in the classification of investment property to real estate equity funds, which are classified as investments at fair value through profit or loss.

5.5.6 Investments on behalf of policyholders

See accounting policy F.

Investments on behalf of policyholders at fair value through profit or loss

	31 December 2017	31 December 2016
Government bonds	1,204	1,249
Corporate bonds	861	1,272
Listed equities	4,088	3,087
Listed equity funds	1,184	1,771
Real estate equity funds	99	-
Derivatives assets	6	10
Derivatives liabilities	-2	-2
Investment property	85	193
Other investments	159	165
Total investments on behalf of policyholders at fair value through profit or loss	**7,684**	**7,745**

Changes in investments on behalf of policyholders at fair value through profit or loss

	2017	2016
At 1 January	7,745	7,924
Purchases	3,788	1,088
Disposal	-4,226	-1,545
Revaluation through profit or loss	432	275
Transfer between investments on behalf of policyholders and investments	-32	-2
Transfer between investments on behalf of policyholders and investment property	-9	-2
Exchange rate differences	-9	1
Other changes	-5	6
At 31 December	**7,684**	**7,745**

5.5.7 Loans and receivables

See accounting policy G.

Loans and receivables measured at amortised cost

	31 December 2017	31 December 2016
Government and public sector	132	190
Mortgage loans	7,812	7,210
Consumer loans	2	2
Other loans	148	159
Total due from customers	**8,094**	**7,561**
Impairments		
Specific credit risks	-35	-41
IBNR	-	-
Due from customers	**8,059**	**7,520**
Interest-bearing deposits	254	200
Loans and advances	3,129	3,140
Other	98	103
Total due from credit institutions	**3,481**	**3,443**
Impairments		
Specific credit risks	-56	-56
IBNR	-	-
Due from credit institutions	**3,425**	**3,387**
Due from policyholders	133	158
Due from intermediaries	82	89
Reinsurance receivables	101	97
Due from Health Insurance Fund	99	73
Other receivables	308	180
Total trade and other receivables	**723**	**597**
Impairments		
Specific credit risks	-33	-35
IBNR	-	-1
Trade and other receivables	**690**	**561**
Total loans and receivables	**12,174**	**11,468**

Total due from credit institutions consist for € 2,811 million (2016: € 2,845 million) out of savings-linked mortgage loans.

The claim related to cash collateral paid on derivative instruments, included in total due from credit institutions, amounts to € 33 million (2016: 32 million).

Impairments of loans and receivables

Changes in impairments of loans and receivables

	2017	2016
At 1 January	-133	-143
Increase in impairments through profit or loss	-12	-11
Reversal of impairments through profit or loss	14	22
Reversal of impairments due to disposal	6	5
Other	1	-6
At 31 December	**-124**	**-133**

For information regarding the fair value, see Chapter 5.7.1.2.

5.5.8 Derivatives

See accounting policy H.

Derivatives consist primarily of derivatives used to hedge interest rate movements. Changes in the fair value of derivatives at fair value through profit or loss are recorded in 'fair value gains and losses', see Chapter 5.6.4.

a.s.r. trades both cleared and non-cleared derivatives on the basis of standardised contracts and exchanges cash variation margin with its counterparties. The derivatives are valued daily and cash collateral is exchanged to reflect the change in mark-to-market (MtM) of the derivatives. Because of this periodic margining process, counterparty risk on derivatives is negligible.

In addition to the above variation margin obligations, there is also an initial margin obligation for central cleared derivates which further reduces the risk of a.s.r. and its counterparties that they cannot fulfil their obligations.

Notional amounts are not recognised as assets or liabilities in the balance sheet, however notional amounts are used in determining the fair value of the derivatives. Notional amounts do not reflect the potential gain or loss on a derivative transaction.

Derivatives

	31 December 2017			31 December 2016		
	Asset	Liability	Notional amount	Asset	Liability	Notional amount
Derivatives						
Foreign exchange contracts	14	3	717	2	3	480
Interest rate contracts						
- Swaps	1,771	388	33,257	2,288	534	25,995
- Options	709	6	6,755	752	16	5,810
- Futures	16	6	1,521	-	23	1,185
Inflation linked swaps	3	-	235	2	1	235
Equity index contracts	14	-	607	16	-	568
Total	**2,527**	**403**	**43,092**	**3,060**	**577**	**34,273**

The derivatives do not include the derivatives on behalf of policyholders (2017: € 4 million, 2016: € 8 million).

In addition to the use of swaps and options a.s.r. has further mitigated interest rate risk by entering into forward starting swaps, included in interest rate contracts swaps, in 2016.

The notional amounts of both receiver and payer swaps are included in the total notional amounts of foreign exchange contracts.

The fair value of interest-rate contracts is calculated by first determining the cash flows of the floating leg based on the Euribor-curve corresponding the interest reset period (3 months, 6 months or 12 months) of the swap.

Then the net present value of the floating and fixed leg is determined by discounting the cash flows with the Overnight Indexed Swap (OIS) curve.

The fair value of the interest-rate contracts using the above valuation method form the basis for the amount of collateral that is exchanged between a.s.r. and its counterparties in accordance with the underlying contracts. For more information, see Chapter 5.8 on risk management.

5.5.9 Deferred taxes

Deferred taxes

	31 December 2017	31 December 2016
Deferred tax assets	226	595
Deferred tax liabilities	-	-
Net deferred tax	**226**	**595**

Deferred taxes are formed for differences between the carrying amount of assets and liabilities and their tax base at the enacted tax rate, taking into account tax-exempt components. The enacted and current tax rate of 25.0% (2016: 25.0%) is applied when calculating deferred tax.

The deferred tax asset is mainly caused by additions which have been made to the liabilities arising from insurance contracts and have already been recognised in the income tax expense.

Changes in deferred taxes (2017)

	1 January 2017	Changes recognised in profit and loss	Changes recognised in other comprehensive income	Changes in the composition of the group	Other changes	31 December 2017
Financial assets held for trading	-588	115	-	-	-	-473
Investments	-586	-245	89	-	-	-742
Investment property	-549	277	-	-	12	-260
Property and equipment	-	-	-1	-	-	-1
Intangible assets	-8	3	-	-	-26	-31
Liabilities arising from insurance contracts	2,151	-430	-107	-	7	1,621
Employee benefits	220	-1	-27	-	-	192
Amounts received in advance	-9	-18	-	-	31	4
Fiscal reserves	-	-37	-	-	-64	-101
Other	-36	1	-	-	52	17
Gross deferred tax	**595**	**-335**	**-46**	**-**	**12**	**226**
Write-down of deferred tax assets	-	-	-	-	-	-
Net deferred tax	**595**	**-335**	**-46**	**-**	**12**	**226**

In 2017, the decrease in the deferred tax asset is mainly caused by the recalculation of the technical provision of life insurance. Other changes consist predominately of reclassifications per 1 January 2017 to separately present the fiscal reserves line item and the intangible assets line item on VOBA which used to be classified as other.

Changes in deferred taxes (2016)

	1 January 2016	Changes recognised in profit and loss	Changes recognised in other comprehensive income	Changes in the composition of the group	Other changes	31 December 2016
Financial assets held for trading	-405	-183	-	-	-	-588
Investments	-483	2	-105	-	-	-586
Investment property	-507	-42	-	-	-	-549
Property and equipment	3	-1	-2	-	-	-
Intangible assets	-6	-	-	-2	-	-8
Liabilities arising from insurance contracts	1,785	279	87	-	-	2,151
Employee benefits	159	-32	93	-	-	220
Amounts received in advance	-	-20	-	-	11	-9
Other	-35	-2	2	-	-1	-36
Gross deferred tax	**511**	**1**	**75**	**-2**	**10**	**595**
Write-down of deferred tax assets	-	-	-	-	-	-
Net deferred tax	**511**	**1**	**75**	**-2**	**10**	**595**

In 2016, the increase in the deferred tax assets is the result of the increase of the related shadow accounting in the liabilities arising from insurance contracts and the decrease of financial assets held for trading and investments.

5.5.10 Other assets

See accounting policy W.

Composition of other assets

	31 December 2017	31 December 2016
Accrued investment and interest income	412	428
Prepaid costs and other non-financial assets	146	307
Property developments	114	38
Total other assets	**672**	**773**

Prepaid costs and other non-financial assets include prepaid commissions Non-life insurance.

5.5.11 Cash and cash equivalents

See accounting policy X.

Cash and cash equivalents

	31 December 2017	31 December 2016
Due from banks	2,603	1,835
Due from banks falling due within three months	1,146	1,746
Total cash and cash equivalents	**3,749**	**3,581**

All cash and cash equivalents are freely available, except cash related to cash collateral which is managed separately from other cash equivalents. The cash components include € 2,166 million (2016: € 2,443 million) related to cash collateral received on derivative instruments.

The claim related to cash collateral paid on derivative instruments is included in the amount loans and receivables (Chapter 5.5.7). Debt related to cash collateral received on derivatives instruments is included in the amount due to banks (Chapter 5.5.19).

Interest expenses on cash collateral is standardised in the ISDA/CSA's and based on EONIA.

5.5.12 Equity

See accounting policy Y.

5.5.12.1 Share capital

Share capital

	31 December 2017		31 December 2016	
	Number of shares (in millions)	Amounts (in € millions)	Number of shares (in millions)	Amounts (in € millions)
Ordinary shares:				
- Authorised capital; par value of € 0.16	350	56	350	56
- Of which unsubscribed	203	32	200	32
Subscribed and paid-up capital	**147**	**24**	**150**	**24**
Preference shares:				
- Authorised capital; par value of € 0.16	350	56	350	56
- Of which unsubscribed	350	56	350	56
Subscribed and paid-up capital	-	-	-	-

A total of 54.5 million ordinary shares of ASR Nederland N.V., representing 36.3% of the outstanding and issued ordinary shares (150 million) were listed on Euronext Amsterdam at the IPO on 10 June 2016, with the remaining shares held by Stichting Administratiekantoor Beheer Financiële Instellingen (NLFI).

Following the IPO in June 2016, the Dutch State completely brought back its interest in a.s.r. to the private market in 2017 (2016: 63.7%). NLFI, which is acting on behalf of the Dutch State, sold its shares in a.s.r. and completed the full divestment of a.s.r. in September 2017. No preference shares were issued.

In January 2017, NLFI sold 20,400,000 shares in a.s.r. at a price of € 22.15 per share and a.s.r. repurchased 3,000,000 shares in the offering, which is the maximum to which a.s.r. was authorised to acquire shares in its own capital.
In April 2017 NLFI sold 20,000,000 shares in a.s.r. at a price of € 25,75. In June 2017, NLFI sold another 25,000,000 shares at a price of € 29.00 per share. a.s.r. again repurchased 3,000,000 shares in its own capital in June 2017.
In September 2017, NLFI sold the remaining 30,150,115 shares at a price of € 33.75 per share. In this final offering of a.s.r. shares by NLFI, a.s.r. again repurchased 3,000,000 of its shares and the remaining shareholding of NLFI as from this date is nil.

a.s.r. did not receive any proceeds from the sales. In the Annual General Meeting of Shareholders on 31 May 2017 the resolution was adopted to cancel the 3,000,000 shares that have been repurchased in January 2017. This was effected in the beginning of August 2017.

5.5.12.2 Unrealised gains and losses recorded in equity

Unrealised gains and losses recorded in equity

	Investments available for sale	Revaluation of property in own use	Total
31 December 2017			
Gross unrealised gains and losses	2,301	18	2,319
Related tax	-490	-5	-495
Shadow accounting	-1,173	-	-1,173
Tax related to shadow accounting	293	-	293
Unrealised gains and losses related to segregated investment pools	-100	-	-100
Tax related to segregated investment pools	25	-	25
Total unrealised gains and losses recorded in equity	**856**	**13**	**869**
31 December 2016			
Gross unrealised gains and losses	2,570	15	2,585
Related tax	-579	-4	-583
Shadow accounting	-1,616	-	-1,616
Tax related to shadow accounting	404	-	404
Unrealised gains and losses related to segregated investment pools	-85	-	-85
Tax related to segregated investment pools	21	-	21
Total unrealised gains and losses recorded in equity	**715**	**11**	**726**

5.5.12.3 Actuarial gains and losses

The actuarial gains and losses related to the pension obligation increased in 2017 by € 81 million after tax and € 108 million before tax (2016: decreased by € 288 million after tax and € 382 million before tax) due to an increase (2016 decrease) primarily in the discount rate and inflation (see Chapter 5.5.15).

5.5.12.4 Treasury shares

The amount of treasury shares held in 2017 of € 188 million (2016: nil) is presented separately within shareholder's equity. The number of treasury share is 6 million (2016: nil). The repurchase is in line with a.s.r.'s strategy of using capital in value creating opportunities and by returning capital to its shareholders in an efficient manner, for example through participation in a sale of shares by NLFI.

5.5.12.5 Other equity instruments

In 2017, a.s.r. launched and priced a € 300 million perpetual non-call 10 year restricted Tier 1 contingent convertible capital instrument. In 2016, a.s.r. neither issued nor redeemed any other equity instruments.

Other equity instruments

Position as at 31 December	2017	2016	Coupon date	First possible redemption date
Hybrid Tier 1 instrument 10% fixed interest	187	187	Annually with effect from 26 October 2010	26 October 2019
Hybrid Tier 1 instrument 7.25% fixed interest	17	17	Annually with effect from 30 September 2010	30 September 2019
Hybrid Tier 2 instrument 5% fixed interest	497	497	Annually with effect from 30 September 2015	30 September 2024
Restricted Tier 1 instrument 4.625% fixed interest	300	-	Annually with effect from 12 October 2017	19 October 2027
Total other equity instruments	**1,001**	**701**		

The Tier 1 and Tier 2 instruments bear discretionary interest and have no maturity date, but can be redeemed at the option of a.s.r. on any coupon due date as the above mentioned possible redemption date.

If the hybrid Tier 1 instrument at 10% fixed interest is not redeemed on 26 October 2019, the interest rate will be changed to 3-month Euribor plus 9.705%, with a quarterly coupon date with effect from 26 January 2020.

The Tier 1 and Tier 2 instruments have subordination provisions, rank junior to all other liabilities and senior to shareholder's equity only. The conditions of the securities contain certain provisions for optional and required coupon payment deferral and mandatory coupon payment events.

a.s.r. launched and priced a € 300 million perpetual non-call 10 year restricted Tier 1 contingent convertible capital instrument on 12 October 2017. Priced with a fixed-rate coupon of 4.625% (resettable after 10 years), the transaction is a.s.r.'s inaugural restricted Tier 1 and is the first issue of a restricted Tier 1 instrument denominated in Euro in the European insurance sector. With this transaction a.s.r. added a new instrument to the capital management toolbox.

Distributed amounts to holders of equity instruments as discretionary interest

	31 December 2017	31 December 2016
Hybrid Tier 1 instrument 10% fixed interest	19	19
Hybrid Tier 1 instrument 7.25% fixed interest	1	1
Hybrid Tier 2 instrument 5% fixed interest	25	25
Total	**45**	**45**

The Tier 1 and Tier 2 instruments are classified as equity as there is no requirement to settle the obligation in cash or another financial asset or to exchange financial assets or financial liabilities under conditions that are potentially unfavourable for a.s.r.

5.5.12.6 Non-controlling interests

Movements in non-controlling interests

	2017	2016
At 1 January	-10	-16
Share of total comprehensive income	2	-1
Dividend paid	-	-1
Capital investment	7	8
At 31 December	**-1**	**-10**

The negative non-controlling interest relates to property development projects where non-controlling shareholders have committed to increase capital when required.

5.5.12.7 Earnings per share

Basic earnings per share at year end

Basic earnings per share at year-end	2017	2016
Net profit from continuing operations	872	621
Net profit from discontinued operations	-	4
Net profit (loss) attributable to holders of ordinary shares for calculating the earnings per ordinary share	**872**	**625**
Weighted average number of ordinary shares in issue	144,600,000	150,000,000
Basic earnings per ordinary share from continuing operations (in €)	6.03	4.14
Basic earnings per ordinary share from discontinued operations (in €)	-	0.03
Basic earnings per ordinary share (in €)	**6.03**	**4.17**

Diluted earnings per share at year end

Diluted earnings per share at year-end	2017	2016
- Net profit from continuing operations	872	621
- Effect of Restricted Tier 1 capital instrument	-	-
Adjusted net profit from continuing operations	**872**	**621**
Net profit from discontinued operations	-	4
Adjusted net profit (loss) attributable to holders of ordinary shares for calculating the diluted earnings per ordinary share	**872**	**625**
Weighted average number of ordinary shares in issue	144,600,000	150,000,000
Weighted average number of ordinary shares resulting from conversion of bonds Restricted Tier 1	2,597,403	-
Weighted average number of shares used to calculate the diluted earnings per ordinary share	**147,197,403**	**150,000,000**
Diluted earnings per ordinary share from continuing operations (in €)	5.92	4.14
Diluted earnings per ordinary share from discontinued operations (in €)	-	0.03
Diluted earnings per ordinary share (in €)	**5.92**	**4.17**

Net profit in the table is after tax and non-controlling interests. For additional information related to net profit see Chapter 5.2.2.

5.5.13 Subordinated liabilities

See accounting policy Z.

Subordinated liabilities

	Nominal Amount	Carrying value 2017	Carrying value 2016
Hybrid Tier 2 instrument 5.125% fixed interest	500	497	497

In 2015, a.s.r. issued € 500 million subordinated liabilities in the form of Tier 2 notes, first callable on 29 September 2025, and maturing on 29 September 2045. The coupon is fixed at 5.125% and paid annually on 29 September with a step up at the first call date.

The notes were issued in order to strengthen the quality of a.s.r. capital and the net proceeds from the notes were applied by a.s.r. for its general corporate purposes.

These notes are subordinated and ranking equally without any preference amongst themselves and (a) junior to the claims of all senior creditors of a.s.r., (b) equally with any parity obligations and (c) in priority to claims in respect of (i) any equity securities and (ii) any junior obligations.

The subordinated liability is classified as liability given the obligation to settle the loans and pay the coupon. They are considered Tier 2 for regulatory purposes.

5.5.14 Insurance liabilities

See accounting policies I, J, O and V.

5.5.14.1 Liabilities arising from insurance contracts

Insurance contracts with retained exposure

	Gross		Of which reinsurance	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Provision for unearned premiums	302	345	3	3
Provision for claims (including IBNR)	4,277	4,266	363	439
Non-life insurance contracts	**4,579**	**4,611**	**366**	**442**
Life insurance contracts excluding own pension contracts	**26,478**	**27,873**	**180**	**193**
Total liabilities arising from insurance contracts	**31,057**	**32,484**	**546**	**635**

Changes in liabilities arising from non-life insurance contracts

	Gross		Of which reinsurance	
	2017	2016	2017	2016
Provision for unearned premiums				
At 1 January	345	403	3	4
Changes in provision for unearned premiums	-43	-58	-	-1
Provision for unearned premiums as at 31 December	**302**	**345**	**3**	**3**
Provision for claims (including IBNR)				
At 1 January	4,266	4,110	439	406
Benefits paid	-1,903	-1,826	-104	-83
Changes in provision for claims	1,973	1,916	28	116
Changes in shadow accounting through equity	-59	70	-	-
Changes in shadow accounting through income	-	-5	-	-
Other	-	1	-	-
Provision for claims (including IBNR) as at 31 December	**4,277**	**4,266**	**363**	**439**
Non-life insurance contracts as at 31 December	**4,579**	**4,611**	**366**	**442**

Gross provisions for claims

	31 December 2017	31 December 2016
Claims reported	3,525	3,486
IBNR	752	780
Total provisions for claims	**4,277**	**4,266**

Changes in liabilities arising from life insurance contracts

	Gross		Of which reinsurance	
	2017	2016	2017	2016
At 1 January	27,898	26,114	197	201
Premiums received / paid	802	1,341	-	-
Regular interest added	665	677	4	4
Realised gains and losses	63	554	-	-
Amortisation of realised gains	-337	-293	-	-
Benefits	-1,580	-1,339	-	-
Technical result	-210	-58	-6	-
Release of cost recovery	-139	-152	-	-
Changes in shadow accounting through equity	-384	268	-	-
Changes in shadow accounting through income	-445	809	-	-
Other changes	161	-23	-11	-8
At 31 December	**26,494**	**27,898**	**184**	**197**
Interest margin participations to be written down				
At 1 January	-35	-49	-4	-
Write-down recognised in profit or loss	10	14	-	-
Other changes	-2	-	-	-4
At 31 December	**-27**	**-35**	**-4**	**-4**
Provision for discretionary profit-sharing, bonuses and discounts				
At 1 January	10	8	-	-
Profit-sharing, bonuses and discounts granted in the financial year	1	2	-	-
At 31 December	**11**	**10**	**-**	**-**
Total life insurance contracts as at 31 December	**26,478**	**27,873**	**180**	**193**

Premiums received in 2016 include the premiums related to the acquired insurance portfolio, NIVO Uitvaartverzekeringen amounting to € 323 million, and a single premium of a pension portfolio amounting to € 195 million.

Increasing intrest rates led to a decreased in the Liabilities arising from life insurance contracts. This effect is reflected in the line item ‘changes in shadow accounting’. For the realised gains and losses of the investments in fixed interest securities and the realised gains and losses on derivatives, we refer to Chapter 5.6.3 and 5.6.4.

The other changes mainly concern the reassessment of policy data prior to an IT conversion that led to an adjustment of € 152 million from insurance contracts on behalf of policyholders to insurance contracts.

The insurance liabilities are deemed to be adequate following the performance of the Liability Adequacy Test (LAT) taking into account the UFR of 4.2% applicable for 2017. The future UFR is subject to developments in the real interest rate and, based on the in 2017 published EIOPA UFR methodology, would result in a UFR of 3,65% in 2021. The UFR under Solvency II and therefore also for the LAT will decrease in 2018 from 4.2% to 4.05% with future decreases expected in the coming years. a.s.r. performed a sensitivity analysis on the impact of the development of the UFR as if the UFR would have been 3.65% at 31 December 2017 and concluded that it still has an adequate surplus of the insurance liabilities over the IFRS-LAT.

5.5.14.2 Claims development table, non-life

The table below is a ten-year summary of movements in gross cumulative claims in connection with the Non-life portfolio for the period from 2008 to 2017.

Ten-year summary of changes in gross cumulative claims

	Claims year										
31 December 2017	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
At year-end:											
1st claims year	1,575	1,719	1,718	1,771	1,977	1,853	1,770	1,783	1,935	1,916	
2009	1,473	-	-	-	-	-	-	-	-	-	
2010	1,441	1,669	-	-	-	-	-	-	-	-	
2011	1,422	1,634	1,765	-	-	-	-	-	-	-	
2012	1,424	1,658	1,684	1,659	-	-	-	-	-	-	
2013	1,447	1,680	1,715	1,636	1,873	-	-	-	-	-	
2014	1,480	1,708	1,728	1,651	1,855	1,785	-	-	-	-	
2015	1,480	1,710	1,728	1,648	1,847	1,769	1,683	-	-	-	
2016	1,469	1,711	1,736	1,655	1,849	1,760	1,655	1,705	-	-	
2017	1,483	1,738	1,748	1,658	1,869	1,780	1,665	1,708	1,878	-	
Gross claims at 31 December 2017	**1,483**	**1,738**	**1,748**	**1,658**	**1,869**	**1,780**	**1,665**	**1,708**	**1,878**	**1,916**	
Cumulative gross paid claims	1,364	1,536	1,535	1,445	1,599	1,455	1,340	1,318	1,379	888	
Gross outstanding claims liabilities (including IBNR)	**119**	**202**	**213**	**213**	**270**	**325**	**325**	**390**	**499**	**1,028**	**3,584**
Claim liabilities prior years											433
Other claim liabilities											-
Shadow accounting											260
Total claims liabilities											**4,277**

	Claims year										
31 December 2016	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
At year-end:											
1st claims year	1,387	1,575	1,719	1,718	1,771	1,977	1,853	1,770	1,783	1,935	
2008	1,264	-	-	-	-	-	-	-	-	-	
2009	1,231	1,473	-	-	-	-	-	-	-	-	
2010	1,200	1,441	1,669	-	-	-	-	-	-	-	
2011	1,206	1,422	1,634	1,765	-	-	-	-	-	-	
2012	1,216	1,424	1,658	1,684	1,659	-	-	-	-	-	
2013	1,231	1,447	1,680	1,715	1,636	1,873	-	-	-	-	
2014	1,265	1,480	1,708	1,728	1,651	1,855	1,785	-	-	-	
2015	1,266	1,480	1,710	1,728	1,648	1,847	1,769	1,682	-	-	
2016	1,240	1,469	1,711	1,742	1,660	1,852	1,765	1,655	1,706	-	
Gross claims at 31 December 2016	**1,240**	**1,469**	**1,711**	**1,742**	**1,660**	**1,852**	**1,765**	**1,655**	**1,706**	**1,935**	
Cumulative gross paid claims	1,171	1,343	1,509	1,497	1,406	1,553	1,407	1,290	1,243	874	
Gross outstanding claims liabilities (including IBNR)	**69**	**126**	**202**	**245**	**254**	**300**	**358**	**365**	**463**	**1,061**	**3,443**
Claim liabilities prior years											467
Other claim liabilities											38
Shadow accounting											318
Total claims liabilities											**4,266**

5.5.14.3 Liabilities arising from insurance contracts on behalf of policyholders

Changes in liabilities arising from insurance contracts on behalf of policyholders

	2017	2016
At 1 January	9,928	9,997
Premiums received	541	584
Interest added	120	129
Benefits	-1,022	-901
Effect of fair value changes related to financial assets	416	262
Technical result	27	-32
Release of cost recovery	-82	-86
Other changes	-124	-25
Changes in the composition of the group	-	-
At 31 December	**9,804**	**9,928**

At year-end 2017, the liabilities included a guarantee provision for a carrying amount of € 30 million (2016: € 28 million) and a provision related to unit-linked insurance contracts and pension contracts for a carrying amount of € 47 million (2016: € 139 million). These provisions relate to compensation for the cost of these contracts. The other changes mainly concern the reassesment of policy data prior to an IT conversion that led to an adjustment of € 152 million from insurance contracts on behalf of policyholders to insurance contracts.

Liabilities arising from insurance contracts on behalf of policyholders also include liabilities where conversions and switches have occurred in the insurance contract administration. The insurance contract still meets the definition of and continues to be classified as an insurance contracts on behalf of policyholders and therefore continues to be included in the insurance contracts on behalf of policyholders administration. However, as a result of the conversion and switches, liabilities arising from insurance contracts on behalf of policyholder amounting to € 2,086 million (2016: € 2,157 million) are – in the classification and subsequent presentation – not backed directly with investments on behalf of policyholders. The related investments are included and presented in investments (available for sale) and loans and receivables.

5.5.15 Employee benefits

See accounting policy K.

Employee benefits

	31 December 2017	31 December 2016
Post-employment benefits pensions (Chapter 5.5.15.1)	3,138	3,220
Post-employment benefits other than pensions (Chapter 5.5.15.2)	9	27
Post-employment benefit obligation	**3,147**	**3,247**
Other long-term employee benefits (Chapter 5.5.15.3)	14	10
Total	**3,161**	**3,257**
Specified as follows:		
ASR Nederland N.V.	3,160	3,254
Other group companies	1	3

Costs of post-employment and other long-term employee benefits

	2017	2016
Post-employment benefits pensions	-105	-107
Total	**-105**	**-107**
Other long-term employee benefits	-1	-
Costs of post-employment benefits	**-106**	**-107**

The costs of the post-employment benefits pensions relate to all members of the a.s.r. post-employment benefit plan.

5.5.15.1 Post-employment benefits pensions

a.s.r. has a number of defined benefit and defined contribution post-employment benefit plans for its employees and former employees. The majority of employees are formally employed by ASR Nederland N.V. A limited amount of employees are employed by other group companies.
The pension plans of other group companies are disclosed in a separate section in this paragraph.

ASR Levensverzekering N.V., an insurance company and a group entity, is the insurer of the majority of the post-employment benefit plans. As this company holds the separated investments that are meant to cover the employee benefit obligation, they do not qualify as plan assets in accordance with IAS 19 and are therefore included in financial assets.

ASR Nederland N.V. employees

The a.s.r. post-employment benefit plans are based on an average-salary pension. All employees who commenced service after 1 January 2006 are included in one post-employment benefit plan ('Basic plan'). All other employees remain active within the existing plan at the date of first employment. Previous plans for former employees are also still active. The methods and techniques used to calculate the defined benefit obligations are based on IAS 19 requirements and calculated by an independent actuary.

a.s.r. pays the contributions except for an own contribution of the employees of 6% of their pensionable salary.

The benefits under these plans are dependent on factors such as years of service and compensation. Pension obligations are determined using mortality tables, the rate of employee turnover, wage drift and economic assumptions for factors such as inflation, and the discount rate.

The post-employment benefit plans for staff that is employed by ASR Nederland N.V. are insured by ASR Levensverzekering N.V.

The post-employment benefit plans for ASR Nederland N.V. employees is primarily based on the following conditions:
- The accrual rate for old age pensions 1.89% (2016: 1.875%);
- Retirement age 68 years (2016: 67 years);
- Maximum pensionable salary capped at € 103,317 (2016: € 101,519);
- Future inflation indexation is conditional;
- Minimum franchise has changed.

Other group companies employees

The other group companies which have been acquired have defined contribution and defined benefit plans. The defined benefit plans consist primarily of indexed average salary pension plans taking into account a franchise. The liability as per 31 December is € 1 million (2016: € 3 million).

The amount recognised as an expense for the defined contribution plans in 2017 amounts to € 1.3 million (2016: € 0.4 million). The increase is related to one of the group companies change in classification from defined benefit plan to a defined contribution plan.

Net defined benefit liability

Defined benefit obligation

	2017	2016
Net defined benefit liability at 1 January	**3,220**	**2,922**
Included in income statement		
Current service cost, contributions by employer	48	38
Interest cost	55	70
Past service cost	-7	-100
Other	-	-10
Total	**96**	**-2**
Remeasurement of liabilities included in OCI		
Discount rate change	-94	397
Other assumptions change	-17	16
Experience adjustments	3	-33
Total	**-108**	**380**
Current service cost, contributions by employee	8	7
Benefits	-82	-79
Changes in the composition of the group	4	-
Other	-	-8
Net defined benefit liability at 31 December	**3,138**	**3,220**
Specified as follows:		
ASR Nederland N.V.	3,137	3,217
Other group companies	1	3
At 31 December		
Defined benefit obligation	3,148	3,243
Fair value of plan assets	-10	-23
Net defined benefit liability	3,138	3,220

In 2016, past service cost has been recognised in other income amounting to € 100 million, resulting from the amendment to the a.s.r. post-employment benefit plan for future inflation indexation for former employees.

Employees account for 26% (2016: 26%) of the DBO, 41% (2016: 41%) of the DBO relates to former employees currently receiving pension benefits, 28% (2016: 28%) of the DBO relates to deferred pensioners and 5% (2016: 5%) of the DBO relates to other members.

The discount rate has increased by 0.2% point to 1.9% at 31 December 2017 (2016: 1.7%), resulting in a € 105 million increase in the DBO (2016: € 397 million decrease).

As per 31 December 2017 the duration of the defined benefit obligation was 18 years (2016: 19 years).

The change in other assumptions amounts to € -17 million (2016: € -27 million) due to a change in indexation percentage of former employees.

Experience adjustments are actuarial gains and losses that have arisen due to differences between actuarial assumptions. The following table provides information about experience adjustments with respect to qualifying plan assets and the defined benefit obligation:

Experience adjustments

Amounts in € thousand	2017	2016
Experience adjustments to qualifying investments, gain (loss)	81	5,264
As % of qualifying investments as at 31 December	1.0%	23.3%
Experienced adjustments to defined benefit obligation, loss (gain)	-3,298	27,697
As a % of liabilities as at 31 December	0.1%	0.9%

Assumptions

The principal actuarial assumptions and parameters at year-end

	2017	2016
Discount rate	1.9%	1.7%
Future salary increases (including price inflation and merit)	1.3%	1.0%
Future pension increases (including price inflation)	1.4%	1.2%
Indexation % employees	1.3%	1.0%
Indexation % former employees	1.4%	1.2%
Accrual rate	1.9%	1.9%
Mortality (years)	20.0	20.9
Expected remaining service years	7.8	7.7

In the calculation of the defined benefit obligation the:
- Discount rate is based on the Triple A – Risk Finance Spot Curve (AAASC);
- Most recent mortality table 'AG Prognosetafel 2016' is used, in combination with the latest the 'CVS Sterftestatistiek Pensioenen 2007-2016' for experience factors;
- The period of indexation is based on the expected duration of the separate account to fund the future inflation indexation.

In 2017, the discount rate methodology has changed and is based on the Triple A – Risk Finance Spot Curve (AAASC). All other methods used for determining the DBO and assumptions are consistent with those applied in 2016.

The sensitivity of the above actuarial assumptions to feasible possible changes at the reporting date to one of the relevant actuarial assumptions whilst other assumption remain constant, would have affected the defined benefit obligation by the amounts shown below:

Sensitivity of actuarial assumptions

	Increase	Decrease
Discount rate (1% movement)	-504	665
Indexation employees (1% movement)	28	-20
Indexation former employees (1% movement)	251	-223
Future salary growth (1% movement)	11	-10
Future pension growth (1% movement)	274	-248
Future mortality (1 year movement)	-107	107

Plan assets

The pensions related to other group companies which have been acquired in 2015, are administered and guaranteed by a number of insurance companies outside of the group. As such the plan assets recognised relate to the insurance contracts and amount to € 10 million (2016: € 23 million).

Non qualifying plan assets

The portfolio of global investments (non-qualifying assets) held by ASR Levensverzekering N.V. to cover the employee benefit expense can be broken down as follows:

Breakdown of global investments held by ASR Levensverzekering N.V.

Asset category	31 December 2017	31 December 2016
Equities	16%	14%
Fixed-interest securities	78%	80%
Real estate	4%	4%
Cash	2%	2%

For the non-qualifying assets backing the post-employment benefit plans, a.s.r. has drawn up general guidelines for the asset mix based on criteria such as geographical location and ratings. To ensure the investment guidelines remain in line with the conditions of the post-employment benefit obligations, a.s.r. regularly performs Asset Liability Management (ALM) studies. Transactions in the non-qualifying assets are done within the guidelines. As the post-employment benefit plans are a liability on group level, the underlying insurance and market risks are in scope of a.s.r.'s risk policies. (see Chapter 5.8). The overall interest-rate risk of the group is managed using interest-rate swaps and swaptions. ASR Levensverzekering N.V., manages the interest rate risk through an overlay interest hedging strategy using swaps and swaptions (see Chapter 5.8.7) for the company as a whole. The swaps and swaptions are not specifically allocated to the a.s.r. post-employment benefit plans. Therefore the (un)realised gains and losses from swaps and swaptions as a whole are accounted for in liabilities arising from insurance contracts, in accordance with the shadow accounting policy, whereas the impact of changes in interest rates on the provisioning for Employee benefits based on IAS19 is part of actuarial gains and losses that are recognised in equity (see note 5.5.12.3).

The non-qualifying assets, which are managed by a group company, are not presented as part of the net defined benefit obligation. At year-end 2017, the fair value of these assets amounted to € 2,546 million (2016: € 2,498 million), which includes the separate account to fund future inflation indexation amounting to € 335 million (31 December 2016: € 327 million). As mentioned above, the swaps and swaptions have not been allocated directly to the post-employment benefit obligations; neither are they included as part of the fair value of the non-qualifying assets managed by the group company.

Under IFRS, assets managed by insurance companies that form part of the group do not qualify as qualifying assets. Investment income from these assets has therefore not been included in the above figures but is recognised as investment income separately. Actual investment returns for 2017 amounted to € 61 million (2016: € 71 million), which includes the investment income on the separate account to fund future inflation indexation amounting to € 6 million (2016: € 3 million). These returns have been recognised in investment income (Chapter 5.6.2).

As an employer, a.s.r. is expected to pay contributions for pension plans and other post-employment benefits in the coming financial year amounting to € 105 million (excluding the positive effect of the investment income) and € 0.2 million respectively.

The separate account to fund future inflation indexation is expected to be utilised in ten years to fund the future inflation indexation for the employees and former employees included in the ASR Nederland N.V. post-employment benefit plans. As such this has been included in the assumption used in calculating the defined benefit obligation.

5.5.15.2 Post-employment benefits other than pensions

The other post-employment benefits plans consist of personnel arrangements for financial products (such as mortgages and health insurance), which remain in place after retirement.

Changes in the defined benefit obligation

	2017	2016
Defined benefit obligation at 1 January	**27**	**28**
Included in income statement		
Other	-16	-2
Total	**-16**	**-2**
Remeasurement of liabilities included in OCI		
Discount rate change	-1	-
Other assumptions change	-	2
Total	**-1**	**2**
Benefits	-1	-1
Defined benefit obligation at 31 December	9	27
Specified as follows:		
ASR Nederland N.V.	9	27

Experience adjustments are actuarial gains and losses that have arisen due to differences between actuarial assumptions. The following table provides information about experience adjustments with respect to qualifying plan assets and the defined benefit obligation:

Experienced adjustments to defined benefit obligation

Amounts in € thousand	2017	2016
Experienced adjustments to defined benefit obligation, loss (gain)	-233	-1,819
As a % of liabilities as at 31 December	-2.5%	-6.6%

Principal actuarial assumptions and parameters at year-end

	2017	2016
Discount rate	0.9%	0.9%
Future mortgage interest (in connection with grantable discounts)	1.6%	2.0%

In the calculation of the defined benefit obligation the:
- Discount rate is based on the Triple A – Risk Finance Spot Curve (AAASC);
- Most recent mortality table 'AG Prognosetafel 2016' is used, in combination with the latest 'CVS Sterftestatistiek Pensioenen 2007-2016' for experience factors.

In 2017, the discount rate methodology has changed and is based on the Triple A – Risk Finance Spot Curve (AAASC). All other methods used for determining the DBO and assumptions are consistent with those applied in 2016.

The sensitivity of the above actuarial assumptions to feasible possible changes at the reporting date to one of the relevant actuarial assumptions whilst other assumption remain constant, would have affected the defined benefit obligation by the amounts of € 0 million increase or € 1 million decrease as a result of a movement of the discount rate by 1%.

5.5.15.3 Other long-term employee benefits

Other long-term employee benefits consist of the employer's share of liabilities arising from long-service benefits.

Changes in other long-term employee benefits

	2017	2016
Net liability as at 1 January	**10**	**12**
Total expenses	4	1
Other	-	-3
Net liability as at 31 December	**14**	**10**
Specified as follows:		
- ASR Nederland N.V.	14	10

Underlying assumptions

Actuarial year-end assumptions	31 December 2017	31 December 2016
Discount rate	0.88%	0.4%
Salary increases	1.27%	1.0%
Expected remaining service years	7.9	7.7

5.5.16 Provisions

Changes in provisions

	2017	2016
At 1 January	49	50
Additional foreseen amounts	11	41
Reversal of unused amounts	-6	-2
Usages in course of year	-23	-40
Other changes	-3	-
Changes in the composition of the group	5	-
At 31 December	**33**	**49**

The provisions were created for:

- Tax and legal issues;
- Staff restructuring expenses;
- Retention of disability risk instead of insuring it with UWV (Employed Persons Insurance Administration Agency); and
- Other expenses.

The provision for tax and legal issues is based on best estimates available at year-end, making allowance for expert opinions.

The timing of the outflow of resources related to these provisions is uncertain because of the unpredictability of the outcome and the time required for the settlement of disputes.

The provisions for staff restructuring are based on arrangements agreed in the Collective Bargaining Agreement, restructuring plans, and on decisions made by a.s.r.'s management.

An amount of € 25 million of the provisions is expected to fall due within one year (2016: € 30 million).

5.5.17 Borrowings

See accounting policy Z.

As at year-end 2017, borrowings comprised loans having the following terms to maturity:

Borrowings comprised loans

	31 December 2017	31 December 2016
Falling due within 1 year	14	26
Falling due between 1 and 5 years	9	73
Falling due after 5 years	16	15
Total borrowings	**39**	**114**

At year-end 2017, the fair value of borrowings was € 39 million (2016: € 114 million). See Chapter 5.7.1.2. The average interest rate payable on borrowings was 1.83% (2016: 2.19%).

The major part of the decrease (€ 47 million) in borrowings is caused by a reassessment of the classification of the real estate equity funds, which resulted in a reclassification of DMOF, DCRF and DPRF to investments. For more information reference is made to Chapter 5.5.5. The other movements in 2017 relate to the issue of new borrowings and repayment of borrowings in the normal course of business. Refer to 5.2.5 Consolidated statement of cash flows, cash flows from financing activities.

5.5.18 Due to customers

Amounts due to customers

	31 December 2017	31 December 2016
Debts to policyholders, agents and intermediaries	524	509
Debts to reinsurers	14	16
Savings	1,103	883
Other deposits	543	503
Total due to customers	**2,184**	**1,911**

For information regarding the fair value, see Chapter 5.7.1.2.

5.5.19 Due to banks

The amounts due to banks decreased from € 2,835 million to € 2,254 million primarily as a result of the decrease in liability recognised for cash collateral received under ISDAs (International Swaps and Derivatives Association) concluded with counterparties (see Chapter 5.5.11 Cash and cash equivalents). There is no significant difference between the carrying amount and the fair value of these liabilities (see Chapter 5.7.1.2).

In order to increase its financial flexibility and take advantage of the current favourable market conditions, a.s.r. decided to increase the existing unsecured revolving facility with ABN AMRO by € 100 million to € 350 million with a duration of two years in August 2016. These borrowings are used for investment purposes (property, group pension contracts), for balance sheet management, and for short-term cash flow management.

The average interest rate for the cash collateral received in 2017 is -0,35% (EONIA) (2016: -0.32%). There are no specific terms and conditions, because these depend on the development of the value of the underlying instrument.

a.s.r. has bonds that have been transferred as a result of reverse repurchase agreements, but do not qualify for derecognition amounting to € 64 million (2016: € 103 million). The asset recognised for cash collateral paid on reverse repurchase agreements is presented under loans and receivables. The liability recognised for cash collateral received on repurchase agreements is presented under due to banks.

5.5.20 Other liabilities

Other liabilities

	31 December 2017	31 December 2016
Deferred income	83	92
Accrued interest	69	71
Other liabilities	336	432
Short-term employee benefits	16	16
Trade payables	26	86
Tax payable	11	130
Total other liabilities	**541**	**827**

The other liabilities of € 336 million (2016: € 432 million) consist amongst others of payables, accruals related to investments and construction depots for rural housing mortgages.

There is no difference between the carrying value of other liabilities and their fair value (see Chapter 5.7.1.2).

5.6 Notes to the consolidated income statement

5.6.1 Gross insurance premiums

See accounting policy AA.

Composition of gross insurance premiums

	2017	2016
Non-life insurance contracts – gross earned premiums	**2,620**	**2,491**
Life insurance contracts retained exposure	802	1,341
Life insurance contracts on behalf of policyholders	541	554
Total life insurance contracts	**1,343**	**1,895**
Total gross insurance premiums	**3,963**	**4,386**

The table below provides an overview of total gross earned non-life insurance premiums.

Gross earned premiums Non-life

Premiums non-life	2017	2016
Gross premiums written	2,577	2,433
Changes in provisions for unearned premiums	43	58
Non-life insurance contracts - gross earned premiums	**2,620**	**2,491**

Non-recurring and regular life insurance premiums

Premiums life	2017	2016
Retained exposure Group		
Non-recurring premiums written	52	237
Periodic premiums written	197	202
Group total	**249**	**439**
Retained exposure Individual		
Non-recurring premiums written	88	417
Periodic premiums written	465	485
Individual total	**553**	**902**
Total contracts retained exposure	**802**	**1,341**
On behalf of policyholders Group		
Non-recurring premiums written	51	43
Periodic premiums written	279	257
Group total	**330**	**300**
On behalf of policyholders Individual		
Non-recurring premiums written	2	2
Periodic premiums written	209	252
Individual total	**211**	**254**
Total contracts on behalf of policyholders	**541**	**554**
Total life insurance contracts	**1,343**	**1,895**

A total of € 79 million in premiums (2016: € 88 million) related to the a.s.r. post-employment benefit plans, investment fees amounting to € 31 million (2016: € 30 million) and Disability premiums amounting to € 2 million (2016: nil) have been eliminated and are therefore not included in the gross insurance premiums, investment income and operating expenses.

The non-recurring premiums written Individual decreased to € 88 million in 2017, mainly resulting from a single premium of € 323 million in the funeral portfolio in 2016.

5.6.2 Investment income

See accounting policy BB.

Breakdown of investment income per category

	2017	2016
Interest income from receivables due from credit institutions	151	156
Interest income from investments	399	466
Interest income from amounts due from customers	289	287
Interest income from trade receivables and derivatives	214	198
Other interest income	21	9
Interest income	**1,074**	**1,116**
Dividend on equities	57	62
Dividend on real estate equity funds	69	-
Rentals from investment property	54	115
Other investment income	12	10
Dividend and other investment income	**192**	**187**
Total investment income	**1,266**	**1,303**

The effective interest method has been applied to an amount of € 836 million of the interest income from financial assets not classified at fair value through profit or loss (2016: € 901 million). Interest income includes € 9 million (2016: € 16 million) in interest received on impaired fixed-income securities.

5.6.3 Realised gains and losses

See accounting policy CC.

Realised gains and losses per category

	2017	2016
Associates and joint ventures		
- Realised gains	-1	-
Investments available for sale		
Fixed-interest securities		
- Realised gains	344	613
- Realised losses	-21	-14
Equities		
- Realised gains	107	78
- Realised losses	-12	-33
Loans and receivables		
- Realised losses	-	-5
Total realised gains and losses	**417**	**639**

Reversal of impairments on fixed-interest securities as a result of disposal amounts to € 3 million (2016: € 3 million).

5.6.4 Fair value gains and losses

See accounting policy DD.

Fair value gains and losses per category

	2017	2016
Realised gains and losses on derivatives	-125	-2
Unrealised gains and losses on derivatives	-438	796
Gains and losses on investment property and property for own use	65	130
Financial assets at fair value through profit or loss	65	2
Other fair value gains and losses	2	-1
Additions to insurance liabilities due to shadow accounting (Chapter 5.5.14)	445	-804
Total fair value gains and losses	**14**	**121**

All changes in fair value presented here are changes to the so-called ‘clean fair value’. This is the fair value net of accrued interest recognised in interest income and expense.

5.6.5 Fee and commission income

See accounting policy FF.

Fee and commission income

	2017	2016
Asset management for third parties	75	53
Commission on reinsurance	23	34
Other fee and commission income	23	25
Total fee and commission income	**121**	**112**

5.6.6 Other income

Other income

	2017	2016
Proceeds from sales of property developments	122	23
Other income	59	147
Total other income	**181**	**170**

The increase of the proceeds from property developments is mainly due to the sale of parts of the ‘Leidsche Rijn Centrumplan’. In 2016, the item other income includes a past service cost related to the amendment to the a.s.r. post-employment benefit plans amounting to € 100 million.

5.6.7 Net insurance claims and benefits

See accounting policy GG.

Net insurance claims and benefits

	2017	2016
Total Non-life and Life		
Insurance claims and benefits	-3,861	-4,846
Insurance claims and benefits recovered from reinsurers	26	120
Net insurance claims and benefits	**-3,835**	**-4,726**
Non-life		
Claims paid	-1,903	-1,826
Change in provision for outstanding claims	-69	-91
Insurance claims and benefits	**-1,972**	**-1,917**
Insurance claims and benefits recovered from reinsurers	28	116
Net insurance claims and benefits, Non-life	**-1,944**	**-1,801**
Life		
Claims paid	-2,603	-2,240
Changes in liabilities arising from insurance contracts	606	-733
Changes in liabilities arising from insurance contracts on behalf of policyholders	119	56
Amortisation of VOBA (Chapter 5.5.1)	-11	-12
Insurance claims and benefits	**-1,889**	**-2,929**
Insurance claims and benefits recovered from reinsurers	-2	4
Net insurance claims and benefits, Life	**-1,891**	**-2,925**

5.6.8 Operating expenses

See accounting policy HH.

Operating expenses

	2017	2016
Salaries and wages	-238	-220
Social security contributions	-31	-30
Employee benefit charges	-51	-38
Employee discounts	-4	-5
Other short-term employee benefits	-10	-8
Total cost of own staff	**-334**	**-301**
Cost of external staff	-67	-74
Consultancy costs and fees	-83	-86
Marketing, advertising and public relations expenses	-11	-14
Technology and system costs	-46	-49
Amortisation of other intangible assets (Chapter 5.5.1)	-2	-1
Depreciation of property and equipment (Chapter 5.5.2)	-11	-10
Other operating expenses	-30	-34
Total other operating expenses	**-250**	**-268**
Total operating expenses	**-584**	**-569**

Other operating expenses include travel and subsistence, telephone and personnel training expenses.

The segmentation of a.s.r.'s workforce as at 31 December

	2017	2016
Non-life	1,498	1,460
Life	622	666
Banking and Asset Management	430	268
Distribution and Services	430	390
Holding and Other	1,114	1,356
Real Estate Development	23	20
Total workforce	**4,117**	**4,160**

The total workforce decreased to 4,117 FTE (2016: 4,160 FTE). The total workforce consists of the number of internal and external FTEs. The number of internal FTE increased to 3,493 FTE (2016: 3,461 FTE) as a result of filling vacancies. The number of external FTE decreased to 624 FTE (2016: 699) as a result of filling internal vacancies and continuing cost-cutting programmes.

In the presentation of the a.s.r.'s workforce per segment employees related to administrative expenses and overheads are allocated to segment Holding and Other.

5.6.9 Impairments

See accounting policy JJ.

Summary of impairments

	2017	2016
Property and equipment (Chapter 5.5.2)	-	-
Associates and joint ventures (Chapter 5.5.4)	-	-
Investments available for sale (Chapter 5.5.5.1)	24	1
Loans and receivables (Chapter 5.5.7)	2	14
Total impairments	**26**	**15**

Changes in impairments of investments available for sale

	2017	2016
Equities	-18	-27
Bonds	-	-
Reversal of impairments on collateralised debt obligations	25	9
Reversal of impairments on bonds	17	19
Total changes in impairments of investments available for sale	**24**	**1**

5.6.10 Interest expense

Breakdown of the interest expense

	2017	2016
Interest on employee benefits	-55	-70
Interest on derivatives	-68	-125
Interest owed to banks	-24	-14
Interest owed to customers	-14	-16
Interest on subordinated liabilities	-26	-25
Interest on borrowings	-1	-2
Other interest expense	-9	-5
Total interest expense	**-197**	**-257**

5.6.11 Other expenses

Other expenses

	2017	2016
Costs associated with sale of development property	-110	-27
Operation expenses of investment property	-12	-29
Other expenses	-137	-71
Total other expenses	**-259**	**-127**

The increase of € 66 million in other expenses is primarily related to a pension portfolio transfer with a negative interest surplus.

5.6.12 Income tax expense

See accounting policy KK.

Income tax expense

	2017	2016
Current tax for financial year	-128	-187
Current taxes referring to previous periods	243	-11
Total current tax	**115**	**-198**
Deferred tax for financial year	-335	-3
Total deferred tax	**-335**	**-3**
Income tax expenses	**-220**	**-201**

The movements in the current taxes referring to previous periods and deferred tax in 2017 are mainly caused by the recalculation of the technical provision of life insurance.

The table below shows a reconciliation of the expected income tax expense with the actual income tax expense. The expected income tax expense is determined by applying the tax rate in the Netherlands to the profit before tax. In 2017, this rate was 25.0% (2016: 25.0%). The enacted tax rate for 2018 will be 25.0%.

Reconciliation of expected income tax expense with the actual income tax expense

	2017	2016
Profit before tax	1,128	855
Current tax rates	25%	25%
Expected income tax expense	**-282**	**-214**
Effects of:		
Tax-exempt interest	5	5
Tax-exempt dividends	4	3
Tax-exempt capital gains	35	5
Changes in impairments	1	-
Adjustments for taxes due on previous financial years	17	2
Other effects	-	-2
Income tax expenses	**-220**	**-201**

The profit is almost entirely earned and taxable in the Netherlands. The effective income tax rate is 19.5% (2016: 23.5%).

5.7 Other notes

5.7.1 Fair value of assets and liabilities

See accounting policy B.

5.7.1.1 Financial assets and liabilities measured at fair value

Breakdown of financial assets and liabilities measured at fair value (recurring basis)

31 December 2017	Fair value based on quoted prices in an active market Level 1	Fair value based on observable market data Level 2	Fair value not based on observable market data Level 3	Total fair value
Investments available for sale				
Government bonds	10,408	1	-	10,409
Corporate bonds	9,429	858	3	10,290
Mortgage-backed securities	20	18	39	77
Other asset-backed securities	-	-	77	77
Equities	2,656	199	248	3,103
Other participating interests	12	-	-	12
Other investments	7	-	-	7
	22,532	**1,076**	**367**	**23,975**
Investments at fair value through profit or loss				
Equities	92	-	29	121
Real estate equity funds	-	-	1,585	1,585
	92	**-**	**1,614**	**1,706**
Derivatives				
Exchange rate contracts	-	14	-	14
Interest rate contracts	-	2,480	-	2,480
Futures	16	-	-	16
Equity index contracts	14	-	-	14
Inflation linked swaps	-	3	-	3
Total assets	**30**	**2,497**	**-**	**2,527**
Exchange rate contracts	-	-3	-	-3
Interest rate contracts	-	-394	-	-394
Futures	-	-6	-	-6
Inflation linked swaps	-	-	-	-
Total liabilities	**-**	**-403**	**-**	**-403**
	30	**2,094**	**-**	**2,124**
Cash and cash equivalents	**3,749**	**-**	**-**	**3,749**
Investments on behalf of policyholders				
Government bonds	1,204	-	-	1,204
Corporate bonds	861	-	-	861
Derivatives	-	4	-	4
Listed equities	4,088	-	-	4,088
Listed equity funds	1,184	-	-	1,184
Real estate equity funds	-	-	99	99
Investment property	-	-	85	85
Other investments	110	49	-	159
	7,447	**53**	**184**	**7,684**
Total	**33,850**	**3,223**	**2,165**	**39,238**

Breakdown of financial assets and liabilities measured at fair value (recurring basis)

31 December 2016	Fair value based on quoted prices in an active market Level 1	Fair value based on observable market data Level 2	Fair value not based on observable market data Level 3	Total fair value
Investments available for sale				
Government bonds	12,566	-	-	12,566
Corporate bonds	8,905	912	-	9,817
Mortgage-backed securities	59	39	-	98
Other asset-backed securities	17	77	-	94
Equities	2,423	102	143	2,668
Other participating interests	2	-	-	2
Other investments	95	-	-	95
	24,067	**1,130**	**143**	**25,340**
Investments at fair value through profit or loss				
Equities	67	2	62	131
	67	**2**	**62**	**131**
Derivatives				
Exchange rate contracts	-	2	-	2
Interest rate contracts	-	3,040	-	3,040
Equity index contracts	16	-	-	16
Inflation linked swaps	-	2	-	2
Total assets	**16**	**3,044**	**-**	**3,060**
Exchange rate contracts	-	-3	-	-3
Interest rate contracts	-	-550	-	-550
Futures	-23	-	-	-23
Inflation linked swaps	-	-1	-	-1
Total liabilities	**-23**	**-554**	**-**	**-577**
	-7	**2,490**	**-**	**2,483**
Cash and cash equivalents	**3,581**	**-**	**-**	**3,581**
Investments on behalf of policyholders				
Government bonds	1,249	-	-	1,249
Corporate bonds	1,272	-	-	1,272
Derivatives	-	8	-	8
Listed equities	3,087	-	-	3,087
Listed equity funds	1,771	-	-	1,771
Investment property	-	-	193	193
Other investments	-	165	-	165
	7,379	**173**	**193**	**7,745**
Total	**35,087**	**3,795**	**398**	**39,280**

Cash and cash equivalents are classified as level 1 when not subject to restrictions.

Reclassification between categories

2017	To level 1	To level 2	To level 3	Total
From:				
Level 1: Fair value based on quoted prices in an active market	-	-	73	73
Level 2: Fair value based on observable market data	14	-	191	205
Level 3: Fair value based not based on observable market data	14	102	-	116

The adjustment of asset backed securities and various preference shares to level 3 is mainly the result of a reassessment of the nature of the valuation technique of the external sources, including the assessment of an active market.

The adjustment of the unlisted real estate funds to level 3 is mainly the result of a decision to base the level classification on the valuation technique of the underlying investment since that primarily drives the value of the fund.

Debt funds are adjusted from level 3 to level 2 based on a reassessment of the impact of the observable and non-observable market assumptions used in determining the fair values of the underlying instruments.

Reclassification between categories

2016	To level 1	To level 2	To level 3	Total
From:				
Level 1: Fair value based on quoted prices in an active market	-	395	-	395
Level 2: Fair value based on observable market data	102	-	8	110
Level 3: Fair value based not based on observable market data	-	1	-	1

The movements of € 395 million from level 1 to level 2 is mainly due to a change in methodology whereby the fair value is based on observable market data. The movement from level 2 to level 1 of € 102 million, relates to unlisted funds only consisting of listed investments.

The following table shows the movement in financial assets measured at fair value including investment on behalf of policyholders and investment property that are categorised within level 3.

Changes in financial assets classified as available for sale categorised within level 3

	2017	2016
At 1 January	143	42
Changes in value of investments, realised/unrealised gains and losses:		
- Realised gains and losses (see Chapter 5.6.3)	8	3
- Recognised in Other comprehensive income (unrealised gains and losses)	-2	8
Purchases	83	115
Repayments	-32	-
Sales	-20	-32
Amortisation	2	-
Impairments	24	-1
Reclassification of investments from/to Level 3 valuation technique	161	8
At 31 December	**367**	**143**

Changes in financial assets at fair value through profit or loss categorised within level 3

	2017	2016
At 1 January	255	264
Changes in value of investments, realised/unrealised gains and losses:		
- Fair value gains and losses (see Chapter 5.6.4)	127	-3
Purchases	172	42
Sales	-163	-46
Reclassification of investments from/to Level 3 valuation technique	-12	-
Transfer between investments on behalf of policyholders and investment property	-9	-2
Transfer of real estate equity funds from investment property	1,432	-
Other	-4	-
At 31 December	**1,798**	**255**
Total revaluations of investments, held at year-end, recognised in the income statement	**125**	**-3**

The main non-observable market input for the private equity investments is the net asset value as published by the investee. An increase or decrease in the net asset value of equities classified as level 3 will have a direct proportional impact on the fair value of the investment.

The sensitivities of the investment property held on behalf of the policyholders have been included in the sensitivities related to investment property included in Chapter 5.7.1.3.

5.7.1.2 Financial assets and liabilities not measured at fair value

The breakdown of the fair values of financial assets and liabilities not measured at fair value, and for which the fair value is disclosed in accordance with the level of fair value hierarchy, as explained in accounting policy B, is as follows:

Breakdown of financial assets and liabilities not measured at fair value

	Fair value based on quoted prices in an active market	Fair value based on observable market data	Fair value not based on observable market data		
	Level 1	Level 2	Level 3	Total fair value	Total carrying value
31 December 2017					
Financial assets					
Due from customers	2	285	8,557	8,844	8,059
Due from credit institutions	184	4,557	-	4,741	3,425
Trade and other receivables	-	690	-	690	690
Total financial assets	**186**	**5,532**	**8,557**	**14,275**	**12,174**
Financial liabilities					
Subordinated liabilities	609	-	-	609	497
Borrowings	-	39	-	39	39
Due to customers	1,675	538	-	2,213	2,184
Due to banks	2,254	-	-	2,254	2,254
Other liabilities	79	462	-	541	541
Total financial liabilities	**4,617**	**1,039**	**-**	**5,656**	**5,515**
31 December 2016					
Financial assets					
Due from customers	-	382	7,987	8,369	7,520
Due from credit institutions	103	5,051	-	5,154	3,387
Trade and other receivables	-	561	-	561	561
Total financial assets	**103**	**5,994**	**7,987**	**14,084**	**11,468**
Financial liabilities					
Subordinated liabilities	531	-	-	531	497
Borrowings	-	114	-	114	114
Due to customers	863	1,080	-	1,943	1,911
Due to banks	2,760	75	-	2,835	2,835
Other liabilities	172	655	-	827	827
Total financial liabilities	**4,326**	**1,924**	**-**	**6,250**	**6,184**

Amounts due to customers and due to banks presented as level 1 primarily comprise savings and the liability recognised for the cash collateral received. The accrued interest included in other liabilities follows the classification of the underlying assets. Level 2 category financial assets relates primarily to savings-linked mortgage loans amounting to a fair value of € 4,042 million (2016 € 4,514 million).

The mortgage loan portfolio is classified as level 3 'not measured on the basis of market observable market data'. Non-observable market inputs are used in the valuation methods, in addition to the observable market inputs. The valuation method used to determine the fair value of the mortgage loan portfolio is based on the spread on the interest rate curve for discounting the mortgage portfolio cash flows on consumer rates and includes assumptions for originating cost, proposal risk, and the options related to early redemption and moving. The mortgage loan portfolio consists of high quality mortgages with a relatively fixed return, limited impairments and arrears (see Chapter 5.5.7). The mortgage loan portfolio consists only of Dutch mortgages with a limited counterparty default risk in line with the strategic investment plan (see Chapter 5.8.4).

5.7.1.3 Property (including land and buildings for own use)

The breakdown of the investment property, real estate equity funds and land and buildings for own use in accordance with the fair value hierarchy, as explained in accounting policy B, is as follows:

Breakdown of the fair value of the investment property and land and buildings for own use

31 December 2017	Fair value based on quoted prices in an active market Level 1	Fair value based on observable market data Level 2	Fair value not based on observable market data Level 3	Total fair value
Investment property - (Chapter 5.5.3)	-	-	1,597	1,597
Investments at fair value through profit or loss:				
Real estate equity funds (Chapter 5.5.5.2)	-	-	1,585	1,585
Investments on behalf of policyholders:				
Investment property (Chapter 5.5.6)	-	-	85	85
Real estate equity funds (Chapter 5.5.6)	-	-	99	99
Land and buildings for own use (Chapter 5.5.2)	**-**	**-**	**147**	**147**
Total	**-**	**-**	**3,513**	**3,513**

31 December 2016	Fair value based on quoted prices in an active market Level 1	Fair value based on observable market data Level 2	Fair value not based on observable market data Level 3	Total fair value
Investment property - (Chapter 5.5.3)	-	-	3,057	3,057
Investments at fair value through profit or loss:				
Real estate equity funds (Chapter 5.5.5.2)	-	-	-	-
Investments on behalf of policyholders:				
Investment property (Chapter 5.5.6)	-	-	193	193
Real estate equity funds (Chapter 5.5.6)				
Land and buildings for own use (Chapter 5.5.2)	**-**	**-**	**149**	**149**
Total	**-**	**-**	**3,399**	**3,399**

The property portfolio is classified as a level 3 'not measured on the basis of market observable market data'. Non-observable market inputs are used in the valuation methods, in addition to the observable market inputs. The fair value measurement is based on valuations by independent professional appraisers. These valuations have been performed for the entire portfolio of investment property and buildings for own use. Independent professional appraisers use reference transactions of comparable properties, in combination with the DCF and income capitalisation method, to determine the fair value of the property. The reference transactions of comparable objects are generally based on observable data consisting of the land register 'Kadaster' and the rural land price monitor as published by the Dutch Government 'Grondprijsmonitor' in an active property market.

The property has a relatively fixed return. The property portfolio is well diversified and consists of residential, retail, offices and rural property, throughout the Netherlands. The retail portfolio focusses on high street locations with relative low vacancy rates. The following table shows a breakdown of the fair value and vacancy rates of the portfolio of investment property, including real estate equity funds where a.s.r. has significant influence. Investment property on behalf of policyholders primarily consist of retail property.

Breakdown of investment property

	Fair value		Vacancy rate	
	31 December 2017	31 December 2016	2017	2016
Retail	836	564	4.4%	9.3%
Residential	756	715	2.4%	2.3%
Rural	1,350	1,248	0.0%	0.0%
Offices	186	424	17.4%	29.8%
Development investment property	134	56	0.0%	0.0%
Other	56	50	42.0%	0.0%
Total	**3,318**	**3,057**	**6.0%**	**9.2%**

The fair value decreased with € 1,460 million due to the transfer of real estate equity funds from investment property to investments.

The movements in investment property measured at fair value (recurring basis) that are categorised within level 3 are presented in Chapter 5.5.3 Investment property, 5.5.2 Property and equipment and 5.7.1.1 Recurring fair value measurement of financial assets and liabilities.

Significant inputs to the Level 3 values are the net initial yield and market rental value. These inputs are verified with the following market observable data:

- Market rent per sq.m. for renewals and their respective re-letting rates;
- Reviewed rent per sq.m.;
- Investment transaction of comparable objects.

The table below discloses the sensitivities to non-observable market inputs for the property portfolio (excluding development investment property).

Unobservable and observable inputs used in determination of fair value

31 December 2017								Change in theoretical rental value		
Unobservable and observable inputs used in determination of fair value	Fair value	Valuation technique	Gross	Gross theoretical rental value (€)	Gross	Gross yield (%)	Change in yield	-5%	0%	5%
Investment property - Fair value model										
Retail	67	DCF	total	4,475,217	mean	6.6%	-5%	-	4	7
	-		max	1,948,300	max	28.7%	0%	-3	-	3
	-		min	8,339	min	2.0%	5%	-6	-3	-
Residential	1	DCF	total	82,024	mean	7.7%	-5%	-	0	0
	-		max	68,100	max	7.7%	0%	-0	-	0
	-		min	35,145	min	7.7%	5%	-0	-0	-
Rural	1,350	DCF	total	31,176,151	mean	2.3%	-5%	-	71	142
			max	193,964	max	29.6%	0%	-67	-	67
			min	1,000	min	0.5%	5%	-129	-64	-
Offices	109	DCF	total	16,751,482	mean	11.7%	-5%	-	6	12
	-		max	7,249,717	max	13.7%	0%	-5	-	5
	-		min	2,947	min	9.6%	5%	-10	-5	-
Other	53	DCF	total	3,950,102	mean	10.7%	-5%	-	3	6
	-		max	2,522,266	max	13.1%	0%	-3	-	3
	-		min	7,838	min	8.7%	5%	-5	-3	-
Development investment property	17	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Investments at fair value through profit or loss										
							-5%	-	83	167
Real estate equity funds	1,585	DCF		80,707,002		5.1%	0%	-79	-	79
							5%	-151	-75	-
Investments on behalf of policyholders										
Investment property	85	DCF	total	8,372,483	mean	9.8%	-5%	-	4	9
			max	2,970,712	max	28.7%	0%	-4	-	4
			min	188,799	min	3.7%	5%	-8	-4	-
							-5%	-	5	10
Real estate equity funds	99	DCF		5,882,793		5.9%	0%	-5	-	5
				1			5%	-9	-5	-
Land and buildings for own use	147	DCF	total	8,956,234	mean	6.2%	-5%	-	8	15
			max	8,956,234	max	6.2%	0%	-7	-	7
			min	8,956,234	min	6.2%	5%	-14	-7	-
Total	**3,513**									

Unobservable and observable inputs used in determination of fair value

31 December 2017								Change in theoretical rental value		
Unobservable and observable inputs used in determination of fair value	Fair value	Valuation technique	Gross	Gross theoretical rental value (€)	Gross	Gross yield (%)	Change in yield	-5%	0%	5%
Investment property - Fair value model										
Retail	564	DCF	total	36,912,238	mean	6.5%	-5%	-	30	59
			max	1,426,007	max	27.0%	0%	-28	-	28
			min	1,138	min	2.4%	5%	-54	-27	-
Residential	715	DCF	total	35,918,848	mean	5.6%	-5%	-	38	75
			max	1,348,890	max	10.2%	0%	-36	-	36
			min	1,009	min	1.9%	5%	-68	-34	-
Rural	1,248	DCF	total	28,918,002	mean	2.3%	-5%	-	66	131
			max	451,637	max	37.0%	0%	-62	-	62
			min	1,005	min	0.6%	5%	-119	-59	-
Offices	424	DCF	total	24,855,570	mean	12.8%	-5%	-	22	44
			max	7,458,561	max	23.3%	0%	-21	-	21
			min	3,380	min	3.6%	5%	-40	-20	-
Other	50	DCF	total	3,692,965	mean	8.0%	-5%	-	3	5
			max	2,516,430	max	13.7%	0%	-2	-	2
			min	1,261	min	4.0%	5%	-5	-2	-
Development investment property	56	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Investments at fair value through profit or loss										
Real estate equity funds	-	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Investments on behalf of policyholders										
Investment property	193	DCF	total	14,755,897	mean	7.5%	-5%	-	10	21
			max	2,060,915	max	21.7%	0%	-10	-	10
			min	726	min	2.8%	5%	-19	-9	-
Real estate equity funds										
Land and buildings for own use	149	DCF	total	8,950,000	mean	6.2%	-5%	-	8	15
			max	8,950,000	max	6.2%	0%	-7	-	7
			min	8,950,000	min	6.2%	5%	-14	-7	-
Total	**3,399**									

5.7.2 Offsetting of financial assets and liabilities

The following tables include information about rights to offset and the related arrangements. The amounts included consist of all recognised financial instruments that are presented net in the balance sheet under the IFRS-EU offsetting requirements (legal right to offset and intention to settle on a net basis) and amounts presented gross in the balance sheet but subject to enforceable master netting arrangements or similar arrangements.

Offsetting financial instruments

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the statement	Net amounts of financial assets presented in the statement of financial	Related amounts not set off in the statements of financial position		Net amount
Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements				Financial instruments	Cash collateral received (excluding surplus)	
31 December 2017						
- Derivatives	2,527	-	2,527	373	2,154	-
Total financial assets	**2,527**	**-**	**2,527**	**373**	**2,154**	**-**
31 December 2016						
- Derivatives	3,060	-	3,060	526	2,534	-
Total financial assets	**3,060**	**-**	**3,060**	**526**	**2,534**	**-**

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the statement	Net amounts of financial assets presented in the statement of financial	Related amounts not set off in the statements of financial position		Net amount
Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements				Financial instruments	Cash collateral received (excluding surplus)	
31 December 2017						
- Derivatives	403	-	403	373	30	-
Total financial liabilities	**403**	**-**	**403**	**373**	**30**	**-**
31 December 2016						
- Derivatives	577	-	577	526	51	-
Total financial liabilities	**577**	**-**	**577**	**526**	**51**	**-**

5.7.3 Related party transactions

A related party is a person or entity that has significant influence over another entity, or has the ability to affect the financial and operating policies of the other party. Parties related to a.s.r. include NLFI and the Dutch State for the period until 13 September 2017, associates, joint ventures, members of the Executive Board, members of the Supervisory Board, close family members of any person referred to above, entities controlled or significantly influenced by any person referred to above and any other affiliated entity.

The group regularly enters into transactions with related parties during the conduct of its business. These transactions mainly involve loans, deposits and commissions, and are conducted on terms equivalent to those that prevail in arm's length transactions.

The remuneration of the a.s.r. Executive Board and Supervisory Board are described in Chapter 5.7.4 (Remuneration of the a.s.r. Executive Board and Supervisory Board).

Positions and transactions between a.s.r., associates, joint ventures and other related parties

The table below shows the financial scope of a.s.r.'s related party transactions:

- Associates;
- Joint ventures (and real estate development joint ventures);
- Other related parties.

Financial scope of a.s.r.'s related party transactions

	Associates	Joint ventures	Other related parties	Total
2017				
Balance sheet items with related parties as at 31 December				
Loans and receivables	24	1	-	25
Other liabilities	1	1	-	2
Transactions in the income statement for the financial year				
Fee and commission income	15	-	-	15
2016				
Balance sheet items with related parties as at 31 December				
Loans and receivables	7	-	1	8
Assets held for sale	-	6	-	6
Other assets	4	-	-	4
Transactions in the income statement for the financial year				
Interest income	2	-	-	2

a.s.r. is listed on Euronext Amsterdam since 10 June 2016. At the end of 2016 NLFI held approximately 63.7% of the shares. During 2017 NLFI sold shares in a.s.r. in several tranches. With the sale of NLFI's 20.5% stake in a.s.r. on 13 September 2017 the Dutch State has completed the full divestment of a.s.r.

In addition to the dividend paid in 2017 of € 70 million (2016: € 170 million), the Ministry of Finance charged a.s.r. for incurred expenses in relation to NLFI amounting to € 1 million (2016: € 6 million) which includes expenses related to the IPO. These expenses are recognised in the consolidated income statement.

Mortgage loans to the Executive Board

Amounts in € thousands		Outstanding		Average interest %		Settlement
Executive directors	2017	2016	2017	2016	2017	2016
J.P.M. Baeten	-	-	-	3.2%	-	624
M.H. Verwoest	-	871	3.3%	3.3%	871	7
Total	**-**	**871**	**-**	**-**	**871**	**631**

These mortgage loans held by the member of the Executive Board have been issued based on current employee conditions. The employee conditions include limits and thresholds to the amounts that qualify for a personnel interest-rate discount. For mortgage loans higher than € 340 thousand arm's length conditions apply.
The insurance contracts held by the members of the Executive Board are subject to the normal employee conditions.

5.7.4 Remuneration of Supervisory Board and Executive Board

The remuneration of the Executive and Supervisory Board members is determined in accordance with the current Articles of Association of ASR Nederland N.V.

Following the IPO of a.s.r. in 2016, the Dutch State sold its remaining a.s.r. shares in a final transaction on 14 September 2017. This transaction was the completion of a period of state-ownership of a.s.r. that started in 2008. As of 2011, as state-owned financial company, a.s.r. was subject to a special law (Wet aansprakelijkheidsbeperking DNB en AFM en bonusverbod staatsgesteunde ondernemingen) which prohibited the pay of variable remuneration as well as the increase of fixed remuneration. With a.s.r.'s return to the market now fully completed, a.s.r. resumed the remuneration policy for the members of the Executive Board.

Once every three years, an independent consultant performs a market comparison (remuneration benchmark). The 2017 benchmark analysis highlights a considerable gap between a.s.r. and the relevant peer group. This has prompted the Supervisory Board to increase the salary of the members of the Executive Board. As this decision comes within the scope of the present remuneration policy, it was decided to act and implement the first step of the increase as of 1 January 2018. The increase will be effected in multiple steps over time, but no later than 1 January 2020. After full implementation the target salaries will still remain below the benchmark averages. The Supervisory Board continuously assesses and evaluates the remuneration policy for the Executive Board and will continue to do so in the coming period, with caution taking precedence over speed. This will include conducting extensive consultations with various stakeholders including shareholders, clients and staff. These consultations will take place in the course of 2018. The Supervisory Board will submit the remuneration policy for the Executive Board to the 2019 AGM for a shareholder vote.

5.7.4.1 Remuneration of Supervisory Board members

Annual remuneration for members of the a.s.r. Supervisory Board

Amounts in € thousand			2017			2016
Supervisory Board member	As a Supervisory Board member	As a committee member	Total	As a Supervisory Board member	As a committee member	Total
C. van der Pol[1]	45	5	50	45	5	50
A.P. Aris[1,2]	30	15	45	30	15	45
C.H. van den Bos[2]	30	14	44	30	14	44
H.C. Hintzen[2]	30	14	44	30	14	44
Total	**135**	**48**	**183**	**135**	**48**	**183**

5.7.4.2 Remuneration of current and former Executive Board members

The remuneration of the Executive Board members is in accordance with the 2017 remuneration policy.

In accordance with the remuneration law 'Wet aansprakelijkheidsbeperking DNB en AFM en bonusverbod staatsgesteunde ondernemingen', issued by the Dutch government, no variable remuneration has been disbursed to the Executive Board members for the period as from the 2011 a.s.r. financial year until 2016 a.s.r. financial year. In 2017 the increase in short-term variable employee benefits is caused by the one-off variable payment in December. In 2017 the fixed employee benefits of board members only increased with the annual CAO-index.

1 The amount as committee member also includes remuneration for services as member of the S&B (Selectie & Benoeming) and R (Remuneratie) committee amounting to € 5,000 per annum per member.

2 The amount as a committee member also includes remuneration for services as Supervisory Board member of ASR Bank N.V. amounting to € 4,000 per annum per Supervisory Board member.

Annual remuneration for members of the a.s.r. Executive Board

Amounts in € thousand Executive Board member	Fixed employee benefits[1]	Short-term variable employee benefits[2]	Pension benefits[3]	Expense allowance	Termination benefits	Long-term variable remuneration	Total
2017							
J.P.M. Baeten	543	23	307	3	-	-	876
H.C. Figee	428	15	82	3	-	-	528
K.T.V. Bergstein	424	15	134	3	-	-	576
M.H. Verwoest	430	15	123	3	-	-	571
Total	**1,825**	**68**	**646**	**12**	**-**	**-**	**2,551**
2016							
J.P.M. Baeten	540	-	273	3	-	-	816
H.C. Figee	424	-	73	3	-	-	500
K.T.V. Bergstein	414	-	121	3	-	-	538
M.H. Verwoest	429	-	111	3	-	-	543
Total	**1,807**	**-**	**578**	**12**	**-**	**-**	**2,397**

1 The fixed salary of the three ordinary board members is similar and amounts to € 413 thousand in 2017. Variations arise as a result of the fiscal treatment of lease cars depending on the price and private use of the car and personnel interest rate discount related to mortgages. The fixed salary for the CEO amounts to € 534 thousand in 2017.

2 The increase is caused by the formentioned one-off payment in December 2017 equal to a monthly salary granted by the Supervisory Board. This payment concerns 60% of the gross monthly salary of December 2017. The remaining 40% will be paid in 2020. It has been agreed with DNB to qualify this payment as a one-off variable payment.

3 The commitment on pensions has not changed in 2017. The increase in annual pension expenses is caused by a decrease of the interest rates. The calculation of the annual pension expenses is based on the total granted pension rights during the term of service at a.s.r. Further changes in the cost of pension benefits are mainly the result of the impact of age, term of service, gender and age differentiated disability, mortality and other actuarial assumptions. The pension costs include pensions based on maximum pensionable salary cap, compensation for maximum pensionable salary cap (at employees discretion to be utilised for pensions) amounting to € 206 thousand (2016: € 209 thousand) in total, and VPL. The Pension benefits, excluding compensation for maximum pensionable salary cap, represent post-employment benefits.

5.7.5 Contingent liabilities and assets

5.7.5.1 General claims and disputes

The group is a respondent in a number of claims, disputes and legal proceedings arising from the normal conduct of business.

Provisions are formed for such occurrences if, in management's opinion and after consultation with its legal advisers, a.s.r. is likely to have to make payments and the payable amount can be estimated with sufficient reliability. The costs of the compensation scheme for unit-linked insurance contracts have been fully recognised in the financial statements based on management's best knowledge of current facts, actions, claims, complaints and events. Provisions are recognised in the liabilities arising from insurance contracts and legal provisions (see Chapter 5.5.14).

Dutch insurers see an increase in insurance policies complaints/claims based on grounds other than the cost compensation. Current and possible future legal proceedings could have a substantial financial and reputational impact. However it is not possible at this time to make reliable estimates of the number of expected proceedings, possible future precedents and the financial impact of current and possible future proceedings. Currently there are no indications that such a provision would be necessary for a.s.r.

As for other claims and legal proceedings, against a.s.r. known to management (and for which, in accordance with the defined principles, no provision has been formed), management believes, after having sought expert advice, that these claims have no chance of success, or that a.s.r. can successfully mount a defense against them, or that the outcome of the proceedings is unlikely to result in a significant loss for a.s.r. For further information related to the Unit-Linked Products (beleggingsverzekeringen) refer to Chapter 5.7.5.2.

5.7.5.2 Unit-Linked Products (beleggingsverzekeringen)

Background

Since the end of 2006, individual unit-linked life insurance products (beleggingsverzekeringen) have received negative attention in the Dutch media, from the Dutch Parliament, the AFM, consumers and consumer protection organisations. Elements of unit-linked policies are being challenged or may be challenged on multiple legal grounds. The criticism and scrutiny on unit-linked life insurance products led to the introduction of compensation schemes by Dutch insurance companies that have offered unit-linked products. In 2008, a.s.r. leven reached an outline agreement with two main consumer protection organisations to offer compensation to unit-linked policyholders in case the cost charge and/or risk premium charge exceeds a defined maximum. A full agreement on implementation of the compensation scheme was reached in 2012. The total recognised cumulative financial costs relating to the compensation scheme for Individual life in a.s.r.'s income statement until 2017 was € 1,031 million. This includes, amongst other things, compensation paid, amortisation of surrender penalties and costs relating to improved product offerings. The remaining provision in the balance sheet as at 31 December 2017 amounted to € 45.3 million and is solely available to cover potential additional compensation (schrijnende gevallen) and costs relating to the compensation scheme. On the basis of this agreement, a.s.r. offered consumers additional measures such as alternative products and less costly investment funds. In addition to the compensation scheme, a.s.r. has implemented additional measures (flankerend beleid), including the ten best in class principles as formulated by the Dutch Minister of Finance. On 17 July 2015, the Dutch Ministry of Finance published an Order in Council (Algemene Maatregel van Bestuur), pursuant to which insurance companies can be sanctioned if they do not meet the compulsory targets set for approaching policyholders of unit-linked life insurances and prompting them to review their existing policies.

The agreement with the two consumer protection organisations and additional measures are not binding for policyholders. Consequently, neither the implementation of the compensation schemes nor the additional measures offered by a.s.r. prevent individual policyholders from initiating legal proceedings against the a.s.r. and making claims for damages.

Legal proceedings

a.s.r. is subject to a number of legal proceedings initiated by individual unit-linked policyholders, in most cases represented by claims organisations. While to date fewer than 15 cases are pending before Dutch courts and courts of appeal and fewer than 120 cases are pending before the Financial Services Complaints Board ('FSCB') (the Dispute Committee as well as the Committee of Appeal of the FSCB), there is no assurance that further proceedings will not be brought against a.s.r. in the future. Future legal proceedings regarding unit-linked life insurance policies might be brought upon a.s.r. by consumers individually, by consumer organisations acting on their behalf or in the form of a collective action. Furthermore, there is an ongoing lobby by consumer protection organisations, such as the Consumentenbond and Stichting Geldbelangen, to continuously gain media attention for unit-linked life insurance policies. These organisations argue, amongst other things, that consumers did not receive sufficient compensation based on the compensation scheme.

a.s.r. is currently subject to two collective actions. In June 2016, Woekerpolis.nl initiated a collective action, requesting the district court Midden-Nederland to declare that a.s.r. has sold products in the market which are defective in various respects (e.g. on transparency regarding cost charges and other product characteristics, and included risks for which the insurer failed to warn, such as considerable stock depreciations, the inability to realise the projected final policy value, unrealistic capital projections due to difference in geometric versus arithmetic returns and on general terms and conditions regarding costs that Woekerpolis.nl considers unfair). Also, in March 2017, the Consumentenbond started a collective action against a.s.r.. This collective action is based on grounds similar to the collective procedure that was initiated by Woekerpolis.nl. The collective procedure of Consumentenbond is currently pending at the district court Midden-Nederland. In both collective procedures, a.s.r. has rejected all the claims. The timing and outcome of both collective actions is currently uncertain.

In 2011, three individual trial proceedings were initiated by ConsumentenClaim B.V. on behalf of three policyholders against a.s.r. regarding certain unit-linked life insurance products. Amongst other things, ConsumentenClaim argues that a.s.r. (a) has not provided the policyholders sufficient information about certain elements of the products, such as costs, risk premiums and the leverage capital consumption risk, (b) had a duty of care towards the policyholders, which a.s.r. has breached and (c) that the general terms and conditions regarding costs were unfair. In two of these cases, the court of appeal of 's-Hertogenbosch (having the same composition) has issued a ruling on 2 May 2017 respectively 31 October 2017. In the first judgement (2 May 2017), some specific general terms regarding costs were considered to be unfair in light of directive 93/13/EEC on unfair terms in consumer contracts. In the second judgement (31 October 2017), some specific general terms regarding costs were considered to be unlawful in light of general contract law that was applicable at the time the product was sold. In both individual cases, the court of appeal of 's-Hertogenbosch ruled that a.s.r. is required to pay back certain costs that were charged in the product to this specific customer. The third individual case is currently still pending before the court of appeal of The Hague. At the moment, the timing and outcome of this pending individual proceeding is uncertain.

Risk profile and contingent liability unit-linked life insurance products

The prolonged political, regulatory and public attention focused on unit-linked life insurance policies continues. Elements of unit-linked life insurance policies of a.s.r. are being challenged on multiple legal grounds in current, and may be challenged in future, legal proceedings. There is a risk that one or more of the current and/or future claims and/or allegations will succeed. To date, a number of rulings regarding unit-linked life insurance products in specific cases have been issued by the FSCB and courts (of appeal) in the Netherlands against a.s.r. and other insurers. In these proceedings, different (legal) approaches have been taken to come to a ruling. The outcomes of these rulings are diverse. Because the book of policies of a.s.r. dates back many years, contains of a variety of products with different features and conditions and because of the fact that rulings are diverse, no reliable estimation can be made regarding the timing and the outcome of the current and future legal proceedings brought against a.s.r. and other insurance companies.

The total costs related to compensation for unit-linked insurance contracts as described above, have been fully recognised in the financial statements based on management's best knowledge of current facts, actions, claims, complaints and events. Provisions are recognised in the liabilities arising from insurance contracts and legal provisions (see Chapter 5.5.14). Although the financial consequences of the legal developments could be substantial, a.s.r.'s exposures cannot be reliably estimated or quantified at this point. If one or more of these legal proceedings should succeed, there is a risk a ruling, although legally only binding for the parties that are involved in the procedure, could be applied to or be relevant for other unit-linked life insurance policies sold by a.s.r. Consequently, the financial consequences of any of the current and/or future legal proceedings brought upon a.s.r. can be substantial for a.s.r.'s life insurance business and may have a material adverse effect on a.s.r.'s financial position, business, reputation, revenues, results of operations, solvency, financial condition and prospects.

5.7.5.3 Obligations and guarantees

Investment obligations for an amount of € 82 million (2016: € 245 million) have been assumed / issued for investment property.

Investment obligations and guarantees for a total amount of € 166 million (2016: € 334 million) have been issued, for real estate development projects and the acquisition of property. Those guarantees were issued by principals for the execution of projects for the benefit of clients.

a.s.r. also had irrecovable facilities of € 383 million (2016: € 152 million) which mainly relate to mortgage offers issued.

Furthermore, a.s.r. issued several other guarantees for a total amount of € 10 million (2016: € 4 million).

5.7.5.4 Lease commitments

Commitments for non-cancellable operating leases

Lease commitments	2017	2016
No later than 3 months	-	1
Later than 3 months and no later than 1 year	3	4
Later than 1 year and no later than 5 years	7	9
Total commitments for non-cancellable operating leases as at 31 December	**10**	**14**

Other commitments, primarily facility management and ICT related, have been entered into for an amount of € 46 million (2016: € 53 million).

Annual lease costs

	2017	2016
Lease payments	7	7

5.7.5.5 Expected future rental income

Expected minimum future rental income on non-cancellable investment property lease

	2017	2016
No later than 1 year	41	126
Later than 1 year and no later than 5 years	134	287
Later than 5 years	374	388
Total expected minimum future rental income on non-cancellable investment property lease	**549**	**801**

The investments properties in the different markets retail, residential, offices and rural are leased to third parties, consisting of various lease terms in a range between shorter than one year and undetermined period with competitive rents mostly indexed to consumer prices.

5.7.6 Events after the balance sheet date

a.s.r. acquires Generali Nederland
On 6 February 2018, ASR Nederland N.V. announced the completion of its acquisition of Generali Nederland N.V. (hereafter GNL) by acquiring all issued and outstanding shares for a total consideration of € 145 million paid in cash.

GNL is the group company of a number of entities, the main being Generali levensverzekering maatschappij N.V. (GNL life) and Generali schadeverzekering maatschappij N.V. (GNL non-life). GNL focuses on non-life and life insurance contracts in the Dutch market. Generali Nederland N.V. has been renamed ASR Utrecht N.V.

The acquisition of GNL further strengthens a.s.r.'s position on the Dutch insurance market and ties in with a.s.r.'s strategy of combining organic growth and growth through targeted acquisitions. Business synergies, diversification benefits and elimination of capital tiering restrictions generate significant synergy potential.

The closing for the transaction of Generali Nederland took place on 5 February 2018. As a result these activities are not included in the consolidated financial statements as of 31 December 2017. a.s.r. will fully include the results and the balance sheet positions in the a.s.r. consolidated financial statements from the closing date. The full integration of GNL's activities into a.s.r. will take place in phases and is likely to be completed by 2020 at the latest. GNL staff will move to a.s.r. locations in the course of 2018. The GNL products will be rebranded into a.s.r. or one of a.s.r.'s labels in due course. GNL life and GNL non-life have been transferred to ASR Levensverzekering N.V. and ASR Schadeverzekering N.V. respectively in preparation for the legal mergers which are expected to take place in 2018.

Given the recent closing, the initial accounting for GNL is ongoing and as such the opening balance sheet presented below is provisional (i.e. identifiable intangible assets and contingent liabilities, if any, have not yet been recognised in the initial opening balance sheet). In accordance with IFRS 3 business combinations, the final opening balance sheet will be drawn up within 12 months of the closing date. The provisional balance sheet based on fair value uses the following techniques and assumptions:

- Financial assets and liabilities (including investments and loans and receivable) were remeasured to fair value at the closing date.
- Liabilities arising from insurance contracts were remeasured to fair value as defined in IFRS; this resulted in a significant increase predominately resulting from applying a different market consistent discount rate assumption and risk adjustment using a cost of capital approach at the closing date.

Condensed balance sheet of Generali

	Balance sheet based on fair value
Investments	2,499
Investments on behalf of policyholders	713
Loans and receivables	410
Other assets	375
Total assets	**3,997**
Liabilities arising from insurance contracts	2,894
Liabilities arising from insurance contracts on behalf of policyholders	673
Employee benefits	191
Other liabilities	116
Total liabilities	**3,874**
Net assets and liabilities	**123**
Consideration paid	**145**
Preliminary excess purchase consideration	**22**

The preliminary excess purchase consideration amounting to € 22 million is not tax deductible. The impact on the a.s.r. Solvency II ratio is expected to decrease by 9%-points. To meet the a.s.r. solvency criteria, ASR Levensverzekering N.V. and ASR Schadeverzekering N.V. made capital injections to GNL life and GNL non-life respectively. GNL is expected to have a limited increase on the IFRS profit after tax and the operating result in 2018.

5.7.7 List of principal group companies and associates

List of principal group companies and associates

Company	Equity interest	Rate of Control	Seat	Segment
ASR Aanvullende Ziektekostenverzekeringen N.V.[2]	100,00	100,00	Amersfoort	Non-life
ASR Basis Ziektekostenverzekeringen N.V.[2]	100,00	100,00	Amersfoort	Non-life
ASR Schadeverzekering N.V.[2]	100,00	100,00	Utrecht	Non-life
ASR Ziektekostenverzekeringen N.V.[1]	100,00	100,00	Amersfoort	Non-life
ASR Wlz-uitvoerder B.V.[3]	100,00	100,00	Utrecht	Non-life
ASR Levensverzekering N.V.[2]	100,00	100,00	Utrecht	Life
Deltafort Beleggingen I B.V.	50,00	50,00	Amsterdam	Life
Sycamore 5 B.V.[1]	100,00	100,00	Utrecht	Life
Sycamore 6 B.V.[1]	100,00	100,00	Utrecht	Life
ASR Bank N.V.[3]	100,00	100,00	Utrecht	Banking and Asset Management
ASR Hypotheken B.V.[1]	100,00	100,00	Utrecht	Banking and Asset Management
ASR Vastgoed Vermogensbeheer B.V.[1,3]	100,00	100,00	Utrecht	Banking and Asset Management
ASR Financieringen B.V.	100,00	100,00	Utrecht	Banking and Asset Management
ASR Vermogensbeheer N.V.[1,3]	100,00	100,00	Utrecht	Banking and Asset Management
First Investments B.V.[3]	100,00	100,00	Utrecht	Banking and Asset Management
Dutch ID B.V.	100,00	100,00	Amsterdam	Distribution and Services
Felison Assuradeuren B.V.[3]	100,00	100,00	Velsen	Distribution and Services
Boval Assurantiën B.V.[3]	100,00	100,00	Badhoevedorp	Distribution and Services
Boval Flexis Pensioen B.V.[3]	50,00	50,00	Zoetermeer	Distribution and Services
PoliService B.V.[3]	100,00	100,00	Zeist	Distribution and Services
Van Kampen Groep Holding B.V.[3]	100,00	100,00	Purmerend	Distribution and Services
Van Kampen Geld B.V.[3]	100,00	100,00	Purmerend	Distribution and Services
Supergarant Verzekeringen B.V.[3]	100,00	100,00	Bilthoven	Distribution and Services
VSP Risk B.V.[3]	100,00	100,00	Tilburg	Distribution and Services
Corins B.V.[3]	100,00	100,00	Amsterdam	Distribution and Services
Brand New Day Premiepensioeninstelling N.V.[3,4]	50,00	50,00	Amsterdam	Holding and Other
ASAM N.V.[1]	100,00	100,00	Utrecht	Holding and Other
ASR Deelnemingen N.V.[1]	100,00	100,00	Rotterdam	Holding and Other
ASR Nederland N.V.	100,00	100,00	Utrecht	Holding and Other
ASR Service Maatschappij N.V.[1]	100,00	100,00	Rotterdam	Holding and Other
ASR Betalingscentrum B.V.[1]	100,00	100,00	Utrecht	Holding and Other
Administratie- en Adviesbureau voor Belegging en Krediet (A.B.K.) B.V.[1]	100,00	100,00	Amersfoort	Holding and Other
Servicemaatschappij De Hoofdpoort N.V.[1]	100,00	100,00	Utrecht	Holding and Other
ASR Vastgoed Projecten B.V.	100,00	100,00	Utrecht	Real Estate Development

The principal group companies and associates are located in the Netherlands.
For notes to equity interests in associates and joint ventures, see Chapter 5.5.4. The list of equity interests which are required under Sections 379 and 414, Book 2 of the Dutch Civil Code has been filed with the Trade Register of the Chamber of Commerce in Utrecht.

5.7.8 Profit appropriation

The Executive Board will propose to the Annual General Meeting of Shareholders to distribute € 230 million in dividend on ordinary shares for 2017.

1 These are companies for which a statement of joint and several liability under section 403, Book 2 of the Dutch Civil Code has been issued.
2 Registered insurance companies
3 Other Wft registered companies
4 Joint Venture

5.8 Risk management

Risk management is an integral part of a.s.r.'s daily business operations. a.s.r. applies an integrated approach to managing risks ensuring that strategic objectives are met. Value is created by striking the right balance between risk and return and capital, whilst ensuring that obligations to stakeholders are met. The Risk Management Function (RMF) supports and advises a.s.r. in identifying, measuring and managing risks, and monitors that adequate and immediate action is taken in the event of developments in the risk profile.

a.s.r. is exposed to a number of risks, such as strategic risk, market risk, counterparty default risk, liquidity risk, insurance risk, and operational risk. Its risk appetite is formulated at both group and legal entity level and establishes a framework of risk appetite statements that supports effective risk selection and monitoring.

As of 1 January 2016, the Solvency II regime is in place. a.s.r. measures its risks based on the standard model as prescribed by the Solvency II regime and therefore the risk management framework and this chapter are fully aligned with Solvency II. The Solvency Capital Requirement (SCR) is determined as the change in own funds caused by a predetermined shock which is calibrated to a 1-in-200-year event. The basis for these calculations are the Solvency II technical provisions which are calculated as the sum of a best estimate and a risk margin.

5.8.1 Risk management system including the Own Risk and Solvency Assessment Risk Management System

It is of great importance to a.s.r. that risks within all business lines are timely and adequately controlled. In order to do so,a.s.r. has implemented a Risk Management framework based on internationally recognised and accepted standards (such as COSO ERM and ISO 31000:2009 risk management principles and guidelines). Using this framework, material risks that a.s.r. is, or can be, exposed to, are identified, measured, managed, monitored and evaluated. The framework is both applicable to a.s.r. group and the underlying (legal) business entities.

5.8.1.1 Enterprise Risk Management Framework

The figure below is the risk management framework as applied by a.s.r. The framework is based on the Enterprise Risk Management (ERM) model by COSO[1].

Enterprise Risk Management Framework

1 ISO 31000:2009 risk management principles and guidelines

Risk Management framework
The Risk Management (RM) framework consists of risk strategy (including risk appetite), risk governance, systems and data, risk policies and procedures, risk culture, and risk management process. The RM framework contributes to achieving the strategic objectives as set out by a.s.r.

Risk strategy (incl. risk appetite)
Risk strategy is defined to contain at least the following elements:
- Strategic objectives that are pursued;
- The risk appetite in pursuit of those strategic objectives.

a.s.r.'s risk strategy aims to ensure that decisions are made within the boundaries of the risk appetite, as stipulated annually by the Executive Board and the Supervisory Board.

Risk appetite
The risk appetite is defined as the level and type of risk a.s.r. is willing to bear in order to meet its strategic, tactical and operational objectives. Risk preferences in the form of qualitative risk appetite statements and risk tolerances presented by quantitative risk appetite statements, guide the organisation in the selection of risks. Risk appetite statements are implemented within the business through the use of risk limits. The risk appetite statements in 2017 are:

Risk appetite Statement ASR Nederland N.V. 2017

1	ASR Nederland N.V. places long-term value creation at the forefront of its (strategic) operations. ASR Nederland N.V. is a socially responsible organisation which ensures that all stakeholders' interests are met in a balanced and sustainable way.
2	ASR Nederland N.V. ensures that operational risks are controlled efficiently and effectively: a. ASR Nederland N.V. has efficient and effective business processes; b. ASR Nederland N.V. has reliable financial reports; c. ASR Nederland N.V. has controlled internal and external outsourcing; a) ASR Nederland N.V. has IT that processes information reliably.
3	ASR Nederland N.V. complies with current laws, regulations and ethical (and inherent internal) norms. ASR Nederland N.V. meets the (reasonable) expectations of stakeholders and offers solid and reliable products which are cost-efficient, useful, safe and comprehensible to customers, intermediaries and ASR's internal organisation. Conducting honest business ensures that ASR's reputation, business model and financial solidity are protected.
4	ASR Nederland N.V. has a minimum SCR ratio of 120%.
5	ASR Nederland N.V. remains within the bandwidth of periodically reassessed market risk budgets.
6	ASR Nederland N.V. retains, in accordance with the S&P Capital model, a minimum rating of single A.
7	ASR Nederland N.V. has a maximum financial leverage ratio of 40%. Financial leverage ratio = Debt / (Debt + Equity)
8	ASR Nederland N.V. has a maximum double leverage ratio of 135% with a soft limit of 115%. Double leverage ratio = Total value of associates / (equity attributable to shareholders + hybrids and subordinated liabilities)
9	ASR Nederland N.V. has a minimum interest coverage ratio of between 4 and 8. Interest coverage ratio = EBIT operational / interest expense.
10	ASR Nederland N.V. is capable of releasing liquidities worth up to EUR 1 billion over a 1-month period following stress and remains capable of meeting its collateral requirements in the event of a 3% interest increase.
11	ASR Nederland N.V. generates a robust and high-quality operational ROE, i.e. pursues an overall ROE > 10% and seeks an ROE > 8% for individual investment decisions.
12	ASR Nederland N.V. has a maximum combined ratio of 99%.

Risk governance
Risk governance can be seen as the way in which risks are managed, through a sound risk governance structure and clear tasks and responsibilities, including risk ownership. a.s.r. employs a risk governance framework that entails the tasks and responsibilities of the risk management organisation and the structure of the Risk committees.

Systems and data
Systems and data support the risk management process and provide management information to the risk committees and other relevant bodies. Strategic decisions are based on the management information provided. a.s.r. finds it very important to have qualitatively adequate data and systems in place, in order to be able to report and steer correct figures and to apply risk-mitigating measures timely. To ensure this, a.s.r. has designed a policy for data quality in line with Solvency II. Tools, models and systems are implemented to support the risk management process by giving guidance to and insights into the key risk indicators, risk tolerance levels, boundaries and actions, and remediation plans to mitigate risks.

Risk policies and procedures
Risk policies and procedures at least[1]:
- Define the risk categories and the methods to measure the risks;
- Outline how each relevant category, risk area and any potential aggregation of risk is managed;
- Describe the connection with the overall solvency needs assessment as identified in the Own Risk & Solvency Assessment (ORSA), the regulatory capital requirements and the risk tolerances;
- Provide specific risk tolerances and limits within all relevant risk categories in line with the risk appetite statements;
- Describe the frequency and content of regular stress tests and the circumstances that would warrant ad-hoc stress tests.

The classification of risks within a.s.r. is performed in line with, but is not limited to, the Solvency II risks. Each risk category consists of a policy that explicates how risks are identified, measured and controlled within a.s.r.

Risk culture
An effective risk culture is one that enables and rewards individuals and groups for taking risks in an informed manner. It is a term describing the values, beliefs, knowledge, attitudes and understanding about risk. All the elements of the RM framework combined make an effective risk culture.

Within a.s.r. risk culture is an important element that emphasises the human side of risk management. The Executive Board has a distinguished role in expressing the appropriate norms and values (tone at the top). a.s.r. employs several measures to increase the risk awareness and, in doing so, the risk culture.

Risk management process
The risk management process contains all activities within the RM processes to structurally 1) identify risks; 2) measure risks; 3) manage risks; 4) monitor and report on risks; and 5) evaluate the risk profile and risk management framework. At a.s.r., the risk management process is used to implement the risk strategy in the steps mentioned. These five steps allow for the risks within the company to be managed effectively.

5.8.1.1.1 Risk strategy and risk appetite
The risk strategy of a.s.r. aims to ensure that management decisions lead to a risk profile that remains in line with the mission of the organisation. The risk strategy entails all processes to manage identified risks and to take advantage of opportunities should they arise. In order to achieve this, a risk appetite is established so that the risk profile can be managed within the limits as determined by the Executive Board and approved by the Supervisory Board. These risk boundaries are set with the goal of remaining a solid insurance company with the right balance between risk and return. The risk appetite describes the level of risk a.s.r. is willing to bear in order to meet its strategic objectives. Risk exposures are actively managed to ensure that the risks will stay within the defined limits. Risk appetite is defined at both group level and at legal entity level for financial and non-financial risks. Risk tolerances, limits and targets are set for all risk appetite statements. Objectives of the risk appetite are:
- To serve as an important steering instrument on a daily basis: a pragmatic approach at both group-, legal entity- and business unit level. This helps to develop a vision with respect to risk, which is used in the day-to-day decision-making process;
- To link the risk appetite to the strategic goals, in order to indicate a.s.r.'s willingness to take risks.

1 EIOPA-BoS-253-Guidelines_on_System_of_Governance_EN.pdf

The risk appetite is based on a.s.r.'s mission, vision and strategy, determined by the Executive Board. The overall mission is to offer transparent insurance solutions as a trusted partner to customers, while creating a sustainable and stable value for a.s.r.'s stakeholders. This mission is translated into the prioritisation of simple and transparent products, clear communication and fair treatment of customers. The strategy is derived from the mission and is based on four pillars: meeting customer needs, pricing discipline and underwriting excellence, cost effectiveness and maintaining a cash generative business model. The group strives to execute these four strategic pillars within all of the group's segments.

Meeting customers' needs
The group aims to offer customers simple, transparent products that fulfil their needs.

Excellence in pricing, underwriting and claims handling
The group intends to maintain a disciplined pricing strategy focusing on further expanding its knowledge of customer behaviour and continuing to enhance and further develop its experience and skills in respect of pricing and underwriting.

Cost Effectiveness
The group aims to continuously focus on effectively managing its costs.

Cash Generating Business Model
The group's objective is to maintain its operation on a cash generative business model backed by a sound investment policy and investment mix to deliver robust, high-quality earnings underpinned by strong capital generation. The strategic pillars are translated in key risk appetite pillars that represent the focus points supporting the realisation of the strategic objectives from a risk management perspective. The figure below illustrates the key risk appetite pillars. Consequently, these risk appetite pillars are the basis for the establishment of risk appetite statements.

Strategic pillars

Strategic pillars			
Consumer needs	Excellence in pricing, underwriting & claims handling	Cost effectiveness	Cash generative business model

Risk appetite pillars	Risk appetite statements
Capital	**Adequate solvency takes priority over profit** Adequate capital buffers and financial power to facilitate future developments and continuously meeting our obligations towards policy holders, supervisors and rating agencies. Ensuring the capital buffer is suffcient to maintain an 'A' rating at operating company level.
Value & Return	**Adequate profit take priority over turnover** Value creation by efficient allocation of capital resulting in realizing value and return objectives. This will safeguard the efficiency of business operations and continuity of a.s.r. in the long term.
Liquidity	**Adequate liquidity** Maintaining financial flexibility through solid liquidity. This liquidity position must ensure that a.s.r. is always able to meet its payment obiligations, also in a situation of stress.
Operational	**Effective risk management** Maintaining continuity by accepting only risks that a.s.r. understands and with efficient and sound business operations, reliable financial reporting, controlled outsourcing, secure IT systems and continuous compliance to regulation.
Integrity & reputation	**Integer and balanced consideration of all interests of our stakeholders** Ensuring that all interests of our stakeholders are taken into account in an integer and balanced way. Offering safety and reliability to customers is key to a.s.r. while maintaining a good reputation.

Through a top-down strategic risk analysis at group level and bottom-up control risk self-assessments from the legal entities, the most important strategic risks are identified. For each of these risks an estimation of the likelihood and impact is made to prioritise the risks. The outcomes of these analyses are used as input for defining the level of risk the organisation is willing to take in order to achieve strategic goals. The risk appetite is formulated to provide guidance and direction to the management of the strategic risks. The risk appetite contains a number of qualitative and quantitative risk appetite statements. The statements point out the risk preferences and tolerances of the organisation and are viewed as key elements for the realisation of our strategy. With the use of hard and soft limits the boundaries for accepting risks are objective and evident. Soft limits are used as early warning signals to prevent risk taking beyond the hard limits. The performance against these statements is monitored in the risk committees. The statements and limits are evaluated regularly to maintain alignment with the strategy.

5.8.1.1.2 Risk governance

a.s.r.'s risk governance can be described by:

- Risk ownership;
- the implemented three lines of defence model and associated (clear delimitation of) tasks and responsibilities of key function holders; and
- the risk committee structure to ensure adequate strategic decision making.

Risk ownership
The Executive Board has the final responsibility for risk exposures and management within the organisation. Part of the responsibilities have been delegated to persons that manage the divisions where the actual risk-taking takes place. Risk owners are accountable for one or more risk exposures that are inextricably linked to the department or product line they are responsible for. Through the risk committee structure, risk owners provide accountability for the risk exposures.

Three lines of defence
The risk governance structure is based on the 'three lines of defence' model. The 'three lines of defence' model consists of three defence lines with different responsibilities with respect to the ownership of controlling risks. The model below provides insight in the organisation of the three lines of defence within a.s.r.

Three lines of defence model

Three lines of defence		
First line of defence	**Second line of defence**	**Third line of defence**
• Executive Board • Management teams of the business lines and their employees • Finance & risk decentral	• Group Risk Management department - Risk management function - Actuarial function • Group Risk Management - Compliance function	• Internal Audit department - Audit function
Ownership and implementation	Policies and monitoring implementation by 1st line	Independent assessment of 1st and 2nd lines
• Responsible for the identification and the risks in the daily business • Has the day-to-day responsibility for operations (sales, pricing, underwritig, claims handling, etc.) and is responsible for implementing risk frameworks and policies.	• Challenges the 1st line and supports the 1st line to acheive their business objectives in accordance with the risk appetite • Has sufficient countervailing power to prevent risk concentrations and other forms of excessive risk taking • Responsible for developing risk policies and monitoring the compliance with these policies	• Responsible for providing dedicated assurance services and oversees and assesses the functionng and the effectiveness of the first two lines of defence

Positioning of key functions
Within the risk governance, the key functions (compliance, risk, actuarial and audit) are organised in accordance with Solvency II regulation and play an important role as countervailing power of management in the decision-making process. The four key functions are independently positioned within a.s.r. The risk and actuarial function are positioned under responsibility of the CFO; the compliance and audit function under the responsibility of the CEO. All functions are executed in the central risk committees. None of the functions has voting rights in the committees, in order to remain fully independent as countervailing power. All functions have direct communication lines with the Executive Board and can escalate to the chairman of the Audit & Risk Committee of the Supervisory Board. Furthermore, the key functions have regular meetings with the supervisors of the Dutch Central Bank and/or The Dutch Authority for the Financial Markets (AFM).

Group Risk Management
Group Risk Management is responsible for the execution of the risk management function and the actuarial function. The department is led by the CRO. Group Risk Management consists of the following sub-departments:
- Enterprise Risk Management;
- Financial Risk Management (including Actuarial Function).

Enterprise Risk Management
Enterprise Risk Management is responsible for second-line operational (including IT) risk management and the enhancement of the risk awareness within the organisation. The responsibilities with regards to strategic risk management include the development of risk policies, the annual update of the risk strategy (risk appetite), the coordination of the CRSA process leading to the risk priorities and ORSA scenarios and the monitoring of the non-financial strategic risk profile. For the management of operational risks, a.s.r. has a solid Risk-Control framework in place that contributes to its long-term solidity. The RMF monitors and reviews the non-financial operational risk profile on a frequent basis. The quality of the framework is continuously enhanced by the analysis of operational incidents, periodic assessments and monitoring by the RMF. Enterprise Risk Management actively promotes risk awareness at all levels to contribute to the vision of staying a socially relevant insurer.

Financial Risk Management
Financial Risk Management (FRM) is responsible for the second line financial risk and supports both the Actuarial Function and Risk Management Function. An important task of FRM is to be the countervailing power to the Executive Board and management in managing financial risks for a.s.r. and its legal entities. FRM assesses the accuracy and reliability of the market risk, counterparty risk, insurance risk and liquidity risk, risk margin and best estimate liability. Other responsibilities are model validation and policies on valuation and risk. FRM is also responsible for the actuarial function. As part of the actuarial function, FRM reviews the technical provisions, monitors methodologies, assumptions and models used in these calculations, and assesses the adequacy and quality of data used in the calculations. Furthermore, the Actuarial Function expresses an opinion on the underwriting policy and determines if risks related to the profitability of new products are sufficiently addressed in the product development process. The actuarial function also expresses an opinion on the adequacy of reinsurance arrangements.

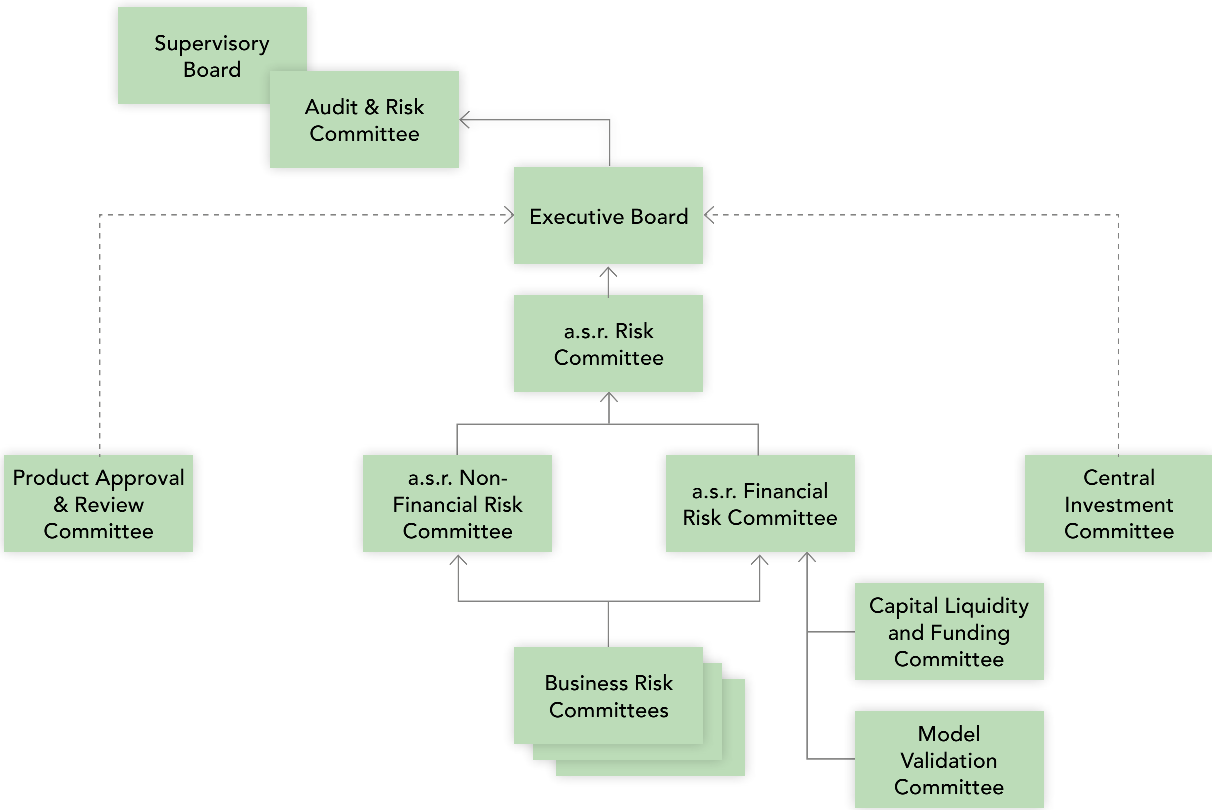
Compliance
Compliance is responsible for the execution of the compliance function. An important task of Compliance is to be the countervailing power to the Executive Board and management in managing compliance risks for a.s.r. and its subsidiaries. The mission of the compliance function is to enhance and ensure a controlled and sound business operations where impeccable, professional conduct is self-evident.

As second line of defence, Compliance encourages the organisation to comply with relevant rules and regulations, ethical standards and the internal standards derived from them ('rules') by providing advice and devising policy. Compliance supports the first line in the identification of compliance risks and assess the effectiveness of risk management on which Compliance reports to the relevant risk committees. In doing so, Compliance uses a compliance risk and monitoring framework. In line with risk management, Compliance also creates further awareness in order to promote a culture of integrity. Compliance coordinates contacts with regulators in order to maintain an effective relationship and keeps oversight of the current topics.

Audit
The Audit department, the third line of defence, provides an independent opinion on governance, risk and management processes, with the goal of supporting the Executive Board and other management of a.s.r. in achieving the corporate objectives. To that end, Audit evaluates the effectiveness of governance, risk and management processes, and provides pragmatic advice that can be implemented to further optimise these processes. In addition, senior management can engage Audit for specific advisory projects.

Risk committee structure
a.s.r. has established a structure of risk committees with the objective to monitor the risk profile for a.s.r. group, its legal entities and its business lines in order to ensure that it remains within the risk appetite and the underlying risk tolerances and risk limits. When triggers are hit or likely to be hit, risk committees make decisions regarding measures to be taken, being risk-mitigating measures or measures regarding governance, such as the frequency of their meetings. For each of the risk committees a statute is drawn up in which the tasks, composition and responsibilities of the committee are defined.

Risk committee structure



Audit & Risk Committee
The Audit & Risk Committee was established by the Supervisory Board to gain support in the following matters:
- Assessment of the risk appetite proposal based on the financial and non-financial risk reports, among other documents;
- Assessment of the annual report, including the financial statements of ASR Nederland N.V.;
- The relationship with the independent external auditor, including the assessment of the qualities and independence of the independent external auditor and the proposal by the Supervisory Board to the AGM to appoint the independent external auditor;
- The performance of the audit function, compliance function and the risk management function;
- Compliance with rules and regulations; and
- The financial position.

The Audit & Risk Committee has three members of the RvC, one of whom acts as the chairman.

a.s.r. Risk Committee
The a.s.r. Risk Committee (a.s.r. RC) is a sub-committee of the Executive Board and monitors a.s.r.'s overall risk profile on a quarterly basis. At least annually, the a.s.r. RC determines the risk appetite statements, limits and targets for a.s.r. This relates to the overall a.s.r. risk appetite and the subdivision of risk appetite by financial and non-financial risks. The risk appetite is then submitted to the a.s.r. Audit & Risk Committee, which advises the Supervisory Board on the approval of the risk appetite. The a.s.r. RC also monitors the progress made in managing risks included in the Risk Priorities of the Executive Board.

All members of the Executive Board participate in the a.s.r. RC, which is chaired by the CEO. The involvement of the Executive Board ensures that risk decisions are being addressed at the appropriate level within the organisation. In addition to the Executive Board, the CRO, Director of Audit and Director of Integrity are members of the Committee.

Non-Financial Risk Committee
The Non-Financial Risk Committee (NFRC) discusses, advises and decides upon non-financial risk policies. The most relevant risk policies are approved by the a.s.r. RC. The NFRC monitors that non-financial risks are managed adequately and monitors that the risk profile stays within the agreed risk limits. If the risk profile exceeds the limits,

the NFRC takes mitigating actions. The NFRC reports to the a.s.r. RC. The Chairman of the NFRC is one of the COO's (who is also a member of the Executive Board).

Financial Risk Committee
The Financial Risk Committee (FRC) discusses and decides upon financial risk policies. The most relevant financial risk policies are approved by the a.s.r. RC. The FRC monitors and controls financial risks (market, insurance (life and non-life) and counterparty default risk). The FRC also monitors whether the risk profile stays within the risk limits. If the risk profile exceeds these limits, the FRC takes mitigating actions. The FRC reports to the a.s.r. Risk Committee. The Chairman of the FRC is the CFO.

Capital, Liquidity and Funding Committee
The Capital, Liquidity and Funding Committee (CLFC) is a subcommittee of the FRC. As such, the CLFC prepares and assesses the technical analysis of capital, liquidity and funding positions, rating policy, rating model reporting, and treasury activities. The Chairman of the CLFC is the Director of Group Asset Management.

Model Validation Committee
The model validation committee (MVC) is a subcommittee of the FRC and is responsible for the execution and update of the model validation policy and the approval of validation of existing or newly developed models. The MVC receives all required information for the validation of models (e.g. model documentation and validation reports) prepared by the validation board (MVB) that assures the quality of the validation process. The chairman of the MVC is the CRO.

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

Central Investment Committee
In addition to the risk committee structure, the Central Investment Committee (CIC) monitors tactical decisions and the execution of the investment policy. It takes investment decisions within the boundaries of the strategic asset allocation as agreed upon in the FRC. The CIC bears particular responsibility for investment decisions exceeding the mandate of the investment department. The CIC is chaired by the COO Life (member of the Executive Board).

Product Approval and Review Process Board
The Product Approval & Review Process Board (PARP Board) is responsible for the final decision-making process around the introduction of new products and adjustments in existing products. The managing Director of the business line Health is appointed as chairman. The committee evaluates if potential risks in newly developed products are sufficiently addressed. New products need to be developed in such a way that they are cost efficient, reliable, useful and secure. New products also need to have a strategic fit with a.s.r.'s mission to be a solid and trustful insurer. In addition, the risks of existing products are evaluated, as requested by the product approval and review process as a result of product reviews.

5.8.1.1.3 Systems and data
Tools, models and systems are implemented to support the risk management process by giving guidance and insight into the key risk indicators, risk tolerance levels, boundaries and actions and remediation plans to mitigate risks. The availability, adequacy and quality of data and IT systems is important in order to ensure that correct figures are reported and risk mitigating measures can be taken in time. It is important to establish under which conditions the management information that is submitted to the risk committees has been prepared and which quality safeguards were applied in the process of creating this information. This allows the risk committees to ascertain whether the information is sufficient to base further decisions upon.

a.s.r. has a Data Governance and Quality policy in place to support the availability of correct management information. This policy is evaluated on an annual basis and revised at least every three years to keep the standards in line with the latest developments on information management. The quality of the information is reviewed based on the following aspects, based on Solvency II:
- Completeness (including documentation of accuracy of results);
- Adequacy;
- Reliability;
- Timeliness.

The preparatory body or department checks the assumptions made and the plausibility of the results, and ensures coordination with relevant parties. When a preparatory body has established that the information is reliable and complete, it approves and formally submits the document(s) to a risk committee.

The information involved tends to be sensitive. To prevent unauthorised persons from accessing it, it is disseminated using a secure channel or protected files. a.s.r.'s information security policy contains guidelines in this respect.

a.s.r.'s information security policy is based on ISO 27002 'Code of practice for information security management'. This Code describes best practices for the implementation of information security.

The aim of the information security policy is to take measures to ensure that the requirements regarding availability, reliability and integer and confidential use of systems and data are met.

- Information availability refers to the degree to which the information is at hand as soon as the organisation needs it, meaning, for instance, that the information should be retrievable on demand and that it can be consulted and used at the right time;
- The integrity, i.e. reliability, of information is the degree to which it is up-to-date, complete and error-free;
- 'Confidential use' refers to the degree to which the information is available to authorised persons only and the extent to which it is not available to unauthorised persons.

There are technical solutions for accomplishing this, by enforcing a layered approach (defence-in-depth) of technical measures to avoid unauthorised persons (i.e. hackers) to compromise a.s.r. corporate data and systems. In this perspective, one may think of methods of logical access management, intrusion detection techniques, in combination with firewalls are aimed at preventing hackers and other unauthorised persons from accessing information stored on a.s.r. systems. Nevertheless, confidential information can also have been committed to paper. In addition to technical measures there are physical measures part of the information security environment.

When user defined models (e.g. spreadsheets) are used for supporting the RM Framework, the 'a.s.r. Standard for End user computing'- in addition of the general security policy - defines and describes best practices in order to guard the reliability and confidentiality of these tools and models. a.s.r. recognises the importance of sound data quality and information management systems. In 2017, a.s.r. took a number of actions to enhance the measurement and reporting on data quality for the purposes of financial reporting. In 2018 a.s.r. will take further steps on this.

The management of IT and data risks of the implemented tools, models and systems (including data) is part of the Operational IT risk management.

5.8.1.1.4 Risk policies and procedures

a.s.r. has established guidelines, including policies that cover all main risk categories (market, counterparty default, liquidity, insurance, strategic and operational). These policies address the accountabilities and responsibilities regarding management of the different risk types. Furthermore, the methodology for risk measurement is included in the policies. The content of the policies is aligned to create a consistent and complete set. The risk policy landscape is maintained by Group Risk Management and Compliance. These departments also monitor the proper implementation of the policies in the business. New risk policies or updates of existing risk policies are approved by the risk committees as mentioned previously.

5.8.1.1.5 Risk culture

Risk awareness is a vital component of building a sound risk culture within a.s.r. that emphasises the human aspect in the management of risks. In addition to gaining sufficient knowledge, skills, capabilities and experience in risk management, it is essential that an organisation enables objective and transparent risk reporting in order to manage them more effectively.

The Executive Board clearly recognises the importance of risk management and is therefore represented in all of the major group level risk committees. Risk Management is involved in the strategic decision-making process, where the company's risk appetite is always considered. The awareness of risks during decision-making is continually addressed when making business decisions, for example by discussing and reviewing risk scenarios and the positive and/or negative impact of risks before finalising decisions.

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It is very important that this risk awareness trickles down to all parts of the organisation, and therefore management actively encourages personnel to be aware of risks during their tasks and projects, in order to avoid risks or mitigate them when required. The execution of risk analyses is embedded in daily business in, for example, projects, product design and outsourcing.

In doing so, a.s.r. aims to create a solid risk culture in which ethical values, desired behaviours and understanding of risk in the entity are fully embedded. Integrity is of the utmost importance at a.s.r.: this is translated into a code of conduct and strict application policies for new and existing personnel, such as taking an oath or promise when entering the company, and the 'fit and proper' aspect of the Solvency II regulation, ensuring that a.s.r. is overseen and managed in a professional manner.

Furthermore, a.s.r. believes it is important that a culture is created in which risks can be discussed openly and where risks are not merely perceived to be negative and highlight that risks can also present a.s.r. with opportunities. Risk Management (both centralised and decentralised) is positioned as such, that it can communicate and report on risks independently and transparently, which also contributes to creating a proper risk culture.

5.8.1.1.6 Risk management process

The risk management process typically comprises of five important steps: 1) identifying; 2) measuring; 3) managing; 4) monitoring and reporting; and 5) evaluating[1]. a.s.r. has defined a procedure for performing risk analyses and standards for specific assessments. The five different steps are explained in this chapter.

Identifying
Management should endeavour to identify all possible risks that may impact the strategic objectives of a.s.r., ranging from the larger and/or more significant risks posed on the overall business, down to the smaller risks associated with individual projects or smaller business lines. Risk identification comprises of the process of identifying and describing risk sources, events, and the causes and effects of those events.

Measuring
After risks have been identified, quantitative or qualitative assessments of these risks take place to estimate the likelihood and impact associated with them. Methods applicable to the assessment of risks are:
- Sensitivity analysis;
- Stress testing;
- Scenario analysis;
- Expert judgments (regarding likelihood and impact); and
- Portfolio analysis.

Managing
Typically, there are five strategies to managing risk:
- *Accept:* risk acceptance means accepting that a risk might have consequences, without taking any further mitigating measures;
- *Avoid:* risk avoidance is the elimination of activities that cause the risk;
- *Transfer:* risk transference is transferring the impact of the risk to a third party;
- *Mitigate:* risk mitigation involves the mitigation of the risk likelihood and/or impact;
- *Exploit:* risk exploitation revolves around the maximisation of the risk likelihood and/or increasing the impact if the risk does happen.

Risk management strategies are chosen in a way that ensures that a.s.r. remains within the risk appetite tolerance levels and limits.

Monitoring and reporting
The risk identification process is not a continuous exercise. Therefore, risk monitoring and reporting are required to capture changes in environments and conditions. This also means that risk management strategies could, or perhaps should, be adapted in accordance with risk appetite tolerance levels and limits.

Evaluating
The evaluation step is twofold. On the one hand, evaluation means risk exposures are evaluated against risk appetite tolerance levels and limits, taking (the effectiveness of) existing mitigation measures into account. The outcome of the evaluation could lead to a decision regarding further mitigating measures or changes in risk

1 Based on COSO ERM and ISO 31000:2009.

management strategies. On the other hand, the risk management framework (including the risk management processes) is evaluated by the risk management function, in order to continuously improve the effectiveness of the risk management framework as a whole.

5.8.1.2 a.s.r.'s risk categories

a.s.r. is exposed to a variety of risks. There are six main risk categories that a.s.r. recognises, as described below.

Insurance risk
Insurance risk is the risk that premium and/or investment income or outstanding reserves will not be sufficient to cover current or future payment obligations, due to the application of inaccurate technical or other assumptions and principles when developing and pricing products. a.s.r. recognises the following insurance risks:
- Life insurance risk
- Health insurance risk
- Non-life insurance risk

Market risk
The risk of changes in values caused by market prices or volatility of market prices differing from their expected values. The following types of market risk are distinguished:
- Interest rate risk
- Equity risk
- Property risk
- Spread risk
- Currency risk
- Concentration risk/market concentration risk

Counterparty default risk
Counterparty default risk is the risk of losses due to the unexpected failure to pay or credit rating downgrade of counterparties and debtors. Counterparty default risk exists in respect of the following counterparties:
- Reinsurers
- Consumers
- Intermediaries
- Counterparties that offer cash facilities
- Counterparties with which derivatives contracts have been concluded

Liquidity risk
Liquidity risk is the risk that a.s.r. is not able to meet its financial obligations to policyholders and other creditors when they become due and payable, at a reasonable cost and in a timely manner.

Operational risk
Operational risk is the risk of losses caused by weak or failing internal procedures, weaknesses in the action taken by personnel, weaknesses in systems or because of external events. The following subcategories of operational risk are used:
- Compliance
- Business process
- Information technology
- Outsourcing
- Financial reporting

Strategic risk
Strategic risk is the risk of a.s.r. or its business lines failing to achieve the objectives due to incorrect decision-making, incorrect implementation and/or an inadequate response to changes in the environment. Such changes may arise in the following areas:
- Climate
- Demographics
- Competitive conditions
- Technology
- Macroeconomic conditions
- Laws and regulations and ethical standards
- Stakeholders
- Group structure (for product lines only)

Strategic risk may arise due to a mismatch between two or more of the following components: the objectives (resulting from the strategy), the resources used to achieve the objectives, the quality of implementation, the economic climate and/or the market in which a.s.r. and/or its business lines operate.

5.8.2 Insurance risk

Insurance risk is the risk that future insurance claims and benefits cannot be covered by premium and/or investment income, or that insurance liabilities are not sufficient, because future expenses, claims and benefits differ from the assumptions used in determining the best estimate liability. Insurance risk manifests itself in both the Non-life and the Life portfolio. The Non-life portfolio covers the property and casualty, disability and healthcare sectors. The Life portfolio consists of funeral, individual life and group-pension business.

Risk-mitigating measures are used to reduce and contain the volatility of results or to decrease the possible negative impact on value as an alternative for the capital requirement. Proper pricing, underwriting, reinsurance, claims management, and diversification are the main risk mitigating actions for insurance risks. By offering a range of different insurance products, with various product benefits and contract lengths, and across life, disability and health and P&C insurance risk, a.s.r. reduces the likelihood that a single risk event will have a material impact on a.s.r.'s financial condition.

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

As of 1 January 2016, the Solvency II regime is in place. a.s.r. measures its risks based on the standard model as prescribed by the Solvency II regime. The Solvency Capital Requirement (SCR) for each insurance risk is determined as the change in own funds caused by a predetermined shock which is calibrated to a 1-in-200-year event. The basis for these calculations are the Solvency II technical provisions which are calculated as the sum of a best estimate and a risk margin.

The insurance risk arising from the insurance portfolios of a.s.r. is as follows:

Insurance risk - required capital

	31 December 2017	31 December 2016
Life insurance risk	1,427	1,366
Health insurance risk	677	634
Non-life insurance risk	377	362
Total excluding diversification between insurance risks	**2,481**	**2,362**

The insurance risk increased as a result of the lower volatility-adjustment and the lower yield curve. The insurance risk will be discussed in the subsequent subsections.

SCR sensitivities

a.s.r. has assessed the impact of various sensitivities on the solvency ratio. The sensitivities as at 31 December 2016 and 2017, expressed as impact on the group solvency ratio (in percentage points) are as follows:

Solvency II sensitivities - insurance risks

Effect on:	Available capital		Required capital		Ratio	
Type of risk (%-points)	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Expenses -10%	+6	+6	+1	+1	+7	+7
Mortality rates, all products -5%	-4	-3	-	-	-4	-3
Lapse rates -10%	+1	+1	-	-	+1	+1

Solvency II sensitivities - explanation

Risk	Scenario
Expense risk	Measured as the impact of a 10% decrease in expense levels.
Mortality risk	Measured as the impact of a 5% decrease in all mortality rates. A mitigating effect will occur between mortality and longevity rates.
Lapse risk	Measured as the risk of a 10% decrease in lapse rates.

The table above shows that the SCR sensitivities in 2017 are (almost) similar to the sensitivities of 2016. The impact on the ratio is the opposite if a reversed scenario is taken into account. These shocks had no impact on the 2017 and 2016 total equity, or on the profit for these years, because a.s.r. still passed the IFRS Liability Adequacy Test (LAT). While the sensitivities result in a decrease of the surplus in the Liability Adequacy Test, the outcome is still positive.

5.8.2.1 Life Insurance risk

The life portfolio can be divided into funeral, individual life and group pension. The insurance contracts are sold primarily to retail and wholesale clients through intermediaries.

The products are sold as insurance products in cash or unit-linked contracts. With respect to products in cash, the investment risk is fully borne by the insurer whereas, in the case of unit-linked products, the majority of the investment risk is for the policyholder’s account.

The SCR for life insurance risks is determined on the level of model points. A model point is a group of policies with equal characteristics. A model point is a subset of a homogeneous risk group. In case a netting between positive and negative risks within a model point can exist, special attention is given. In most cases, the model points are sufficiently homogeneous knowing that this netting is not material.

The following life insurance risks are involved:

Mortality risk
Mortality risk is associated with (re)insurance obligations, such as endowment or term assurance policies, where a payment or payments are made in case of the policyholder’s death during the contract term. The increase in mortality rates is applied to (re)insurance obligations which are contingent on mortality risk. The required capital for this risk is calculated as the change in own funds of a permanent increase of mortality rates by 15% for all ages and each policy.

Longevity risk
Longevity risk is associated with (re)insurance obligations where payments are made until the death of the policyholder and where a decrease in mortality rates results in higher technical provisions. The required capital is calculated as the change in own funds of a permanent decrease of mortality rates by 20%. The decrease in mortality rates is applied to portfolio’s where payments are contingent on longevity risk.

Disability-morbidity risk
Morbidity or disability risk is associated with all types of insurance compensating or reimbursing losses (e.g. loss of income, adverse changes in the best estimate of the liabilities) caused by changes in the morbidity or disability rates. The scenario analysis consists of a 35% increase in disability rates for the first year, 25% for subsequent years, combined with a decrease in revalidation rates of 20%.

Expense risk
A calculation is made of the effect on own funds of a permanent increase in costs used for determining the best estimate. The scenario analysis contains an increase in the costs of 10% and an increase in the cost inflation of 1 percentage point per year. This scenario also includes a similar shock in the investment costs. Both the internally and externally managed investment costs are involved in this scenario.

Lapse risk
Lapse risk is the risk of losses (or adverse changes in the best estimate of the liabilities) due to an unanticipated (higher or lower) rate of policy lapses, terminations, changes to paid-up status (cessation of premium payment) and surrenders. The effect of the lapse risk is equal to the highest result of a permanent increase in lapse rates of 50%, a permanent decrease in lapse rates of 50% or a mass lapse event (70% of insurance policies in collective pension funds or 40% of the remaining insurance policies). The lapse shocks are only applied to portfolios where this leads to a higher best estimate.

The required capital for a mass lapse event is reduced by the proceeds that are to be expected from a reinsurance arrangement (Mass Lapse Cover). This arrangement covers the risks of a mass lapse event of parts of the portfolio to the extent that the mass lapse is more than 22% and less than 40%.
Especially in the case of funeral policies the netting of positive and negative risks within model points can be considerable for policies that can be surrendered (completely ending the policy, with payment of surrender value) in the case of the mass lapse. In most cases, the shock scenario for determining the SCR for mass lapse for funeral policies consists of an immediate shock of 40% with respect to the continuation of premium payment (mass 'pup'-scenario). This is mostly in line with policy conditions. The mass pup treatment in the funeral portfolio for mass lapse risk reduces the netting of positive and negative risks to a level that is not material.

Life catastrophe risk
Catastrophe risk arises from extreme events which are not captured in the other life insurance risks, such as pandemics. The capital requirement for this risk is calculated as a 1.5 per mille increase in mortality rates in the first projected year for (re)insurance obligations where the increase in mortality rates leads to an increase in technical provisions.

Mortgage Loans
Within the individual life portfolio there is a group of policies directly linked to a mortgage loan ('Spaarhypotheken'). In case the mortgage loan is not provided by a.s.r., but by another party, which is the case for most of these policies, the interest that a.s.r. reimburses to the policyholder is claimed from the party that has provided the mortgage loan. This cashflow of interests from the provider of the mortgage loan to a.s.r. represents an asset. The cashflow and value of this asset depends on the cashflow of the linked savings policy. Therefore, the change in this asset value due to mortality or lapse is taken into account when determining the SCR for life insurance risks.

Employee benefits
ASR Nederland N.V. has insured the post-employment benefit plans for a.s.r.'s employees with ASR Levensverzekering N.V., an insurance company within the group. Though the liability of this plan is classified as employee benefits on the balance sheet and determined according to IFRS principles, the required capitals for the life insurance risks are fully taken into account and based on Solvency II principles. The risk margin at a.s.r. group level equals the sum of risk margins of all underlying OTSO's. No correction is made for the elimination of post-employment benefit plans for a.s.r.'s employees with ASR Levensverzekering N.V.

Other information
Within a.s.r. Life the longevity risk is dominant and arises from group pension business and individual annuities. The longevity risk is partly offset by mortality risk that arises from the funeral portfolio and individual policies with mortality risk. The other main risks a.s.r. Life is exposed to are expense risk and lapse risk, though lapse risk is reduced due to the aforementioned Mass Lapse reinsurance arrangement.

Life insurance risk - required capital

	31 December 2017	31 December 2016
Mortality risk	268	250
Longevity risk	848	873
Disability-morbidity risk	6	8
Lapse risk	398	343
Expense risk	623	567
Revision risk	-	-
Catastrophe risk (subtotal)	62	66
Diversification (negative)	-778	-741
Life insurance risk	**1,427**	**1,366**

For the life portfolio, the provision at year-end can be broken down as follows under Solvency II:

Life portfolio - technical provisions per segment

Segment	31 December 2017	31 December 2016
Insurance with profit participation		
Best estimate	18,833	18,177
Risk margin	1,088	1,128
Technical provision	**19,921**	**19,305**
Other life insurance		
Best estimate	8,531	7,336
Risk margin	475	368
Technical provision	**9,006**	**7,704**
Index-linked and unit-linked insurance		
Best estimate	7,743	11,085
Risk margin	92	164
Technical provision	**7,835**	**11,249**
Total		
Best estimate	**35,107**	**36,598**
Risk margin	**1,655**	**1,660**
Technical provision	**36,762**	**38,258**

In 2017 part of the unit linked portfolio is transferred from unit linked to other life insurance (€ 829 million) and insurance with profit participation (€ 2,431 million), because the provisions have a more nominal character. In the valuation the nominal character was already recognised.

5.8.2.1.1 Managing life insurance risk

Life insurance risk is mitigated by pricing, underwriting policies and reinsurance.

Pricing is based on profit capacity calculations. A calculation is made of the price required to cover the risks. A calculation is made of the price required to cover the insurance liabilities, expenses and risks. Underwriting policies describe the types of risks and the extent of risk a.s.r. is willing to accept. Policyholders may be subjected to medical screening for individual life insurance.

Reinsurance

Reinsurance and other risk-mitigating measures are used to reduce and contain the volatility of results or to decrease the possible negative impact on value as an alternative to the capital requirement. Reinsurance arrangements have been set up to mitigate the effects of catastrophes on earnings.

The level of retention in different reinsurance contracts is aligned with the size and the risk profile of the underlying portfolios. This includes taking account of the cost of reinsurance on the one hand, and the risk that is retained on the other.

Buy out reinsurance

The group enters into reinsurance contracts to minimise insurance risks. Reinsurance may be in place for a separate contract or for all or part of the portfolio. In order to optimise its balance sheet risks, ASR Levensverzekering N.V. entered into a reinsurance agreement with Legal and General Re (via Hannover Re as fronting reinsurer) in 2015. The agreement entailed the transfer of € 209 million in pension obligations to Legal and General Re.

Mass lapse cover

The required capital (SCR) for a mass lapse event is reduced by the proceeds that are to be expected from a reinsurance arrangement (Mass Lapse Cover) with RGA, Munich Re and some other reinsurers. This arrangement covers the risks of a mass lapse event of parts of the portfolio to the extent that the mass lapse is more than 22% and less than 40%.

5.8.2.2 Health Insurance risk and non-life insurance risk
5.8.2.2.1 Health insurance risk
The Health insurance portfolio of a.s.r. is diverse. The portfolio can be divided into two main product types:
- SLT Health portfolio (Similar to Life Techniques) Income Protection, which can be divided into
  - Individual Disability (Zelfstandigen)
  - Group Disability (WIA)
- NSLT Health portfolio (Similar to Non-life Techniques), which can be divided into
  - Income Protection (Sickness, and Individual and Group Accident)
  - Medical Expenses (Basis and Aanvullend)

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

The Health insurance portfolio of a.s.r. contains the following insurance risks:
- SLT Health risk
  - This risk is applicable to the SLT Health portfolio. The calculation is scenario-based. The scenarios are similar to the scenarios that are used to calculate the Life insurance risk.
- NSLT Health risk
  - This risk is applicable to the NSLT Health portfolio. The calculation is factor-based. The risk is calculated similarly to the Non-Life insurance risk.
- Health Catastrophe risk
  - This risk is applicable to the entire Health portfolio. The calculation is scenario-based.

SLT Health Risk

Longevity risk

Longevity risk is associated with (re)insurance obligations where payments are made until the death of the policyholder and where a decrease in mortality rates results in higher technical provisions. The required capital is calculated as the change in own funds of a permanent 20% decrease in mortality rates. The decrease in mortality rates is applied to portfolios where payments are contingent on longevity risk.

Disability-morbidity risk

Morbidity or disability risk is the main risk to the SLT Health portfolio. The scenario analysis consists of a 35% increase in disability rates for the first year, 25% for subsequent years, combined with a decrease in revalidation rates of 20%.

Expense risk

A calculation is made of the effect of a permanent increase in costs, which is used for determining the best estimate. The scenario analysis contains an increase in the costs of 10% and an increase in the cost inflation of 1 percentage point per year.

Lapse risk

Lapse risk is the risk of losses (or adverse changes in the best estimate of the liabilities) due to an unanticipated (higher or lower) rate of policy lapses, terminations, changes to paid-up status (cessation of premium payment) and surrenders. The effect of the lapse risk is equal to the highest result of a permanent 50% increase in lapse rates, a permanent 50% decrease in lapse rates or a mass lapse event (40% mass lapse). For the SLT Health portfolio, the mass lapse event is dominant.

Future management action

According to the insurance conditions, a.s.r. has the ability to adjust the premiums and insurance conditions in the future. Therefore, a.s.r. applies a future management action, as noted in Article 23 of the Delegated Regulation, when calculating the SLT Health risk for the portfolios with contract boundaries exceeding three years.

NSLT Health Risk

Premium and reserve risk

The premium risk is the risk that the premium is not adequate for the underwritten risk. The premium risk is calculated over the maximum of the expected earned premium of the next year, and the earned premium of the current year.

NSLT lapse risk

The basic and additional health insurance are compulsory insurance contracts for one year without intermediate possibility of termination and therefore lapse risk is negligible for the basic health insurance.

Health catastrophe risk

Medical Expense

A health catastrophe for NSLT Health portfolio is an unexpected future event with a duration of one year. The risk is determined ultimo year. The amount of catastrophe risk is apparent from the number of insured and parameters for mass accident scenario and pandemic scenario that have been approved by Dutch Central Bank in consultation with Health Insurers Netherlands. Accident concentration is not applicable for NSLT Health. The catastrophe risk has a projection of one year (T) following from the contract boundary of one year in accordance with the Dutch Health Insurance Act. After year T the risk is 'zero'. Catastrophe risk for AV equals zero because these contracts have a maximum compensation for claims.

Income Protection

This component is calculated for policies for which an increase in mortality rates or morbidity rates or disability rates leads to an increase in the best estimate. There are three scenarios, which are calculated for all SLT Health and portfolios.

- Mass accident scenario
  In this scenario, an accident takes place during a major public event. The risk is that 10% of the attendees are killed, 1.5% are permanently disabled, 5% are disabled for 10 years, 13.5% are disabled for 12 months and 30% need medical attention.
- Accident concentration scenario
  In this scenario, an accident takes place on site, with the most of our insured at the same location. The risk is that 10% of those present are killed, 1.5% are permanently disabled, 5% are disabled for ten years, 13.5% are disabled for 12 months and 30% need medical attention.
- Pandemic scenario
  In this scenario, there is a pandemic, which causes 1% of those affected to be hospitalised and 20% to see a local practitioner.

Health insurance risk - required capital

	31 December 2017	31 December 2016
Health SLT	518	494
Health Non-SLT	214	202
Catastrophe Risk (subtotal)	76	44
Diversification (negative)	-131	-106
Health (Total)	**677**	**634**
Mortality risk	-	-
Longevity risk	19	10
Disability-morbidity risk	441	414
Expense risk	70	67
Revision risk	59	52
Lapse risk	134	151
Diversification (negative)	-205	-200
Health SLT (subtotal)	**518**	**494**
Medical expenses insurance and proportional reinsurance	71	71
Income protection insurance and proportional reinsurance	143	131
Diversification (negative)	-	-
Health Non-SLT (subtotal)	**214**	**202**
Mass accident risk	16	8
Accident concentration risk	72	42
Pandemic risk	19	8
Diversification (negative)	-31	-14
Catastrophe risk (subtotal)	**76**	**44**

For the SLT Health portfolio, the provision at year-end 2017 can be broken down as follows under Solvency II.

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SLT Health portfolio - technical provisions per segment

Segment	31 December 2017	31 December 2016
Best estimate	2,492	2,451
Risk margin	248	239
Technical provision	**2,740**	**2,690**

For the NSLT Health portfolio, the provision at year-end 2017 can be broken down as follows under Solvency II:

NSLT Health portfolio - technical provisions per segment

Segment	31 December 2017	31 December 2016
Best estimate	416	464
Risk margin	29	23
Technical provision	**445**	**487**

5.8.2.2.2 Non-Life insurance risk

Non-Life Insurance risk can be broken down into:

- Premium and reserve risk
- Non-Life catastrophe risk
- Lapse risk

Premium- and reserve risk

The premium risk is the risk that the premium is not adequate for the underwritten risk. The premium risk is calculated over the maximum of the expected written premium for the next year, and the written premium for the current year. The Premium and reserve risk is derived at the level of a legal entity based on the Standard Model. For the calculation of the Premium and reserve risk, several input data and parameters are necessary, as described in the Standard Model. The geographical spread, when a (re)insurer underwrites products in different countries, is not relevant for a.s.r. Schade as there is no material exposure outside the Netherlands.

Non-Life Catastrophe Risk Module

Catastrophe risk is defined as the risk of loss or adverse change in the value of insurance liabilities, resulting from significant uncertainty of pricing and provisioning assumptions related to extreme or exceptional events. The Non-Life SCR Catastrophic Risk Module used consists of natural catastrophe risk (Windstorm and Hail), man-made catastrophe risk (Fire, Motor and Liability) and other Non-Life catastrophe risk. The Non-Life Catastrophe Risk Module is derived at the level of a legal entity based on the Standard Model.

Lapse risk

The lapse risk is the loss of basic own funds, caused by the discontinuance of 40% of the policies for which discontinuation would result in an increase in the basic own funds. The lapse risk is calculated as follows:

- Effect of expired future profits on existing contracts (which are already taken into account in the Best Estimate calculation of premium provision) by:
  - Deriving the level of (Solvency II) Line of Business (LOB) based on the assumption of a 40% lapse;
  - Solvency II LOB contains a group of products with the same risk profile which are modelled together;
  - Taking (Solvency II) LOBs into account in case of lapse with an increase in the provision.
- Effect of continuous fixed costs is not taken into account.

Non-life insurance risk - required capital

	31 December 2017	31 December 2016
Premium and reserve risk	336	317
Lapse risk	31	29
Catastrophe risk	104	111
Diversification (negative)	-94	-95
Non-life insurance risk	**377**	**362**

For the non-life portfolio, the provision at year-end 2017 can be broken down as follows under Solvency II:

Non-life portfolio - technical provisions per segment

	31 December 2017	31 December 2016
Best estimate	836	813
Risk margin	49	46
Technical provision	**885**	**859**

5.8.2.2.3 Managing health and non-life insurance risk

Health and non-life insurance risk is managed by monitoring claims frequency, the size of claims, inflation, handling time, benefit and claims handling costs, and biometrical risks (disability, recovery, illness, death). Concentration risk also qualifies as an insurance risk.

In recent years, measures have been taken to improve profitability and reduce risk. Examples are: premium increases, stricter acceptance criteria, shorter claims filing terms and making use of the claims reassessment arrangement between the Dutch Association of insurers and social security institute UWV. Effects are being monitored closely and assessed to be effective. New legislation causes flex-workers to become in scope, in force from 1 January 2017. This will invoke market-wide changes to the product design, pricing and conditions, thereby creating both additional market opportunities and additional risks for a.s.r.

Claims frequency, size of claim and inflation

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

An overview of the claim development at a.s.r. can be found in Chapter 5.5.14.2 of the annual report.

Handling time

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

Benefit and claims handling costs

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

Disability risk

Disability risk is controlled by means of regular evaluation of historical claims patterns, expected future developments and price adjustments. Disability risk is mitigated by a.s.r. through underwriting criteria and a proactive reintegration policy. a.s.r. also mitigates its disability risk through suitable reinsurance.

Concentration risk

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

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

Reinsurance

When deemed effective in terms of capital relief versus costs incurred, a.s.r. enters into reinsurance agreements to mitigate non-life insurance risks. Reinsurance can be taken out for each separate claim (per risk), for the accumulation of claims due to natural disasters or to human actions (per event), or for both these risks.

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

To limit risk concentration, reinsurance contracts are placed with various reinsurance companies. a.s.r. requires the counterparties to be rated at least single A. The reinsurance programme has remained largely the same as in previous years in terms of cover and limits. The most significant reinsured risk is windstorm. In 2016, a.s.r. purchased excess of loss reinsurance for accident year 2017 for windstorm in excess of € 30 million with a limit of € 390 million.

5.8.3 Market risk

Market risk is the risk of potential losses due to adverse movements in financial market variables. Exposure to market risk is measured by the impact of movements in financial variables such as equity prices, interest rates and property prices. The various types of market risk which are discussed in this section, are:

- Interest rate risk
- Equity risk
- Property risk
- Currency risk
- Spread risk
- Concentration risk

Market risk reports are submitted to the FRC at least once a month. Key reports on market risk include the Solvency II and economic capital report, the interest rate risk report and the report on risk budgets related to the strategic asset mix.

A summary of sensitivities to market risks for the regulatory solvency, total equity and profit for the year is presented in the tables below:

Market risk - required capital

	31 December 2017	31 December 2016
Interest rate	428	423
Equity	738	549
Property	883	826
Currency	267	280
Spread	1,130	1,105
Concentration	67	9
Diversification (negative)	-740	-658
Total	**2,773**	**2,533**

The main market risks of a.s.r. are spread, property and equity risk. This is in line with the risk budgets based on the strategic asset allocation study. Market risk increased mainly driven by re-risking of the investment portfolio (including scaling back the interest rate hedge).

The value of investment funds at year-end 2017 was € 3,250 million (2016 € 1,704 million). a.s.r. applies the look-through approach for investment funds to assess the market risk.

The interest rate risk is the maximum loss of (i) an upward shock or (ii) a downward shock of the yield curve. For a.s.r. the downward shock is dominant.

a.s.r. applies the transitional measure for equity risk for shares in portfolio at 31 December 2015. The SCR equity shock was 22% at 31 December 2015 and linear, increasing to (i) 39% + equity dampener for type I shares and (ii) 49% + equity dampener for type II shares. The equity dampener has a value between -10% and 10%. In the event of increasing equity prices, the equity dampener will have a smaller dampening effect.

The diversification effect shows the effect of having a well-diversified investment portfolio.

SCR sensitivities

The sensitivities of the solvency ratio as at 31 December 2017, expressed as the impact on the group solvency ratio (in percentage points) are as presented in the table below. The total impact is split between the impact on the solvency ratio related to movement in the available capital and the required capital.

Solvency II sensitivities - market risks

Effect on:	Available capital		Required capital		Ratio	
Scenario (%-point)	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016
UFR -1%	-19	-20	-3	-3	-23	-23
Interest rate +1% (incl. UFR 4.2%)	-1	-9	+12	+11	+11	+1
Interest rate -1% (incl. UFR 4.2%)	+3	+14	-13	-14	-10	-1
Volatility Adjustment -10bp	-9	-9	-2	-2	-11	-11
Equity prices -20%	-11	-10	+10	+8	-1	-2
Property values -10%	-8	-7	+3	+3	-5	-5
Spread +75bps/VA +21bps	+12	+8	+2	+5	+14	+14

Solvency II sensitivities - explanation

Risk	Scenario
Interest rate risk – UFR	Measured as the impact of a 1%-point lower UFR. For the valuation of liabilities, the extrapolation to the UFR of 3.2% after the last liquid point of 20 years remained unchanged.
Interest rate risk (incl. UFR 4.2%)	Measured as the impact of a parallel 1% upward and downward movement of the interest rates. For the liabilities, the extrapolation to the UFR of 4.2% after the last liquid point of 20 years remained unchanged.
Volatility Adjustment	Measured as the impact of a 10 bps decrease in the Volatility Adjustment.
Equity risk	Measured as the impact of a 20% downward movement in equity prices.
Property risk	Measured as the impact of a 10% downward movement in the market value of real estate.
Spread risk (including impact of spread movement on VA)	Measured as the impact of an increase of spread on loans and corporate bonds of 75 bps. At the same time, it is assumed that the Volatility Adjustment will increase by 21 bps.

The SCR sensitivities stayed almost the same in the past year, except for the interest rate sensitivity. The increase from +1 to +11 in the upward scenario (and from -1 to -10 in the downward scenario) is mainly caused by a change in the interest rate hedge policy.

IFRS sensitivities

The next table shows sensitivities of total equity and profit for the year, including insurance liabilities discounted with a fixed interest-rate, shadow accounting, investments valued at amortised cost (part of it), and post-employment benefits.

The IFRS sensitivities expressed as impact on total equity and profit of a.s.r. are as follows:

IFRS sensitivities

	Total equity		Total profit	
Scenario	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Interest-rate +1%	-195	11	-1	-1
Interest-rate -1%	210	-67	1	-
Equities +20%	399	346	-8	-7
Equities -20%	-381	-331	-24	-12
Property +10%	264	247	252	234
Property -10%	-264	-247	-264	-247
Foreign Currency +10%	80	90	-53	-21
Foreign Currency -10%	-80	-90	53	21
Spread +75bps	-92	-61	-	-
Spread -75 bps	92	61	-	-

The sensitivities to interest rates changed almost entirely due to a lower shadow accounting percentage for the productline ‘Pensioenen’. In case the shadow accounting percentage would have remained the same, the sensitivities would have been almost similar to 2016. The trigger for the shadow accounting percentage is based on the not profit-sharing portfolio share below a predetermined discount rate. This share has decreased in 2017. A small impact on profit is due to put options.

The sensitivities of total equity to equities increased in 2017 in line with the higher exposure to equities. The sensitivity of profit in the equity down scenario is due to the impact of the put options (26) and impairments of shares (-50). The sensitivity of profit in the equity up scenario is due to the impact of the put options (-8).

The sensitivities to property increased in 2017 in line with the higher exposure to property. Property held for own use is not taken into account in the sensitivity of profit In the property up scenario.

The sensitivity of total equity to foreign currency slightly decreased due to a lower exposure to foreign currencies.

The sensitivity of total equity to spread remained limited due to the mitigating effect of shadow accounting. The sensitivity increased due to a lower shadow accounting percentage for the productline ‘Pensioenen’.

5.8.3.1 Interest rate risk

Interest rate risk is the risk that the value of assets, liabilities or financial instruments will change due to fluctuations in interest rates. Many insurance products are exposed to interest rate risk; the value of the products is closely related to the applicable interest rate curve. The interest rate risk of insurance products depends on the term to maturity, interest rate guarantees and profit-sharing features. Life insurance contracts are particularly sensitive to interest rate risk. The required capital for interest rate risk is determined by calculating the impact on the available capital due to changes in the yield curve. Both assets and liabilities are taken into account. The interest rate risk is the maximum loss of (i) an upward shock or (ii) a downward shock of the yield curve according to the prescribed methodology. a.s.r. applies a look- through approach for investment funds to assess the interest rate risk.

The interest rate risk is calculated by a relative shock up- and downward shock of the risk-free (basis) yield curve. All adjustments (credit spread, volatility adjustment) on this yield curve are considered constant. The yield curve is extrapolated to the UFR. The yield curve after shock is not extrapolated again to the UFR.

The used shocks vary by maturity and the absolute shocks are higher for shorter maturities (descending: 75% to 20% and ascending: -70% to -20%):
- The yield curve up shock contains a minimum shock of 100bps;
- The yield curve in after the downward shock is limited to zero (no negative interest rates);
- The yield curves of all currencies are shocked simultaneously.

Interest rate risk - required capital

	31 December 2017	31 December 2016
SCR interest rate risk up	21	-126
SCR interest rate risk down	-428	-423
SCR interest rate risk	**428**	**423**

a.s.r. has assessed various scenarios to determine the sensitivity to interest rate risk. The impact on the solvency ratio is calculated by determining the difference in the change in available and required capital.

Solvency II sensitivities - interest rate

Effect on:	Available capital		Required capital		Ratio	
Scenario (%-point)	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016
UFR -1%	-19	-20	-3	-3	-23	-23
Interest rate +1% (incl. UFR 4.2%)	-1	-9	+12	+11	+11	+1
Interest rate -1% (incl. UFR 4.2%)	+3	+14	-13	-14	-10	-1
Volatility Adjustment -10bp	-9	-9	-2	-2	-11	-11

Recently, EIOPA announced its decision on the Ultimate Forward Rate. The UFR will decrease since 2018 from 4.2% to 3.65% with steps of 15 basis points per year. In 2018 the UFR will be 4.05%. The decrease of the UFR from 4.2% to 4.05% has limited impact on the Solvency II ratio of a.s.r. The Solvency ratio II at a UFR equal to 4.05% as per 31 December 2017 is three percent points lower than the ratio at a UFR equal to 4.2%, while the ratio at a UFR equal to 3.65% is approximately twelve points lower. Apart from that a positive IFRS LAT margin remains at a UFR level of 3.65%.

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

An interest rate risk policy is in place for the group as well as for the registered insurance companies. All interest rate- sensitive balance sheet items are in scope, including the employee benefit obligations of the group. In principle, the sensitivity of the solvency ratio to interest rates is minimised. In addition, the exposure to interest rate risk or various term buckets is subject to maximum amounts.

5.8.3.2 Equity risk

The equity risk depends on the total exposure to equities. In order to maintain a good understanding of the actual equity risk, a.s.r. applies the look-through approach for investment funds to assess the equity risk.

The required capital for equity risk is determined by calculating the impact on the available capital due to an immediate drop in share prices. Both assets and liabilities are taken into account. Stocks listed in regulated markets in countries in the EEA or OECD are shocked by 39% together with the symmetric adjustment of the equity capital charge (type I). Stocks in countries that are not members of the EEA or OECD, unlisted equities, alternative investments, or investment funds in which the look-through principle is not possible, are shocked by 49% together with the symmetric adjustment of the equity capital charge (type II).

a.s.r. applies the transitional measure for equity risk for shares in portfolio at 31 December 2015. The SCR equity shock was 22% at 31 December 2015 and linear increasing in 7 years to (i) 39% + equity dampener for type I shares and (ii) 49% + equity dampener for type II shares.

Equity risk - required capital

	31 December 2017	31 December 2016
SCR equity risk - required capital	738	549

In 2017, the equity risk increased on the one hand due to a larger equity portfolio and a smaller risk mitigating effect of put options. On the other hand, as a result of the diminishing effect of the transitional measure due to (i) higher risk charges and (ii) less equities qualifying for the transitional measure.

The sensitivity of the solvency ratio to changes in equity prices is monitored on a monthly basis. Sensitivity of regulatory solvency (Solvency II) to changes in equity prices is shown in the following table.

Solvency II sensitivities - equity prices

Effect on:	Available capital		Required capital		Ratio	
Scenario (%-point)	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Equity prices -20%	-11	-10	+10	+8	-1	-2

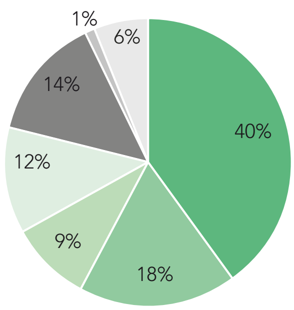
Composition of equity portfolio

The fair value of equities and similar investments at year-end 2017 was € 2,524 million (2016: € 2,204 million). The increase in 2017 was mainly a result of higher equity prices.

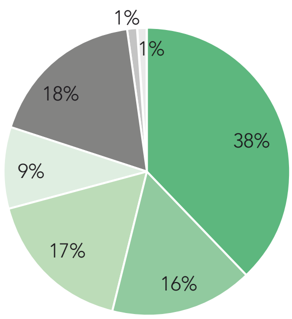
The equities are diversified across the Netherlands (including participating interests), other European countries and the United States. A limited part of the portfolio consists of investments in emerging markets and alternatives. A portfolio of put options with an underlying value of € 14 million is in place to mitigate the equity risk.

The table below shows the exposure of the equity portfolio to sectors. The total value is including the equities in externally managed funds. In 2017 a.s.r. reduced the exposure to non-euro shares to limit the FX risk in the equity portfolio.

Composition equity portfolio



Composition
equity portfolio 2017



Composition
equity portfolio 2016

	2017	2016
Mature markets (euro)	40%	38%
Dutch paticipation	18%	16%
Alternatives	9%	17%
Emerging markets	12%	9%
Mature Markets (non-euro)	14%	18%
Equity options	1%	1%
Others	6%	1%

5.8.3.3 Property risk

The property risk depends on the total exposure to real estate. In order to maintain a good understanding of the actual property risk, a.s.r. applies the look-through approach for investment funds to assess the property risk.

The required capital for property risk is determined by calculating the impact on the available capital due to an immediate drop in property prices by 25%. Both assets and liabilities are taken into account.

Property risk - required capital

	31 December 2017	31 December 2016
SCR property risk - required capital	883	826

The real estate investments increased due to property transactions and increases in property prices. As a result, the required capital for property risk increased.

The sensitivity of the solvency ratio to changes in property value is monitored on a monthly basis. Sensitivity of regulatory solvency (Solvency II) to changes in property prices is shown in the following table.

Solvency II sensitivities - property values

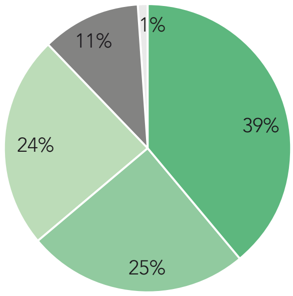
Effect on:	Available capital		Required capital		Ratio	
Scenario (%-point)	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Property values -10%	-8	-7	+3	+3	-5	-5

Composition of property portfolio

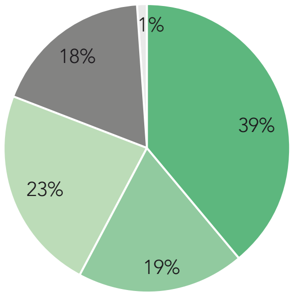
The property risk depends on the total exposure to property, which includes both property investments and property held for own use. The fair value of property was € 3,524 million at year-end 2017 (2016: € 3,295 million). The increase in 2017 was a result of both transactions and increases in property prices.

The property investments are diversified across the Netherlands. In 2017 a.s.r. reduced the exposure to offices and increased the exposure to the other categories.

Composition property portfolio



Composition
property portfolio 2017



Composition
property portfolio 2016

	2017	2016
Rural	39%	39%
Retail	25%	19%
Residential	24%	23%
Offices	11%	18%
Other	1%	1%

5.8.3.4 Currency risk

Currency risk measures the impact of losses related to changes in currency exchange rates. The policy of a.s.r. is in principle to hedge the currency risk excluding investments in equities and investments that are externally managed. However, certain currency exposures are permitted from a tactical perspective within a specific risk budget.

The required capital for currency risk is determined by calculating the impact on the available capital due to a change in exchange rates. Both assets and liabilities are taken into account and a look-through approach is applied for investment funds. For each currency the maximum loss due to an upward and a downward shock of 25% is determined except for a small number of currencies where lower shocks are applied (Danish crown; Bulgarian lev).

Currency risk - required capital

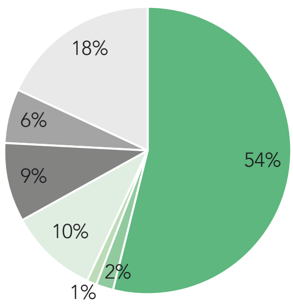
	31 December 2017	31 December 2016
SCR currency risk - required capital	267	280

Currency risk has decreased € 12 million. This is mainly caused by a decrease in foreign bonds in externally managed funds.

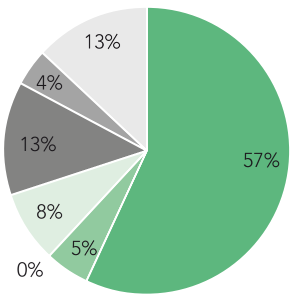
Specification currencies with largest exposure

The foreign currency position is monitored on a quarterly basis. The total net exposure in foreign currency is € 1,071 million (2016: € 1,120 million). The largest net-exposure is in USD, which mainly consists of investment in equities and bonds. The majority of the net currency exposure is related to equities. The following figures show the currencies with the largest exposures, expressed in percentage of the above-mentioned total:

Composition currency portfolio



Composition
currency portfolio 2017



Composition
currency portfolio 2016

	2017	2016
USD	54%	57%
AUD	2%	5%
ZAR	1%	0%
GBP	10%	8%
CHF	9%	13%
HKD	6%	4%
Other	18%	13%

Foreign bonds in externally managed funds have substantially decreased in the following currencies: USD and AUD.

5.8.3.5 Spread risk

Spread risk arises from the sensitivity of the value of assets and liabilities to changes in the level of credit spreads on the relevant risk-free interest rates. a.s.r. has a policy of maintaining a well-diversified high-quality investment grade portfolio while avoiding large risk concentrations. Going forward, the volatility in spreads will continue to have possible short-term effects on the market value of the fixed income portfolio. In the long run, the credit spreads are expected to be realised and to contribute to the growth of the own funds. The required capital for spread risk is determined by calculating the impact on the available capital due to the volatility of credit spreads over the term structure of the risk-free rate.

The required capital for spread risk is equal to the sum of the capital requirements for bonds, structured products and credit derivatives. The capital requirement depends on (i) the market value, (ii) the modified duration and (iii) the credit quality category.

Spread risk - required capital

	31 December 2017	31 December 2016
SCR spread risk - required capital	1,130	1,105

In 2017 a.s.r. sold government bonds, both core and non-core and bought corporates and financials. As a result, the required capital for spread risk increased, because the government bonds had no charge.

The sensitivity to spread risk is measured as the impact of an increase of spread on loans and corporate bonds of 75 bps. At the same time, it is assumed that the Volatility Adjustment which is applied to the liabilities will increase by 21 bps.

Solvency II sensitivities - spread risk

Effect on:	Available capital		Required capital		Ratio	
Scenario (%-point)	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Spread +75bps/VA +21bps	+12	+8	+2	+5	+14	+14

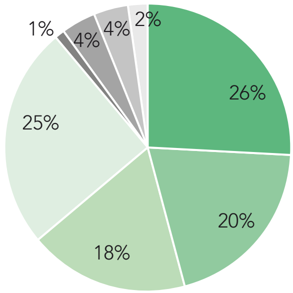
Composition of fixed income portfolio

Spread risk is managed on a portfolio basis within limits and risk budgets established by the relevant risk committees. Where relevant, credit ratings provided by the external rating agencies are used to determine risk budgets and monitor limits. A limited number of fixed-income investments do not have an external rating. These investments are generally assigned an internal rating. Internal ratings are based on methodologies and rating classifications similar to those used by external agencies. The following tables provide a detailed breakdown of the fixed-income exposure by (i) rating class and (ii) sector. Assets in scope of spread risk are, by definition, not in scope of counterparty default risk.

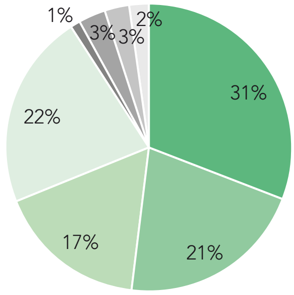
The total exposure of assets in scope of spread risk is € 23,431 million (2016: € 24,592 million). The decrease of the portfolio is mainly due to (i) the sale of core government bonds and (ii) the increase of the yield curve. Besides the sale of core government bonds, a.s.r. also sold non-core government bonds and bought corporates and financials. These transactions lead to changes in the portfolio decomposition:

- the relatively amount of government bonds decreased and the amount of corporates and financials increased;
- the relatively amount of AAA and AA rated bonds decreased and the amount of A and BBB rated bonds increased;

Composition fixed income portfolio by sector



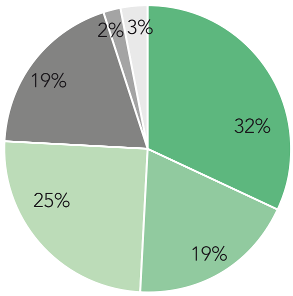
Composition fixed income portfolio by sector 2017



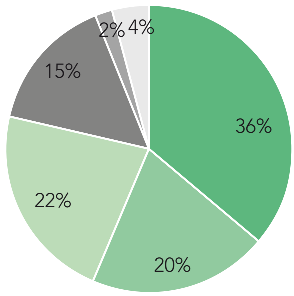
Composition fixed income portfolio by sector 2016

	2017	2016
Government core	26%	31%
Government non-core	20%	21%
Financials	18%	16%
Corporates	25%	22%
Structured instruments	1%	1%
Deposits	5%	3%
Loans	4%	3%
Preference shares	2%	2%

Composition fixed income portfolio by rating



Composition fixed income portfolio by rating 2017



Composition fixed income portfolio by rating 2016

	2017	2016
AAA	32%	36%
AA	19%	20%
A	25%	22%
BBB	19%	15%
Lower than BBB	2%	2%
Not rated	3%	4%

5.8.3.6 Market risk concentrations

Concentrations of market risk constitute an additional risk to an insurer. Concentration risk is the concentration of exposures to the same counterparty. Other possible concentrations (region, country, etc.) are not in scope. The capital requirement for concentration risk is determined in three steps:

1. Determine the exposure above threshold. The threshold depends on the credit quality (CQS) of the counterparty;
2. Calculation of the capital requirement for each counterparty, based on a specified factor depending on the credit quality;
3. Aggregation of individual capital requirements for the various counterparties.

According the spread risk module, bonds and loans guaranteed by a certain government or international organisation are not in scope of concentration risk. Bank deposits can be excluded from concentration risk if they fulfil certain conditions.

Concentration risk - required capital

	31 December 2017	31 December 2016
SCR concentration risk - required capital	67	9

In order to avoid concentrations in a single obligor, a.s.r. applies a limit on maximum exposure of € 700 million for issuers with a single A rating and higher and € 350 million for issuers with a BBB rating. The limits apply to the total investment portfolio, where government bonds are not included, which is consistent with Solvency II. Beside the limits on single obligors, a.s.r. applies also limits on the total level of the required capital for market risk concentrations.

The required capital for market risk concentrations increased due to short term deposits received as collateral for the interest rate derivatives and a change in the average CQS.

5.8.4 Counterparty default risk

Counterparty default risk reflects possible losses due to unexpected default or deterioration in the credit standing of counterparties and debtors. Counterparty default risk affects several types of assets:
- Mortgages
- Savings-linked mortgage loans
- Derivatives
- Reinsurance
- Receivables
- Cash and deposits

Assets that are in scope of spread risk are, by definition, not in scope of counterparty default risk and vice versa. The Solvency II regime makes a distinction between two types of exposures:
- Type 1: These counterparties generally have a rating (reinsurance, derivatives, current account balances, deposits with ceding companies and issued guarantee (letter of credit). The exposures are not diversified.
- Type 2: These counterparties are normally unrated (receivables from intermediaries and policyholders, mortgages with private individuals or SMEs). The exposures are generally diversified.

The total capital requirement for counterparty risk is an aggregation of the capital requirement for type 1 exposure and the capital requirement for type 2 exposure by taking 75% correlation.

Counterparty default risk - required capital

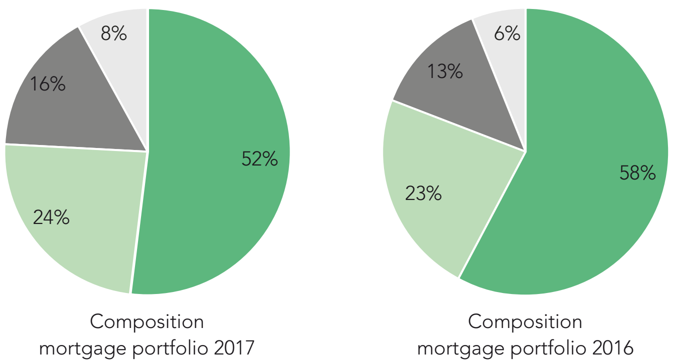
	31 December 2017	31 December 2016
Type 1	219	171
Type 2	418	415
Diversification (negative)	-37	-31
Total	**600**	**555**

The increase of counterparty default risk is almost entirely due to the increase of Type 1 risk. This is the result of (i) the increased cash position and (ii) the derivative portfolio.

5.8.4.1 Mortgages

Mortgages are granted for the account and risk of third parties and for a.s.r.'s own account. The a.s.r. portfolio consists only of Dutch mortgages with a limited counterparty default risk. The fair value of a.s.r.'s mortgage portfolio was € 6,990 million at year-end 2017 (2016: € 6,754 million).

Composition mortgage portfolio



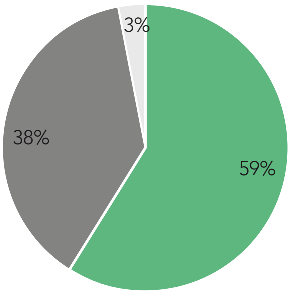
	2017	2016
NHG	52%	58%
Loan-to-Value ratio <75%	24%	23%
Loan-to-Value ratio <100%	16%	13%
Loan-to-Value ratio >100%	8%	6%

The Loan-to-Value ratio is based on the value of the mortgage according Solvency II principals with respect to the a.s.r. calculated collateral.

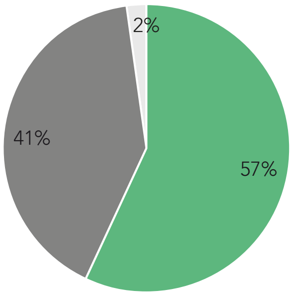
The default percentage (i.e. the percentage of mortgages which is in arrears for over three months) has decreased from 0.34% in December 2016 to 0.21% in December 2017. This drop is a consequence of the improved economic circumstances and of the organisation of preventive management, whereby the flow of short-term arrears to longer delays could be reduced.

5.8.4.2 Savings-linked mortgage loans
The counterparty default risk of the savings-linked mortgage loans ('Spaarlossen') depends on the counterparty. For 59% of the portfolio, the counterparties are Special Purpose Vehicles. The risk is limited due to the robust quality of the mortgages in the Special Purpose Vehicles in combination with the tranching. a.s.r. has a cession-retrocession agreement with the counterparty for 38% of the portfolio, for which the risk is limited. Effectively, a.s.r. receives the underlying mortgage loans as collateral, mitigating the counterparty default risk of the savings-linked mortgage loans.

Composition savings-linked mortgage loans portfolio



Composition savings-linked mortgage loans portfolio 2017



Composition savings-linked mortgage loans portfolio 2016

	2017	2016
Counterparty SPV	59%	57%
Agreement cession-retrocession	38%	41%
Other	3%	2%

5.8.4.3 Derivatives
Over the Counter (OTC) derivatives are primarily used by a.s.r. to manage the interest-rate risks incorporated into the insurance liabilities. Interest-rate derivatives are traded with a well-diversified and qualitative dealer panel with whom there is an established International Swaps and Derivatives Association (ISDA) contract and a Credit Support Annex (CSA) in place. These CSAs include specific agreements on the exchange of collateral limiting market and counterparty risk. The outstanding value of the interest rate derivative positions is matched by collateral received from eligible counterparties, minimising the net counterparty default risk.

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

Composition reinsurance counterparties by rating

	31 December 2017	31 December 2016
AAA	0%	0%
AA	97%	94%
A	3%	5%
NR	0%	0%

The table above shows the exposure to reinsurers per rating. The total exposure to reinsurers at year-end 2017 was € 549 million (2016: € 656 million).

5.8.4.5 Receivables

Composition receivables

	31 December 2017	31 December 2016
Policyholders	133	158
Intermediaries	82	89
Reinsurance operations	101	97
Health insurance fund	99	73
Other	313	155
Total	**728**	**572**

5.8.4.6 Cash and cash equivalents

The current accounts amounted € 2,523 million in 2017 (2016: € 1,799 million).

Composition cash accounts by rating

	31 December 2017	31 December 2016
AAA	0%	0%
AA	0%	0%
A	96%	97%
Lower than A	4%	3%

Total deposits amounted to € 345 million (2016: € 1,000 million).

Composition deposits by rating

	31 December 2017	31 December 2016
Secured deposits	345	1,000
AAA	-	-
AA	-	-
A	-	-
Total	**345**	**1,000**

5.8.5 Liquidity risk

Liquidity risk is the risk that a.s.r. is not able to meet its financial obligations to policyholders and other creditors when they become due and payable, at a reasonable cost and in a timely manner. Liquidity risk is not quantified in the Solvency Capital Requirement of a.s.r, and is therefore separately discussed here.

a.s.r. recognises different levels of liquidity management. Short-term liquidity, or daily cash management, covers the day-to-day cash requirements under normal business conditions and targets funding liquidity risk. Long-term liquidity management considers business conditions in which market liquidity risk materialises. Stress liquidity management looks at the ability to respond to a potential crisis situation as a result of a market event and an a.s.r.-specific event. Unexpected cash outflows could occur as result of lapses in the insurance portfolio, savings withdrawals or cash variation margin payments related to the ISDA/CSA agreements of derivatives. a.s.r. monitors its liquidity risk scenarios via different risk reporting and monitoring processes including daily cash management reports, cash flow forecasts and stress scenario liquidity reports.

a.s.r.'s liquidity management principle consists of three components. First, a well-diversified funding base is necessary in order to provide liquidity for cash management purposes. A portion of assets must be invested in unencumbered marketable securities that can be used for collateralised borrowing or asset sales. Second, the strategic asset allocation should reflect the expected and contingent liquidity needs of liabilities. Finally, an adequate and up-to-date contingency liquidity plan is in place to enable management to act effectively and efficiently in times of crisis.

In managing the liquidity risk from financial liabilities, a.s.r. holds liquid assets comprising cash and cash equivalents and investment grade securities for which there is an active and liquid market. These assets can be readily sold to meet liquidity requirements. As at 31 December 2017, a.s.r. had cash (€ 2,448 million), short-term deposits (€ 1,346 million), liquid government bonds (€ 10,531 million) and other bonds and shares.

The following table shows the contractual cash flows of liabilities (excluding insurance contracts on behalf of policyholders) broken down in three categories. For liabilities arising from insurance contracts, expected lapses and mortality risk are taken into account. Profit-sharing cash flow of insurance contracts is not taken into account, nor are equities, property and swaptions.

Contractual cashflows

	< 5 yrs	5-10 yrs	10-20 yrs	> 20 yrs
31 December 2017				
Financial Liabilities	-575	-1,407	-	-
Insurance Liabilities	-8,168	-6,374	-11,569	-20,220
Derivatives	-4,154	818	2,306	1,726
Total	**-12,897**	**-6,963**	**-9,263**	**-18,494**
31 December 2016				
Financial Liabilities	-484	-1,102	-	-
Insurance Liabilities	-7,259	-5,974	-11,799	-18,254
Derivatives	272	-2,381	1,175	827
Total	**-7,471**	**-9,457**	**-10,624**	**-17,427**

a.s.r. also has saving accounts amounting to € 737 million (2016: € 520 million) with a contractual cashflow of less than 1 year.

5.8.6 Operational risk

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

Operational risk - required capital

	31 December 2017	31 December 2016
SCR operational risk - required capital	184	181

The SCR for operational risk amounts to € 184 million at the end of 2017 (2016: € 181 million) and is determined with the standard formula under Solvency II. The operational risk is based on the basic solvency capital requirement, the volumes of premiums and technical provisions, and the amount of expenses.

5.8.7 Strategic Risk Management

The system of internal control includes the management of risks at different levels in the organisation, both operational and strategic. Internal control at an operational level centres around identifying and managing risks within the critical processes that pose a threat to the achievement of the business line's objectives. The use of controls helps to mitigate or even completely eliminate identified risks. This increases the business line's chances of achieving its objectives and demonstrates that it is in control. Business lines report on the effectiveness of their controls on a quarterly basis. The effectivity of controls is important input for the sign off that each business line provides on the financial figures.

At a strategic level, the major risks are identified and assessed periodically with a strategic risk analysis from the group and control risk self-assessments at business lines. After the analysis a list of risk priorities is established and risk management actions are assigned. The progress of these actions is monitored in the a.s.r. Risk Committee.

5.8.7.1 Strategic risk management

Strategic risk management aims to identify and manage the most significant risks that may impact a.s.r.'s strategic objectives. Subsequently, the aim is to identify and analyse the risk profile as a whole, including risk interdependencies. The ORSA process is designed to identify, measure, manage and evaluate those risks that are of strategic importance to a.s.r.:

Identifying

Through the ORSA process, identification of risks is structurally organised through the Control Risk Self Assessments (CRSA's) and Strategic Risk Analysis (SRA). This approach combines a bottom up (CRSA's) and top

Down (SRA) method to identify risks. The outcomes of the CRSA's and SRA are jointly translated into risk scenarios and 'risk priorities', in which the most significant risks for a.s.r. are represented.

Measuring
Through the ORSA process, the likelihood and impact of the identified risks are assessed, taking into account (the effectiveness of) risk mitigating measures and planned improvement actions. Information from other processes[1] is used to gain additional insights into the likelihood and impact. One single risk scenario takes multiple risks into account. In this manner, the risk scenarios provide (further) insights into risk interdependencies.

Managing
As part of the CRSA processes, the effectiveness of risk mitigating measures and planned measures of improvement is assessed. This means risk management strategies are discussed, resulting in refined risk management strategies.

Monitoring and reporting
The output of the ORSA process is translated into day-to-day risk management and monitoring and reporting, both at group level and product line levels. At group level, the risk priorities are discussed on a quarterly basis in the a.s.r. Risk Committee. At the level of the product lines, risks are discussed in the Business Risk Committees.

Evaluating
Insights regarding likelihood and impact are evaluated against solvency targets. Based on this evaluation, conclusions are formulated regarding the adequacy of solvency objectives at group and individual legal entity level.

5.8.7.2 Operational risk management
Operational Risk Management (ORM) involves the management of all possible risks that may influence the achievement of the business goals and that can cause financial or reputational damage. ORM includes the identification, analysis, prioritisation and management of these risks in line with the risk appetite. The policy on ORM is drafted and periodically evaluated under the coordination of Enterprise Risk Management. The policy is implemented in the decentralised business entities under the responsibility of the management boards. A variety of risks is encountered with the ORM policy: IT risk, outsourcing, data quality, claim handling etc.

Identifying
With the operational targets as a starting point, each business entity performs risk assessments to identify events that could influence these targets. In each business entity the business risk manager facilitates the periodic identification of the key operational risks. All business processes are taken into account to identify the risks. All identified risks are prioritised and recorded in a risk-control framework.

The risk policies prescribe specific risk analyses to be performed to identify and analyse the risks. For important IT systems, SPRINT (Simplified Process for Risk Identification) analyses have to be performed and for large outsourcing projects a specific risk analysis is required.

Measuring
All risks in the risk-control frameworks are assessed on likelihood of defaults and impact. Where applicable, the variables are quantified, but often judgments of subject matter experts are required. Based on the estimation of the variables, each risk is labelled with a specific level of concern (1 to 4). Risks with a level of concern 3 or 4 are considered 'key'.

Managing
For each risk, identified controls are implemented into the processes to keep the level of risk within the agreed risk appetite (level of concern 1 or 2). In general, risks can be accepted, mitigated, avoided or transferred. A large range of options is available to mitigate operational risks, depending on the type. For each control an estimation is made of the net risk, after implementing the control(s).

Monitoring and reporting
The effectiveness of operational risk management is periodically monitored by the business risk manager at each business line or legal entity. For each key control in the risk-control framework a testing calendar is established, based on accounting standards. Each control is tested regularly and the outcomes of the effectiveness of the management of key risks are reported to the management board. Outcomes are also reported to the NFRC and a.s.r. RC.

1 For example, the SAA-study, analyses in the context of reinsurance renewals, ad hoc sensitivity analyses and/or stress tests.

Evaluating
Periodically, yet at least annually, the risk-control frameworks and ORM policies are evaluated to see if revisions are necessary. The risk management function also challenges the business lines and legal entities regarding their risk-control frameworks.

Operational incidents
Large operational incidents are reported to Group Risk Management, in accordance with the operational risk policy. The causes of losses are evaluated in order to learn from these experiences. An overview of the largest operational incidents and the level of operational losses is reported to the NFRC. Actions are defined and implemented to avoid repetition of operational losses.

ICT
Through IT risk management, a.s.r. devotes attention to the efficiency, effectiveness and integrity of ICT, including End User Computing applications. The logical access control for key applications used in the financial reporting process remains a high priority in order to enhance the integrity of applications of data. The logical access control procedures also prevent fraud by improving segregation of duties and by conducting regular checks of actual access levels within the applications. Proper understanding of information, security and cyber risks is essential, reason for which actions are carried out to create awareness among employees and business lines.

Business Continuity Management
Operational management can be disrupted significantly by unforeseen circumstances or calamities which could ultimately disrupt the execution of critical and operational processes. Business Continuity Management enables a.s.r. to continue its daily business uninterruptedly and to react quickly and effectively during such situations.

Critical processes and activities and the tools necessary to use for these processes are identified during the Business Impact Analysis. This includes the resources required to establish similar activities at a remote location. The factors that can threaten the availability of those tools necessary for the critical processes are identified in the Threat Analysis.

a.s.r. considers something a crisis when one or more business lines are (in danger of being) disrupted in the operational management, due to a calamity, or when there is a reputational threat. In order to reduce the impact of the crisis, to stabilise the crisis, and to be able to react timely, efficiently and effectively, a.s.r. has assigned a crisis organisation.

Each business line has their own crisis team led by the director of the management team. The continuity of activities and the recovery systems supporting critical activities are regularly tested and crisis teams are trained annually. The objective of the training is to give the teams insights into how they function during emergencies and to help them perform their duties more effectively during such situations. The training also sets out to clarify the roles, duties and responsibilities of the crisis teams.

Recovery Planning
a.s.r.'s Recovery Plan helps to be prepared and have the capacity to act in various forms of extreme financial stress. To this end, the Recovery Plan describes and quantifies the measures that can be applied to live through a crisis situation. These measures are tested in the scenario analysis, in which the effects of each recovery measure on a.s.r.'s financial position (solvency and liquidity) are quantified. The required preparations for implementing the measures, their implementation time and effectiveness, potential obstacles and operational effects are also assessed. The main purpose of the Recovery Plan is to increase the chances of successful early intervention in the event of a financial crisis situation and to further guarantee that the interest of policyholders and other stakeholders are protected.

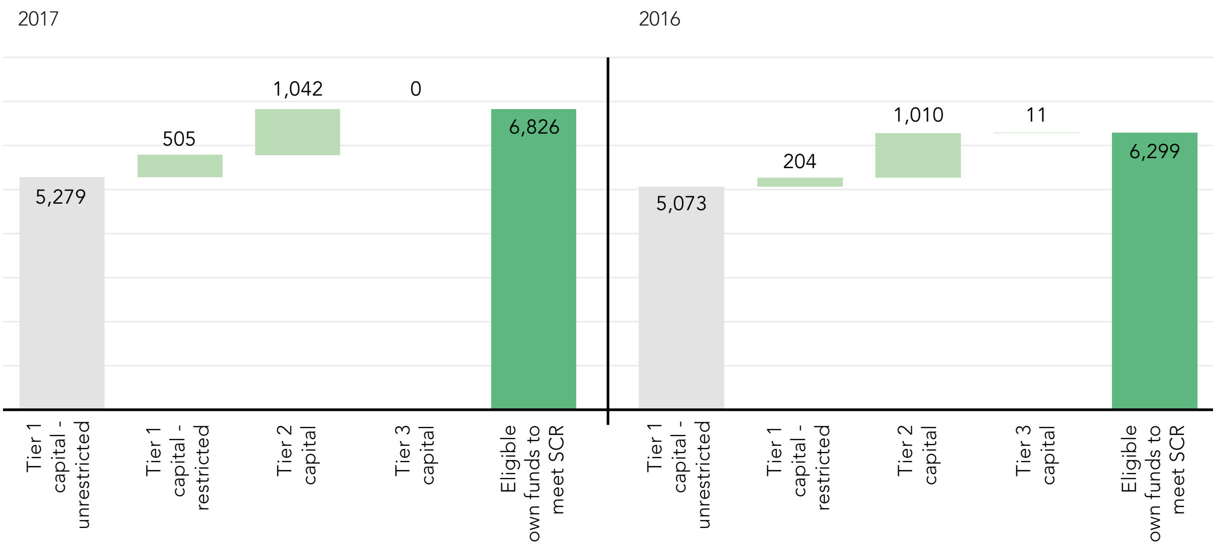
Reasonable assurance and model validation
a.s.r. aims to obtain reasonable assurance regarding the adequacy and accuracy of the outcomes of models that are used to provide best estimate values and solvency capital requirements. To this end, multiple instruments are applied, including model validation. Materiality is determined by means of an assessment of impact and complexity. Impact and complexity is expressed in terms of High (H), Medium (M), or Low (L).

In the pursuit of reasonable assurance, model risk is mitigated and unpleasant surprises are avoided, against acceptable costs.

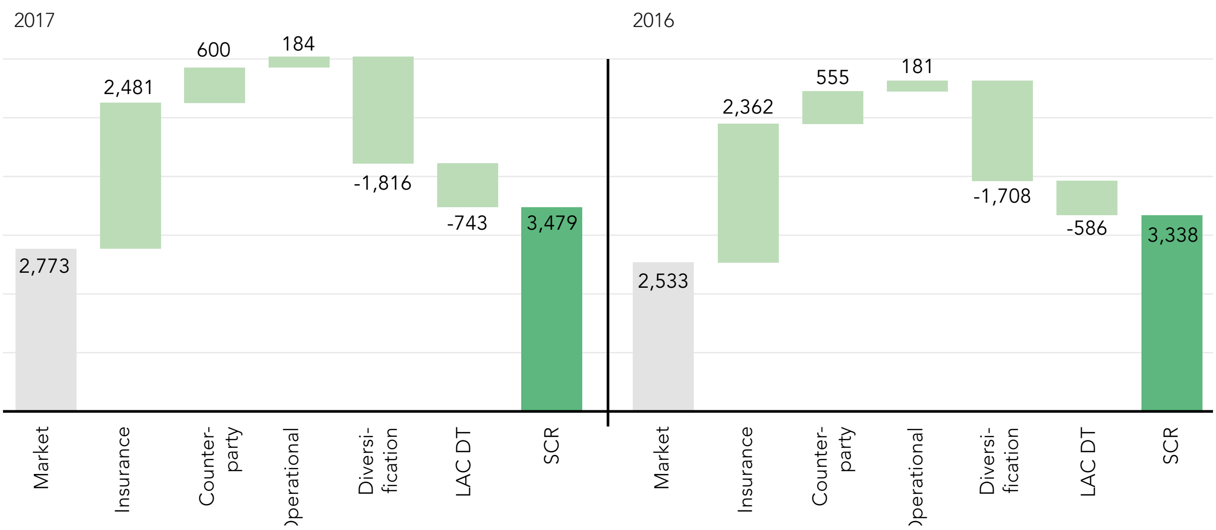
5.9 Capital management

Key figures

Eligible own funds

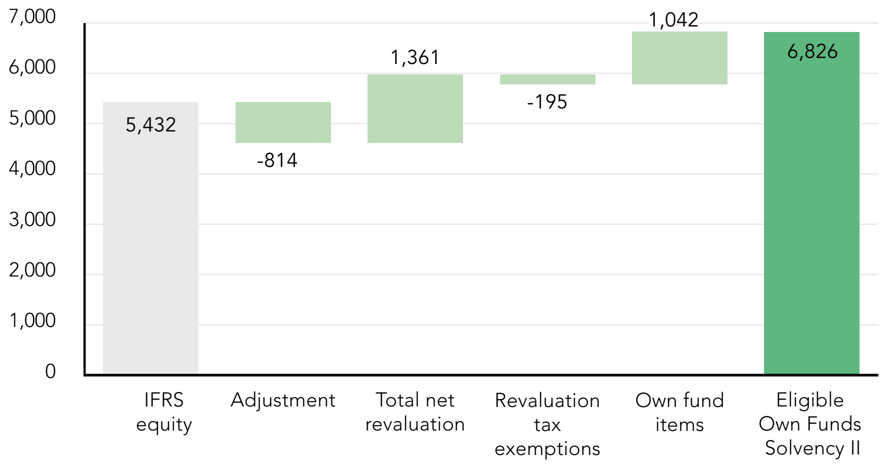


SCR



The solvency ratio stood at 196% as at 31 December 2017 after distribution of the proposed dividend of € 230 million and is based on the standard formula as a result of € 6,826 eligible own funds and € 3,479 million SCR.

Reconciliation total equity IFRS vs EOF Solvency II



5.9.1 Capital management objectives

Management
Overall capital management is administered at group level. Capital generated by operating units and future capital releases will be allocated to profitable growth of new business or repatriated to shareholders, beyond the capital that is needed to sustain commercial capital levels at management's targets. a.s.r. actively manages its in-force business, which is expected to result in substantial free capital generation over time. Additionally, business improvement and balance sheet restructuring should improve the capital generation capacity while advancing the risk profile of the company. The legal entities are capitalised separately, and excess capital over management's targets are intended to be up-streamed to the holding company, in so far the local regulations and the internal risk appetite statement allow.

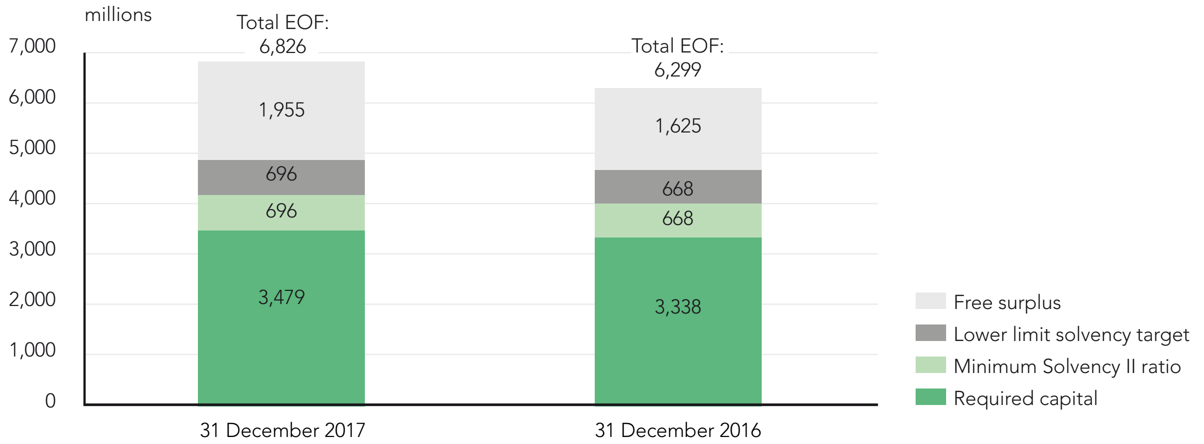
Objectives
The group is committed to maintain a strong capital position in order to be a robust insurer for its policyholders and other stakeholders. The objective is to maintain a solvency ratio well above the minimum levels as defined in the risk appetite statements and above the relevant solvency targets. Sensitivities are periodically performed for principal risks and annual stress tests are performed to test a.s.r.'s robustness to withstand moderate to severe scenarios. An additional objective is to achieve a combination of a capital position and a risk profile that is at least in line with a 'single A' rating by Standard & Poor's.

The SCR is reported on a quarterly basis and proxies are made on a monthly basis. The internal minimum solvency ratio for a.s.r. as formulated in the risk appetite statement is 120%. The lower limit solvency target is 140%. The management target for the solvency ratio is above 160%. The solvency ratio stood at 196% at 31 December 2017, which was comfortably higher than the internal requirement of 120% and the management target of 160%.

In accordance with a.s.r.'s dividend policy, the liquidity of the underlying entities is not taken into account for the liquidity position of the group. However, the capital is recognised in the capital position of the group, since a.s.r. has the ability to realise the capital of this OTSO, for example by selling the entity. Specifically regarding Basis Ziektekostenverzekeringen N.V. in 2017, no dividend or capital withdrawals have taken place.

The table below shows how the eligible own funds of a.s.r. relate to the different capital targets.

Market value own funds under SCR



5.9.2 Solvency Capital Requirement

Capital requirement

The required capital stood at € 3,479 million per 31 December 2017 (2016: € 3,338 million). The required capital (before diversification) consists for 2017 € 2,773 million out of market risk and the insurance risk amounted to € 2,481 million as per 31 December 2017.

a.s.r. (including a.s.r. bank) complied during 2017 with the applicable externally imposed capital requirement. The table below presents the solvency ratio at group level as at the date indicated.

Eligible own funds to meet the SCR

	31 December 2017	31 December 2016
Eligible Own Funds Solvency II	6,826	6,299
Required capital	3,479	3,338
Solvency II ratio excluding a.s.r. Bank	**196%**	**189%**

The Solvency II ratio stood at 196% (excluding a.s.r. Bank) as at 31 December 2017 (2016: 189%). The Solvency II ratio including a.s.r. Bank stood at 195% as at 31 December 2017 (2016: 188%).

Under Solvency II it is permitted to reduce the required capital with the mitigating tax effects resulting from a 1-in-200-year loss (Shock loss). There is a mitigating tax effect to the extent that the Shock loss (BSCR + Operational risk) is deductible for tax purposes and can be compensated with taxable profits. This positive tax effect can only be taken into account when sufficiently substantiated ('more likely than not'). a.s.r. included a beneficial effect on its solvency ratio(s) due to the application of the LAC DT. The LAC DT benefit is € 745 million.

Relevant regulation and current guidance (Delegated Regulation, Level 3 guidelines, Dutch Central Bank Q&A's and IAS12) is taken into account in the development of the LAC DT methodology.

Since 2016 a.s.r. uses an advanced model for the LAC DT of ASR Levensverzekering N.V. and a 'basic' model for the other OTSOs. In the advanced model also future fiscal profits are used to underpin the LAC DT, while in the basic model no future profits are used. Both models are and will be updated in case constrained by additional guidance or legislation provided.

The a.s.r. solvency ratio does not include any contingent liability potentially arising from any of the current and/or future legal proceedings in relation to unit-linked insurance contracts or for other products sold, issued or advised on by a.s.r.'s insurance subsidiaries in the past, the reason being that it is impossible at this time to make reliable estimates because the book of policies of a.s.r. dates back many years, contains of a variety of products with different features and conditions and because of the fact that rulings are diverse.

Standard & Poor's confirmed the single A rating of ASR Levensverzekering N.V. and ASR Schadeverzekering N.V. on August 10, 2017.

Stable outlook

Standards & Poor		Rating	Outlook	Rating & outlook since
ASR Nederland N.V.	CCR	BBB+	Stable	May 15, 2014
ASR Levensverzekering N.V.	CCR	A	Stable	August 23, 2012
ASR Levensverzekering N.V.	IFSR	A	Stable	August 23, 2012
ASR Schadeverzekering N.V.	CCR	A	Stable	August 23, 2012
ASR Schadeverzekering N.V.	IFSR	A	Stable	August 23, 2012

CCR: counterparty credit rating
IFSR: insurer financial strength rating

Rating reports can be found on the corporate website: http://asrnl.com/investor-relations/ratings.

5.9.3 Dividend and capital actions

The group has formulated its dividend policy in line with its current strategy. The Company intends to pay an annual dividend that creates sustainable long-term value for its shareholders. The Company aims to operate at a solvency ratio, calculated according to the standard formula, above a management threshold level. This management threshold level is currently defined as above 160% of the Solvency Capital Requirement ('SCR'). In general, it expects to not pay cash dividends if the group level solvency ratio (calculated according to the standard formula) falls below 140%. The Company currently intends to consider investing capital above the solvency ratio (calculated according to the standard formula) of 160% with the objective of creating value for its shareholders. If and when the Company operates at a certain level safely above the 160%, and the Company assesses that it cannot invest this capital in value creating opportunities for a prolonged period of time, the Company may decide to return (part of this) capital to shareholders. If the Company elects to return capital, it intends to do so in the form that is efficient for shareholders at that time. a.s.r. intends to pay € 229,7 million dividends over full year 2017. As from 2018, a.s.r. intends to pay an interim dividend.

In 2017, the company paid € 187 million in cash dividend over the financial year 2016. Furthermore, a.s.r. participated three times in the sell-down by the Dutch state by buying back 9 million shares for a total consideration of € 255 million. On the 14th of September, the Dutch State sold the last tranche of shares, after which the shareholding of the Dutch State and NLFI came to an end and a.s.r. is a fully privately-owned company again. On September 13th, a.s.r. announced the intended acquisition of Generali Nederland. In view of this acquisition, a.s.r. issued the first Euro-denominated restricted Tier 1 capital instrument on October 12th, 2017. The total issue size was € 300 million. With this transaction, a.s.r. successfully added a new instrument to the capital management toolbox, leaving ample headroom in all capital tiers. The acquisition of Generali was completed on February 6th, 2018.

5.10 Company financial statements

5.10.1 Company balance sheet

Company balance sheet

(in € millions) (Before profit appropriation)	Note	31 December 2017	31 December 2016
Non-current assets			
Intangible assets	5.10.3.2	27	27
Subsidiaries	5.10.3.3	5,750	5,120
Loans to group companies	5.10.3.4	88	92
Loans and deposits	5.10.3.5	19	21
Deferred tax assets	5.10.3.6	50	94
Total non-current assets		**5,934**	**5,354**
Current assets			
Other receivables	5.10.3.7	2,827	2,811
Cash and cash equivalents	5.10.3.8	463	355
Total current assets		**3,290**	**3,166**
Total assets		**9,224**	**8,520**
Equity			
Share capital	5.10.3.9	24	24
Share premium reserve	5.10.3.9	1,018	1,038
Statutory reserves	5.10.3.9	1,319	1,438
Actuarial gains and losses	5.10.3.9	-674	-755
Retained earnings	5.10.3.9	2,933	2,035
Treasury shares	5.10.3.9	-188	-
Equity attributable to shareholders		**4,432**	**3,780**
Other equity instruments	5.10.3.9	1,001	701
Equity attributable to holders of equity instruments		**5,433**	**4,481**
Provisions			
Employee benefits	5.10.3.10	3,159	3,254
Other provisions	5.10.3.11	15	25
Total Provisions		**3,174**	**3,279**
Long-term liabilities			
Subordinated liabilities	5.10.3.12	497	497
Debts to group companies	5.10.3.13	-	10
Total long-term liabilities		**497**	**507**
Current liabilities			
Due to banks	5.10.3.14	-	75
Other liabilities	5.10.3.15	120	178
Total current liabilities		**120**	**253**
Total equity and liabilities		**9,224**	**8,520**

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

5.10.2 Company income statement

Company income statement			
(in € millions)	Note	2017	2016
Operating expenses	5.10.3.16	-103	-86
Other expenses		3	-11
Other income		21	108
Income from subsidiaries and investments			
Share of profit / (loss) in subsidiaries	5.10.3.3	957	668
Investment income		8	8
Fair value gains and losses		-2	1
Interest expense	5.10.3.17	-17	-30
Profit before tax		**867**	**658**
Income tax (expense) / gain		39	1
Profit for the year		**906**	**659**

The share of profit / (loss) in subsidiaries is non-taxable as a result of the participation exemption under Dutch tax law.

5.10.3 Notes to the company financial statements

5.10.3.1 Accounting policies

The company financial statements are prepared in accordance with Title 9, Book 2 of the Dutch Civil Code. The consolidated financial statements of a.s.r. for 2017 have been prepared in accordance with IFRS – including the International Accounting Standards (IAS) and Interpretations – as accepted within the European Union and with part 9 of the book of the Dutch Civil Code. In accordance with Section 362(8), Book 2 of the Dutch Civil Code, the ASR Nederland N.V. Executive Board has decided to apply the same accounting policies to the company financial statements as applied to the consolidated financial statements. This has been the practice since 2005.

Investments in group companies are recognised, using the equity method, in accordance with the accounting policies used in a.s.r.'s consolidated financial statements. The share of profit of group companies is reported in conformity with the accounting policies used in a.s.r.'s consolidated financial statements.

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

5.10.3.2 Intangible assets

The goodwill amounting to € 27 million as at 31 December 2017 (2016: € 27 million) relates for € 23 million to the 2015 acquisition of De Eendragt Pensioen N.V. (2016: € 23 million) and for € 4 million to the 2016 acquisition of BNG Vermogensbeheer B.V (2016: € 4 million).

5.10.3.3 Subsidiaries

Subsidiaries		
	2017	2016
At 1 January	5,120	4,816
Additions to capital	34	22
Share of profit	957	668
Dividend received	-494	-377
Revaluations	139	-9
Other changes	-6	-
At 31 December	**5,750**	**5,120**

5.10.3.4 Loans to group companies

Loans to group companies

	2017	2016
At 1 January	92	34
Issues	73	77
Repayments	-77	-19
At 31 December	**88**	**92**

The loans to group companies consist primarily of deposits with group companies of € 70 million (2016: € 77 million) with an average interest rate of 1.8% (2016: € 1.8%) repayable within one year, no loans with a maturity term within 3 years (2016: nil) and loans of € 18 million (2016: € 15 million) with a maturity term longer than 3 years and an average interest rate of 4.0% (2016: 4.3%). Interest income on loans to group companies amount to € 1 million (2016: € 1 million).

5.10.3.5 Loans and deposits

Loans and deposits

	2017	2016
At 1 January	21	64
Repayments	-3	-3
Impairments	1	-
Other changes	-	-40
At 31 December	**19**	**21**

5.10.3.6 Deferred tax assets

The deferred tax assets primarily consist of to employee benefits (including the asset resulting from the insurance contracts) which are administered by ASR Levensverzekering N.V. amounting to 119 million (2016: € 150 million) off set by the equalisation reserve of € 66 million (2016: € 53 million).

5.10.3.7 Other receivables

The other receivables are including receivables from group companies, which include the receivable with respect to non-qualifying plan assets (see Chapter 5.5.15) administered by ASR Levensverzekering N.V. amounting to € 2,738 million (2016: € 2,669 million). The plan assets administered by ASR Levensverzekering N.V. include the separate account to fund future inflation indexation amounting to € 335 million as at 31 December 2017 (2016: € 327 million). The remaining portion of the receivables from group companies is payable on demand.

5.10.3.8 Cash and cash equivalents

Cash and cash equivalents are stated at face value. They are fully and freely available to the company.

5.10.3.9 Equity

Equity

	Share capital	Share premium reserve	Actuarial gains and losses	Statutory reserves	Retained earnings	Treasury shares	Equity attributable to shareholders	Other equity instruments	Equity
At 1 January 2016	**100**	**962**	**-467**	**1,384**	**1,595**	**-**	**3,574**	**701**	**4,275**
Profit for the year	-	-	-	-	659	-	659	-	659
Remeasurement of post employment benefit obligation	-	-	-288	-	-	-	-288	-	-288
Unrealised change in value	-	-	-	-9	49	-	40	-	40
Dividend paid	-	-	-	-	-170	-	-170	-	-170
Change in reserves required by law	-	-	-	63	-63	-	-	-	-
Discretionary interest on other equity instruments	-	-	-	-	-45	-	-45	-	-45
Increase (decrease) in capital	-76	76	-	-	-	-	-	-	-
Tax relating to interest on other equity instruments	-	-	-	-	11	-	11	-	11
Other	-	-	-	-	-1	-	-1	-	-1
At 31 December 2016	**24**	**1,038**	**-755**	**1,438**	**2,035**	**-**	**3,780**	**701**	**4,481**
At 1 January 2017	**24**	**1,038**	**-755**	**1,438**	**2,035**	**-**	**3,780**	**701**	**4,481**
Profit for the year	-	-	-	-	906	-	906	-	906
Remeasurement of post employment benefit obligation	-	-	81	-	-	-	81	-	81
Unrealised change in value	-	-	-	139	4	-	143	-	143
Dividend paid	-	-	-	-	-187	-	-187	-	-187
Change in reserves required by law	-	-	-	-258	258	-	-	-	-
Discretionary interest on other equity instruments	-	-	-	-	-45	-	-45	-	-45
Issue of other equity instruments	-	-	-	-	-	-	-	300	300
Cost of issue of other equity instruments	-	-	-	-	-2	-	-2	-	-2
Tax relating to interest on other equity instruments	-	-	-	-	11	-	11	-	11
Increase (decrease) in capital	-	-20	-	-	-47	67	-	-	-
Treasury shares acquired	-	-	-	-	-	-255	-255	-	-255
At 31 December 2017	**24**	**1,018**	**-674**	**1,319**	**2,933**	**-188**	**4,432**	**1,001**	**5,433**

Share capital

For a breakdown of the share capital, see Chapter 5.5.12.1.

Statutory reserves

The statutory reserves relate to the revaluation of investments in group companies. The statutory reserves are maintained in relation to the (not yet received as dividend) share in the result (and other additions to equity) of group companies accounted for using the equity method since initial recognition reduced with the amount of dividend that a.s.r. is able to distribute without restrictions. The statutory reserves are not freely distributable. Refer to Chapter 5.9 for more information on the regulatory restrictions.

Other equity instruments

The other equity instruments relate to four (2016: three) different hybrid Tier 1 and Tier 2 instruments classified as equity (see Chapter 5.5.12.5). Of the four different equity instruments that were issued, two instruments (issue date 2009) are guaranteed by ASR Levensverzekering N.V. The third instrument (issue date 2014), which features a perpetual non call 10 year restricted Tier 2 capital instrument, does not contain guarantees from operating entities. In 2017, a.s.r. issues the first continental European Solvency II-compliant and Euro denominated Restricted Tier 1 issue. The issue features a perpetual non-call 10 year restricted Tier 1 contingent convertible capital instrument (see Chapter 5.5.12.5) and does not contain guarantees from operating entities.

Distributable items
The calculated Available Distributable Items as at 31 December 2017 and 2016 is as follows:

a.s.r.'s Distributable Items is an amount equal to (with respect to and as at any Interest Payment Date, without double-counting):
(i) the retained earnings and the distributable reserves of a.s.r., calculated on an unconsolidated basis, as at the last calendar day of the then most recently ended financial year of a.s.r.; plus
(ii) the profit for the period (if any) of a.s.r., calculated on an unconsolidated basis, for the period from a.s.r.'s then latest financial year end to (but excluding) such Interest Payment Date; less
(iii) the loss for the period (if any) of a.s.r., calculated on an unconsolidated basis, for the period from a.s.r.'s then latest financial year end to (but excluding) such Interest Payment Date.

each as defined under national law, or in the articles of association of a.s.r.

Distributable items

	31 December 2017	31 December 2016
Equity attributable to shareholders	4,432	3,780
Non distributable items		
- Share capital[1]	24	24
- Statutory reserves	1,319	1,438
Distributable items	**3,089**	**2,318**

5.10.3.10 Employee benefits

Employee benefits can be broken down as follows (see Chapter 5.5.15 for further details):

Employee benefits

	31 December 2017	31 December 2016
Post-employment benefits pensions	3,136	3,217
Post-employment benefits other than pensions	9	27
Other long-term employee benefits	14	10
Total employee benefits	**3,159**	**3,254**

5.10.3.11 Other provisions

Changes in provisions

	2017	2016
At 1 January	25	23
Additional provisions	10	22
Utilised in course of year	-19	-20
Other changes	-1	-
At 31 December	**15**	**25**

Provisions primarily relate to provisions for staff restructuring and retained disability risk.

The timing of the outflow of resources related to these provisions is uncertain because of the unpredictability of the outcome and time required for the settlement of disputes.

An amount of € 11 million of the provisions is expected to fall due within one year (2016: € 21 million).

1 Less the nominal value of treasury shares

5.10.3.12 Subordinated liabilities

Subordinated liabilities can be broken down as follows (see Chapter 5.5.13 for further details).

Subordinated liabilities	Nominal Amount	Carrying value 2017	Carrying value 2016
Hybrid Tier 2 instrument 5.125% fixed interest	500	497	497

In 2015, a.s.r. issued € 500 million subordinated liabilities in the form of Tier 2 Notes, first callable on 29 September 2025 and maturing on September 2045. The coupon is fixed at 5.125% and paid annually on 29 September with a step up at the first call date.

5.10.3.13 Debts to group companies

The debts to group companies no longer exist since they have reached their maturity dates in 2017. The debt contained an interest-rate of 1.01% (2016: 1.05%).

In 2016, there was no significant difference between the carrying amount of € 10 million debt to group companies and the fair value of these liabilities.

Interest expense on debts to group companies in 2017 is € 0.1 million (2016: € 0.2 million).

5.10.3.14 Due to banks

In 2017 due to banks contained € 0 million (2016: € 75 million). The debt no longer exist since it is redeemed in 2017.

In 2016, there was no significant difference between the carrying amount of € 75 million due to banks and the fair value of these liabilities.

The interest rate is 1-month Euribor + 0.60 % (2016: +0.65%).

5.10.3.15 Other liabilities

Other liabilities	31 December 2017	31 December 2016
Other liabilities	35	32
Accrued interest	6	7
Short-term employee benefits	13	12
Tax payables	66	127
Total other liabilities	**120**	**178**

There is no difference between the carrying value of other liabilities and their fair value.

5.10.3.16 Operating expenses

The operating expenses of € 103 million (2016: € 86 million) consist of the part of the total operating expenses related to Holding – activities. Please refer to Chapter 5.6.8 for the total operating expenses of the group.

5.10.3.17 Interest expense

The interest expense relates primarily to the interest on subordinated liabilities and interest on the employee benefits obligation, allocated to the Holding.

5.10.3.18 Auditor's fees

With reference to Section 2:382a(1) and (2) of the Dutch Civil Code, the following fees for the financial years have been charged by EY Accountants LLP to the Company, its subsidiaries and other consolidated entities.
Fees for audit engagements: these include fees paid for the audit of the consolidated and company financial statements, quarterly reports and other reports.

Auditor's fee

Amounts in € thousand	2017	2016
Audit of the financial statements	3,185	3,340
Other audit engagements	945	630
Total audit fees	**4,130**	**3,970**

In the above mentioned years no fees were paid for tax-related advisory services to EY Accountants LLP and no fees were paid to other EY networks, other than EY Accountants LLP.

5.10.3.19 Related parties

A related party is a person or entity that has significant influence over another entity, or has the ability to affect the financial and operating policies of the other party. Parties related to a.s.r. include NLFI and the Dutch State for the period until 13 September 2017, associates, joint ventures, members of the Executive Board, members of the Supervisory Board, close family members of any person referred to above, entities controlled or significantly influenced by any person referred to above and any other affiliated entity.

The group regularly enters into transactions with related parties during the conduct of its business. These transactions mainly involve loans, deposits and commissions, and are conducted on terms equivalent to those that prevail in arm's length transactions. These disclosures related to these transactions are included in the relevant note in the company financial statements and in the consolidated financial statements (see primarily Chapters 5.7.3 and 5.7.7).

5.10.3.20 Contingent liabilities

Joint and several liability

ASR Nederland N.V. forms a fiscal unity for corporate income tax and VAT with nearly all of its subsidiaries. The company and its subsidiaries that form part of the fiscal unity are jointly and separately liable for taxation payable by the fiscal entity.

A statement of joint and several liability under section 403, Book 2 of the Dutch Civil Code has been issued by ASR Nederland N.V. for the companies identified in Chapter 5.7.7 List of principal group companies and associates.

Investment obligations and guarantees

ASR Nederland N.V. has issued guarantees to third parties for a total amount of € 120 million (2016: € 271 million) for real estate development projects.

Lease commitments

For the table with the breakdown of the commitments for non-cancellable operating leases, see Chapter 5.7.5.

Commitments to group companies

ASR Nederland N.V. has committed to a capital increase of ASR Bank N.V. amounting to € 41 million for the period until 2019. The amount will be paid in tranches when required by ASR Bank N.V. depending on its required solvency. As a consequence of the growing business, capital tranches amounting to € 31 million have already been made until end of 2017 (until 2016: € 19 million).

Utrecht, the Netherlands, 27 March 2018

Supervisory Board
Kick van der Pol
Annet Aris
Cor van den Bos
Herman Hintzen

Executive Board
Jos Baeten
Karin Bergstein
Chris Figee
Michel Verwoest

6.1 Independent auditor's report

To: the Shareholders and the Supervisory Board of ASR Nederland N.V.

Report on the audit of the financial statements 2017 included in the annual report

Our opinion

We have audited the financial statements 2017 of ASR Nederland N.V. (the Company), based in Utrecht, the Netherlands. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:
- The accompanying consolidated financial statements give a true and fair view of the financial position of ASR Nederland N.V. as at 31 December 2017, and of its result and its cash flows for 2017 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;
- The accompanying company financial statements give a true and fair view of the financial position of ASR Nederland N.V. as at 31 December 2017, and of its result for 2017 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:
- The consolidated statement of financial position as at 31 December 2017;
- The following statements for 2017: the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows; and
- The notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:
- The company balance sheet as at 31 December 2017;
- The company income statement for 2017; and
- The notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements section' of our report.

We are independent of ASR Nederland N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Materiality	€ 36 million
Benchmark applied	Approximately 5% of Operating Result
Explanation	Operating Result is based on the profit before tax adjusted for investment related income for own account of an incidental nature and incidentals. Using Operating Result helps to maintain an appropriate materiality level giving more consideration to the users' view of the scale of the financial position and operations rather than volatile circumstances. For ASR Nederland N.V. as listed company, financial performance and thus Operating Result is a key metric for its stakeholders and therefore selected as basis for the calculation. In note 5.4.3. of the financial statements a reconciliation is provided from profit before tax to Operating Result.
Change compared to last year	Last year materiality was set at € 30 million which was based on approximately 5% of a three year average profit before tax, excluding one-offs/special items. For 2017 we changed the benchmark applied to Operating Result since Operating Result is now for a longer period disclosed, it is used by ASR Nederland N.V. to assess the operating results of the company including its segments and it presents also a more stable earnings-based measure of financial performance, compared to profit before tax.

We have also taken misstatements into account and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

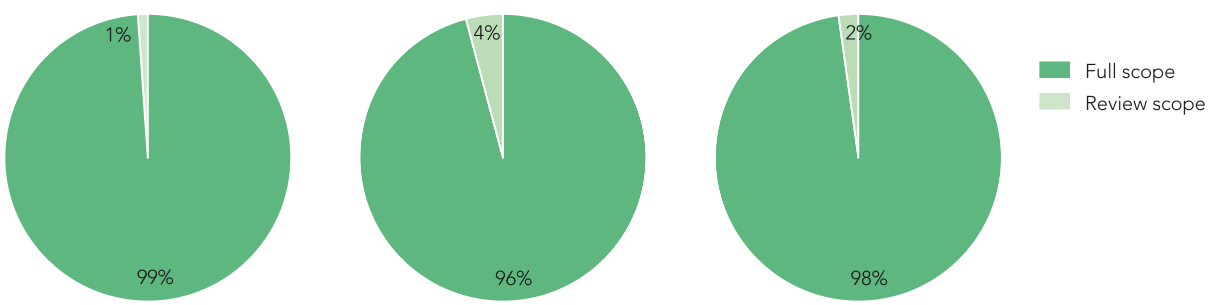
We agreed with the supervisory board that misstatements in excess of € 1.6 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

ASR Nederland N.V. is at the head of a group of entities, including the principal subsidiaries as set out in note 5.7.7 of the annual accounts. The financial information of this group is included in the consolidated financial statements of ASR Nederland N.V.

We are responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for the reporting units by our component teams based on their size and or the risk profile. We included all insurance entities, asset management entities and bank entity in the audit scope for consolidation purposes. We performed for the remaining entities, amongst others, analytical review procedures to corroborate our assessment that there are no significant risks of material misstatement. This resulted in the following coverage:

Assets **Equity** **Operational Result**



We provided detailed instructions to each component team including areas of audit emphasis. We also executed oversight procedures and engaged in regular communication to confirm that the audit progress and findings for each of the in-scope locations were discussed between the group audit team and the component teams.

The group consolidation, financial and non-financial disclosures and a number of complex items were audited by the group engagement team at the ASR Nederland N.V. level. These included amongst others taxation, pensions, Solvency, goodwill impairment testing, contingent liabilities and the note on the Generali NL (GNL) acquisition. We involved several EY specialists to assist the audit team, including specialists from our tax, valuations and actuarial departments.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Our key audit matters

Key audit matters (KAM) are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Compared to our independent auditor's report 2016, we made the following changes to our key audit matters (KAM):

- We added a new KAM related to the subsequent events disclosure on the Generali NL (GNL) acquisition, since this is an significant subsequent event for which specific disclosure requirements apply.
- The unit-linked exposure was last year presented as part of the KAM 'Valuation and adequacy of insurance contract liabilities', this year we presented this matter in a separate KAM to reflect ASR Nederland N.V.'s specific developments as well as broader market developments in 2017.

Valuation and adequacy of insurance contract liabilities (including shadow accounting) due to the complexity and use of assumptions

Risk	ASR Nederland N.V. has insurance and investment contract liabilities of € 40.9 billion representing 82% of its total liabilities. The calculation of the Liabilities arising from insurance contracts and the related Liability Adequacy Test (LAT) is complex and highly judgmental and is based on assumptions that are subject to uncertainties regarding future outcomes. Various economic and non-economic assumptions are being used to estimate these long-term liabilities in the LAT. The assumptions for life contracts used relate to risks regarding interest, mortality, longevity, morbidity, catastrophe, lapse and expense and for non-life contracts liabilities these are the disability, claims and recovery rate assumptions. Furthermore, the valuation of the Liabilities arising from insurance contracts is affected by and sensitive to government regulations, in particular regarding the claims from workers' compensations insurance (WGA-ER) and in the healthcare insurance domain. ASR Nederland N.V.'s LAT is performed in order to confirm that insurance contract liabilities, net of deferred acquisition cost, are adequate in the context of expected future cash outflows. The company has comprehensive procedures and internal controls in place to determine the value of the Liabilities arising from insurance contracts and the related LAT. The LAT discount rate is based on Solvency II guidance. In notes 5.5.14 and 5.8.3 the company disclosed UFR sensitivities related to the LAT and Solvency II. The company applies shadow accounting in its financial reporting as disclosed in note 5.3.4 and 5.5.14. The company has comprehensive procedures and internal controls in place to determine the shadow accounting.

Our audit approach	We involved internal actuarial specialists in performing the audit procedures in this area. This includes assessing the appropriateness of assumptions used in the valuation of the individual life and pension contracts, non-life contracts and healthcare insurance contracts by reference to company and industry data and expectations of investment returns, future longevity and expense developments. Furthermore key audit procedures included assessing ASR Nederland N.V.'s methodology for calculating the insurance liabilities, assessing the company's approach to liability adequacy testing and an assessment of internal controls in this respect, including the analyses of the movements in insurance contracts liabilities and technical provisions adequacy surplus during the year. We assessed whether the movements are in line with the changes in assumptions adopted by ASR Nederland N.V., our understanding of developments in the business and our expectations derived from market experience. We audited the main assumptions used for the determinations of the insurance liabilities and LAT calculations. We tested the design and operating effectiveness of the controls used for the determinations of the insurance liabilities and LAT calculations. Shadow accounting is complex, requires judgment regarding results that apply for shadow accounting and has a significant impact on the liabilities arising from insurance contracts. We tested the internal controls regarding the accounting of the (un)realized results on the fixed income investments, interest derivatives and inflation rate swaps, and relating shadow accounting adjustments. Furthermore we tested the application of shadow accounting by checking the reconciliations between (un)realized results on swaps and swaptions and the related shadow accounting adjustment in the Liabilities arising from insurance contracts.
Key observations	Based on our procedures performed we consider the methods used for the valuation of the insurance contract liabilities appropriate. We consider the non-economic assumptions used to be within a reasonable range. We determined that the company applied shadow accounting (including the accounting for realized results) in accordance with their accounting policy and consistent with previous years. We also found the disclosures related to the valuation and adequacy of the insurance contract liabilities, including UFR sensitivities, in notes 5.3.4, 5.5.14 and 5.8.3, to be adequate.

Fair value measurement of investments and related disclosures

Risk	ASR Nederland N.V. invests in various asset classes, of which 74% (year-end 2016: 75%) is carried at fair value in the balance sheet. Fair value measurement can be subjective, and more so for areas of the market reliant on model based valuation or with less liquidity. Valuation techniques for real estate, private equity investments and for non-listed bonds, equities and derivatives involve setting various assumptions regarding pricing factors. The use of different valuation techniques and assumptions could produce significantly different estimates of fair value. Associated risk management disclosure is complex and dependent on high quality data. Specific areas of focus include the valuation of fair value Level 2 assets, and Level 3 assets where valuation techniques are applied in which unobservable inputs are used (of the assets carried at fair value in the balance sheet 9% are Level 3 assets; year-end 2016: 8%). The company has comprehensive procedures and internal controls in place to determine the valuation of the investments and related disclosures.
Our audit approach	We assessed and tested the design and operating effectiveness of the controls over valuation, including independent price verification and model approval. We performed additional procedures for areas of higher risk and estimation, involving our valuation specialists. This included, where relevant, comparison of judgements made to current and emerging market practice and re-performance of valuations on a sample basis. We also assessed the impact of other sources of fair value information including gains or losses on disposal. Finally, we assessed and tested the design and operating effectiveness of the controls over related disclosures including the disclosures in note 5.7.1.
Key observations	Based on our procedures performed we consider the fair value of financial instruments to be within a reasonable range. The fair value disclosures of investments in note 5.7.1. meet the requirements of EU-IFRS.

Solvency II disclosure

Risk	In the Capital management section of the annual accounts included in note 5.9.2, ASR Nederland N.V. provides disclosures on its capital position in accordance with Solvency II. As disclosed in the Capital management section all relevant regulations and guidance have been taken into account in the development of the ASR Nederland N.V. loss absorbing capacity of deferred taxes methodology. Further, in the calculation of the Solvency II ratio, ASR Nederland N.V. has not provided for a contingent liability in respect of the unit-linked issue in the Netherlands. ASR Nederland N.V. assessed that it is impossible at this time to make reliable estimates because the book of policies dates back many years, contains of a variety of products with different features and conditions and because of the fact that rulings are diverse. Changes to the interpretation of the Solvency II requirements of the loss absorbing capacity of deferred taxes and the accounting for contingent liability for the unit linked issue can materially impact the Solvency II ratio disclosed. In addition, ASR Nederland N.V. included the pro-forma impact of the Generali NL (GNL) N.V. acquisition in its note 5.7.6 Events after the balance sheet date.
Our audit approach	As part of our audit procedures, we assessed the design and operating effectiveness of the internal controls over the solvency calculations, including ASR Nederland N.V.'s methodology, model and assumption approval processes and management review controls. Also, where relevant, comparison of judgements was made to current and emerging market practice and re-performance of calculations on a sample basis. We performed additional audit procedures on the calculation of the pro-forma impact of the Generali NL (GNL) acquisition on ASR Nederland N.V.'s solvency ratio.

Key observations	Based on our procedures performed, we consider the Solvency II information disclosed in note 5.9.2. sufficiently reflects the valuation and risk-based capital requirements of the Solvency II regulatory framework and the capital management disclosure requirements of EU-IFRS. With regard to the pro-forma impact of the Generali Nederland N.V. acquisition on ASR Nederland N.V.'s solvency ratio as disclosed in note 5.7.6, we have not noted material findings.

Unit-linked exposure

Risk	Holders of unit-linked products (where the customer bears all or part of the investment risk), or consumer protection organizations on their behalf, have filed claims or initiated proceedings against the Company and may continue to do so. A negative outcome of such claims and proceedings in respect of unit-linked products, settlements or any other actions for the benefit of customers by other insurers and sector-wide measures could have a significant impact for ASR Nederland N.V. relating to compensation. The financial consequences of these legal proceedings cannot be reliably estimated or quantified at this point. Refer to note 5.7.5 to the financial statements.
Our audit approach	We performed audit procedures in this area, which included: • An assessment of ASR Nederland N.V.s governance, processes and internal controls with respect to unit-linked exposure. • A review of the documentation and enquiries about the unit-linked exposures with management and its internal legal advisor. These procedures took into account ASR Nederland N.V.'s specific developments as well as broader market developments in 2017. • Obtaining a legal letter from ASR Nederland N.V.'s external legal advisor. • Consideration of the recognition and measurement requirements for establishing provisions under IFRS. We also considered whether the Company's disclosures in respect of this legal exposure is compliant with the relevant accounting requirements. We focused on the adequacy of disclosure of the related risks and assumptions in note 5.7.5 to the financial statements.
Key observations	We found management's assessment that the financial consequences of the unit-linked exposure cannot be reliably measured and therefore no provision is recognized in the 31 December 2017 balance sheet, sufficiently substantiated. The disclosure of the exposure in note 5.7.5 describes the related risks and management judgments in compliance with the relevant accounting requirements.

Subsequent events disclosure on Generali NL (GNL) acquisition

Risk	The consideration for the Generali NL (GNL) acquisition was € 145 million. Net assets acquired were valued at € 123 million, resulting in a preliminary excess purchase consideration of € 22 million. ASR Nederland N.V. is required to perform an initial Purchase Price Allocation (PPA), recognizing GNL's assets acquired and liabilities assumed at the acquisition-date fair values, 5 February 2018. Since this was before the authorization date of the financial statement, ASR Nederland N.V.'s was required to include certain IFRS 3 disclosures (e.g. initial PPA) related to the acquisition in the 2017 financial statements. Refer to note 5.7.6 Events after the balance sheet date.
Our audit approach	The management of ASR Nederland N.V.'s engaged a third-party expert to provide support with respect to the determination of the fair values of GNL's assets and liabilities under IFRS 3. We deployed a specialist team to audit the initial PPA. Our team included valuation specialists who have extensive experience in the valuation of insurance assets and liabilities. Our procedures focused primarily on the risks relating to the valuation model, assumptions and judgements associated with the estimation of the fair value measurements. These included amongst others: • Gaining an understanding through enquiry and assessment of the valuation methodology adopted by ASR Nederland N.V. and comparing the approach with accepted industry practice; • Assessing the appropriateness of key assumptions; • Confirming consistency of assumptions with other areas of the financial statements; • Recalculating the consideration and excess purchase amount. In addition, we determined whether ASR Nederland N.V. has made the disclosure as required by IFRS 3.
Key observations	Based on or procedures performed we determined that management applied a reasonable approach in determining the initial PPA of GNL's assets acquired and liabilities assumed. We note that given the recent closing, the initial accounting for GNL is ongoing and as such the opening balance sheet as presented in note 5.7.6 is provisional. We assessed this disclosure meets the requirements of IFRS 3. In accordance with IFRS 3 the final opening balance sheet will be drawn up within 12 months of the closing date.

Reliability and continuity of electronic data processing

Risk	ASR Nederland N.V. is highly dependent on its IT infrastructure for the continuity of the operations. ASR Nederland N.V. continues to invest in its IT infrastructure and processes to meet clients' needs and business requirements. ASR Nederland N.V. is continuously improving the efficiency and effectiveness of its IT infrastructure and the reliability and continuity of the electronic data processing, including its defense against cyber-attacks.
Our audit approach	As part of our audit procedures we have assessed the changes in the IT infrastructure and have tested the reliability and continuity of electronic data processing within the scope of the audit of the financial statements. For that purpose we have included IT auditors in our team. Our procedures included testing of controls with regards to business and IT processes relevant for financial reporting.
Key observations	Based on the combination of the tests of controls and IT substantive procedures performed, we obtained sufficient appropriate audit evidence for the purposes of our audit.

Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:
- Management report;
- Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code;
- Report of Stichting Continuïteit ASR Nederland.

Based on the following procedures performed, we conclude that the other information:
- Is consistent with the financial statements and does not contain material misstatements;
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement
Following the appointment by the annual general meeting of shareholders on 16 April 2015, we were engaged by the supervisory board on 31 March 2016 as auditor of ASR Nederland N.V. as of the audit for the year 2016 and have operated as statutory auditor since that date.

No prohibited non-audit services
We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Other non-prohibited services provided
In addition to the statutory audit of the financial statements of a.s.r. and its subsidiaries, we provided the following services:
- Regulatory reporting: We issued auditor's reports on selected regulatory reporting templates of a.s.r., and of its subsidiaries, to the Dutch Central Bank (DNB);
- Corporate responsibility reporting: We issued an assurance report on a.s.r.'s corporate responsibility reporting included in the annual report;
- Capital market transactions: We issued a comfort letter in relation to a prospectus prepared in connection with securities offering of a.s.r.;
- We issued audit reports on the financial information of a.s.r.'s financial intermediary business;
- We issued assurance reports in respect of the administration and internal control of ASR Vermogensbeheer, ASR Real Estate, ASR Mortgages and ASR Pensions; we issued an assurance report with regard to ASR Vermogensbeheer GIPS verification, and we issued assurance reports on the cost price models for financial products prepared by a.s.r.'s insurance subsidiaries;
- We issued reports of factual findings on statements prepared by a.s.r. to meet contractual obligations with its customers.

Description of responsibilities for the financial statements

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 Dutch 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 fraud or error.

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 objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

Misstatements can arise from fraud or error 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.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern;
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures;
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, the Netherlands, 27 March 2018

Ernst & Young Accountants LLP

signed by M. Koning

6.2 Provisions of the Articles of Association regarding profit appropriation

Articles 35, 36 and 37 of the Articles of Association:

Distributions – General

Article 35

35.1 A distribution can only be made to the extent that the Company's equity exceeds the Non-Distributable Equity.

35.2 The Executive Board may resolve to make interim distributions, provided that interim accounts to be prepared in accordance with Section 2:105(4) of the Dutch Civil Code show that the requirement referred to in Article 35.1 has been met and, in the case of interim profit distributions, taking into account the order priority described in Article 37.1.

35.3 Subject to Article 19.10, the Executive Board may adopt, and amend from time to time, a dividend and reservation policy for the Company. Amendments to such a policy shall be discussed in the General Meeting.

35.4 The preferred shares do not carry any entitlement to distributions other than as described in Articles 12.2, 37.1 and 38.3.

35.5 Distributions on ordinary shares shall be made in proportion to the aggregate nominal value of those ordinary shares. Distributions on preferred shares (or to former holders of preferred shares) shall be paid in proportion to the amounts paid up (or formerly paid up) on those preferred shares.

35.6 The parties entitled to a distribution shall be the relevant shareholders, usufructuaries and pledgees, as the case may be, at a date to be determined by the Executive Board for that purpose. This date shall not be earlier than the date on which the distribution was announced.

35.7 The General Meeting may resolve, subject to Article 31.1, that all or part of such a distribution, instead of being made in cash, shall be made in the form of shares in the Company's capital or in the form of the Company's assets.

35.8 A distribution shall be payable no later than thirty days after the date on which that distribution was declared, unless the Executive Board sets a different date. In the case of a distribution in cash, that distribution shall be payable in such currency as determined by the Executive Board.

35.9 A claim for payment of a distribution shall lapse five years after the distribution has been declared.

35.10 For the purpose of calculating any distribution, shares held by the Company in its own capital shall not be taken into account. No distributions shall be made to the Company in respect of shares that it holds in its own capital.

Distributions – Reserves

Article 36

36.1 All reserves maintained by the Company shall be attached exclusively to the ordinary shares. The Company shall not attach any reserve to the preferred shares.

36.2 Subject to Article 31.1, the General Meeting is authorised to resolve to make distributions from the Company's reserves.

36.3 Without prejudice to Articles 36.4 and 37.2, distributions from a reserve shall be made exclusively to the holders of ordinary shares.

36.4 The Executive Board may resolve to charge amounts to be paid up on any class of shares against the Company's reserves, irrespective of whether those shares are issued to existing shareholders.

Distributions – Profits

Article 37

37.1 Subject to Article 35.1, the profits shown in the Company's financial statements in respect of a financial year shall be appropriated as follows, in the following order of priority:

a. To the extent that any preferred shares have been cancelled without the payment described in Article 12.2 paragraph b. having been made in full on those preferred shares and without any such deficit subsequently having been paid in full as described in this Article 37.1 or Article 37.2, any such deficit shall be paid to those who held those preferred shares immediately before such cancellation became effective;
b. To the extent that any Preferred Distribution (or part thereof) in relation to previous financial years has not yet been paid in full as described in this Article 37.1 or Article 37.2, any such deficit shall be paid on the preferred shares;
c. The Preferred Distribution shall be paid on the preferred shares in respect of the financial year to which the financial statements pertain;
d. Subject to Article 19.10, the Executive Board shall determine which part of the remaining profits shall be added to the Company's reserves; and
e. Any remaining profits shall be at the disposal of the General Meeting for distribution to the holders of ordinary shares.

37.2 To the extent that the distributions described in Article 37.1 paragraphs a. through c. (or any part thereof) cannot be paid out of the profits shown in the financial statements, the deficit shall be paid out of the Company's reserves, subject to Articles 35.1 and 35.2.

37.3 Without prejudice to Article 35.1, a distribution of profits shall be made only after the adoption of the financial statements showing that such a distribution is permitted.

7.1 Report of Stichting Continuïteit ASR Nederland

Stichting Continuïteit ASR Nederland (the 'Foundation') was established on 26 May 2016 in connection with a.s.r.'s listing on Euronext Amsterdam.

The Foundation has been formed under Dutch law. Its objectives are to promote and protect the interests of a.s.r., its business and its stakeholders, and to counter possible influences that might threaten the continuity, independence, strategy and/or identity of a.s.r. or its business to such an extent that these could be considered contrary to the aforementioned interests.

a.s.r. has granted a call option to the Foundation under an agreement dated 27 May 2016; this agreement outlines the conditions under which the call option can be exercised. The call option is a continuous and repeatedly exercisable right, pursuant to which the Foundation is entitled to subscribe for preference shares, up to the lower of (a) the total number of shares that form a.s.r.'s issued capital at the time when the call option is exercised, less the number of preference shares already held by the Foundation at that time (if any) and less one, or (b) the maximum number of preference shares that may be issued under the authorised share capital as shown by the Articles of Association of a.s.r. at the time when the call option is exercised. The Foundation has the right to exercise the call option at any time, either fully or in part. The exercise price for preference shares issuable under the call option is equal to 25% of the nominal amount of those preference shares.

The call option is continuous in nature and can be exercised repeatedly and on more than one occasion, each time that the Foundation considers, or reasonably expects, there to be an act that is, in the opinion of the Foundation, materially contrary to the interests of a.s.r., its business or its stakeholders, which may include the following (to the extent materially contrary to the aforementioned interests), (i) the announcement of a public offer for shares in the capital of a.s.r., or the legitimate expectation that such a public offer will be announced, without agreement on the offer having been reached with a.s.r. or the offer being supported by a.s.r., and (ii) an activist shareholder (or group of activist shareholders acting in concert) in a.s.r. directly or indirectly representing at least 25% of the ordinary shares forming part of a.s.r.'s issued share capital.

Ultimately after the Foundation has held preference shares for a period of 20 months (or for such longer period as the Foundation deems appropriate given the facts and circumstances at hand), the Foundation may request, by means of a notice to that effect, that a.s.r. consider submitting, as soon as practicable, a proposal to the General Meeting for a resolution to cancel all preference shares. a.s.r. is free to propose such a resolution without this being requested by the Foundation if non-cancellation of the preference shares in a timely manner were to result in the Foundation being required to make a mandatory public offer in respect of a.s.r. In addition, if and when a.s.r. has issued preference shares to the Foundation, a.s.r. will convene a General Meeting, to be held within 20 months following such issuance, for the purpose of adopting a resolution on the cancellation of all such preference shares.

The Foundation has not exercised the call option and did not acquire any preference shares during the year under review.

The Foundation has an independent board. The membership of the Board of the Foundation is as follows:
- Mr H.J. Hazewinkel (Chairman);
- Mr A.A.M. Deterink;
- Ms M.E. Groothuis.

The Board of the Foundation met on two occasions in 2017. The matters discussed included the full-year 2016 results of a.s.r., the execution of the strategy, the financing of a.s.r., acquisitions and divestments by a.s.r., developments in the market, and the general course of affairs at a.s.r. At these meetings, a representative of the Executive Board of a.s.r. provided the Board of the Foundation with information on the developments within a.s.r. and the relationship with its shareholders. The Board of the Foundation also monitored the developments of a.s.r. outside of Board meetings, for instance through a Board member's receipt of press releases issued by a.s.r.

The Foundation is an independent legal entity for the purpose of Section 5:71(1)(c) of the Dutch Financial Markets Supervision Act.

Utrecht, the Netherlands, 27 March 2018

Stichting Continuïteit ASR Nederland
Mr H.J. Hazewinkel (Chairman)
Mr A.A.M. Deterink
Ms M.E. Groothuis

Annex A

Notes to the reader

In this report, a.s.r. provides a transparent overview of its activities and results in 2017. In addition, in this report a.s.r. describes the relationship between its mission, strategy, governance and the social and economic context in which it operates. More information about a.s.r. can be found at asrnl.com.

Scope

The financial information in this annual report has been consolidated for a.s.r. and all its subsidiaries. All quantitative and qualitative information relates to a.s.r. as a whole, unless a specific business unit is explicitly mentioned. The data from HR (Chapter 2.5 Our people and Annex F), including the total number of FTEs, and the data in Chapter 3.1.3 Performance on non-financial themes (excluding PARP data) are exclusive Van Kampen Groep (VKG), Dutch ID (Felisson and Boval), PoliService, SuperGarant and Corins. Their combined assets account for approximately 0,2% of total assets. Together, the sections 1, 2 and 3 make up the Report of the Management Board.

Process

Relevant topics and boundaries for this report were selected on the basis of a materiality analysis involving both internal and external stakeholders. The process is described in Chapter 2.4 (Our stakeholders and material issues). The information in the Management report is based on reports from the business lines and the results of questionnaires and interviews. For the preparation of the annual report, a Working Group, a Steering Group and a Review Group have been set up to guide the process and review the contents of the texts.
The following disciplines are represented in the Working Group: Group Accounting, Reporting & Control, Group Balance Sheet Management, Investor Relations, Corporate Communications, Human Resources, Group Risk Management and the Company Secretary. The Annual Report Steering Group agrees on the different tasks, roles and responsibilities relating to the preparation of the annual report. The Steering Group represents the CEO, Director Group Accounting, Reporting & Control and Director Corporate Communications. Before work started on gathering information and writing the annual report, the Steering Group and the Working Group decided on the structure and key messages of the report. The Working Group then translated these guidelines into drafts, which were subsequently reviewed by a committee of members from the Working Group, Steering Group and Review Group. During the reporting process, the Review Group delivered feedback on the draft annual report. The Review Group is represented by directors. The draft texts of the annual report are discussed in the respective meetings of the Executive Board, the Supervisory Board and the Audit & Risk Committee.
Disclosure of the annual report is subject to the approval of the Executive Board and the Supervisory Board.

Standards

The consolidated financial statements of a.s.r. have been prepared in accordance with International Financial Reporting Standards (IFRS). The separate financial statements have been prepared on the same basis as those used for the consolidated financial statements. The consolidated financial statements are presented in euros (€). Unless stated otherwise, all amounts in the tables in these financial statements are in millions of euros.

The Solvency II figures in this report are based on the standard formula. In addition to the information in this report, a.s.r. also publishes a separate Solvency and Financial Condition Report (SFCR).

This report has been prepared in accordance with the GRI Standards: Core option. The GRI table, including additional information not included in the annual report itself, can be found in the annexes. In addition, the Integrated Reporting Framework of the IIRC (International Integrated Reporting Council) has been used to further integrate the financial and non-financial information into the Management report.

Presentation of non-financial data

In the report, where relevant, the definitions and calculation methods of relevant indicators are presented in the relevant sections and in Annex B.

Audit and assurance of the auditor

The consolidated financial statements have been audited by our external auditor, Ernst & Young Accountants LLP (EY). EY's audit opinion can be found on page 261.

In addition to the financial results, EY also reviewed the sustainability information in this annual report with 'a limited level of assurance' as per the GRI Sustainability Reporting Standards and the Guidance Note on Sustainability Reporting of the Dutch Accounting Standards Board. EY's assurance report can be found on page 87. The Executive Board and senior executives are involved in seeking external assurance for the organisation's sustainability information.

Annex B

Glossary

Amortised cost
The amount at which a financial asset or financial liability is measured on initial recognition net of principal repayments, plus or minus accumulated amortisation using the effective interest method or any difference between that initial amount and the amount at maturity, and minus any reduction for impairments or collectability.

Asbestos-safe
Some buildings in the rural property portfolio may still contain asbestos. Targets are set in order to make the rural property portfolio fully asbestos-safe. Results of rural portfolio asbestos-safe, includes the number of rehabilitated properties plus the number of properties sold compared to the portfolio of 2015.

Associate
An entity over which a.s.r. has significant influence and that is neither a subsidiary nor an interest in a joint venture.

Back books
Back books consist of policies that are no longer sold but are still on the books as premium-paying policies with limited or no growth prospects.

Basis point (bp)
One-hundredth of one percent (0.01%).

Building Research Establishment Environmental Assessment Methodology (BREEAM)
BREEAM, which was first published by the Building Research Establishment (BRE) in 1990, is the world's longest established method for assessing, rating, and certifying the sustainability of buildings.

Carbon footprint
An organisation's carbon footprint is determined by converting its consumption of natural gas, electricity and fossil fuels into carbon emissions. The carbon footprint gives the organisation an idea of the greenhouse gas emissions caused by its operations and products. The direct footprint of a.s.r. head office consists of waste, fuel, heat, electricity, cooling, commuter travel and business travel. 87% of all lease cars are allocated to the head office. a.s.r.'s carbon footprint is determined annually by an external agency using Carbon Manager based on Green deal carbon emission factors. Note: 1 kg of CO_2- equivalents is a unit of account for comparing the contribution of greenhouse gases to the greenhouse effect. The calculation is based on the principles of the Greenhouse Gas Protocol. Most of the emission factors are from www.CO2-emissiefactoren.nl and are specific to Sita waste (CE Delft).

In 2017, a new more accurate calculation method was used. In order to be able to compare results with previous year, the results for 2016 have been recalculated on the basis of the new calculation method and adjusted emission factors for 2017 for waste and mobility.

Cash flow hedge
A hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

Claims ratio
The cost of claims, net of reinsurance in Non-life, excluding the internal costs and exclusively commissions paid of handling non-life claims, less interest accrual on reserves, and a margin of prudence for health, expressed as a percentage of net earned premiums.

Clean fair value
The fair value of an asset or liability, exclusive of the unrealised portion of accrued interest.

Closed books
Closed books are policies that are no longer sold but are still on the books of a life insurance carrier as premium-paying policies.

Commission ratio
Net commissions charged for the year, expressed as a percentage of net earned premiums.

Derivative
A financial instrument with all three of the following characteristics:
(a) Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided, where a non-financial variable is concerned, that the variable is not specific to a party to the contract (sometimes referred to as the 'underlying');
(b) It requires no initial net investment or an initial net investment that is lower than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and
(c) It is settled at a future date.

Discounted cash flow method
A valuation technique whereby expected future cash flows are discounted at a rate that expresses the time value of money and a risk premium that reflects the extra return that investors demand as compensation for the risk that the cash flows may not materialise.

Discretionary Participation Feature (DPF)
A contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are likely to be a significant portion of the total contractual benefits, the amount or timing of which is contractually at the discretion of the issuer, that are contractually based on the performance of a specified pool of contracts or type of contract, realised and/or unrealised investment returns on a specified pool of assets held by the issuer, or the profit or loss of the company, fund or other entity that issues the contract.

Embedded derivative
A component of a hybrid instrument that also includes a non-derivative host. The host contract may be a bond or equity, a lease, an insurance contract or a contract of purchase and sale.

Employee benefits
All forms of consideration given by an entity in exchange for service rendered by employees.

Engagement
Engagement is a constructive dialogue designed to increase the level of sustainability. a.s.r. uses three types of engagement: (1) monitoring, (2) influencing, and (3) public engagement.

Environmental, social and governance (ESG)
Environmental, social and governance (ESG) refers to the three main areas of concern that have developed as central factors in measuring the sustainability and ethical impact of an investment in a company. These areas cover a broad set of concerns increasingly included in the non-financial factors that feature in the valuation of investments in equities, property, and corporate and fixed-income bonds. ESG is the catch-all term for the criteria used in what has become known as socially responsible investment.

Expense ratio
Expenses, including internal costs of handling non-life claims, less internal investment expenses and less restructuring provision expenses, expressed as a percentage of net earned premiums.

Fair value
The amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing partners in an arm's length transaction.

Geothermal energy
Thermal energy generated and stored in the earth.

Global Reporting Initiative (GRI)
The Global Reporting Initiative (GRI) is an international organisation that defines standards for sustainability reporting.

Goodwill
An asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised.

Global Real Estate Survey Benchmark (GRESB)
The Global Real Estate Survey Benchmark (GRESB) is a benchmark that looks at the sustainability performance of more than 700 institutional investment funds worldwide.

Gross written premiums
Total revenues (earned or otherwise) expected to be received for insurance contracts over the life of the contract, including reinsurance premiums.

Hedge accounting
Hedge accounting recognises the offsetting on profit or loss of changes in the fair value of the hedging instrument and the hedged item.

International Financial Reporting Standards (IFRS)
As of 1 January 2005, these standards have been the generally accepted international accounting policies that apply to all listed companies in the European Union. They make annual results easier to compare and offer a better understanding of a company's financial position and performance.

Impact investments
Investments made in companies, countries and/or funds with the intention of having a beneficial impact on society and the environment while achieving an acceptable financial return. For a.s.r. Impact Investing goes a step further than the integration of ESG criteria by targeting to make a positive contribution to solving the challenges facing our planet and society.

Impairment
The amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. The asset's carrying amount is reduced to its fair value and recognised through profit and loss.

Institution for Occupational Retirement Provision (IORP)
IORP is a pension vehicle in the form of a separate legal entity that can operate a defined contribution pension scheme on a separate account basis during the pension accrual phase. When an employee reaches his or her retirement age, the IORP transfers the accrued capital to a pension insurer of the employee's choice to pay the pension benefits. Employers wishing to insure any additional risks (such as survivors' pensions) can do so through an IORP.

Insurance contracts
A contract under which one party (a.s.r.) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder.

Intangible asset
An identifiable, non-monetary asset without physical substance.

Internal employee
An employee on an employment contract of definite or indefinite duration with a.s.r. or one of its subsidiaries.

Investment contract
A life insurance contract that transfers financial risk with no significant insurance risk.

Investment property
Property held to earn rentals or for capital appreciation or both.

Joint venture
A contractual arrangement under which two or more parties undertake an economic activity that is subject to joint control.

Lease car fuel consumption
Fuel consumption is expressed in liter (petrol, diesel, electricity and GHC). This is converted into joule.

Market capitalisation
Market capitalisation is the total market value of the outstanding shares of a publicly traded company and is equal to the share price times the number of outstanding shares.

Materiality
An aspect is considered material if it is relevant to the stakeholders, has a reasonably estimable economic, environmental, and/or social impacts and can have a major impact on the development of a.s.r. The greater the impact of the aspect on both society and a.s.r.'s business operations, results and strategy, the greater its materiality.

MYA3
MYA3 refers to multi-year energy efficiency agreements between the public and private sectors, institutions and local authorities. The Dutch Ministries of Economic Affairs, Foreign Affairs and Kingdom Relations, and Infrastructure and the Environment support these agreements to encourage a more effective and efficient use of energy.

Net Promoter Score (NPS)
A management tool that can be used to gauge the loyalty of an organisation's customers. The question to the customer now places the emphasis on the employee of a.s.r.: How likely is it that you will recommend a.s.r. to family, friends and colleagues based on your experience with me? This used to be: How likely is it that you will recommend us to a friend or colleague?

Calculation of the NPS: With a score of 9 or 10, the customer is seen as a promoter (recommendation). With a score of 7 or 8 the customer gets the predicate passively. He or she will neither recommend nor deny the brand. With a score of 0 to 6, the customer will discourage the brand. The NPS term for this is the detractor (criticaster). The NPS is calculated by subtracting from the percentage of promoters the percentage of detractors. The presented NPS scores reflect the year end scores (Q4).

Non-participating life insurance contracts
In non-participating life insurance contracts, all values related to the policy (death benefits, cash surrender values, premiums) are usually determined at policy issue, for the life of the contract, and usually cannot be altered after issue.

Notional amount
An amount of currency, a number of shares, a number of units of weight or volume or other units specified in a derivatives contract.

Operating lease
A lease that does not transfer substantially all the risk and rewards incidental to ownership of an asset.

Option
A financial instrument that conveys the right to buy (call option) or sell (put option) a security at a reference price during a specified time frame.

Order in Council
An Order in Council is a decision taken by the Dutch government with respect to statutory provisions.

Principles for Responsible Investments (PRI)
The United Nations Principles for Responsible Investments are a framework for institutional investors. The principles, which were launched in April 2006, pertain to the integration of environmental, social and governance aspects into investment policies. For more information, see unpri.org.

Private equity
An asset class consisting of equity securities of companies that are not publicly traded on a stock exchange. The transfer of private equity is strictly regulated. In the absence of a marketplace, any investor looking to sell their stake in a private company personally has to find a buyer.

Provision
A liability of uncertain timing or amount. Provisions are recognised as liabilities if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations (assuming that a reliable estimate can be made).

Recoverable amount
The recoverable amount of an asset or a cash-generating unit is its fair value less costs to sell or its value in use, whichever is higher.

Securities lending
This refers to the lending of securities by one party to another, with the latter agreeing to return the securities on a specified future date. The borrower usually provides the lender with collateral. Securities lending allows the owner of the securities to generate extra income.

Shadow accounting
Shadow accounting allows a recognised but unrealised gain or loss on an asset to be transferred to insurance liabilities.

Socially responsible investment (SRI)
Investing with due regard for ethical standards, policies and procedures, in line with the interests of a.s.r. stakeholders, whereby the integration of Environmental, Social and Governance (ESG) criteria is key. To achieve this a.s.r. makes use of multiple ESG approaches such as the exclusion of controversial activities, exclusion of companies and countries due to their ethical performance, the engagement dialogue, the integration of ESG assessments in the portfolio construction and impact investing. A detailed description of a.s.r.'s SRI policy is published on asrnl.com <https://asrnl.com/sustainable-business/investment>.

Solvency II
Solvency II is an EU regulatory regime that has been in force in all Member States since 1 January 2016. It has introduced a new, harmonised Europe-wide regime for insurance companies and sets regulatory requirements for solvency and risk governance.

Stakeholders
Stakeholders are persons or organisations that have an interest of whatever nature in an organisation. They have a link with its activities, share in its earnings, influence its performance and assess its economic, social and environmental effects. a.s.r.'s main stakeholder groups are customers, employees, investors and the society as a whole.

Subsidiary
An entity that is controlled by ASR Nederland N.V. (the parent company) or a subsidiary of ASR Nederland N.V.

Tenant satisfaction
a.s.r. calculates a satisfaction rating with respect to the real estate property, the area (for retail units), the (administrative and commercial) services (for retail units and offices) and the maintenance/repair (for offices) based on the weighted average for the four categories of real estate 'retail units', 'offices', 'residential units' and 'rural' real estate. The satisfaction surveys for the four categories do not take place in each and the same year. The results therefore partly overlap with the satisfaction ratings of 2016. Most recently satisfaction surveys; Retail units 2016, Offices 2015, Residential units 2017 and Rural real estate 2017.

Transaction date
The date at which a.s.r. enters into the contractual terms of an instrument.

Trees for all
Trees for All is a foundation and recognised charity with CBF quality mark. The contribution of a.s.r. for CO_2 compensation and planting trees invests Trees for all in the construction of new forest and the protection of existing forest. These projects generate extra income for the local population and contribute to the restoration of nature and the environment. Compensation takes place in Bolivia via Gold Standard certificates.

Value in use
Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value Of Business Acquired (VOBA)
The present value of future profits embedded in acquired insurance contracts. VOBA is recognised as an intangible asset and amortised over the effective life of the acquired contracts.

Volunteering
Volunteer activities undertaken by a.s.r. employees, partly during work hours (eight hours per day) and partly during their own free time, to contribute to community initiatives/social projects that are developed or supported by a.s.r. as part of its financial literacy drive.

Annex C

Abbreviations

AFM	Netherlands Authority for the Financial Markets
AGM	Annual General Meeting
AIFM	Alternative Investment Fund Managers
ALM	Asset Liability Management
ANBI	Public Service Organisations
a.s.r. reim	a.s.r. real estate investment management
AVB	ASR Vermogensbeheer B.V.
AuM	Assets under Management
BeZaVa	Liability for temporary employees
BRC	Business Risk Committee
BREEAM	Building Research Establishment Environmental Assessment Methodology
CAGR	Compound Annual Growth Rate
CCR	Counterparty Credit rating (Standards and Poor's)
CDD	Customer Due Dilligence
CDO	Collateralised Debt Obligation
CDS	Credit Default Swap
CE	Continuing education
CLA	Collective Labour Agreement
CRSA	Control Risk Self-Assessment
CoC	Cost of Capital
CoE	Cost of Equity
COR	Combined ratio
COSO	Committee of Sponsoring Organisations of the Treadway Commission
CSA	Credit Support Annex
CSR	Corporate Social Responsibility
DAC	Deferred Acquisition Costs
DB	Defined Benefit
DC	Defined Contribution
DBO	Defined Benefit Obligation
DNB	Dutch Central Bank (De Nederlandsche Bank)
DNB LAT	Dutch DNB (regulatory) Liability Adequacy Test
DPF	Discretionary Participation Features
ECB	European Central Bank
ERM	Enterprise Risk Management
ESG	Environmental, Social and Governance
Euribor	Euro interbank offered rate
FiDo	Financing Local Governments
FIRM	Financial Institutions Risk Assessment Method
FR	Financial risk
FRC	Financial Risk Committee
FSCB	Financial Services Complaints Board
FTE	Full-time equivalent
FTK	New Financial Assessment Framework
GAM	Group Asset Management
GDP	Gross Domestic Product
GDPR	General Data Protection Regulation
GNL	Generali Nederland N.V.
GRC	Governance and Risk Compliance
GRESB	Global Real Estate Survey Benchmark
GRI	Global Reporting Initiative
GRM	Group Risk Management
GWP	Gross Written Premiums

IAS	International Accounting Standards
IASB	International Accounting Standards Board
IBNR	Incurred But Not Reported
ICSR	International Corporate Social Responsibility
IDD	Insurance distribution directive
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IFSR	Insurer Financial Strength Rating (Standard & Poor's)
IIRC	International Integrated Reporting Council
IORP	Institution of Occupational Retirement Provision
IPO	Initial Public Offering
ISDA	International Swaps and Derivatives Association
KBC	Customer Interest Central Dashboard
KPI	Key Performance Indicator
KNVB	Cost Efficiency, Usefulness, Safety and Comprehensibility
LAC DT	Loss Absorbing Capacity Deferred Tax
LAT	Liability Adequacy Test
LEF	Life and Finance foundation
LRC	Leidse Rijn Centrum
LTGA	Long-Term Guarantee Assessment
M&A	Merger and Acquisitions
MiFID2	Markets in Financial Instruments Directive 2
MYA3	Multi-Year Energy Efficiency Agreement 3
NFR	Non-financial risk
NFRC	Non-Financial Risk Committee
nFTK	New Financial Assessment Framework
NLFI	NL financial investments
NPS	Net Promoter Score
NSCC	National Cyber Security Center
NOP	Non-accumulating policies
OIS	Overnight Index Swap
ORSA	Own Risk and Solvency Assessment
OTC	Over The Counter
OTSO	Supervised insurance entity
PARP	Product Approval and Review Process
P&C	Property and Casualty
QIS	Quantitative Impact Studies (Solvency II)
RAS	Risk Appetite Statements
RMF	Risk Management Function
RPA	Robotic Process Automation
ROE	Return on Equity
RT1	Restricted Tier 1 bond
SA	Separate account
SAA	Strategic Asset Allocation
SaaS	Software as a Service
SCR	Solvency Capital Requirement
SDGs	Sustainable Development Goals
SFCR	Solvency and Financial Condition Report
SME	Small and Medium-sized Enterprises
SRA	Strategic Risk Analysis
SRI	Socially Responsible Investment
SRP	Socially Responsible Procurement and Business Practices
TVOG	Time Value of Financial Options and Guarantees
UBI	Usage-based Insurance
UCITS	Undertakings for Collective Investment in Transferable Securities
UFR	Ultimate Forward Rate
UN GC	United Nations Global Compact
UN PRI	United Nations Principles for Responsible Investments
USD	United States Dollar
VBDO	Dutch Association of Investors for Sustainable Development

Annex D

Stakeholder engagement

Interaction with stakeholders

Stakeholder group	Type of interaction	Frequency
Customers and intermediaries	• Telephone support • Surveys (e.g. NPS) • Webinars • Business line events • Seminars • Social media	Daily
Employees	• Annual performance appraisals • Works Council • Social media • Infonet • In conversation with sessions • Staff meetings • Managerial staff meetings • Information sessions	Daily
Financial market players: shareholders, analysts, banks and rating agency S&P	• Meetings • Conference calls with analysts and (potential) investors • Webinars • Road shows • Corporate presentations	Weekly
Regulators	• Meetings, telephone and email	Regularly
Politics	• Meetings, telephone and email	Regularly
Suppliers	• Consultation at strategic (2-4 times per year), tactical (monthly) and operational (daily) level	Regularly
Media	• Meetings, telephone and email	Almost daily
Trade unions	• Regular meetings (more frequent consultation in case of CBA talks)	Quarterly
Social partners and organisations	• Meetings, telephone and email	Daily

Annex E

Additional employee information

This page contains information regarding a.s.r. employees, excluding of employees of Van Kampen Groep, Dutch ID, SuperGarant, Corins and PoliService.

Breakdown of employees by contracts of definite and indefinite duration

	31 December 2017		31 December 2016	
	Male	Female	Male	Female
Contracts of definite duration	1,908	1,183	1,965	1,234
Contracts of indefinite duration	133	98	86	80

Number of part-time and full-time employees

	31 December 2017		31 December 2016	
	Male	Female	Male	Female
Part-time[1]	514	885	511	908
Full-time	1,527	396	1,540	406
Total	2,041	1,281	2,051	1,314
Total number of employees[2]	**3,322**		**3,365**	

Diversity of governance bodies and management

	31 December 2017	
Age	Male	Female
Supervisory Board		
> 50	75%	25%
Total	**75%**	**25%**
Executive Board		
30-50	50%	25%
> 50	25%	0%
Total	**75%**	**25%**
Senior Management		
30-50	41%	23%
> 50	32%	5%
Total	**73%**	**27%**
Management (excluding Senior Management)		
< 30	1%	1%
30-50	46%	21%
> 50	25%	6%
Total	**72%**	**28%**

1 Employees who work less than a full-time equivalent (FTE).

2 The data exclude redundant or disabled staff and interns.

Annex F

GRI Content Index

GRI Standard	Disclosure	Location of disclosure, url(s) and/or information
General disclosure		
102-1	Name of the organisation	ASR Nederland N.V.
102-2	Activities, brands, products, and services	Ch. 1.1 At a glance (p. 6-7) Ch. 2.1 The story of a.s.r./Our strategy (p. 12-16)
102-3	Location of headquarters	Ch. 1.1 At a glance (p. 6-7) Colophon
102-4	Location of operations	Ch. 1.1 At a glance (p. 6-7)
102-5	Ownership and legal form	Ch. 4.1 Corporate governance (p. 90-98)
102-6	Markets served	Ch. 1.1 At a glance (p. 6-7) Ch. 3.2 Segment performance (p. 49-78)
102-7	Scale of the organisation	Ch. 1.1 At a glance (p. 6-7) Ch. 3.1 Group performance (p. 38) CH. 3.2 Segment performance (p. 49-78) Ch. 5.2 Consolidated financial statements (p. 123-130)
102-8	Information on employees and other workers	Annex E Additional employee information
102-9	Supply chain	Ch. 1.1 At a glance (p. 6-7) Ch 2.2 Value creation model (p. 17-22)
102-10	Significant changes to the organisation and its supply chain	Ch. 2.1 Our strategy (p. 12-17) CH. 2.3 Key trends (p. 22-29) Ch. 4.1 Corporate governance (p. 90-98) Ch. 4.2 Our investors (p. 98-102)
102-11	Precautionary principle or approach	Ch. 2.4 Our stakeholders and material issues (p. 29-33) Ch. 3.1.3 Performance on non-financial themes (p. 43-44) Ch. 3.3.1 Risk management (p. 78-86)
102-12	External initiatives	asrnl.com/sustainable-business/codes-and-guidelines
102-13	Membership of associations	asrnl.com/sustainable-business/codes-and-guidelines
102-14	Statement from senior decision-maker	Ch. 1.3 Message of the Chairman (p. 10-11)
102-15	Key impacts, risks, and opportunities	Ch. 2.3 Key trends (p. 22-29) Ch. 2.2 value creation model (p. 17-21) Ch. 3.3.1 Risk managment (p. 78-86)

GRI Standard	Disclosure	Location of disclosure, url(s) and/or information
102-16	Values, principles, standards, and norms of behaviour	Ch. 2.5 Our people (p. 33-37) Ch. 3.1.3 Performance on non-financial themes (p. 43-44)
102-17	Mechanisms for advice and concerns about ethics	Ch. 2.5 Our people (p. 37) Ch. 3.1.3 Performance on non-financial themes (p. 43-44)
102-18	Governance structure	Ch. 4.1 Corporate governance (p. 90-98) Ch. 4.3 Supervisory Board (p. 102-110) Ch. 2.2 Value creation model (p. 19)
102-40	List of stakeholder groups	Ch. 2.4 Our stakeholders and material issues (p. 29-33) Annex D Stakeholder engagement
102-41	Collective bargaining agreements	95.4% of the total employees are covered by collective bargaining agreements
102-42	Identifying and selecting stakeholders	Ch. 2.4 Our stakeholders and material issues (p. 29-31) The selection of stakeholders was made by defining groups that have a direct or indirect stake in the organisation.
102-43	Approach to stakeholder engagement	Ch. 2.4 Our stakeholders and material issues (p. 29-31) Annex D Stakeholder engagement
102-44	Key topics and concerns raised through stakeholder engagement	Ch. 2.4 Our stakeholders and material issues (p. 29-31)
102-45	Entities included in the consolidated financial statements	Annex A Notes to the reader
102-46	Defining report content and topic boundaries	Ch. 2.4 Our stakeholders and material issues (p. 29-31) Annex A Notes to the reader
102-47	List of material topics	Ch. 2.4 Our stakeholders and material issues (p. 29-31)
102-48	Restatements of information	Ch. 5.3.1, 5.3.2 and 5.3.3 (p. 130-153)

GRI Standard	Disclosure	Location of disclosure, url(s) and/or information
102-49	Changes in reporting	**The material themes from 2016 that do not return in the 2017 materiality matrix:** • Non discrimination, either internally (shop floor) or externally (customers, investments): this topic does not contain management information nor is it a material theme for 2017. • Customer satisfaction and service offering: since 2017 this is no longer measured. This has been replaced by the Denison scan which measures wider aspects than mere 'satisfaction'. • Equal pay for men and women: this is not managed by the organisation and is not a material theme for 2017. **The material themes that have been given a different name and/or content in 2017:** • Vitality: This was 'Health and safe working environment. Vitality is a broader concept and involves more than merely health and safety. It also pertains to the mental condition and development and movement of staff within the organisation (education and training). • Climate change: The theme solely covers the risks and opportunities of climate change relating to products and services and does not affect the investment activities or operational activities. **New themes:** • Diversity: This is one of the three focus areas of the HR policy implemented in 2017, in addition to vitality and sustainable employability.
102-50	Reporting period	1 January to 31 December 2017
102-51	Date of most recent report	29 maart 2017
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	Colophon
102-54	Claims of reporting in accordance with the GRI Standards	Annex A Notes to the reader
102-55	GRI content index	Annex F, GRI Content Index
102-56	External assurance	Annex A Notes to the reader Ch. 3.5 Assurance report of the independent auditor (p. 87-90)

GRI Standard	GRI Standard Title	Disclosure	Location of disclosure, url(s) and/or information
Topic specific disclosures			
Customer satisfaction			
	Management Approach		Ch. 2.1.1, 2.2, 2.4, 3.1.3 (p. 13, 17, 41, 49-78)
Offering socially responsible products and services			
	Management Approach		Ch. 2.2, 2.4, 3.2 (p. 17-21, 29-31, 53-54, 67-70, 72)
Transparent product and service descriptions			
	Management Approach		Ch. 2.4, 3.1.3 (p. 31, 43)
417-2	Marketing and Labelling	Incidents of non-compliance concerning product and service information and labelling.	All new products and services are developed according to the PARP process. All existing products and services have been periodically reviewed by the PARP process.
Financial performance			
	Management Approach		Ch. 2.1, 2.2, 2.4, 3.1.2, 5 (p. 12, 14, 17-18, 31, 38-40, 121-254)
201-1	Economic Performance	Direct economic value generated and distributed.	Ch. 3.1.2, 5.2 (p. 38-40, 123-130)
Continuing to meet increasingly stringent legislation and regulations			
	Management Approach		Ch. 2.4, 3.3 (p. 31, 78-86)
419-1	Socioeconomic Compliance	Non-compliance with laws and regulations in the social and economic area.	Ch. 3.3 (p. 83-84)
Solvency			
	Management Approach		Ch. 2.2, 2.4, 3.1.2, 5.8.1 (p. 18, 31, 39-40, 216)
Socially responsible investment			
	Management Approach		Ch. 2.2, 2.4, 3.2.3 (p. 17-18, 20, 31, 67-72)
HR1	Financial Services Sector Supplement	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	Ch. 3.2.3 (p. 9, 67-70)
FS11	Financial Services Sector Supplement	Percentage of assets subject to positive and negative environmental or social screening.	Ch. 3.2.3 (p. 9, 67-70)

GRI Standard	GRI Standard Title	Disclosure	Location of disclosure, url(s) and/or information
Integrity			
	Management Approach		Ch. 2.4, 2.5, 3.1.3, 3.3.2 (p. 32, 37, 43, 85)
418-1	Customer Privacy 2016	Substantiated complaints concerning breach of customer privacy and loss of customer data	a. Significant fines and non-monetary sanctions for non-compliance with legislation and/or regulations in the social and economic area in terms of: I. complaints received from outside parties and substantiated by the organisation; Root cause of complaint: privacy violation or data leak by external parties. Category: Justified and unjustified. Number of privacy violations or data leaks by external parties: Total number of complaints: 58 Of which received via regulatory body AFM: 1 Category: - Rejected 11 - Found justified 41 - Complaint still pending 6 II. complaints from regulatory bodies: none. b. Total number of identified leaks, thefts, or losses of customer data. Received complaints: 245 Reported to Dutch Data Protection Authority: 38
Innovation			
103-3	Management Approach		Ch. 2.2, 2.3, 2.4 (p. 22-23, 32)
Vitality			
	Management Approach		Ch. 2.2, 2.4, 2.5 (p. 17, 32, 34)
403-2	Occupational Health and Safety	Types of injury and rates of injury, occupational disease, lost days, and absenteeism, and number of work-related fatalities.	Ch. 2.5 (p. 34) a.s.r. only records absenteeism rates.
Risk management			
	Management Approach		Ch. 2.4, 3.3, 5.8 (p. 32, 78-86, 216-250)

GRI Standard	GRI Standard Title	Disclosure	Location of disclosure, url(s) and/or information
Sustainable employment			
	Management Approach		Ch. 2.2, 2.4, 2.5 (p. 17, 32-37)
404-2	Training and Education	Programmes for upgrading employee skills and transition assistance programmes.	Ch. 2.5 (p. 33-37)
404-3	Training and Education	Percentage of employees receiving regular performance and career development reviews.	100%. All employees with an a.s.r. contract undergo a performance and career development review every year.
Information and cyber security			
103-3	Management Approach		Ch. 2.4, 3.3.1, 2.5 (p. 22-23, 32, 84)
Climate change			
	Management Approach		Ch. 2.3, 2.4, 3.2.1 (p. 27, 32, 53)
Diversity			
	Management Approach		Ch. 2.2, 2.4, 2.5 (p. 17, 20, 32, 35)
405-1	Diversity and Equal Opportunity	Diversity of governance bodies and employees.	Ch. 1.2 (p. 9) Annex E Additional employee information
Assessing suppliers on their impact on society			
	Management Approach		Ch. 2.2, 3.1.3 (p. 32, 44)
308-1	Supplier Environmental Assessment	New suppliers that were screened using environmental criteria.	Ch. 3.1.3 - suppliers. The SRP annex has been applicable to all new suppliers (100%) from mid-2017.
414-1	Supplier Social Assessment	New suppliers that were screened using social criteria.	Ch. 3.1.3 - suppliers. The SRP annex has been applicable to all new suppliers (100%) from mid-2017.
Contributing to financial self-reliance			
	Management Approach		Ch. 2.2, 2.4, 3.1.3 (p. 20, 32, 44-46)

Annex G

EU Directive: disclosure of non-financial information and diversity information

Reference table Decree on the disclosure of non-financial information and information on diversity

Topic	Subtopic	Included (yes/no)	Chapter
Business model	N/A	Yes	1.1, 2
Relevant social and personnel matters (e.g. HR, safety etc.)	A description of the policies pursued, including due dilligence.	Yes	2.4, 2.5
	The outcome of those policies.	Yes	2.5
	Principle risks in own operations and within value chain.	Yes	2.4, 2.5, 3.1.3, 3.2.3 & https://asrnl.com/sustainable-business/investment
	How risks are managed.	Yes	2.4, 2.5, 3.1.3, 3.2.3 & asrnl.com
	Non-financial key performance indicators.	Yes	2.5, 3.1.3
Relevant environmental matters (e.g. climate-related impacts)	A description of the policies pursued, including due dilligence.	Yes	2.4, 3.1.3, 3.2.3 & https://asrnl.com/sustainable-business/investment
	The outcome of those policies.	Yes	3.1.3, 3.2.3 & https://asrnl.com/sustainable-business/investment
	Principle risks in own operations and within value chain.	Yes	2.3, 2.4, 3.1.3, 3.2.3, 2.5 & asrnl.com
	How risks are managed.	Yes	2.3, 2.4, 3.1.3, 3.2.3, 2.5 & https://asrnl.com/sustainable-business/investment
	Non-financial key performance indicators.	Yes	3.1.3, 3.2.3 & https://asrnl.com/sustainable-business/investment
Relevant matters with respect for human rights (e.g. labour protection)	A description of the policies pursued, including due dilligence.	Yes	2.4, 2.5, 3.1.3, 3.2.3 & https://asrnl.com/sustainable-business/investment
	The outcome of those policies.	Yes	3.1.3, 3.2.3 & https://asrnl.com/sustainable-business/investment
	Principle risks in own operations and within value chain.	Yes	2.4, 3.1.3, 3.2.3, 2.5 & https://asrnl.com/sustainable-business/investment

Topic	Subtopic	Included (yes/no)	Chapter
	How risks are managed.	Yes	2.4, 3.1.3, 3.2.3, 2.5 & https://asrnl.com/sustainable-business/investment
	Non-financial key performance indicators.	Yes	3.1.3, 3.2.3 & https://asrnl.com/sustainable-business/investment
Relevant matters with respect to anti-corruption and bribery	A description of the policies pursued, including due dilligence.	Yes	2.4, 3.1.3, 3.2.3 & https://asrnl.com/sustainable-business/investment
	The outcome of those policies.	Yes	3.1.3, 3.2.3 & https://asrnl.com/sustainable-business/investment
	Principle risks in own operations and within value chain.	Yes	2.4, 3.1.3, 3.2.3 & https://asrnl.com/sustainable-business/investment
	How risks are managed.	Yes	2.4, 3.1.3 & 3.2.3 & https://asrnl.com/sustainable-business/investment
	Non-financial key performance indicators.	Yes	3.1.3 & 3.2.3 & https://asrnl.com/sustainable-business/investment
Insight into the diversity (executive board and the supervisory board)	A description of the policies pursued.	Yes	2.5, 4.1, 4.3
	Diversity targets.	Yes	2.5, 4.1, 4.3
	Description of how the policy is implemented.	Yes	2.5, 4.1, 4.3
	Results of the diversity policy.	Yes	2.5, 4.1, 4.3

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The 2017 Annual Report is published in the English language only. The report can be downloaded as PDF.

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