Annual Report SRLEV NV 2019

Zwitserleven Reaal

SRLEV

Table of Content

1. Overview

1.1. Key Figures

In € millions	2019	2018[1]	2017	2016	2015
> Ratios					
Regulatory Solvency II SRLEV	163%[2]	188%	158%	149%	140%[3]
> Profit or loss					
Gross premium income	1,848	2,102	2,245	1,834	1,927
Investment income	1,240	1,495	1,416	2,761	1,283
Investment income/expense for account of policyholders	2,067	-387	429	902	648
Total income (including other income components)	6,727	3,201	4,164	5,289	3,643
Total expenses	6,333	3,454	4,256	4,953	3,382
Result before taxation	**394**	**-253**	**-92**	**336**	**261**
Taxation	64	21	-37	84	67
Net result IFRS SRLEV	**330**	**-274**	**-55**	**252**	**194**
> Statement of financial position					
Total assets	**58,064**	**52,432**	**53,498**	**55,005**	**57,651**
Investments	38,837	36,022	35,927	35,897	34,424
Investments for account of policyholders	13,520	11,989	13,138	14,251	14,377
Loans and advances due from banks	712	1,562	1,799	960	999
Total equity	**3,410**	**3,128**	**3,217**	**3,035**	**2,755**
Insurance liabilities	48,868	45,037	45,509	46,274	45,138
Amounts due to banks	2,715	1,340	1,627	1,330	1,376

1 Comparative figures of 2018 have been restated in line with the amendment made to IAS 12 by the IASB. According to the amended standard the tax impact of the interest paid on the Tier 1 loan in 2018 had to be reclassified from equity to profit or loss. Refer to the section 6.1.2 for more details.
2 Regulatory Solvency II ratio is not final until filed with the regulator.
3 Regulatory Solvency II ratio is based on Day 1 figures.

SRLEV and SRLEV NV

In this annual report, we use the name ‘SRLEV NV’ when referring to the company financial statements of SRLEV NV. For the consolidated financial statements of the insurance business as a whole, we use the name ‘SRLEV’.

The SRLEV Report of the Executive Board, as referred to in section 2:391 of the Dutch Civil Code includes the following chapters: Key Figures (chapter 1.1), Message from the Executive Board (chapter 1.2), Organisation (chapter 2), Strategy and Developments (chapter 3) and Corporate Governance (chapter 4), excluding Report of the Supervisory Board (chapter 4.5).

1.2. Message from the Executive Board of SRLEV NV

Dear stakeholders,

2019 was a good year for SRLEV. We continued to demonstrate our strong presence on the Dutch market with a solid financial performance and a resilient capital position. We were able to focus on customer centricity and sustainability and have prepared ourselves for the upcoming new ownership.

In 2019, SRLEV showed a solid financial performance. Both the Net Underlying Result and Net Result IFRS increased significantly compared to 2018. Stringent cost management and a higher investment income were important drivers for this increase.

Commercially, we saw continued growth in Pensions. Life Corporate pension premium reached a five-year high at € 1.09 billion, a 4% increase compared to 2018 by strong new business inflows and a stable retention rate of 87%. Lower premium income at Individual Life, following the constantly shrinking individual life market, resulted in a lower gross premium income for SRLEV.

Despite the volatile capital market with considerably low interest rates and tightened credit spreads, SRLEV's Solvency II capital position showed resilience at 163% at year-end. In 2019, a sharp fall in the Volatility Adjustment (VA) from 24bps to 7bps significantly reduced the Solvency II ratio. The interest rate exposure in the first half of 2019 was mitigated and the impact of Solvency II was largely offset by positive developments in operational assumptions and other management actions taken, including the expansion of the quota share longevity insurance from 70% to 90%.

All product lines again put a lot of effort in customer centricity. At Life Corporate pension events were organised for people nearing their retirement age, advising them on their financial future. Also the overall targeted service level for implementing pension contracts was reduced from six weeks to four weeks. Individual Life successfully launched term life insurances for first time home owners and seniors. The focus on Operational Excellence, by continuing an extensive business automation project, resulted in a substantial decrease of the total handling time on all our processes.

SRLEV's parent company VIVAT, with its asset manager ACTIAM, is still a front runner in the field of sustainability. This was acknowledged by the Dutch Fair Insurance Guide that awarded VIVAT positive scores on all twenty one defined themes regarding investment policies. ACTIAM opened its Financial Inclusion Fund for new investors. This Fund aims to have a positive social impact by providing private loans to financial institutions in emerging countries. In this way, ACTIAM wants to contribute to access to finance for micro and SME companies in these countries.

Last but not the least, in June 2019 Anbang has reached a conditional agreement on the sale of VIVAT to Athora with a follow-on sale of the P&C business to NN Schade. Over the past months extensive preparations for the integration and migration were executed, making VIVAT ready for the future. In March 2020, the transaction has been approved by among others the Dutch Central Bank (DNB) and is expected to close early April 2020. NN has also received a declaration of no-objection from DNB in relation to its follow-on acquisition of VIVAT Schade.

We would like to thank our employees and business partners for their dedication and continuous efforts. We are confident that the company is well positioned for the future and that we will continue to offer our customers the high level of service that they are used to.

Amstelveen, the Netherlands, 27 March 2020

The Executive Board of SRLEV NV

2. Organisation

2.1. About SRLEV

SRLEV is a Dutch insurance company that offers a variety of insurances. Via its main brands Zwitserleven and Reaal, SRLEV provides pensions and individual life insurances. SRLEV primarily operates in the Netherlands.

SRLEV generated € 1,848 million in gross written premiums (GWP) in 2019. SRLEV's main offices are located in Amstelveen and Alkmaar, a smaller office is situated in Utrecht.

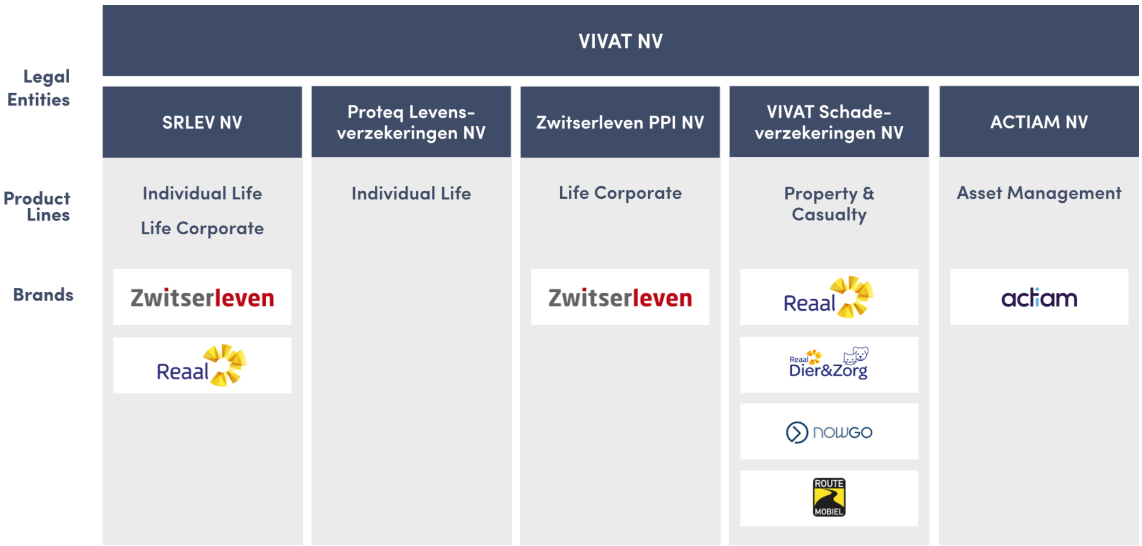
Legal Entity

SRLEV NV is a public limited company with a two-tier board structure consisting of an Executive Board (EB) and a Supervisory Board (SB).

SRLEV NV is a full subsidiary of VIVAT NV. The members of the Executive Board of VIVAT NV are also the members of the Executive Board of SRLEV NV. Certain topics are managed and controlled from a consolidated perspective. To the extent applicable, information in this board report is therefore presented on VIVAT level.

SRLEV is a matrix organisation with both product and functional lines focusing on sustainable profitable growth. The governance model of SRLEV reflects this matrix organisation with product lines being sponsored by various board members and functional lines included in the various product line management teams. This allows control at the level of management teams facilitating the product lines, risk and finance to work together at this level. At the level of the board, sponsorship by each EB member of product and functional lines ensure that they are closely involved in the business of the company.

The figure below shows the total structure of VIVAT NV and the position of SRLEV NV in this structure.



SRLEV NV within the structure of VIVAT NV, product lines and brands

2.1.1. Composition of the Executive Board

The Executive Board is responsible for the strategy and management of the company. The Executive Board per 31 December 2019 consisted of the following:

- J.J.T. (Ron) van Oijen – Chief Executive Officer
- Y. (Yinhua) Cao – Chief Financial Officer
- L. (Lan) Tang – Chief Risk Officer
- W.M.A. (Wendy) de Ruiter-Lörx – Chief Commercial Officer
- X.W. (Xiao Wei) Wu – Chief Transformation Officer
- J.C.A. (Jeroen) Potjes – Chief Operating Officer

Changes in the Executive Board

Chief Executive Officer Ron van Oijen has resigned from his position effective 31 January 2020. Tom Kliphuis has been appointed as new Chief Executive Officer, Effective 1 April 2020. During the transition period, Maarten Dijkshoorn is the Supervisory Board member delegate.

On 19 March 2020, VIVAT announced the appointment of three new members to the Executive Board of VIVAT and SRLEV.

Angelo Sacca will be appointed as Chief Strategy & Commercial Officer and Stefan Spohr as Chief Operating Officer as of the Closing Date. Annemarie Mijer-Nienhuis will be appointed as Chief Risk Officer effective on a date after the Closing Date.

Xiao Wei (Charlene) Wu, Wendy de Ruiter-Lörx, Lan Tang and Jeroen Potjes will resign from the Executive Board of VIVAT and SRLEV as of the Closing Date.

As a result, the Executive Board of VIVAT and SRLEV will be composed of the following persons:

- Tom Kliphuis – Chief Executive Officer (as per 1 April 2020)
- Yinhua Cao – Chief Financial Officer
- Angelo Sacca – Chief Strategy & Commercial Officer (as per Closing Date)
- Stefan Spohr – Chief Operating Officer (as per Closing Date)
- Annemarie Mijer-Nienhuis – Chief Risk Officer (effective on a date after Closing Date)

More information on the Executive Board is stated in Chapter 4: Corporate Governance.

2.1.2. Composition of the Supervisory Board

The Supervisory Board is responsible for overseeing the Executive Board's conduct and general business management. It has an important role in the company's governance, by approving or dismissing significant business-related decisions. As of 31 December 2019 the Supervisory Board consists of the following:

- M.W. (Maarten) Dijkshoorn
- M.R. (Miriam) van Dongen
- M. (Ming) He
- K. (Kevin) Shum
- P.P.J.L.M.G. (Pierre) Lefèvre

Changes in the Supervisory Board

On 19 March 2020, VIVAT announced that Hanny Kemna, Floris Deckers and Michele Bareggi will be appointed as members of the Supervisory Board of VIVAT and SRLEV. Miriam van Dongen, Ming He and Kevin Shum will not continue as members of the Supervisory Board of VIVAT and SRLEV as of the Closing Date.

As a result, the Supervisory Board of VIVAT and SRLEV will be composed of the following persons as of the Closing Date:

- Maarten Dijkshoorn (chairman)
- Pierre Lefèvre
- Hanny Kemna
- Floris Deckers
- Michele Bareggi

More information on the Supervisory Board is stated in Chapter 4: Corporate Governance.

2.1.3. Shareholder

SRLEV NV is a wholly owned subsidiary of VIVAT NV.
The sole shareholder of VIVAT NV is Anbang Group Holdings Co. Ltd.
Anbang Group Holdings Co. Ltd. is an indirect subsidiary of Dajia Insurance Group Co. Ltd.

In February 2018, the China Banking and Insurance Regulatory Commission (CBIRC) – formerly known as the China Insurance Regulatory Commission (CIRC) – temporarily took over management of Anbang Insurance Group Co. Ltd. During this interim period, the majority of the shares in Anbang Insurance Group Co. Ltd. were held by the China Insurance Security Fund Co. Ltd. (CISF). In February 2020, CBIRC announced it had ended its two-year period take over.

New Shareholder

On 7 June 2019, VIVAT was informed by Anbang that Athora and Anbang had reached a conditional agreement on the sale of all shares in VIVAT. Athora is to acquire 100% of the shares in VIVAT from Anbang. On 19 March 2020, VIVAT was informed that Athora received a Declaration of No-objection (DNO) from the Dutch Central Bank (DNB) for the transaction. The transaction is expected to close early April 2020.

2.1.4. A Word of Gratitude from the Chairman of the Supervisory Board

“The Supervisory Board of SRLEV is grateful for the dedication and commitment of the departing members of the Executive Board and the Supervisory Board.

Since the acquisition by the current shareholder in 2015, the Executive Board has stabilised the company and led it through an extensive transformation. This resulted in the structurally improved company that SRLEV is today, being a leading, customer-focused and innovation-driven insurance company with a significant lower cost base from which our new owner will benefit going forward.

The departure of the Executive Board members at closing comes at a natural time, following the acquisition by Athora as new shareholder. We wish Xiao Wei (Charlene) Wu, Wendy de Ruiter-Lörx, Lan Tang, Jeroen Potjes and Ron van Oijen every success in the future.

At the same time, the Supervisory Board looks forward to continuing its working relationship with Yinhua Cao. His knowledge of VIVAT is more than helpful in guiding VIVAT through the transition process together with the new members of the Executive Board.

The Supervisory Board also wants to pay its gratitude to Miriam van Dongen, Ming He and Kevin Shum. I consider it an honour and a pleasure to have worked closely with them over the past years in the Supervisory Board. Their contribution has been invaluable to the development of SRLEV.

My esteemed colleague Pierre Lefèvre and I welcome the new members to the Executive Board, Angelo Sacca, Stefan Spohr and Annemarie Mijer-Nienhuis and the new members to the Supervisory Board, Hanny Kemna, Floris Deckers and Michele Bareggi. Their vast experience and in depth industry knowledge will be valuable assets in the next stages of SRLEV’s future. We look forward to our future collaboration.

Lastly, I would like express my sincere thanks to Anbang for their continued support to SRLEV over the past four years and I am looking forward to creating a bright future for SRLEV with our new shareholder Athora.”

Maarten Dijkshoorn

2.2. Our Brands

Zwitserleven

Zwitserleven has become one of the leading pension insurers in the Netherlands. Zwitserleven offers wealth accumulation products 'for later'. Zwitserleven has been awarded repeatedly for having the most sustainable investment policy in the Netherlands.

2.2.2. Reaal

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

2.3. Our Product Lines

Life Corporate

VIVAT's Life Corporate product line offers pension solutions for business customers under the brand Zwitserleven. The employees of our customers can choose from a range of products to secure their financial future.

Individual Life

Individual Life operates in the retail market. The portfolio of the Individual Life product line mainly consists of life annuity insurances, mortgages, mortgage-related endowments, term-life insurances, funeral insurances and unit-linked insurances, through the brand Reaal.

2.4. Our People

Our employees are key for putting our mission into practice. As a business that serves the financial interests of others, we require a staff that is fully committed to this task. SRLEV is aiming to be a responsible employer by promoting sustainable employability (e.g. vitality, personal development) and sustainable employment relations (e.g. flexibility and diversity). We need to stay a responsible employer in order to continue our strategy and to retain the engagement and commitment of our employees.

In the context of the acquisition process by Athora, SRLEV has considered risks regarding our employees, such as leaving of staff and single points of knowledge, our ability to attract new staff and the commitment of our employees. HR is monitoring these risks closely and will continue monitoring in 2020.

Our Employees in Numbers

At the end of 2019, SRLEV's number of (internal and external) employees is 1232 (2018: 1,320). SRLEV's employees are employed by VIVAT. The costs of employees appointed to SRLEV are charged to SRLEV by VIVAT. Below, the key figures are presented of VIVAT as a whole.

Key Figures VIVAT Human Resources

	2019	2018
Number of employees	2,278	2,462
- of which internal	1,904	2,010
- of which external[1]	374	452
Number of FTEs	2,233	2,367
- of which internal	1,885	1,983
- of which external	348	384
Ratio male-female	60%/40%	59%/41%
Female managers	25%	27%
Female members of senior management	20%	25%
Average length of service (years)	13.0	12.6
Average age (years)	44	44
Full-time/part-time ratio	74%/26%	71%/29%
Male/female ratio full-time	72%/28%	73%/27%
Male/female ratio part-time	26%/74%	24%/76%
Ratio permanent/temporary contract	94%/6%	93%/7%
Male/female ratio permanent	60%/40%	60%/40%
Male/female ratio temporary	53%/47%	61%/39%
Training costs (million)	€ 3.9	€ 4.8
Sickness absence	3.3%	3.8%
Percentage of employees that have sworn the bankers oath	97%	97%

1 Number of external employees is based on contractual hours

More information regarding our staff can be found in section 3.3.2.3 Creating Value via Efficient and Sustainable Business

3. Strategy and Developments

3.1. Trends and Developments

The environment in which SRLEV operates as an insurer is highly regulated and changing fast. Economic and political changes, new technologies and demographic trends are creating new risks and opportunities.

The insurance industry has been operating in a low interest rate environment for many years. This puts pressure on the business model as investment returns are an important source of income for insurers and its customers. SRLEV actively manages its interest rate position by different hedging strategies to mitigate the impact of this low interest rate environment. SRLEV is also continuously seeking opportunities to optimise its investment portfolio.

More regulation to better safeguard the interests of customers and making the financial sector more resilient are ongoing trends in the financial sector. The Solvency II framework, which determines how much capital an insurance company should hold, is a very important regulatory framework in this context. This framework requires insurers to hold sufficient capital to ensure that policyholders' interests are safeguarded at all times. Products with guaranteed minimum returns have become increasingly expensive. This causes insurers, and also SRLEV, to move from capital-intensive to capital-light products, such as Defined Contribution pensions. Also, the pension framework in the Netherlands will be reformed to a more individualised approach, creating opportunities for SRLEV to service the increasing needs of the customers.

New technologies have a large impact on our daily life and on society. The increased availability and sharing of data enables companies to improve the way they develop and personalise products and services. Big data, Robotic Process Automation (RPA), Artificial Intelligence, blockchain, and the Internet of Things are some examples of technologies that enable companies to operate faster and more effectively, often at lower costs. SRLEV embraces these new technologies in order to optimise the services to its customers.

Increasing life expectancy, combined with the ageing population, will put pressure on the overall costs of pension provision. This development provides opportunities for SRLEV, as financial protection requires saving and careful planning of its customers. However, it can also lead to longevity risk for insurance companies.

Strategic Review and Sales Process

In 2018, SRLEV's parent company VIVAT was informed by its shareholder Anbang Insurance Group Co. Ltd. (Anbang) that it had commenced a strategic review regarding its shareholding in VIVAT and therefore SRLEV. This review continued during the first half of 2019 and resulted in a sales process in which various companies expressed their interest in VIVAT. This process required a great deal of effort from various departments to provide all interested parties with the proper information.

On 7 June 2019, VIVAT was informed by Anbang that Athora and Anbang had reached a conditional agreement on the sale of all shares in VIVAT and therefore SRLEV. Athora is to acquire 100% of the shares in VIVAT from Anbang. In the months that followed, preparations were made to facilitate the sales process, while maintaining business as usual.

On 19 March 2020, the acquisition of VIVAT by Athora was approved by the Dutch Central Bank (DNB). This approval follows earlier clearances including approval from the European Commission for Athora's acquisition of VIVAT. The transaction is expected to close early April 2020.

COVID-19 Outbreak

The COVID-19 outbreak in the first months of 2020 is causing significant impact to our society, including SRLEV, its policyholders and other stakeholders like suppliers and employees. Financial markets have been volatile recently with significant decrease in interest rates and equity markets and by credit spreads widening. The Dutch government as well as other governments and central banks are responding with aid packages and further quantitative easing. At the date of the Annual Report of SRLEV the depth and length of these disruptions caused by COVID-19 is unknown.

To assess the impact on SRLEV's financial position and result, we are continuously monitoring the market and economic turbulence that has arisen as a consequence of the COVID-19 outbreak, and are taking mitigation actions as necessary. The most significant risks SRLEV facing relate to financial markets and underwriting risks especially related to mortality, morbidity and policyholder behavior.

Given the uncertainties and ongoing developments, as at the date of the Annual Report, SRLEV cannot accurately and reliably estimate the quantitative ultimate impact on our financial position and result from the COVID-19 outbreak. Nevertheless, low interest rates for a long period are likely to impact the profitability of SRLEV's sales depending on the market response, while underwriting results may also be impacted subject to the severity of COVID-19 outbreak.

3.2. Strategy SRLEV

Taking all these developments and trends into account, in 2019, SRLEV has focused on three main goals: Customer Advocacy, Profitable Growth and Cost Discipline. Furthermore, we believe that Corporate Social Responsiblity (CSR) is an integral part of a company's strategy. Therefore, we use three CSR priorities to guide our actions.

Main Goals

Customer Advocacy

In order to best serve customer interests, we set ourselves the goal to develop seamless customer experiences based on customer needs (life events), both in omni-channel sales and (self) service. Due to constantly changing customer needs and ever-changing market developments, we are keen to develop or update a suitable product range, with the principle that products must be simple and easy to understand, transparently priced and are offered on fair terms. In the interest of our customers, we continue to invest in the relationship with our distribution partners.

Profitable Growth

To achieve optimal levels of capital generation, we search for the right balance between volume and value. In addition, we constantly look at possibilities for re-risking our investment portfolio, while safeguarding a solid solvency ratio.

Cost Discipline

To increase efficiency, we implement digital technologies throughout the value chain. We do this by building state-of-the-art digital sales & (self) service capabilities for all our brands and channels (direct and indirect). Through digitisation of (back-end) processes, we strive for operational excellence, using both proven and innovative technologies such as Customer Relations Management (CRM), Business Process Management (BPM), chatbots and robotics. Finally, we aim for efficiency through digitisation of customer communications.

Throughout all these activities, we apply innovative technologies and approaches that we combine with rich and varied data sources to enable cost effective operations, levels of personalisation, long term value creation and new business models that satisfy changing customer needs.

Outcome

We have made good progress on all three of these goals, which contributed to capital generation and an attractive return for our shareholder and for society.

Key Themes

To support our strategy, we use four key themes in our daily business operation: Customer Centricity, Data, Digitalisation and Innovation. More about these themes can be found in chapter 3.4.1.

Integrated CSR Priorities

At SRLEV, CSR is an integral part of our strategy. Based partly on interaction with our stakeholders and the global sustainability agenda of the United Nations – the Sustainable Development Goals (SDGs) – we use these (CSR) priorities to guide our actions:

1. We have a Sustainable Customer Relationship

SRLEV and its brands are not interested in earning fast money. We enter into a relationship with customers and intermediaries for the long term. We do this by developing simple and honest products that can be understood by everyone. Open, accessible and without small print. With this priority we contribute to SDG 12: Responsible Consumption and Production.

SDG 12: Ensure sustainable consumption and production patterns.

2. We Invest Responsibly

For SRLEV, creating returns from premiums entrusted to us and ensuring a better world go hand in hand. In both cases we create value for the long term. Through investments and involvement we want to contribute to an inclusive, sustainable world, without making concessions to the financial yield. With this priority we contribute to many if not most SDGs, however for the sake of focus we have put SDG 13: Climate Action central to our efforts with supporting roles for SDG 7, SDG 14 and SDG 15.

SDG 13: Ensure sustainable consumption and production patterns.

SDG 7: Ensure access to affordable, reliable, sustainable and modern energy for all.

SDG 14: Conserve and sustainably use the oceans, seas and marine resources for sustainable development.

SDG 15: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.

3. We Run our Business Efficiently and Sustainably

SRLEV wants to limit the impact of our own business operations. That is why we take climate-neutral and circular measures in the areas of housing, mobility, energy and waste. In creating partnerships, we are increasingly looking for suppliers and partners that share the same objectives. Lastly, we cannot run our business without vital employees, who are flexible, employable and forward-looking. With this priority we contribute to SDG 8: Decent Work and Economic Growth.

SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

SDG 5: Achieve gender equality and empower all women and girls .

SDG 10: Reduce inequality within and among countries .

About the Sustainable Development Goals

The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 Sustainable Development Goals (SDGs), which are an urgent call for action by all countries – developed and developing – in a global partnership. They recognise that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests.

3.3. Corporate Social Responsibility

Corporate Sociale Responsibility is a policy for VIVAT as a whole, therefore some information in this chapter is presented on VIVAT level.

2019 has shown that our planet is more vulnerable than ever before. Signs of climate change threatening our environment are evident. People from all over the world have expressed their concerns about the future to politicians and businesses, asking them to take measures. Extreme weather, scarcity of water, deforestation, the nitrogen discussion, monoculture and the suppression of biodiversity, are just a few examples of global threats to our existing cultures and social connections. Not to mention the fair allocation of labour, segregation in society and access to affordable insurance for everyone.

For VIVAT, SRLEV and our brands, these are pressing social developments and topics with no easy solutions to hand, although they certainly have an impact on our strategy, our business practices and our trade. We not only want to, but we must actively find solutions for these social developments. These solutions may lie in our way of investing, in proactively coming up with ideas and in working on keeping life insurance products affordable into the near future. One of the solutions is to introduce more circularity, another is to redefine the utility function of the past. We cannot do that alone. We must meet these challenges together with our stakeholders – our customers, intermediaries, government authorities and civil society.

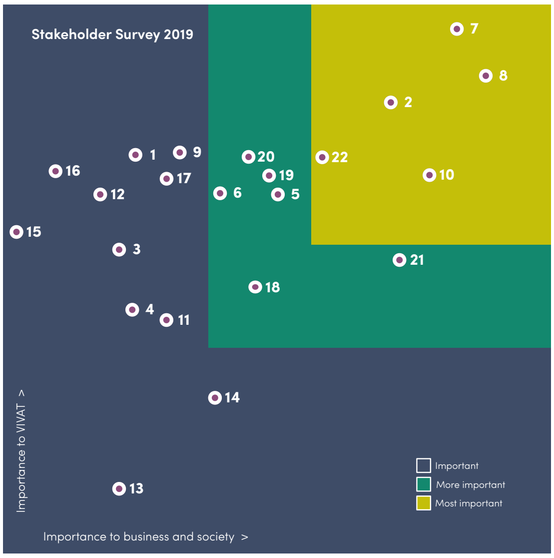
3.3.1. What our Stakeholders Tell Us

On a bi-annual basis – for the last time in 2018 – we undertake surveys among a broad representative sample of our stakeholders, such as clients, partners, employees, etc. We use the results to update our strategy, along with our underlying targets and priorities.

In November 2019, we recalibrated these by organising a round table with key representatives from our most important stakeholder groups. The outcomes and implications for the sustainability strategy of the round table were discussed with the Executive Board. As a result, updates in targets and policies were executed. The survey and round table helped us to bring focus to our strategy, priorities and Corporate Social Responsibility (CSR) programme. From the list of All Material Topics, these areas came out as being the most relevant:

> Investing responsibly (#7)
> Solvency (#8)
> Being a good employer (#2)
> Responsible pension (#10)
> Permanent employability (#22)

Of course, this does not mean that other topics are not relevant for us to pay attention to. On the contrary, the aim of this periodical survey is to follow trends and keep our focus sharp.



All Material Topics

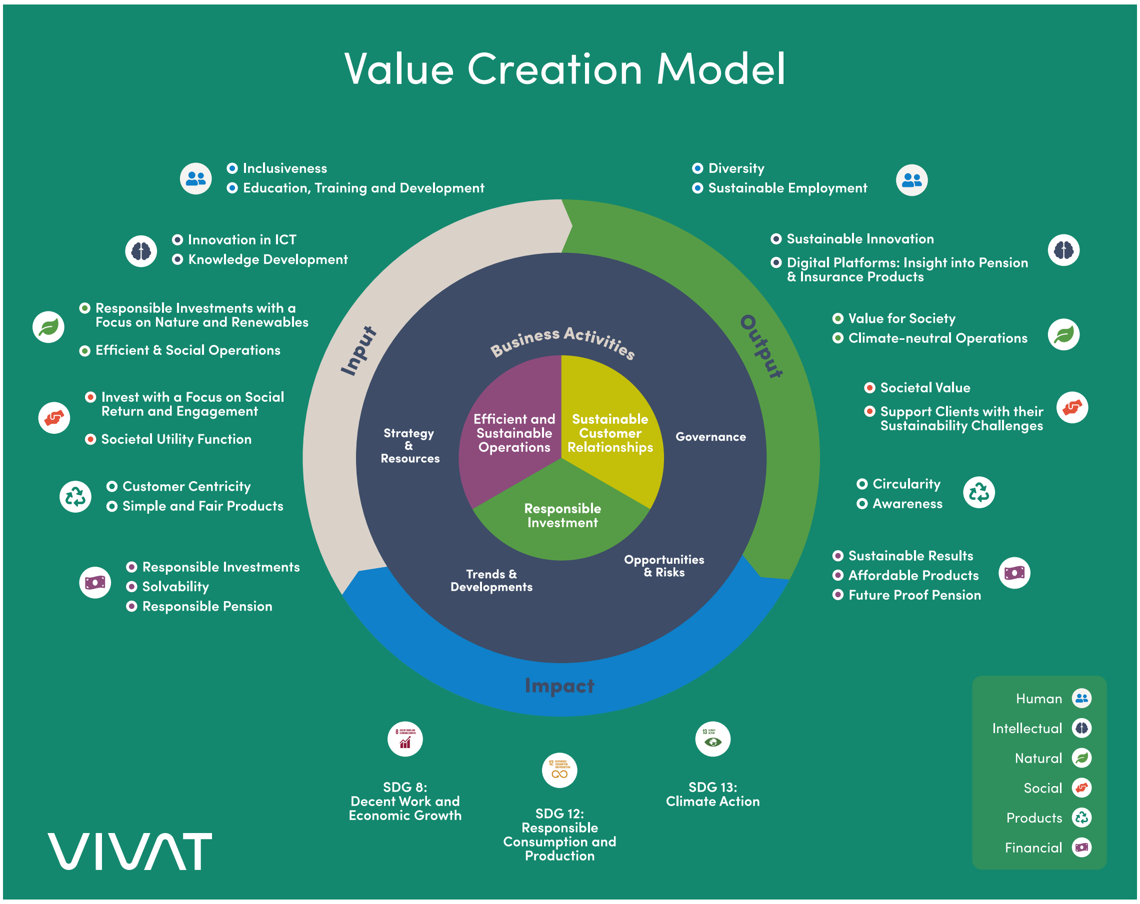
1. Appropriate and simple products	12. Minimise paper use by digitisation
2. Being a good employer	13. Animal Welfare
3. Diversity and Inclusion	14. Innovation
4. Strict selection of customers on integrity and sustainability	15. Pro-activity in customer contact
5. Products with added value for our customers	16. Ease of purchase of products
6. Sustainable procurement	17. Climate-neutral operations
7. Investing responsibly	18. Sustainable energy generation
8. Solvency	19. Circularity / stimulate reuse of products
9. Sustainable results for the organisation	20. Reduction of carbon emission by 50% in 2040
10. Responsible pension	21. Sustainable use of land and preservation of nature
11. Financial self-sufficiency of customers	22. Sustainable employability

3.3.2. Long Term Value Creation

SRLEV, being a full subsidiary of VIVAT, has built its CSR policy on VIVAT's mission statement: *VIVAT makes your financial choices easy.* We want to offer our customers simple and comprehensible products. But VIVAT (and therefore SRLEV) has a greater responsibility. As an insurer, the choices we make now are important for covering the protection of our customers' future income generation. Therefore, we value the importance of sustainability and *focus on the long term value creation.*

Value Creation Model

VIVAT's value chain consists of the activities and processes that allow VIVAT to offer life insurance (by SRLEV), property & casualty insurance (through VIVAT's product line P&C) and asset management products (through VIVAT's product line Asset Management). These put VIVAT in the positions of employer, collaborative partner, neighbour, customer and investor. Our value creation model shows the various sources (financial, produced, intellectual, human, social & relationships and nature) that we use to achieve our strategic targets and the values that we add with our core activities.



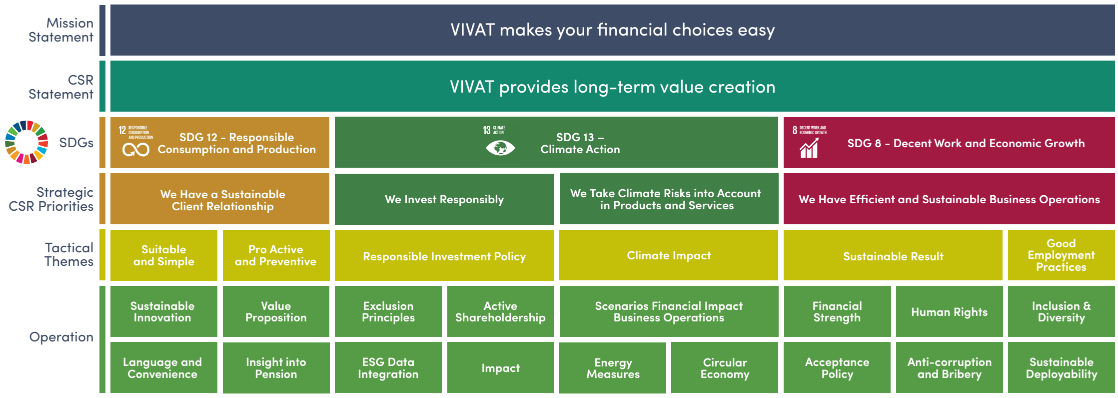
The Value Creation Model applies to VIVAT as a whole, of which SRLEV is a full subsidiary

How We Translate Strategies into Actions and Objectives

VIVAT has chosen to adopt the UN Sustainable Development Goals (SDGs) as a guideline for the further development of an integrated CSR policy for our business practices. The SDGs that are most relevant to us are shown in the illustration below, and these are in turn linked to the underlying tactical themes and operational topics.

One example of an operational topic is active shareholder status and impact. VIVAT can make a difference with the assets we manage for our customers. We believe that we must offer solutions to societal challenges and that we must also provide pure financial returns. We use different methods to achieve this:

- exerting influence as a shareholder (engagement and voting);
- integrating sustainability factors into investment decisions and rewarding front runners;
- excluding certain entities from investments ;
- collaborating with other investors and organisations.



The MVO Matrix above shows a complete illustration of the operational topics

In our Connectivity Table we have visualised how these tactical themes (the basis of our business model) are translated into CSR focus areas and how they are linked to material topics. In addition, it shows the indicators that are used to control and monitor progress in the form of KPI targets and the achieved results in 2019 as well as the risks related to these indicators. Because of the extent of the table it is not possible to embed it in this report. Therefore it is published in high resolution on the VIVAT website: **vivat.nl/en/corporate-responsibility/connectivity/**

Challenges and Ambitions for 2019

VIVAT has chosen three challenges for 2019. Below is a summary of the outcome:

1. Following the round table with key representatives from our most important stakeholder groups, we updated our focus from SDG 15 towards SDG 13. In the coming two years, we will also report on the climate-related financial risks of companies with high carbon emissions in our investment portfolio, and we will also try to integrate climate-related risks into the models of (non-) financial risks within VIVAT itself.
2. Our brand Zwitserleven has decided to invest 20% of the share portfolio of the unit-linked pension portfolio into a new impact fund set up by ACTIAM. This fund invests specifically in several UN SDGs and reports on the results it attains. The investment exceeds € 300 million. We have introduced a sustainable policy for the remaining 80% during 2019. Result is that two other strategies were introduced: ACTIAM (L) Sustainable Emerging Market Debt (Assets under Management approximately € 200 million) and the ACTIAM Global Equity Impact which currently has over € 600 million assets under management, making it one of the larger SDG aligned investment solutions. Zwitserleven is one of our cornerstone investors in both strategies.
3. Our strength lies in our people. Respect for every individual and their unique contribution is part of who we are. It is defined in our Code of conduct and Equality-policy. We value differences and diversity, knowing that different perspectives make our organisation more colourful and better in serving our clients. We foster an inclusive culture that promotes greater diversity and in which everyone can be themselves. VIVAT has the ambition for a balanced target between male / female throughout the organisation and within all management layers (at least 40% male or at least 40% female). In 2019, VIVAT reached the target for the organisation as a whole and still has considerable work to do for the management layers.

Challenges and Ambitions for 2020 and 2021

VIVAT sees challenges in many different areas. In 2019, we discussed these challenges with representatives from our most important stakeholder groups, which has resulted in new challenges for 2020 and beyond:

- *Responsible investing – engagement versus exclusion:* Our strict policies in the area of responsible investing, serve as a guideline for us to exclude companies or to engage them. Although exclusion is often easier to communicate and to implement, the reality is often more complex and we see that engagement in most cases generates value to society. How do we weight these elements and further stimulate ESG through our investments?
- *Responsible pensions:* In addition to our investments, we also offer pension-related services to our clients. Should we apply an identical engagement and exclusion policy for individuals as we do for our investments? In other words: should we exclude people who work in sectors that we exclude, also exclude from our pension products as well?
- *Return on investment:* Do we want to take the next step and continue with even more responsible investments, even if they can lead to a lower overall return on investment? Do we feel comfortable discussing this with our customers, even if this can ultimately affect the financial return on their investments?
- *Positive and negative:* Our ESG measures are intended to have a positive impact. Nevertheless, there can also be negative effects. By 2021, we want to have developed insight into possible negative effects, so that we can take this into account when determining materiality.
- *Practice what you preach:* For 2021 we strive for our own investments to meet the strict criteria that ACTIAM applies to its customers in relation to responsible investments. This includes incorporating the objectives from the Climate Agreement (Klimaatakkoord) on sector policies.

3.3.2.1. Creating Value through Sustainable Customer Relationships

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Fair and Transparent Service

Customer Centricity is essential for SRLEV's success. We strive to earn and maintain the trust of our customers by being fair and transparent in our customer approach. This way of thinking and working is embedded in our business. In doing so, we apply the criteria of cost efficiency, usefulness, reliability and comprehensibility as prescribed by the regulator, the Dutch Authority for the Financial Markets (AFM).

In previous years, the AFM has tested whether insurance companies are succeeding in treating customers fairly. The regulator has published these scores for Treating Customers Fairly (TCF) on a yearly basis. Since the AFM has not given scores on TCF to any financial institution regarding the year 2019, SRLEV cannot report any scores.

Customer Loyalty and Customer Satisfaction

SRLEV monitors customer loyalty (NPS) and customer satisfaction. NPS measures the willingness to recommend a brand to friends and family, providing a broad perspective on how customers value the overall relationship with the brand. Customer Satisfaction helps us to understand how the service is perceived by our customers, identifying drivers for short term improvement in key customer service processes.

NPS

The Net Promoter Score (NPS) is an important indicator for Customer Centricity within SRLEV. Based on the NPS survey results, our customers can be categorised in to different groups: ‘Promotors’, ‘Passives’ or ‘Detractors’. NPS is measured on a continuous basis among the various customer segments (e.g. both private and business customers, and per product line). As a result, an overall SRLEV score is derived and reported quarterly, in order to monitor the progress and gain insights in the areas for improvement.

Net Promoter Score

	2019	2018
Individual Life	-42	-38
Life Corporate	-28	-29

Customer Satisfaction

In addition to NPS, the customer satisfaction is measured among the various customer segments. These scores reflect the level of customer satisfaction on a scale from 1 to 10 (1 = extremely dissatisfied, 10 = extremely satisfied) and is expressed as the percentage of customers that value our services with an 8 or higher (so called Delighted Customers).

Delighted Customer Score

	2019	2018
Individual Life	37%	42%
Life Corporate	46%	42%

Customer Privacy and Data Protection

SRLEV has to maintain a large amount of data for a very long time. We are bound to secure customer data and data about our interactions with our customers, in particular with regards to their life, pension and disability products. SRLEV not only needs to make sure that we serve our customers well and respect their privacy, but we also have to be able to provide evidence that over the span of our often long term relationship with our clients, we adequately perform our duty of care and fulfilled all our legal requirement such as tax filings and regular Sanction List scans.

With that in mind, data protection and the privacy of customer data are of key importance for SRLEV. Customers can trust that their personal data are in safe hands with SRLEV. That is why we have implemented policies to protect customer data and customer privacy. The privacy statements as published on the websites of VIVAT and our brands describe the categories of data SRLEV collects, the purposes of the collection of these data and how customers may access such data. Customers can contact our brands Zwitserleven and Reaal with requests related to that data. SRLEV also has a policy to handle data leakages to minimise possible damage to customers. The appointed Data Protection Officer is responsible for monitoring compliance with the law (e.g. GDPR). In 2019, 157 data breaches were detected within SRLEV of which 8 were reported to the Dutch Data Protection Authority.

3.3.2.2. Creating Value through Responsible Investing

VIVAT (and therefore SRLEV) recognises that entities performing well on material environmental, social and governance (ESG) issues have a better financial performance than entities performing less good on these issues. For that reason, VIVAT delivers investment solutions with the objective to optimise longer-term financial, environmental and social returns. These solutions reduce material ESG risks of the investments and create attractive and enduring financial value to VIVAT as well as sustained social value to society.

VIVAT's sustainability policy gives a holistic and forward-thinking view on the roles of investors to guide the transition towards a sustainable society in which companies can prosper while respecting social and environmental limits, now and in the future. An important component of this policy is the categorisation of the companies in the investable universe according to their capacity to prepare for the transition risks they face.

Our efforts are also externally recognised. In the annual benchmark performed by the VBDO (Dutch Association of Investors for Sustainable Development) amongst insurers on sustainable investing, VIVAT reached the second position. We also achieved a top rank (a+) on UN PRI (Principles on Responsible Investment) in which we distinguish ourselves from competitors in the areas of ESG integration, active ownership and implementation of ESG policies via screening.

Investment Principles

Our Fundamental Investment Principles are foremost based on international treaties, conventions and best practices, including the UN Global Compact (see appendix for a comprehensive list of the international mechanisms we consult). Because these international mechanisms are considered universal, the standards underlying our Fundamental Investment Principles go beyond personal and cultural differences. In our investment policies, we take social discussions and the nature and extent of social consensus into account. Compliance with our principles will be assessed based on two main criteria:

1. Repeated or systematic involvement in activities covered by our principles, as well as failure to sufficiently remedy such involvement.

2. Inadequate preparedness to prevent this involvement from occurring in the future. A company is considered to have taken insufficient measures to prevent ongoing or future involvement, when either of the following conditions is met:

a) The company lacks coherent management systems, which include the following components:
- Management principles;
- An operational policy through which these principles are implemented;
- Adequate procedures to assess, mitigate and address risks;
- Systems for monitoring and tracking risks and risk management steps, as well as implementation of the operational policy;
- Sufficient training and education to help staff, subcontractors and suppliers in the adequate implementation and execution of the policies;
- Mechanisms to encourage frequent feedback to management; and
- Regular (public) reporting.

b) The company demonstrates no credible implementation and/or enforcement of above-mentioned management systems.

As a responsible investor, VIVAT will evaluate whether to exclude companies once it becomes clear that we will not be able to persuade them to change their behaviour. That is why, prior to exclusion, we assess whether engagement may be a helpful tool in remedying any real or potential violation. If engagement is not an option or not successful, the ultimate consequence may be exclusion from our investment universe.

When we do decide to exclude a company and investments have already been made, these assets will be sold at short notice. This may also apply to companies that are not directly involved in violations of the Fundamental Investment Principles, but whose behaviour or activities raise serious ethical questions. In 2019, the majority of exclusions by our asset manager ACTIAM (about 44%) were based on the Environment Principle, 39% of the exclusions were based on the principle 'Customer and Product Integrity', and 16% were based on the principle 'Weapons'.

Impact

We want to make our investments measurable in terms of its sustainable impact, so we can steer on positive impact based on our insights with tangible targets. We do this via calculating the carbon emissions and water footprints of key investment funds.

VIVAT and its entities do not wish to be involved in activities that cause serious environmental damage through pollution, biodiversity loss, or the depletion of natural resources. We seek guidance from the following instruments of international environmental norms and best practices, as well as environmental laws and regulations, when determining whether a company is in violation with our principles:

- Rio Declaration on Environment and Development, 1992;
- The Earth Charter, 2000;
- Principle 7 of the UN Global Compact ;
- IFC Performance Standards on Social & Environmental Responsibility;
- The Paris Agreement under the UNFCCC, 2015 ;
- The Dutch Climate Agreement (Klimaatakkoord);
- OECD Guidelines;
- Montreal Agreement.

Companies unwilling to phase out the most carbon-intensive assets, products or processes could be in violation of our principles being the Fundamental Investment Principles and the Fundamental Material Drivers. Criteria to determine whether companies are in violation of our principles, as well as distinct best practice guidelines, are further specified in our position papers. For instance, we do not invest in companies that have over 15% of their total revenue resulting from thermal coal. Furthermore, our guidelines prohibit us from investing in companies involved in particularly harmful activities including mountaintop removal mining, riverine tailings disposal, illegal logging, and extraction activities in protected areas. Such areas include those covered by the International Union for the Conservation of Nature (IUCN) Protected Areas Categories I through IV, the 1972 UNESCO World Heritage Convention, and the 1971 Ramsar Convention on Wetlands.

VIVAT takes its responsibility regarding the environment and acknowledges that harming the environment can have a negative impact on business in the near future. The recommendations from the Task Force on Climate-related Financial Disclosures (TCFD) will be taken into account and in the coming year(s) we will try to include climate related risks in our risk approach.

Carbon Emissions

In line with the specifications set out in the Climate Agreement (Klimaat Akkoord) we have calculated the carbon emissions linked to VIVAT's investments. These total 3,510 kilotonnes in 2019 and include our investment organisation and the buildings in which VIVAT operates, and most importantly the carbon impact of our own investment and those from our funds for our clients. The increase compared to 2018 is the result of a shift in our asset portfolio due to ongoing re-risking: new investments in companies tend to be more carbon intensive then government bonds.

Carbon Emissions

Carbon emissions in tonnes	2019	2018
Net carbon emissions internal organisation	3,476	4,376
Scope 1 (heating REIM)	262	395
Scope 2 (electricity REIM)	1,082	1,106
Scope 3 (investments, own account)	1,490,932	980,204
Scope 3 (investments, funds)	2,014,543	1,718,792
Total	**3,510,295**	**2,704,873**

In contrast, the funds for our clients show a decrease in carbon emissions in 2019. See the table below for the carbon intensity split out in total investment, our own account and the funds for our clients.

Carbon Emissions of Investments

Carbon emissions (tonnes per € million of AUM)	2019	2018
Total: Carbon emissions (ton) / AUM €1 million	54.1	48.9
Own: Carbon emissions (ton) / AUM €1 million	38.1	28.6
Funds: Carbon emissions (ton) / AUM €1 million	78.5	81.6

Method to determine the carbon footprint scope 3: Fund investments and own account

The carbon footprint of funds is calculated in line with the method that is currently being developed by the Partnership Carbon Accounting Financials (PCAF). The carbon footprint consists of the absolute total scope 1 and scope 2 carbon emissions of the entities in which we invest. The data is provided by external providers MSCI ESG Research and Eurostat. The data is expressed in tons of CO_2 equivalents, so it includes different greenhouse gases. Based on the share of the enterprise value of the company that is owned through investments in shares or the share of debt that is financed through loans provided to the entity, part of the entities' total carbon emissions are allocated to our investments. The sum of the carbon footprints of all individual entities in which we invest corresponds with the reported total carbon footprint of the investments. From the perspective of VIVAT the total sum of these carbon emissions is scope 3.
This assessment has inherent limitations related to quality and availability of underlying data used and will further improve in 2020.

Active Stakeholdership

In 2019, VIVAT has had numerous proactive engagements with companies. In terms of our focus themes, about 32% of our proactive engagements were related to the use of fossil fuels such as the use of cleaner energy sources and increasing energy efficiency. A quarter of the proactive engagements were related to organisational behavior and integrity and 12% related to sustainable land use. When it comes to responsive engagement according to our principles: about two third (67%) of the engagements were related to the environment (e.g. toxic spills) followed by human rights issues (10%).

3.3.2.3. Creating Value via Efficient and Sustainable Business

People are the heart of our organisation and are crucial in fulfilling our mission. For SRLEV, VIVAT is the recruiting entity and VIVAT pursues to be an innovative and inspiring employer, that recruits, inspires and challenges well-performing, employees. We have several operational themes like: inclusion and diversity, vitality and sustainable employability.

Inclusion and Diversity

Respect for every individual and their unique contribution is defined in our Code of conduct and Equality-policy. We value differences and diversity, knowing that different perspectives make our organisation more colourful and better in serving our clients. We foster an inclusive culture in which everyone can be themselves.

VIVAT has the ambition for a balanced target between male and female throughout the organisation and within all management layers (at least 40% male or at least 40% female).

In our annual Talent Review and Succession Planning we continue to pay extra attention to identifying female talent and creating awareness regarding female talent. Our recruitment process is based on the Equality Policy – our job ads are designed to attract different groups in our society and to attract more female talents.

In 2019, we organised various open theme meetings on Diversity, Inclusion and Female Talent. A Masterclass Diversity, Inclusion and Authenticity was organised for the management of VIVAT. Nevertheless we have not reached our target yet. Next year we will pay extra attention to this topic by developing more initiatives and expanding existing ones.

Diversity in % (on VIVAT level)

Female in %, by function group as at the end of the year	2019	2018
Supervisory Board	20.0%	20.0%
Executive Board	33.3%	33.3%
Senior Management	20.0%	20.5%
Other staff	40.4%	41.1%

Jobs are weighted regardless of gender at VIVAT. Men and women with comparable work experience, achievements and job level are given equal pay. The differences in wages between men and woman are caused by the on average higher age of men and to level / grade differences. Within our company, women are on average 2.7 years younger than men and are underrepresented in the higher salary scales.

Sustainable Employability

VIVAT pursues to be an innovative and inspiring employer, that recruits, motivates and challenges high-performing, fit employees. To that end, we implemented our ‘FIT’ philosophy in January 2019, where FIT stands for Flexible, Innovative and Talented and being fit for the job that needs to be done.

The principles of FIT apply to three areas:

Job Fit	VIVAT employees fit in their roles, and make sure their employability is in good shape, now and in the future
Organisational Fit	VIVAT offers a good and pleasant working environment, with adherent tools and conditions to be able to do the best job
Personal Fit	Within VIVAT we value vitality and health, within a proper work-life balance

To facilitate our people to remain or become FIT, VIVAT implemented several initiatives in these three areas.

Personal Development

We encourage training and education among our employees to ensure that everyone is adequately equipped to fulfil their role. VIVAT believes that continuous learning is essential for employees and for the company to be able to participate in today’s dynamic society and to remain competitive. Otherwise we run the risk of losing our connection with our rapidly changing world.

In accordance with our Collective Labor Agreement, everyone within VIVAT has a Growth Budget and employees are free to spend this on education or training of their choice. In this way we enable career development and future employability. Our newly launched VIVAT Learning Platform gives access to over 30,000 learning products in various categories. Employees have easy access to fulfil their learning ambitions. In 2019, 1,608 colleagues used the platform to book an education or training. About 1,100 employees made use of their Growth Budget. 64% of all employees have used all or a part of their Growth Budget of the previous three years.

Beside the access to learning we also provide a number of development tools. We have a broad offer in ‘Coaching and Employability’. We offer Talent scans and Talent coaching, to provide insight and direction in individual career development. We also provide Labour Market opportunity coaching, 45+ Career coaching, Personal Coaching, and various workshops around the theme of career development in our VIVAT Learning Platform.

To facilitate development in the important areas of Data and Innovation, the VIVAT Innovation Capability Programme and the VIVAT Academy provide of all sorts of studies and trainings on data and innovation for different target groups.

For the second year in a row, VIVAT organised the VIVAT Summer School. In July and August, about 1,200 employees participated in one or more of the 39 different workshops on topics as Agile & Scrum Basics, How to become data driven, Machine learning for Dummies, GDPR and Cyber security, Design Thinking and much more. Participants rated the event with an average of 8.2.

Vitality

Because vital and healthy employees perform better, feel happier and are more employable, we offer our employees free use of Fitchannel to attend digital sport lessons. We organised Mindfulness and Time Management workshops for our employees and in October the annual *Week of happiness at work* (‘Week van het werkplezier'). During this week employees can join workshops and presentations related to work stress and work/life balance. Over five hundred employees joined these activities.

Health Safety and Well-being

In January 2019, our new Health services started. With a broader spectrum of services we can support our employees even better during their absenteeism, reintegration and focus increasingly on prevention. This results in a decrease of our absenteeism rate, despite the uncertainty for employees around the sale process of VIVAT. Over 2019 the absenteeism rate was 3.3% (for VIVAT as a whole).

We also offered one third of our employees to undergo a health check so they could timely identify an increased risk of potential health issues. This opportunity was used by 49% of the employees. Each participant received an individual report with their results.

In 2019, VIVAT carried out the mandatory Risk Inventory and Evaluation (RI&E) in terms of working conditions which was verified by an external party. An action plan was made and followed up during the year in collaboration with the prevention officer and with the consent of the works council.

Every year VIVAT conducts an Employee engagement survey to measure how we meet our goals and to see where improvement is necessary. In 2019, the response of 94.9% was – again – above expectations and it provided a lot of feedback and information on various topics. In this year with many changes, the outcome has helped VIVAT to move forward in a way that best meets the needs of our employees. The results were shared and discussed throughout the organisation.

In October 2019, we organised a second employee survey. This short, so-called Pulse Survey was intended to get information on how employees experience the uncertainty surrounding the VIVAT sales process and to ask employees what they need to move forward. More than 80% of the VIVAT-employees said they could handle the situation well.

Energy Measures

For SRLEV it is also important to minimise the negative impact of our own business operations on the environment. Being climate neutral is one of our main objectives. The offices of VIVAT, in which SRLEV is working, operate on one hundred percent green gas and electricity, as they have been doing for several years. In 2019, we achieved a 20.6% drop in net carbon emissions for our own internal organisation to 3,476 tonnes.

Internal Carbon Emissions

Carbon emissions in tonnes	2019	2018
Scope 1 (biogas, lease cars)	427	1,072
Scope 2 (renewable electricity)	-	0
Scope 3 (business travel, commuting, waste, paper and water)	3,049	3,304
Net carbon emissions	**3,476**	**4,376**

But our activities to work towards climate neutrality go beyond the offices in which we work ourselves. All suppliers of SRLEV are requested to comply with VIVAT's General Procurement Terms and Conditions. By agreeing with these terms and conditions, suppliers declare that they have taken steps or are in the process of taking steps to minimise their ecological footprint (including carbon-emissions, paper consumption, energy consumption and waste) and have implemented or are in the process of implementing similar sustainable procurement terms and conditions in their own organisation.

3.3.3. Managing Non-financial CSR-related Risks

Investment and Environmental Risks

All entities in which VIVAT, and therefore SRLEV, intends to invest in are being screened on the basis of VIVAT's Fundamental Investment Principles. These principles are based on ethical and social norms and values, regardless of whether these are material to the entity or not. Entities that systematically do not comply with these Fundamental Investment Principles are excluded from investment.

For entities not violating our Fundamental Investment Principles, VIVAT Asset Management (ACTIAM) measures the adaptive capacity to manage their exposure to the risks of not operating in the safe zone. It also measures their capacity to take opportunities to operate within the safe or in the positive impact zone. As not all drivers are equally material to all companies, not all drivers are evaluated for each entity.

Based on the assessment per driver, each entity is subdivided into one of the following five categories:

A) Positive Impact: Entities that seize the opportunity to make a positive and intentional contribution to Sustainable Development Goals while operating within the planetary boundaries. Through their positive contribution, the entities extend the safe and just zone and create a positive impact;

B) Safe and Just Zone: Entities that properly manage the risks to which they are exposed through the ongoing transitions, operate within the boundaries of the safe zone or have the required path to the safe zone, but do not create positive impact;

C) Transition – Adaptive: Entities that (still) operate outside the boundaries but are already close to the required transition path are considered to be adaptive. They have the capacity to adapt to the material and operational risks that the transitions entail. It is expected that these companies will soon reach the required route to the safe zone;

D) Transition Zone – At Risk: Entities that operate outside the boundaries and do not operate on the required transition path and have unmanaged risks are considered at risk. They currently lack the adaptive capacity to prepare for the material risks associated with the transitions and are therefore vulnerable to operational risks. However, with some extra effort they can develop this capacity and reduce their risks;

E) Transition Zone – Non-adaptive: Entities that operate outside the boundaries, far away from the required transition paths, and that lack the capacity to bring risk management up to standards are considered non-adaptive. These entities lack good management strategies with regard to material topics, are exposed to high risks and therefore run serious operational risks in the short to medium term.

The allocation to one of the categories A to E depends on a) the entity's risk exposure of operating outside the safe and just zone and b) its adaptive capacity to make the transition towards operating within these limits. The risk exposure indicates to what extent an entity is vulnerable to the ESG risks of operating outside the safe zone. Examples of assessment criteria include the carbon intensity of the products and services a company provides, location of operations, the nature of those operations and the management of supply chain risks. The adaptive capacity is based on strategies, policies, targets, implementation and demonstrated performance of companies and sovereigns to manage the risks from operating outside the safe and just zone. Higher scores on adaptive capacity indicate greater capacity to manage exposure risk. Exposure and capacity are assessed for each driver if material to sector of a company.

VIVAT Asset Management (ACTIAM) has implemented procedures and internal controls to ensure compliance to its policies. In this approach, different departments and committees have their own specific duties and responsibilities.

ACTIAM's Sustainability & Strategy team is responsible for policy development, drafting annual strategic action plans and for the proper execution of the available instruments. In the development and execution of its policies, the team is fully independent and reports directly to the Chief Executive Officer of VIVAT.

To ensure compliance with the policies, decisions are challenged by independent committees within VIVAT:

- Selection Committee: Changes to the sustainability policy and the categorisation of entities are proposed by the ACTIAM's Sustainability & Strategy team but not implemented before formal approval from VIVAT's Selection Committee (SELCOM). This committee consists of ACTIAM board members, the director of the Fund Management team, the director of the Sustainability & Strategy team as well as an independent ethics specialist that reviews and challenges the proposed decisions. The SELCOM meets at least four times a year.
- ESG score Committee: The ESG score Committee (ESCOM) decides on the implementation of the sustainability policy through the ACTIAM ESG scores, worst offenders, positive selection and green bonds. The ESCOM monitors whether the right companies are selected as worst offender, for positive selection or for green bond and subsequently receive the right premium on the VIVAT ESG score. In addition, the ESCOM monitors the methodology by which the ACTIAM ESG scores are determined.
- Audit: Implementation and results of the VIVAT Sustainability Policy are part of the VIVAT Annual Report.

Social and Personnel Risks

In 2019, our shareholder Anbang performed a strategic review concerning the ownership of VIVAT. We tried to inform all staff as well as possible to keep everyone on board. Looking back we have largely succeeded: the absenteeism rate did not increase but in fact decreased, our staff turnover in 2019 progressed as planned and was in line with our Operational Plan and our employee satisfaction is still 7.2.

Human Capital Risk

In spring 2019, VIVAT performed an analysis on the risk of the ongoing strategic review by Anbang and made a plan to identify risks and mitigating measures related to our Human Capital. Different risk groups were identified for which different risks apply. Mitigating measures have been drafted for different stages in time. For example timing and tone of voice in communication and monthly monitoring turnover rates. This way we aim to constantly monitor the state of the organisation and its employees in this year of change, and mitigate the loss of human capital in the process.

Human Rights Risks

The UN Guiding Principles on Business and Human Rights, endorsed unanimously by the UN Human Rights Council in June 2011, underline the corporate responsibility to respect human rights. This responsibility, which is also affirmed in Principles 1 and 2 of the UN Global Compact, requires companies to avoid causing or contributing to adverse human rights impacts through their own activities, and to prevent, mitigate or remedy human rights impacts directly linked to their operations, products or services.

The responsibility of entities to respect human rights refers, as a minimum, to the core internationally recognised human rights, contained in the International Bill of Rights (composed of the 1948 Universal Declaration of Human Rights, the 1966 International Covenant on Civil and Political Rights, and the 1966

International Covenant on Economic, Social and Cultural Rights). Depending on the circumstances, entities may need to consider additional universal human rights standards, for instance relating to the protection of the human rights of specific groups, such as indigenous peoples, women, persons with disabilities, and migrant workers and their families.

VIVAT supports these views on companies' human rights responsibilities and considers violations of these international mechanisms to be in violation of our principles. Compliance with these principles is screened every quarter of the year based on two main criteria: a) systematic involvement in activities that are in violation with our principles, as well as b) failure to sufficiently remedy such involvement and inadequate preparedness to prevent this involvement from occurring in the future. VIVAT excludes companies once it becomes clear they cannot be persuaded to change their behaviour. Prior to exclusion, in an investigative period VIVAT assesses whether engagement may be a helpful instrument in remedying any real or potential violation. If engagement is not an option or unsuccessful, the consequence may be exclusion from the investment universe. For sovereigns, non-compliance automatically leads to exclusion.

In 2019, 22 new companies were excluded. Added to the 26 companies we excluded in 2018, this brings the total number of excluded companies to 48. In addition, in 2019 two countries were excluded on the basis of 'Indicators from the Freedom House's Freedom in the World Report' (Nicaragua and Uganda), bringing the total to 53 excluded countries.

Anti-corruption and/or Bribery Risks

It is the policy of VIVAT and its subsidiaries to conduct all of VIVAT's business in an honest and ethical manner. This is also expressed in the zero tolerance approach VIVAT takes to corruption and bribery. The prevention, detection and reporting of corruption and bribery are the responsibility of all those working for VIVAT. VIVAT endorses the following conventions and principles: UN Convention Against Corruption, 2003, OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, 1997, OECD Guidelines for Multinational Enterprises and Principle 10 of the UN Global Compact.

VIVAT has a corruption and bribery policy in place. Closely related to the corruption and bribery policy, VIVAT also has a code of conduct, pre-employment screening policy, client integrity policy (AML, CFT and Sanctions regime), procurement policy, incident management policy and whistleblowing policy in place. These policies describe the principles to counter corruption and bribery on which VIVAT must takes adequate measures.

The principles and measures as described in the policies are translated in business controls and management controls. Among others the controls are related to:
1. the due diligence of employees, third parties and clients;
2. accepting and providing of gifts, hospitality and donations;
3. financial record keeping;
4. training and awareness of employees;
5. whistleblowing and hotline incident reporting mechanisms;
6. yearly business risk analyses on corruption, bribery, conflicts of interests and client integrity.

However, VIVAT takes a zero tolerance approach to corruption and key risks with regard to corruption and bribery are mitigated by key and management controls, VIVAT has no explicit quantitative performance indicators with respect to corruption and bribery besides of incident reporting indicators. In 2019, VIVAT has not detected and reported any forms of corruption and bribery.

Based on the yearly risk analysis, VIVAT considers senior management (network and family related risks), procurement, account management, marketing & communication departments (third party risks) as the most vulnerable positions/locations for corruption and bribery. Corruption and bribery can consists of offering, promising, giving, accepting or soliciting of an advantage as an inducement for action which is illegal, improper or a breach of trust, in public as well as in private sectors. Among others, this may lead to operational losses, reputational damage and damaged relations with stake holders.

Based on the yearly risk analysis, VIVAT considers the risks of corruption and bribery of non-senior management, geographical factors, sector, product or transaction factors relatively low. Senior management (network and family related risks), procurement, account management, marketing & communication departments (third party risks) are considered the most vulnerable positions when it comes to corruption and bribery. If a case of bribery or corruption were to occur, it could lead to operational costs, reputational damage and damaged relations with stakeholders. The findings from the analysis performed are taken into account in the business control measures.

Anti-money Laundering and Sanction Law

VIVAT annually analyses the risks related to sanction regulations, money laundering and terrorist financing on the basis of a systematic integrated risk assessment. In 2019, several gaps were identified concerning the identification and verification (of Ultimate Benificial Owners), CDD, mitigating actions on the risk classification of clients, reporting and record keeping. Although Product and Functional Lines are working in close cooperation towards sustainable solutions, VIVAT has first addressed the most urgent gaps by implementing manual mitigating actions. The Compliance department monitors the risks based on the effectiveness and implementation of policies.

In VIVAT's efforts to ensure compliance with applicable laws and regulations, instances of non-compliance occur, with regard to Sanction law and anti-money laundering. These instances including a timely plan to address and resolve current and future cases, are shared with the regulators. In January 2020, VIVAT submitted an assessment report of the remediation activities by an independent auditor to DNB, and is awaiting DNB's response.

3.4. Business Performance

In recent years, SRLEV has always defined four key themes for the business: customer centricity, data, digitalisation and innovation. These themes have become a common thread in everyday work and have also served as guidelines for our actions in 2019.

To show how these themes have influenced our work, a brief overview precedes the description of the performance of the individual product lines.

3.4.1. Key Themes

Customer Centricity

In our main strategy, as well as in our CSR guidelines, we always put our customers first. Our customers give us a reason to exist as an insurer. Thanks to them, we can offer collective insurance to a larger group and we can make a meaningful contribution to value creation in the long term, for our customers and for society. That is why we are keen on serving our customers as well as possible. Not only by offering affordable and transparent products and services, but also by making the way customers can assess, buy and use these products as easy as possible.

In 2019, the product lines Life Corporate, Individual Life and the departments Digital, VIVAT Contact Centre (VCC) and Customer Office have worked closely together, to increase the company's maturity in the field of Customer Centricity.

Company-wide we have adopted a method to deploy customer journey's that has been applied to various situations. This method identifies the touch points at which customers have difficulty using a product or service. Based on customer interviews, improvements are immediately made so that customers are served faster, better and more pleasantly. In 2019, improvements have been made to various processes, such as the Customer Journey 'Decease', 'Direct incoming Pension' and 'MijnZwitserleven' and the customer Journey 'I'm going to retire', among others.

Data

To better understand the changing needs of our customers, we increasingly rely on the use of data. Data provides us with the tools to better serve our customers. In 2019, SRLEV put a lot of effort in expanding and improving our data infrastructure by making more data sources available and to fully automate the data processes. This has resulted in a faster time-to-market and in processes that have become much more reliable.

There is a lot of attention to data quality within VIVAT and SRLEV. At year end 2019, we were measuring the data quality of approximately 7,500 data fields within VIVAT as a whole – an increase of 48% compared to 2018 – and more than three hundred million records (+ 121%). Any data issues are discussed and addressed in various data steward teams.

In 2019, SRLEV also made major steps in the field of Artificial Intelligence (AI). We used AI to expand our insurance fraud detection system – to keep the premium low for our customers – and to automate document flows within the back office. With AI, for example, documents are automatically classified and indexed. Other AI projects are various marketing-oriented projects such as Next Best Action, predicting the best time to send mailings and predicting payment arrears.

Working with data is becoming increasingly important. Within VIVAT as a whole, we kept on training our employees as data scientists at our university partner JADS in Den Bosch. in 2019, four of our employees have been trained as data scientists. We organised fifty sessions ourselves to inspire colleagues about data-driven work, which were attended by no fewer than 1,100 colleagues. In 2019, 520 new reports were developed internally. There are now 1,300 colleagues who actively use our reporting tool Power BI (end of 2018: 800 users).

Not only is data a source for us, it also gives us a great responsibility to handle the privacy-sensitive data of customers with care. After data ethics sessions with the Dutch Central Bank (DNB), the Dutch Authority for the Financial Markets (AFM) and the Dutch Association of Insurers and a company-wide discussion, we developed a data ethics framework in 2019 to be able to handle data and artificial intelligence responsibly.

Digitalisation

In January 2019, a VIVAT-broad campaign was launched to drastically reduce the paper output: VIVAT GOES DIGITAL. We removed 18 printers throughout the company to force employees to print less. Internally this resulted in more than 240,000 less printed documents in 2019 compared to 2018. At the same time, we added a message to our email signatures that called out to the recipients not to print mails unnecessarily.

Even more impactful were the actions that were carried out on a larger scale by collecting as many email addresses from customers as possible in order to reduce the number of letters and documents that we have to send out. In 2019, we collected over 185,000 email addresses from customers that we previously could only reach by phone or by letter. At year end, 25% of all customers had given their consent to be approached digitally instead of by mail. In total, we now have 200,000 customers with whom we fully communicate digitally.

Innovation

Innovation is an indispensable part of any business that wants to develop. Also for SRLEV. In recent years we have fully focused on innovation. We have sought cooperation with external partners who could help us find the right path – away from the issues of everyday life. But it has also taught us that it is not easy to change the traditional insurance market. Some of our failures were therefore no less valuable. In 2019, we chose to bring back the knowledge we gained in the innovation process within the walls of SRLEV. Collaboration between several disciplines has led to the launch of ‘Stekkie’, a reversed mortgage. Residents who have paid off their mortgage can use this to convert part of the value of their house into a monthly income. After a trial period, ‘Stekkie’ will be marketed more widely in 2020.

In 2019, various employees were trained in Design Thinking. Using this method, we have developed a proposition to increase awareness about fire prevention at hospitality companies. Another innovation has taken place in the field of data analysis. Proper analysis of data is complex. That is why we have developed a Data Quality Dashboard within SRLEV, which we also tested externally and can now offer as a fully-fledge IT service to external companies that need insight into their data quality. Another example of innovation is the 'Start-up Sandbox'. Many start-ups arise from one or two good ideas, but often lack the financial and technological resources to unlock these ideas. That is why SRLEV and Startup Bootcamp have developed a sandbox, a scalable cloud environment to further develop their ideas while meeting the strict security requirements that corporate organisations often apply. Finally, within the Indigo project, we have built an automatic classification system by using Artificial Intelligence that is able to classify various documents by type. An outcome when digitising the many tens of millions of old files that are in use within our company.

3.4.2. Product Lines

SRLEV has two product lines. Supported by staff services, each product line develops products and services for specific target groups and serves customers through the brands Zwitserleven and Reaal. To work efficiently, similar tasks are not assigned twice. The product lines serve multiple brands and work closely together to jointly tackle overarching themes.

3.4.2.1. Life Corporate

For most of our customers, a carefree pension is a major goal in life. For VIVAT a good pension is inextricably linked to a sustainable world. That is why we use the concept of responsible pension. On retirement date we want to have enough income to live well, in a world that is worth living in. The product line Life Corporate wants to make that possible. With every decision that is made regarding our propositions, the interests of our customers are specifically taken into account. We offer our customers insight, so that they have a good understanding of the product or service in relation to their own situation. We also provide customers a certain degree of freedom by offering them various choices to adapt each proposition to their needs. And we ensure that every proposition is sustainable, namely future proof and or adaptable to changing future needs.

Responsible Pension

All pension-related assets are invested responsibly. Most of the assets of Life Corporate are managed by our Asset Manager ACTIAM. We adhere to their ESG philosophy and in 2019 we again took steps to improve the sustainability of the funds in which the Defined Contribution premiums are invested. Part of the Zwitserleven World Equity Fund is now invested in an actively managed equity fund that contributes to the Sustainable Development Goals of the United Nations and also invests within the planetary boundaries. In addition, the emerging market debt (EMD) fund – part of the Zwitserleven Selection Fund – was converted to adapt a sustainable EMD investment strategy. With these adjustments we contribute even more to a world that is worth living in. Our customers find sustainability increasingly important. That is why we made the ESG scores, the carbon scores and the use of water of the investment funds publicly available on the Zwitserleven website.
(https://www.zwitserleven.nl/over-zwitserleven/verantwoord-beleggen/esg-scores/).

Objectives for 2019

In 2019, Life Corporate set itself the primary goal of continuing to work on higher customer satisfaction. We believe that we can improve the way in which the pension solutions that we offer can meet the needs of individual participants – they need more insight and tailor-made options that match their individual needs. We also see opportunities in better leveraging our sustainability credentials. Therefore, Life Corporate is investing in customer intimacy. We want to communicate in a transparent way and make it pleasant and easy to work with us.

Achievements in 2019

Further Optimisation of a Flexible and Effective Organisation

Our brand Zwitserleven further improved the overall targeted service level by reducing the time to implement pension contracts from six to four weeks. Customers as well as consultants are serviced through a single point of entry on the Zwitserleven website and are supported by authorised account teams. This has led to an increase in customer satisfaction among employers, their employees and intermediaries.

Introduction 'Mijn Zwitserleven'

In February 2019, we introduced 'Mijn Zwitserleven' (My Zwitserleven), a new online portal that provides participants with more comprehensive insight in their personal pensions. It also gives participants the opportunity to make up for a pension deficit by means of extra premiums in 'PensioenAanvullen'. Advisors and employers can jointly motivate employees to become actively involved with their future income. 'Mijn Zwitserleven' offers them a complete overview of their pensions in relation to expected expenses after retirement. In the accompanying campaign we (temporarily) shifted the focus from 'The' Zwitserleven Gevoel to 'Mijn' Zwitserleven Gevoel and we invited people to share their own Zwitserleven Gevoel on social media using the hashtag #mijnzwitserlevengevoel. In this world of individualisation everyone has their own goals and dreams for the future. By introducing 'Mijn Zwitserleven Gevoel' we want to give the topic 'future income' a place in the today's conversation.

Business and Acquisition

We have had another successful year in terms of our results. The ambitious new business targets were amply exceeded. The total premium of new business pension contracts amounts to € 54.5 million (including Zwitserleven PPI). The lumpsum income from annuities amounts to € 277 million. Our customer retention rate remained at the high level of 87% in 2019 (2018: 88%), and the market share of new business increased from 20.4% to 25%.

Relationship Management Events

In the first half of 2019, Zwitserleven organised its annual Pension Event, that was attended by over three hundred visitors. This year we actively invited members of workers councils as part of research into their needs for information.

We also organised three regional events for participants who are about to retire, to provide them with information about what they can expect when they actually retire. Furthermore, we organised another three events for participants in the age of 40 to 55 years, with the theme: 'Can I continue my standard of living'. Participants were informed about the choices in pension build-up and about current developments in the field of pensions and what these might mean for future income.

We intend to organise more of these events for specific target groups as these are highly appreciated by the participants. Instead of regional events for intermediaries we introduced 'Zwitserleven Journaal'. This new online initiative is meant to inform intermediaries about important developments within Zwitserleven, such as the interim results, the renewal process, the so-called 'uniform calculating method', news about our achievements in the field of sustainability.

New and Enhanced Products

In 2019, Life Corporate enhanced its products within the brand Zwitserleven and introduced online 'pensioen kopen' (buying of pension):

1. Zwitserleven customers can arrange their own pension income online. This is not only more convenient but also environmentally friendly compared to a paper proposal. Customers can build capital with Zwitserleven.
2. The Zwitserleven 'Nu Pensioen' was improved to provide participants with an extra option. In the event that a participant dies, the value of his or her pension capital can be used to index the survivors' pensions. Participants can also choose to make Zwitserleven the beneficiary of the pension capital.
3. Most participants include the waiver of premium in the pension scheme in the case of occupational disability. This coverage is also available in 'PensioenAanvullen' (voluntary savings) as of 1 January 2020.
4. In June 2019, 'NieuwZ', a digital newsletter was launched. Every quarter, registered customers are informed about the latest developments in the field of pensions.

Acknowledgements
Zwitserleven is proud to repeatedly get acknowledgement for its products and investment policy. The investment policy of Zwitserleven again achieved a high score in the benchmark for sustainable investing conducted by the 'Vereniging van Beleggers voor Duurzame Ontwikkeling' (VBDO). After winning the number one position for the last five years, we are now in second place. Of course we will do everything to regain the number one position in 2020.

Challenges
Life Corporate also faces challenges. The pension market is very competitive and margins are thin. The uncertainty about the effects of the pension agreement ('pensioenakkoord') makes it more demanding to convince potential customers to opt for products in the Life Corporate product line.

3.4.2.2. Individual Life

In daily life there are many situations for which consumers or entrepreneurs are not always prepared. However, many uncertainties can be eliminated with the right insurance. Individual Life offers insurance policies that enable our customers to run their business with confidence or to lead their lives carefree. For life annuity insurances, endowments, mortgages, term-life insurances and funeral insurances customers can turn to our brand Reaal.

Objectives for 2019
In 2019, Individual Life set out to build on the strategic choices made in prior years. To meet customer needs, our aims were to structurally and sustainably improve the business processes, to create more efficiency with regard to our services and to optimise our product range. Furthermore, we aimed to increase revenue by strengthening our product positioning, capturing growth opportunities and transforming into a more digital and data-driven organisation.

Achievements in 2019
Organisational Aspects
In 2019, we focused mainly on Operational Excellence by continuing an extensive business automation project that started in 2017. Within the Pega platform, all administrative processes and automating process steps in which a person would add little value were being redesigned. Eventually, all manual workflows were automated where possible. After implementing several new practices in 2018, processes for 'Financial Changes Policy' followed in the first quarter of 2019. And during the finetuning of these, we successfully

implemented the last two components in the third quarter: ‘Death Claims’ and ‘Administrative Changes Policy’. Through this project, the total handling time has been decreased substantially on all our processes.

Apart from Operational Excellence our main focus was to comply with regulation and legislation (Licence to Operate). We continued to pay special attention to General Data Protection Regulation (GDPR) to keep it top of mind. We also introduced an adjusted quotation for ‘Vermogensverzekering’ to fully include Packaged Retail and Insurance based Investment Products (PRIIPS) in the automatised processes. Furthermore, we paid attention to anti-money laundering and sanctions regulations, in which we have revised our working methods and made adjustments if necessary.

Products

Our brands have a significant market share on life insurance products, especially in Term Life (ORV) and Immediate Annuities (DIL). To preserve and expand our market share we introduced three new ORV’s propositions.

- The ‘ORV Start’ is created for customers who buy their first home or start a business and need a simple and inexpensive ORV. This product is very competitively priced thanks to fully automated processes.
- The ‘ORV Plus’ is designed for customers who want an ORV that can be continuously adapted to their current personal financial situation. The ‘ORV Plus’ is also suitable for business purposes, such as a partner insurance.
- The ‘ORV Senior’ is intended for the target group of 65 to 75-year-olds who need an ORV, for example in addition to an interest-only mortgage or who want to take out insurance so that their heirs can pay inheritance taxes. There are not many competitors in this market segment.

The ‘Lekker Wonen Hypotheek’ was reintroduced in April 2019. Through advisors, customers can apply for a mortgage with and without a ‘Nationale Hypotheek Garantie’ with market-compliant terms and (interest)conditions.

In response to a letter from the AFM, the Dutch Association of Insurers (Verbond van Verzekeraars) and its members drew up a joint plan of action for the Interest-only mortgage. The most vulnerable group of clients within our focus area has been successfully activated. Completion of the action plan for other customer segments was implemented in the last quarter of 2019.

In the field of funeral insurance, we continued a campaign in 2019 to inform existing customers about their possible underinsurance. We encouraged them to review their current situation and see if it still met their needs. If not, they were forwarded to the new and improved sales-funnel.

For unit-linked policies much attention has been paid since 2013, to meeting the company’s obligations to activate customers to review their position regarding unit-linked insurances. AFM concluded that VIVAT had sufficiently complied with the obligation to activate customers. The process to activate all customers is therefore complete. VIVAT will continuously provide adequate aftercare (‘doorlopende nazorg’) for all active unit-linked policies. Audit VIVAT will perform an audit on the continuous aftercare being one of the important attention areas of AFM.

Challenges

Individual Life also faces challenges. The market for individual life insurance has been declining for years and is expected to continue to decline in the future. It is of utmost importance to reduce costs every year to keep the costs per policy at an acceptable and competitive level.

The mortgage market is highly competitive and while interest rates are further decreasing new challenges arise. With more than fifty active mortgage providers, it is a challenge to be distinctive. VIVAT aims to make a difference with good terms, (interest)conditions and services.

3.5. Financial Results

The Net Result IFRS increased by € 604 million compared to 2018 to a profit of € 330 million in 2019 driven by a release of the LAT shortfall (€ 64 million) compared to a large addition of € 309 million in the previous year. The improvement of the result was primarily caused by more favourable market movements and a positive development in operating assumptions. The result in 2018 was negatively impacted by one-off items related to the longevity reinsurance transaction and the adjustment of the net Deferred Tax Assets (DTA)-position.

Gross premium income decreased 12% from € 2,102 million to € 1,848 million. This decrease was mainly due to the absence of buy outs in 2019 (2018: € 211 million) and lower periodic premiums within Individual Life resulting from shrinking portfolio.

Financial Result per Segment
Life Corporate

In € millions	2019	2018
> **Result**		
Gross written Premium Income	1,086	1,259
Direct Investment Income	749	657
Operating expenses	98	97
Net Result IFRS	171	-417
Net Underlying Result	187	104

Life Corporate continued its commercial growth in 2019. Excluding the impact of the buy-outs in 2017 and 2018, gross premium income reached a five-year high at € 1.09 billion, a 4% increase compared to 2018. Despite a challenging pension market, total new business also grew in 2019 by 11% to reach € 381 million. The retention rate remained stable at over 87%.

The Net Result IFRS increased to € 171 million and the NUR increased by 80% to € 187 million, primarily driven by the rise in investment income resulting from re-risking of the investment portfolio.

Despite the growth in gross premium income, the operating expenses remained at the level of 2018.

The LAT is an important driver of the IFRS result of Life Corporate. In 2019 the net LAT impact was € 64 million positive, compared to a negative net LAT impact of € -309 million in 2018.

Net Result IFRS of Life Corporate in 2018 was negatively influenced by € 178 million one-off items related to the Longevity transaction and adjustment of the net Deferred Tax Assets (DTA)-position. The one-off items in 2019 relate to the expansion of the quota share longevity reinsurance transaction from 70% to 90% causing a negative impact on the Net Result IFRS of Life Corporate of € 43 million, which was partly offset by a positive change in the Net Result IFRS 2019 for € 21 million due to the recalculation of the DTA-position from 20.5% to final tax rate of 21.7%.

Individual Life

In € millions	2019	2018[1]
> Result		
Gross written Premium Income	762	843
Direct Investment Income	489	542
Operating expenses	81	89
Net Result IFRS	159	143
Net Underlying Result	122	145

[1] Comparative figures of 2018 have been restated in line with the amendment made to IAS 12 by the IASB. According to the amended standard the tax impact of the interest paid on the Tier 1 loan in 2018 had to be reclassified from equity to profit or loss. Refer to the section 6.1.2 for more details.

Gross premium income decreased by 10% mainly as a result of the shrinking individual life market.

Operating expenses were € 8 million lower compared to the previous year as a result of further digitalisation efforts and the shrinking portfolio.

The Net Underlying Result of € 122 million was € 23 million lower compared to the previous year, mainly due to a lower direct investment income as a result of a shrinking portfolio in combination with low interest rate environment.

The Net Result IFRS increased by € 16 million to € 159 million compared to the previous year. This increase was driven by fair value changes in technical provisions in 2019. Net Result IFRS 2018 was negatively influenced by the result on tender offer subordinated loan SRLEV and recalculation of the deferred tax position.

Balance Sheet

Total assets of SRLEV increased by € 5.7 billion to € 58.1 billion. The increase in 2019 mainly consists of a increase of investments for own account of € 2.8 billion, investments for account of policyholders of € 1.5 billion and derivatives of € 2.0 billion.

Main inflows originated from higher received cash collateral for derivatives and increased prices of investments due to decreased market interest rates. The increase of investments for account of policyholders was mainly driven by higher market value of equities, fixed income funds and lower interest rates.

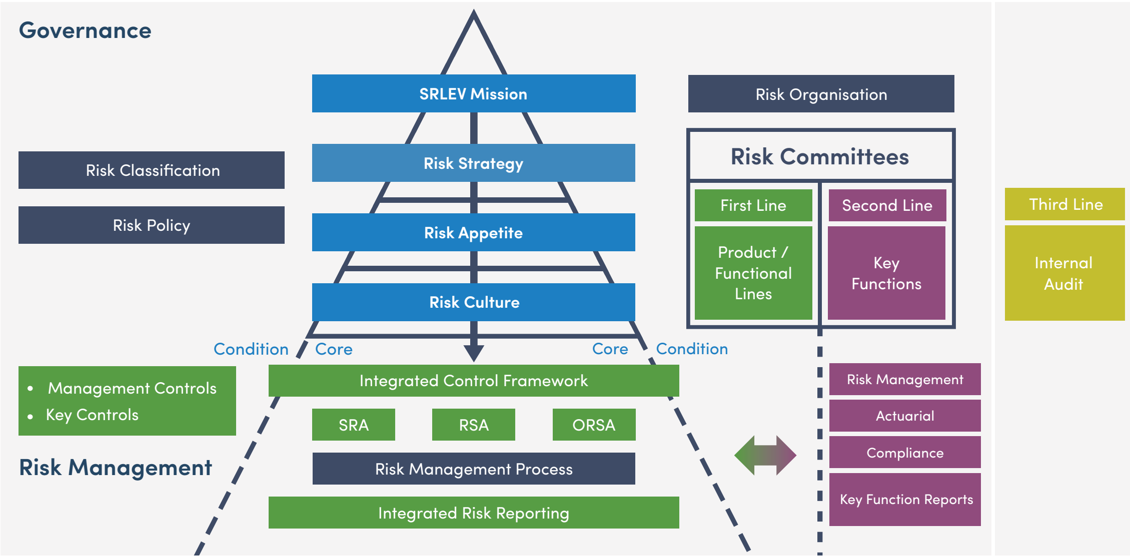
Total liabilities of SRLEV increased by € 5.4 billion to € 54.7 billion, mainly due to the increase of insurance liabilities. Insurance liabilities increased in 2019 mainly as a result of decreased market interest rates. Amounts due to banks increased mainly as a result of higher received cash collateral for derivatives.

3.6. Risk and Capital Management

Risk and capital management is more extensively described in Chapter 7 ‘Managing Risks’ in the consolidated financial statements.

Risk Management System

SRLEV implemented a consistent and efficient risk management system in which specific Solvency II requirements such as the key functions and the Own Risk and Solvency Assessment (ORSA) are incorporated. It operates an integrated approach, with risk management integral part of the decision making process.



Risk Management

The core of the Risk Management System consists of a Governance part and a Risk management part. In the governance part, starting from the VIVAT mission and business strategy, the Risk Strategy and Risk Appetite are derived. The components Risk Policy, Risk Classification and Risk Organisation are necessary conditions to enable these strategic risk processes. To ensure an integrated approach the first line product and functional lines and the second line key functions use the same risk classification, operations are covered by the Risk Appetite and are aligned by a policy structure. Decision making is in line with the Risk Policy and Risk Appetite of SRLEV.

Risk Strategy

SRLEV has derived a risk strategy, a supporting set of objectives following from the VIVAT mission to achieve the strategic goals. The Risk Strategy is expressed in the Risk Appetite. As main principles SRLEV has defined a robust capital position, a sustainable capital generation and sound and controlled business operations. SRLEV provides guarantees for future payments to its customers and therefore SRLEV needs a strong capital position. The Executive Board would like to hold a buffer above regulatory capital requirement to absorb temporary volatility and provide more certainty to its customers.

Risk Appetite

The Risk Tolerance in the Risk Appetite is set yearly and is subsequently translated into practical risk objectives. Risk appetite is defined at VIVAT level. Subsequently it is developed in more detail on the individual legal entity level including SRLEV or specific Product or Functional lines in the form of individual quantitative risk limits and qualitative constraints. The limits are measurable; the qualitative constraints are observable. When implementing the strategy, the Executive Board gives guidelines to the product lines for establishing Operational plans, taking into account the set risk appetite and corresponding limits. With those objectives and constraints as starting point, the product lines optimise risk and return by developing the best possible products and services.

Risk Culture

Culture and conduct in general play a vital role in steering a company, and specifically in adequate risk management. Both are considered standard elements in performance evaluation meetings and in annual performance objectives. SRLEV has awareness programmes in place that focus on how employees hold each other accountable for their conduct and how they can escalate matters if necessary. Furthermore, SRLEV ensures that senior management and employees on key functions are fit and proper to fulfill their job. Finally, VIVAT's remuneration policy discourages taking undesired and irresponsible risks focused on short-term profit and personal gain.

Risk Organisation

VIVAT implemented the 'Three Lines of Defence' control model (3LoD) including the Solvency II Key Functions and a risk committee governance structure. It contributes to the strengthening of the Risk Culture, taking responsibility for managing risks and internal control, and eventually to the further optimisation and integration of the risk management.

Integrated Control Framework

The Integrated Control Framework (ICF) contains a set of (management and process) controls and an analysis on operating effectiveness enabling management to adequately manage risks, following (strategic) objectives and VIVAT's risk appetite. After the implementation of the ICF and GRC tooling in the period 2015-2017, the ICF was further strengthened in 2019 by focus on the governance, quality of risk assessments and improvement of process and control design. Progress has been made in specific areas like re-assessment process design in prioritised areas (risk control matrix and control descriptions), embedding regulatory requirements in process and management controls (e.g. related to GDPR and Sanction/AML regulation), increase the number of automated processes and controls, broadening of testing activities by the second line, incident analysis and increased analysis and reporting possibilities in GRC tooling.

Underwriting and ALM

SRLEV assesses underwriting risks by following the Product Approval and Review Process (PARP) for new or adjusted products and management of the existing portfolio. SRLEV mitigates underwriting risks primarily by means of diversification and reinsurance. The reinsurance programme is determined on the basis of risk assessments of the various portfolios, the size of the portfolios, the nature of the underwriting risks, the profit or loss, the risk appetite and the financial strength of the company. As part of optimising the risk profile, SRLEV has increased the Quota Share Reinsurance contract entered last year to transfer longevity risk.

The starting point for the ALM policy is the Balance Sheet Assessment (BSA), which is drawn up annually. The BSA seeks to find an optimum between risk and return within the preconditions that apply with regards to solvency, laws and regulations. This BSA is used as a basis for defining a Strategic Asset Allocation (SAA), which is in turn used to translate specific investment activities into an investment plan and investment mandates for ACTIAM, taking into account the risk tolerances in the Risk Appetite Statements (RAS), solvency ratio, the tax position and the long-term risk exposure. When finalising the SAA, specific attention is paid to the availability of sufficient expertise in the segments in which investments are held. All investments are monitored by means of reports on performance and capital. Investments are made in accordance with the prudent person principle taking into account the interests of the policyholders. The prudent person principle is part of the ALM policy. Investments are made exclusively in assets and instruments whose risks are properly identified, measured, monitored, managed, controlled and reported, but also comply with ESG principles.

Developments

In 2019 SRLEV has focused on new opportunities and sustainability towards our clients. The strategic ambition to become an innovative insurer has led to several initiatives in products, services, methodologies and processes. This dynamic and change oriented environment, the announced strategic reorientation of Shareholder, new and changed legislation, combined with a continued focus on cost reduction and revenue models could influence operational and compliance risks. These risks are addressed, managed and monitored within the VIVAT risk framework to maintain a sound and controlled organisation.

In 2019 several IT-frameworks were aligned to further improve efficiency. To become a data driven organisation by collecting, managing and using data is one of SRLEV's strategic pillars. Data governance is in place to evaluate, direct and monitor data initiatives and the implementation of data policies and data related legislation, e.g. GDPR. SRLEV's Data Strategy in 2019 has developed further to support SRLEV in becoming a customer oriented service organisation. Steps were taken in 2019 to improve and standardise integration of processes, systems and data based on Data Management and Data Architecture.

In 2019, SRLEV completed compact model risk overviews for several departments to increase insight in its model risk. SRLEV has improved several models. Within the Risk Model Landscape programme important steps towards lower model risk have been taken by converting leading SCR and ALM tooling to new models and systems. Ongoing model validations on reporting, (asset) valuation and pricing models, following a risk based approach, further increased model insight and provides guidance towards lower model risk.

Capital Position

SRLEV's Solvency II ratio decreased from 188% to 163% in 2019. This decrease was driven both by management actions and market developments. The main items driving the change in the Solvency II ratio were:

- A reduction in the Volatility Adjustment ("VA") from 24 bps to 7 bps, which had a negative impact of 27%-point on the Solvency II ratio;
- SRLEV hedges the Solvency II ratio for interest rates movements: when the interest rates decrease, Own Funds increase to offset the impact of an increase in the SCR. Although SRLEV hedges the Solvency II ratio for interest rates movements within the RAS boundaries, the Solvency II ratio was slightly exposed to interest rate decreases, leading to a negative impact due to the decrease in rates of 12%-point during the year;
- Underwriting parameter updates had a positive impact of 15%-point, consisting mainly of experience mortality (+11%-point) and lapse (+4%-point);
- Capital generation was limited at 1%-point as the decrease in interest rates led to an increase in the UFR drag;

- SRLEV increased the quota share percentage on the longevity reinsurance transaction it entered in 2018 from 70% to 90% in December 2019. This had a positive impact on the Solvency II ratio of 4%-point. However, this is cancelled out by other one-time items, like the 15bps UFR decrease.

Ineligible own funds due to tiering restrictions increased from € 118 million at year-end 2018 to € 209 million at year-end 2019 due to a higher net DTA position, mainly driven by a decrease of the Volatility Adjustment and the announced increase in the Dutch corporate income tax rate.

Solvency II position

In € millions/percentage	2019	2018[1]
Total eligible own funds	3,697	4,000
SCR	2,275	2,127
Solvency II ratio	163%	188%

1 Figures as filed with the regulator

Capital Management

Capitalisation refers to the extent to which SRLEV has buffer capital available to cover unforeseen losses and to achieve the strategic objectives of the company. SRLEV manages its capitalisation within limits set in the Risk Appetite Statement. Annually target setting happens in the Operational Plan culminating in a Capital & Funding Plan. Monthly and quarterly forward looking monitoring enables SRLEV taking timely action if capitalisation would deteriorate. SRLEV assesses its capitalisation regularly with respect to level and quality in the ORSA and with respect to risk / return in the Balance Sheet Assessment.

SRLEV aims for a robust and strong capital position in accordance to its risk profile, which contributes to both the confidence that clients have in the institution and access to financial markets. SRLEV deems a solvency ratio between 140% and 200% as a normal going concern level. The objective of the Capital Policy is to ensure that there is sufficient capital to fulfill obligations towards policyholders and meet requirements. The second objective of the Capital Policy is to ensure capital is used as efficiently and flexibly as possible to facilitate the implementation of SRLEV's strategy.

A preparatory crisis plan exist which describes the procedure that applies in a contingency situation. A contingency situation. A contingency situation is a situation in which a capital deficit arises, or threatens to arise, that poses a direct threat to the going concern of SRLEV. In its Risk Appetite, SRLEV has defined specific triggers that determine whether a contingency situation exists. The COVID-19 Outbreak might lead to a contingency situation and SRLEV is currently monitoring the potential impact of COVID-19 on its capital and Solvency II ratios, however at the moment based on the current solvency position no contingency situation is identified.

The ORSA is an integral part of SRLEV's management control cycle. It is input for the operational plan and capital management and is used in determining the risk appetite. The ORSA 2019 concludes that SRLEV's risk profile is well reflected in the SCR standard formula and Solvency is adequate.

Solvency II

Under Solvency II, the supervision of the risks to which an insurer is exposed and the management of those risks play a central role. The financial requirements reflect the risks to which insurers are exposed. Moreover, Solvency II aims to be in line with market developments and the internal risk management systems used by insurers.

SRLEV discloses its solvency position and financial condition on a Solvency II basis by means of public reports as required by law. Solvency II applies to the supervised insurance entities and also to the consolidated activities of SRLEV.

SRLEV calculates its position under Solvency II using the standard formula, applying the Volatility Adjustment (VA) and thus making use of the possibility of applying long-term guarantee measures. SRLEV does not apply the Matching Adjustment.

The internal risk limit for the Solvency II capital ratio on SRLEV level amounts to 140%. When determining the Solvency II capital ratio, the loss absorbing capacity of deferred tax assets may be set off against the Solvency Capital Requirement. Tax offsetting (Loss Absorbing Capacity of Deferred Taxes) in the SCR is applied at 0% for SRLEV.

The classification of the hybrid capital of SRLEV NV (outstanding on 31 December 2019) into Tier 1 and Tier 2 capital is based on the transitional measures contained in the level 1 regulations, and aligned with DNB.

Managing Sensitivities of Regulatory Solvency

In addition to underwriting risks, important market risks are interest rate risk and spread risk (credit spreads). Sensitivity to interest rates is measured by means of a parallel movement in the yield curve.

The Ultimate Forward Rate (UFR) of 3.90% prescribed by the European Insurance and Occupational Pensions Authority (EIOPA) also introduces a risk. Over the course of time, the positive valuation effect of the UFR reduces, which puts downward pressure on the trend in solvency in the future. EIOPA decided to yearly decrease the UFR starting in 2018 with 0.15% per year. This will have a negative impact on solvency and IFRS results .

The solvency of the Life Insurance portfolio is sensitive to changes in the parameters used for calculating the market value of insurance liabilities. These relate to mortality risk, longevity risk, expense risk and surrender risk, since these insurance risks proved to have most impact on the calculation of SCR.

Quantitative information about risks and related sensitivities for both Solvency II and IFRS have been described in Chapter 7 ‘Managing Risks’ in the consolidated financial statements.

4. Corporate Governance

4.1. Shareholder

Anbang Group Holdings Co. Ltd. is the sole shareholder of VIVAT NV.
SRLEV NV is a wholly owned subsidiary of VIVAT NV.
Anbang Group Holdings Co. Ltd. is an indirect subsidiary of Dajia Insurance Group Co. Ltd.

In February 2018, the China Banking and Insurance Regulatory Commission (CBIRC) – formerly known as the China Insurance Regulatory Commission (CIRC) – temporarily took over management of Anbang Insurance Group Co. Ltd. During this interim period, the majority of the shares in Anbang Insurance Group Co. Ltd. were held by the China Insurance Security Fund Co. Ltd. (CISF). In February 2020, CBIRC announced it had ended its two-year period take over.

4.2. The Executive Board

The Executive Board is responsible for the strategy and management of the company. Mr. J.J.T van Oijen resigned as CEO as of 31 January 2020. Mr. M.W. Dijkshoorn was appointed as delegated Supervisory Board member as of 1 February 2020. The position of a Supervisory Board member delegate includes extended supervision of the Executive Board and advising the Executive Board on behalf of the Supervisory Board. He is not a member of the Executive Board.

Composition, Appointment and Role

The Executive Board as of 31 December 2019 consists of the following:

Name	Nationality	Position	Date of appointment	
J.J.T. (Ron) van Oijen	Dutch	Chief Executive Officer	14 March 2016	*
Y. (Yinhua) Cao	Chinese	Chief Financial Officer	23 October 2015	
L. (Lan) Tang	British	Chief Risk Officer	26 July 2015	
W.M.A. (Wendy) de Ruiter-Lörx	Dutch	Chief Commercial Officer	24 May 2016	
X.W. (Xiao Wei) Wu	Chinese	Chief Transformation Officer	26 July 2015	
J.C.A. (Jeroen) Potjes	Dutch	Chief Operating Officer	24 May 2016	

* Ron van Oijen has resigned from his position effective 31 January 2020.

J.J.T. (Ron) van Oijen

J.J.T. (Ron) van Oijen (1961) is chief executive officer. He obtained a master's degree in actuarial science at the University of Amsterdam, followed by an advanced management programme at the Wharton Business School. Van Oijen started his career at Aegon and ING in the Netherlands. He subsequently worked as chief executive officer of ING Life and ING Bank in the Czech Republic and Slovakia for four years. In Seoul and Hong Kong he led the large ING Life branches in India, Thailand and South Korea as regional chief executive officer, after which he was appointed as chief executive officer of AIA Thailand. Van Oijen is also a member of the board of the Association of Insurers, Chairman of the Supervisory Board of football club NEC and president of the Royal Actuarial Association of the Netherlands.

Y. (Yinhua) Cao

Y. (Yinhua) Cao (1975) is chief financial officer. He holds a bachelor's degree in international finance from the Shanghai University of Economics and Finance. Cao started his career in the financial service sector at PricewaterhouseCoopers in 1998. He was the lead audit partner for large insurance companies and asset management companies, and as the lead partner, he was also involved in various finance and solvency consulting programmes for insurers. His last position with PricewaterhouseCoopers was the partner of the financial service group. At Anbang, he commenced as managing director of Anbang Asset Management Hong Kong and finance director of the Anbang Insurance Group. Cao is also a member of the financial and economic committee of the Dutch Association of Insurers.

L. (Lan) Tang

L. (Lan) Tang (1974) is chief risk officer of the Executive Board. He holds a bachelor's degree in engineering from Beijing University of Aeronautics and Astronautics and a master's degree in actuarial science from Central University of Finance and Economics in Beijing. Tang is a qualified actuary of the United Kingdom. He worked as a consulting actuary for an actuarial consulting firm in London, after which he worked for a global actuarial consulting firm in Hong Kong and an accounting firm in China. In 2010, he started working as chief actuary of Anbang Life, where his last position was deputy general manager and chief actuary of Anbang Life. Tang is also a member of the supervisory boards of ACTIAM Beleggingsfondsen NV, RZL Beleggingsfondsen NV and Zwitserleven Beleggingsfondsen. He is also a non-executive director of Bank Nagelmackers NV.

W.M.A. (Wendy) de Ruiter-Lörx

W.M.A. (Wendy) de Ruiter-Lörx (1973) is chief commercial officer of the Executive Board. She holds a master's degree in business economics from Erasmus University Rotterdam. She also completed a master's in management & organisation at TIAS Business School in Tilburg. She started her career at ING and Nationale Nederlanden, where she worked for fifteen years, fulfilling various managerial roles in operations and product and process management at both Nationale Nederlanden and ING Bank. Her most recent position at Nationale Nederlanden was that of director of retail clients. De Ruiter-Lörx joined Reaal Life as a unit manager in 2012. Two years later, she was appointed director of Reaal's life business in charge of life policies and mortgages. De Ruiter-Lörx is a member of the distribution committee of the Association of Insurers.

X.W. (Xiao Wei) Wu

X.W. (Xiao Wei) Wu (1980) is chief transformation officer of the Executive Board. She holds a bachelor's degree in international finance from the University in Fudan, China, and a master's degree in business administration from China Europe International Business School in Shanghai. She worked as associate principal at McKinsey Shanghai, for the insurance sector in Asia. In 2012, Wu commenced at the Anbang group of companies and subsequently worked as director of strategy, director of IT and director of risk. She also was director at Hexie Health, and Anbang Annuity Insurance, both part of Anbang. Wu is non-executive member and chairwoman of Anbang Belgium Holding NV and Bank Nagelmackers NV.

J.C.A. (Jeroen) Potjes

J.C.A. (Jeroen) Potjes (1965) is chief operating officer of the Executive Board. He holds a master's degree in econometrics from Erasmus University Rotterdam as well as a doctorate in economics from the same university. Potjes joined ING Verzekeringen in 1992; he started out at the head office before being assigned to Japan between 1997 and 2001 and to Hong Kong until 2008; in Hong Kong, he served as chief financial officer of the insurance business and asset manager of ING Asia Pacific. He returned to the Netherlands in 2008, when he became responsible for the risk management practices of the global insurance business of ING and subsequently NN Group. During this period, Potjes also had a seat on the supervisory board of ING Re, ING's reinsurance business. Potjes joined Anbang in 2015, one of his roles being that of non-executive director of Anbang Belgium Holding NV. Potjes is also a member of the committee life insurance of the Association of Insurers and a member of the board of SIVI, member of the Supervisory Committee of Zwitserleven PPI and chairman of the Supervisory Board of NV Pensioen ESC (Curaçao).

4.3. Governing Rules

SRLEV adheres to the Code of Conduct of Insurers 2018.

SRLEV is required by law to have at least 30% men or 30% women on the board of directors. SRLEV aims to have at least 40% men or 40% women on the Executive Board in the future. In case of a vacancy, we will always aim to find the best candidate for the position. When more candidates show equal qualities, we will give preference to the person that will help us reach the intended gender balance. Currently the SRLEV Executive Board is composed of four men (67%) and two women (33%). Similar requirements apply to the Supervisory Board, which have been included in chapter 4.4.

The governing rules of SRLEV are set out in the articles of association and regulations of the Executive Board of SRLEV. Under the articles of association and regulations, certain decisions of the Executive Board are subject to the approval of its shareholder and/or the Supervisory Board of the relevant company or companies. The members of the Executive Board of VIVAT NV are the same as the management board members of SRLEV NV.

As part of the continuing education programme of SRLEV, the Executive Board members participate in various education sessions. These sessions are sometimes attended together with the Supervisory board members or with senior management of SRLEV and are provided by internal and external speakers. The continuing education programme this year included sessions such as Sanction Laws, Pega as strategic enabler of value chain Digitalisation and Data and Ethics.

4.4. The Supervisory Board

The Supervisory Board is responsible for overseeing the Executive Board's conduct and general business management. It has an important role in the company's governance, by approving or dismissing significant business-related decisions.

Meetings of the Supervisory Board

The Supervisory Board meets on a regular basis in accordance with an annual schedule, which in practice implies two-day meetings every six weeks on average. The Supervisory Board has drawn up regulations that elaborate and expand on several provisions from the articles of association. These regulations set out additional powers. All members of the Supervisory Board have declared their acceptance of the substance of these regulations and have undertaken to abide by the rules contained therein.

Composition, Appointment and Role

The Supervisory Board as of 31 December 2019 consists of the following:

Name	Nationality	Position	Date of appointment
M.W. (Maarten) Dijkshoorn	Dutch	Chairman	23 December 2016
M.R. (Miriam) van Dongen	Dutch	Member	26 July 2015
M. (Ming) He	American	Member	26 July 2015
K. (Kevin) Shum	British	Member	26 July 2015
P.P.J.L.M.G. (Pierre) Lefèvre	Belgian	Member	26 July 2015

M.W. (Maarten) Dijkshoorn

M.W. (Maarten) Dijkshoorn was appointed as chairman of the Supervisory Board on 23 December 2016. He is a member of the remuneration and nomination committee, a member of the risk committee and a member of the audit committee. Dijkshoorn has worked in the financial services industry for more than forty years. From 2002 to 2009, Dijkshoorn was chief executive officer and chief operational officer of Eureko BV (Achmea). Prior to that, Dijkshoorn held various management functions within Nationale-Nederlanden for twenty-five years. He was supervisory board member of PGGM, Monuta and MediRisk, and he was chairman of the supervisory board of de Goudse Verzekeringen NV.

M.R. (Miriam) van Dongen

M.R. (Miriam) van Dongen was appointed as member of the Supervisory Board on 26 July 2015. She is chair of the audit committee and member of the risk committee and member of the remuneration and nomination committee. She has over twenty five years of experience in corporate finance, business strategy and in the financial services industry. Miriam is a non-executive board member by profession and holds various supervisory board positions and is the chair of the audit committees of these supervisory boards. Miriam currently serves as supervisory board member and chair of the audit committee of PGGM NV and Optiver. She is also member of the Supervisory Council and chair of the audit committee of The Netherlands' Kadaster (Land Registry) and board member of Stichting Administratiekantoor Aandelen KAS BANK.

M. (Ming) He

M. (Ming) He was appointed as member of the Supervisory Board on 26 July 2015. He is member of the audit committee. He went to Chengdu University of technology in China for his college education and completed a bachelor degree in 1982. He obtained a master's degree at Bowling Green State University in 1992 and a MBA at the American Graduate School of International Management in 1998. He started his career at the Superior Environment Corporation in 1992 as an environmental engineer. In 2009, he joined Anbang Insurance Group Co., Ltd. as chief investment director of Anbang Property & Casualty Insurance Co., Ltd.

In 2012 he was appointed as director and general manager of Anbang Asset Management. Ming He became chief executive officer of Anbang Belgium Holdings NV and Chairman of Board of Bank Nagelmackers in 2016. He was chief executive officer of AB Win Win II LP.

P.P.J.L.M.G. (Pierre) Lefèvre

P.P.J.L.M.G. (Pierre) Lefèvre was appointed as member of the Supervisory Board on 26 July 2015. He is chairman of the risk committee and member of the audit committee. After his studies in mechanical engineering and industrial administration, Lefèvre became internal auditor at Unilever before joining AXA Belgium NV in Belgium as a financial controller. He continued his career with AXA Belgium as general manager for Individual Life and later on as general manager for P&C Personal Lines. In 1994, he moved to AXA Insurance (United Kingdom) as chief executive officer of the P&C insurance business and was subsequently appointed chairman of the board. In 1998 he was appointed as chairman of the executive board of AXA Netherlands. Between 2002 and 2013 Lefèvre fulfilled various chief executive officer roles in subsidiaries of Groupama SA. Since 2013, Lefèvre has acted as independent non-executive director and chair of the risk committee of Hasting Group Holdings PLC and, since 2014, as senior advisor of Eurohold Corporate Finance, SL. He also serves as an independent non-executive director and chairman of the risk committee of Advantage Insurance Company Limited and as non-executive director of Anbang Belgium Holding NV. He is also an independent non-executive director, member of the nomination and governance committee and chairman of the audit, risk and compliance committee of Fidea NV.

K. (Kevin) Shum

K. (Kevin) Shum was appointed as member of the Supervisory Board on 26 July 2015. He is chair of the remuneration and nomination committee and member of the risk committee. With over twenty years' experience in the financial industry, Shum is a qualified solicitor of England & Wales, a solicitor of Hong Kong, a member of the Chartered Institute of Arbitrators in the United Kingdom and is a Chartered Financial Analyst in the United States. Previously, Shum worked as a private practitioner at Coudert Brothers LLP and Jun He Law Offices, as Legal Counsel for private equity firm Alliance Capital Asia Limited, a hedge fund of CCIB Asset Management Co. Limited and as Executive Director, Legal & Compliance, for Anbang Overseas Holdings Co. Limited. He currently serves as General Counsel for the Logan Family Trust and is a member of the supervisory boards of ACTIAM Beleggingsfondsen NV, RZL Beleggingsfondsen NV and Zwitserleven Beleggingsfondsen.

4.5. Report of the Supervisory Board

Functioning of the Supervisory Board

The Supervisory Board aims to have a strong representation of diversity in terms of experience, gender, age, professional and cultural background. In accordance with the regulations of the Supervisory Board, the Supervisory Board considers complementarity, collegial collaboration, independence and diversity to be conditions for a proper performance of duties by the Supervisory Board.

SRLEV is required by law to have at least 30% men or 30% women on the Supervisory Board. SRLEV aims to have at least 40% men or 40% women on the Supervisory Board in the future. Due to appointments in the past, the Supervisory Board currently is composed of four men (80%) and one woman (20%).

All members have confirmed the moral and ethical conduct declaration, which includes the need to make a balanced assessment of the interests of customers, shareholder, bondholders, employees and the society in which the company operates. The regulations of the Supervisory Board explicitly provide that the Supervisory Board shall strike a careful balance between the interests of the company's stakeholders, such as the clients of the company, shareholder and employees.

Self-assessment

The Supervisory Board carries out a self-assessment once every three years facilitated by an external consultant. This was done in 2016. In 2018, the Chairman of the Supervisory Board conducted individual interviews with the members of the Supervisory Board based on the outcome of a questionnaire that each individual board member filled out. The questionnaire was used as a supporting tool to evaluate the functioning of the Supervisory Board as a whole, the functioning of the individual committees, the individual supervisory directors and their relationship with the Executive Board during 2018. The outcome of this self-assessment was in line with the expectations. It was discussed within the Supervisory Board and with the Executive Board. Actions have been taken where necessary. Due to the strategic review and the imminent sale of VIVAT, the Supervisory Board did not conduct a self-assessment in 2019.

Continuing Education

Members of the Supervisory Board are encouraged to maintain their expertise at the required standard and enhance it where necessary. This year, the Supervisory Board focused on overseeing the company's sales process. Sessions related to risk management, financial reporting and audit were organised during the meetings of the Supervisory Board.

Important Topics and Key Discussions

The formal meetings of the Supervisory Board took place every six weeks (on average). Many additional meetings and conference calls were held. The attendance rate at meetings and committees is high, demonstrating the strength of the Supervisory Board's commitment. None of the Supervisory Board members were frequently absent at these meetings, meaning that there was always a valid quorum. During the formal meetings the Supervisory Board was updated on strategic activities and topical issues. Furthermore, the Supervisory Board was informed about the discussions and the resulting recommendations from committee meetings of the Supervisory Board.

In 2019 the Supervisory Board discussed and approved several items, such as topics related to the sale of VIVAT (process, integration, Migration and Human Capital), Operational Plan, Employee Survey and Aftercare unit linked policies. During the sale process of VIVAT the Supervisory Board safeguarded the corporate interest and properly weighed the interest of all stakeholders involved in this process such as policy holders, Anbang, employees and its bondholders.
The Supervisory Board and the Chairman of the Supervisory Board have been in regular contact with other stakeholders of SRLEV NV, the Dutch Central Bank (DNB) and Dutch Authority for Financial Markets (AFM) on these topics.

Cooperation with Committees

The Supervisory Board has three committees: the Audit Committee, the Risk Committee and the Remuneration and Nomination Committee. Each member of the Supervisory Board has sufficient knowledge and experience to assess the main aspects of SRLEV's policy and to form an independent opinion of the basic risks. Decisions regarding risk management and internal control are prepared and recommended by the Risk Committee (RC) and the Audit Committee (AC), respectively. These committees have been carefully composed with at least two members of these committees having knowledge of risk management / risk control and internal control / reporting, respectively.

- The Audit Committee discussed the audit scope, key audit matters, the external auditor's reports and the management letter of the external auditor. The independence of the external auditor and fees were also reviewed by the Audit Committee. The Audit Committee maintains regular contact with the external auditor through meetings between the chair of the Audit Committee and the external auditor. The Audit Committee discussed the annual plan and quarterly reports of the internal audit function and evaluated the functioning of Internal Audit. The Audit Committee noted and discussed SRLEV's consultations with DNB and considered the results of the on-site examinations conducted by the DNB.

- The Risk Committee discussed the profile of the financial and non-financial risks related to the approved risk appetite. This included capital developments, capital generation and investment policy. The structure and operation of the risk control system was discussed, including compliance with relevant legislation and regulations such as Sanctions law, Wwft and GDPR. Furthermore, the Risk Committee discussed amongst others the Risk model landscape and Brexit.

- The Supervisory Board's Remuneration and Nomination Committee (ReNomCo) prepares decisions on remuneration regarding Identified Staff and employees in control functions. The ReNomCo members have sufficient expertise with regard to remuneration policies, culture and incentives.

The committees met in the presence of members of the Executive Board. The external auditors were represented by mutual agreement at all meetings of the Committees in 2019. Both the internal auditor and external auditor reported on the quality and effectiveness of governance, internal control and risk management. Cooperation between the Supervisory Board and the committees has been positive. The meetings of the committees elaborate on various subjects, so that the decisions of the Supervisory Board can be carefully prepared. The content of the meetings of the committees is fed back to the meeting of the Supervisory Board to ensure that the Supervisory Board members are kept fully informed and are well positioned to take wise decisions.

The Supervisory Board appreciates all the efforts made by the Executive Board and all employees in 2019 and looks forward to continuing this cooperation in 2020.

Amstelveen, the Netherlands, 27 March 2020
On behalf of the Supervisory Board,

Maarten Dijkshoorn, Chairman

4.6. Remuneration

Introduction

SRLEV NV is a full subsidiary of VIVAT NV. All employees are employed by VIVAT. The Group Remuneration Policy VIVAT applies to all employees working under the responsibility of VIVAT. The costs of employees appointed to SRLEV are charged to SRLEV by VIVAT. The remuneration information in this paragraph is presented on VIVAT level and as far as it applies to SRLEV.

The remuneration paragraph describes the principles, governance and elements of the remuneration policies (4.6.1). It also gives an overview of the payment of (variable) remuneration in 2019 (4.6.2), as well as the actual remuneration of the members of the Executive Board and Supervisory Board (4.6.3).

4.6.1. Remuneration Policies

It is SRLEV's ambition to be a good and inspiring employer. The primary objective of remuneration policy is to enable SRLEV to recruit, retain and motivate employees and to stimulate high performance. The policy aligns with and strengthens its strategy and core values. It is prudent, moderate and sustainable and meets the requirements of risk policy and applicable legislation and regulations. SRLEV ensures long-term value creation and has chosen to use four Sustainable Development Goals (SDG) as a guideline for further development of the Corporate Social Responsibility policy in business operations. One of these SDGs is linked to our HR principles for remuneration.

The Group Remuneration Policy VIVAT applies to all employees working under the responsibility of VIVAT NV including SRLEV NV. Besides the Group Remuneration Policy, specific remuneration policies are applicable to Above-CLA employees and Executive Board.

Principles

Every remuneration policy is based on the following principles:

- It supports SRLEV's corporate strategy, and is aligned with the mission and values of SRLEV;
- It is compliant with the applicable legal rules and regulations;
- It may not threaten SRLEV's ability to maintain an adequate capital base;
- It takes into account the interests of all stakeholders of SRLEV: customers, employees, shareholders and society;
- It is transparent, easy to understand and simple to execute;
- It fits in with SRLEV's ambition to be a socially responsible and innovative insurance company;
- It fits the risk profile of SRLEV and of the relevant employee;
- It supports the attraction and retention of qualified employees that fit the job;
- It encourages high team and company performance; and
- It is gender and age neutral.

Governance

The members of the Executive Board and the members of the Supervisory Board of VIVAT NV are also the members of the Executive Board and the members of the Supervisory Board of SRLEV NV. The Group Remuneration Policy was established by the Executive Board and approved by the Supervisory Board after, insofar as applicable, fulfilment of any rights of the Works Council.

The general meeting adopted the Group Remuneration Policy and the remuneration policy for the members of the Executive Board after consultation with the Supervisory Board. The Supervisory Board's Remuneration and Nomination Committee (ReNomCo) prepares decisions on Remuneration policies as well as remuneration regarding Identified Staff and employees in control functions. The Executive Board is responsible for the implementation of the remuneration policies. The Group Remuneration Policy is externally published on our website: www.vivat.nl.

The Remuneration Policies are based on and in line with the Financial Undertakings Remuneration Policy Act (*Wet Beloningsbeleid Financiële Ondernemingen*) which is incorporated in the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht* or **FMSA**), the Commission Delegated Regulation (EU) 2015/35 (**Solvency II**) and the Guidelines on System of Governance of the European Insurance and Occupational Pensions Authority (**EIOPA Guidelines**).

Identified Staff

Every year, VIVAT designates members of staff as 'Identified Staff' on the basis of applicable laws, rules and regulations. In order to establish the list of identified employees, we use Solvency II regulation as of 2018.

VIVAT has established a Working Group Identified Staff comprising of the directors of HR, Legal, Financial Risk, Non Financial Risk and Audit (**Working Group Identified Staff**). The Working Group Identified Staff may provide and will at request provide input on any decision of the Executive Board and the Supervisory Board on the list of any Identified Staff as well as any decisions on remuneration in relation to Identified Staff.

Elements of the Remuneration Policies

Fixed Annual Salary

The fixed annual gross salary consists of a fixed annual gross salary, which includes a holiday allowance of 8% and a 13th-month payment of 8.33% and, to the extent applicable, other fixed allowances. The annual gross salary is based on the applicable salary scales. According to the CLA, employees are entitled to an annual increase. This periodic increase in salary is linked to the extent to which the employee is judged to have grown in his or her role (achievement on competences) and depends on the relative salary position. The precise link between the competency assessment and the pay rise, is as follows: Insufficient: 0.0%; Almost sufficient: 0.0%; Good: 2.6%; Very good: 3.3%; Excellent: 4.0%. Awarding this increase is also subject to financial criteria at the level of VIVAT (knock-out).

The process regarding the annual salary increase for the Above-CLA employees follows the process as described above, applicable for the employees in the CLA. Increase of the salaries of the members of the Executive Board is only possible after adopting a proposal of the Supervisory Board in the general meeting of the shareholder.

Job functions at VIVAT are independently evaluated. The outcome of this evaluation results in a certain salary scale for such function.

Total direct compensation is the total of fixed and variable remuneration (for SRLEV only the total of fixed remuneration as we abolished variable remuneration within VIVAT), excluding benefits such as pension and allowances. We aim to provide total direct compensation levels for expected business and individual performance which, on average, are at the median of the markets in which we operate, benchmarked against relevant peer groups. To ensure we adhere to this policy, we monitor and benchmark salary levels. Fixed remuneration represents a sufficiently high proportion of the total direct compensation, which is in line with the level of expertise, years of experience and required skills.

Pension

Nearly all employees participate in the same pension scheme of VIVAT. The current scheme is a Collective Defined Contribution (CDC) pension scheme, which is based on a pension accrual including an employee contribution of 4.5%. The scheme qualifies as a defined contribution scheme for IAS 19 purposes. The contributions are paid by VIVAT and employees respectively as employer and employee contributions. For employees who were employed as per 31 December 2017 and with a salary exceeding the maximum pensionable salary for pension accrual, a compensation of 16.35% on an employee's pensionable salary in excess of € 107,593 is applied. The permanent supplement payment is not pensionable and is not taken into account for the calculation of severance payments, including the transition fee (*transitievergoeding*) or any other wage components or benefits.

Variable Remuneration

As of 2018 VIVAT abolished the performance related bonus in the CLA and abolished the variable remuneration for the Executive Board and Above-CLA employees (Senior Management).

Sign-on Bonus & Retention Bonus

VIVAT exercises great restraint when agreeing such arrangements as sign-on bonus or retention bonus. Such arrangements may be agreed only if they are approved in accordance with legislation and regulations and approved in accordance with VIVAT's governance.

Other Benefits

Depending on the position on the salary scale, Above-CLA employees and some (senior) managers are eligible for a lease car or a lease car allowance. As part of VIVAT's commitment to sustainable investment principles, certain types of cars and certain brands are no longer included in this policy, however exceptions are made for 100% electric models.

Hold Back & Claw Back

VIVAT has the power to hold back or claw back all or part of any variable pay awarded (Section 135 (6 & 8), Book 2 of the Dutch Civil Code in connection with Wft Section 1:127 Subsection 2 & 3). Whole or partial hold back or claw back will take place in any case if the employee has not met relevant competence standards and standards for appropriate conduct, or was responsible for conduct that led to a considerable deterioration of the financial position of VIVAT NV and/or SRLEV NV.

Severance Payment

If and insofar a severance payment is due to an employee, such payment will be equal to the transitional fee within the meaning of article 7:673 of the Dutch Civil Code unless (i) the relevant employee can benefit from a different arrangement as explicitly agreed upon in an applicable social plan or (ii) otherwise determined at the discretion of the Executive Board or, where it relates to Above-CLA employees and Identified Staff, the Remuneration and Nomination Committee and approved by the Supervisory Board. VIVAT has agreed upon an extension of one year of VIVAT's Social Plan 2018-2019 with the unions which is applicable in case of reorganisation(s).

4.6.2. Overview Remuneration 2019

Fixed Remuneration

According to the CLA employees have received a periodic salary increase on 1 February 2019. The periodic salary increase for Above-CLA employees was also based on the CLA. There was no collective salary adjustment (CLA) in 2019. Salaries of the members of the Executive Board were not increased. This has not been proposed since 2015.

The trade unions have asked VIVAT to start negotiations for the collective labour agreement in 2020. Given the strategic reorientation, a new CLA can only be discussed once the sale has been completed and the buyer's strategy is clear. As a result, the trade unions have asked the employer to offer a one-off payment to compensate the employees for the delay in negotiations on a new collective labour agreement as of 1 January 2020 and for the uncertain situation the company is currently in.

The employees employed on 31 December 2019 received a one-off payment of a monthly salary based on their gross December salary excluding any allowances and / or compensations. When an employee started working after 1 January 2019, a proportional part of this one-off payment was paid to the employee in December 2019. The Executive Board will not receive this one-off payment.

Target Setting

The performance management cycle started with setting the performance targets in the first quarter of 2019 for the Executive Board and Above-CLA employees. These targets are in line with the company targets and the company’s mission. More than 50% of the KPIs set were non-financial related KPIs. For employees in control functions such as Risk, Audit and Compliance departments, no financial KPIs were set. The KPIs were related to maintaining customer advocacy, sound and controlled organisation, a financial KPI and one or more individual KPIs. Besides KPIs also competences were set: result driven, change attitude and collaboration. Following the target setting for Executive Board and Above-CLA employees, employees set their KPIs and competences. These personal development skills (max three) are chosen from the company’s broad set of values with one general: result driven.

Variable Remuneration

In 2019, no variable remuneration was paid.

Retention Bonus

Due to the announced strategic review by the shareholder, at the end of 2018 VIVAT offered a retention scheme to a group of employees. In 2019 a second retention scheme was offered to another group of employees. This also includes employees of SRLEV. The vesting and payment of these schemes are subject to certain conditions and law and regulations, which contains deferred payment for Identified Staff. VIVAT received the approval of the regulatory authorities before offering these retention schemes.

For the Executive Board members we refer to the disclosure of the remuneration of the Executive Board in Note 20 Related parties in the consolidated financial statements.

Number of Employees with a Remuneration Exceeding € 1 Million

In 2019, one employee received a total remuneration exceeding € 1 million.

4.6.3. Actual Remuneration (former) Members of the Executive Board and the Supervisory Board

Reference is made to Note 20 Related parties (Intragroup balances with key management personnel of SRLEV) for the actual remuneration of (former) members of the Executive Board and the Supervisory Board.

Financial Statements

5. Consolidated Financial Statements

5.1. Consolidated Statement of Financial Position

Before result appropriation and in € millions	Notes[1]	31 December 2019	31 December 2018
> Assets			
Property and equipment	1	50	52
Investments in associates	2	37	-
Investment property	3	458	401
Investments	4	38,837	36,022
Investments for account of policyholders	5	13,520	11,989
Investments for account of third parties	6	448	347
Derivatives	7	3,017	1,053
Deferred tax	8	442	462
Reinsurance share	14	46	77
Loans and advances due from banks	9	712	1,562
Corporate income tax		3	34
Other assets	10	228	277
Cash and cash equivalents	11	266	156
Total assets		**58,064**	**52,432**
> Equity and liabilities			
Share capital[2]		0	0
Reserves		3,160	2,878
Total shareholders' equity		**3,160**	**2,878**
Holders of other equity instruments		250	250
Total equity	12	**3,410**	**3,128**
Subordinated debt	13	774	779
Insurance liabilities	14	48,868	45,037
Liabilities investments for account of third parties	6	448	347
Provision for employee benefits	15	198	172
Other provisions	16	15	21
Derivatives	7	674	592
Amounts due to banks	17	2,715	1,340
Other liabilities	18	962	1,016
Total equity and liabilities		**58,064**	**52,432**

[1] The references relate to the notes to the consolidated financial statements in Section 6.3
[2] The issued and paid up share capital of SRLEV NV is € 45,000.

5.2. Consolidated Statement of Profit or Loss

In € millions	Notes[1]	2019	2018[2]
> Income			
Premium income		1,848	2,102
Less: Reinsurance premiums		195	7
Net premium income	23	**1,653**	**2,095**
Fee and commission income		42	42
Fee and commission expense		16	16
Net fee and commission income	24	**26**	**26**
Share in result of associates		1	-
Investment income	25	1,240	1,495
Investment income / expense for account of policyholders	26	2,067	-387
Result on investments for account of third parties	27	86	-28
Result on derivatives		1,654	-
Total income		**6,727**	**3,201**
> Expenses			
Result on derivatives	28	-	122
Technical claims and benefits	29	3,497	3,134
Charges for account of policyholders	30	2,492	-86
Acquisition costs for insurance activities	31	17	20
Result on liabilities from investments for account of third parties	27	86	-28
Staff costs	32	140	142
Depreciation and amortisation of non-current assets	1	2	1
Other operating expenses	33	37	43
Impairment losses (reversals)	34	-7	2
Other interest expenses	35	69	104
Total expenses		**6,333**	**3,454**
Result before tax		**394**	**-253**
Tax expense	36	64	21
Net result continued operations for the period		**330**	**-274**

> Attributable to:			
- Shareholders		311	-288
- Holders of other equity instruments		19	14
Net result continued operations for the period		**330**	**-274**

1 The references relate to the notes to the consolidated financial statements in Section 6.3.
2 Comparative figures of 2018 have been restated in line with the amendment made to IAS 12 by the IASB. According to the amended standard the tax impact of the interest paid on the Tier 1 loan in 2018 had to be reclassified from equity to profit or loss. Refer to the section 6.1.2 for more details.

5.3. Consolidated Statement of Total Comprehensive Income

Consolidated Statement of Other Comprehensive Income

In € millions	Notes[1]	2019	2018
> OCI not to be reclassified subsequently to profit or loss			
Changes in valuation of defined benefit pension plan	15	-26	11
Income tax relating to items that never be reclassified	8, 37	6	-3
Tax rate reduction adjustment relating to items that never be reclassified	8, 37	-1	2
Net OCI never reclassified to profit or loss		**-21**	**10**
> OCI to be reclassified subsequently to profit or loss			
Unrealised revaluations from cash flow hedges	37	97	33
Amortisation from cash flow hedges	37	-5	-4
Unrealised revaluations investments available for sale	37	636	-64
Impairments and reversals fair value reserve	37	3	-3
Realised gains and losses fair value reserve transferred to profit or loss	37	14	-228
Results on allocated investments and interest derivatives	37	-756	261
Income tax relating to items that may be reclassified	8, 37	2	3
Tax rate reduction adjustment relating to items that may be reclassified	8, 37	1	-10
Net OCI to be reclassified to profit or loss subsequently		**-8**	**-12**
Other comprehensive income (net of tax)		**-29**	**-2**

[1] The references relate to the notes to the consolidated financial statements in Section 6.3

Statement of Total Comprehensive Income

In € millions	2019	2018[1]
Net result for the period	330	-274
Other comprehensive income (net of tax)	-29	-2
Total comprehensive income (net of tax)	**301**	**-276**
> Attributable to:		
- Shareholders	282	-290
- Holders of other equity instruments	19	14
Total comprehensive income	**301**	**-276**

[1] Comparative figures of 2018 have been restated in line with the amendment made to IAS 12 by the IASB. According to the amended standard the tax impact of the interest paid on the Tier 1 loan in 2018 had to be reclassified from equity to profit or loss. Refer to the section 6.1.2 for more details.

5.4. Consolidated Statement of Changes in Equity

Consolidated Statement of Changes in Total Equity 2019

In € millions	Issued share capital[1]	Share premium	Sum revaluation reserves	Retained earnings	Sum reserves	Shareholders' equity	Holders of other equity instruments	Total equity
Balance as at 1 January 2019	**0**	**2,264**	**10**	**604**	**2,878**	**2,878**	**250**	**3,128**
Other comprehensive income	-	-	-8	-21	**-29**	**-29**	-	**-29**
Net result 2019	-	-	-	330	**330**	**330**	-	**330**
Total comprehensive income 2019	**-**	**-**	**-8**	**309**	**301**	**301**	**-**	**301**
Interest on other equity instruments	-	-	-	-19	**-19**	**-19**	-	**-19**
Other movements 2019	**-**	**-**	**-**	**-19**	**-19**	**-19**	**-**	**-19**
Total changes in equity 2019	**-**	**-**	**-8**	**290**	**282**	**282**	**-**	**282**
Balance as at 31 December 2019	**0**	**2,264**	**2**	**894**	**3,160**	**3,160**	**250**	**3,410**

[1] The share capital issued is fully paid up and comprises of 90 ordinary shares with a nominal value of € 500.00 per share.

The Executive Board proposes to the General Meeting of Shareholders to distribute, similar to 2017, no dividends for 2018.

Consolidated Statement of Changes in Revaluation Reserves 2019

In € millions	Revaluation property and equipment	Cash flow hedge reserve	Fair value reserve	Sum revaluation reserves
Balance as at 1 January 2019	**2**	**-**	**8**	**10**
Unrealised revaluations from cashflow hedges	-	97	-	**97**
Amortisation from cashflow hedges	-	-5	-	**-5**
Unrealised revaluations investments available for sale	-	-	636	**636**
Impairments and reversals	-	-	3	**3**
Realised gains and losses through profit or loss	-	-	14	**14**
Results on allocated investments and interest derivatives	-	-92	-664	**-756**
Income tax	-	-	2	**2**
Tax rate reduction adjustment	-	-	1	**1**
Total changes in equity 2019	**-**	**-**	**-8**	**-8**
Balance as at 31 December 2019	**2**	**-**	**-**	**2**

Consolidated Statement of Changes in Total Equity 2018

In € millions	Issued share capital[1]	Share premium	Sum revaluation reserves	Retained earnings[2]	Sum reserves	Shareholders' equity	Holders of other equity instruments	Total equity
Balance as at 1 January 2018	**0**	**2,064**	**22**	**881**	**2,967**	**2,967**	**250**	**3,217**
Other comprehensive income	–	–	-12	10	**-2**	**-2**	–	**-2**
Net result 2018	–	–	–	-274	**-274**	**-274**	–	**-274**
Total comprehensive income 2018	**-**	**-**	**-12**	**-264**	**-276**	**-276**	**-**	**-276**
Capital injection	–	200	–	–	**200**	**200**	–	**200**
Interest on other equity instruments	–	–	–	-14	**-14**	**-14**	–	**-14**
Other movements	–	–	–	1	**1**	**1**	–	**1**
Other movements 2018	**-**	**200**	**-**	**-13**	**187**	**187**	**-**	**187**
Total changes in equity 2018	**-**	**200**	**-12**	**-277**	**-89**	**-89**	**-**	**-89**
Balance as at 31 December 2018	**0**	**2,264**	**10**	**604**	**2,878**	**2,878**	**250**	**3,128**

1 The share capital issued is fully paid up and comprises of 90 ordinary shares with a nominal value of € 500.00 per share.
2 Comparative figures of 2018 have been restated in line with the amendment made to IAS 12 by the IASB. According to the amended standard the tax impact of the interest paid on the Tier 1 loan in 2018 had to be reclassified from equity to profit or loss. Refer to the section 6.1.2 for more details.

Consolidated Statement of Changes in Revaluation Reserves 2018

In € millions	Revaluation property and equipment	Cash flow hedge reserve	Fair value reserve	Sum revaluation reserves
Balance as at 1 January 2018	**3**	**-**	**19**	**22**
Unrealised revaluations from cashflow hedges	–	33	–	**33**
Amortisation from cashflow hedges	–	-4	–	**-4**
Unrealised revaluations investments available for sale	–	–	-64	**-64**
Impairments and reversals	–	–	-3	**-3**
Realised gains and losses transferred to profit or loss	-1	–	-227	**-228**
Results on allocated investments and interest derivatives	–	-29	290	**261**
Income tax	–	–	3	**3**
Tax rate reduction adjustment	–	–	-10	**-10**
Total changes in equity 2018	**-1**	**-**	**-11**	**-12**
Balance as at 31 December 2018	**2**	**-**	**8**	**10**

5.5. Consolidated Cash Flow Statement

In € millions	2019	2018[1]
> Cash flow from operating activities		
Operating profit before tax	394	-253
> Adjustments for non-cash items included in profit before tax:		
Depreciation and amortisation of non-current assets	2	1
Amortisation of investments	182	180
Changes in provisions	-5	-14
Impairment charges / (reversals)	-7	2
Change in subordinated loans relating to repurchase	-	30
Unrealised results on investments through profit or loss	-2,029	-501
> Change in operating assets and liabilities:		
Change in amounts due from banks	850	237
Change in amounts due to banks	1,375	-287
Change in investment property	-4	-
Change in investments	-1,989	102
Change in derivatives	115	411
Change in other assets	47	-35
Change in insurance liabilities for policyholders	1,540	-1,134
Change in insurance liabilities	1,566	937
Change in other liabilities	-64	-74
Net cash flow from operating activities	**1,973**	**-398**
> Cash flow from investment activities		
Sale of investment property	4	15
Sale and redemption of investments and derivatives	35,248	24,088
Sale of investments in associates	7	-
Purchase of investment property	-15	-
Investment in subsidiary	-3	-
Purchase of investments in associates	-44	-
Purchase of investments and derivatives	-37,041	-23,856
Net cash flow from investment activities	**-1,844**	**247**
> Cash flow from finance activities		
Capital injection	-	200
Issue of subordinated loans	-	180
Redemption of subordinated loans	-	-180
Change in subordinated debt	-	-26
Interest payment of subordinated notes	-19	-14
Net cash flow from financing activities	**-19**	**160**
Net increase in cash and cash equivalents	**110**	**9**
Cash and cash equivalents 1 January	156	147
Cash and cash equivalents as at 31 December	**266**	**156**

In € millions	2019	2018[1]
> Additional disclosure with regard to cash flows from operating activities:		
Interest income received	1,251	1,168
Dividends received	164	141
Interest paid	59	72

[1] Comparative figures have been restated due to the fact that the amount regarding "Unrealised results" was presented as a positive, as opposed to a negative in the 2018 financial statements. As a result, the following restatements were processed: "Unrealised results on investments" is now stated at € (501) million instead of € 501 million in prior year, "Change in investments" is now stated at € 102 million instead of € (426) million in prior year, "Change in derivatives" is now stated at € 411 million instead of € 198 million in prior year and "Change in insurance liabilities" is now stated at € 937 million instead of € 676 million in prior year. This restatement does not affect previously reported total cash flow from operating activities.

6. Notes to the Consolidated Financial Statements

6.1. Accounting Policies for the Consolidated Financial Statements

6.1.1. General Information

SRLEV NV, incorporated and established in the Netherlands, is a public limited liability company incorporated under the laws of the Netherlands. SRLEV NV is a wholly owned subsidiary of VIVAT NV with a registered office at Utrecht, the Netherlands and VIVAT NV is a wholly owned subsidiary of Anbang Group Holdings Co. Limited with a registered office at Hong Kong, People's Republic of China, whose ultimate parent is China Insurance Security Fund Co., Ltd. with its headquarters in Beijing, People's Republic of China.

SRLEV NV has its registered office located in Alkmaar, the Netherlands and has its principal place of business located at Kruseman van Eltenweg 1, 1817 BC Alkmaar, the Netherlands. The registration number at the Dutch Chamber of Commerce Trade is no. 34297413. The principal activities of SRLEV and its subsidiaries, divided in operating segments, are described in Section 6.4, note 41.

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

The consolidated financial statement combines the financial statements of SRLEV NV (the parent company) and its subsidiaries (see Section 6.3, note 40 List of principal subsidiaries).

The key accounting policies and the changes herein used in the preparation of SRLEV's consolidated financial statements are set out in this section.

Adoption of the Financial Statements

The consolidated financial statements of SRLEV for the year ended on 31 December 2019 were authorised for publication by the Executive Board following the approval by the Supervisory Board on 27 March 2020. The financial statements will be submitted to the General Meeting of Shareholders for adoption.

6.1.2. Basis of Preparation

Statement of IFRS Compliance

SRLEV prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union.

Relevant New standards, Amended Standards and Interpretations of Existing Standards Effective as of 2019

New or amended standards become effective on the date specified in the relevant IFRS, but may allow early adoption. New or amended standards that become effective as of 1 January 2019 and that are relevant to SRLEV are disclosed below.

IFRS 16 Leases

This standard became effective as of 1 January 2019 and supersedes IAS 17. IFRS 16 provides specific guidance on the recognition, measurement, presentation and disclosures of lease contracts. When introducing IFRS 16 VIVAT and its subsidiaries elected to grandfather the lease definition on the initial application date. This means that IFRS 16 has been applied to all contracts entered into before 1 January 2019 which have already been identified as leases in accordance with IAS 17 and IFRIC 4 and has not been applied to the contracts that have not identified as leases under these standards. As a result, there is no impact on lessor accounting. As SRLEV has not entered into any lease agreements as a lessee, this standard does not have a significant impact on the financial statement.

Amendments to IAS 12

In December 2017 IASB issued Annual Improvements to IFRS Standards 2015–2017 Cycle, which become effective as at 1 January 2019. One of the amendments corresponded to IAS 12.

The amended standard provides clarity with regard to the income tax consequences of distributions of profits to holders of equity instruments. They should be recognised together with a liability to pay a dividend either in profit or loss or in other comprehensive income or equity according to where the entity originally recognised past transactions or events that generated the distributable profits.

The amendment has to be adopted retrospectively and therefore has an impact on the interest payments on the Tier 1 subordinated loans classified as equity made in 2018 (in 2019 these payments were no longer tax-deductible). According to the amended standard these payments have to be recognised in profit or loss instead of equity. As a result SRLEV decided to adjust its financial statement retrospectively and to reclassify the corresponding amount (€ 4 million) from the equity to the statement of profit or loss.

Relevant New Standards, Amended Standards and Interpretations of Existing Standards Effective Date on or after January 2020

Relevant new standards, amendments to existing standards and interpretations, effective for reporting periods beginning on or after 1 January 2020, were not early adopted by SRLEV. New or amended standards that become effective on or after 1 January 2020 and that are relevant to SRLEV are disclosed below.

IFRS 9 Financial Instruments

IFRS 9, the new standard on financial instruments has an effective date of 1 January 2018. IFRS 9 replaces most of the current IAS 39 ‘Financial Instruments: Recognition and Measurement’ and includes new requirements for the recognition and measurement of financial assets and liabilities, a new forward looking model for the recognition of impairment losses and a new regulation in order to better align hedge accounting with economic reality and risk management. However, since SRLEV has decided to apply the temporary exemption from applying IFRS 9, the implementation of IFRS 9 by SRLEV has been postponed until 1 January 2022, the effective date of IFRS 17.

Since financial instruments constitute a significant item in SRLEV's consolidated financial statements, it is expected that the introduction of IFRS 9 will have a significant impact on SRLEV's financial statements.

IFRS 17 Insurance contracts

On 18th May 2017 the IASB has issued IFRS 17, the new comprehensive standard on insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 the current standard on insurance contracts. IFRS 4 allows insurers to continue their previous local accounting policies for the measurement of insurance contracts. IFRS 17 provides a comprehensive model (the general model) for the measurement of insurance contracts, supplemented by the variable fee approach for contracts with direct participation features.

The main features of the new accounting model for insurance contracts comprise:

- Measurement of insurance liabilities is based on the present value of probability weighted future cash flows to fulfill the contract, increased with a risk adjustment to reflect uncertainties in these cash flows.
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfillment cash flows of a group of contracts. The CSM represents the unearned profitability of the insurance contracts and is recognised in profit or loss over the coverage period of the contract.
- The recognition of insurance revenue and insurance service expenses in profit or loss based on the concept of services provided during the period. Insurance services results (earned revenue less incurred claims) are presented separately from the insurance investment income and expenses.
- The effects of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice.
- Extensive disclosures to provide information on the recognised amounts and the nature and extent of risks arising from these contracts.

In June 2019 the IASB published exposure draft of Amendments to IFRS 17, in which the effective date of IFRS 17 is amended to 1 January 2022. Retrospective application of the standard is required. Early adoption is permitted. SRLEV plans to adopt IFRS 17 per 1 January 2022.

The adoption of IFRS 17 will have a significant effect on SRLEV’s consolidated financial statements, systems and data requirements. A new governance structure has been put in place combining implementation of IFRS 17 and IFRS 9. The new governance structure stipulated a new program manager, various teams and product owners defined, identified and recruited for the project. SRLEV has also identified several solutions for the CSM tooling. A temporary solution aimed at helping to perform the dry runs scheduled for the beginning of 2021 is identified and SRLEV is currently preparing for a request for proposal process for a more solid solution going forward.

Changes in Policies, Presentation and Estimates

Changes in Policies

In 2019 there were no significant changes in policies.

Changes in Presentation

Effects of the expired cash flow swaps

In line with IAS 39 SRLEV amortises the cash flow hedge reserve to the statement of profit or loss in order to allocate the cash flows of the expired swaps to the periods which they were designed to cover. In 2019 SRLEV adjusted the presentation of the effects of this amortisation by reclassifying it from result on derivatives to investment income. The amount reclassified in 2019 was € 5 million (€ 4 million in 2018).

Changes in Estimates

The effects of significant changes in estimates are disclosed in the notes to the consolidated financial statements relating to the items concerned. The most significant changes in estimates concern the insurance liabilities (refer to note 14 'Insurance Liabilities').

6.1.3. General Accounting Policies

The accounting policies set out below have been applied consistently to all the periods presented in the consolidated financial statements.

Functional Currency and Reporting Currency

The consolidated financial statements have been prepared in millions of euros (€). The euro is the functional and reporting currency of SRLEV. All financial data presented in euros is rounded to the nearest million, unless stated otherwise. Totals are based on unrounded figures. Their sum may differ from the sum of the rounded figures.

Foreign Currencies

Upon initial recognition, transactions in foreign currencies are converted into euros against the exchange rate at the transaction date.

Monetary items in the statement of financial position denominated in foreign currencies are translated into euros at the exchange rate applicable at the reporting date. Exchange rate differences arising from these transactions and from converting monetary items in the statement of financial position denominated in foreign currencies are recognised in the statement of profit or loss within investment income or gains and losses on financial instruments, depending on the item in the statement of financial position to which they relate.

The exchange rate differences of non-monetary items in the statement of financial position measured at fair value, with changes in the fair value recognised in the statement of profit or loss, are accounted for as part of these changes in the value of the related item in the statement of financial position. Exchange rate differences of non-monetary items in the statement of financial position measured at fair value, with changes in the fair value being recognised in other comprehensive income, are incorporated into shareholders' equity. Non-monetary items measured at historical cost are measured at the exchange rate applicable on the initial transaction date.

Accounting Based on Transaction Date and Settlement Date

All purchases and sales of financial instruments that have been settled in accordance with standard market practices are recognised at the transaction date, i.e. the date on which SRLEV commits itself to buying or selling the asset or liability. All other purchases or sales are recognised as forward transactions until they are settled.

Offsetting Financial Instruments

Financial assets and liabilities are offset and their net amounts are reported in the statement of financial position if the following conditions are met:

- a legally enforceable right to set off the recognised amounts exists,
- SRLEV intends to settle the items on a net basis, or to realise the asset and the liability simultaneously.

If either of these conditions are not met, amounts are not offset.

Estimates and Assumptions

The preparation of the consolidated financial statements requires SRLEV to make estimates and assumptions based on complex and subjective opinions and best estimates. In this process, management judges situations on the basis of available information and financial data that are likely to change in the future. Although estimates are made to the best of the management's knowledge, actual results will differ from these estimates and the use of other assumptions or data can lead to materially different results.

Estimates and underlying assumptions are reviewed on a regular basis. The resulting impact on accounting estimates is recognised in the period in which the estimate is revised or in the period of revision and future periods if the revision impacts both the reporting period and future periods. The main accounting policies involving the use of estimates concern the methods for determining liabilities arising from insurance contracts, the provision for employee benefits, the provisions for bad debts, the fair value of assets and liabilities, deferred tax and impairments.

Fair Value of Assets and Liabilities

Fair Value

The fair value is the price that SRLEV would receive to sell an asset or to pay to transfer a liability in an orderly transaction between market participants in the principal market, or in the most advantageous market and assuming the highest and best use for non-financial assets.

Fair Value Hierarchy

The fair value of financial assets and liabilities is determined using quoted prices where available. These quoted prices are primarily derived from transaction prices for listed instruments. If transaction prices are not available, market prices from independent market participants or other experts are used. SRLEV applies a transfer price when determining fair value; as a result, financial assets are initially recognised at their bid prices and financial liabilities at their offer prices.

In markets where activity has decreased or in inactive markets, the range of prices from different sources can be significant for a certain investment. Selecting the most appropriate price requires judgement; available market information relating to the fair value of the instrument is taken into account.

When no market price is available for certain financial assets and liabilities, the fair value of these financial assets and liabilities is determined using valuation techniques, which may vary from net present value calculation to valuation models that use accepted economic methodologies. Input used in these models is based on observable market information to the extent possible. All valuation methods used are assessed and reviewed according to the SRLEV governance procedures.

6.1.4. Basis for Consolidation

Subsidiaries

Subsidiaries, i.e. all entities (including structured entities) that are controlled by SRLEV, are consolidated. Control over companies and entities is assumed to exist if all of the following conditions are met:

- SRLEV has power over a company or entity by means of existing rights that give SRLEV the current ability to direct the relevant activities of the company or entity;
- SRLEV has exposure or rights to variable returns from its involvement with the investee; and
- SRLEV has the ability to use its power over the investee to affect the amount of the investor's returns.

Subsidiaries are fully consolidated from the date on which control is transferred to SRLEV until the date this control ceases. The financial statements of these group companies are fully consolidated and aligned with the accounting policies applied by SRLEV.

Non-controlling interests and their results are presented separately in the consolidated statement of financial position and the statement of profit or loss.

Investments in Associates

Associates are entities in which SRLEV can exercise significant influence on the operating and financial policies, but over which it has no control.

The consolidated financial statements include SRLEV's total share of profit of associates from the date that SRLEV acquires significant influence to the date that significant influence ceases to exist. The profit is accounted for using the equity method, after adjustments to comply with SRLEV's accounting policies, where needed.

Upon recognition, associates are initially accounted for at their acquisition price (including transaction costs) and subsequently measured using the equity method. This measurement also includes goodwill paid upon acquisition less accumulated impairment losses, if applicable.

Under the equity method, SRLEV's share of profit or loss of associates is recognised in the statement of profit or loss within share of profit of associates. Other changes in equity of associates are recognised directly in SRLEV's other comprehensive income.

If the carrying amount of the associate is nil, no further losses are accounted for, unless SRLEV has entered into commitments, made payments on its behalf or acts as a guarantor.

Elimination of Group Transactions

Intra-group transactions, intra-group balances and unrealised gains and losses arising from intra-group transactions are eliminated in the preparation of the consolidated financial statements.

Segment Information

The operating segments of SRLEV are clearly distinctive organisational components that carry out activities that generate income and expenses. The operating segments are:

- Individual Life carrying out individual life insurance services
- Life Corporate carrying out collective life insurance services

The segment information is based on the accounting policies used in the consolidated financial statements. For one-off intra-group transactions directed by SRLEV the required consolidation adjustments and eliminations are accounted for directly in the related segment.

6.1.5. Accounting Policies for the Statement of Financial Position

Property and Equipment

Owner-occupied Property

Owner-occupied property mainly comprises offices (land and buildings) and is measured at fair value (revaluation model) based on annual valuations performed by external, independent appraisers with adequate professional expertise and experience in the specific location and categories of properties.

Owner-occupied property is measured at fair value on an unlet or (partially) let basis, depending on the situation. The purpose of a valuation is to determine the value for which the asset would be sold in an orderly transaction between market participants at the measurement date. The capitalisation method is used to determine this value. This method uses an expected return at inception and the market rental value to determine the fair value of an asset. Gains and losses on owner-occupied property include lease incentives, discount rates and expected vacancy, making allowance for the location, quality, age and liquidity of the property in question.

Increases in the fair value exceeding cost are added to the revaluation reserve in shareholders' equity, less deferred taxes. Positive revaluations, insofar as they result in the reversal of earlier impairments on the same asset, are credited to the statement of profit or loss. Decreases in fair value, insofar as they result in the reversal of prior positive revaluations of the same asset, are charged to the revaluation reserve. The revaluation reserve cannot be negative. All other decreases in fair value are recognised in profit or loss.

Buildings are depreciated over their useful lives using a straight-line method, with a maximum of fifty years, taking into account any residual value. Land is not depreciated. Regular impairment tests are performed on land and buildings.

Repair and maintenance expenses are recognised within other operating expenses as incurred. Expenses incurred after the acquisition of an asset that increase or extend the future economic benefits of owner-occupied property in relation to their original use are capitalised and then depreciated.

Upon the sale of a property, the part of the revaluation reserve related to the property in question, which was recognised within shareholders' equity, is transferred to the retained earnings.

IT Equipment and other Property and Equipment

All other property and equipment are measured at cost net of accumulated depreciation and, if applicable, accumulated impairment losses. Cost includes all expenses directly attributable to the acquisition of the assets. Assets are depreciated on a straight-line basis over their useful lives, taking into account any residual value. The estimated useful life varies between three and ten years.

Repair and maintenance expenses are recognised in other operating expenses as incurred. Expenses incurred after the acquisition of an asset that increase or extend the future economic benefits of other property and equipment in relation to their original use are capitalised and subsequently depreciated.

Gains and losses on the sale of property and equipment are defined as the balance of the recoverable amount less transaction costs and the carrying amount. These gains and losses are recognised within other operating income.

Investments in Associates

For details, see Section 6.1.4 (Basis of consolidation) under 'Investments in Associates'.

Investment Property

Investment property, comprising retail properties and offices, residential properties and land, is held to generate long-term rental income or capital appreciation or both. If a property qualifies as part investment property and part owner- occupied property, it is recognised within property and equipment, unless the owner-occupied part makes up less than 20% of the total number of square metres.

Investment property is measured at fair value i.e. its value in a (partially) let state, including transaction costs, upon initial recognition. The fair value is based on valuations performed every year by independent external appraisers with adequate expertise and specific experience in property locations and categories.

The purpose of a valuation is to determine the value for which the asset would be sold in an orderly transaction between market participants at the measurement date. The capitalisation method is used to determine this value. This method uses an expected return since inception and the market rental value to determine the fair value of an asset. Gains and losses on investment property include lease incentives, discount rates and expected vacancy, but allowance is made for location, quality, age and liquidity of the property as well.

Changes in the fair value of investment property are recognised in profit or loss within investment income.

Financial Assets

SRLEV classifies its financial assets in one of the following categories: (1) at fair value through profit or loss, (2) available for sale, or (3) loans and receivables. The classification depends on the purpose for which the financial assets are acquired. Management decides to which category the asset is allocated at initial recognition.

Upon initial recognition, financial assets are measured at fair value including transaction costs, with the exception of the category ‘at fair value through profit or loss’, in which transaction costs are recognised directly in the statement of profit or loss.

The categories of financial assets are explained in more detail in the following section.

SRLEV measures its financial liabilities at amortised cost with the exception of derivatives and liabilities from investments for account of third parties. For more information see the corresponding sections.

Investments

Fair Value Through Profit or Loss

A financial asset is classified at fair value through profit or loss if it was designated as such upon initial recognition. Financial assets are only designated at fair value through profit or loss if:

- this eliminates or considerably limits an inconsistency in valuation or recognition between assets and liabilities that would otherwise arise; or
- SRLEV manages and assesses them on a fair value basis.

Financial assets classified as fair value through profit or loss are recognised at fair value. Realised and unrealised gains and losses are recognised directly in the statement of profit or loss within investment income.

Interest income earned on securities is recognised within investment income. Dividends received on equity instruments are also recognised within investment income.

Available for Sale (Fair Value Through Other Comprehensive Income)

Financial assets that do not meet the criteria defined by management for loans and receivables or are not designated as at fair value through profit or loss are classified as available for sale.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Unrealised gains and losses arising from fair value adjustments of these investments are recognised within other comprehensive income (shareholders’ equity), net of deferred taxes.

When financial assets are sold, any accumulated fair value adjustments are recognised in the statement of profit or loss as investment income. SRLEV uses the average cost method to determine the related gains and losses.

Loans and Receivables (Amortised Cost)

Loans and receivables comprise unlisted debt investments with a fixed term (including mortgages) and loans to banks arising from endowment mortgages issued by the insurance business. Loans and receivables are measured at amortised cost using the effective interest method, less an allowance for impairment if deemed necessary.

Impairment of Financial Assets

At reporting date, SRLEV assesses whether there is objective evidence of an impairment of investments classified as loans and receivables and as available for sale. Impairment losses are recognised directly in the statement of profit or loss as ‘impairment charges’.

Investments in Fixed Income Instruments

Investments in debt securities measured at amortised cost or available for sale are tested for impairment if there is objective evidence of financial distress at the counterparty, declining markets for the counterparty's product or other relevant indicators. This test comprises both quantitative and qualitative considerations. Debt securities are assessed for aspects including expected credit losses and credit losses already incurred (e.g. due to default), market data on credit losses and other evidence of the issuer of the instrument's inability to meet its payment commitments.

Where mortgage loans are concerned, an allowance for impairment is recognised if objective evidence exists that SRLEV is not able to collect all payments in accordance with the contractual agreements. For mortgages that are individually significant, this allowance corresponds to the difference between the carrying amount and the recoverable amount. The recoverable amount equals the expected future cash flows, including the amounts realised by virtue of guarantees and collateral, discounted at the initial effective interest rate of the loans.

The criteria relating to impairments are applied to the entire mortgage portfolio. Individual mortgage loans with less significant amounts (and corresponding credit risk) are tested collectively for impairment.

The allowance for impairment losses also covers losses where objective evidence of losses likely to be incurred in the loan portfolio exists (IBNR: incurred but not reported). Losses on mortgages are estimated on the basis of historic loss patterns and the creditworthiness of counterparties. Both estimates take into account the current economic climate in which the counterparties operate.

When a loan is uncollectable, it is written off against the relevant allowance for impairment.

Investments in Equity Instruments

An investment in equity instruments is considered to have been subject to impairment if its carrying amount exceeds the recoverable value for an extended period, which means that its fair value:

- has decreased 25% or more below cost; or
- has been at least 5% below cost for nine months or more.

Depending on the availability of data, the fair value of unlisted equities is determined based on:

- the price of the most recent transaction (as an indication);
- current fair values of other, similar investments (in entities); or
- valuation methods in accordance with accepted economic methods that use market data to the extent possible.

Reversal of Impairments

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the impairment allowance is (partially) reversed. That reversal is recognised in profit or loss. Impairments on equity securities are never reversed.

Investments for Account of Policyholders (Fair Value Through Profit or Loss)

Investments for account of policyholders are classified as fair value through profit or loss. These investments are held to cover insurance contracts, according to which the investment risk is borne by the policyholders (see the section entitled 'Life insurance contracts for account of policyholders'). Amounts due from these policyholders are recognised in the statement of profit or loss as premium income. Dividends, coupons, adjustments in the fair value of investments and gains and losses on the sale of investments are recognised in the statement of profit or loss as investments for account of policyholders.

Investments for Account of Third Parties and Liabilities from Investments for Account of Third Parties (Fair Value Through Profit or Loss)

These investments relate to the third parties' share in the investments of investment funds with opposite daily redeemable financial obligations to these third parties at the same amount and are measured at fair value through profit or loss. Any related gains and losses are recognised in the statement of profit or loss as gains and losses on financial instruments. These investment funds are consolidated since SRLEV controls these funds and is exposed to these funds' gross variable results, which are mainly attributable to investments for account of policyholders.

SRLEV's exposure to risks arising from these financial instruments is limited since the beneficial ownership rests with these third parties and participants. The value of corresponding liabilities equals the fair value of the underlying investments.

Derivatives

General

Derivatives are recognised at fair value upon inception. The fair value of publicly traded derivatives is based on quoted bid prices for assets held or liabilities to be issued, and quoted offer prices for assets to be acquired or liabilities held.

The fair value of non-publicly traded derivatives depends on the type of instrument and is based on a present value model or an option valuation model. SRLEV recognises derivatives with a positive market value as assets and derivatives with a negative market value as liabilities.

Changes in the fair value of derivatives, that do not qualify for cash flow hedge accounting, are accounted for in the statement of profit or loss as gains and losses on financial instruments.

For embedded derivatives refer to "Embedded options and guarantees in insurance contracts" in the section "Life insurance"

Hedge Accounting

SRLEV uses derivatives as part of its asset and liability management and risk management. These instruments are used for hedging interest rate and currency risks, including the risks of future transactions. SRLEV can designate a derivative as either:

- a hedge of the exposure to changes in the fair value of a recognised asset or liability or firm commitment (fair value hedge); or
- a hedge of the exposure to variability in future cash flows that can be attributed to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

Hedge accounting is only applied if a hedging relationship is considered to be effective. Hedge effectiveness is assessed by SRLEV at inception and during the term. A hedge is effective if the changes in the fair value or cash flows of the hedged item are almost fully offset by changes in the fair value or cash flows of the hedging instrument, insofar as these changes are attributable to the hedged risk, and the actual results remain within a bandwidth of 80% to 125%.

Fair Value Hedge Accounting

Derivatives designated as a hedge of fair value changes of recognised assets or of a firm commitment are recognised as fair value hedges. Changes in the fair value of the derivatives that are designated as a hedging instrument are recognised directly in the statement of profit or loss and reported together with corresponding fair value adjustments to the hedged item attributable to the hedged risk.

If the hedge no longer meets the conditions for hedge accounting, an adjustment in the carrying amount of a hedged financial instrument is amortised and taken to the statement of profit or loss during the expected residual term of the previously hedged item.

If the hedged item is no longer recognised, i.e. if it is sold or redeemed, the non-amortised fair value adjustment is directly recognised in the statement of profit or loss.

Cash Flow Hedge Accounting

Derivatives can be designated to hedge the exposure to variability in future cash flows resulting from a recognised asset or liability or highly probable forecast transaction. Adjustments in the fair value of the effective portion of a derivative that has been designated as a cash flow hedge and that meets the conditions for cash flow hedge accounting are recognised in the cash flow hedge reserve as a separate component of shareholders' equity. The portion of the gain or loss on the hedging instrument that is considered to be ineffective, is recognised in the statement of profit or loss. The measurement of the hedged item, which is designated as part of a cash flow hedge, does not change.

If the forecast transaction leads to the recognition of an asset or a liability, the accumulated gains and losses on the derivative that were previously recognised in the cash flow hedge reserve are amortised to profit or loss until maturity of the acquired asset or liability.

If the hedging instrument expires or is sold or terminated, or no longer meets the conditions for hedge accounting, the accumulated all gains and losses that were included in the cash flow hedge reserve remain in the cash flow hedge reserve within other comprehensive income until the expected transaction occurs.

If the hedged transaction is no longer expected to occur, the accumulated gains and losses recognised in other comprehensive income are directly taken to profit or loss.

Loans and Advances due from Banks

These assets concern receivables from banks with a remaining maturity of one month or more, not including interest- bearing securities. These receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and Cash Equivalents

Cash and cash equivalents include bank balances and demand deposits with a remaining maturity of less than one month. These receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Taxes

Income tax expense

Income tax relates to payable or recoverable tax on the taxable profit for the reporting period and taxes due from previous periods, if any. Current tax receivables and payables are measured using the tax rate applicable at the reporting date.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are recognised for tax losses carried forward and for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. This is based on the tax rates applicable at the reporting date and the tax rates that will apply in the period in which the deferred tax assets or tax liabilities are settled.

Deferred tax assets and liabilities are measured at the undiscounted amount expected to be received or paid. Deferred tax assets are only recognised if sufficient taxable profits are expected to be available in the near future against which these temporary differences can be utilised. Deferred taxes are recognised for temporary differences between the carrying amount and the value for tax purposes.

Deferred tax assets are assessed at the reporting date; if it is no longer likely that the related taxable profit will be achieved, the asset is reduced to its recoverable value. Deferred tax assets and liabilities are presented on a net basis to the extent that they relate to the same tax authority and that they are settled simultaneously.

Tax group

VIVAT NV and its subsidiaries, including SRLEV NV, form a tax group for corporate income tax and value added tax (VAT) and as a result are jointly and severally liable for the fiscal unity's corporate income tax and VAT liabilities.

Reinsurance Share

Inbound reinsurance contracts

Other insurers use these contracts to transfer the insurance risk associated with their own insurance contracts to SRLEV. These contracts qualify as inbound reinsurance contracts; the obligations from the insured risk and the deposit component are recognised as liabilities within insurance contracts in accordance with IFRS 4.

Outbound reinsurance contracts

By virtue of these contracts, SRLEV is compensated for losses incurred on its own insurance contracts. Because of the transfer of significant insurance risks, the entire contract qualifies as an outbound (re)insurance contract. The liabilities from insurance risks and the deposit components are recognised as insurance liabilities in accordance with IFRS 4. The share of reinsurance companies in the insurance liabilities and the benefits to which SRLEV is entitled by virtue of its reinsurance contracts are accounted for and presented as reinsurance assets. The receivables depend on the expected claims and benefits.

Because SRLEV calculates its LAT on a net basis, the expected cashflow arising from the outbound reinsurance contracts are also included in the LAT calculation on insurance liabilities.

The amounts receivable from (claims), and payable to (premium) reinsurance companies are determined in accordance with the terms and conditions of each reinsurance contract and recognised in the period in which they incurred. Receivables from reinsurers are assessed for potential impairment due to credit risk, at the reporting date. The current outstanding amounts are presented under other assets or other liabilities.

Other Assets

Other assets consist of receivables from direct insurance policies, other taxes (including VAT, payroll tax), other receivables and accrued assets. Accrued assets also include the accrued interest on financial instruments measured at amortised cost, as well as other accruals, which include amounts receivable from the clearing counterparty with regard to derivative positions.

Equity

Issued share capital

The share capital comprises the issued and paid-in ordinary shares.

Reserves

Share premium reserve

The share premium reserve concerns the paid-in surplus capital in addition to the nominal value of the issued ordinary shares.

Revaluation reserve

Revaluations of owner-occupied property (see the section entitled 'Owner-occupied property') are included in the revaluation reserve.

Cash flow hedge reserve

The cash flow hedge reserve consists of the effective part of cumulative changes in the fair value of derivatives qualifying for cash flow hedge accounting (net of taxes), provided that the hedged transaction has not yet occurred.

Fair value reserve

Gains and losses arising from changes in the fair value of assets that are classified as available for sale are recognised in the fair value reserve (net of taxes). If the particular assets are sold, settled or as a result of other events are no longer recognised; the corresponding cumulative gains and losses is then transferred from the fair value reserve to profit or loss (see the section entitled ‘Financial assets’). Exchange rate differences on non-monetary financial assets that are classified as available for sale are also recognised in this reserve.

Shadow accounting is applied to the cash flow hedge reserve and fair value reserve for fixed-income securities that are held to cover insurance liabilities.

Tier 1 Capital

SRLEV NV was provided a perpetual Tier 1 Capital loan by its parent company VIVAT NV. Redemption of the loan is scheduled at specific dates, for the first time five years after it was issued. The agreed terms meet the requirements in the EU’s Solvency II regulations for Tier 1 Capital loans. These regulatory requirements imply that the borrower (SRLEV) has a unilateral right not to pay interest or repay the principal to the investors. Based on these terms, the loan does not qualify as a liability at SRLEV and consequently it is recognised within equity.

The interest accrued on the Tier 1 Subordinated Loan is added to the carrying amount of the loan. The interest accrued, net of taxes, is deducted within equity. The subsequent interest payments are deducted from the carrying amount of the loan within equity.

Subordinated Debt

Subordinated debt includes the subordinated bonds and private loans issued by SRLEV. This debt is initially measured at fair value net of the transaction costs incurred. The debt is subsequently measured at amortised cost, using the effective interest method.

Insurance Liabilities

Insurance liabilities arise from insurance contracts. Insurance contracts are contracts that concern the transfer of significant insurance risk. These contracts can also involve investment risks. SRLEV issues life insurance contracts. SRLEV recognises insurance liabilities from the earliest of the beginning of the coverage period or the date on which the first payment of the policyholder becomes due.

SRLEV has continued applying the accounting policies in use at the time of transition to IFRS for the valuation of the insurance contract liabilities since the first adoption of IFRS (the historically applied accounting policies). The insurance liabilities reported at the reporting date are valued at the higher of :

- the historic value based on the assumptions used to calculate the (guaranteed) premium and
- the minimum value according to the liability adequacy test.

The first method uses premium calculation principles for interest and mortality (life insurance contracts).

For insurance liabilities IFRS requires a liability adequacy test to be performed. The carrying amount of the insurance liability based on historical cost and reduced by related intangible assets like the Value of Business Acquired (VOBA) and deferred acquisition costs (if applicable) is compared to the current estimates of future cash flows corresponding to the insurance liability. When the latter is higher, there is a deficit. Under IFRS 4, the carrying amount of the insurance liability has to be supplemented by this deficit, thus increasing the value of the insurance liability based on the current estimates of future cash flows.

The details of the valuation principles for life insurance contracts and the corresponding liability adequacy test are described below.

Life Insurance

Life insurance contracts can be divided into general account life insurance policies and life insurance contracts for account of policyholders. Both types of insurance policies include individual insurance contracts as well as group insurance contracts. These contracts provide mainly long-term insurance for events that lead to a payment in cash, or of the counter value of investment units, upon maturity of the contract or death of the insured.

General Account Life Insurance Policies
General
For these contracts, SRLEV incurs insurance risk as well as investment risk. These insurance contracts are divided into individual and group contracts and include the following product groups: savings mortgage insurance, annuities, term insurance policies, corporate pensions, funeral expenses insurance policies and traditional endowment insurances.

Measurement of life insurance liabilities is in principle based on historical tariff rates set at the inception date of the underlying contracts. A periodic IFRS liability adequacy test is performed on these liabilities. Since there is a deficit in the liability adequacy test (LAT) at the end of 2018 and 2019, the insurance liabilities are currently measured at the probability weighted best estimate of future cash flows based on current assumptions discounted by the swap curve including Ultimate Forward Rate (UFR). Both measurement principles are explained below.

Measurement at Tariff Rates
Locked-in Interest Rate
Liabilities arising from life insurance contracts with a locked-in interest rate are determined on the basis of a prospective actuarial method taking into account all future benefit payments and premiums to be received, if applicable.

Actual payments and the timing of payments also depend on social, economic and demographic trends, inflation, investment returns, the behaviour of policyholders and other factors, as well as assumptions about developments in mortality and disability rates. Lapse, like early surrender or a waiver of premium, is also taken into account for some life insurance products. The assumptions used in the measurement of life insurance contracts at the reporting date are based on the calculation principles set at the contract's inception date.

Most policies have a fixed discount rate between 3% and 4%. The discount rate for recent insurance contracts is generally lower than 3%. For savings mortgage insurance and other guaranteed products, the rate of return guaranteed in the insurance contract is used. The interest rate in these insurance contracts equals the investment return achieved on the corresponding investments.

Embedded Options and Guarantees in Insurance Contracts
SRLEV does not separately recognise embedded derivatives in insurance contracts, such as options to surrender insurance contracts at a fixed amount, or at a fixed amount and a guaranteed interest rate (i.e. closely linked to the basic insurance contract), but recognises them under the host contract from which they stem. The time value of the embedded options is not included in the measurement of the embedded derivative, but it is taken into account when determining LAT.

Provisions for Longevity Risk
Particularly with regard to the pension portfolio, liabilities arising from insurance contracts may become inadequate due to the extended life expectancy of the beneficiaries. This provision comprises additional contributions that have been made in the past to absorb this longevity risk. The actual longevity risk is the part of the total liabilities and subject to the liability adequacy test.

Cost Surcharges

Premiums include loadings to cover expenses. When premiums are received or fall due, the surcharges are released; they are then available to cover actual expenses, including administration, renewal expenses and acquisition costs.

Interest Rate Surcharge or Discount

With respect to individual single-premium insurance contracts, an interest rate can be guaranteed, which may be lower or higher than the contractual interest rate used to calculate the liability. The rates for annuity policies are based on a yield curve derived from market data. As the expected market interest rates are currently lower than the standard rate basis, the policyholder pays a surcharge based on the difference between the market rate at the contract's inception date and the contract date and the standard rate applied until maturity. The recognised surcharges and discounts are subsequently amortised on either an actuarial or straight-line basis.

With regard to group insurance contracts, similar surcharges or discounts are amortised on a straight-line basis. In the initial year of recognition, the full-year amortisation charge is recognised.

Provisions for Disability Risk

Under liabilities arising from insurance contracts, a provision is maintained for the entitlement to a premium waiver in the event of disability. This provision is based on a factor multiplied by the annual premium that applies to the disability risk. The factor is based on IBNR techniques derived from empirical data for claim behaviour. The IBNR techniques involve historic data, based on which estimates are made at the reporting date for claims expected to have occurred but have not been reported at the reporting date. The valuation principles of disability coverage that are used, including the waiver of premiums, are the same as the principles for the main insurance policy.

Profit-sharing and Bonuses

The present value of any profit share that has been awarded but has not yet been distributed is included in the provision for profit-sharing and bonuses which is included in the life insurance liabilities.

Profit-sharing

In addition to non-profit-sharing insurance contracts, the insurance portfolio also contains insurance contracts with discretionary or contractual profit-sharing rights.

Discretionary profit-sharing schemes concern the right of individual policyholders to receive additional benefit payments over and above any insured or guaranteed capital. The determination of the amount and timing of these additional benefits is at the discretion of SRLEV's management. Profit shares already awarded are also included in liabilities arising from insurance contracts.

For insurance contracts with discretionary participation features, all realised and unrealised gains and losses, that are eligible for profit sharing, on fixed-income financial assets in the portfolio backing the participating insurance contracts are transferred to insurance liabilities, if they constitute a net gain on a cumulative basis. These additions are made regardless of the management's decision about the profit amounts paid out to the policyholders.

There are also individual and group contracts with contractual profit-sharing. These are based on a share of any surplus interest profits and profit-sharing based on a share of any insurance profits. Obligations as a result of contractual profit-sharing are included in liabilities arising from insurance contracts.

Shadow Accounting

Realised gains and losses on assets backing insurance liabilities can affect the measurement of insurance liabilities. IFRS 4 contains an option generally referred to as 'Shadow Accounting' to reduce accounting mismatches which may occur when insurance liabilities and investments backing those liabilities:

- are measured on a different basis; or
- have changes in their measurements recorded in different line items of total comprehensive income (net income versus other comprehensive income).

SRLEV applies this option which means that unrealised gains or losses on assets backing certain insurance liabilities are treated similarly to realised gains and losses for the purpose of measuring insurance liabilities. For SRLEV this leads to the following changes in the way cumulative unrealised net gains are accounted for:

- Unrealised fair value changes of Available for Sale fixed income financial assets, which are initially recognised in other comprehensive income, are transferred to the insurance liabilities without affecting profit or loss.
- Fair value changes of interest rate derivatives used to hedge interest rate risks, which are initially recognised in the cash flow hedge reserve, are transferred to the insurance liabilities without affecting profit or loss, as a result.
- Fair value changes of interest rate derivatives, to which no cash flow hedge accounting is applied, are initially recognised in profit or loss. Subsequently these changes are transferred to the insurance liabilities through profit or loss.

Shadow Accounting limits accounting mismatches only as far as those are caused by market interest rate changes. If, after the application of Shadow Accounting, any deficit under the Liability Adequacy Test remains, SRLEV strengthens the insurance liabilities further through profit or loss.

Measurement Based on Current IFRS LAT Assumptions.

IFRS LAT Methodology

Under IFRS, the carrying amount of an insurance liability, net of VOBA and deferred acquisition costs (if applicable), is required to be at least equal to the discounted current estimates of future cash flows under its insurance contract plus a risk margin. The total carrying amount of the liabilities tested, consists of the carrying amount based at historical tariff rates, supplemented with any liabilities arising from interest rate guarantees on life insurance contracts, liabilities to cover for the longevity risk and the effects of shadow accounting.

It is tested, based on current assumptions, whether these carrying amounts will ultimately be adequate to cover the commitments to policyholders. When performing this test, best estimate future contractual cash flows are projected, taking into account current and future developments in mortality, disability, the behaviour of policyholders, claims handling and management costs. These cash flows are discounted using the (bid price) swap curve including the Ultimate Forward Rate as set for Solvency II reporting purposes for the financial year. The valuation of the future expected profit-sharing and the time value of embedded options and guarantees are included in the resulting best estimate provision. The best estimate is increased with a risk margin, which is calculated using the Cost of Capital method. The resulting liability is compared to the carrying amount, after shadow accounting, of the insurance liabilities adjusted for any differences between fair value and book value of other balance sheet items. If the discounted current estimates of future cash flows arising from the insurance contract increased with a risk margin is higher, a LAT deficit exists.

To the extent that this has been agreed in the contract, deficits in relation to the guaranteed interest rate will (partially) be borne by the policyholders. Any such contributions are deducted from the liability adequacy test deficit.

The IFRS LAT is calculated on a net basis; the effects of reinsurance contracts on the projected cash flows are comprised in the outcome.

Recognition of a Deficit

If the outcome of the test, taking into account the shadow accounting adjustments, is a deficit, the carrying amount of insurance liabilities will be supplemented via technical claims and benefits in profit or loss. The increase of the carrying value of insurance liabilities and related assets is effected first by impairing any VOBA or any deferred acquisition costs, if available. Any remaining deficit will be added to insurance liabilities through profit or loss. If the deficit decreases in the next reporting period, the prior addition will be reversed to the extent it was recognised in profit or loss (technical claims and benefits).

Test Level and Frequency

The IFRS liability adequacy test is performed at least quarterly for the entire portfolio of life insurance contracts. The test is performed both at legal entity level and at consolidated level. A deficit and a surplus in the liability adequacy test of the separate life insurance companies is offset in consolidation.

Assumptions IFRS LAT

The following assumptions were used in performing the IFRS liability adequacy test as at 31 December 2019:

- Discount rate: derived from the (bid price) swap curve. The curve converges to the Ultimate Forward Rate (UFR) based on the Smith-Wilson method in accordance with Solvency II including an Ultimate Forward Rate as set for Solvency II reporting which for the financial year 2019 converges after the 20 years point (last liquid point) to 3.90% (2018: 4.05%) in 40 years.
- Profit allocation is in accordance with the applicable profit-sharing arrangements and the company's decisions regarding discretionary profit sharing.
- Solvency II compliant cost allocation and distribution of efficiency gains based on internal assessment.
- Projected mortality probability data for the entire population based on Prognose Model AG 2018 adjusted for experience on each portfolio based on both external and internal research.
- Lapse and early surrender data based on internal research.
- Inflation rate: derived from market data.
- Cost inflation consists for around 80% out of expected salary increases, taking into account the agreements in the Collective Labour Agreements (CLA) and for 20% the inflation of other costs.
- Cost of capital rate: 4% (2018: 4%).

Life Insurance Contracts for Account of Policyholders

General

This item concerns insurance contracts under which policyholders bear the investment risk. The liabilities arising from these contracts basically equal the value of the underlying investments, the value of interest rate guarantees and the value of the term insurance. Since unit-linked policyholders bear investment risk they determine how SRLEV should invest the premiums paid net of costs and risk premiums.

Unit-linked Life Insurance Contracts

Liabilities Linked to the Investments Related Component

The technical provisions for the underlying investments of these insurance contracts correspond to the carrying amount (fair value) of the related underlying investments. As a result, these liabilities are measured at the fair value of the underlying investments. Transaction costs and commission are not included at initial recognition but charged to the statement of profit or loss as these transactions occur. The changes in these insurance liabilities are recognised directly in profit or loss in line with changes in the fair value of these investments.

Interest Rate Guarantees

Interest rate guarantees have been issued by SRLEV for returns from a limited number of unit-linked insurance contracts. These guarantees mainly apply at the maturity dates of the insurance contracts. Prior to maturity, the liability arising from these contracts is at least equal to the accumulated amount of premiums paid plus guaranteed interest less any expense and mortality charge deductions and adjustments for future lapses.

Insurance Component

The insurance component in these insurance contracts is determined based on the tariff rate.

Separate Accounts

Group insurance contracts with segregated investments are recognised as life insurance contracts for account of policyholders. Interest rate guarantees on returns have been granted for a limited number of these contracts.

If group insurance contracts are renewed as general account after contract expiration dates, the existing provisions for interest rate guarantees are amortised on an actuarial basis to compensate for the deficits in future investment returns in comparison to the guaranteed interest rates stipulated in these contracts.

Liabilities from Investments for Account of Third Parties

See the section on investments for account of third parties and liabilities from investments for account of third parties.

Provision for Employee Benefits

Short-term Employee Benefits

Short-term employee benefits include salaries, short paid leave, profit-sharing and bonus schemes. These are accounted for in the statement of profit or loss over the period in which the related services are rendered. In the event that employees have not made use of their entitlements at the end of the period, a liability is formed for the nominal amount.

Pension Benefits

General

All currently employed personnel is hired by VIVAT NV. VIVAT's main pension scheme is a defined contribution scheme administrated by Stichting Pensioenfonds SNS REAAL. New staff is included in this scheme. In addition, a number of defined benefit plans were acquired from insurance companies in the past. The members of those schemes are referred to as members with deferred pension rights or retirees.

Defined Contribution Schemes

According to this pension scheme, defined contributions are paid to separate entities, primarily to Stichting Pensioenfonds SNS REAAL, an independent pension fund. Besides the defined contributions, SRLEV has no obligation to make additional payments to the scheme to make up for deficits resulting from actuarial or investment risk.

Defined Benefit Schemes

A number of defined benefit schemes for (former) employees still exists. The net liability related to these schemes is represented by the difference between the present value of the future liabilities to pay the participants' pensions (gross pension entitlements) and the value of the qualifying assets of these schemes. Qualifying assets are investments relating to pension funds or insurance contracts with insurance companies other than SRLEV.

A net asset due to a surplus is recognised only if SRLEV has the ability to use the surplus to generate future economic benefits (asset ceiling). The excess amount above the asset ceiling will be deducted from the surplus through other comprehensive income.

Gross Pension Entitlements from Defined Benefit Schemes

These are calculated annually by an independent actuary according to the projected unit credit method and discounted using rates based on returns from investment-grade corporate bonds (AA rating) with a maturity corresponding to the time of benefit payments to the members. In principle, this method distributes the pension costs evenly over the period in which an employee renders services to SRLEV.

Self-administered Defined Pension Schemes

Entitlements from these schemes are insured at SRLEV. The investments under these schemes are held by SRLEV; if they do not qualify as plan assets, they are presented as investments (general account).

Recognition of Costs in the Statement of Profit or Loss

Costs of Defined Contribution Schemes

The regular contributions in the defined contribution schemes qualify as net periodic costs in the year in which they are due and are recognised within the employee benefits expense. Employee contributions are deducted from this expense.

Income and Expense Associated with Defined Benefit Schemes

The following items are recognised in the statement of profit or loss for defined benefit schemes:

- periodic pension costs relating to the members of the scheme who are still employed by VIVAT and render services to SRLEV;
- costs of improvement (or costs relating to deducted value of entitlements returned) of these pension schemes, insofar as they relate to past employment;
- gains and losses on settlement of pension entitlements; and
- net interest on the net defined benefit liability (or asset).

Net Interest on Defined Benefit Schemes

Net interest is calculated based on the actuarial discount rate used to determine the present value of the gross pension entitlements. This net liability (or asset) is determined at the start of the annual reporting period, taking into account possible changes resulting from contributions from SRLEV or employees and benefits paid out during the year.

Interest costs consist of actuarial interest costs corresponding to the gross defined benefit liability, the fixed return on qualifying investments (calculated as the present value of the gross defined benefit entitlements covered by the insurance contracts, using the discount rate) and interest on the excess above the asset ceiling, which is determined if a defined benefit asset exists.

Recognition in Other Comprehensive Income

The following revaluations of the net pension liability (or asset) are recognised in other comprehensive income:

- actuarial gains and losses;
- gains on qualifying investments of defined benefit schemes actually realised during the year, net of the fixed gains and losses based on the actuarial discount rate that is included in the net interest from defined benefit schemes; and
- the effect of asset ceiling, if a defined benefit asset exists.

Revaluations are not reclassified to the statement of profit or loss in the next reporting period, but they can be reclassified to another component of equity, e.g. settlement of pension entitlements.

Other Long Term Employee Benefits

These refer to jubilee benefits and to discounts granted for bank and insurance products to (former) employees after the date of their retirement. The amount of the obligation is based on the present value of the discounts offered after the retirement date, taking into account actuarial assumptions about mortality and interest. Furthermore, an obligation for reimbursement of medical expenses is recognised. A liability for the expected expenses of these reimbursements during the period of employment is recognised according to the methods used to determine the defined pension schemes obligations. To qualify for these benefits, an employee’s contract is required to run until his or her retirement age and it is to span a specified minimum period.

Retention Bonus

Retention bonusses are employee benefits. The vesting and payment of retention bonusses are subject to certain conditions and law and regulations, which contains deferred payment for Identified Staff. The employees receive a retention bonus only if they remain with the entity for the specified period. The expected cost of bonus payments is recognised in the statement of profit or loss during this specified period as employees render service. Retention bonusses are recognised under staff costs as short-term employee benefits with the exception of the deferred part, which is recognised as other long-term employee benefits.

Termination Benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee’s employment as a result of either: (a) an entity’s decision to terminate an employee’s employment before the normal retirement date; or (b) an employee’s decision to accept an offer of benefits in exchange for the termination of employment. Termination benefits are recognised as staff costs in the statement of profit or loss.

Other Provisions

General

Provisions are recognised if there is a legally enforceable or constructive obligation arising from events in the past, the settlement of which is likely to require an outflow of assets, and a reliable estimate of the obligation can be made.

Provisions are measured at the present value of the expected future cash flows. Additions and any subsequent releases are recognised in the statement of profit or loss.

Restructuring Provision

The restructuring provision is a specific provision that consists of expected severance pay and other costs that are directly related to restructuring programmes. These costs are accounted for in the period in which a legally enforceable or constructive obligation to make payments arises. No provision is recognised for costs or future operating losses from continuing operations.

SRLEV recognises severance pay if it has demonstrably committed itself, either through a constructive or legally enforceable obligation, to:

- terminating the employment contracts of current employees in accordance with a detailed formal plan without the option of the plan being withdrawn; or
- paying termination benefits as a result of an offer to encourage voluntary redundancy. Benefits that fall due after more than twelve months after the reporting date are discounted.

Legal Provisions

At the reporting date, SRLEV recognises a provision for the estimated liability with respect to ongoing legal proceedings. The provision comprises an estimate of the legal fees and payments due in the course of the legal proceedings, to the extent that it is more likely than not that an obligation exists at the reporting date. A provision is recognised if the obligation can be reliably estimated.

Financial Liabilities

Derivatives

See the previous section entitled ‘Derivatives’.

Amounts Due to Banks

Amounts due to banks comprise unsubordinated debts to credit institutions. Upon initial recognition, amounts due to banks are measured at fair value, including transaction costs incurred. These liabilities are subsequently measured at amortised cost.

Any difference between the measurement at initial recognition and the redemption value based on the effective interest method is recognised in the statement of profit or loss.

Other Liabilities

Other liabilities include creditors, amounts payable to reinsurers, other taxes and accrued liabilities as well as interest accrued on financial instruments that are measured at amortised cost.

6.1.6. Accounting Policies for the Statement of Profit or Loss

Income and expenditure are allocated to the period to which they relate. Costs are recognised in the cost category to which they relate.

Income

Income represents the fair value of the services, after elimination of intra-group transactions within SRLEV. Income is recognised as described in the following sections.

Premium Income

Premium income from insurance contracts, exclusive of taxes and other charges, comprises regular life premiums (including pensions), single life premiums.

Regular life premiums, single-premium contracts and limited-premium life insurance policies from life insurance contracts are recognised as income when payment by the policyholder falls due. Interest rate discounts are included in gross premium income and charged to technical claims and benefits during the amortisation period.

Reinsurance Premiums

This item represents premiums on ceded reinsurance contracts. They are charged to the statement of profit or loss in proportion to the contract period.

Fee and Commission Income

Fee and commission income comprises primarily the allocated management fees received from ACTIAM.

ACTIAM obtained a fee related to the asset management activities of the investment portfolio as well as the tactical asset allocation according the mandate agreed upon. A part of the fee earned is reallocated to SRLEV as provider of the assets. Given that these services are provided and consumed during the year, the fees are recognised over time.

Fees from other activities comprise fees received for administrative services provided and other incidental fees received. Depending on the underlying contract, the fees are recognised at a point in time or over time.

Fee and Commission Expense

Commission expenses and management fees are accounted for as fee and commission expense to the extent that they are related to the services received in the reporting period.

Commission costs related to transactions in general account financial instruments is included in the amortised cost of this instrument, unless the instrument is measured at fair value through profit or loss, in which case the commission is included in the result.

Share in Result of Associates

This item represents SRLEV's share of profit of its associates. If the carrying amount of an associate falls to zero, no further losses are recognised, unless SRLEV has entered into commitments or made payments on its behalf.

To the extent necessary, the accounting policies applied by associates have been adjusted to ensure consistency with those applied by SRLEV.

Investment Income

Investment income consists of interest, dividends, rental income and revaluations.

Interest

The item interest comprises interest income from investments. Interest on financial assets is accounted for using the effective interest method based on the actual purchase price. The effective interest method is based on estimated future cash flows, taking into account the risk of early redemption of the underlying financial instruments and direct costs and income, such as transaction costs charged, brokerage fees and discounts or premiums.

Commitment fees, together with related direct costs, are deferred and recognised as adjustments of the effective interest on a loan if it is likely that SRLEV will conclude a particular loan agreement. If the commitment expires without SRLEV having provided the loan, the fee is recognised at the moment the commitment term expires. If it is unlikely that a particular loan agreement will be concluded, the commitment fee is recognised pro rata as a gain during the commitment period.

Interest income on monetary financial assets that have been subject to impairment and have been written down to the estimated recoverable amount is calculated over the amortised cost of the financial asset net of any reduction for impairment or uncollectibility.

Dividends

Dividends income is recognised in the statement of profit or loss as soon as the entity’s right to payment is established. In the case of listed securities, this is the date on which these securities are quoted ex-dividends.

Rental Income

Rental income consists of rentals from investment property. Rental income is recognised as income on a straight-line basis for the duration of the lease agreement.

Revaluations

This item serves to recognise realised and unrealised increases and decreases in the fair value of financial assets qualifying as at fair value through profit or loss. Revaluations concern the difference between the fair value at the reporting date or net proceeds from the sale during the reporting period on the one hand, and the fair value at the beginning of the reporting period or the purchase price during the reporting period on the other.

Realised gains and losses, i.e. the difference between the selling price and amortised cost, of financial assets coming under the other categories are recognised in this item as well.

Investment Income for Account of Policyholders

This item represents income from investments held for account of life insurance policyholders. These investments are measured at fair value. Increases and decreases in the value of investments are recognised in the statement of profit or loss as investment income for account of policyholders. The dividends and interest for account of policyholders are also accounted for in this item.

Results on Investments for Account of Third Parties

This item represents gains and losses on investments for account of third parties. These gains and losses comprise increases and decreases in the fair value changes on the investments for account of third parties respectively the changes in fair value of the liabilities arising from these investments.

Result on Derivatives

Gains and losses on derivative and other financial instruments are recognised under this item. Derivatives are measured at fair value. Gains and losses from revaluations to fair value are directly recognised in the statement of profit or loss within gains and losses on financial instruments. However, if derivatives are designated as hedging instruments, the recognition of a resulting gain or loss depends on the nature of the hedged item and the effectiveness of the hedging relationship. The ineffective portion of any gains or losses of a cash flow hedge is recognised directly as result on derivatives.

Expenses

Expenses are recognised in the statement of profit or loss on the basis of a direct relationship between costs incurred and the corresponding economic benefits. If future economic benefits are expected to occur in different reporting periods, expenses are recognised in the statement of profit or loss based on a systematic allocation method. Expenses are directly recognised in the statement of profit or loss if they do not generate any future economic benefits.

Technical Claims and Benefits

This item comprises benefits and claims paid, surrender, claim handling costs and the changes in the general account insurance liabilities which include the difference between actual and expected results on the general account insurance portfolio. The changes in insurance liabilities resulting from shadow accounting on interest rate derivatives and LAT-deficit are also presented as this item.

Charges for Account of Policyholders

This item comprises changes in provisions for insurance contracts for account of policyholders (see the section entitled ‘Life insurance contracts for account of policyholders’).

Acquisition Costs for Insurance Activities

Acquisition costs comprise the direct and indirect costs associated with acquiring an insurance contract, including brokerage fees, the costs of medical check-ups and service charges for recording new policies in the portfolio.

Results on Liabilities from Investments for Account of Third Parties

This item represents changes in value of liabilities from investments for account of third parties, which mirror the changes in the fair value of the underlying investments.

Staff Costs

This item concerns expenses related to staff, including salaries, social security contributions and pension costs. The salaries, social security contributions and costs of the SNS REAAL defined contribution pension scheme were charged by VIVAT to SRLEV.

Depreciation and Amortisation of Non-current Assets

This item comprises all depreciation and amortisation of property and equipment and intangible assets. For details on depreciation and amortisation, see Section 6.1.5 entitled 'Accounting policies for the statement of financial position' (see the applicable items).

Other Operating Expenses

This includes office expenses, accommodation expenses and other operating expenses.

Impairment Losses

This item includes impairments of assets whose carrying amounts exceed their recoverable amounts. Intangible assets, property and equipment, associates, financial assets, receivables and other assets may be subject to impairment. As soon as an impairment loss is identified, it is recognised in the statement of profit or loss. The specific policies for impairment are explained in greater detail in Section 6.1.5 entitled 'Accounting policies for the statement of financial position' (see the applicable items).

Other Interest Expenses

This item primarily comprises interest expenses related to reinsurance depots as well as interest on subordinated bonds and private loans issued by SRLEV. Interest expenses are recognised in the statement of profit or loss based on the effective interest method.

Other Expenses

Other expenses comprise all expenses that cannot be accounted for within the items in the statement of profit or loss described above. These expenses have no direct relation with the primary and secondary business operations, occur occasionally, and are incurred in a single reporting period or arise in a single reporting period; they are amortised over multiple reporting periods, where applicable.

6.1.7. Contingent Liabilities and Commitments

Contingent liabilities are liabilities not recognised in the statement of financial position because the existence is contingent on one or more uncertain events that may or may not occur in the future not wholly within the control of SRLEV. It is not possible to make a reliable estimate of such liabilities.

The maximum potential credit risk arising from pledges and guarantees is stated in the notes. In determining the maximum potential credit risk, it is assumed that all the counterparties will no longer live up to their contractual obligations and that all the existing collateral is without value.

6.1.8. Cash Flow Statement

The cash flow statement is prepared according to the indirect method, and distinguishes between cash flows from operational, investment and financing activities. Cash flows in foreign currency are converted at the exchange rate applicable on the transaction date. With regard to cash flow from operations, operating results before tax are adjusted for gains and losses that did not result in income and payments in the same financial year and for movements in provisions and accrued and deferred items.

Investments in subsidiaries and associates are stated under cash flow from investing activities. The cash and cash equivalents available at the acquisition date are deducted from the purchase price. In the context of the cash flow statement, cash and cash equivalents are equal to the balance sheet item cash and cash equivalents.

6.2. Acquisitions and Disposals

On 16 December 2019, SRLEV acquired 100% of shares of Bellecom NV for an amount of € 3 million. Bellecom NV invests in commercial real estate (office buildings to be renovated) and its acquisition is part of SRLEV's investment strategy to seek more attractive yields.

The fair value of the identifiable assets and liabilities of Bellecom as at the date of acquisition was € 3 million and comprised primarily the fair value of the investment property. As a result no goodwill was recognised.

In 2019 both the revenue and the profit of Bellecom were not substantial (well below € 1 million). Therefore the impact of the acquisition on SRLEV's revenue and profit was not significant, it would neither be significant if the transaction had taken place at the beginning of the year.

On 19 March 2019, also as a part of its investment strategy, for an amount of € 41 million SRLEV acquired 30% of shares of CBRE PFCEE, a joint fund under Dutch law. CBRE PFCEE invests in commercial real estate. For more information with regard to CBRE PFCEE refer to note 2 'Investments in Associates'.

There were no acquisition or disposal of businesses in 2018.

6.3. Notes to the Consolidated Financial Statements

1. Property and Equipment

Breakdown of Property and Equipment

In € millions	2019	2018
Land and buildings for own use	50	51
Other assets	-	1
Total	**50**	**52**

Statement of Changes in Property and Equipment 2019

In € millions	Land and buildings	Other assets	Total
Accumulated acquisition costs	82	1	**83**
Accumulated depreciation and impairments	-32	-1	-33
Balance as at 31 December	**50**	**-**	**50**
Balance as at 1 January	**51**	**1**	**52**
Depreciation	-1	-1	**-2**
Impairments	4	-	**4**
Other	-4	-	**-4**
Balance as at 31 December	**50**	**-**	**50**

Part of the prior years impairment of the property in Amstelveen has been reversed in 2019. The other movements of Land and Buildings concerns the reclassification of the property Wognumsebuurt in Alkmaar to Investment Property.

Statement of Changes in Property and Equipment 2018

In € millions	Land and buildings	Other assets	Total
Accumulated acquisition costs	103	1	**104**
Accumulated depreciation and impairments	-52	-	**-52**
Balance as at 31 December	**51**	**1**	**52**
Balance as at 1 January	**52**	**1**	**53**
Revaluations	-1	-	**-1**
Depreciation	-1	-	**-1**
Impairments	1	-	**1**
Balance as at 31 December	**51**	**1**	**52**

Rental Income

Three offices included in property own use are partially let to other parties. The main lessor of those offices is VIVAT NV. The expiration dates of these agreements are between 2020 and 2024.

The rental income from operating leases of the properties own use is combined with rental income for property classified as investment property and reported as part of Investment income (see Note 25 Investment Income).

The future lease payments (excluding service costs and VAT) to be received for property own use for a period up to one year are € 4.4 million, for a period of one to two years € 4.4 million, for a period of two to three years € 2 million, for a period of three to four years € 0.8 million and for a period longer than four years € 0.1 million.

Appraisal of Land and Buildings for Own Use

All land and buildings for own use are appraised by an external surveyor in three stages spread across the first three quarters of the calendar year: one third in the first quarter, the next third in the second quarter and the final third in the third quarter. The external surveyor updates the appraisals at the end of the fourth quarter. Consequently, properties are appraised two times a year.

Valuation of Land and Buildings for Own Use

In € millions	Assessed	Carrying amount	Appraised value as % of total carrying amount
2019	50	50	100%
2018	51	51	100%

2. Investments in Associates

This item comprises SRLEV's investment in CBRE Property Fund Central and Eastern Europe (CBRE PFCEE). The statement below shows the principal associate (CBRE PFCEE) at year-end 2019. CBRE PFCEE's share capital is comprised entirely of ordinary shares and SRLEV holds an interest in those shares. CBRE PFCEE operates as a joint fund under Dutch law (*in Dutch: fonds voor gemene rekening*) and invests in commercial real estate in Central and Eastern Europe. The statutory objective of CBRE PFCEE is to invest in real estate directly or indirectly with the main focus on maximising the rental income. The shares of the associate are not listed.

Overview of Investments in Associates 2019

Name	Country of incorporation	% of ownership interest	Measurement method
CBRE Property Fund Central and Eastern Europe (CBRE PFCEE)	NL	30%	Equity

Statement of Changes in Investments in Associates

In € millions	2019	2018
Balance as at 1 January	-	-
Capital invested	45	-
Repayment of capital invested	-7	-
Result of associate	1	-
Dividend received	-2	-
Balance as at 31 December	**37**	**-**

Condensed Statement of Financial Position of CBRE PFCEE

In € millions	2019
Non-current assets	157
Current assets	13
Total assets	**170**
Current liabilities	3
Non-current liabilities	43
Total liabilities	**46**
Net assets	**124**

Condensed Statement of Profit or Loss of CBRE PFCEE

In € millions	2019
Revenue	22
Expenses	8
Result continued operations	**14**
Tax expense	2
Net result continued operations	**12**

The information above was derived from CBRE PFCEE's financial statements. CBRE PFCEE's financial year ends on 31 December 2019. The financial statements have been prepared in accordance with IFRS. It does not represent the share of SRLEV in its profits.

No loans had been granted to the associates at year-end 2019. SRLEV had no investment commitments to the associate at year-end 2019.

3. Investment Property

Statement of Changes in Investment Property

In € millions	2019	2018
Balance as at 1 January	**401**	**380**
Investments	25	-
Divestments	-4	-15
Revaluations	31	36
Other movements	5	-
Balance as at 31 December	**458**	**401**

Investment property mainly consists of offices and retail properties.

The rental income from operating leases of the investment property is reported in Note 25 Investment Income.

The future lease payment (excluding service costs and VAT) to be received for investment property (with a definite contract period) for a period of up to one year is € 23 million; for a period of one to two years is € 18 million; for a period of two to three years is € 17 million; for a period of three to four years is € 16 million; for a period of four to five years is € 13 million; for a period of longer than five years is € 24 million.

4. Investments

Breakdown of Investments

In € millions	2019	2018
Fair value through profit or loss: Designated	186	186
Available for sale	29,702	27,556
Loans and receivables	8,949	8,280
Balance as at 31 December	**38,837**	**36,022**

Investments for own account increased in 2019 by € 2.8 billion compared to 2018. The increase is mainly due to higher received cash collateral for derivatives invested within short-term government bonds, transfer from investments for account of policyholders (€ 301 million) and increased prices of investments due to decreased market interest rates. The increase in loans and receivables was mainly caused by a € 776 million purchase of a mortgage portfolio.

Breakdown of Fair Value Through Profit or Loss: Listed and Unlisted

	Designated Fixed-income	
In € millions	2019	2018
Listed	186	186
Unlisted	–	–
Total	**186**	**186**

Statement of Changes in Fair Value Through Profit or Loss:

	Designated Fixed-income	
In € millions	2019	2018
Balance as at 1 January	**186**	**203**
Disposals and redemptions	-10	-12
Revaluations	10	-5
Received Coupons	-5	-7
Accrued Interest	5	7
Balance as at 31 December	**186**	**186**

Breakdown of Available for Sale: Listed and Unlisted

	Shares and similar investments		Fixed-income investments		Total	
In € millions	2019	2018	2019	2018	2019	2018
Listed	–	–	26,548	23,017	**26,548**	**23,017**
Unlisted	2,196	3,596	958	943	**3,154**	**4,539**
Total	**2,196**	**3,596**	**27,506**	**23,960**	**29,702**	**27,556**

The decrease of shares and similar investments in 2019 was mainly caused by the divestments in money market funds. Fixed-income investments in the AFS portfolio increased by € 3.5 billion mainly due to a larger allocation of the total net inflow to fixed-income investments and due to higher revaluations as result of the decreased market interest rates.

Statement of Changes in Available for Sale

In € millions	Shares and similar investments 2019	2018	Fixed-income investments 2019	2018	Total 2019	2018
Balance as at 1 January	**3,596**	**2,847**	**23,960**	**24,344**	**27,556**	**27,191**
Purchases and advances	19,476	10,918	14,152	10,393	**33,628**	**21,311**
Disposals and redemptions	-20,879	-10,192	-11,159	-10,659	**-32,038**	**-20,851**
Revaluations	27	30	680	-63	**707**	**-33**
Impairments	4	-2	-	-	**4**	**-2**
Amortisation	-	-	-168	-168	**-168**	**-168**
FX Result	11	18	70	140	**81**	**158**
Received Coupons	-	-	-633	-605	**-633**	**-605**
Accrued Interest	-	-	604	578	**604**	**578**
Dividend Received/Negative Distribution	-39	-23	-	-	**-39**	**-23**
Balance as at 31 December	**2,196**	**3,596**	**27,506**	**23,960**	**29,702**	**27,556**

During the year, most of the disposals and redemptions stated above relate to Dutch sovereigns bonds. They have been reinvested in other Dutch bonds (corporate and sovereign bonds) and in German sovereign bonds.

Breakdown of Available for Sale: Measurement

In € millions	Shares and similar investments 2019	2018	Fixed-income investments 2019	2018	Total 2019	2018
(Amortised) cost	2,178	3,568	23,940	21,055	**26,118**	**24,623**
Revaluation	18	28	3,212	2,548	**3,230**	**2,576**
Accrued interest	-	-	354	357	**354**	**357**
Balance as at 31 December	**2,196**	**3,596**	**27,506**	**23,960**	**29,702**	**27,556**

SRLEV has lent some of its fixed-income investments for the purpose of additional income. The carrying amount of the investments lent in a securities lending program as at 31 December 2019 amounts to € 2,316 million (2018: € 2,275 million). The lending periods are open-ended and can be terminated on request. The fair value of investments received from the counterparty as collateral at 31 December 2019 was € 1,965 million (2018: € 2,351 million). Collateral is only accepted in the form of equity and fixed income securities, with restrictions on the quality. Although collateral is at the disposal of SRLEV, it is SRLEV's policy not to trade with collateral received given the open-ended character of the initial securities lending transaction.

Some investments have been posted as collateral for amounts due to derivatives. The carrying amount (market value) of investments posted as collateral at 31 December 2019 was € 1,695 million (2018: € 1,381 million). The collateral received for derivatives are reported in Note 38 Financial Instruments.

Breakdown of Loans and Receivables

In € millions	2019	2018
Mortgages	2,619	2,095
Private loans linked to savings mortgages	4,399	4,751
Other private loans	1,931	1,434
Total	**8,949**	**8,280**
Provision for bad debts	–	–
Total	**8,949**	**8,280**

The increase in mortgages by € 524 million was mainly caused by an investment of € 776 million to further expand the existing exposure to Dutch residential mortgage loans partly offset by regular mortgage repayments within the portfolio. Other private loans mainly increased due to new lendings in 2019.

Statement of Changes in Loans and Receivables

In € millions	2019	2018
Balance as at 1 January	**8,280**	**8,537**
Purchases and advances	2,044	784
Disposals and redemptions	-1,559	-1,251
Amortisation	-14	-12
Realised Revaluation	–	1
Accrued interest	188	216
FX Result	10	5
Balance as at 31 December	**8,949**	**8,280**
Balance provisions as at 1 January	–	-4
Release due to derecognition	–	4
Balance provisions as at 31 December	**–**	**–**
Total	**8,949**	**8,280**

Investment Portfolio
Breakdown of Investments of Insurance Business

In € millions	2019	2018
Investments		
- Fair value through profit or loss: Designated	186	186
- Available for sale	27,506	23,960
- Loans and receivables	1,932	1,434
Interest-bearing investment portfolio	**29,624**	**25,580**
Mortgages	2,619	2,095
Private loans linked to savings mortgages	4,399	4,751
Total	**36,642**	**32,426**

The mortgages and private loans linked to savings mortgages are not rated and have the Netherlands as geographic area. For more information about the private loans linked to savings mortgages see note 19 Guarantees and Commitments.

The following table shows the breakdown of the interest-bearing investment portfolio by sector.

Breakdown of Interest-bearing Investment Portfolio (sector)

In € millions	2019		2018	
Sovereign	19,901	67%	17,445	68%
Corporate bonds - financial sector	3,666	12%	2,935	11%
Corporate bonds - non-financial sector	3,309	11%	3,073	12%
Mortgage backed securities	791	3%	669	3%
Loans	1,913	6%	1,412	6%
Other	43	0%	46	0%
Total	**29,623**	**100%**	**25,580**	**100%**

Compared to 2018 there is no major transition of the interest-bearing investment portfolio by sector. The majority of the increase of the interest-bearing investment portfolio of € 4,5 billion is in sovereign bonds and corporate bonds - financial sector.

The following overview includes the interest-bearing investments by rating category.

Breakdown of Interest-bearing Investment Profile (rating)

In € millions	2019		2018	
AAA	14,905	50%	14,237	56%
AA	5,707	19%	3,690	14%
A	4,864	16%	3,964	16%
BBB	3,194	11%	2,619	10%
< BBB	124	0%	736	3%
Not rated	829	3%	334	1%
Total	**29,623**	**100%**	**25,580**	**100%**

In 2019, SRLEV continued its re-risking strategy reflected in the increase of the not rated interest-bearing investments in the interest-bearing investment portfolio (2019: 3%, 2018: 1%). The interest-bearing investment portfolio held 85% of investments with an A rating or higher (year-end 2018: 86%).

The interest bearing investment portfolio by geographic area is included in the table below.

Breakdown of Interest-bearing Investment Profile (geographic)

In € millions	2019		2018	
Germany	8,889	30%	7,108	28%
Netherlands	6,053	20%	6,889	27%
United States Of America	2,509	8%	2,114	8%
France	2,301	8%	1,540	6%
Austria	1,066	4%	977	4%
Belgium	1,060	4%	809	3%
Ireland	781	3%	797	3%
United Kingdom	775	3%	630	2%
Spain	683	2%	615	2%
Italy	578	2%	500	2%
Luxembourg	531	2%	228	1%
Japan	475	2%	525	2%
Switzerland	206	1%	206	1%
Other European countries	2,632	9%	1,763	7%
America	531	2%	450	2%
Asia	359	1%	227	1%
Oceania	165	1%	183	1%
Africa	29	0%	19	0%
Total	**29,623**	**100%**	**25,580**	**100%**

The interest-bearing investment portfolio of SRLEV have predominantly European debtors. The German Government and Dutch Government represent, as single debtors, an interest of more than 5% each in the interest-bearing investment portfolio.

The category "Other European countries" also consists of European and other international institutions that cannot be allocated to a single country (2019: € 906 million / 2018: € 905 million).

Breakdown of Investment of Mortgage Business per Risk Category

In € millions	2019	2018
Mortgages < 75% of foreclosure value	1,256	771
Mortgages 75% < > 100% of foreclosure value	479	339
Mortgages > 100% of foreclosure value	40	65
Mortgages with National Mortgage Guarantee	844	920
Residential property in the Netherlands	**2,619**	**2,095**
Specific provision for bad debts	-	-
Total	**2,619**	**2,095**

5. Investments for Account of Policyholders

Investments for account of policyholders include investments under unit-linked policies for an amount of € 11,446 million (2018: € 9,921 million) and separate investment deposits for separate accounts amounting to € 2,074 million (2018: € 2,068 million).

Breakdown of Investments for Account of Policyholders: Listed and Unlisted

In € millions	2019	2018
Shares and similar investments:		
- Listed	12,398	10,907
- Unlisted	364	202
Fixed-income investments		
- Listed	488	610
- Unlisted	270	270
Total	**13,520**	**11,989**

As a consequence of the consolidation of investments funds, the investments for account of policyholders within these funds are represented by the underlying investments.

Statement of Changes in Investments for Account of Policyholders

In € millions	2019	2018
Balance as at 1 January	**11,989**	**13,138**
Purchases and advances	1,367	1,717
Disposals and redemptions	-1,777	-2,366
Changes in fair value	2,045	-403
Dividend Received/Negative Distribution	-124	-117
Received Coupons	-17	-19
Accrued Interest	28	31
FX Result	5	14
Other movements	4	-6
Balance as at 31 December	**13,520**	**11,989**

The increase of investments for account of policyholders was mainly driven by positive fair value changes due to combination of decreasing market interest rates and increasing stock markets. The positive fair value changes are partially offset by the transition of separate accounts to investments for own risk (€ 301 million).

6. Investments/Liabilities for Account of Third Parties

The third party investments comprise solely of shares and similar investments.

The third party investments amount to € 448 million (2018: € 347 million) and consist of ACTIAM Responsible Index Funds. The increase of third party investments in 2019 is mainly due to a net inflow of € 15 million of investment funds and positive revaluations due to a combination of decreasing market interest rates and positive results on equities.

Statement of Changes in Investments for Account of Third Parties

In € millions	2019	2018
Balance as at 1 January	**347**	**455**
Purchases and advances	21	-
Disposals and redemptions	-6	-80
Changes in fair value	86	-28
Balance as at 31 December	**448**	**347**

7. Derivatives

Breakdown of Derivatives

	Positive value		Negative value		Balance	
In € millions	2019	2018	2019	2018	2019	2018
Derivatives for which cash flow hedge accounting is applied	224	128	-	1	**224**	**127**
Derivatives for which fair value hedge accounting is applied	-	1	1	7	**-1**	**-6**
Derivatives held in the context of asset and liability management to which no hedge accounting is applied	2,793	924	673	584	**2,120**	**340**
Total	**3,017**	**1,053**	**674**	**592**	**2,343**	**461**

The derivatives position increased with € 1,882 million in 2019. This is mainly due to changes in market value caused by long interest rate movements (€ 1,939 million) and the strenghtening of foreign currency mainly the USD (- € 187 million). Long interest rates decreased in 2019 and therefore the (receiver) swaps increase in value. The investments in foreign currency increased in value due to the currency movements. Consequently the derivative hedging porfolio decreased in value.

Statement of Changes in Derivatives

In € millions	2019	2018
Balance as at 1 January	**461**	**135**
Purchases	2	42
Disposals	136	384
Realised gains and losses	108	-213
Revaluations	1,831	312
Exchange rate differences and FX result	-187	-213
Accrued interest	-8	14
Balance as at 31 December	**2,343**	**461**

The disposals mainly consist of Bond Futures due to daily settlement of market value movements and the settlement of FX Forwards and Interest Rate Swaps with a negative market value.

For more information about derivatives see Note 28 Results on derivatives and Note 39 Hedging and hedge accounting.

8. Deferred Tax

Origin of Deferred Tax 2019

In € millions	1 January	Change through profit or loss	Change through equity	Other movements	31 December
Capitalised acquisition costs insurance activities	**17**	-	-	-	**17**
(Investment) property and equipment	**-42**	-10	-	-	**-52**
Investments	**-427**	17	-169	-	**-579**
Derivatives	**-12**	-387	-22	-	**-421**
Insurance contracts	**877**	387	194	-	**1,458**
Provision for employee benefits	**6**	1	5	-	**12**
Carry forward losses	**33**	-	-	-33	**-**
Received loans	**9**	-1	-	-	**8**
Other	**1**	-2	-	-	**-1**
Total	**462**	**5**	**8**	**-33**	**442**

Origin of Deferred Tax 2018

In € millions	1 January	Change through profit or loss	Change through equity	Other movements	31 December
Capitalised acquisition costs insurance activities	**17**	-	-	-	**17**
(Investment) property and equipment	**-41**	-1	-	-	**-42**
Investments	**-582**	-19	174	-	**-427**
Derivatives	**58**	-74	4	-	**-12**
Insurance contracts	**977**	86	-186	-	**877**
Provision for employee benefits	**10**	-3	-1	-	**6**
Carry forward losses	**1**	-	-	32	**33**
Received loans	**14**	-5			**9**
Other	**5**	-4	-	-	**1**
Total	**459**	**-20**	**-9**	**32**	**462**

The total amount of change in deferred tax through profit or loss is € 4 million (2018: € -20 million). This amount is due to temporary differences (2019 - € 30 million; 2018 € 72 million) and to the impact of change in corporate income tax rate (2019 € 34 million; € -92 million). See also note 36 Income Tax.

In 2018, a law was adopted that lowers the Dutch corporate income tax rate to 22.55% in 2020 and to 20.50% in 2021. The deferred tax position at 31 December 2018 was calculated reflecting these reduced rates for temporary differences that are expected to reverse in financial years in which these rates applied. The total impact of these change in tax rate were € 99 million (loss) of which € 92 million via the profit or loss account as tax expense and € 7 million via equity.

However, on 17 December 2019 The Senate approved the Tax Plan 2020 including the changes to the corporate income tax rate of 25% (2020) and 21.7% (2021). This means that these tax rate changes are substantively enacted and that the 31 December 2019 deferred tax calculation is based on these updated rates. The total impact of the change 2019 in tax rate is € 33 million (gain) of which € 34 million via the profit or loss account as tax benefit and € 1 million as a loss via equity.

9. Loans and Advances due from Banks

Breakdown of Loans and Advances due from Banks

In € millions	2019	2018
Loans relating to saving components of mortgages	254	708
Collateral	154	215
Repo (Repurchase agreements)	–	242
Deposits	181	245
Loans to banks	123	152
Balance as at 31 December	**712**	**1,562**

This item relates mainly to loans and advances due from banks other than interest-bearing securities. Of the total amount of € 712 million (2018: € 1,562 million), € 207 million has a remaining term to maturity of less than three months (2018: € 279 million).

The majority of loans relating to saving components of mortgages was terminated in 2019. The redemption of loans concerning securitisations were € 464 million.

Cash collateral advanced to banks is related to the market value of derivatives. The increase of the market value of the derivatives explains the decrease of the paid collateral for the year.

In 2019 all repurchase agreements have been redeemed without entering into new repo agreements.

10. Other Assets

Breakdown of other assets

In € millions	2019	2018
Receivables from policyholders	39	45
Receivables from intermediaries	66	73
Receivables from direct insurance	**105**	**118**
Receivables from group companies	16	44
Accrued interest	18	17
Accrued other assets	21	52
Accrued assets	**39**	**69**
Other advances	68	46
Total	**228**	**277**

The receivables are expected to be recovered within twelve months after reporting date.

11. Cash and Cash Equivalents

Breakdown of Cash and Cash Equivalents

In € millions	2019	2018
Short-term bank balances	266	156
Total	**266**	**156**

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

SRLEV and its subsidiaries have a joint credit facility of € 7.5 million in total with ABN AMRO.

12. Equity

Breakdown of Equity

In € millions	2019	2018
Equity attributable to Shareholders	3,160	2,878
Equity attributable to Holders of Other equity instruments	250	250
Total	**3,410**	**3,128**

The share capital issued is fully paid up and comprises of 90 ordinary shares with a nominal value of € 500.00 per share for a total value of € 45,000.

The share premium reserve increased with € 200 million due to a capital injection by VIVAT NV.

In July 2017 SRLEV was provided a perpetual Tier 1 Capital loan by its parent company VIVAT NV. The € 250 million subordinated loan is perpetual and is classified as equity instrument and consequently recognised as part of equity as there is no contractual obligation for SRLEV, as issuer of the loan, to repay the principal or to pay interest.

The notes are first callable after five years and each interest payment date thereafter, subject to conditions to redemption. The coupon is fixed at 7.75% per annum until the first call date and payable annually in arrears on 30 March in each year. Interest on this loan is recognised directly via equity instead of via the statement of profit or loss.

13. Subordinated Debt

Breakdown of Subordinated Debt

In € millions	2019	2018
Bonds	359	364
Private loans	415	415
Total	**774**	**779**

Subordinated Debt: Statement of Changes

In € millions	2019	2018
Balance as at 1 January	**779**	**775**
Issue of subordinated debts	-	180
Disposals and redemptions	-	-150
Changes market value due to hedging	-9	-29
Currency gains and losses	4	3
Balance as at 31 December	**774**	**779**

Subordinated Bonds

In € millions	Coupon	Maturity	First call date	Carrying amount 2019	Carrying amount 2018	Nominal value 2019	Nominal value 2018
SRLEV	9.000%	April 2011-April 2041	April - 2021	250	249	250	250
SRLEV (Swiss Franc)	mid-swap plus 5.625%	July 2011 - perpetual	December - 2020	97	93	97	93
Total				**347**	**342**	**347**	**343**
Hedge accounting adjustment				12	22	-	-
Total				**359**	**364**	**347**	**343**

In April 2011, SRLEV NV issued € 400 million in subordinated bonds maturing in 2041. In June 2018, SRLEV repurchased a part of the € 400 million subordinated notes. SRLEV repurchased notes of a notional amount of € 150 million. The notes qualify as Tier 2 regulatory capital under Solvency II.

In July 2011, SRLEV NV issued CHF 105 million in perpetual subordinated bonds. The CHF bond had a first redemption date on 19 December 2016. SRLEV decided not to exercise its redemption option to redeem the CHF bond in December 2016, 2017, 2018 and 2019. Under the Solvency II transitional measures the CHF bond qualifies in full as Restricted Tier 1 own funds in the calculation of Solvency II own funds for ten years after 1 January 2016. At this specific time, it has been determined that it is currently in the interests of SRLEV not to exercise the redemption option to redeem the CHF Bond.

Subordinated Private Loans

In € millions	Coupon	Maturity	First call date	2019	2018
VIVAT NV	7.750%	2016 - 2026	December - 2025	140	140
VIVAT NV	3.780%	2017 - 2027	November - 2022	95	95
VIVAT NV	3.600%	2018 - 2028	June - 2023	180	180
Total				**415**	**415**

On 29 December 2015, VIVAT NV granted a loan to SRLEV NV in the amount of € 140 million. The loan is a 10-years Solvency II Tier 2 capital subordinated loan with the possibility of interest deferral, early repayment and variation. The loan bears a fixed interest rate of 7.75% annually.

On 15 November 2017, VIVAT NV granted a loan to SRLEV NV in the amount of € 95 million. The loan is a 10-years Solvency II Tier 2 capital subordinated loan, first callable after 5 years, with the possibility of interest deferral, early repayment and variation. The loan bears an interest fixed rate of 3.78% annually.

In June 2018, VIVAT NV granted a loan to SRLEV NV in the amount of € 180 million. The loan is a 10-years Solvency II Tier 2 subordinated loan with a maturity date at 19 June 2028. The loan is first callable after 5 years with a first call date at 19 June 2023. The loan bears a fixed interest coupon of 3.6% per annum.

14. Insurance Liabilities and Reinsurance Share

As per 31 December 2019, the total amount of insurance liabilities is € 48,868 million (2018: € 45,037 million). The reinsurers' share is € 46 million (2018: € 77 million).

SRLEV sells Individual Life insurance policies in the retail and SME markets and Life Corporate insurance policies in the entire corporate market in the Netherlands. The Individual Life insurance portfolio mainly consists of unit-linked insurance policies, savings-based mortgage policies, term assurance policies (ORV) and life annuity insurance policies providing regular payments for the remainder of the holder's life. The Life Corporate insurance portfolio mainly consists of traditional contracts, group policies with separate accounts and of unit-linked policies. With respect to new business, the focus is primarily on term life insurance. These are sold both via intermediaries (Individual Life) as well as direct channels (Individual Life and Life Corporate).

Breakdown of Insurance Liabilities and its Reinsurers Share per Type of Reserve

	Gross		Reinsurance	
In € millions	2019	2018	2019	2018
Provision for Life insurance obligations (14.1)	26,279	26,551	46	77
Results on allocated investments and interest derivatives (14.1)	6,651	4,198	-	-
Cumulative LAT deficit (14.3)	1,758	1,766	-	-
Unamortised interest rate discounts (14.1)	186	81	-	-
Provision for profit-sharing, bonuses and discounts (14.1)	71	57	-	-
Life, for own risk	**34,945**	**32,653**	**46**	**77**
Life, for account of policyholders (14.2)	**13,923**	**12,384**	**-**	**-**
Total	**48,868**	**45,037**	**46**	**77**

14.1. Life, for Own Risk

Statement of Changes in Provisions for Life Insurance Obligations for Own Risk

	Gross		Reinsurance	
In € millions	2019	2018	2019	2018
Balance as at 1 January	**26,551**	**26,443**	**77**	**91**
Portfolio transfers	268	355	-	-
Benefits paid	-2,260	-2,299	-221	-21
Premiums received	1,119	1,394	195	7
Interest added	816	858	4	5
Technical result	-84	-70	-9	-3
Release of expense loading	-128	-127	-	-2
Other movements	-3	-3	-	-
Balance as at 31 December	**26,279**	**26,551**	**46**	**77**

The Life portfolio contains individual and group insurance policies. In 2019, an amount of € 268 million was transferred from life insurance on behalf of policyholders to life insurance liabilities (2018: € 355 million). This concerned group pension contracts. At the end of the contract terms, these contracts were converted into other contract forms for account of SRLEV. This transfer took place in dialogue with the customers.

The difference in reinsurance compared to 2018 is mainly due to the longevity transaction closed at the end of 2018. In 2018 there were no benefits paid, premiums received and technical result regarding this longevity contract. For further details about the longevity contract, refer to Note 14.3 Liability Adequacy Test Results.

Traditional Insurance Policies

In principle, SRLEV bears the investment risk related to traditional insurance policies. Special categories are formed by the saving mortgage insurance, in which the return on the savings portion is linked to the associated mortgage loan. A small portion of the private loans linked saving mortgages portfolio is exposed to counterparty default risk.

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

Breakdown of Traditional Insurance Policies

In € millions	2019	2018
With profit-sharing (operational or surplus interest)	9,338	9,566
With interest rate discounts (or surcharges)	4,221	4,216
Without profit-sharing	8,332	8,041
Savings-based mortgages	4,387	4,728
Total traditional insurance policies	**26,278**	**26,551**

Measurement of life insurance liabilities is in principle based on historical tariff rates set at the inception date of the underlying contracts. A periodic IFRS liability adequacy test is performed on these liabilities. Since there is a deficit in the liability adequacy test (LAT) at the end of 2019 and 2018, the insurance liabilities are currently measured at the probability weighted best estimate of future cash flows based on current assumptions discounted by the swap curve including Ultimate Forward Rate (UFR).

Results on allocated investments and interest derivatives

In € millions	2019	2018
Revaluation reserve of fixed income investment portfolio	2,875	2,156
Results on fixed income financial assets backing insurance contracts with discretionary participation features and related derivates	3,776	2,042
Total	**6,651**	**4,198**

The revaluation reserve of fixed income investment portfolio increased by € 719 million. The decreasing interest rates have lead to a positive impact on the market value of assets.

Shadow accounting increased with € 1,734 million mainly as a result of interest rate movements (shadow accounting mainly consists of returns and expected cashflows on derivatives, realised results on bonds sold and amortisation on Shadow Accounting).

Statement of Changes in Unamortised Interest Rate Discounts

	Life own risk	
In € millions	2019	2018
Balance as at 1 January	**81**	**-14**
Discounts granted in the financial year	116	92
Amortisation	-11	3
Balance as at 31 December	**186**	**81**

The increase is caused by structural low interest rates.

Statement of Changes in Provision for Profit-sharing, Bonuses and Discounts

	Life own risk	
In € millions	2019	2018
Balance as at 1 January	**57**	**58**
Profit-sharing, bonuses and discounts granted in the financial year	14	-1
Balance as at 31 December	**71**	**57**

The increase was mainly a result of favourable technical results within a part of the product portfolio.

14.2. Life, for Account of Policyholders

Statement of Changes in Technical Provisions for Insurance on account of Policyholders

In € millions	2019	2018
Balance as at 1 January	**12,384**	**13,518**
Portfolio transfers	-268	-355
Premiums received	729	708
Benefits paid	-961	-1,056
Interest added	41	46
Changes in valuation and exchange rate	2,046	-375
Technical result	12	-45
Release of expense loading	-59	-57
Other movements	-1	-
Balance as at 31 December	**13,923**	**12,384**

Insurance Policies in Investment Units

Policyholders usually bear the investment risk for insurance policies in investment units (unit-linked investment units). SRLEV is in principle, not exposed to interest rate risk, price risk, exchange rate risk or counterparty default risk. For Individual Life the Insurance Policies in Investment Units only contains investment funds in units without additional provisions and company profit sharing which are already reported under Own Risk. For part of the portfolio however, SRLEV has issued minimum guarantees, as a result of which the interest rate risk, price risk and exchange rate risk for these contracts are for the account and risk of SRLEV. The value of the guarantees within the portfolio is measured periodically.

SRLEV's portfolio includes also group policies with separate accounts and unit-linked policies. The separate accounts have an interest guarantee. At the current low interest rates this option has value for the customer.

The increase in 2019 was mainly caused by market value movements in related assets.

Breakdown of Insurance Policies in Investment Units

In € millions	2019	2018
Without guarantee	10,488	8,639
With guarantee	3,435	3,745
Total	**13,923**	**12,384**

14.3. Liability Adequacy Test results

Reconciliation of the IFRS insurance liabilities and the LAT Results

	Life insurance LAT	
In € millions	2019	2018
Insurance liabilities before LAT	44,189	41,038
IFRS LAT reserve	49,311	45,324
Deficit	**-5,122**	**-4,286**

The deficit is covered by the revaluation reserve of the fixed income investment portfolio (2019: € 2,875 million; 2018: € 2,156 million) and by the surplus value of the investments (mortgages and part of the loans and receivables) measured at amortised cost (2019: € 490 million; 2018: € 364 million). The remaining cumulative LAT deficit at 31 December 2019 amounts to € 1,757 million (2018: € 1,766 million) and is added to the insurance liabilities before LAT.

The decrease in the cumulative LAT deficit amounts to € 9 million (2018: 565 million increase) which is charged through the income statement. The development of the LAT deficit was mainly a result of:

- Portfolio developments and the related market impact (€ 65 million decrease of LAT margin);
- Operating Assumption Changes have led to a large increase of the LAT margin of € 325 million. This was mainly caused by changed mortality assumptions (€ 333 million);
- A refinement in calculating the investment expenses in the market value of Unit Linked liabilities (€ 148 million decrease of LAT margin);
- The Ultimate Forward Rate (UFR) change from 4,05% to 3,90% (€ 81 million decrease of LAT margin);
- Increase of the Quota Share percentage of the Longevity Reinsurance contract (€ 58 million decrease of LAT margin).

Statement of Changes in IFRS LAT reserve

In € millions	2019	2018
Balance as at 1 January	**45,324**	**45,825**
Portfolio Movements	-911	-944
Operating Assumption Changes:		
- Lapse	1	-61
- Mortality	-333	-69
- Disability	-1	-1
- Expense	2	-23
- Assetmanagement costs	25	11
- Update Risk Margin Assumption Changes	-19	-17
Market Impacts	4,956	254
Other	267	349
Balance as at 31 December	**49,311**	**45,324**

The increase of the market value of liabilities is mainly caused by market impacts that primarily consist of the change of the swap interest rates (€ 3,314 million) and the increase of fund value within the Unit Linked portfolio (€ 1,658 million).

The category 'other' mainly consist of a refinement in calculating the investment expenses in the market value of Unit Linked liabilities (€ 148 million), the Ultimate Forward Rate (UFR) change from 4,05% to 3,90% (€ 81 million), the impact of the increase of the Quota Share percentage of the Longevity Reinsurance contract (€ 58 million) and model and methodology updates (€ -20 million).

Longevity reinsurance

The longevity reinsurance contract is part of the cumulative LAT deficit and has an impact of € 255 million (2018 € 130 million). In 2019 VIVAT has increased the quota share percentage for the longevity reinsurance contract from 70% to 90%, further decreasing SRLEV's longevity risk and positively affecting the Solvency II ratio for SRLEV. This contract is included in LAT calculation and as such presented as part of the cumulative LAT deficit. The 2019 transaction has a one-off impact of € 58 million negative on the IFRS LAT reserve, the result of the net present value of the future reinsurance premiums which is partly offset by a decrease in risk margin.

More elaboration on the significant developments with regards to risk disclosures are considered in chapter 7.

15. Provision for Employee Benefits

Breakdown of Provision for Employee Benefits

In € millions	2019	2018
Pension commitments	198	172
Total	**198**	**172**

Pension Commitments

Defined Contribution Scheme

The pension scheme to which SRLEV employees are entitled is a defined contribution scheme. Under this scheme, VIVAT NV pays a fixed amount to Stichting Pensioenfonds SNS REAAL.

Defined Benefit Schemes

SRLEV has several legacy pension schemes with pension entitlements of current and former employees of SRLEV and the companies it acquired over the years. Most of these legacy pension schemes have been insured by SRLEV and few with other insurance companies.

The fair value of the plan assets of these plans is determined based on different methodologies. Investments relating to pension schemes that are included in a separate investment account are offset against the present value of defined benefit obligations. Non-separated investments are recognised within investments in the statement of financial position.

SRLEV's total contribution to these defined benefit schemes is expected to be approximately € 2 million in 2020 (2019: € 3 million). Obligations for additional indexation rights are included in the provision and will be released after payment to the insurer.

Regarding the several defined benefit schemes, as explained below, there are no changes with respect to terms and conditions.

Pension Scheme Former AXA and Winterthur (Defined Benefit Scheme)

The accrual of new pension rights of former employees of Winterthur, UAP, Equity & Law (E&L) and Guardian have been transferred to the Stichting Pensioenfonds SNS REAAL as from 1 January 2009.

The schemes of Winterthur, UAP and Equity & Law (E&L) are insured with SRLEV NV, without the investments being separated; instead they are recognised within investments in the statement of financial position and included in the balance sheet item Investments.

The Guardian pension scheme is insured externally. No direct investment allocation is held in relation to the Guardian pension scheme. Therefore, the fair value of the pension plan assets can not be determined based on a certain investment allocation. The fair value of the plan assets is based on the accrued pension benefits and actuarial rates.

The indexation of the pension entitlements of inactive participants is equal to the indexation applied by the Stichting Pensioenfonds SNS REAAL. The pension entitlements of active participants are unconditionally indexed based on the salary index. Active participants are here defined as employees of SRLEV that actively accrue pension benefits in the Stichting Pensioenfonds SNS REAAL.

In the event that the coverage ratio of the Winterthur scheme falls below the agreed limit of 105%, an additional contribution will be made by the employer.

After offsetting the fair value of the investments, € 64 million has been included in the provision for pensions for the former AXA and Winterthur pension schemes (2018: € 59 million). In 2020, SRLEV's contribution to these defined benefit schemes is expected to amount to € 1 million (2019: € 1 million).

Pension Scheme Zwitserleven (Defined Benefit Scheme)

As of 1 January 2010, the accrual of new pension entitlements of the employees of former Zwitserleven NV was transferred to Stichting Pensioenfonds SNS REAAL. The rights of inactive participants built up in the past and active former participants remain part of the former pension scheme of Zwitserleven.

Until 2025 the conditional indexation of the pension rights of inactive participants is determined using the return on investment and potential technical results. If the return is insufficient, the indexation may be lower than the indexation of Stichting Pensioenfonds SNS REAAL. From 2025 onwards, the indexation will in principle be equal to the indexation of Stichting Pensioenfonds SNS REAAL. The pension rights of active former participants are unconditionally indexed based on the salary index.

The pension scheme of Zwitserleven is self-administered. For this pension scheme, the present value of the pension obligations of € 104 million (2018: € 86 million) has been included in the provision for employee benefits. There is no separate investment account. SRLEV contribution to the defined benefit scheme of Zwitserleven is expected to amount to € 1 million in 2020 (2019: € 2 million).

Other Pension Schemes

The accrual of new pension rights of former employees of Zürich, NHL, Helvetia and DBV has been transferred to Stichting Pensioenfonds SNS REAAL. The pension rights of former employees of Zürich and DBV built up in the past are insured internally by SRLEV, without the investments being separated; instead they are recognised within investments in the statement of financial position and included in the balance sheet item Investments.

The pension rights of former employees of NHL and Helvetia built up in the past are insured externally. No direct investment allocation is held in relation to these pension scheme. Therefore, the fair value of the pension plan assets can not be determined based on a certain investment allocation. The fair value of the plan assets of NHL is based on the accrued pension benefits and actuarial rates and the value of the indexation depot. As the value of the assets in the investment account is lower than the discounted value of the funded insured benefits under the insurance contract, the fair value of plan assets is set to the discounted value of the funded insured benefits, increased with the indexation depot and the current account. Regarding the NHL pension scheme the asset ceiling is applied. The fair value of the plan assets of Helvetia is based on the accrued pension benefits and actuarial rates. In all of these pension schemes no more pension rights, other than indexation, are accrued.

After offsetting the fair value of the investments, € 30 million (2018: € 26 million) has been included in the provision for pensions for other pension schemes. In 2020, SRLEVs contribution to the other defined benefit schemes is expected to amount to € 0.3 million (2019: € 0.5 million).

Overview Pension Commitments

Breakdown of Pension Commitments

In € millions	2019	2018
Present value of defined benefit obligations	222	195
Less: Fair value of plan assets	-24	-24
Effect of asset ceiling	-	1
Present value of the net liabilities	**198**	**172**

Statement of Changes in Present Value of Defined Benefit Obligations

In € millions	2019	2018
Present value as at 1 January	**195**	**207**
Increase and interest accrual through profit and loss	3	4
Actuarial gains or losses due to changes in financial assumptions through Other Comprehensive Income	26	-1
Actuarial gains or losses due to changes in demographic assumptions through Other Comprehensive Income	-2	-2
Actuarial gains or losses due to experience adjustments through Other Comprehensive Income	-1	-7
Benefits paid	-6	-6
Other movements through Other Comprehensive Income	7	-
Present value as at 31 December	**222**	**195**

Other movements through Other Comprehensive Income relates to understated defined benefit obligation by € 7 million at the end of 2018.

Statement of Changes in Fair Value of the Plan Assets

In € millions	2019	2018
Fair value as at 1 January	**24**	**24**
Investment income through profit and loss	-	1
Actuarial gains or losses due to changes in financial assumptions through Other Comprehensive Income	3	-
Actuarial gains or losses due to changes in demographic assumptions through Other Comprehensive Income	-	-1
Actuarial gains or losses due to experience adjustments through Other Comprehensive Income	-1	2
Guarantee cost adjustment through Other Comprehensive Income	-1	-
Investment income	**1**	**2**
Premiums	5	15
Benefits paid	-6	-17
Fair value as at 31 December	**24**	**24**

Based on general practice in the market, SRLEV decided to include an additional provision for guarantees expenses in the pension obligation of € 1 million as per 31 December 2019. The provision was charged to Other Comprehensive Income.

The expected return on investments through profit or loss has been netted with the actuarial rate of interest (in accordance with IAS 19 Revised). The difference between the actual interest result and the actuarial rate of interest is recognised in Other Comprehensive Income.

As per 2019 the guarantee costs for the NHL pension plan are included in the fair value of the plan assets and are shown as an adjustment.

Breakdown of Fair Value of the Plan Assets

In € millions	2019	2018
Cash and cash equivalents	4	5
Insurance contract	20	19
Balance as at 31 December	**24**	**24**

The plan assets Insurance contracts consist of the paid-up value based on the actuarial principles.

Reconciliation of the effect of the Asset Ceiling

In € millions	2019	2018
Balance as at 1 January	**1**	**-**
Remeasurements on the effect of asset ceiling through Other Comprehensive Income	-1	1
Balance as at 31 December	**-**	**1**

Statement of Changes in Other Comprehensive Income

In € millions	2019	2018
Balance as at 1 January	**33**	**22**
Actuarial gains or losses directly taken to Other Comprehensive Income pension commitments	-24	12
Investment income for the benefit or at the expense of Other Comprehensive Income	-2	-
Deferred taxes	5	-1
Other	-1	-
Balance as at 31 December	**11**	**33**

The table below shows the actuarial gains and losses on pension commitments, that arise from experience adjustments, as a percentage of the pension commitments at year-end.

Experience Adjustment Arising on the Pension Commitments

In percentages	2019	2018
Experience adjustments as a % of defined benefit obligation	0%	-4%
Experience adjustments as a % of investments	-3%	4%

The Main Actuarial Parameters at Year-end

In percentages	2019	2018
Discount rate	0.85%	1.80%
Expected salary increase	1.86%	2.26%
Price inflation	1.79%	2.23%
Increase accrued pension rights – Active	1.86%	2.26%
Increase accrued pension rights – Inactive	50% of price inflation	50% of price inflation

Sensitivity Present Value of Pension Obligations 2019

	31 December 2019	
In € millions	Change	Change
Discount rate 0.35% (-0.5%)	22	10%
Discount rate 1.35% (+0.5%)	-19	-9%

Sensitivity Present Value of Pension Obligations 2018

	31 December 2018	
In € millions	Change	Change
Discount rate 1.30% (-0.5%)	19	10%
Discount rate 2.30% (+0.5%)	-16	-8%

16. Other Provisions

Other provisions are predominantly of a long-term nature; they have been formed mainly for the settlement of legal and other claims.

Statement of Changes in Other Provisions

	Other provision	
In € millions	2019	2018
Balance as at 1 January	**21**	**35**
Additions / release	-	5
Withdrawal	-1	-1
Released to results	-5	-18
Balance as at 31 December	**15**	**21**

17. Amounts due to Banks

Breakdown of Amounts Due to Banks

In € millions	2019	2018
Due on demand	2,461	632
Private loans	254	708
Total	**2,715**	**1,340**

The amount of € 2,461 million (2018: € 632 million) due on demand relates to cash collateral. The market value of the derivatives portfolio increased due to lower long-term interest rates. The private loans relates to the saving components of mortgages. Saving part loan (WHH) was terminated in 2019, which contributes to the decrease.

18. Other Liabilities

Breakdown of Other Liabilities

In € millions	2019	2018
Debts to group companies	15	27
Debts in relation to direct insurance	271	273
Debts to reinsurers	66	100
Investment transactions to be settled	12	1
Other taxes	18	1
Other liabilities	238	257
Benefits to be paid	325	340
Accrued interest	17	17
Total	**962**	**1,016**

The other liabilities are expected to be settled within twelve months after reporting date.

19. Guarantees and Commitments

Contingent Liabilities

Liabilities

At year-end 2019, SRLEV NV had assumed commitments to invest € 467 million in investment funds (2018: € 578 million). These funds may in due course call these commitments (capital calls). Ahead of these capital calls, securities have been identified that can be sold as soon as there is a capital call. This exposure had no immediate effect on the capital as of 31 December 2019.

An Asset Management Agreement (AMA) is signed between Curlew Netherlands B.V. and RE Young Urban Housing BV (subsidiary of SRLEV NV). At year-end 2019 SRLEV NV has a residual commitment of € 136 million (2018: € 150 million) to a 10 year separate account mandate for RE Young Urban Housing BV in the Netherlands, managed by Curlew Netherlands BV.

In 2019 SRLEV NV entered a loan commitment of € 32 million with its newly acquired subsidiary Bellecom NV for the renovation of property. At year-end 2019 SRLEV has a residual loan commitment of € 24 million to Bellecom NV. Bellecom NV has entered into a commitment to invest a maximum of € 39.4 million into the renovation of property.

Guarantee Schemes

SRLEV NV has guaranteed obligations arising under an insurance contract between NV Pensioen ESC, a subsidiary of SRLEV NV, and a third party related to the defined benefit plan of that party for the term of the contract. The financial position of NV Pensioen ESC, including the indexation reserves, which – as stipulated in the contract with the third party – will be guaranteed by VIVAT NV if the SII ratio of SRLEV NV should fall below 100%. SRLEV NV's solvency ratio was higher than 100% at year-end 2019. Given that the fair value of the separated assets exceeds the technical claims and benefits, this contract does not give rise to any additional technical claims and benefits in the statement of financial position.

As per 1 January 2019, the Recovery and Resolution insurance companies Act *(Wet herstel en afwikkeling van verzekeraars*) came into force. This also affects SRLEV NV. The Recovery and Resolution insurance companies Act will enable insurance companies and DNB to be better prepared for a crisis situation and gives DNB opportunities to intervene better in case of a bankruptcy of an insurance company. In those cases DNB is enforced to take care of the interests of policyholders.

In 2012, SRLEV NV revised separate account contracts before the end date of the contracts to make the deficits arising from issued guarantees more manageable. Agreement was reached with customers, in which process customers funded the increased charges of longevity risk while SRLEV NV bore part of the interest deficit. At year-end 2019, a liability of € 3 million exists relating to this separate accounts restructuring (2018: € 2 million). The customers' liability in respect of this restructuring was € 4 million at year-end 2019 (2018: € 5 million). SRLEV NV has received a guarantee from one of its clients of € 20.4 million to strengthen the clients position concerning determination of the investment portfolio.

Guarantees Received and Given

The market value of guarantees received under the National Mortgage Guarantee Fund (in Dutch: NHG) by SRLEV amounted to € 726 million at year-end 2019 (2018: € 871 million).

The market value of the collateral of the mortgages of SRLEV was € 5,640 million at year-end 2019 (2018: € 4,405 million). The amortised cost of the mortgages was € 2,619 million at year-end 2019 (2018: € 2,095 million).

For saving mortgage arrangements made between SRLEV and several credit institutions. The credit risk concerning saving premiums was covered by received cession warranties amounting to € 4,080 million (2018: € 4,378 million), deeds of assignment amounting to € 268 million (2018: € 266 million) or clearance amounting to € 247 million (2018: € 289 million). At year-end 2019 an amount of € 96 million was unsecured (2018: € 119 million).

Under the so-called 'Fortuinplan' arrangement mortgage receivables have been pledged to policyholders for the equivalent value of insurance contract liabilities. The value of these insurance contract liabilities at year-end 2019 was € 53 million (2018: € 53 million).

Netherlands Reinsurance Company for Losses from Terrorism

In 2020, SRLEV will take a 17.22 % share in the Life cluster (2019: 17.61%) of the Netherlands Reinsurance company for Losses from Terrorism (Nederlandse Herverzekeringsmaatschappij voor Terrorismeschaden NV). In 2020, the guarantee will be € 11 million (one third of total guarantee of € 34 million) for the Life cluster (2019: € 12 million (one third of total guarantee of € 35 million)) and total premiums will amount to € 0.7 million (2019: € 0.8 million).

Legal Proceedings

General

In SRLEVs efforts to ensure compliance with applicable laws and regulations, instances of non-compliance occur. At present, these instances include Sanction and Anti money laundering regulation compliancy which are shared with the regulators including a timely action plan to address and resolve current and future instances.

As part of regular supervision by AFM, VIVATs compliance with the commission regulation was subject to assessments in 2019. In April 2019, the AFM has posed a fine of € 0.2 million on SRLEV. This fine has been posed because of breach of the inducement regulation. It was decided not to appeal.

SRLEV is involved in litigation and other binding proceedings involving, but not limited to, disputes concerning the products and services of SRLEV and its position as principal, employer and taxpayer. Although it is impossible to predict the outcome of current or threatened legal proceedings, management believes on the basis of currently available information and after taking legal advice in general, the outcome of these proceedings is unlikely to have any material adverse effects on SRLEV's financial position or operating results.

Investment Insurance Policies

SRLEV has a portfolio of investment insurance policies (including and also referred to as: unit-linked policies) which consists of a variety of products with distinct characteristics and different versions of contractual documentation. SRLEV and its predecessors have concluded approximately 1.2 million investment-linked insurance policies, of which about 199,000 were still outstanding at 31 December 2019.

Since 2006, there has been widespread public attention for costs and risks related to investment insurance policies and the question whether insurance companies provided adequate information to their current and prospective unit-linked policyholders. In response to this, insurers, SRLEV being one of them, agreed on compensation schemes with consumer organisations. In 2009, VIVAT reached an outline agreement followed by an Agreement ('Vaststellingsovereenkomst') in 2010 to offer compensation to policyholders whose individual unit-linked policies had a cost charge in excess of an agreed maximum. In 2014, VIVAT has concluded its implementation of the compensation scheme. The costs of the compensation scheme and complementary policy are substantial and have been recognised in the financial statements.

Later on, much of the attention of the public, politicians and regulators has shifted from the costs of investment-linked insurances to the efforts undertaken by the insurers to mobilise customers with an active investment-linked insurance to review their position (Flankerend Beleid: 'complementary policy'). SRLEV uses various tools to communicate with customers and encourages them to check whether their policies still meet the purposes for which they were originally entered into and to consider revising their products or switch to other forms of products for capital accumulation.

As from 2013 clients have been approached and activated to review their position and take adequate measures. The nature of the encouragement depended on the characteristics of the policies. First focus was on the so called 'non-accumulating policies' (Dutch: niet opbouwende polissen, "NOPs"). In 2016 customers with a pension- or mortgage related policy have been approached. In 2017, the remaining group of customers (Activation Category "Other") have been encouraged to review their position.

Dutch insurers still face complaints and litigation involving unit-linked policies. Over time SRLEV has received a large number of complaints/claims from customers stating SRLEV or its predecessors did not inform them in full about the associated costs, specific product features, leverage and capital consumption effects, attached risks or use other material and legal grounds.

The number of current proceedings against SRLEV that involve unit linked policies is, compared to the portfolio of active policies, relatively limited. On 31 December 2019, less than twenty proceedings were pending against SRLEV before the civil courts or before the *Klachteninstituut Financiële Dienstverlening* ('KiFiD'). These cases include one class action brought by VerenigingWoekerpolis.nl regarding the products *Swiss Life Spaarbeleg* and *AXA Verzekerd Hypotheekfonds*.

In this class action, the Vereniging Woekerpolis.nl asked for over 80 declaratory judgements from the court that SRLEV acted wrongfully. If such declarations are given, individual class members may use those declarations to file their own claims for damages. By judgement of 20 December 2017, the District Court Noord Holland denied almost all of the requested declaratory decisions , except for two. The District Court declared that SRLEV failed to adequately inform a part of the class about the effect of increasing life premiums as the accrued capital diminishes ('hefboom en inteereffect'). Also, the District Court nullified a contractual term allowing SRLEV to increase certain administrative costs in one of its products; according to the District Court any cost increase based on those terms has been should be refunded.

It should be noted the costs itself are not affected by this decision. The judgement itself does not have substantial influence on the assessment of the investment insurances risk profile. So far, none of the class members have commenced litigation for financial compensation based on the declaratory verdict in the class action.

Both Woekerpolis.nl and SRLEV filed appeal against the judgement of the District Court. The appeals process is still in an early stage. It is unlikely that a final verdict by the District Court will be rendered in the year 2020. However it is possible that one or more (interlocutory) verdicts will be rendered.

To date, the number of cases in which SRLEV NV has been required to pay damages following a decision by KiFiD or a civil court has been limited.

Relevant proceedings against peers as well as the Vereniging Woekerpolis.nl proceeding against SRLEV are, in general, still at an early stage. There are no relevant judgements of the Supreme Court so far. Given the wide variety of legal grounds, product characteristics, different applying regulations over time etc. the case law so far is to a large extent highly casuistic.

Individual claims have operational impact. However, there are no material adverse changes in the overall risk profile, regarding the portfolio of investment insurance policies compared to previous year. The political, regulatory and public focus on investment-linked insurances remains. Elements of investment-linked insurances are being challenged or may be challenged on multiple legal grounds in current and possible future legal proceedings against SRLEV and peers. There is a risk that one or more of those legal challenges will succeed and may affect SRLEV. The financial consequences of any of the aforementioned factors or a combination thereof and current and any future subsequent legal proceedings may affect SRLEV, both financially and reputationally. However, it is not possible at this time to make reliable estimates of the expected number of proceedings, possible future precedents or the financial and/or reputational impact of current and possible future proceedings. The probability and financial impact of additional compensation and/or successful claims still cannot be determined in a meaningful way.

20. Related Parties

Identity of Related Parties

Parties are considered to be related if one party can exercise control or significantly affect the other party's financial or operating policies. SRLEV's related parties are its parent Anbang, its parent VIVAT, affiliates and SRLEV's key management personnel and their close family members. Unless stated otherwise, transactions with related parties are conducted at arm's length.

Intra-group Balances and Transactions between SRLEV, VIVAT, Anbang and Affiliates

	VIVAT		Affiliates		Total	
In € millions	2019	2018	2019	2018	2019	2018
> Positions						
Corporate income tax	3	34	-	-	**3**	**34**
Other assets (receivables from group companies)	-	-	15	26	**15**	**26**
Equity (holders of other equity instruments)	250	250	-	-	**250**	**250**
Insurance liabilities (reimbursement right)	324	271	24	20	**348**	**291**
Subordinated private loans	415	415	-	-	**415**	**415**
Other liabilities (liabilities to group companies)	6	8	2	2	**8**	**10**
> Transactions						
Obtain Capital Subordinated Loan (holders of other equity instruments)	-	180	-	-	**-**	**180**
Fee and commission income	-	-	15	17	**15**	**17**
Interest expense	21	18	-	-	**21**	**18**
Service fees expenses	-	-	19	11	**19**	**11**
Staff costs	93	95	-	-	**93**	**95**
Other operating expenses	33	39	-	-	**33**	**39**

In 2019 and 2018, SRLEV had no intra-group positions and transactions with Anbang.

Intra-group Balances and Transactions with Key Management Personnel of SRLEV

The key management personnel consists exclusively of the members of the Executive Board and the Supervisory Board. This applies to SRLEV and also to VIVAT NV, Proteq Levensverzekeringen NV and VIVAT Schadeverzekeringen NV.
SRLEV NV is a full subsidiary of VIVAT NV. The members of the Executive Board and the members of the Supervisory Board of VIVAT NV are also the members of the Executive Board and the members of the Supervisory Board of SRLEV NV. The remuneration information is presented on VIVAT level.

The Executive Board comprised six employees as at 31 December 2019 (31 December 2018: 6). The Supervisory Board comprised five members as at 31 December 2019 (31 December 2018: 5).

Actual Remuneration (former) Members of the Executive Board

The following table provides a breakdown of the total remuneration of the Executive Board, including former and existing key management.

Breakdown of Remuneration (former) Members of the Executive Board

In € thousands	2019	2018
Short-term employee benefits	4,677	4,372
Post-employment benefits	124	138
Other long-term benefits	308	3
Total	**5,109**	**4,513**

The other long-term beníflts and a part of the short-term employee beníflts relate to a retention scheme as recognised in the statement of profit or loss; the vesting of this scheme is subject to certain conditions and any payment will be made in instalments based on current remuneration regulations.

Reference is made to Section 6.1.5 for the accounting principles of employee benefits.

Loans, Advances and Guarantees

There are no loans, advances or guarantees outstanding on 31 December 2019 (and 2018) and/or granted to members of the Excecutive Board during 2019.

Actual Remuneration Members of the Supervisory Board

The following table provides an overview of the total remuneration of the Supervisory Board members (excluding 21% VAT).

Breakdown of Remuneration Members of the Supervisory Board

In € thousands	2019	2018
Total fixed actual remuneration of Supervisory Board members	610	610
Total remuneration for the members of the Supervisory Board's Committees	25	25
Total	**635**	**635**

Loans, Advances and Guarantees

There are no loans, advances or guarantees outstanding on 31 December 2019 (and 2018) and/or granted to members of the Supervisory Board during 2019.

21. Interests in Non-consolidated Structured Entities

SRLEV invests in non-consolidated structured entities, such as investment funds, in the form of investments, credit guarantees or liquidity obligations.

The table below breaks down the carrying amount of the assets and liabilities relating to SRLEV with its involvement classified by type of transaction and the maximum exposure to losses of the non-consolidated structured entities and the relative size of those entities.

Non-consolidated Structured Entities 2019

In € millions	Carrying amount assets	Carrying amount liabilities	Maximum exposure to loss	Total assets of entities	Total liabilities of entities
Investment Funds	-	-	150	44	44
Total	**-**	**-**	**150**	**44**	**44**

Non-consolidated Structured Entities 2018

In € millions	Carrying amount assets	Carrying amount liabilities	Maximum exposure to loss	Total assets of entities	Total liabilities of entities
Investment Funds	-	-	**150**	3	3
Total	**-**	**-**	**150**	**3**	**3**

The maximum exposure to losses with respect to commitments and guarantees is the notional amount. The notional amount does not represent the expected losses or reflect unrealised losses (if applicable). These commitments and guarantees are conditional and present the maximum losses that SRLEV could suffer on its involvement in non-consolidated structured entities, without considering the impact of any mitigating action or compensating influence of other financial instruments. Reference is made to Note 19 for more information about commitments and guarantees.

22. Events after the Reporting Date

New Shareholder

On 7 June 2019, VIVAT was informed by Anbang that Athora and Anbang had reached a conditional agreement on the sale of all shares in VIVAT. Athora is to acquire 100% of the shares in VIVAT from Anbang. On 19 March 2020, VIVAT was informed that Athora received a Declaration of No-objection (DNO) from the Dutch Central Bank (DNB) for the transaction. The transaction is expected to close early April 2020.

New Chief Executive Officer

Chief Executive Officer Ron van Oijen has resigned from his position effective 31 January 2020. Effective 1 April 2020, Tom Kliphuis has been appointed as new Chief Executive Officer. During the transition period, Maarten Dijkshoorn will be the Supervisory Board member delegate.

Changes to Executive Board

On 19 March 2020 VIVAT announced the appointment of three new members to the Executive Board of VIVAT and SRLEV.

Angelo Sacca will be appointed as Chief Strategy & Commercial Officer and Stefan Spohr as Chief Operating Officer as of the closing date. Annemarie Mijer-Nienhuis will be appointed as Chief Risk Officer effective on a date after the closing date. On 26 February 2020, VIVAT announced that Tom Kliphuis was appointed as CEO effective as per 1 April 2020.

Xiao Wei (Charlene) Wu, Wendy de Ruiter-Lörx, Lan Tang and Jeroen Potjes will resign from the Executive Board of VIVAT and SRLEV as of the closing date.

As a result, the Executive Board of VIVAT and SRLEV will be composed of the following persons:
> Tom Kliphuis, Chief Executive Officer (as per 1 April 2020)
> Yinhua Cao, Chief Financial Officer
> Angelo Sacca, Chief Strategy & Commercial Officer (as per Closing Date)
> Stefan Spohr, Chief Operating Officer (as per Closing Date)
> Annemarie Mijer-Nienhuis, Chief Risk Officer (effective on a date after the Closing Date)

Changes to Supervisory Board

On 19 March 2020 VIVAT announced that as of the closing date, Hanny Kemna, Floris Deckers and Michele Bareggi will be appointed as members of the Supervisory Board of VIVAT and SRLEV.
Miriam van Dongen, Ming He and Kevin Shum will not continue as members of the Supervisory Board of VIVAT and SRLEV as of the closing date.

As of the closing date, the Supervisory Board will be composed of the following persons:
> Maarten Dijkshoorn (chairman)
> Pierre Lefèvre
> Hanny Kemna
> Floris Deckers
> Michele Bareggi

The Supervisory Board has decided to expand the Supervisory Board to six members. Further information about the filling of this vacancy will be provided in due course.

China Banking and Insurance Regulatory Commission

In February 2018, the China Banking and Insurance Regulatory Commission (CBIRC) – formerly known as the China Insurance Regulatory Commission (CIRC) – temporarily took over management of Anbang Insurance Group Co. Ltd. In February 2020, CBIRC announced it had ended its two-year period take over.

COVID-19 Outbreak

The COVID-19 outbreak in the first months of 2020 is causing significant impact to our society, including SRLEV, its policyholders and other stakeholders like suppliers and employees. Financial markets have been volatile recently with significant decrease in interest rates and equity markets and by credit spreads widening. The Dutch government as well as other governments and central banks are responding with aid packages and further quantitative easing. At the date of the Annual Report of SRLEV the depth and length of these disruptions caused by COVID-19 is unknown.

To assess the impact on SRLEV's financial position and result, we are continuously monitoring the market and economic turbulence that has arisen as a consequence of the COVID-19 outbreak, and are taking mitigation actions as necessary. The most significant risks SRLEV facing relate to financial markets and underwriting risks especially related to mortality, morbidity and policyholder behavior.

Given the uncertainties and ongoing developments, as at the date of the Annual Report, SRLEV cannot accurately and reliably estimate the quantitative ultimate impact on our financial position and result from the COVID-19 outbreak. Nevertheless, low interest rates for a long period are likely to impact the profitability of SRLEV's sales depending on the market response, while underwriting results may also be impacted subject to the severity of COVID-19 outbreak.

SRLEV has invoked its business continuity plans to support the safety and well-being of its staff. Since Monday 16 March 2020, nearly all SRLEV employees have been working from home. SRLEV is proud of the willingness and flexibility of all its employees which contributes to the capability to support our policyholders and business operations.

23. Net Premium Income

Premium income consists of insurance premiums net of reinsurance premiums.

Breakdown of net premium income

	General account		For account of policyholders		Total	
In € millions	2019	2018	2019	2018	2019	2018
Regular premiums Individual Life	486	515	172	201	**658**	**716**
Regular premiums Life Corporate	196	208	463	421	**659**	**629**
Total gross regular premiums Life	**682**	**723**	**635**	**622**	**1,317**	**1,345**
Single premiums Individual Life	94	115	9	12	**103**	**127**
Single premiums Life Corporate	343	556	85	74	**428**	**630**
Total gross single premiums	**437**	**671**	**94**	**86**	**531**	**757**
Total gross premium income	**1,119**	**1,394**	**729**	**708**	**1,848**	**2,102**
Total reinsurance premiums Life	195	7	–	–	**195**	**7**
Total net premium income Life	**924**	**1,387**	**729**	**708**	**1,653**	**2,095**

Compared to 2018 gross premium income Life is € 254 million lower, mainly due to the absence of buy outs (2018: Heymans € 211 million) and lower periodic premiums within Individual Life € 58 million (resulting from shrinking portfolio). This is partly offset by higher periodic premiums in Life Corporate.

Reinsurance premium Life increased with € 188 million in 2019 compared to 2018 as a result of the longevity transaction closed at the end of 2018.

Breakdown of regular premiums Life

	General account		For account of policyholders		Total	
In € millions	2019	2018	2019	2018	2019	2018
Individual						
Without profit-sharing	440	463	172	201	**612**	**664**
With profit-sharing	61	68	–	–	**61**	**68**
Total individual	**501**	**531**	**172**	**201**	**673**	**732**
Group						
Without profit-sharing	114	126	463	421	**577**	**547**
With profit-sharing	67	66	–	–	**67**	**66**
Total group	**181**	**192**	**463**	**421**	**644**	**613**
Total gross regular premiums Life	**682**	**723**	**635**	**622**	**1,317**	**1,345**

Breakdown of single premiums Life

In € millions	General account 2019	General account 2018	For account of policyholders 2019	For account of policyholders 2018	Total 2019	Total 2018
Individual						
Without profit-sharing	368	420	9	12	**377**	**432**
Total individual	**368**	**420**	**9**	**12**	**377**	**432**
Group						
Without profit-sharing	68	235	85	74	**153**	**309**
With profit-sharing	1	16	-	-	**1**	**16**
Total group	**69**	**251**	**85**	**74**	**154**	**325**
Total gross single premiums Life	**437**	**671**	**94**	**86**	**531**	**757**

24. Net Fee and Commission Income

Breakdown of net fee and commission income

In € millions	2019	2018
Fee and commission income:		
- Insurance agency activities	-1	-1
- Management fees	27	26
- Other activities	16	17
Total fee and commission income:	**42**	**42**
Fee and commission expense	16	16
Total	**26**	**26**

25. Investment Income

Breakdown of investment income

In € millions	2019	2018
Fair value through profit or loss: Designated	265	263
Available for sale	546	783
Loans and receivables	374	383
Investment property	55	66
Total	**1,240**	**1,495**

Breakdown of investment income 2019

In € millions	Fair value through profit or loss: Designated	Available for sale	Loans and receivables	Investment property	Total
Interest	243	424	367	–	**1,034**
Dividend	–	39	–	–	**39**
Rental income	–	–	–	30	**30**
Direct operating expenses	–	–	–	-6	**-6**
Total interest dividend and rental income	**243**	**463**	**367**	**24**	**1,097**
Realised revaluations	12	59	-1	–	70
Unrealised revaluations	10	24	8	31	73
Total revaluations	**22**	**83**	**7**	**31**	**143**
Total	**265**	**546**	**374**	**55**	**1,240**

Investment income is lower in 2019 compared to previous year. This is mainly due to the decrease of realised and unrealised revaluations on AFS investments compared to 2018. Positive unrealised revaluations AFS investments remained in 2019 in equity due to limited derecognitions of investments.

Unrealised revaluations from AFS investments consist of currency differences on bonds. The gains in 2019 are lower because of a more limited increased USD rate compared to 2018.

Breakdown of investment income 2018

In € millions	Fair value through profit or loss: Designated	Available for sale	Loans and receivables	Investment property	Total
Interest	236	403	376	–	**1,015**
Dividend	–	23	–	–	**23**
Rental income	–	–	–	34	**34**
Direct operating expenses	–	–	–	-5	**-5**
Total interest dividend and rental income	**236**	**426**	**376**	**29**	**1,067**
Realised revaluations	24	238	2	1	265
Unrealised revaluations	7	119	5	36	167
Total revaluations	**31**	**357**	**7**	**37**	**432**
Total	**267**	**783**	**383**	**66**	**1,499**

Investment income includes a net gain on currency differences. This amount is hedged within the result on derivatives.

26. Investment Income / expense for Account of Policyholders

Breakdown of investment income / expense for account of policyholders

In € millions	2019	2018
Interest	28	31
Dividend	124	117
Total interest and dividend	**152**	**148**
Revaluations	1,915	-535
Total	**2,067**	**-387**

The increase of investments for account of policyholders was mainly driven by positive fair value changes due to combination of decreasing market interest rates and increasing stock markets.

27. Result on (Liabilities from) Investments for Account of Third Parties

The amount of € 86 million (2018: € -28 million) consists of results of the third party investments. We refer to Note 6 Investments for Account of Third Parties for information about the third party investments.

28. Result on Derivatives

Breakdown of Result on Derivatives

In € millions	2019	2018
Result on derivatives held for cash flow hedge accounting	-	4
Market value movements of derivatives held for fair value hedge accounting	-1	-9
Market value movements of derivatives maintained for ALM not classified for hedge accounting	1,655	-117
Total	**1,654**	**-122**

The positive result on derivatives of € 1,656 million largely corresponds to the market value movements of the derivatives. The market value movement was positively influenced by changes in interest rates (€ 1,845) and negatively influenced by currency differences (- € 187 million). This loss is attributable to the currency differences of the hedged items within the investment income.

The market value movement of derivatives held for fair value hedge accounting is influenced by the discontinuation of fair value hedge accounting on the currency risk hedges in the equity portfolio using foreign exchange futures contracts.

29. Technical Claims and Benefits

Technical claims and benefits include benefits paid, surrenders, claims paid, claim handling costs and changes in insurance liabilities. This item also includes profit-sharing and discounts.

Breakdown of Technical Claims and Benefits

	Gross		Reinsurance		Total	
In € millions	2019	2018	2019	2018	2019	2018
General account benefits and surrenders	2,261	2,299	-221	-21	**2,040**	**2,278**
Change in general account insurance liabilities	-284	88	31	14	**-253**	**102**
Profit-sharing and discounts	22	21	-	-	**22**	**21**
Results on allocated investments and interest derivatives	1,697	168	-	-	**1,697**	**168**
LAT deficit	-9	565	-	-	**-9**	**565**
Life insurance	**3,687**	**3,141**	**-190**	**-7**	**3,497**	**3,134**

Compared to 2018 expenses are € 363 million higher. The lower inflow in Insurance liabilities as result of less single premiums buy-outs (€ 211 million) and lower transfer of separate accounts (€ 87 million) are offset by a large increase of LAT value in 2019 as result of decreased market interest rates. The increase in reinsurance compared to 2018 is mainly due to the longevity transaction closed at the end of 2018.

For further details, see Note 14 Insurance liabilities and reinsurance share.

30. Charges for Account of Policyholders

Charges for account of policyholders include benefits paid, surrenders and changes in insurance contracts. This item also includes profit-sharing and discounts relating to these policyholders.

Breakdown of Charges for Account of Policyholders

In € millions	2019	2018
Benefits paid and surrenders for Life insurance contracts for account of policyholders	961	1,056
Change in technical provisions for Life insurance contracts for account of policyholders	1,531	-1,142
Total	**2,492**	**-86**

Change in technical provision is mainly attributable to an increase in the market value revaluations.

31. Acquisition Costs for Insurance Activities

Breakdown of Acquisition Costs for Insurance Activities

In € millions	2019	2018
Individual Life	15	19
Life Corporate	2	1
Total	**17**	**20**

32. Staff Costs

Breakdown of Staff Costs

In € millions	2019	2018
Salaries	79	68
Pension costs	15	16
Social security contributions	15	10
Other staff costs	32	48
Total	**140**	**142**

According to the CLA employees have received a periodic salary increase on 1 February 2019. The periodic salary increase for Above-CLA employees was also based on the CLA. There was no collective salary adjustment (CLA) in 2019. Salaries of the members of the Executive Board were not increased.

The staff cost slightly decreased compared to 2018. The increase of salaries is compensated by a decrease of other staff cost. The increase of salaries can be ascribed to aforementioned periodic salary increase on 1 February 2019 and to an one-off compensation rewarded to all VIVAT employees and expenses relating to specific retention agreements in 2019. The 2018 cost have been affected positively by a release of bonus provision and by the fact that the salary increase 2018 (collective labour agreement) was applicable as per 1 july 2018. The other staff costs relate to staff costs recharged by VIVAT NV.

Breakdown of Pension Costs

In € millions	2019	2018
Pension contributions based on defined contribution	13	14
Employee contributions	-1	-1
Total based on defined contributions	**12**	**13**
Increase of present value defined benefit plans	3	3
Total	**15**	**16**

Other Staff Costs

The decrease of the other staff costs mainly consists of staff costs recharged by VIVAT NV of € 25 million (2018: € 39 million). The remaining part of the decrease regards the cost of temporary staff of € 2 million (2018: € 4 million).

Due to the initial application of IFRS 16, the former operating lease payments for vehicles, to the extent that they do not relate to payments under short-term or low-value asset leases, were replaced by depreciation and interest expenses. The remaining amount of short-term or low-value leases reported under other staff costs is € 0.3 million.

Number of Internal FTE’s

In numbers	2019	2018
Number of internal FTEs	1,048	1,098

33. Other Operating Expenses

Breakdown of Other Operating Expenses

In € millions	2019	2018
IT systems	12	12
Housing	1	4
Marketing and public relations	4	3
External advisors	3	9
Other costs	17	15
Total	**37**	**43**

The other costs mainly relate to outsourced services and contributions.

34. Impairment Losses (Reversals)

Breakdown of Impairment Losses / Reversals by Class of Asset

	Impairments		Reversals		Total	
In € millions	2019	2018	2019	2018	2019	2018
> Through profit or loss						
Property and equipment	–	4	4	5	**-4**	**-1**
Investments	1	3	4	–	**-3**	**3**
Other debts	1	1	1	1	**-**	**-**
Total through profit or loss	**2**	**8**	**9**	**6**	**-7**	**2**

In 2019 reversals of impairment were related to Blackstone investments and the property situated at Burgemeester Rijnderslaan 7 in Amstelveen.

35. Other Interest Expenses

Breakdown of Other Interest Expenses

In € millions	2019	2018
Bonds	18	47
Private loans	46	49
Interest on reinsurance deposits	3	5
Other interest and investment expenses	2	3
Total	**69**	**104**

Other interest expenses regarding bonds have decreased in 2019 compared to 2018. In June 2018 SRLEV NV repurchased a part of the € 400 million subordinated notes. SRLEV repurchased notes of a notional amount of € 150 million. The market value of the notes was € 180 million, resulting in a loss on the transaction of € 30 million. This was partly offset by a one-off release of € 16 million on the fair value hedge accounting of the partially repurchased subordinated notes. The remaining decrease in interest expenses on bonds is caused by the amortization on the fair value hedge reserve (€ 9 million) and the decrease in interest due to the repurchase (€ 5 million).

The decrease of interest on private loans is mainly caused by the redemption of the saving part loan (WHH) in November 2019, refer to note 17 Amounts due to banks.

36. Income Tax

Breakdown of Tax Expense

In € millions	2019	2018[1]
In financial year	68	9
Other items	–	–8
Corporate income tax due	**68**	**1**
Due to temporary differences	30	–72
Due to change in income tax rate with regard to deferred tax	–34	92
Deferred tax (including tax rate change)	**–4**	**20**
Total	**64**	**21**

1 Comparative figures of 2018 have been restated in line with the amendment made to IAS 12 by the IASB. According to the amended standard the tax impact of the interest paid on the Tier 1 loan in 2018 had to be reclassified from equity to profit or loss. Refer to the section 6.1.2 for more details.

The corporate income taxes are irrevocable for the years up to and including 2017.

Reconciliation Between the Statutory and Effective Tax Rate

In € millions	2019	2018[1]
Statutory income tax rate	25.0%	25.0%
Result before tax	394	–253
Statutory corporate income tax amount	**99**	**–63**
Exemption participation	**–1**	**–**
Due to change in income tax rate with regard to deferred tax	–34	92
Other items	–	–8
Total	**64**	**21**
Effective tax rate	16.2%	–8.3%

1 Comparative figures of 2018 have been restated in line with the amendment made to IAS 12 by the IASB. According to the amended standard the tax impact of the interest paid on the Tier 1 loan in 2018 had to be reclassified from equity to profit or loss. Refer to the section 6.1.2 for more details.

The effective tax rate of 16.2% differs compared to the nominal rate of 25%. This is the result of the impact of the change in corporate income tax rate on the deferred tax position in 2019 as explained in note 8.

37. Income tax effects relating to Other Comprehensive Income

Breakdown of Income tax effects relating to Other Comprehensive Income

	Before tax amount		Tax (expense) benefit		Net of tax amount	
In € millions	2019	2018	2019	2018	2019	2018
Changes in valuation of defined benefit pension plan	-26	11	5	-1	**-21**	**10**
Unrealised revaluations from cash flow hedges	97	33	-24	-7	**73**	**26**
Amortisation from cash flow hedges	-5	-4	1	-	**-4**	**-4**
Unrealised revaluations investments available for sale	636	-64	-165	117	**471**	**53**
Impairments and reversals fair value reserve	3	-3	-1	1	**2**	**-2**
Realised gains and losses fair value reserve transferred to profit or loss	14	-228	-4	58	**10**	**-170**
Results on allocated investments and interest derivatives	-756	261	196	-176	**-560**	**85**
Total other comprehensive income	**-37**	**6**	**8**	**-8**	**-29**	**-2**

The changes in valuation of defined benefit pension plan of € -26 million mainly consist of actuarial gains or losses due to changes in financial assumptions and due to experience adjustments.

The unrealised revaluations from cash flow hedges is € 97 million and consists mainly of fair value changes of cash flow hedge swaps during the year due to decreased interest rates.

The unrealised revaluations investments available for sale of € 636 million before tax consists mainly of unrealised revaluations of European and American sovereign and corporate bonds.

The realised gains and losses transferred to profit or loss of € 14 million mainly relate to realised gains on Dutch sovereign bonds.

The movement of the results on allocated investments and interest derivatives is part of the total movement of results on allocated investments and interest derivatives as explained in note 14 Insurance Liabilities and Reinsurance Share. Before tax the amount is € -756 million consisting of the movement of Shadow accounting (€ -97 million before tax) and revaluation reserve of fixed income investment portfolio (€ -659 million before tax) and is mainly a result of interest rate movements.

38. Financial Instruments

Fair Value of Assets and Liabilities

The table below shows the fair value of SRLEV's assets and liabilities. It only shows the property, financial assets and financial liabilities and does not include items that do not meet the definition of a financial asset or liability. The total fair value shown below does not represent the value of the company as a whole.

Fair Value of Assets and Liabilities

In € millions	Fair value 2019	Carrying amount 2019	Fair value 2018	Carrying amount 2018
Property				
Land and buildings for own use	50	50	51	51
Investment property	458	458	401	401
Investments				
- Fair value through profit or loss: designated	186	186	186	186
- Available for sale	29,702	29,702	27,556	27,556
- Loans and receivables	6,632	6,330	6,390	6,186
- Mortgages	2,776	2,619	2,220	2,094
Investments for account of policyholders	13,520	13,520	11,989	11,989
Investments for account of third parties	448	448	347	347
Derivatives	3,017	3,017	1,053	1,053
Loans and advances due from banks	743	712	1,597	1,562
Other assets	228	228	277	277
Cash and cash equivalents	266	266	156	156
Total property and financial assets	**58,026**	**57,536**	**52,223**	**51,858**
Financial liabilities				
Subordinated debts	807	774	801	779
Derivatives	674	674	592	592
Amounts due to banks	2,715	2,715	1,340	1,340
Other liabilities	962	962	1,036	1,036
Total financial liabilities	**5,158**	**5,125**	**3,769**	**3,747**

The fair values represent the amount that would be received to sell a property and financial asset or paid to transfer a financial liability in an orderly transaction between market participants at the reporting date. The fair value of property, financial assets and liabilities is based on quoted market prices, where observable. If prices in an active market are not available, various valuation techniques are used to measure the fair value of these instruments. Parameters used in such valuation techniques may be subjective and various assumptions are used, for instance for the discount rate and the timing and size of expected future cash flows. Where possible and if available, the valuation techniques make use of observable inputs in relevant markets. Changes in assumptions can significantly influence estimated fair values. The main assumptions for each item are explained in the section on fair value hierarchy below.

The carrying amount of property, financial assets and liabilities at amortised cost is shown excluding accrued interest. Accrued interest related to these instruments is recognised within other assets or other liabilities.

Measurement of Assets and Liabilities

The following methods and assumptions are used to determine the fair value of property and financial instruments.

Land and Buildings for Own Use

The fair value of land and buildings for own use is measured on the basis of annual appraisals. The main parameters for these appraisals are rentable market value and expected yield.

Investment Property

The fair value of investment property is measured on the basis of annual appraisals. The main parameters for these appraisals are rentable market value and expected yield.

Investments

The fair value of equities is based on quoted prices in an active market or other available market data. The fair value of interest-bearing securities, exclusive of mortgage loans, is also based on quoted market prices or if actively quoted market prices are not available, on the discounted value of expected future cash flows. These discounted values are based on the relevant market interest rate, taking into consideration the liquidity, creditworthiness and maturity of the investment.

Mortgages

The market value of mortgages is determined using a discounted value method. The yield curve used to discount cash flows of mortgage loans is the swap rate plus a risk premium that can vary between subportfolios. Expected future early redemptions, losses and the corresponding consumer rates are taken into account in determining the expected cash flows.

Derivatives

The fair value of nearly all derivatives is based on observable market inputs, such as market interest rates and foreign exchange rates. The fair value of a number of non-publicly traded derivatives depends on the type of instrument and is based on a discounted value model or an option valuation model.

Loans and Advances due from Banks

The fair value of loans and advances due from banks has been estimated based on the discounted value of the future cash flows, using the prevailing interest rate plus a risk premium. The risk premium is based on the credit risk assumed by the market for holding such instruments issued by SRLEV, differentiated by maturity and type of instrument. The carrying amount of any amount that is due within one month is considered to be a reasonable approximation of the fair value.

Other Assets

Given the predominantly short-term nature of other assets, the carrying amount is considered to be a reasonable approximation of the fair value.

Cash and Cash Equivalents

The carrying amount of the cash and cash equivalents is considered to be a reasonable approximation of the fair value.

Subordinated Debts
The fair value of subordinated debt is based on quoted prices in an active market when available. When actively quoted market prices are not available the fair value of subordinated debts has been estimated based on the discounted value of future cash flows, using the prevailing interest rate plus a risk premium. The risk premium is based on the credit risk assumed by the market at years' end for holding subordinated debt issued by SRLEV, differentiated by maturity and type of instrument.

Amounts Due to Banks
The fair value of amounts due to banks has been estimated based on the discounted value of the future cash flows, using the prevailing interest rate plus a risk premium. The risk premium is based on the credit risk assumed by the market for holding such instruments issued by SRLEV, differentiated by maturity and type of instrument. The carrying amount of any amount that is due within one month is considered to be a reasonable approximation of the fair value.

Other Liabilities
The carrying amount of the other liabilities is considered to be a reasonable approximation of the fair value.

Hierarchy in Determining The Fair Value of Property and Financial Instruments

A significant part of the properties and financial instruments are recognised at fair value. The fair value of property and financial instruments measured at fair value in the statement of financial position or for which the fair value is disclosed is classified as a level. This level depends on the parameters used to determine fair value and provides further insight into the valuation. The levels are explained below:

Level 1 – Fair Value Based on Quoted Prices in an Active Market
Quoted prices from exchanges, brokers or pricing institutions are observable for properties and all financial instruments in this valuation category. In addition, these financial instruments are traded on an active market, which allows the price to accurately reflect current and regular market transactions between independent parties. The investments in this category mainly concern listed equities and bonds, including investment funds on account of policyholders whose underlying investments are listed.

Level 2 – Fair Value Based on Observable Inputs
This category includes property and financial instruments for which no quoted prices are available but whose fair value is determined using models where the parameters include available market inputs. These instruments are mostly privately negotiated derivatives and private loans. This category also includes investments whose prices have been supplied by brokers but for which there are inactive markets. In these cases, available prices are largely supported and validated using market inputs, including market rates and actual risk premiums related to credit rating and sector classification.

Level 3 – Fair Value not Based on Observable Market Data
The property and financial instruments in this category have been assessed individually. The valuation is based on management's best estimate, taking into account most recently known prices. In many cases analyses prepared by external valuation agencies are used. These analyses are based on data unobservable in the market, such as assumed default rates associated with certain ratings.

The table below shows the instruments in level 1, level 2 and level 3. Property and financial assets and liabilities not measured at fair value and whose carrying amount is a reasonable approximation of fair value are not classified by level.

Fair value hierarchy 2019

In € millions	Carrying amount	Fair value Level 1	Fair value Level 2	Fair value Level 3	Total
> Property and financial assets measured at fair value					
Land and buildings for own use	50	-	-	50	**50**
Investment property	458	-	-	458	**458**
Investments at fair value through profit or loss: designated	186	186	-	-	**186**
Investments available for sale	29,702	27,743	588	1,371	**29,702**
Investments for account of policyholders	13,520	13,187	40	293	**13,520**
Investments for account of third parties	448	448	-	-	**448**
Derivatives	3,017	-	3,016	1	**3,017**
> Financial assets not measured at fair value					
Mortgages	2,619	-	-	2,776	**2,776**
Investments loans and receivables	6,330	-	922	5,710	**6,632**
Loans and advances due from banks	712	-	690	53	**743**
Other assets	228	-	-	-	**228**
Cash and cash equivalents	266	-	-	-	**266**
> Financial liabilities measured at fair value					
Derivatives	674	-	588	86	**674**
> Financial liabilities not measured at fair value					
Subordinated debts	774	376	-	431	**807**
Amounts due to banks	2,715	-	-	-	**2,715**
Other liabilities	962	-	-	-	**962**

Fair value hierarchy 2018

In € millions	Carrying amount	Fair value Level 1	Level 2	Level 3	Total
> Property and financial assets measured at fair value					
Land and buildings for own use	51	-	-	51	**51**
Investment property	401	-	-	401	**401**
Investments at fair value through profit or loss: designated	186	186	-	-	**186**
Investments available for sale	27,556	25,732	549	1,275	**27,556**
Investments for account of policyholders	11,989	11,614	75	300	**11,989**
Investments for account of third parties	347	347	-	-	**347**
Derivatives	1,053	-	1,051	2	**1,053**
Loans and advances to customers	-	-	-	-	**-**
> Financial assets not measured at fair value					
Mortgages	2,094	-	-	2,220	**2,220**
Investments loans and receivables	6,186	-	811	5,580	**6,390**
Loans and advances due from banks	1,562	-	1,306	292	**1,597**
Other assets	277	-	-	-	**277**
Cash and cash equivalents	156	-	-	-	**156**
> Financial liabilities measured at fair value					
Derivatives	592	-	517	75	**592**
> Financial liabilities not measured at fair value					
Subordinated debts	779	375	-	426	**801**
Amounts due to banks	1,340	-	-	-	**1,340**
Other liabilities	1,036	-	-	-	**1,036**

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

Statement of Changes in Level 3 Property and Financial Instruments in 2019

In € millions	Land and buildings for own use	Investment property	Derivatives	Investments for account of policyholders	Fair value through profit and loss: designated	Available for sale	Total
Balance as at 1 January	**51**	**400**	**-73**	**300**	**-**	**1,275**	**1,953**
Transfer to level 3	-	-	-	-	-	-	**-**
Realised gains or losses recognised in profit or loss	-	-	3	10	-	2	**15**
Unrealised gains or losses recognised in profit or loss	1	32	-18	-	-	-	**15**
Unrealised gains or losses recognised in other comprehensive income	-	-	-	-	-	-3	**-3**
Purchase/acquisition	-	25	-	20	-	517	**562**
Sale/settlements	-	-4	3	-48	-	-422	**-471**
Other	-2	5	-	11	-	2	**16**
Balance as at 31 December	**50**	**458**	**-85**	**293**	**-**	**1,371**	**2,087**
Total gains and losses included in profit or loss	1	32	-15	10	-	2	**30**

Statement of Changes in Level 3 Property and Financial Instruments in 2018

In € millions	Land and buildings for own use	Investment property	Derivatives	Investments for account of policyholders	Fair value through profit and loss: designated	Available for sale	Total
Balance as at 1 January	**52**	**380**	**-65**	**322**	**1**	**1,137**	**1,827**
Transfer to level 3	-	-	-	-	-	95	**95**
Realised gains or losses recognised in profit or loss	-	-	-10	-2	-1	9	**-4**
Unrealised gains or losses recognised in profit or loss	1	35	-8	-	-	-	**28**
Unrealised gains or losses recognised in other comprehensive income	-	-	-	-	-	22	**22**
Purchase/acquisition	-	-	-	15	-	541	**556**
Sale/settlements	-	-15	10	-48	-	-535	**-588**
Other	-2	-	-	12	-	6	**16**
Balance as at 31 December	**51**	**400**	**-73**	**300**	**0**	**1,275**	**1,953**
Total gains and losses included in profit or loss	1	36	-18	-2	-1	9	**25**

Breakdown of Level 3 Property and Financial Instruments

In € millions	2019	2018
Land and buildings for own use	50	51
Investment property	458	401
Bonds issued by financial institutions	831	715
Collateralised loan obligation	4	13
Equities	536	548
Derivatives	-85	-73
Investments for account of policyholders	293	300
Total	**2,087**	**1,954**

The fair value of property and financial instruments classified in level 3 is partly based on inputs that are not observable in the market. A sensitivity analyses is performed on the major holdings in Level 3 investments. The fair value of interest-bearing securities is calculated as the discounted value of expected future cash flows. The calculation method of sensitivities in this chapter is similar to the method used in calculating the sensitivities in chapter 7 however limited to fair value level 3 classified securities.

The expected future cash flows as well as the discount rate is also a significant unobservable input. These discounted values are based on the relevant market interest rate, taking into consideration the liquidity, creditworthiness and maturity of the investment. The fair value sensitivity on these securities is calculated based on the changes in one of the elements used to determine the discount rate.

Sensitivity as a result of changes in parameters

In € millions	2019	2018
Fixed income securities		
Interest +50 bps	-12	-10
Interest -50 bps	13	11
Credit spreads Government Bonds +50 bps	-10	-9
Credit spreads Corporates/Mortgages +50 bps	-7	-6
All Credit spreads +50 bps	-17	-15

The sensitivity of the fair value of equity securities is calculated as the movement in fair value of the equity securities in the event of a general shock in the market. In this calculation, the look through principal is taken into account.

Sensitivity as a result of a shock applied

In € millions	2019	2018[1]
Equity securities		
Equities +10%	10	16
Equities -10%	-10	-16

[1] The 2018 figures have been restated. For three funds, the values after shock were calculated on a different market value than reported. These differences were not taken into account in the total impact. Also, the calculated shock was too low for one of these funds (no impact for the other two).

Impairments of Financial Instruments by Category

In € millions	Level 1		Level 2		Level 3		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Equities	–	–	–	–	–2	2	**-2**	**2**
Total	**-**	**-**	**-**	**-**	**-2**	**2**	**-2**	**2**

The table below shows movements in the financial assets and liabilities measured at fair value between the levels.

Reclassification Between Levels 1, 2 and 3

In 2019 there were no movements in the financial assets and liabilities measured at fair value between the levels. At year-end 2018, € 75 million was transferred from level 2 to level 3, € 21 million from level 1 to level 3 and € 83 million from level 1 to level 2.

Offsetting Financial Assets and Liabilities

The table below shows the financial assets and liabilities that are subject to offsetting and the related amounts that are not set off but serve to mitigate credit risk.

Financial Assets and Liabilities 2019

In € millions	Gross carrying amount	Offsetting carrying amount	Netted carrying amount	Related amounts not netted in the carrying amount: Financial instruments	Cash collateral	Other financial collateral	Netted value
Financial assets							
Derivatives	3,017	–	**3,017**	–	2,980	–	**37**
Total financial assets	**3,017**	**-**	**3,017**	**-**	**2,980**	**-**	**37**
Financial liabilities							
Derivatives	674	–	**674**	–	674	–	**-**
Total financial liabilities	**674**	**-**	**674**	**-**	**674**	**-**	**-**

At year-end 2019, SRLEV received collateral from third parties by virtue of derivative exposures. An amount of € 1,050 million (2018: € 405 million) of this collateral has been reinvested in a money-market fund.

Financial Assets and Liabilities 2018

In € millions	Gross carrying amount	Offsetting carrying amount	Netted carrying amount	Related amounts not netted in the carrying amount: Financial instruments	Cash collateral	Other financial collateral	Netted value
Financial assets							
Derivatives	1,053	–	**1,053**	114	911	–	**28**
Loans and advances due from banks	242	–	**242**	239	3	–	**-**
Total financial assets	**1,295**	**-**	**1,295**	**353**	**914**	**-**	**28**
Financial liabilities							
Derivatives	592	–	**592**	98	493	–	**1**
Total financial liabilities	**592**	**-**	**592**	**98**	**493**	**-**	**1**

Management of Past Due and Impaired Assets

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

Financial Instruments - Impairments 2019

In € millions	Not in arrears nor impaired	Financial assets that are past due but not impaired	Financial assets that have been impaired	Provision for bad debt	Total
Investments	29,897	–	20	-29	**29,888**
Loans and receivables	8,949	–	–	–	**8,949**
Other financial assets	273	8	–	-3	**278**
Total	**39,119**	**8**	**20**	**-32**	**39,115**

Financial Instruments - Impairments 2018

In € millions	Not in arrears nor impaired	Financial assets that are past due but not impaired	Financial assets that have been impaired	Provision for bad debt	Total
Investments	27,700	–	88	-46	**27,742**
Loans and receivables	8,280	–	–	–	**8,280**
Other financial assets	267	13	–	-3	**277**
Total	**36,247**	**13**	**88**	**-49**	**36,299**

SRLEV recognises impairments on equities if the market value has fallen to 25% below cost price, or has been at least 5% below cost price uninterruptedly for at least nine months.

SRLEV recognises impairments on fixed-income financial instruments if there is a loss event related to the financial instrument. To identify such events, the financial instruments are periodically assessed on the basis of a number of criteria set by Finance. Financial instruments meeting one or more of these criteria are analysed and assessed individually to determine whether there is a loss event.

Maturity schedule for financial liabilities

The table below shows the undiscounted cash flows from the principal financial liabilities, other than derivatives, by contract maturity date.

Liquidity calendar financial liabilities 2019

In € millions	< 1 month	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Total
Subordinated debts	-	-	-	12	762	**774**
Amounts due to banks	2,461	-	-	-	254	**2,715**
Amounts due to reinsurers	-	-	-	64	-	**64**
Total	**2,461**	**-**	**-**	**76**	**1,016**	**3,553**

Liquidity calendar financial liabilities 2018

In € millions	< 1 month	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Total
Subordinated debts	-	-	-	22	757	**779**
Amounts due to banks	632	-	-	-	708	**1,340**
Amounts due to reinsurers	-	1	15	83	-	**99**
Total	**632**	**1**	**15**	**105**	**1,465**	**2,218**

The table below shows the undiscounted cash flows from all derivative contracts by maturity date.

Liquidity calendar derivatives 2019

In € millions	< 1 month	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Total
Interest rate derivatives	-	-	4	93	569	**666**
Currency contracts	-	1	-	7	-	**8**
Total	**-**	**1**	**4**	**100**	**569**	**674**

Liquidity calendar derivatives 2018

In € millions	< 1 month	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Total
Interest rate derivatives	-	-	2	64	486	**552**
Currency contracts	21	4	9	5	-	**39**
Total	**21**	**4**	**11**	**69**	**486**	**591**

The table regarding the cash flows from insurance business is included in chapter 7.6.2.1.

IFRS 9 Disclosures

As mentioned in the section 'Relevant New Standards' SRLEV qualifies for the temporary exemption and consequently is allowed to defer the implementation of IFRS 9. Due to the application of the temporary exemption, SRLEV is required to provide additional disclosures in order to enable comparability with financial statements published by entities applying IFRS 9. These disclosures concern the changes in fair value of financial instruments and credit risk exposure.

Changes in Fair Value

According to amended IFRS 4-requirements the disclosures concerning the fair value and the changes in fair value for all the interest bearing financial assets are disclosed divided on two groups:

> Financial assets that pass the SPPI-test excluding the financial assets held for trading or managed on a fair value basis;
> Other financial assets that fail the SPPI-test including financial assets held for trading and financial assets that are managed on a fair value basis.

Along with the Business Model Assessment, the Solely Payments of Principal and Interest (SPPI) test is one of the two criteria in IFRS 9 to determine whether an interest bearing financial asset should be classified as measured at amortised cost or fair value through other comprehensive income (FVOCI). It is tested whether the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest.

A financial asset that fails the SPPI-criterion is measured at fair value through profit or loss (FVTPL). Equity instruments and derivatives are excluded from the SPPI-test.

The disclosures are required for the following items:

Investments
Statement of Changes in Fair Value of Investments SPPI and non-SPPI 2019

	Fair value through profit or loss: Designated		Available for sale		Loans and receivables		Total	
In € millions	SPPI[1]	non-SPPI	SPPI[2]	non-SPPI	SPPI	non-SPPI	SPPI	non-SPPI
Balance as at 1 January	**-**	**186**	**23,542**	**417**	**8,610**	**-**	**32,152**	**603**
Purchases and advances	-	-	13,917	234	2,044	-	**15,961**	**234**
Disposals and redemptions	-	-9	-11,006	-153	-1,559	-	**-12,565**	**-162**
Changes in fair value	-	10	734	17	130	-	**864**	**27**
Other movements	-	-	-193	-3	183	-	**-10**	**-3**
Balance as at 31 December	**-**	**187**	**26,994**	**512**	**9,408**	**-**	**36,402**	**699**

1 According to IFRS 4.39 the amounts presented in the columns labelled SPPI correspond to the financial assets with contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding, excluding any financial asset that meets the definition of held for trading or that is managed and whose performance is evaluated on a fair value basis. The amounts related to the assets excluded from the SPPI group are presented in the column labelled non-SPPI (even if these assets meet the SPPI condition).
2 Available for sale is excluding equity investments which do not pass SPPI test.

Statement of Changes in Fair Value of Investments SPPI and non-SPPI 2018

In € millions	Fair value through profit or loss: Designated SPPI[1]	non-SPPI	Available for sale SPPI[2]	non-SPPI	Loans and receivables SPPI	non-SPPI	Total SPPI	non-SPPI
Balance as at 1 January	**-**	**203**	**23,871**	**474**	**8,888**	**-**	**32,759**	**677**
Purchases and advances	-	-	10,323	71	785	-	**11,108**	**71**
Disposals and redemptions	-	-13	-10,555	-104	-1,243	-	**-11,798**	**-117**
Changes in fair value	-	-4	-71	-20	-36	-	**-107**	**-24**
Other movements	-	-	-27	-	216	-	**189**	**-**
Balance as at 31 December	**-**	**186**	**23,542**	**420**	**8,610**	**-**	**32,152**	**606**

[1] According to IFRS 4.39 the amounts presented in the columns labelled SPPI correspond to the financial assets with contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding, excluding any financial asset that meets the definition of held for trading or that is managed and whose performance is evaluated on a fair value basis. The amounts related to the assets excluded from the SPPI group are presented in the column labelled non-SPPI (even if these assets meet the SPPI condition).
[2] Available for sale is excluding equity investments which do not pass SPPI test.

Other movements includes accrued interest and received coupons.

Investments for Account of Policyholders

All the investments for account of policyholders are managed on a fair value basis, therefore they are not eligible for SPPI testing. For their fair value and the changes in fair value refer to section 6.3 Note 5 'Investments for Account of Policyholders' in the consolidated financial statements.

Investments for Account of Third Parties

All the investments for account of third parties are managed on a fair value basis, therefore they are not eligible for SPPI testing. For their fair value and the changes in fair value refer to section 6.3 Note 6 'Investments for Account of Third parties' in the consolidated financial statements.

Derivatives

By nature none of the derivatives meets the SPPI-test, therefore they are measured at fair value through profit or loss. For their fair value and the changes in fair value refer to section 6.3 Note 7 'Derivatives' in the consolidated financial statements.

Loans and Advances due from Banks

All the loans and advances due from banks meet the SPPI test. For their fair value and the changes in fair value refer to the table below.

Statement of Changes in Fair Value of Loans and Advances due from Banks

In € millions	2019	2018
Balance as at 1 January	**1,597**	**1,847**
Purchases and advances	4,891	2,851
Disposals and redemptions	-5,748	-3,096
Changes in fair value	-2	-14
Other movements	5	9
Balance as at 31 December	**743**	**1,597**

Other Assets

There are items recognised in Other assets, that qualify as financial instruments under IFRS 9. All financial assets recognised in Other assets meet the SPPI-test. As these assets constitute short-term receivables that are expected to be recovered within 12 months, their face value is deemed to be an approximation of their fair value. Bearing in mind their short term character, no statement of changes is being presented. For more details refer to section 6.3 Note 10 'Other assets' in the consolidated financial statements.

Cash and Cash Equivalents

Cash and cash equivalents include bank balances and demand deposits with a remaining maturity of less than one month. These items meet SPPI-conditions. For the changes in value of these items refer to section 5.5 Consolidated Cash Flow Statement.

Credit Risk Disclosures

For the financial assets that pass the SPPI-test (excluding the financial assets held for trading or managed on a fair value basis) the disclosure of their carrying amounts under IAS 39 separated into credit risk rating grades need to be made. Additionally for the assets that do not have low credit risk, the fair value needs to be disclosed.

Breakdown of Fair Value of Financial Assets 2019 (rating)

In € millions	Fair value through profit or loss: Designated	Available for sale	Loans and receivables	Other financial instruments	Total
AAA	-	14,033	692	220	**14,945**
AA	-	5,232	304	37	**5,573**
A	-	4,641	137	34	**4,812**
BBB	-	2,975	-	-	**2,975**
< BBB	-	106	-	-	**106**
Not rated	-	7	7,816	422	**8,245**
Total	**-**	**26,994**	**8,949**	**713**	**36,656**

Breakdown of Fair Value of Financial Assets 2018 (rating)

In € millions	Fair value through profit or loss: Designated	Available for sale	Loans and receivables	Other financial instruments	Total
AAA	-	13,449	666	48	**14,163**
AA	-	3,176	325	-	**3,501**
A	-	3,771	141	237	**4,149**
BBB	-	2,432	-	43	**2,475**
< BBB	-	710	-	-	**710**
Not rated	-	4	7,148	1,234	**8,386**
Total	**-**	**23,542**	**8,280**	**1,562**	**33,384**

SRLEV considers the financial assets with the credit rating BBB or higher as the assets with low credit risk. The total not rated assets consists mainly (for more than 90%) of mortgages and private loans linked to savings mortgages.

- Mortgages. The total portfolios are assumed to have a low credit risk because good social security systems in the Netherlands reduce the risk of consumers not being able to repay the mortgages. In case of unemployment, social security payments allow the home owners time to find a new job and does not force home owners into selling their houses. As a result it is unlikely that consumers do not meet their contractual cash flow obligations. The mortgages themselves are primarily standardised financial instruments without additional contractual provision contributing to an increased credit risk. Therefore, the mortgages are assumed to have a low credit risk.

- Private loans linked to savings mortgages. As a result of cession/retrocession being applied to the vast majority of these instruments, the commercial banks with an investment grade became counterparties. No contractual provisions are present based on which the credit risk of the instruments could additionally be increased as compared to the regular counterparty credit risk. As a result, these instruments are assumed to have a low credit risk.
- Other private loans. These are primarily loans granted to municipality or comparable bonds. These municipality bonds are risks to Dutch (AAA rated) and French (AA rated) governments and considered investment grade. Apart from that, the loans do not have a subordinated character compared to other liabilities of these entities. As a result, these instruments are assumed to have a low credit risk.
- Loans and advances due from banks. Even if these instruments are not individually rated, all the banks being the counterparties to these instruments have an investment credit rating, so it is our assumption that these banks have a strong capacity to meet their contractual cash flow obligations in the near term. Apart from that, no contractual provisions are present based on which the credit risk of the instruments could additionally be increased as compared to the regular counterparty credit risk. As a result, these instruments are assumed to have a low credit risk.

The assets rated lower than BBB are not considered to be the assets with low credit risk. As these assets are classified as available for sale, their fair value equals their carrying amount.

39. Hedging and Hedge Accounting

SRLEV uses various strategies for its insurance business to hedge its interest rate, market and currency risks. Under IFRS, derivatives are recognised at fair value in the statement of financial position, while changes in their fair value are recognised through profit or loss. An accounting mismatch arises if changes in the fair value of hedged risks are not recognised through profit or loss, causing volatility in the results. In these cases, hedge accounting is applied in principle to mitigate the accounting mismatch and volatility.

The nominal amounts of the derivatives used for hedging purposes shown in the table below reflect the degree to which SRLEV is active in the relevant markets.

Derivatives for Hedging Purposes 2019

	Nominal amounts				Fair value	
In € millions	< 1 year	1 - 5 years	> 5 years	Total	Positive	Negative
> Interest rate contracts						
- Swaps and FRAs	2,005	8,970	29,809	**40,784**	2,847	-652
- Options	-	-	5,731	**5,731**	128	-13
> Currency contracts						
- Swaps	-	573	751	**1,324**	6	-7
- Forwards	3,935	-	-	**3,935**	36	-2
Total	**5,940**	**9,543**	**36,291**	**51,774**	**3,017**	**-674**

Derivatives for Hedging Purposes 2018

In € millions	Nominal amounts < 1 year	1 - 5 years	> 5 years	Total	Fair value Positive	Negative
> Interest rate contracts						
- Swaps and FRAs	4,299	4,672	25,667	**34,638**	841	-527
- Options	90	1,801	4,030	**5,921**	187	-25
> Currency contracts						
- Swaps	763	186	-	**949**	12	-5
- Forwards	4,706	-	-	**4,706**	13	-34
Total	**9,858**	**6,659**	**29,697**	**46,214**	**1,053**	**-591**

The notionals of the derivatives are not disclosed netted (positive and negative).

The nominal amounts are the units of account relating to the derivatives, specifying the relationship with the underlying values of the primary financial instruments. These nominal amounts are not an indication of the size of the cash flows or market and credit risks relating to the transactions.

Hedging

SRLEV uses derivatives to protect the market value of own funds and regulatory solvency against undesired market developments. Examples include:

- hedging interest rate risks arising from return guarantees made to policyholders;
- hedging interest rate risks arising from obligations to share surplus interest with policyholders;
- hedging interest rate risks arising from the difference in maturities between investments and liabilities;
- hedging currency risks on investments and liabilities denominated in foreign currencies.

Hedge Accounting

SRLEV applies two types of hedge accounting, fair value hedges and cash flow hedges, in the majority of the hedging strategies described above.

Fair Value Hedges

Hedging Currency Risk in Equity Portfolio

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

Per 31 December 2019 SRLEV terminated fair value hedge accounting to hedge currency risk in the equity portfolio given that it no longer met the criteria for hedge accounting.

Hedging Interest Rate Risk on Subordinated Debt

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

Cashflow Hedges

Hedging Interest Rate Risk in Future Reinvestments

SRLEV has extended the effective maturity of the investment portfolio using interest rate swaps. As a result, the interest rate risk has been hedged by fixing the interest rates at the time of reinvestment, making the interest income constant over a longer period.

The cash flow hedge reserve in shareholders' equity, before application of shadow loss accounting, related to the aforementioned swaps is € 233 million (2018: € 164 million). This reserve is amortised based on the effective interest method and the maturity date of the longest leg of the swap.

Hedging Inflation Risk on Government Bonds

SRLEV uses inflation swaps to hedge the inflation risk in the government bonds.

40. List of Principal Subsidiaries

Overview of Principal Subsidiaries

Name	Country of incorporation and place of business	Nature of business or industry	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares directly held by the group (%)
RE Griftlaan Zeist BV	The Netherlands, Utrecht	Property management	100	100
GVR500 Building BV	The Netherlands, Utrecht	Property management	100	100
RE Young Urban Housing BV	The Netherlands, Amstelveen	Property management	100	100
Princenhof Staete Driebergen BV	The Netherlands, Utrecht	Property management	100	100
REAAL De Ruyterkade BV	The Netherlands, Utrecht	Property management	100	100
REAAL Kantoren I BV	The Netherlands, Utrecht	Property management	100	100
REAAL Landbouw I BV	The Netherlands, Utrecht	Property management	100	100
REAAL Landbouw II BV	The Netherlands, Utrecht	Property management	100	100
REAAL Landbouw III BV	The Netherlands, Utrecht	Property management	100	100
REAAL Winkels I BV	The Netherlands, Utrecht	Property management	100	100
REAAL Winkels II BV	The Netherlands, Utrecht	Property management	100	100
REAAL Wognumsebuurt BV	The Netherlands, Utrecht	Property management	100	100
REAAL Woningen I BV	The Netherlands, Utrecht	Property management	100	100
RZL Investment Funds	The Netherlands, Utrecht	Investment management	range	range
ACTIAM Index Funds	The Netherlands, Utrecht	Investment management	range	range
Bellecom NV	Belgium, Brussels	Property management	100	100
NV Pensioen ESC	Curaçao, Willemstad	Pension fund	100	100

6.4. Segmentation

41. Segment Information

In 2019 the operating segments of SRLEV are:

- Individual life insurance services are allocated to the segment Individual Life;
- Collective life insurance services are allocated to the segment Life Corporate;

Individual Life

This segment mainly consists of life annuity insurance policies, mortgage-related endowment policies and unit-linked insurance policies. These products are targeted at the retail and SME markets.

Life Corporate

This segment offers pension solutions for business customers. A range of products provide the employees of our customers freedom in making the right decisions to secure their financial future. The main brand of this product line is Zwitserleven.

Accounting basis between reportable segments

Costs are allocated within SRLEV Group on an accrual basis. The prices of other transactions between group companies are in principal based on arms' length conditions.

42. Statement of Financial Position by Segment

Statement of financial position by segment 31 December 2019

In € millions	Life Corporate	Individual Life	Elimination	Total
> Assets				
Property and equipment	31	19	–	**50**
Investments in associates	37	–	–	**37**
Investment property	74	384	–	**458**
Investments	25,227	13,610	–	**38,837**
Investments for account of policyholders	9,134	4,386	–	**13,520**
Investments for account of third parties	–	448	–	**448**
Derivatives	2,438	579	–	**3,017**
Deferred tax	627	–	-185	**442**
Reinsurance share	–	46	–	**46**
Loans and advances due from banks	322	390	–	**712**
Corporate income tax	–	13	-10	**3**
Other assets	-61	289	–	**228**
Cash and cash equivalents	151	115	–	**266**
Total assets	**37,980**	**20,279**	**-195**	**58,064**

> Equity and liabilities				
Share capital	0	0	0	0
Reserves	1,035	2,125	–	**3,160**
Shareholders' equity	**1,035**	**2,125**	**-**	**3,160**
Holders of other equity instruments	–	250	–	**250**
Total equity	**1,035**	**2,375**	**-**	**3,410**
Subordinated debt	397	377	–	**774**
Insurance liabilities	33,628	15,240	–	**48,868**
Liabilities investments for account of third parties	–	448	–	**448**
Provision for employee benefits	198	–	–	**198**
Other provisions	4	11	–	**15**
Derivatives	631	43	–	**674**
Deferred tax	–	185	-185	**-**
Amounts due to banks	1,716	999	–	**2,715**
Corporate income tax	10	–	-10	**-**
Other liabilities	361	601	–	**962**
Total equity and liabilities	**37,980**	**20,279**	**-195**	**58,064**

Statement of financial position by segment 31 December 2018

In € millions	Life Corporate	Individual Life	Elimination	Total
> Assets				
Property and equipment	28	24	–	**52**
Investment property	61	340	–	**401**
Investments	22,264	13,758	–	**36,022**
Investments for account of policyholders	7,780	4,209	–	**11,989**
Investments for account of third parties	–	347	–	**347**
Derivatives	739	314	–	**1,053**
Deferred tax	569	–	-107	**462**
Reinsurance contracts	–	77	–	**77**
Loans and advances due from banks	686	876	–	**1,562**
Corporate income tax	34	–	–	**34**
Other assets	6	271	–	**277**
Cash and cash equivalents	91	65	–	**156**
Total assets	**32,258**	**20,281**	**-107**	**52,432**
> Equity and liabilities				
Share capital	0	0	0	**0**
Reserves	1,094	1,784	–	**2,878**
Shareholders' equity	**1,094**	**1,784**	**-**	**2,878**
Holders of other equity instruments	–	250	–	**250**
Total equity	**1,094**	**2,034**	**-**	**3,128**
Subordinated debt	398	381	–	**779**
Insurance liabilities	29,428	15,609	–	**45,037**
Liabilities investments for account of third parties	–	347	–	**347**
Provision for employee benefits	172	–	–	**172**
Other provisions	5	16	–	**21**
Derivatives	561	31	–	**592**
Deferred tax	–	107	-107	**-**
Amounts due to banks	220	1,120	–	**1,340**
Corporate income tax	–	–	–	**-**
Other liabilities	380	636	–	**1,016**
Total equity and liabilities	**32,258**	**20,281**	**-107**	**52,432**

43. Statement of Profit or Loss by Segment

Statement of profit or loss by segment 2019

In € millions	Life Corporate	Individual Life	Total
> Income			
Premium income	1,086	762	**1,848**
Less: Reinsurance premiums	192	3	**195**
Net premium income	**894**	**759**	**1,653**
Fee and commission income	18	24	**42**
Fee and commission expense	10	6	**16**
Net fee and commission income	**8**	**18**	**26**
Share in result of associates	1	-	**1**
Investment income	756	484	**1,240**
Investment expense for account of policyholders	1,428	639	**2,067**
Result on investments for account of third parties	-	86	**86**
Result on derivatives	1,477	177	**1,654**
Total income	**4,564**	**2,163**	**6,727**
Inter-segment revenues	13	13	
> Expenses			
Technical claims and benefits	2,574	923	**3,497**
Charges for account of policyholders	1,688	804	**2,492**
Acquisition costs for insurance activities	2	15	**17**
Result on liabilities from investments for account of third parties	-	86	**86**
Staff costs	77	63	**140**
Depreciation and amortisation of non-current assets	1	1	**2**
Other operating expenses	20	17	**37**
Impairment losses (reversals)	-7	-	**-7**
Other interest expenses	22	47	**69**
Total expenses	**4,377**	**1,956**	**6,333**
Result before tax	**187**	**207**	**394**
Tax expense	16	48	**64**
Net result continued operations	**171**	**159**	**330**

Statement of profit or loss by segment 2018

In € millions	Life Corporate	Individual Life	Total[1]
> Income			
Premium income	1,258	844	**2,102**
Reinsurance premiums	–	7	**7**
Net premium income	**1,258**	**837**	**2,095**
Fee and commission income	14	28	**42**
Fee and commission expense	11	5	**16**
Net fee and commission income	**3**	**23**	**26**
Investment income	944	551	**1,495**
Investment income for account of policyholders	-183	-204	**-387**
Result on investments for account of third parties	–	-28	**-28**
Other operating income	–	–	**0**
Total income	**2,022**	**1,179**	**3,201**
Inter-segment revenues	–	–	
> Expenses			
Result on derivatives	135	-13	**122**
Technical claims and benefits	2,262	872	**3,134**
Charges for account of policyholders	-57	-29	**-86**
Acquisition costs for insurance activities	2	18	**20**
Result on liabilities from investments for account of third parties	–	-28	**-28**
Staff costs	77	65	**142**
Depreciation and amortisation of non-current assets	–	1	**1**
Other operating expenses	20	23	**43**
Impairment losses	-2	4	**2**
Other interest expenses	31	73	**104**
Total expenses	**2,468**	**986**	**3,454**
Result before tax	**-446**	**193**	**-253**
Tax expense	-29	50	**21**
Net result continued operations	**-417**	**143**	**-274**

1 Comparative figures of 2018 have been restated in line with the amendment made to IAS 12 by the IASB. According to the amended standard the tax impact of the interest paid on the Tier 1 loan in 2018 had to be reclassified from equity to profit or loss. Refer to the section 6.1.2 for more details.

7. Managing Risks

7.1. Risk Management System

7.1.1. General

SRLEV has established a Risk Management System (see figure Risk Management) that is aimed at a controlled and effective achievement of the strategic objectives. It relates risks to the strategic, financial and operational objectives as well as to the objectives in the areas of sustainability and reputation. The framework consists of organisational, control and culture components. The management of SRLEV recognises that transparency is a vital element in effective risk management. The Executive Board and the VIVAT Risk Committee (VRC), which is responsible for setting the Risk Management System, monitor that the desired culture and level of risk awareness are translated into identifiable aspects, such as desirable behaviour, details of the risk appetite or criteria for evaluation of employees.

The Executive Board of VIVAT has set guidelines in the areas of strategy, culture and risk governance in order to enable risk assessments to be performed properly and efficiently. These guidelines apply to the entire organisation. SRLEV seeks to have an open culture in which risks can be discussed, employees feel a responsibility to share information on risks and (pro)active risk management is appreciated.

The established Integrated Control Framework (ICF) provides the basis for the internal control system on risk maturity of process key controls and management controls within SRLEV. The management of Product or Functional Lines is responsible for day-to-day operations within the Risk Management System, schedules the testing of operating effectiveness of key controls and prepares operational plans on a yearly basis. These plans are subject to the approval of the Executive Board of VIVAT.

For all components within the ICF, standards include applicable minimum requirements. All components of SRLEV are scored for each Product Line and Functional Line by a yearly assessment of all Management Controls, in which both first line and second line of defence are involved.

7.1.2. Overview

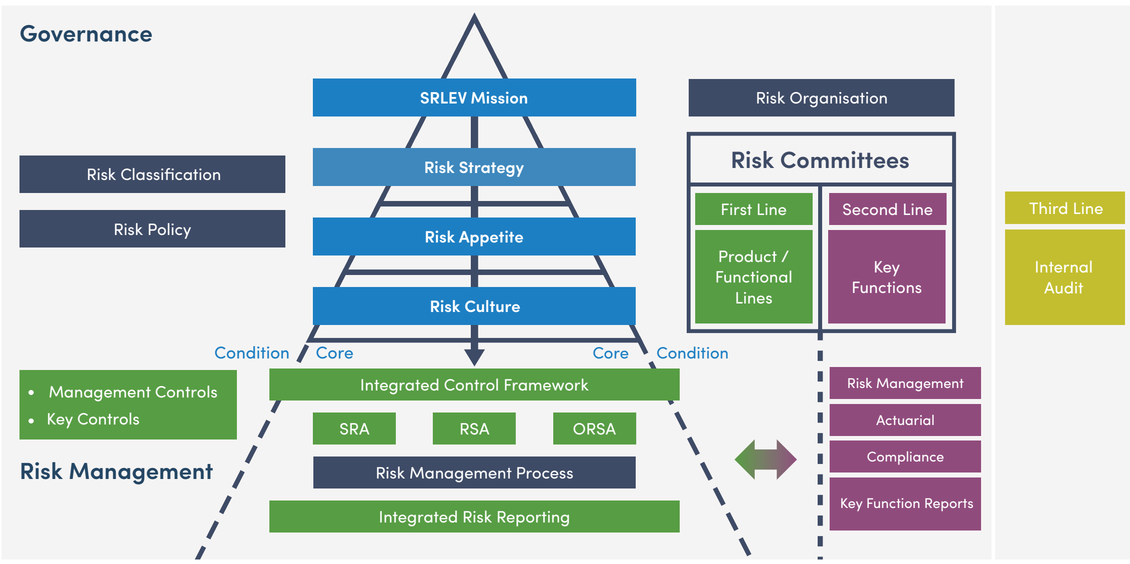
In the Risk Management System, specific Solvency II requirements such as the Key Functions and the Own Risk and Solvency Assessment (ORSA) are incorporated. The Risk Management System of SRLEV operates an integrated approach for risks that the organisation is or could be exposed to, with Risk Management being an integral part of the decision making process. Major decisions of the Executive Board have to be accompanied by a Key Function opinion.

The core of the Risk Management System consists of a Governance part at which, starting from the SRLEV Mission and business strategy, the Risk Strategy and Risk Appetite are derived. The components Risk Policy, Risk Classification and Risk Organisation are necessary conditions to enable these strategic risk processes. To ensure an integrated approach the first line product and functional lines and the second line key functions use the same risk classification, operations are covered by the Risk Appetite and are aligned by a policy structure.

Governance including an adequate Risk Culture, is conditional for performing risk management on tactical and operational level, with as the core a control cycle of risk identification-measurement- mitigation and continuous monitoring and reporting. The Risk Management Process is supported by the ICF, build up from several components that together form the basis for sound and controlled business operations and hence for visibly being in control of SRLEV and its Product and Functional lines. The ICF measures maturity of risk management and ensures steering on correct and complete risk reports.

The internal reports are a part of (the operation of) the Risk Management Process. The reports on recognised types of risks are input for the integrated risk reports, enabling Key Risk Indicator (KRI) monitoring and drawing management attention to deviations of the risk tolerance limits.

SRLEV performs Risk Self Assessments (RSA) and Strategic Risk Assessments (SRA). An ORSA is incorporated in the Risk Management System of SRLEV and is performed at least annually.



Risk Management

7.2. Risk Management Governance

7.2.1. Mission

To achieve our mission to make financial choices easy, SRLEV has set itself three main goals: Customer advocacy, Profitable growth and Cost discipline. With these goals as our starting point, we have set out a Risk Strategy that contributes to a sustainable profitable growth of SRLEV, for the benefit of all its stakeholders.

In order to achieve the mission, SRLEV takes its role in society seriously. Corporate Social Responsibility (CSR) forms an integral part of the strategy and business operations. SRLEV wishes to offer simple and comprehensible, competitively priced products in efficient business processes, using a central back office in addition. SRLEV pursues a customer-centric strategy, with both Zwitserleven and Reaal positioned clearly and appealing to different segments. The focus on these flagship brands allows for a more agile and lean operation bringing costs to a lower required level.

7.2.2. Risk Strategy

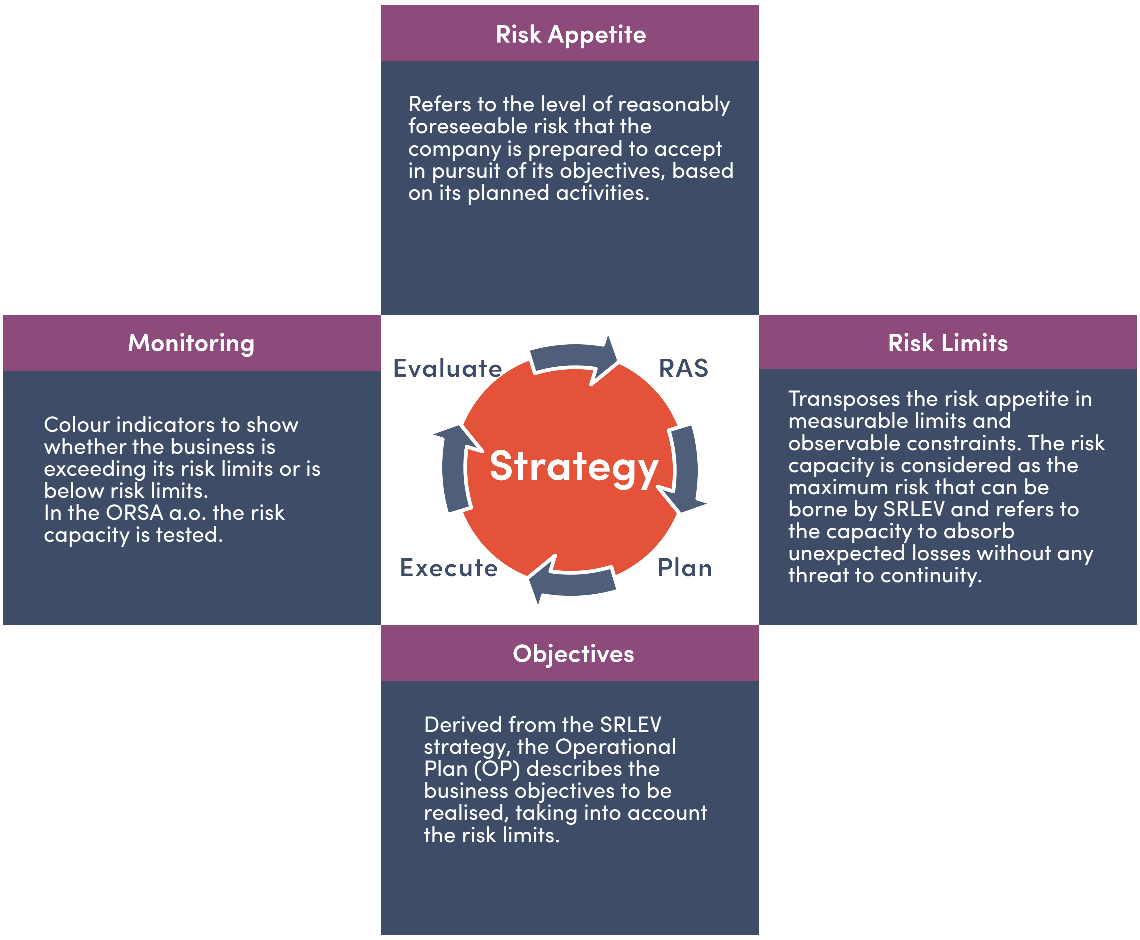
SRLEV has derived a Risk Strategy, a supporting set of objectives following from the mission to achieve the strategic goals. VIVAT aims for a robust and strong capital position, which contributes to the trust of customers, employees, society and financial markets in the company. VIVAT offers compet- itively priced products by utilising economies of scale in its organisation. The Risk Strategy is expressed in the Risk Appetite.

As main principles SRLEV has defined a robust capital position, a sustainable capital generation and sound and controlled business operations.

SRLEV provides guarantees for future payments to its customer and therefore SRLEV needs a strong capital position. The Executive Board would like to hold a buffer above regulatory requirement to absorb temporary volatility and provide more certainty to its customers.

7.2.3. Risk Appetite

The Risk Tolerance in the Risk Appetite is set yearly by the Executive Board and confirmed by the Risk Committee (RC) of the Supervisory Board. The Risk Tolerance is limited by the risk capacity, which indicates the maximum amount of risk SRLEV can accept at consolidated level, in view of its capital and liquidity position and any restriction due to funding agreements or requirements imposed by regulators. The risk tolerance is subsequently translated into practical risk objectives.



Risk Appetite Framework

Risk Appetite is defined at VIVAT level, including SRLEV. Subsequently it is elaborated for Financial risks and Non-financial risks on the individual legal entity level or specific Product or Functional Lines in the form of individual quantitative risk limits and qualitative constraints. The limits are measurable; the qualitative constraints are observable. When implementing the strategy, the Executive Board gives guidelines to the Product Lines for establishing Operational plans, taking into account the set Risk Appetite and corresponding limits on entity level. With those objectives and constraints as starting point, the Product Lines optimise risk and return by developing the best possible products and services.

The evaluation of the Risk Tolerance in the Risk Appetite, which is carried out at least once a year, consists of a number of steps, including risk identification, the determination of risk capacity, the selection of measures, risk mitigation, risk criteria, reporting and monitoring.

7.2.4. Risk Culture

Culture and conduct in general play a vital role in steering a company, and specifically in adequate risk management. Both are considered standard elements in performance evaluation meetings and in annual performance objectives. SRLEV has awareness programs in place that focus on how employees hold each other accountable for their conduct and how they can escalate matters if necessary. SRLEV has five core behaviours: Client Focus, Result Driven, Immediate Execution, Take Responsibility and Change Attitude.

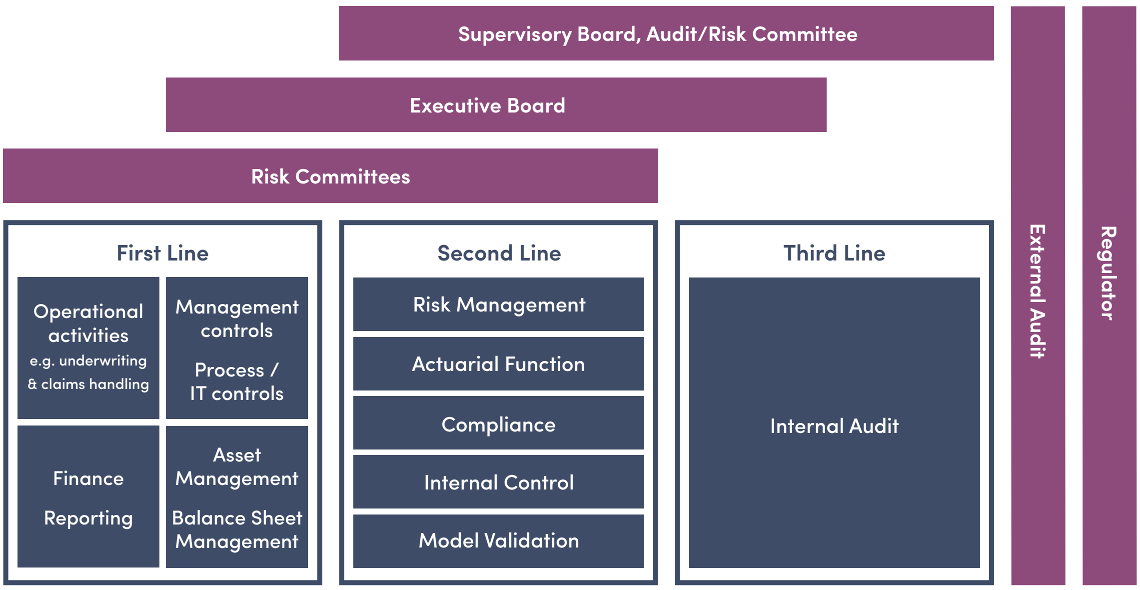
SRLEV realises that the tone at the top is defining for Risk Culture, which makes communication and exemplary behaviour determinant. SRLEV encourages an open corporate culture in which risks are to be discussed, employees feel responsible to share knowledge on risks and where (pro) active risk management is appreciated. Exemplary behaviour, the openness for discussion of dilemmas, practicability of policy and transparency are inseparably linked to an open corporate culture.

Risk Culture is also embedded in the organisation by risk management being an integral part of the organisational processes and decision making of SRLEV. Decision making is clear, explicit, and in line with the Risk Policy and Risk Appetite of SRLEV. The management teams of the Product Lines and Functional Lines promote awareness of risks and are supported by the second line departments of the Risk organisation. The management teams are responsible for ensuring that risk decisions are made in accordance with the delegated authorities, in consultation with all second line Solvency II key functions.

Furthermore, SRLEV ensures that senior management and employees on key functions at all times are fit and proper to fulfill their job. Finally, VIVATs Remuneration Policy discourages taking undesired and irresponsible risks focused on short-term profit and personal gain.

7.2.5. Risk Organisation

SRLEV implemented the “Three Lines of Defence” control model (3LoD) including the Solvency II Key Functions and a risk committee governance structure. It contributes to the strengthening of the Risk Culture, taking responsibility for managing risks and internal control, and eventually to the further optimisation and integration of the risk management.



Three Lines of Defence

First line: risk taker

Business plans are prepared in the first line. With this preparation, the first line operationalises the (risk) strategy, focusing on the primary process (i.e. underwriting, claims handling, preparing financial accounts) of the business and investment activities.

Within the policy framework and subject to internal procedures and risk limits, it is the objective of the risk taker to achieve an optimum risk/return. Consequently risks are managed by identifying, measuring, mitigating and monitoring them and report whether the risks remain within the risk appetite of VIVAT and its underlying entities, including SRLEV.

Risk Self Assessments are carried out and in combination with the ORSA, these assessments could lead to changes in the (risk) strategy. For all these activities the first line has an active role in various risk committees including the ability to demonstrate management and process controls according to the standards as set by the ICF.

Second line: risk management

The second line has a monitoring role in respect of the risk management actions and activities carried out by the first line. The second line assesses actions in the first line as well as the effectiveness of procedures by means of testing key controls, and is responsible for monitoring the overall risk profile to be in line with the risk appetite.

The second line is also responsible for formulating the Risk Management System and setting Risk Policies. The first line is responsible for the execution of these policies. The second line assesses policy compliance on a regular basis, using risk reports, reports on management and process key controls and own observations. Furthermore, the second line sets the mandates in line with the risk appetite. It also defines basic principles and preconditions for risk models and the control framework and supports central decision-making bodies. The data used, including models, assumptions and techniques, are validated periodically.

The second line risk management organisation of VIVAT, including SRLEV, is part of the Risk department, resorting under the Chief Risk Officer (CRO). This department includes the second line Financial and Non-Financial Risk departments. The CRO is member of the Executive Board.

Third line: internal audit

Audit VIVAT is the independently operating audit function: Audit VIVAT provides assurance and consulting services, helping VIVAT to accomplish its objectives by evaluating and improving the effectiveness of governance, risk management and control processes.

Audit VIVAT does not take part in determining, implementing or steering of VIVAT's risk appetite, risk management processes and risk responses. Audit VIVAT reports to the chairman of the Executive Board of VIVAT and has direct access to the Chairman of the Audit Committee of the Supervisory Board of VIVAT.

Audit VIVAT performs risk based audits on VIVAT's risk management processes, including their design and how well they are working, on the management of key risks, including the effectiveness of the controls and other activities, and on the reliability and appropriateness of risks and reporting of risk and control status. This means formulating an opinion on whether the organisation's risk management methodology is understood by key groups or individuals involved, including the Executive Board and the Audit Committee.

Further, Audit assesses whether risk management processes are sufficient to protect the assets, reputation, and ongoing operations of the organisation.

Risk Committees

In addition to the risk management organisation, VIVAT has established Risk Committees to manage risks effectively. VIVAT has established at Group level the following Risk Committees: VIVAT Risk Committee (VRC), Asset Liability Committee (ALCO), Policies Models and Assumptions Committee (PMAC), Investment Committee (IC), Operational Risk Committee (ORC VIVAT) and Product Committee (PC). The ORC VIVAT is leading for the underlying ORC MT's. In the ORC MTs, the issues regarding Operational Risk and Compliance are discussed. The PC is leading for the underlying PMP MT's (Product, Marketing, Pricing) in the Product Lines.

Key Functions

In accordance with Solvency II VIVAT recognises four Key Functions. The Functions are established on Group level and carry out activities on behalf of all insurance entities of VIVAT, including SRLEV. The CRO is the Risk Management Function Holder, the Director Financial Risk is the Actuarial Function Holder and the Director Non-financial Risk is the Compliance Function Holder. The Director Audit VIVAT is the Audit Function Holder.

The Risk Management Function (RMF) coordinates the Enterprise Risk Management Report (ERM Report), an integrated report with Key Takeaways from the three second line Key Functions (Risk Management Function, Actuarial Function and Compliance Function). Besides the major financial and non-financial risks within VIVAT it shows strategic developments and emerging risks. The ERM Report presents issues compiled on the basis of the information obtained from monitoring reports, risk dashboards, RAS, Internal Control Statements, reports by internal and external regulators, incidents and issues reported, and own assessments & perceptions. The Risk opinion is discussed in the risk committees and in EB, VRC and the Risk Committee of the Supervisory Board.

The RMF provides annually the Risk Management Function Review Report, aimed at providing a sufficient level of assurance that the Solvency II-figures, and Solvency II and IFRS sensitivities, are determined adequate and reliable. This RMF report is submitted to the VRC and the Audit Committee of the Supervisory Board.

The Actuarial Function (AF) opines on the adequacy of the Technical Provision used for IFRS-LAT and Solvency II purposes. It furthermore assesses the reliability and adequacy of Underwriting and Reinsurance programmes. The Actuarial Function Report (AFR) is submitted to the VRC and the Audit Committee of the Supervisory Board.

Regularly the RMF and the AF submit an update based on the follow-up of findings in the AFR and RMF report, supplemented with recent findings and advices. This update is part of the ERM report.

The main purpose of the Compliance Function is to support management in conducting its business operations in a controlled, honest and sound manner, and with regard to the risks which in this context are a threat to achieving the strategic objectives, obligations arising from laws and regulations, insights from social discussions and guidelines imposed by regulators. The Compliance Function provides regularly, as part of the ERM Report, a report on the most important Compliance Risks of SRLEV to the VRC and the Risk Committee of the Supervisory Board.

7.2.6. Risk Policy

SRLEV has an integrated risk management policy structure incorporated in that of VIVAT. The entire policy structure is accessible to employees through the internal policy site. The policy structure ensures the timely identification and assessment of risks and adequate monitoring and reporting of the material risks, both on board and workplace level. The Risk Policy is structured in levels, the aim is to give insight in the cascading from (Solvency II-) legislation, (second line) risk policy, corresponding processes and (first line) implementation. At least once a year the Risk Policies are assessed, adjusted if necessary and approved following regular governance.

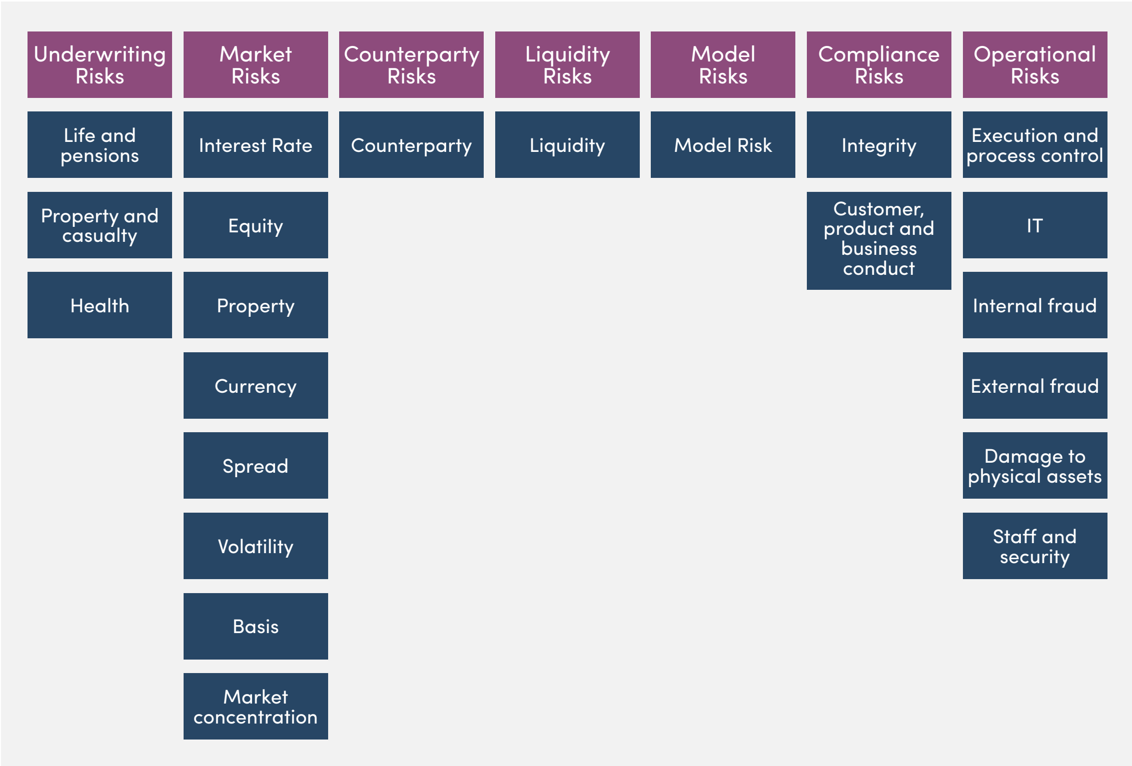
7.2.7. Risk Classification

SRLEV provides insight into the risks for the business itself and for its stakeholders to manage these risks within the indicated tolerance levels. This includes both behaviour related and financial aspects of Risk Management. To provide clarity in the communication and management of risks, the risk classification incorporates a comprehensive list of mutually exclusive risk types to which SRLEV is exposed or could be exposed to.

SRLEV has defined and structured different risk types, partly on the basis of applicable laws and regulations (such as Solvency II Standard Formula), and partly on own assessment of risks given SRLEV's risk profile. As part of its strategy, SRLEV deliberately takes Underwriting risks and Market risks aiming for returns. As a consequence, taking Counterparty risk and Liquidity risk may contribute to those returns. Compliance risk and Operational risks are inherent risks that do not provide more returns when taking more risk and have to be controlled and managed at a minimal level.

Strategic developments (governance, positioning, external developments) relate to future business developments and may eventually emerge as one of the main or sub risk types and are monitored in the Enterprise Risk Management Report. In the risk assessment on the Operational Plans several internal and external strategic development scenarios are taken into account.

SRLEV applies the Solvency II Standard Formula. Not all of the risk categories are part of the Solvency Capital Requirement (SCR) calculation. The SCR calculation does not contain Liquidity, Model and Compliance Risk. The tables below show a breakdown of the SCR of SRLEV.



Risk classification

The risk categories and the way in which they are managed, will be explained in more detail in the next paragraphs. To give more insight in the risks the company is exposed to, sensitivities are determined on best effort basis for different underwriting and market risks. For underwriting risks and spread risks the sensitivities shown are the estimated impact on own funds without recalculating the SCR after shock. For the other market risks, the sensitivities shown are the estimated impact on own funds including the estimated impact on the SCR market and life underwriting risks after shock. Furthermore, the interest rate sensitivity on counterparty default risk has been taken into account.

7.3. Risk Control

Risk Management is a continuous process of identifying and assessing risks and establishing controls. Risk management is an inextricable part of the strategy, policy, processes, procedures, operational embedding, allocation of capacity and responsibilities, and independent testing of control effectiveness. The first and second line departments have been assigned a responsibility in this process, which is supported by the Integrated Control Framework (ICF).

7.3.1. Integrated Control Framework

The Integrated Control Framework (ICF) contains a set of (management and process) controls and an analysis on operating effectiveness enabling management to adequately manage risks, following (strategic) objectives and SRLEV's risk appetite. This enables the identification of gaps in the control framework and monitoring on follow-up using an standardised approach.

The ICF forms the basis for sound and controlled operations within SRLEV and monitors Process Controls and Management Controls.

7.3.2. Process Controls and Management Controls

Optimisation of Integrated Control Framework

SRLEV considers the improvement and optimisation of the Integrated Control Framework a continuous process as the organisation develops and changes over time. After the implementation of the Integrated Control Framework (ICF) and GRC tooling in the period 2015-2017, the ICF was further strengthened in 2019 by focus on the governance, quality of risk assessments and improvement of process and control design. Progress have been made in specific areas like re-assessment process design in prioritised areas (risk control matrix and control descriptions), embedding regulatory requirements in process- and management controls (e.g. related to GDPR and Sanction/AML regulation), increase the number of automated processes and controls, broadening of testing activities by the second line, incident analysis and increased analysis and reporting possibilities in GRC tooling. Further initiatives are started to re-assess roles and responsibilities, expand the (effective) use of risk assessments within the organisation and incident reporting in relation to an open and learning environment.

Management Controls – Maturity level

Overall, during 2019, the Product Lines and Functional Liness have been able to further improve or at least maintain comparable maturity levels. Amongst others an increase was measured in maturity on Data Management (including a.o. governance and data quality in Solvency II reporting), Information Security and Product Management.

Testing of Effectiveness

The effectiveness of Process (key) Controls within SRLEV is scheduled each quarter for testing by first line management. The second line (internal control) subsequently performs independent reviews or reperformance. Management Controls (or Entity level Controls) give insight in the maturity of risk management and mitigation in the individual product- and functional lines. The standards and control objectives used relate to relevant legislation (e.g. WFT, Solvency II) and internal policies. These Management Controls are yearly subject to a self-assessment which includes documentation of evidence, followed by a second line review. The professional standards and scoping used for testing by SRLEV's first and second line are assessed by the external auditor in order to, as much as possible, make use of these testing procedures for audit purposes.

7.3.3. Risk Management Process

In this section for Underwriting Risk, Market Risk, Counterparty Default Risk and Non-financial risk the Risk Management Process is elaborated. For Liquidity Risk and Model Risk this is included in sections 7.8 and 7.9.

7.3.3.1. Underwriting Risk

SRLEV assesses new underwriting risks continuously and manages existing underwriting risks, for both new business and for the existing portfolio.

Operational Plan

Derived from the SRLEV strategy, the Operational Plan (OP) sets targets with respect to volume and value of new business and the existing portfolio. The OP describes the planned development of the insurance portfolio together with the related capital requirement for the next three years taking into account an assigned risk budget or available capital. The OP sets out in broad terms whether SRLEV wants to enter new markets, which forms of distribution will be used, whether new (forms of) insurance products will be developed, and which products will be adjusted or terminated. It also lays down possible measures relating to acceptance and the mitigation of claims.

Product Development, Pricing and Acceptance

In accordance with the OP, new or adjusted products are developed which follow the Product Approval and Review Process (PARP). Starting from the customer's interests the target group, coverage and terms and conditions are determined. This is the basis for the best estimate risk premium, taking into account options and guarantees, capital requirements and the internal pricing curve. Furthermore, criteria related to profitability and risk control measures (acceptance criteria, clauses, any reinsurance) must be met.

The Product Committee (PC), in which the Solvency II second line Key Functions are represented, is responsible for approval of new products, including the pricing. A selling product review is performed regularly, existing products follow a risk based product review calendar.

Technical Provisions

The provision is calculated monthly.A Liability Adequacy Test on the (IFRS) premium and claims reserves is performed once a quarter, or more frequently if this is deemed necessary. Any reserves that are inadequate are increased. The most recent insights as to parameters are involved. The Actuarial Function assesses the Solvency II Technical Provision and expresses an opinion on its reliability and adequacy at least once a year.

Parameter Study

For long-term policies (Life, Disability) evaluation of the underwriting parameters (e.g. mortality, lapses, disability, recovery) takes place by a parameter study. The aim of this study is to value the existing insurance portfolio and set the cost price of new Life insurance policies. Thereby relevant information on portfolio developments is taken into account.

Portfolio Analysis

Portfolio analysis is aimed at optimising risks and returns within the risk policy structure. This can lead to new strategic insights in areas such as entering new markets or terminating products. The analysis is based on the impact of underwriting risks following from various measures: SII own funds, long-term profitability, SCR and VNB. Based on the risk appetite, SRLEV mitigates underwriting risks primarily by means of diversification and reinsurance.

7.3.3.2. Market Risk

The ALM-policy covers the management of market risk, counterparty default risk and liquidity risk.

The starting point for the ALM policy is the Balance Sheet Assessment (BSA), which is drawn up annually. The BSA seeks to find an optimum between risk and return within the preconditions that apply with regards to solvency, laws and regulations. This BSA is used as a basis for defining a Strategic Asset Allocation (SAA), which is in turn used to translate specific investment activities into an investment plan and investment mandates for ACTIAM and selected other asset managers, taking into account the risk tolerances in the Risk Appetite Statements (RAS), solvency ratio, the tax position and the long-term risk exposure. When finalising the SAA, specific attention is paid to the availability of sufficient expertise in the segments in which investments are held. All investments are monitored by means of reports on performance and capital.

Investments are made in accordance with the prudent person principle and in the interest of the policyholders. The prudent person principle forms part of the ALM policy. Investments are made exclusively in assets and instruments for which the risks are properly identified, measured, monitored, managed, controlled and reported, but also comply with ESG principles.

SRLEV monitors and mitigates market risk in close cooperation with ACTIAM. For mitigation, instruments such as interest rate swaps, futures, FX forwards, interest rate swaptions and fixed income investments are used.

Sensitivity Analyses and Stress Tests

Stress tests provide information on how sensitive investments and liabilities are to interest rate risk and other market risk. These risks are quantified (and monitored) on a regular basis.

For interest rate risk several parallel and non-parallel shocks are defined. For market risk a number of combined scenarios is determined with (different) simultaneous shocks to the various sub-market risks.

These market risk scenarios are monitored and reported on a regular basis, and if deemed necessary adjustments are made to existing market risk exposures (e.g. interest rate risk). The aim is to reduce the sensitivity of the Solvency II ratio within pre-defined risk appetite levels. This evaluation is supported by metrics for yield curve risk including non-linear interest rate risk (convexity). In this way SRLEV manages interest rate risk of the Solvency II ratio.

This approach reflects the sensitivity of the entire statement of financial position (of fixed cash flows, options, risk margin and required capital) drawn up.

7.3.3.3. Counterparty Default Risk

Besides the calculation of SCR Counterparty Default Risk, SRLEV has developed a complementary Counterparty Risk Policy for internal use. This risk is measured in terms of Stress Loss (SL) and Loss At Default (LAD) derived thereof and encompasses all instruments/exposures with credit exposures that are in scope for SCR Credit Spread, SCR Concentration Risk and SCR Counterparty Default Risk. Appropriate internal SL and LAD limits have been incorporated in the ALM policy and must be adhered to.

SRLEV uses the methodology set out in the internal Counterparty Risk Policy to aggregate and monitor all counterparty exposures to various types of counterparties, such as (sub)sovereigns, financials and corporates on the individual counterparty basis. Monthly Counterparty Risk reports are generated and discussed by the Investment Committee for SRLEV.

SRLEV manages counterparty default risk within the set frameworks. Investments may have to be sold when deemed necessary. Risk mitigating contracts or clauses are drawn up in cooperation with ACTIAM and Legal Affairs. The counterparty default risk at SRLEV is measured by the exposure to individual parties and, as the case may be, aggregating exposures with similar characteristics.

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

7.3.3.4. Non-financial Risk

In managing non-financial risks (Compliance risks and Operational risks, see section 7.9) SRLEV follows the risk management process as described below. The Risk Control Framework consists of five key tasks.

Risk identification

SRLEV systematically analyses Compliance and Operational Risks in order to make the risks transparent. This will enable SRLEV to control and manage its exposure within the risk tolerance limits in an efficient way. Risk identification is performed through risk assessments and, top-down and bottom-up risk analysis

Risk measurement

SRLEV uses a methodology to measure its operational risks based upon the combination of the likelihood of occurrence and the impact upon occurrence of the risk. This methodology is referred to as the risk rating procedure. The risk rating procedure is an assessment of the risk exposure SRLEV is facing at a certain moment in time, and an approach to assess the needs for controls, corrective actions and/or additional controls.

Risk mitigation

NFR supports and challenges the first line in the recognition and mitigation of Non-Financial Risks. For this, it carries out research, monitors control measures and informs management. This includes an integrated incident overview, the Non-Financial Risk Appetite KRI scores, and the effectiveness of management and process controls to draw attention to relevant issues in the field of internal control. NFR facilitates the business in training & awareness on Compliance and Operational Risks.

Risk monitoring

The objective of risk monitoring is to ensure that the internal control over the business processes remain effective and within the risk tolerance. Controls are designed to detect shortcomings in the control over processes. This is assessed through regular testing of the first line. Internal Control assesses through its monitoring activities whether the test results provide a reliable basis for the assessment of the level of control. NFR also monitors the progress of the implementation of laws and regulations and also on design, existence and operational effectives of the first line responsibility to implement laws and regulations.

Risk Reporting

In line with the VRC frequency NFR reports developments in non-financial risks and own observations in a Non-Financial Risk report, which provides a comprehensive overview of the major Non- Financial Risks and incidents within SRLEV. The Non-Financial Risk report is combined with the Financial Risk, Model Risk and Actuarial Function reports into the Enterprise Risk Management Key Take Aways.

Developments

In 2019 SRLEV has focused on new opportunities and sustainability towards our clients. The strategic ambition to become an innovative insurer has led to several initiatives in products, services, methodologies and processes. This dynamic and change oriented environment, the announced strategic reorientation of Shareholder, new and changed legislation, combined with a continued focus on cost reduction and revenue models could influence operational and compliance risks. These risks are addressed, managed and monitored within the SRLEV risk framework to maintain a sound and controlled organisation.

7.4. Capital Management

7.4.1. Definition

Capitalisation refers to the extent to which SRLEV has buffer capital to cover unforeseen losses and to achieve the strategic objectives of the company. SRLEV manages its capitalisation within limits set in the Risk Appetite Statements. Annually target setting happens in the Operational Plan culminating in a Capital & Funding Plan. Monthly and quarterly forward looking monitoring enables SRLEV taking timely action if capitalisation would deteriorate. SRLEV assesses its capitalisation regularly with respect to level and quality in the ORSA and with respect to risk / return in the Balance Sheet Assessment.

7.4.2. Capital Policy

SRLEV aims for a robust and strong capital position in accordance to its risk profile, which contributes to both the confidence that clients have in the institution and access to financial markets. SRLEV deems a solvency ratio between 140% and 200% as a business as usual level. The objective of the Capital Policy is to ensure that there is sufficient capital to fulfill obligations towards policyholders and meet requirements. The available capital of SRLEV has to meet internal risk appetite standards as well as external requirements of regulators, rating agencies and also includes commercial considerations. Capitalisation generally refers to the relationship between risk-bearing activities and available regulatory capital (own funds). The second objective of the Capital Policy is to ensure that capital is used as efficiently and flexibly as possible to facilitate the implementation of SRLEV's strategy.

A preparatory crisis plan exists which describes the procedure that applies in a contingency situation. A contingency situation is a situation in which a capital deficit arises, or threatens to arise, that poses a direct threat to the going concern of SRLEV. In its Risk Appetite, SRLEV has defined specific triggers that determine whether a contingency situation exists. The emphasis of these triggers is on capital metrics and these are linked to governance and management measures. SRLEV's Capital Policy forms the basis for lower level policies, process descriptions and procedures.

Management uses the Operational Plan, Capital and Funding Plan, Balance Sheet Assessment, Risk Dashboards, ORSA, Preparatory Crisis Plan and Financial Risk Reporting for managing the capital position. The Capital and Funding Plan describes the medium-term activities relating to capital and funding, including a five-year solvency forecast. The Capital and Funding Plan is based on the Operational Plan as supplied by the underlying Product Lines.

7.4.3. Regulatory Framework

Solvency II is a risk-based regime consisting of three pillars. Pillar 1 regulates the capital requirements. Insurers should be capitalised adequate to their risks. Therefore, this pillar introduces two risk weighted measures: the Minimum Capital Ratio (MCR), and the Solvency Capital Ratio (SCR). Pillar 2 demands an adequate level of risk management and governance. Pillar 3 establishes standards of transparency.

7.4.4. ORSA

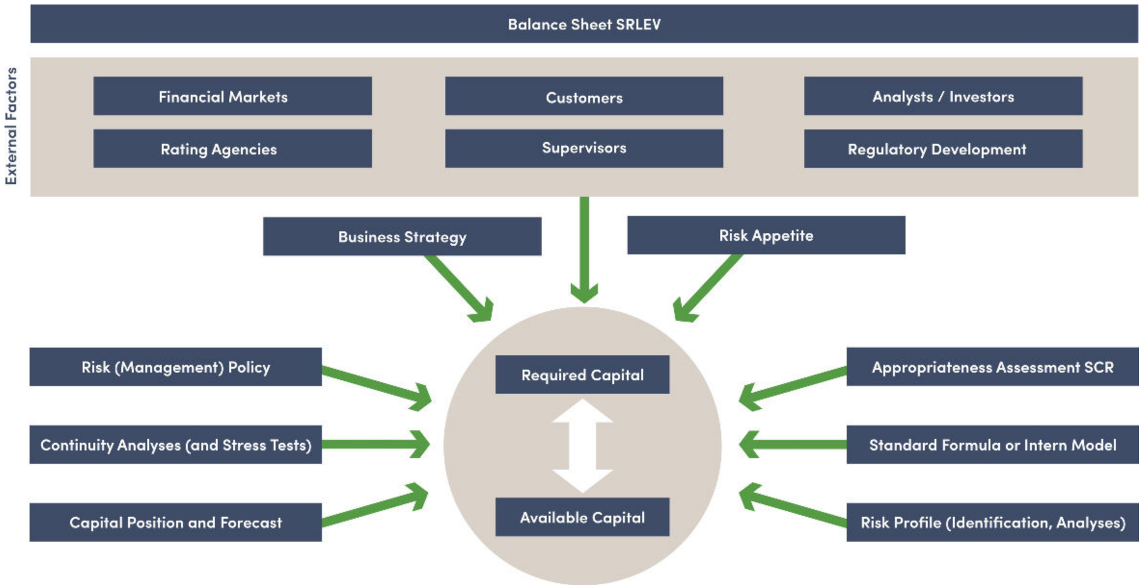
As part of its risk-management system SRLEV conducts its own risk and solvency assessment (ORSA). That assessment includes:

- the overall assessment of solvency taking into account the specific risk profile, approved risk tolerance limits and the business strategy of SRLEV;
- the significance in which the risk profile of SRLEV deviates from the assumptions underlying the SCR calculated with the standard formula.

The ORSA is an integral part of SRLEV's management control cycle and is filed with the regulator.

7.4.4.1. ORSA Process

The ORSA considers external factors, the business strategy, future developments, the risk profile and risk appetite to assess the amount and quality of capital. An overview is shown in the figure below.



ORSA Process

The ORSA is performed annually for all entities of VIVAT including SRLEV and if any significant change in its risk profile occurs. The Executive Board is owner of the ORSA and actively involved. The appropriateness of the risk measurement is assessed and adequacy of capital is tested against a range of stressed scenarios thereby considering the possible effect of management actions.

7.4.4.2. Scenario Tests and Mitigating Action

An extensive risk identification process takes place. The identified risks are subject to a range of stress scenarios, which are severe but plausible, to test the financial position of SRLEV. This is in contrast to the Preparatory Crisis Plan, in which the scenarios should be severe enough to create a direct threat to the going concern of SRLEV.

For all scenarios in the ORSA mitigating management actions have been assessed.

7.4.4.3. Main Conclusions

The ORSA concludes that SRLEV's risk profile is well reflected in the SCR standard formula and Solvency is adequate. Risks that are out-of-scope of the standard formula have been identified in risk assessments, examined in stress scenarios and mitigated by managerial actions. The quality of SRLEV’s capital is good, refinancing of a limited part of SRLEV’s loans is only due in 2024. VIVAT and her insurance entities, in particual in this case SRLEV, complies with capital requirements and substantial liquidity and a Revolving Credit Facility is available to recover from stress. SRLEV’s re-risking plans would further improve capital generation and support the capital position going-forward, while reducing spread volatility by moving to an asset mix more in line with VA reference portfolio.

7.4.5. Preparatory Crisis Plan

On 1 January 2019, the new law on Recovery and Resolution of insurers (*Wet herstel en afwikkeling van verzekeraars*) came into force in The Netherlands. As a result of this law, SRLEV has established a Preparatory Crisis Plan. In a Preparatory Crisis Plan an insurance group identifies its core businesses and sets out the possible key recovery measures to be taken in a situation of financial distress. The Preparatory Crisis Plan includes early warning indicators for emerging crises, a crisis management governance framework and the management actions SRLEV has at its disposal in a crisis situation to maintain its core businesses viable for the future. The effectiveness of the management actions is evaluated using different stress scenarios.

7.4.6. Capital Position

In 2019 as part of VIVAT’s strategy to achieve profitable growth for our company, SRLEV remained focused on improving capital generation. For example, by increasing the exposure to market risks (re-risking), by improving the business contribution (the Value New Business) and by further optimising the risk profile (by Balance Sheet Management initiatives) taking into account the Risk Appetite.

SRLEV’s Solvency II ratio decreased from 188% at year-end 2018 to 163% at year-end 2019. This decrease was mainly driven by a decrease of the Volatility Adjustment ("VA") from 24bps to 7bps, which had negative impact of 28%-point on the Solvency II ratio. This movement is partly offset by an insurance parameter investigation that led to adjustments in parameters that had beneficial results on mortality and lapse.

SRLEV has a more conservative asset portfolio compared to the VA reference portfolio. Furthermore, the spread duration of the asset portfolio excluding interest rate derivatives is shorter than the liabilities. As a result, the impact of the VA on the liabilities valuation was only offset for a small part by an increase in spread assets value. The combined negative impact on the Solvency II ratio is about 27%-points.

SRLEV hedges the Solvency II ratio for interest rates movements: when the interest rates decrease, Own Funds increase to offset the impact of an increase in the SCR. Although SRLEV hedges the Solvency II ratio for interest rates movements, the Solvency II ratio was slightly tilted to interest rate downward movement but well within the Risk Appetite Statement boundaries of SRLEV. As of June the exposure has been reduced to limit further downward exposure. As a combined result, the Solvency II ratio decreased by 12%-points during the year.

SRLEV yearly investigates underwriting parameters assumptions that are used in determining the liabilities. This year the assumption update following the investigation has led to a significant beneficial impact, leading to an increase of the Solvency II ratio of 15%. The update consisted mainly of an impact of 11% for changing the experience mortality assumptions and 4% for the lapse assumptions.

The capital generation of 1% during 2019 was supported by new business and re-risking initiatives, but it was hampered mainly by an increase in the UFR drag due to the decrease in interest rates.

In December 2019 SRLEV increased the quota share percentage on the longevity reinsurance transaction it entered in 2018 from 70% to 90%. This had a positive impact on the Solvency II ratio of 4%-point. However, this is cancelled out by other one-time items, like the 15bps UFR decrease.

Solvency II Ratio

SRLEV produces all regulatory reports that are mandatory under the Solvency II legislation. These comply to guidance notes on the interpretation of Solvency II as published by the supervisory authorities EIOPA and DNB.

For internal purposes, SRLEV calculates the Solvency II position on a quarterly basis and updates monthly this position in the intervening months. SRLEV calculates its position under Solvency II using the standard formula, applying the Volatility Adjustment (VA) and thus making use of the possibility of applying long-term guarantee measures. SRLEV does not apply the Matching Adjustment. The required and available capital (own funds) under Solvency II are determined on the basis of information at year-end. The yield curve used, including the Ultimate Forward Rate (UFR), Credit Risk Adjustment (CRA) and VA, is published by EIOPA.

EIOPA yearly re-calculates the UFR in accordance with the methodology to derive the UFR. For the euro the calculated target UFR for 2020 is 3.55%. As the UFR for the euro was 3.90% in 2019 and the annual change of the UFR is according to the methodology limited to 15 basis points, the applicable UFR is 3.75% in 2020. That UFR is for the first time applicable for the calculation of the risk-free interest rates of 1 January 2020.

Under Solvency II, capital is called 'eligible own funds' and is divided into three tiers. These tiers reflect the ability to absorb capital losses, with Tier 1 being the highest capital quality (which can be further split in restricted and unrestricted Tier 1 capital) and Tier 3 the lowest. SRLEV does not have 'ancillary own funds' (such as letters of credit and guarantees) which require supervisory approval.

The classification of the hybrid capital of SRLEV (outstanding on 31 December 2019) into Tier 1 and Tier 2 capital is based on the transitional measures contained in the level 1 regulations, and aligned with DNB.

Contingent liabilities - Under Solvency II, SRLEV has not measured the contingent liability relating to unitlinked policies in calculating the own funds as no reliable estimate can be made of the outcome. This is consistent with the measurement under IFRS.

The following table shows the breakdown of the eligible own funds, starting from shareholders' equity:

Breakdown Own Funds

In € millions	2019	2018
Shareholders' equity	3,410	3,128
Reconciliation IFRS-Solvency II	-310	188
Capital Subordinated Loan	-265	-265
Subordinated liabilities	1,071	1,067
Total available own funds	**3,906**	**4,118**
Tiering restriction	-209	-118
Total eligible own funds	**3,697**	**4,000**

The following items result in differences between IFRS shareholders' equity and Solvency II own funds.

Reconciliation IFRS-Solvency II

The reconciliation encompasses the following significant differences in measurement under Solvency II and under IFRS:

- Technical provisions – Under Solvency II the technical provisions (including provisions for saving mortgages) are measured using Solvency II parameters, taking into account current market estimates. Under IFRS a liability adequacy test on the technical provision is performed, if the carrying amount of the technical provision is inadequate, the provision is increased. With respect to economic parameters used, there are differences regarding the interest rate curve and the cost of capital. The difference in the interest rate curves decreased, due to the VA decrease that is applicable for SII and not for IFRS, is a main driver for the development of the reconciliation of IFRS and Solvency II. The diffence now mainly stems from the difference in cost of capital.
- Deferred Tax Assets – Due to differences in the valuation of assets and liabilities the resulting DTA position is different.
- Reinsurance Recoverable / Technical Provision – In Solvency II the re-insurance recoverable of the longevity reinsurance contract is presented separately on the balance sheet. Under IFRS the reinsurance recoverable is presented under the Technical provision. Mainly due to differences in the effects to the risk margin the impact for IFRS is more negative than Solvency II Eligible Own Funds.

Subordinated Liabilities

Under Solvency II the available own funds include subordinated debt including accrued interest with regard to this debt. The subordinated liabilities are determined based on own credit standing (credit spread determined at pricing date).

Tiering Restriction

The use of own funds of different tiers is subject to certain limits under Solvency II. These limits are related to the required capital or Tier 1 capital, and is applied to define the Eligible Own Funds. These limits cause a difference between the Available Own Funds and the Eligible Own Funds.

For SRLEV the tier 3 restriction remained applicable during 2019. Tier 3 consists of net DTA position restricted to maximum of 15% of SCR. Ineligible own funds increased from €118 million at year-end 2018 to €209 million at year-end 2019 due to higher net DTA position, mainly driven by a decrease of the Volatility Adjustment and the announced increase in the Dutch corporate income tax rate.

Breakdown tiering

	Tier 1		Tier 2	Tier 3	Total
In € millions	Unrestricted	Restricted			
Eligible own funds to meet the SCR 2019	2,285	365	706	341	**3,697**
Eligible own funds to meet the SCR 2018	2,614	360	707	319	**4,000**

The table below shows the eligible own funds, the Solvency Capital Requirement and the resulting Solvency II ratio.

Solvency II Ratio

		SRLEV
In € millions/percentage	2019	2018
Total eligible own funds	3,697	4,000
SCR	2,275	2,127
Solvency II ratio	163%	188%

Development Solvency Ratio

The development in 2019 of the solvency ratio is explained by the analysis of change as presented in the graphs below. The movement consists of the categories Capital Generation, Capital Effects, Market Impacts, One-time items, Tax and Tiering effects and Miscellaneous Movements.

Capital Generation is defined as the change of eligible own funds caused by (organic) capital generation due to expected asset return, Value New Business, release of Risk Margin and unwinding of the UFR.

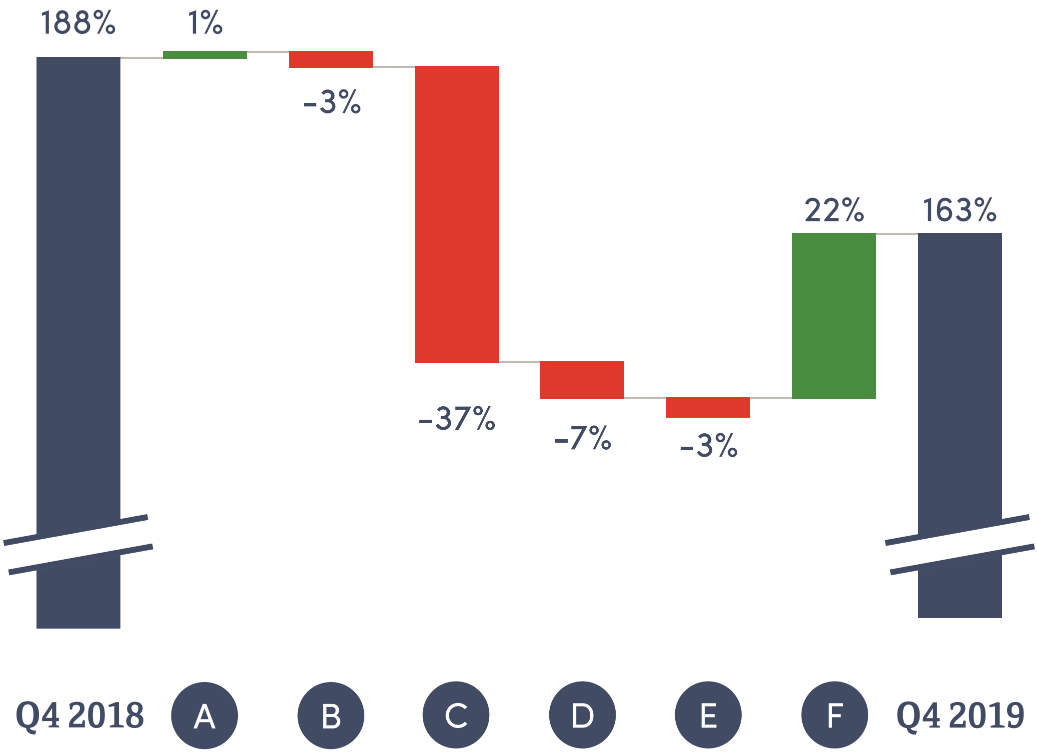
In Capital Effects the effects to capital are shown (i.e. coupon payments to subordinated loans, (Restricted) Tier 1 and Tier 2 capital issuances, Tier 1 capital injection).

In Market Impacts the impact of economic variance to the asset and liability return is taken into account (e.g. spread and interest rate movement). Next to these movements, also the change caused by the Volatility Adjustment is taken into account.

One-time items show the impact of events like changes in coverage of the longevity reinsurance contract, the UFR decrease, Balance Sheet Management actions like re-risking impact and changes in models.

Changes of Tax and Tiering constitute movement in the DTA/DTL due to movement in the fiscal position, changes in corporate income tax rate and the change in ineligible own funds. Furthermore, the movement in the Loss Absorbing Capacity of Deferred Taxes is taken into account.

Miscellaneous Movements consist mainly of changes in insurance parameters (including expense), insurance results, as well as other business developments. It also contains the regular development (run-off development and new business) of the SCR.



Analysis of Change Solvency Ratio

The Solvency II ratio from SRLEV decreased from 188% to 163% in 2019. The main drivers of this movement are:

A) Capital Generation (+/+1%)

SRLEV is actively steering to improve organic capital generation amongst others by optimising its risk profile and re-risking. Re-risking will also decreasing spread volatility by better matching the Volatility Adjustment. The capital generation of 1% during 2019 was supported by improved business contribution and re-risking initiatives, but is hampered by increased UFR unwind impact due to the sharp decrease in interest rates.

B) Capital Effects (-/-3%)

The decrease of the Solvency II ratio is due to coupon payments on subordinated loans.

C) Market Impacts (-/-37%)

The decrease in Solvency II ratio is mainly explained by the sharp decrease in Volatility Adjustment from 24 bps to 7 bps, which had a negative impact of 28%-point on the Solvency II-ratio.

SRLEV has a more conservative asset portfolio compared to the VA reference portfolio. Furthermore, the spread duration of the asset portfolio excluding interest rate derivatives is shorter than the liabilities. As a result, the impact of the VA on the liabilities valuation was only offset for a small part (+/+1%) by an increase in spread assets value.

SRLEV hedges the Solvency II ratio for interest rates movements: when the interest rates decrease, Own Funds increase to offset the impact of an increase in the SCR. Although SRLEV hedges the Solvency II ratio for interest rates movements, it was slightly tilted but well within the Risk Appetite Statement boundaries of SRLEV, resulting in the Solvency II ratio being lightly exposed to interest rate downward movement. The exposure has been reduced to limit further downward exposure. As a combined result, the Solvency II ratio decreased by 12%-points year to date.

D) One-time Items (-/-7%)

One-off items had a negative impact of 7%-point on the Solvency II ratio, mainly due to the UFR decrease from 4.05% to 3.90%, refinements in models (e.g. investment expenses) and Balance Sheet Management initiatives including interest rate hedge adjustments and an increased re-insurance cover for the indemnity reinsurance contract to transfer longevity risk.

E) Tax and Tiering Effects (-/-3%)

Tiering Effects had a negative impact on the Solvency II ratio, partly offset by fiscal movements and movements in the LAC DT position.

F) Miscellaneous Movements (+/+22%)

The most important driver of the increase in Solvency II ratio are changes in underwriting assumptions. Furthermore, mixed portfolio movements (including cross effects) are included in this category.

SRLEV yearly investigates underwriting parameters assumptions that are used in determining the liabilities. This year the assumption update following the investigation has led to a significant impact, leading to an increase of the Solvency II ratio of 15%. The update consisted mainly of an impact of 11% for changing the experience mortality assumptions and 4% for the lapse assumptions. The change in mortality experience figures was mainly supported by a model refinement for term insurance portfolio and by using internal experience mortality data for pension traditional instead of external (as data showed external data did not fit sufficiently). The lapse parameter update (4%) was mainly due to prepayment changes for mortgages and decreased lapse assumptions for individual unit linked.

7.4.7. Risk Profile

Solvency Capital Requirement

In € millions	2019	2018
Life underwriting risk	1,468	1,358
Market risk	1,060	1,028
Counterparty default risk	206	148
Diversification	-646	-585
Basic Solvency Capital Requirement	**2,088**	**1,949**
Operational risk	187	178
Loss-absorbing capacity of technical provisions	-	-
Loss-absorbing capacity of deferred taxes	-	-
Net Solvency Capital Requirement	**2,275**	**2,127**

The main risk profile changes in 2019 for SRLEV relate to changes in life underwriting risk (higher longevity risk and life expense risk due to lower interest rates partly reduced by increase in Quota Share percentage of the longevity reinsurance contract).

Changes in the item Diversification is the result of changes in the underlying risk modules. Not all risks will materialise at the same time and at their full magnitude resulting in diversification between different risk types.

Interest rate shocks can also have an impact on the Loss-absorbing capacity of technical provisions (LAC TP). Article 83 of the Delegated Regulations requires to report this impact separately from the SCR Interest rate scenario.

When determining the Solvency II capital ratio, the loss absorbing capacity of deferred tax assets may be set off against the SCR. SRLEV has examined whether, following a loss of the same scale as the (pre-tax) SCR shock, future fiscal profits will be sufficient to be able to recover, partially or fully, the change in deferred tax asset created by that loss. The Loss Absorbing Capacity of Deferred Taxes in the SCR is 0% for SRLEV. The net Deferred Tax Asset on the balance sheet of SRLEV as at 31 December 2019 is valued at 100% under IFRS and Solvency II.

The risk categories and the way in which they are managed, will be explained in more detail in the next paragraphs. To give more insight in the risks the company is exposed to, sensitivities are determined on best effort basis for different underwriting and market risks. For underwriting risks and spread risks the sensitivities shown are the estimated impact on own funds without recalculating the SCR after shock. For the other market risks, the sensitivities shown are the estimated impact on own funds including the estimated impact on the SCR market and life underwriting risks after shock. The impact of interest rate sensitivity on SCR counterparty default risk has been taken into account.

7.5. Underwriting Risk

7.5.1. Risks - General

The underwriting risk is the risk that the own funds, earnings or solvency will be threatened as a result of the inability to make payments (either now or in the future) from premium and/or investment income owing to incorrect and/or incomplete assumptions (mortality, longevity, disability, claims, policy holders' behaviour, catastrophes, interest and expenses) used in the development of the product and the determination of its premium. A distinction is made between Life (including Pensions) and Disability. The interest rate risk related to insurance products forms part of the market risk.

7.5.2. Life

7.5.2.1. Risk Categories

The underwriting risk in the Life business includes the significant sub-risk categories of mortality risk, longevity risk, lapse risk, catastrophe risk and expense risk. It can also include disability and recovery risk to a limited degree. SRLEV is also exposed to interest rate risk in the context of guarantees for both IFRS and Solvency II.

Mortality Risk and Longevity Risk

The risk most typically associated with Life insurance policies is mortality and longevity risk. These risks mainly affect the duration and timing of the payment of the insured cash flows. Mortality risk indicates the risk for the company of the policyholder dying earlier than expected. In the case of a life benefit, the mortality risk for SRLEV is that the policyholder lives longer than expected (longevity risk). The financial impact of the difference between the date the policyholder is expected to die and the actual date of death can be substantial, particularly in the case of longevity risk.

To forecast the survival probabilities of the entire population, SRLEV uses the model published by the Netherlands Actuarial Association (Projection table AG2018) which combines mortality rates of several European countries with those of The Netherlands. The probabilities are reviewed at least once a year and updated if necessary to include the most recent observations. Once a year SRLEV also reviews and if required updates the empirical figures for portfolio mortality on the basis of research into observed mortality within the Life portfolio.

Disability-morbidity Risk

Other underwriting risks that affect the Life insurance portfolio is the risk of being (partly) incapacitated for work for a period or on a permanent basis. The financial impact is mostly dependent on the age, the sum insured and the disability percentage of the policy holder.

Lapse Risk

Other underwriting risks that affect the Life insurance portfolio are risks associated with policyholders' behaviour, such as early surrender (the policyholder terminates the policy before the maturity date) or conversion to a paid-up status (the policyholder terminates the regular premium payment before the maturity date).

Life Expense Risk

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

SRLEV uses a 'moderate going concern' assumption in its models. This means that it takes into account portfolios that decline in size owing to growth from new policies failing to keep pace with the expiry of existing policies. As a result, it will be harder to spread fixed costs over a declining total number of policies. This assumption is reflected in the projection parameters for the technical provision.

Revision Risk

This risk is not present in the portfolio, the effect of the shock is set to 0.

Life Catastrophe Risk

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

Interest Rate Guarantee Risk

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

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

The following table indicates which risks are associated with specific products for the Life insurance portfolio of SRLEV.

Products in the Life insurance portfolio (Solvency II)

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

[1] Partly company profit-sharing
[2] In some insurance guaranteed minimum yield applies at maturity
[3] End of contract date contract contributory is not mandatory

7.5.2.2. Life Insurance Portfolio

The Life insurance portfolio contains individual (Individual Life) and Group insurance (Life Corporate) policies.

Individual policies are sold as policies with a fixed sum insured and policies with a benefit in units (unit-linked and universal life insurance). The traditional products were sold without or with profit sharing. The unit linked policies are without or with guarantees.

The Individual Life insurance portfolio mainly consists of unit-linked insurance policies, savings mortgage policies, endowments and other savings policies, term life policies, funeral policies and Life annuity insurance policies providing regular payments for a fixed period or for the remainder of the holder's life.

The Life Corporate portfolio consists of both traditional contracts where the investment risk is borne by the insurer, investment insurance (unit linked and universal life) and separate accounts, where the investment risk is borne by the customer. The separate accounts have an interest guarantee whereby at the current low interest rates this option has value for the customer.

The total portfolio is spread over policies with mortality risk and policies with longevity risk.

SRLEV sells individual Life insurance policies and annuities in the retail and SME markets in the Netherlands. With respect to new business, the focus in 2019 is primarily on annuities and term life. These are sold via the labels Reaal and Zwitserleven by intermediaries and through direct channels.

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

The next table provides an overview of the product portfolio.

Scope of various insurance categories

	Gross premium income		Sum insured		Technical provision for insurance contracts[1]	
In € millions	2019	2018	2019	2018	2019	2018
Traditional insurance policies	578	630	65,001	67,912	10,155	10,858
Individual insurance policies in investment units	181	213	75,660	80,063	4,395	4,208
Total Individual Life	**759**	**843**	**140,661**	**147,975**	**14,550**	**15,066**
Traditional insurance policies	288	321	2,170	2,353	3,478	3,436
Group insurance policies	251	442	17,906	17,017	12,646	12,257
Group insurance policies in investment units	547	497	45,700	41,909	9,528	8,176
Total Life Corporate	**1,086**	**1,260**	**65,776**	**61,279**	**25,652**	**23,869**
Total	**1,845**	**2,103**	**206,437**	**209,254**	**40,202**	**38,935**

1 The technical provision for insurance contracts is exclusive Results on allocated investments and interest derivatives, Profit-sharing and LAT deficit.

Breakdown of various insurance policies

In € millions	Gross premium income 2019	Gross premium income 2018	Sum insured 2019	Sum insured 2018	Technical provision for insurance contracts[1] 2019	Technical provision for insurance contracts[1] 2018
Term insurance	181	187	66,446	66,314	600	591
Pure endowment	26	39	2,134	2,438	1,441	1,487
Endowment	379	403	14,985	16,989	8,176	8,858
Funeral insurance	20	21	1,499	1,529	811	802
Deferred annuities and survivor annuities	177	270	13	12	7,464	7,224
Annuity payments	312	451	–	–	7,668	7,468
Supplementary coverage	22	22	–	–	119	121
Traditional insurance policies	**1,117**	**1,393**	**85,077**	**87,282**	**26,279**	**26,551**
Individual insurance policies in investment units	181	213	75,659	80,063	4,395	4,208
Group pure endowments	467	414	6,947	5,616	7,060	5,690
Group endowments	2	4	1,174	1,421	439	424
Group deferred annuities and survivor annuities	18	21	–	–	1,396	1,359
Group annuity payments	6	5	–	–	553	602
Other group insurance policies	54	53	37,580	34,872	80	101
Insurance policies in investment units	**728**	**710**	**121,360**	**121,972**	**13,923**	**12,384**
Total	**1,845**	**2,103**	**206,437**	**209,254**	**40,202**	**38,935**

1 The technical provision for insurance contracts is exclusive Results on allocated investments and interest derivatives, Profit-sharing and LAT deficit.

Co-insurance Life

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

7.5.2.3. Life Reinsurance

The insurance business has a largely integrated reinsurance programme for the life portfolio. For 2019, the catastrophe reinsurance contract for life was concluded as an umbrella cover for the different sub portfolios together, with a cover from € 15 million up to € 90 million. For 2020 this catastrophe reinsurance cover has been split into two separate reinsurance covers for the different legal entities for life. This concerns a life catastrophe reinsurance cover for SRLEV NV and Proteq Levensverzekeringen NV, which still amounts from € 15 million up to € 90 million. Besides this catastrophe reinsurance cover, the individual disability risks remain reinsured through a surplus reinsurance with a retention of € 1.5 million sum at risk per insured.

As per year end 2018, after a thorough and intensive investigation regarding the risk mitigation of longevity risk, SRLEV transferred part of the longevity risk through a full indemnity-based Quota Share reinsurance treaty. In 2019, SRLEV has increased the percentage of the Quota Share from 70% to 90% with the objective to keep the remaining longevity risk in line with SRLEV's internal risk appetite. The impact has been reflected in the 2019 SCR calculations.

7.5.2.4. SCR Life Risk

The table below shows the SCR of the underwriting risk Life. In these calculations only the policies which are negatively affected by these sensitivities are taken into account.

SCR Life underwriting risk

In € millions	2019	2018
Mortality risk	232	239
Longevity risk	939	825
Disability-morbidity risk	18	18
Lapse risk	325	357
Life expense risk	591	533
Revision risk	-	-
Life catastrophe risk	214	206
Diversification	-851	-820
SCR Life underwriting risk	**1,468**	**1,358**

The SCR for life underwriting risk increased mainly due to an increase of the longevity risk and life expense risk due to decrease in interest rate, VA (from 24 bps to 7 bps) and UFR (from 4.05% to 3.90%) partly offset by increase of coverage of our Quota Share longevity reinsurance by lowering the retention from 30% to 10%.

Mortality risk

The capital requirement for life mortality risk is equal to the loss in basic own funds resulting from an instantaneous permanent increase of 15% in the mortality rates used for the calculation of the technical provisions. The increase in mortality rates will apply only to insurance policies for which the increase in mortality rates leads to an increase in technical provisions, without risk margin, being the best estimate provision.

Longevity Risk

The capital requirement for life longevity risk is equal to the loss in basic own funds resulting from an instantaneous permanent decrease of 20% in the mortality rates used for the calculation of the technical provisions. The conditions for the calculation are exactly the same as those specified in relation to life mortality risk, although in this case it concerns an increase in the best estimate provision in the event of a falling mortality rate. The groups whom this concerns will generally be those that are not affected by the life mortality risk.

Disability-morbidity risk

The capital requirement for disability-morbidity risk is equal to the loss in basic own funds resulting from the following combination of instantaneous permanent changes:

- an increase of 35% in the disability rates which are used in the calculation of technical provisions in the following 12 months;
- an increase of 25% in the disability rates which are used in the calculation of technical provisions in all months thereafter;
- a decrease of 20% in the rehabilitation rates for the calculation of the technical provision for all years.

The shock on disability applies to both the first year as well as risk after the first year and has impact on the Life portfolio.

Lapse risk

The capital requirement for life lapse risk is equal to the largest of the following capital requirements:

- The capital requirement for the risk of a permanent increase in lapse rates. This is equal to the loss in basic own funds of insurance and reinsurance undertakings that would result from an instantaneous permanent increase of 50%.
- The capital requirement for the risk of a permanent decrease in lapse rates. This is equal to the loss in basic own funds of insurers and re-insurers that would result from an instantaneous permanent decrease of 50%.
- The capital requirement for mass lapse risk. This is equal to the loss in basic own funds that would result from a discontinuance of 40% of the policies.

At year end 2019, the mass lapse risk is leading for SRLEV. At year end 2018, the risk of decrease in lapse rates was leading.

Life expense risk

The capital requirement for life-expense risk is equal to the loss in basic own funds that would result from the following combination of instantaneous changes:

- an increase of 10% in the amount of expenses taken into account in the calculation of the technical provisions;
- an increase of 1 percentage point in the cost-push inflation rate (expressed as a percentage) used for the calculation of the technical provision.

The above shock is applied to all SRLEV's continuing operating expenses. Only the 10% increase is applied on the management fee of the investment portfolio, because these expenses are not sensitive to inflation.

Revision risk

This risk is not present in the portfolio, the effect of the shock is set to 0.

Life catastrophe risk

The capital requirement for life catastrophe risk is equal to the loss in basic own funds resulting from an instantaneous permanent increase of 0.15 percentage points to the mortality rates in the following twelve months.

The increase in mortality rates will apply only to insurance policies for which the increase in mortality rates leads to an increase in technical provisions, without risk margin, being the best estimate provision.

Sensitivities

The value of the Life insurance portfolio is sensitive to changes in the underwriting parameters used for calculating the market value of liabilities. In order to obtain information on these sensitivities, the effects of changes in mortality rates, surrender rates (including conversions to non-contributory policies) and expense assumptions, including inflation, are calculated separately. The most material items have been disclosed.

The key sensitivities of IFRS equity and the Solvency II ratio to changes in the underwriting parameters are the sensitivities to longevity risk and expenses. Due to the long term nature of the Life insurance portfolio these sensitivities are sensitive for interest rate movements.

The Solvency II ratio sensitivities for underwriting parameters are based on the estimated impact on own funds without recalculating the SCR after shock.

Sensitivity as a result of changes in underwriting parameters

	IFRS net result		IFRS shareholders' equity		Solvency II ratio	
In € millions	2019	2018	2019	2018	2019	2018
10% increase in surrender rates (including non-contributory continuation)	17	37	17	37	2%	2%
10% lower mortality rates for all policies (longevity risk)	-223	-175	-223	-175	-12%	-10%
10% increase in expenses assumptions + 1% increase in inflation	-462	-422	-462	-422	-26%	-25%

For SRLEV, the sensitivities of underwriting parameters in general increased due to decreased interest rates, VA and UFR. In the longevity sensitivity, this is partly offset by the increase of the coverage of the Quota Share re-insurance contract. The surrender rate sensitivity decreased due to an insurance parameter update.

7.6. Market Risk

7.6.1. Risks - General

Market risks can potentially have a substantial financial impact on the value of the assets and liabilities of the insurance business. Unfavourable changes in market conditions have an impact on SRLEV's earnings and/or own funds. To manage the mismatch between the assets and liabilities an ALM (Asset and Liability Management)-framework is in place. This framework is designed to bring about an investment strategy that optimises the relationship between risks and returns. The framework also ensures that SRLEV's operations remain within the boundaries of its risk appetite.

The market risk is the risk arising from changes in the level or volatility of market prices of financial instruments which have an impact of the value of the assets and liabilities of SRLEV. The ALM-framework aims to properly reflect the structural mismatch between assets and liabilities, with respect to the duration thereof.

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

Compared to Solvency II (standard model) market risk classification, SRLEV recognises two additional market risks, namely volatility risk and basis risk.

7.6.2. SCR Market Risk

Exposure to market risk is measured under the Solvency II regime using adverse movements in financial variables. The main driver of market risk is the Solvency Capital Requirement for spread risk and to lesser extent the Solvency Capital Requirements for equity and interest rate risk.

The relevant types of market risk in Solvency II are displayed in the table below:

SCR Market risk

In € millions	2019	2018
Interest rate risk	323	498
Equity risk	292	231
Property risk	126	84
Spread risk	645	642
Concentration risk	-	-
Currency risk	103	40
Diversification	-429	-467
SCR market risk	**1,060**	**1,028**

The SCR market risk remained stable. The decrease in interest rate risk is offset by increases in currency, property and equity risk and a lower diversification benefit.

7.6.2.1. Interest Rate Risk

Interest rate risk is a key component of SRLEV's market risk profile. Interest rate risk arises when the interest rate sensitivities of the assets and liabilities are not equal and it is expressed as movements in the capital position if market rates change.

Nominal Insurance Liabilities by buckets

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

Cash flows from insurance business 2019

In € millions	< 1 year	1 - 5 years	5 - 10 years	10 - 15 years	15 - 20 years	> 20 years	Total
Insurance liabilities - Life	1,261	4,619	5,667	5,107	4,416	13,509	34,579
Total	**1,261**	**4,619**	**5,667**	**5,107**	**4,416**	**13,509**	**34,579**

Cash flows from insurance business 2018

In € millions	< 1 year	1 - 5 years	5 - 10 years	10 - 15 years	15 - 20 years	> 20 years	Total
Insurance liabilities - Life	1,317	4,536	5,588	4,990	4,349	13,327	34,107
Total	**1,317**	**4,536**	**5,588**	**4,990**	**4,349**	**13,327**	**34,107**

The table excludes the portfolio on account of policyholders. The portfolio on account of policyholders is not relevant in this context, since the value accumulated in the investment funds is paid to policyholders on the policy's maturity date. The accrued balances of savings policies and savings-based mortgages are neither taken into account as these are offset. The cash flows from the underwriting provisions concern cash flows with a nominal guarantee. This does not include cash flows driven by options and guarantees and the risk margin. The cash flows arising from the underwriting provisions are estimated on a best estimate basis. Assumptions are made of mortality, disability, surrender and costs. A change in assumptions can alter the view of the cash flows in the table. The cash flow projections do not include future profit-sharing.

Solvency Capital Requirement

The capital requirement for interest rate risk is determined on the basis of two scenarios in which the risk free yield curve is exposed to shocks affecting both assets and liabilities. The first scenario is 'interest rate up' and the second 'interest rate down'. The capital requirement for interest rate risk is defined by the scenario which has the most negative impact on basic own funds. The sign of the SCR interest rate shock (up or down) has to be determined based on the net (including LAC-TP) SCR interest rate risk in accordance with SII legislation. However, the gross (excluding LAC-TP) SCR interest rate risk determines the size of SCR interest rate risk.

The interest rate scenario used for the up and down Solvency II shocks are prescribed; being in effect a parallel up shock of 100 bps and a non-parallel down shock increasing from 0 to minus 64 bps, both without re-applying the UFR. For SRLEV the up shock is leading.

SCR Interest rate risk

In € millions	2019	2018
SCR interest up shock	-323	-498
SCR interest down shock	-202	-107
SCR interest rate risk	**323**	**498**

The interest rate risk mainly decreased due to a combined effect of several balance sheet management actions consisting of interest hedge adjustments limiting the Solvency II-ratio interest rate exposure, a decrease in a tactical swap spread position and an adapted policy for modelling the SCR interest of futures in a swap spread hedge. The decreasing effect of the balance sheet management actions are partly offset by decreases in interest rates and the Volatility Adjustment.

Sensitivities

SRLEV uses a scenario based approach to control the sensitivity of solvency to market conditions, such as interest rates and spreads. The key solvency metric to express the risk is based on the regulatory solvency reported to the Dutch Central Bank (DNB). This method is chosen because SRLEV has decided to use regulatory solvency as the principle factor in managing market risks.

From this perspective also the, over 2019 prescribed UFR of 3.90% by EIOPA introduces a risk. Over the course of time, the positive valuation effect of the UFR reduces, which puts downward pressure on the trend in solvency in the future. EIOPA decided to yearly decrease the UFR starting in 2018 with 0.15% per year with a starting point of 4.2%, per 1 January 2020 the applicable UFR will decrease to 3.75%. This will have a negative impact on solvency.

The table below shows the sensitivity of the IFRS result, IFRS equity and Solvency II ratio to changes in interest rates as a result of a decrease or an increase by 0.5% of the interest rates (maintaining the UFR at 3.90%), decreases in the UFR of 0.15% and 0.50% and the impact of the VA on the Solvency II ratio.

Under IFRS the impact of different UFR is slightly different than under Solvency II due to tiering and the VA (not applicable under IFRS).

Sensitivity

	IFRS net result		IFRS shareholders' equity		Solvency II ratio	
In € millions	2019	2018	2019	2018	2019	2018
Interest +50 bps	-237	-65	-237	-65	-3%	7%
Interest -50 bps	288	84	288	84	4%	-6%
UFR -15 bps	-74	-65	-74	-65	-4%	-4%
UFR -50 bps	-251	-216	-251	-216	-16%	-13%
Excluding VA	-	-	-	-	-14%	-46%

Due to the long term nature of the Life and Pension insurance portfolio the Solvency II-ratio is very sensitive to interest rate movements. This sensitivity is mitigated by the use of long term assets and, additionally, interest rate derivatives to hedge the insurance cash flows including those for guarantees and profit-sharing in the life insurance portfolio, so that the exposure is within pre-defined risk appetite levels.

SRLEV's interest rate hedging policy aims to ensure that obligations towards policyholders are fulfilled in both the short term and the long term. In addition, it aims to enable its providers of capital to receive a reasonable return (in terms of market value) that is in line with SRLEV's risk exposure and to stabilise the solvency capital. SRLEV manages its interest rate risk by stabilising the Solvency II ratio after an interest rate shock, taking the UFR of 3.90% into account.

The IFRS sensitivities increased due to the decrease of interest rates. The sensitivity for excluding VA decreased due to the decrease of VA from 24 bps to 7 bps.

7.6.2.2. Equity Risk

The SCR for equity risk is equal to the loss in market value of the basic own funds in the event of a sudden shock to equities including a so-called symmetric adjustment. This adjustment corrects the equity shock for the difference between the current level of global equity prices and a long-term average and can vary between a minus 10% adjustment and a plus 10% adjustment.

SCR for equity risk consists of type 1 and type 2 equities. Type 1 equities are equities listed in regulated markets which are members of the EEA or OECD. Type 2 equities are equities listed in countries other than members of the EEA and/or OECD, non-listed equities, private equities, hedge funds, commodities and other alternative investments. The equities classification also includes participations in funds that invest in other types of securities like money market funds and other (non-investment grade) fixed income funds. The shocks without symmetric adjustment are 39% for type 1 and 49% for type 2 equities. The shock for participations hold in related undertakings of strategic nature is 22% independent of equity type 1 or 2.

The SCR for equity risk is defined as the aggregation of the capital requirement for type 1 equities and the capital requirement for type 2 equities, allowing a correlation of 0.75 between types 1 and 2.

A transitional arrangement can be applied to type 1 equities in order to reduce the standard capital charge. SRLEV does not apply this transitional arrangement.

The table below shows the SCR for equity risk.

SCR Equity risk

In € millions	2019	2018
Type 1 equities	186	153
Type 2 equities	125	93
Diversification	-19	-15
Equity risk	**292**	**231**

The equity risk for SRLEV increased mainly due to lower interest rates increasing the equity shock impact on the liabilities and due to improvements in the calculation of market risks for unit-linked and separate accounts funds, partly offset by a decrease of the symmetric adjustment from 6.3% to -0.1%.

The IFRS-based equities classification includes participations in funds that invest in other types of securities like money market funds and other (non-investment grade) fixed income funds. The ALM policy and the market sensitivities are adjusted to reflect the underlying risk under Solvency II and IFRS for a more economic approach ('look through'), including the impact of the shock on the liabilities. SRLEV periodically examines the impact of changes in the equity markets on the result and on own funds. Scenario analysis is used for this purpose.

The table below shows the results of this analysis at the reporting date net of taxes. Upward effects on equity are processed in the revaluation reserve and do not impact earnings. A downward effect on equity does impact the net result in case of an impairment (for the accounting policies on impairments see Section 6.1.5 in the Annual Report for Accounting policies regarding the statement of financial position).

Sensitivity

	IFRS net result		IFRS shareholders' equity		Solvency II ratio	
In € millions	2019	2018	2019	2018	2019	2018
Equities +10%	39	33	56	46	2%	1%
Equities -10%	-47	-51	-56	-46	-2%	-1%

7.6.2.3. Property Risk

Property risk is defined as the sensitivity of the value of assets and liabilities to changes in the level or volatility of the market prices of real estate.

The SCR for property risk is equal to the loss in the basic own funds that would result from an instantaneous decrease of 25% in the value of property. Property consists of direct property (e.g. buildings and investments in owner-occupied properties) and indirect interests in property (through investment funds). SRLEV applies the look-through approach in determining the SCR for property risk also taking the effect of any leverage on the Net Asset Value of property funds into account.

The table below shows the SCR for property risk:

SCR Property risk

In € millions	2019	2018
Property risk SRLEV	126	84

Property risk mainly increased due to reclassifications, revaluations and new investments.

Following amendment in March 2019 in the Solvency II Delegated Regulation, SRLEV has reclassified a number of strategic participations from SCR Market Risk / Equity Risk to SCR Market Risk / Property Risk.

The IFRS-based equities classification also includes participations in funds that invest in other types of securities. The ALM policy and the market sensitivities are adjusted to reflect the underlying risk under Solvency II and IFRS based on an economic approach ("look through"). SRLEV periodically examines the potential impact of changes in the property markets on the net result and on shareholders' equity based on scenario analysis in line with the situation applying in the case of interest rate risk. The table below shows the indicative results of this analysis at the reporting date net of taxation.

Sensitivity

	IFRS net result		IFRS shareholders' equity		Solvency II ratio	
In € millions	2019	2018	2019	2018	2019	2018
Property +10%	36	25	39	27	2%	1%
Property -10%	-39	-25	-39	-27	-2%	-1%

7.6.2.4. Spread Risk

Spread risk is defined as the sensitivity of the value of assets, liabilities and financial instruments to changes in the level or volatility of the credit spread above the risk-free interest rate term structure. The spread risk for the insurance business arises in the fixed-income investment portfolio, which includes securitisations, loans, corporate and government bonds that are sensitive to changes in credit risk surcharges. Increasing credit risk surcharges have a negative effect on the market value of underlying bonds.

The SCR for spread risk is determined by calculating the impact on the eligible own funds 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, loans and structured products. The capital requirement takes into account the market value, the modified duration and the credit quality category.

SCR Spread risk

In € millions	2019	2018
Bonds and loans	599	606
Securitisation positions	46	36
Spread risk	**645**	**642**

Spread risk increased due to new investments transactions in corporate bonds and in other new investments as part of the re-risking program to actively adding market risks to reach our strategic asset allocation offset by divestments of USD and EU high yields as a tactical management action.

SRLEV defines *basis risk* as the risk that offsetting investments in a hedging strategy will not experience price changes in entirely opposite directions from each other. This imperfect correlation between the two investments creates the potential for excess gains or losses in a hedging strategy, thus adding risk to the position.

Credit risk surcharges are also a source of basis risk in the valuation of insurance liabilities. The basis risk relates to the risk of a mismatch between the interest rate used in the valuation of the liabilities and the interest rate used for the asset portfolio. This basis risk mainly emanates from the risk that movements in the interest rate on the EU government bonds held in portfolio will not be in line with movements in the swap rate.

The swap curve (including UFR) is currently used when discounting insurance liabilities under IFRS. A change in the swap curve has a direct impact on the value of the insurance liabilities. This leads to volatility in the available capital, as the interest rate used for the valuation of the investment portfolio differs from the relevant swap curve for the insurance liabilities.

Under the Solvency II regime the swap curve with a prescribed Ultimate Forward Rate (UFR) is used when discounting insurance liabilities, adjusted for credit risk (CRA) and a Volatility Adjustment (VA). The VA moves along with the credit spreads, but still substantial basis risk exists because the VA is based on a reference portfolio instead of SRLEV's own asset portfolio, and also a 65% scaling factor is applied to determine the VA. For managing market risks a number of combined scenarios is determined with (different) simultaneous shocks to risk categories. In this scenario based approach among others credit spreads, volatility (interest rate volatility and equity volatility) and best estimates for the VA are taken into account.

While interest rate risk regarding the Solvency II ratio sheet is well matched, there remains significant volatility as the credit risk profile of SRLEV differs from the profile implied by the Volatility Adjustment (VA). In 2019, as part of re-risking programme, mortgage portfolios have been bought and lendings in USD and GBP have been issued. The basis risk is still material, in case of lower spreads for high quality bonds (e.g. German and Dutch) and higher spreads for riskier bonds, the Solvency II Ratio in general increases.

Under Solvency II an increase of credit spreads also leads to an increase of the Volatility Adjustment impacting the value of the liabilities. SRLEV assumes that an increase of all credit spreads of 50 bps leads to an increase of the VA of 23 bps, an increase of 50 bps on corporates to an increase of the VA of 13 bps and an increase of 50 bps on government bonds to an increase of the VA of 10 bps. The change of the VA has no impact on the value of the liabilities under IFRS.

Sensitivity

	IFRS net result		IFRS shareholders' equity		Solvency II ratio[1]	
In € millions	2019	2018	2019	2018	2019	2018
Credit spreads Government Bonds +50 bps	-499	-344	-499	-344	-7%	2%
Credit spreads Corporates/Mortgages +50 bps	-140	-110	-140	-110	18%	18%
All Credit spreads +50 bps	-640	-454	-640	-454	10%	20%

[1] An increase of credit spreads also leads to an increase of VA, impacting the value of the liabilities.

The sensitivity of government bonds increased mainly due a change in the swap spread hedge (exposure to bond futures decreased) and a decrease of the associated VA shock. The sensitivity of corporates bond and mortgage portfolio increased mainly due to the purchase of mortage portfolios and additonal lendings in USD and GBP.

7.6.2.5. Concentration Risk

Concentration risk is defined as all risk exposures associated with a potential loss that is significant to endanger the solvency or financial position of insurance and reinsurance undertakings.

A concentration risk charge is prescribed under Solvency II when the issuer exposure exceeds a certain percentage threshold of the asset base depending on the credit rating of the issuer and the type of investment. The SCR for concentration risk is calculated on the basis of single name exposure. This means that undertakings which belong to the same corporate Group are treated as a single name exposure.

SRLEV still holds substantial investments in German and Dutch government bonds and supranational issuers which are excluded from (the Solvency II scope of) concentration risk. As of 31 December 2019, the applicable Solvency II thresholds have not been exceeded and as a result no concentration risk charge was applicable to SRLEV.

7.6.2.6. Currency Risk

Currency risk is defined as the sensitivity of the value of assets and liabilities to changes in the level or volatility of exchange rates. The currency risk of SRLEV is caused by a combination of investments and liabilities in foreign currencies that are not perfectly matched.

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

Currency risk also arises in relation to the equity investments of SRLEV. This currency risk, after netting the currency risk in other non-fixed-income investments and liabilities, is structurally hedged using forward currency contracts or currency swaps if the net exposure without applying look through principle exceeds € 10 million. A currency hedge bandwidth of 98-102% has been agreed for external mandates, within which operations may be carried out.

The effects of changes in foreign exchange markets on the net result, own funds and solvency are measured periodically using scenario analysis. The Solvency II currency exposure is determined using the look through principle regarding investment funds. This results in slightly higher currency exposure.

The table below provides an indication of SRLEV's foreign exchange exposure excluding loans.

Currency exposure excluding loans (net exposure)

	Balance		Hedge derivatives	
In € millions	2019	2018	2019	2018
US dollar	3,144	2,411	-3,029	-2,396
Pound Sterling	140	60	-154	-61
Swiss franc	102	101	-102	-100
Japanese yen	408	493	-409	-494
Australian dollar	-3	-2	-	-
Total	**3,791**	**3,064**	**-3,694**	**-3,050**

The table below provides an indication of SRLEV's foreign exposure on subordinated loans (nominal value).

Currency exposure loans (net exposure)

	Nominal balance		Hedge derivatives	
In € millions	2019	2018	2019	2018
US Dollar	133	191	-133	-191
Swiss Franc	-97	-93	97	93
Total	**37**	**98**	**-37**	**-98**

The SCR for currency risk is equal to the loss in the basic own funds that would result from an instantaneous change in the value of the foreign currency against the local currency. For each foreign currency this involves taking the maximum of the impact on the basic own funds of a 25% increase or 25% decrease in the value of the currency. The total SCR for currency risk is then obtained by the sum of the 'individual' currencies.

SCR Currency risk

In € millions	2019	2018
Currency risk SRLEV	103	40

The currency risk partly originates from a sub-loan in foreign currency who is hedged economically, but is not taken into account in the Standard Formula. The currency risk increased mainly due to improvements (look-through) in the calculation of market risks for unit-linked and separate accounts funds, introducing this newly identified risk.

7.6.2.7. Volatility Risk

The volatility risk is the risk of losses due to changes in volatility (parameters) and is measured and presented separately. It is addressed in the market sub risks as described before. SRLEV is sensitive to volatility on both sides of the balance sheet. Embedded options on the liability side and swaptions as hedges on the asset side. Because of the hedges, the residual volatility risk is not material.

7.6.2.8. Diversification

Not all risks will materialise at the same time and at their full magnitude, resulting in diversification between different risk types. Solvency II prescribes a correlation matrix for the diversification effect in the SCR Market Risk module in order to aggregate the results of the types of market risks. This leads to a lower amount of total Market Risk compared to the sum of the individual market risk types. Solvency II furthermore prescribes that a downward SCR interest rate shock will be more correlated with an equity, spread and property shock compared to an upward interest rate shock.

At 31 December 2019, SRLEV and had a net balance sheet exposure to a upward interest rate shock. Spread risk became more dominant as a risk type compared to other market risk types. Therefore, the diversification benefit decreased.

7.7. Counterparty Default Risk

7.7.1. Risks - General

SRLEV defines counterparty default risk as the risk of potential losses due to unexpected payment defaults of the counterparties and debtors of SRLEV within the next twelve months.

The SCR Counterparty Default Risk covers risk-mitigating contracts such as reinsurance arrangements, derivatives, security lending and repos, and cash at bank, retail mortgages and receivables from intermediaries, as well as any other credit exposures not covered by the SCR Spread Risk.

For each counterparty, the overall credit default risk exposure of SRLEV to that counterparty is measured, irrespective of the legal form of its contractual obligations. Its calculation also takes into account collateral or other security held by or for the account of SRLEV and the risks associated therewith.

Fixed-income Investment Portfolio

The counterparty default risk within the fixed-income investment portfolios of SRLEV is the risk that an issuer of a bond or a debtor of a private loan does no longer meet its obligations. The strategic allocation to the various investment grade categories within the fixed-income portfolio is determined in the context of ALM and laid down in mandates with the asset managers.

Derivatives Exposure

The counterparty default risk related to the market value of the derivatives held by SRLEV with a counterparty is managed by means of a Credit Support Annex (CSA) agreement in accordance with standard industry practice. These agreements stipulate that the underlying value of the derivatives must be posted as collateral in liquid instruments, such as cash and government bonds, to cover the counterparty default risk.

Reinsurance

SRLEV pursues an active policy with respect to the placement of reinsurance contracts, using a panel consisting of reinsurers with solid ratings. The general policy is that reinsurers should have a minimum rating of A-. However, given the long-term nature of the underlying business, the current casualty panel and the panel for life and disability reinsurance contracts consists of reinsurers with at least an A rating. Continuity and diversification within the panels of reinsurers is an important principle of SRLEV's Reinsurance Policy.

Mortgage Portfolio

SRLEV is exposed to counterparty default risk on its mortgage portfolio by possible default of mortgagors. The counterparty default risk is, however, mitigated by properties held as collateral. Part of this portfolio is guaranteed by the National Mortgage Guarantee Fund (NHG). The average Loan to Value ratio has improved due to amortisation of the outstanding mortgage balance and an increase in Dutch housing prices in 2014-2019.

Overview Mortgages

In € millions[1]	2019	2018
Mortgages < 75% of foreclosure value	1,256	771
Mortgages 75% < > 100% of foreclosure value	479	339
Mortgages > 100% of foreclosure value	40	65
Mortgages with National Mortgage Guarantee	844	920
Residential property in the Netherlands	2,619	2,095
Fair value adjustment	157	125
Total residential property in the Netherlands[2]	**2,776**	**2,220**

1 Mortgages are recognised in the statement of financial position under investments in loans and receivables.
2 Comparative figure has been restated due to the reclassification from the category 'Investments for account of policyholders' to the 'Loans and Receivables' within the Investments.

The market value of the portfolio increased by adding € 0.8 billion exposure to mortgages as part of the re-risking strategy. This increase is partly offset due to scheduled amortisation and prepayments.

7.7.2. SCR Counterparty Default Risk

The counterparty default risk module reflects the possible loss as a consequence of defaults and deterioration in the credit standing of counterparties over a 12-month period. The SCR for the counterparty default risk is determined by aggregating the capital requirements of type 1 and type 2 exposures.

Type 1 exposures are exposures that have low diversification effects and for which the counterparty is likely to have an external rating. Solvency II treats the following as type 1 exposures:

- risk-mitigation contracts, including reinsurance arrangements, special purpose vehicles (SPVs), insurance securitisations and derivatives;
- cash at bank;
- deposits with ceding undertakings;
- commitments received by an insurance or reinsurance undertaking which have been called up but are unpaid;
- legally binding commitments which the insurer has provided or arranged and which may create payment obligations depending on the credit standing of a counterparty.

The capital requirement for counterparty default risk on type 1 exposures depends on the loss-given-default (LGD) and the probability of default (PD) of every single name exposure. The PD depends on the creditworthiness of the single name exposure.

Type 2 exposures consist of all exposures to which the capital requirement for spread risk is not applicable and which are not of type 1. In general, these are diversified exposures which do not have an external rating. Solvency II explicitly mentions the following exposures in the context of type 2:

- receivables from intermediaries;
- policyholder debtors;
- mortgage loans which meet a set of requirements.

The capital requirement for counterparty default risk on type 2 exposures as defined by EIOPA is equal to the sum of 90% of the LGD of receivables from intermediaries due for more than three months and 15% of the LGD of other type 2 exposures.

The SCR for counterparty default risk is determined by aggregating the capital requirements for type 1 and type 2 exposures with a correlation of 0.75 between types 1 and 2. This gives rise to diversification between type 1 and type 2 capital requirements because not all risks will materialise at the same time and at their full magnitude.

Counterparty default risk

In € millions	2019	2018
Type 1 exposures	160	93
Type 2 exposures	56	65
Diversification	-10	-10
SCR counterparty default risk	**206**	**148**

The increase in SCR counterparty default risk for type 1 exposures is mainly due to the decrease of interest rates, increasing the value of derivates used for hedging the interest rate risk. Counterparty risk type 2 decreased slightly mainly due to the improved average Loan to Value ratio decreasing the Loss Given Default.

7.8. Liquidity Risk

7.8.1. Risks - General

Liquidity risk is defined as the risk that SRLEV would have insufficient liquid assets to meet its financial liabilities in the short term, in a going concern situation or in times of a stress situation, or if obtaining the necessary liquidity would mean incurring unacceptable costs or losses.

The liquidity risk is monitored and managed both at consolidated level and at legal entity level.

7.8.2. Policy

The policy of SRLEV is to have more liquidity available than it is required to hold based on internal risk management minimum levels. The objective of the internal risk management minimum levels is to ensure that SRLEV is able to fulfill its obligations towards policyholders and all legal obligations.

The liquidity risk policy uses three sources of liquidity:
1. the cash position
2. the liquidity buffer
3. the liquidity contingency policy.

Cash position

The first source of liquidity concerns the cash position. This position is built up from the cash management process from investments (managed by ACTIAM) and cash management process from underwriting and operating activities. In the investments cash management process all cash flows from investments are managed by our Asset Manager (ACTIAM).

SRLEV has taken into account that all obligations to policyholders must be respected and that these obligations will be paid throughout the underwriting and other operating cash management process. If at any time these obligations exceed the premium income additional cash will be transferred from the investment cash management process. Otherwise, when premiums exceed the payments in the operational cash management process, cash will be transferred to the investments cash management process, for the purpose of the investing excess cash (temporarily).

Liquidity buffer

The second source is the liquidity buffer. Together with the cash position, the liquidity buffer forms the overall liquidity position of the entity. The liquidity buffer is a good indicator for the overall liquidity position of SRLEV and takes into account all available assets and the impact of prescribed shocks in a stress situation. Monitoring of this buffer accounts for an important part of the daily activities of SRLEV.

Liquidity contingency policy

The last source of liquidity relates to a situation in which the normal liquidity and buffers turn out to be insufficient. In case of such a contingency, SRLEV has implemented a Crisis Management Team (CMT) structure and a predefined set of potential management actions. The CMT must take timely action in rapidly deteriorating liquidity circumstances in order to avoid a bankruptcy that could occur in the worst case and/or to settle all of the obligations under the insurance portfolio in an orderly manner.

7.8.3. Exposure

The required liquidity is determined based on absorbing shocks in a stress situation. The shocks are applied on prescribed risk categories. These risk categories are mass lapse (Life insurance) and interest rate movements. In total, the liquidity buffer is sufficient to cover a severe liquidity stress scenario.

7.9. Non-financial Risk

7.9.1. Risks - General

The Non-Financial Risk department (NFR), as a second line Risk department, monitors and provides advice to management on compliance risk and operational risk. NFR has frequently direct contact with the EB and SB and is represented in the Risk and Audit Committee of the Supervisory Board, VRC, PC, ORC SRLEV and in the ORC's and PMP's of the MTs (see Section 7.2.5 Risk Organisation) of SRLEV. Within the PMP MTs, NFR Compliance advices on the development, evaluation and approval of products in accordance with laws, regulations, the AFM criteria and criteria related to treating customers fairly.

Compliance Risk

Compliance risk is the risk that an organisation is potentially able to suffer legal or regulatory sanctions, material financial loss, or loss of reputation as a result of non-compliance with applicable laws, regulations, rules, self-regulatory standards, codes and unwritten rules.

Non-compliance with integrity- and/or conduct related rules can potentially lead to regulatory action, financial loss and/or damage to the reputation of SRLEV, for example fines, compensation, disciplinary action, imprisonment or exclusion proceedings.

Laws and regulations within scope pertain amongst others to those laws and regulations under which the supervisory authorities (Authority for the Financial Markets (AFM), Dutch Central bank (DNB), Authority for Consumers and Markets (ACM) and Data Protection Authority (AP) supervise aspects related to non-financial risks, such as the Dutch Financial Supervision Act (Wft), the Dutch Money Laundering and Terrorist Financing (Prevention) Act (*Wwft*), the Dutch Sanctions Act, as well as relevant European laws such as Solvency II, AIFMD and guidance from the Dutch Association of Insurers and other relevant bodies.

Operational Risk

Operational risk represents the risk of an economic loss, a negative reputational or supervisory impact resulting from inadequate or failed internal processes, people and systems, or from external events. Operational risks include the risk of a material misstatement in SRLEV's financial reporting and legal risks, but excludes strategic and business risks. Operational risk events can lead to adverse consequences beyond a pure financial loss. The assessment of possible reputational impacts following an operational event is an explicit part of the operational risk management process.

Operational risks are inherent in all of SRLEV's insurance products, activities, processes and systems and the management of operational risk is a fundamental element of SRLEV's risk management framework. SRLEV recognises the following types of operational risk: Execution & Process Control Risk, IT risk, Cyber Risk, Internal Fraud risk, External Fraud risk, Damage to physical assets risk and Staff & Security risk. Model risk is considered to be a separate risk.

7.9.2. Exposure to Non-financial Risks

During 2019, as an important part of SRLEV's risk framework, SRLEV further improved the Integrated Control Framework consisting of process and management controls. Continuous attention on the quality of process and control design, testing of effectiveness of controls, monitoring compliancy, reporting and analysis tooling and process ownership enables the organisation to manage and monitor Compliance and Operational Risks in an efficient and effective manner. Based on the monitoring of all risk types, in this paragraph the main developments and risk events are described. SRLEV's management is of the opinion that action plans and programs are in place to sufficiently address and mitigate these risks.

Compliance Risk

Due to the great complexity of the legislation with regard to Solvency II, IFRS, GDPR, Wwft, ILM, IDD, PRIIPS and Supply Chain Responsibility and changes to the pension legislation (Event review), legislation may not be implemented on time, resulting in SRLEV not being compliant and potentially suffering reputational damage.

As an insurer, Sanctions- and Money laundering risks are limited but not non-existent. As a financial institution, SRLEV has responsibilities to ensure detection and prevention. In SRLEV's efforts to ensure compliance with applicable laws and regulations, instances of non-compliance can potentially occur.

Individual Life noted shortcomings in relation to compliance with Sanction Law and anti-money laundering/counter terrorism financing regulation (Wwft) and started improvement actions based on a risk assessment performed in cooperation with the Compliance department. The main outstanding items are related to the remediation of screening existing clients in the portfolio (identify UBO's from business clients) and on the client risk assessment and acceptance process.

Also Life Corporate noted shortcomings based on a monitoring investigation from the Compliance department in 2019. Currently work needs to be performed on the client acceptance process, risk assessments and the documentation of checks.

Structural remediation of the identified shortcomings is planned in the course of 2020, in the mean time taking short term (manual) mitigating actions to assure compliancy and prevent recurrence. These instances are shared with the regulators.

Risks (including reputational risk) are not fully excluded in the non-accruing investment-linked policy file, due to the combined effects of intermittent media exposure, political opinion, court judgements and in-action on the part of customers. The client base is continuously addressed through SRLEV's aftercare program.

Due to the General Data Protection Regulation's challenging consequences on systems and processes, privacy risks should be taken into account. Special precautions have been taken in order to avoid data breaches when personal data is transferred or available to third parties and cleansing of data. On-going explicit (governance) focusses on privacy risks- and actions as well as local Privacy Champions safeguarding full attention on SRLEV's compliance with the privacy regulation. SRLEV an appointed Data Protection Officer within the Compliance department.

Operational Risk

Execution and Process Control Risk

In 2019 execution and process risk was influenced by the number of change projects, system conversions and strategic initiatives within the organisation. Aiming at realisation of (short term) results, often making use of the same available capacity within the organisation puts pressure on quality. This is influencing risk management and risk taking at first line. Furthermore human factors, such as dealing with news on strategic re-orientation of SRLEV will be different for each individual employee, but may potentially cause distraction from work and/or change of focus on personal priorities.

Further improving the quality of process design was an important topic which was addressed in 2019, resulting in good progress in order to further incorporate automated controls within the ICF framework and a new quality of design standards checklist was introduced. Strategic projects aiming at an increased level of (modular) process automation and straight through processing will contribute to mitigation of operational risks.

The committee structure within SRLEV assures that new legislation, risk reports and findings, incidents, follow up on actions are addressed in Operational Risk and Compliance committees in the first line and at SRLEV board level.

In the event of operational incidents, they are reported transparently and addressed with root cause analysis and monitoring of structural improvements. Process Key Control testing and review on Management controls was properly in place at both first and second line, enhancing the control environment.

Information Technology Risk

The IT organisation implemented the Agile way of Working and Continuous Delivery to decrease time-to-market. In addition IT in 2019 has been successful in digitalisation and robotics business process automations with platforms like PEGA. SRLEV is aware that these developments require high standards of change management and service delivery management within the IT department in order to maintain an

IT landscape that is in control and is managing IT risks. In 2019 the IT-frameworks SAFe, IT4IT and Cobit5 were aligned within DTC to further improve efficiency. To become a data driven organisation by collecting, managing and using datais one of SRLEV's strategic pillars. Data governance is in place to evaluate, direct and monitor data initiatives and the implementation of data policies and data related legislation, e.g. GDPR. SRLEV's Data Strategy in 2019 has developed further to support SRLEV in becoming a customer oriented service organisation. Steps were taken in 2019 to improve and standardise integration of processes, systems and data based on Data Management and Data Architecture.

Outsourcing / Cloud Computing

The approach of SRLEV is to outsource activities in those areas in the customer value chain where an external service provider can provide added value. When specific activities for outsourcing have been identified a risk analysis is part of the preparation phase. In case of cloud services an additional risk analysis is performed to manage the risks particularly related to cloud. The results of the risks analysis are reflected in the contracts with the service providers. In 2019 monitoring of the performance of the service provider, whether the services delivered are according to agreed standards, has been improved. This has been established through the introduction of specific procedures as laid down in the procurement policy and improvements made in the integrated control framework. This increased the level of control over the risks related to outsourcing.

Cybercrime Risk

Fighting cybercrime is a key priority for a financial organisation like SRLEV. Cybercrime risk increases over time and is becoming more widespread and professionalised, for example cyber attacks using ransomware. In 2019 no major incidents related to cybercrime occurred within SRLEV. Cybercrime will remain high on the agenda of the SRLEV management. To manage the increasing risk effectively, in 2019 a cybercrime strategy was drawn and aligned with Gartner and a phishing campaign was executed to promote awareness for the behavioral aspects of cybercrime. Also additional measures for threat and patch management were taken.

Staff and Security Risk

Anbang has reached a conditional agreement on the sale of VIVAT to Athora and thereafter a transfer of the shares in VIVAT Schadeverzekeringen to NN Schade. This led to an increased risk of a (high) number of (key) employees leaving the organisation and employees potentially being less committed and engaged. These risks were recognised by the Executive Board resulting in intensified monitoring by HR on the number of employees leaving per PL/FL and at department level, including monitoring on the time needed to fill vacancies. Furthermore an abbreviated employee survey, measuring employee commitment and engagement, and a human capital plan (following a comprehensive risk assessment) were executed.

Model Risk

In 2019, SRLEV completed compact model risk overviews for several departments to increase insight in its model risk. Model risk was further reduced by follow-up of large numbers of second line findings. SRLEV has improved several models. Within the Risk Model Landscape program important steps towards lower model risk have been taken by converting leading SCR- and ALM-tooling to new models and systems. Ongoing model validations on reporting, (asset) valuation and pricing models, following a risk based approach, further increased model insight and provides guidance towards lower model risk.

7.9.3. SCR 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. This takes into account legal risks, but risks that are a consequence of strategic decisions or reputational risks are disregarded. The technical provision for own risk is part of the calculation of the SCR operational risk.

The basic capital requirement for operational risk is calculated by taking the maximum of (a) the capital requirement for operational risks on the basis of earned premiums and (b) the capital requirement for operational risks on the basis of technical provisions and adding 25% of the expenses incurred in respect of unit linked business.

SCR Operational risk

In € millions	2019	2018
SRLEV	187	178

Due to increase of the technical provision mainly due to lower interest rates also the SCR for operational risk increased.

8. Company Financial Statements

8.1. Company Statement of Financial Position

Before result appropriation and in € millions	Notes[1]	31 December 2019	31 December 2018
> Assets			
Property and equipment	1	50	47
Investments in associates		37	-
Subsidiaries	2	164	117
Receivables from subsidiaries	3	1,562	923
Investment property	4	287	267
Investments	5	37,362	35,199
Investments for account of policyholders	6	13,265	11,732
Investments for account of third parties		448	347
Derivatives		3,017	1,053
Deferred tax		460	478
Reinsurance share	10	46	77
Loans and advances due from banks		712	1,562
Corporate income tax		3	34
Other assets	7	190	219
Cash and cash equivalents	8	239	155
Total assets		**57,842**	**52,210**
> Equity and liabilities			
Issued share capital[2]		0	0
Share premium reserve		2,264	2,264
Revaluation reserves and other legal reserves		123	107
Retained earnings		773	507
Shareholders' equity	9	**3,160**	**2,878**
Holders of other equity instruments		250	250
Total equity		**3,410**	**3,128**
Subordinated debt		774	779
Capital base		**4,184**	**3,907**
Insurance liabilities	10	48,673	44,834
Liabilities investments for account of third parties		448	347
Provision for employee benefits		198	172
Other provisions		15	21
Derivatives		674	592
Amounts due to banks		2,715	1,340
Other liabilities	11	935	997
Total equity and liabilities		**57,842**	**52,210**

1 The references next to the balance sheet items relate to the notes to the company statement of financial position in Section 9.2.
2 The issued and paid up share capital of SRLEV NV is € 45,000.

8.2. Company Statement of Profit or Loss

In € millions	Notes[1]	2019	2018[2]
> Income			
Premium income		1,843	2,098
Reinsurance premiums		195	7
Net premium income		**1,648**	**2,091**
Fee and commission income		42	40
Fee and commission expense		16	13
Net fee and commission income		**26**	**27**
Share in result of subsidiaries and associates	14	11	15
Investment income		1,225	1,475
Investment income / expense for account of policyholders		2,043	-389
Result on investments for account of third parties		86	-28
Result on derivatives		1,655	-
Total income		**6,694**	**3,191**
> Expenses			
Result on derivatives		-	122
Technical claims and benefits		3,497	3,135
Charges for account of policyholders		2,463	-90
Acquisition costs for insurance activities		17	20
Result on liabilities from investments for account of third parties		86	-28
Staff costs		140	141
Depreciation and amortisation of non-current assets		2	1
Other operating expenses		37	43
Impairment losses (reversals)		-7	-3
Other interest expenses		69	104
Total expenses		**6,304**	**3,445**
Result before tax		**390**	**-254**
Tax expense		60	20
Net result continued operations for the period		**330**	**-274**

> Attributable to:			
- Shareholders		311	-288
- Holders of other equity instruments		19	14
Net result continued operations for the period		**330**	**-274**

1 The references next to the income statement items relate to the notes to the company statement of profit or loss in Section 9.2.
2 Comparative figures of 2018 have been restated in line with the amendment made to IAS 12 by the IASB. According to the amended standard the tax impact of the interest paid on the Tier 1 loan in 2018 had to be reclassified from equity to profit or loss. Refer to the section 6.1.2 for more details..

8.3. Company Statement of Total Comprehensive Income

Company statement of other comprehensive income

In € millions	2019	2018
> OCI not to be reclassified subsequently to profit or loss		
Changes in valuation of defined benefit pension plan	-26	11
Income tax relating to items that never be reclassified	6	-3
Tax rate reduction adjustment relating to items that never be reclassified	-1	2
Net OCI never reclassified to profit or loss	**-21**	**10**
> OCI to be reclassified subsequently to profit or loss		
Unrealised revaluations from cash flow hedges	97	33
Amortisation from cash flow hedges	-5	-4
Unrealised revaluations investments available for sale	636	-64
Impairments and reversals fair value reserve	3	-3
Realised gains and losses fair value reserve through profit or loss	14	-228
Results on allocated investments and interest derivatives	-756	261
Income tax relating to items that may be reclassified	2	3
Tax rate reduction adjustment relating to items that may be reclassified	1	-10
Net OCI to be reclassified to profit or loss subsequently	-8	-12
Other comprehensive income (net of tax)	**-29**	**-2**

Company statement of total comprehensive income

In € millions	2019	2018[1]
Net result for the period	330	-274
Other comprehensive income (net of tax)	-29	-2
Total comprehensive income (net of tax)	**301**	**-276**
> Attributable to:		
- Shareholders	282	-290
- Holders of other equity instruments	19	14
Total comprehensive income	**301**	**-276**

[1] Comparative figures of 2018 have been restated in line with the amendment made to IAS 12 by the IASB. According to the amended standard the tax impact of the interest paid on the Tier 1 loan in 2018 had to be reclassified from equity to profit or loss. Refer to the section 6.1.2 for more details.

8.4. Company Statement of Changes in Equity

Company statement of changes in equity 2019

In € millions	Issued share capital[1]	Share premium	Revaluation reserves and other legal reserves	Retained earnings	Shareholders' equity	Holders of other equity instruments	Total equity
Balance as at 1 January 2019	**-**	**2,264**	**107**	**507**	**2,878**	**250**	**3,128**
Other comprehensive income	-	-	-8	-21	**-29**	-	**-29**
Net result 2019	-	-	-	330	**330**	-	**330**
Total comprehensive income 2019	**-**	**-**	**-8**	**309**	**301**	**-**	**301**
Capital injection	-	-	-	-	**-**	-	**-**
Interest on other equity instruments	-	-	-	-19	**-19**	-	**-19**
Unrealised revaluations	-	-	32	-32	**-**	-	**-**
Tax relating to changes in revaluation reserve	-	-	-7	7	**-**	-	**-**
Tax rate reduction adjustment	-	-	-2	2	**-**	-	**-**
Other movements 2019	**-**	**-**	**23**	**-42**	**-19**	**-**	**-19**
Total changes in equity 2019	**-**	**-**	**15**	**267**	**282**	**-**	**282**
Balance as at 31 December 2019	**-**	**2,264**	**122**	**774**	**3,160**	**250**	**3,410**

1 The share capital issued is fully paid up and comprises of 90 ordinary shares with a nominal value of € 500.00 per share.

The Executive Board proposes to the General Meeting of Shareholders to distribute, similar to 2018, no dividends for 2019.

Statement of revaluation reserves and other legal reserves 2019

In € millions	Revaluation reserve	Cash flow hedge reserve	Fair value reserve	Revaluation reserves and other legal reserves
Balance as at 1 January 2019	**99**	**-**	**8**	**107**
Unrealised revaluations from cashflow hedges	-	97	-	**97**
Amortisation from cashflow hedges	-	-5	-	**-5**
Unrealised revaluations investments available for sale	32	-	636	**668**
Impairments	-	-	3	**3**
Realised gains and losses through profit or loss	-	-	14	**14**
Results on allocated investments and interest derivatives	-	-92	-664	**-756**
Income tax	-7	-	2	**-5**
Tax rate reduction adjustment	-2	-	1	**-1**
Total changes in equity 2019	**23**	**-**	**-8**	**15**
Balance as at 31 December 2019	**122**	**-**	**-**	**122**

Company statement of changes in equity 2018

In € millions	Issued share capital[1]	Share premium	Revaluation reserves and other legal reserves	Retained earnings[2]	Shareholders' equity	Holders of other equity instruments	Total equity
Balance as at 1 January 2018	**-**	**2,064**	**92**	**811**	**2,967**	**250**	**3,217**
Other comprehensive income	-	-	-12	10	**-2**	-	**-2**
Net result 2018	-	-	-	-274	**-274**	-	**-274**
Total comprehensive income 2018	**-**	**-**	**-12**	**-264**	**-276**	**-**	**-276**
Capital injection	-	200	-	**-**	**200**	-	**200**
Interest on other equity instruments	-	-	-	-14	**-14**	-	**-14**
Other movements	-	-	-	1	**1**	-	**1**
Unrealised revaluations	-	-	37	-37	**-**	-	**-**
Realised gains and losses	-	-	-8	8	**-**	-	**-**
Tax relating to changes in revaluation reserve	-	-	-7	7	**-**	-	**-**
Tax rate reduction adjustment	-	-	5	-5	**-**	-	**-**
Other movements 2018	**-**	**200**	**27**	**-40**	**187**	**-**	**187**
Total changes in equity 2018	**-**	**200**	**15**	**-304**	**-89**	**-**	**-89**
Balance as at 31 December 2018	**-**	**2,264**	**107**	**507**	**2,878**	**250**	**3,128**

1 The share capital issued is fully paid up and comprises of 90 ordinary shares with a nominal value of € 500.00 per share.
2 Comparative figures of 2018 have been restated in line with the amendment made to IAS 12 by the IASB. According to the amended standard the tax impact of the interest paid on the Tier 1 loan in 2018 had to be reclassified from equity to profit or loss. Refer to the section 6.1.2 for more details.

Statement of revaluation reserves and other legal reserves 2018

In € millions	Revaluation reserves	Cash flow hedge reserve	Fair value reserve	Revaluation reserves and other legal reserves
Balance as at 1 January 2018	**73**	**-**	**19**	**92**
Unrealised revaluations from cashflow hedges	-	32	-	**32**
Amortisation from cashflow hedges	-	-3	-	**-3**
Unrealised revaluations investments available for sale	37	-	-64	**-27**
Impairments	-	-	-3	**-3**
Realised gains and losses through profit or loss	-9	-	-227	**-236**
Results on allocated investments and interest derivatives	-	-29	290	**261**
Income tax	-7	-	3	**-4**
Tax rate reduction adjustment	5	-	-10	**-5**
Total changes in equity 2018	**26**	**-**	**-11**	**15**
Balance as at 31 December 2018	**99**	**-**	**8**	**107**

8.5. Company Cash Flow Statement

In € millions	2019	2018[1]
> Cash flow from operating activities		
Operating profit before tax	389	–254
> Adjustments for non-cash items included in profit before tax:		
Depreciation and amortisation of non-current assets	2	1
Amortisation of investments	172	171
Changes in provisions	–5	–14
Impairment charges / (reversals)	–7	–3
Change in subordinated loans relating to repurchase	–	30
Unrealised results on investments through profit or loss	–2,012	–496
Retained share in the result of associates	–11	–15
> Change in operating assets and liabilities:		
Change in amounts due from banks	850	111
Change in amounts due to banks	1,375	–161
Change in investments	–1,983	99
Change in derivatives	115	409
Change in other assets	–610	46
Change in insurance liabilities for policyholders	1,548	–1,130
Change in insurance liabilities	1,566	937
Changes in other liabilities	–72	–35
Net cash flow from operating activities	**1,317**	**–304**
> Cash flow from investment activities		
Sale of investment property	3	14
Sale of investments in associates	7	–
Sale and redemption of investments and derivatives	35,053	23,948
Investment in subsidiary	–3	–
Capital injection subsidiary	–34	–6
Purchase of investment property	–1	–
Purchase of investments in associates	–44	–
Purchase of investments and derivatives	–36,195	–23,802
Net cash flow from investment activities	**–1,214**	**154**
> Cash flow from finance activities		
Capital injection	–	200
Issue of subordinated loans	–	180
Redemption of subordinated loans	–	–180
Change in subordinated debt	–	–26
Interest payment of subordinated notes	–19	–14
Net cash flow from financing activities	**–19**	**160**
Net increase/(decrease) in cash and cash equivalents	**84**	**10**
Cash and cash equivalents 1 January	155	145

In € millions	2019	2018[1]
Cash and cash equivalents as at 31 December	**239**	**155**

> **Additional disclosure with regard to cash flows from operating activities:**		
Interest income received	1,198	1,127
Dividends received	164	141
Interest paid	59	72

1 Comparative figures (unrealised results on investments through profit and loss, change in investments, change in derivatives, change in other assets, change in insurance liabilities for policyholders, change in insurance liabilities, change in other liabilities) have been restated due to the fact that an amount was presented as a positive, as opposed to a negative. Comparitive figures also have been reclassified for comparison purposes. The restatement en reclassification do not affect previously reported cash flow from operating activities.

9. Notes to the Company Financial Statements

9.1. Accounting Policies to the Company Financial Statements

Basis of Preparation

Pursuant to the option offered in article 2:362(8) of the Dutch Civil Code, SRLEV prepares its company financial statements in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union. These are the same accounting policies as those used for the consolidated financial statements (refer to Section 6.1 Principles for the preparation of the consolidated financial statements).

Applicable Accounting Policies

Where applicable, for items not described in this section, the accounting policies applied for the company financial statements are the same as those described in the section 6.1 Accounting policies for the consolidated financial statement. For the items not separately disclosed in the notes to the company financial statement, reference is made to the notes in the section 6.3 Notes to the consolidated financial statements.

Subsidiaries

Subsidiaries are companies and other entities in which SRLEV NV has the power, directly or indirectly, to govern the financial and operating policies and that are controlled by SRLEV NV. Subsidiaries are recognised using the equity method of accounting.

Movements in the carrying amounts of subsidiaries due to changes in their revaluation, cash flow, fair value and profit-sharing reserves are recognised in shareholders' equity.

Movements in the carrying amounts arising from the share of result of subsidiaries are recognised in accordance with the accounting policies of SRLEV NV in profit or loss. The distributable reserves of subsidiaries are recognised in retained earnings.

Receivables from and Debts to Group Companies

Loans (including subordinated loans) to and from group companies are measured at amortised cost.

Revaluation Reserve

The revaluation reserve comprises the cumulative revaluations on investment property and revaluations of owner-occupied property of SRLEV's subsidiaries net of income tax. A cumulative loss on an investment property and owner-occupied property (acquisition costs exceed the fair value) is not recognised as part of the revaluation reserve.

9.2. Notes to the Company Financial Statements

1. Property and Equipment

Breakdown of Property and Equipment

In € millions	2019	2018
Land and buildings for own use	50	46
Other assets	–	1
Total	**50**	**47**

Statement of Changes in Property and Equipment 2019

In € millions	Land and buildings	Other assets	Total
Accumulated acquisition costs	81	1	**82**
Accumulated depreciation and impairments	–32	–1	**–33**
Accumulated other	1	–	**1**
Balance as at 31 December	**50**	**–**	**50**
Balance as at 1 January	**46**	**1**	**47**
Depreciation	–1	–1	**–2**
Impairments	4	–	**4**
Other	1	–	**1**
Balance as at 31 December	**50**	**–**	**50**

Statement of Changes in Property and Equipment 2018

In € millions	Land and buildings	Other assets	Total
Accumulated acquisition costs	81	1	**82**
Accumulated revaluation, depreciation and impairments	–35	–	**–35**
Balance as at 31 December	**46**	**1**	**47**
Balance as at 1 January	**43**	**1**	**44**
Revaluations	–1	–	**–1**
Depreciation	–1	–	**–1**
Impairments	5	–	**5**
Balance as at 31 December	**46**	**1**	**47**

For details on rental income, see Note 1 Property and Equipment of the consolidated financial statements.

Appraisal of Land and Buildings for Own Use

All land and buildings for own use are appraised by an external surveyor in three stages spread across the first three quarters of the calendar year: one third in the first quarter, the next third in the second quarter and the final third in the third quarter. The external surveyor updates the appraisals at the end of the fourth quarter. Consequently, properties are appraised two times a year.

2. Subsidiaries

Statement of Changes in Subsidiaries

In € millions	2019	2018
Balance as at 1 January	**117**	**95**
Acquisitions	3	–
Capital injection	34	6
Result	10	15
Other movements	–	1
Balance as at 31 December	**164**	**117**

The capital injection of € 34 million relates to a payment of share premium in respect of the Shares RE Young Urban Housing BV without any shares in RE Young Urban Housing BV being issued.

On 16 December 2019, SRLEV acquired 100% of shares of Bellecom NV for an amount of € 3 million. Refer to the section 6.2 for more details.

3. Receivables from Subsidiaries

Breakdown of Receivables from Subsidiaries

In € millions	2019	2018
Collateralised securities	1,475	823
Loans	48	40
Receivables	39	60
Balance as at 31 December	**1,562**	**923**

4. Investment Property

Statement of Changes in Investment Property

In € millions	2019	2018
Balance as at 1 January	**267**	**245**
Investments	1	–
Divestments	-3	-15
Revaluations	22	37
Balance as at 31 December	**287**	**267**

The sum of the revaluations of investment property at 31 December 2019 amounts to € 91 million (2018: € 68 million).

5. Investments

Breakdown of Investments

In € millions	2019	2018
Fair value through profit or loss: Designated	186	186
Investments available for sale	29,701	27,556
Loans and receivables	7,475	7,457
Total	**37,362**	**35,199**

Breakdown of Fair Value Through Profit or Loss: Listed and Unlisted

In € millions	2019	2018
Listed	186	186
Unlisted	-	-
Total	**186**	**186**

Statement of Changes in Fair Value Through Profit or Loss

In € millions	2019	2018
Balance as at 1 January	**186**	**203**
Disposals and redemptions	-10	-12
Revaluations	10	-5
Received Coupons	-5	-7
Accrued Interest	5	7
Balance as at 31 December	**186**	**186**

The investments available for sale concern investments in unlisted shares and similar investments and listed fixed-income investments.

Breakdown of Available for Sale: Listed and Unlisted

	Shares and similar investments		Fixed-income investments		Total	
In € millions	2019	2018	2019	2018	2019	2018
Listed	-	-	26,548	23,017	**26,548**	**23,017**
Unlisted	2,195	3,596	958	943	**3,153**	**4,539**
Total	**2,195**	**3,596**	**27,506**	**23,960**	**29,701**	**27,556**

Statement of Changes in Available for Sale

In € millions	Shares and similar investments 2019	2018	Fixed-income investments 2019	2018	Total 2019	2018
Balance as at 1 January	**3,596**	**2,847**	**23,960**	**24,344**	**27,556**	27,191
Purchases and advances	19,476	10,918	14,152	10,393	33,628	21,311
Disposals and redemptions	-20,880	-10,192	-11,159	-10,659	-32,039	-20,851
Revaluations	27	30	680	-63	707	-33
Impairments	4	-2	-	-	4	-2
Amortisation	-	-	-168	-168	-168	-168
FX Result	11	18	70	140	81	158
Received Coupons	-	-	-633	-605	-633	-605
Accrued Interest	-	-	604	578	604	578
Dividend Received/ Negative Distribution	-39	-23	-	-	-39	-23
Balance as at 31 December	**2,195**	**3,596**	**27,506**	**23,960**	**29,701**	**27,556**

Breakdown of Available for Sale: Measurement

In € millions	Shares and similar investments 2019	2018	Fixed-income investments 2019	2018	Total 2019	2018
(Amortised) cost	2,177	3,568	23,940	21,055	**26,117**	**24,623**
Revaluation	18	28	3,212	2,548	**3,230**	**2,576**
Accrued interest	-	-	354	357	**354**	**357**
Balance as at 31 December	**2,195**	**3,596**	**27,506**	**23,960**	**29,701**	**27,556**

Breakdown of Loans and Receivables

In € millions	2019	2018
Mortgages	1,146	1,272
Private loans linked to savings mortgages	4,399	4,751
Other private loans	1,930	1,434
Total	**7,475**	**7,457**
Provision for bad debts	-	-
Total	**7,475**	**7,457**

Statement of Changes in Loans and Receivables

In € millions	2019	2018
Balance as at 1 January	**7,457**	7,630
Purchases and advances	1,240	765
Disposals and redemptions	-1,417	-1,156
Amortisation	-3	-3
Realised Revaluation	-	1
Accrued interest	188	215
FX Result	10	5
Balance as at 31 December	**7,475**	**7,457**
Balance provisions as at 1 January	**-**	**-4**
Release due to derecognition		4
Balance provisions as at 31 December	**-**	**-**
Total	**7,475**	**7,457**

6. Investments for Account of Policyholders

Breakdown of Investments for Account of Policyholders

In € millions	2019	2018
Shares and similar investments:		
- Listed	12,399	10,907
- Unlisted	362	200
Fixed-income investments		
- Listed	236	357
- Unlisted	268	268
Total	**13,265**	**11,732**

Statement of Changes in Investments for Account of Policyholders

In € millions	2019	2018
Balance as at 1 January	**11,732**	**12,868**
Purchases and advances	1,326	1,684
Disposals and redemptions	-1,724	-2,320
Changes in fair value	2,038	-391
Dividend Received/Negative Distribution	-124	-117
Received Coupons	-5	-6
Accrued Interest	16	18
FX Result	1	2
Other movements	5	-6
Balance as at 31 December	**13,265**	**11,732**

7. Other Assets

Breakdown of Other Assets

In € millions	2019	2018
Receivables from policyholders	37	45
Receivables from intermediaries	66	73
Receivables from direct insurance	**103**	**118**
Accrued interest	18	17
Other accrued assets	21	52
Accrued assets	**39**	**69**
Other receivables	48	32
Total	**190**	**219**

The receivables are expected to be recovered within twelve months after reporting date.

8. Cash and Cash Equivalents

Breakdown of Cash and Cash Equivalents

In € millions	2019	2018
Short-term bank balances	239	155
Total	**239**	**155**

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

9. Equity

Issued Share Capital

The issued share capital has been fully paid-up and consists of ordinary shares with a nominal value of € 500 each. 90 ordinary shares had been issued at 31 December 2018 (2017: 90).

Breakdown of Issued Share Capital

	Number of ordinary shares		Amount of ordinary shares (in € thousands)	
	2019	2018	2019	2018
Authorised share capital	450	450	225	225
Share capital in portfolio	360	360	180	180
Issued share capital as at 31 December	**90**	**90**	**45**	**45**

10. Insurance Liabilities and Reinsurance Share

Breakdown of Insurance Liabilities and Reinsurance Share

	Gross		Reinsurance	
In € millions	**2019**	2018	**2019**	2018
Provision for Life insurance obligations	26,279	26,551	46	77
Results on allocated investments and interest derivatives	6,651	4,198	-	-
Cumulative LAT deficit	1,758	1,766	-	-
Unamortised interest rate discounts	186	81	-	-
Provision for profit-sharing, bonuses and discounts	71	57	-	-
Life, for own risk	**34,945**	**32,653**	**46**	**77**
Life, for account of policyholders	**13,728**	**12,181**	**-**	**-**
Total	**48,673**	**44,834**	**46**	**77**

Provision for Life Insurance Obligations: Statement of Changes

	Gross		Reinsurance	
In € millions	**2019**	2018	**2019**	2018
Balance as at 1 January	**26,551**	**26,443**	**77**	**91**
Portfolio transfers	268	355	-	-
Benefits paid	-2,260	-2,299	-221	-21
Premiums received	1,119	1,394	195	7
Interest added	816	858	-2	5
Technical result	-84	-70	-3	-3
Release of expense loading	-128	-127	-	-2
Other movements	-3	-3	-	-
Balance as at 31 December	**26,279**	**26,551**	**46**	**77**

For the LAT test results refer to Note 14.3 LAT test results in the Notes to the consolidated financial statements.

Unamortised Interest Rate Discounts (or surcharges): Statement of Changes

In € millions	2019	2018
Balance as at 1 January	**81**	**-14**
Discounts granted in the financial year	116	92
Amortisation	-11	3
Balance as at 31 December	**186**	**81**

Provision for Profit-sharing, Bonusses and Discounts: Statement of Changes

In € millions	2019	2018
Balance as at 1 January	**57**	**58**
Profit-sharing, bonuses and discounts granted in the financial year	14	-1
Balance as at 31 December	**71**	**57**

Insurance Liabilities for Insurance on behalf of Policyholders: Statement of Changes

In € millions	2019	2018
Balance as at 1 January	**12,181**	**13,311**
Portfolio transfers	-268	-355
Premiums received	723	704
Benefits paid	-936	-1,031
Interest added	33	38
Changes in valuation and exchange rate	2,042	-385
Technical result	11	-46
Release of expense loading	-58	-55
Balance as at 31 December	**13,728**	**12,181**

11. Other Liabilities

Breakdown of Other Liabilities

In € millions	2019	2018
Debts to group companies	49	63
Debts in relation to direct insurance	210	219
Debts to reinsurers	66	100
Investment transactions to be settled	12	1
Other taxes	17	-
Other liabilities	239	258
Benefits to be paid	325	340
Accrued interest	17	16
Total	**935**	**997**

The other liabilities are expected to be settled within twelve months after reporting date.

12. Guarantees and Commitments

For details on off-balance sheet commitments, see Note 19 Guarantees and Commitments of the consolidated financial statements.

13. Related Parties

Intra-group Balances and Transactions between SRLEV NV and Subsidiaries

In € millions	2019	2018
> Positions		
Loans and advances	48	40
Collateralised securities	1,475	823
Receivables	24	16
Other liabilities	40	36
> Transactions		
Capital issue to subsidiaries	37	6
Movements receivables	8	-4
Movements collateralised securities	652	-84
Movements loans and advances	8	-6
Movements other liabilities	4	17
Other operating expenses	1	1
Interest Available for sale	24	15
Interest Loans and receivables	1	1

For details on the intra-group balances and transactions between SRLEV, VIVAT, Anbang and Affiliates, including the board remuneration, see Note 20 Related parties of the consolidated financial statements.

14. Share in Result of Subsidiaries

Breakdown of Share in Result of Subsidiaries

In € millions	2019	2018
REAAL Wognumsebuurt BV	-	-1
REAAL de Ruijterkade BV	1	6
REAAL Kantoren I BV	-	1
REAAL Landbouw I BV	-	1
REAAL Woningen I BV	1	1
GVR 500 Building BV	8	7
CBRE Property Fund Central and Eastern Europe	1	-
Total	**11**	**15**

15. Audit Fees

Pursuant to Section 382a(3) of Book 2 of the Dutch Civil Code, the company has availed itself of the exemption from disclosing the audit fees in the annual report. These disclosures have been included in the Annual Report 2019 of VIVAT NV.

16. Result Appropriation

For the provisions of the articles of association governing the appropriation of profit or loss reference is made to Section Other information.

The Executive Board proposes to the General Meeting of Shareholders to add the positive result for 2019 of € 330 million to the retained earnings of SRLEV NV.

In accordance with the resolution of the General Meeting of Shareholders held on 8 April 2019, the negative result for 2018 of € 274 million has been deducted from the retained earnings of SRLEV NV.

Amstelveen, the Netherlands, 27 March 2020

The Supervisory Board

M.W. Dijkshoorn (Chairman)

M.R. van Dongen

M. He

K.C.K. Shum

P.P.J.L.M. Lefèvre

The Executive Board

L. Tang

X.W. Wu

Y. Cao

W.M.A. de Ruiter-Lörx

J.C.A. Potjes

Other Information

1. Provisions in Articles of Association Governing the Appropriation of Profit or Loss

Article 36 Profit and Loss; general

1. The profits shall be at the free disposal of the general meeting.

2. If the general meeting does not resolve to distribute profit of such financial year, that profit will be added to the general reserves.

3. The company may only make distributions to shareholders and other persons entitled to distributable profits to the extent that its equity exceeds the total amount of its issued share capital and the reserves to be maintained pursuant to the law. The reserves created in accordance with article 35 by the management board are not subject to distribution to shareholders and other persons who are entitled to profit distribution.

4. Profits will be only distributed after adoption of the annual accounts showing that this is justified.

Article 37 Profit and Loss; distributions

1. Dividends shall be payable within fourteen days following their adoption, unless the general meeting determines another date on the proposal of the management board.

2. Dividends which have not been collected within five years after they became due and payable shall revert to the company.

3. The general meeting may resolve that dividends shall be distributed in whole or in part in a form other than cash.

4. Interim distributions shall be made if the general meeting so determines on the proposal of the management board, including an interim distribution of reserves, subject to due observance of the provisions of section 2:105 subsection 4 Civil Code.

5. A deficit may only be offset against the reserves prescribed by law, to the extent permitted by the law or by these articles of association.

Independent auditor's report

To: the shareholder and supervisory board of SRLEV N.V.

Report on the audit of the financial statements 2019 included in the annual report

Our opinion

We have audited the financial statements of SRLEV N.V. ('SRLEV' or 'the Company'), based in Alkmaar. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion the accompanying financial statements give a true and fair view of the financial position of SRLEV N.V. as at 31 December 2019, and of its result and its cash flows for 2019 in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- The consolidated and company statement of financial position as at 31 December 2019
- The following statements for 2019: the consolidated and company statement of profit or loss, the consolidated and company statements of total comprehensive income, changes in equity and cash flows
- The notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of SRLEV 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	EUR 47.5 million (2018: EUR 46 million)
Benchmark applied	1.5% of SRLEV's shareholder's equity (2018: 1.5% of SRLEV's shareholder's equity)
Explanation	SRLEV's equity and solvency, and the ability to meet policyholder liabilities, are key indicators for the users of its financial statements. As such, we have based materiality on SRLEV's shareholder's equity.

We have also taken misstatements into account and 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 EUR 2.4 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view should be reported on qualitative grounds.

Scope of the group audit

SRLEV is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of SRLEV.

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 based on their size and/or the risk profile. We only included SRLEV N.V. in the audit scope for consolidation purposes, resulting in a coverage of 97% of total assets, 98% of shareholder’s equity and 97% of profit before tax. We performed, amongst others, analytical procedures to corroborate our assessment that there are no significant risks of material misstatement for the remaining entities.

By performing the procedures mentioned above, 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 are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Fair value measurement of investments and related disclosures	
Risk	SRLEV invests in various asset types and continued the re-risking of the investment portfolio in 2019. 81% of assets are carried at fair value in the balance sheet. Of the total assets, 10% is related to investments for which no published prices in active markets are available. Fair value measurement can be subjective, and more so for areas of the market reliant on model based valuation or with weak liquidity. Valuation techniques for mortgages, loans, 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 disclosures are complex and dependent on high quality data. Specific areas of audit focus include the valuation of Level 3 assets where valuation techniques are applied in which significant unobservable inputs are used.

Our audit approach	We assessed and tested the design and operating effectiveness of the controls over valuation, independent price verification and model validation and approval. We performed additional substantive procedures, supported by our valuation specialists where necessary. This included, where relevant, comparison of judgments 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 and fair value information based on the Company's own purchase transactions. Finally, we assessed the related disclosures including the disclosure of valuation sensitivity and fair value hierarchy in note 38.
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 meet the requirements of IFRS-EU.
Estimates used in calculation of insurance contract liabilities and Liability Adequacy Test (LAT)	
Risk	SRLEV has insurance contract liabilities of EUR 49 billion representing 84% of the Company's total liabilities. The measurement of insurance contract liabilities involves judgment over uncertain future outcomes, mainly the ultimate total settlement value of long-term liabilities, including any guarantees provided to policyholders. The Company's IFRS liability adequacy test (LAT) is performed in order to confirm that insurance contract liabilities are adequate in the context of expected future cash outflows. In the LAT, the excess of fair value over the carrying value of mortgages and loans at amortized cost is taken into account. As at 31 December 2019, the LAT of SRLEV shows a significant deficit. As a consequence, insurance liabilities are primarily measured on the basis of the LAT to cover for this deficit. Changes in estimates and assumptions used in the LAT therefore directly impact SRLEV's profit or loss. The setting of mortality, longevity, expense and lapse assumptions in the LAT, as well as discount curves and the assumptions to determine the fair value of mortgages, require application of significant judgment. Furthermore, in 2019 SRLEV has increased the quota share percentage for the longevity reinsurance contract providing partial cover for the financial impact of longevity risk for a selected portfolio of group pension insurance contracts from 70% to 90%. The impact of this contract is included in LAT calculation and as such affected the cumulative LAT deficit per 31 December 2019. The increase of quota share resulted in an increase of the LAT-deficit by EUR 58 million per 31 December 2019.

Our audit approach	We involved our actuarial specialists to assist us in performing audit procedures in this area. This included among others consideration of the appropriateness of the mortality, longevity, expense and lapse assumptions used in the valuation of life insurance contract liabilities. As part of these procedures, we evaluated Company and industry data, and expectations of developments in this respect. In addition, we considered the validity of the Company's IFRS LAT results which is a key test performed in order to ensure that insurance contract liabilities are adequate in the context of expected future cash flows based on best estimate assumptions plus a risk margin. Our work on the LAT includes assessing the reasonableness of the projected cash flows and challenging the assumptions adopted, including mortality, longevity, expenses and lapses, discount curves and the determination of fair value of the mortgage and loan portfolio valued at amortised cost basis, based on Company's and industry experience data, expected market developments and trends. Regarding the fair value of the mortgage and loan portfolio, this included re-performance of valuations on a sample basis. Other key audit procedures included assessing the Company's methodology for calculating the insurance contract liabilities and an assessment of internal controls in this respect, including the analysis of the movements in insurance contract liabilities during the year. We assessed whether the movements are in line with the changes in assumptions adopted by the Company, our understanding of developments in the business and our expectations derived from market experience. Furthermore, we inspected the addendum to the full indemnity longevity reinsurance contract concluded by SRLEV in 2019 and compliance of its treatment with IFRS-EU. We have assessed the reasonableness of the expected cash flows and related impact on the risk margin included in the LAT in respect of this contract by reference to the projected cash flows on the underlying insurance contracts and the updated longevity reinsurance contract. We considered whether SRLEV's disclosures in note 14 to the financial statements in relation to insurance contract liabilities and LAT results are compliant with IFRS-EU.
Key observations	We consider the estimates used to be within a reasonable range. The disclosures of insurance contract liabilities and LAT results meet the requirements of IFRS-EU.
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 SRLEV relating to compensation. The financial consequences of these legal proceedings cannot be reliably estimated at this point. Refer to note 19 to the financial statements.
Our audit approach	We performed audit procedures in this area, which included: • assessment of SRLEV's governance, processes and internal controls with respect to unit-linked exposures

	• review of the documentation and discussing the unit-linked exposures with management and the Company's internal legal advisors • obtaining a legal letter from SRLEV's external legal advisor • involving our own legal experts in the assessment of the documentation and developments regarding the unit-linked exposure • consideration of the recognition and measurement requirements for establishing provisions under IFRS-EU. 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 19 to the financial statements.
Key observations	Management's assessment that the financial consequences of the unit-linked exposure cannot be reliably estimated at this time and therefore no provision is recognized in the 2019 balance sheet, is adequately substantiated. The related disclosure meets the requirements of IFRS-EU.
Reliability and continuity of the information technology and systems	
Risk	SRLEV is highly dependent on its IT systems and IT infrastructure for the continuity of the operations. SRLEV continues to invest in its IT systems and IT infrastructure and processes to meet clients' needs and business requirements. SRLEV is continuously improving the efficiency and effectiveness of its IT systems and 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 systems and IT infrastructure and have tested the reliability and continuity of electronic data processing within the scope of the audit of the annual accounts. For that purpose we have included IT auditors in our team. Our procedures included testing of controls with regards to IT systems and processes relevant for financial reporting as well as additional (substantive) procedures if deemed necessary. In response to the increased frequency and severity of cyber incidents and heightened concerns from regulators and other stakeholders about cybersecurity attacks and breaches, we have evaluated cybersecurity risks as part of our annual audit procedures. Our main focus during this audit was to gain an understanding of the cybersecurity risks at SRLEV and the actions taken by SRLEV to address these risks.
Key observations	Based on the combination of the tests of controls and IT substantive procedures, we obtained sufficient appropriate audit evidence for the purposes of our audit. Based on our procedures performed with regards to cybersecurity, no significant risks have been identified impacting our financial statement audit. Our audit was not aimed at making a statement about the cybersecurity of SRLEV.

Emphasis of matter relating to uncertainty about Corona

The developments surrounding the Corona (Covid-19) virus have a profound impact on people's health and on our society as a whole, as well as on the operational and financial performance of organizations and the assessment of the ability to continue as a Going Concern. The financial statements and our auditor's report thereon are snapshots. The situation changes on a daily basis giving rise to inherent uncertainty.

SRLEV is confronted with this uncertainty as well, that is disclosed in the sections 3.1 Trends and Developments and 3.6 Risk and Capital Management of the Board report and note 22 'Events after the reporting date' to the financial statements. We draw attention to these disclosures.

Our opinion is not modified in respect of this matter.

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:

- Board report including Key Figures, Message from the Executive Board of SRLEV, Organisation, Strategy and Developments and Corporate Governance
- Additional information
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code

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 substantially 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 Board report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the supervisory board as auditor of SRLEV N.V. on 29 October 2015, 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 SRLEV and its subsidiaries, we provided the following services:

- We issued auditor's reports on selected regulatory reporting templates of SRLEV, and of its subsidiaries, to the Dutch Central Bank (DNB).

- We issued assurance reports in respect of Zwitserleven's ISAE 3402 statement.
- We issued assurance reports on cost price models for financial products prepared by SRLEV.
- We issued assurance reports on statements of premium income.
- We issued reports of factual findings and assurance reports on statements prepared by SRLEV 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 engagement 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 detect all material errors and fraud during our audit.

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 judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. 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, 27 March 2020

Ernst & Young Accountants LLP

Signed by A. Snaak

Additional information

1. Principles underlying/non-underlying result

> Definition and usefulness of Net Underlying Result (NUR):

Net result IFRS of SRLEV has a high volatility as result of the valuation of all assets and liabilities on a fair value basis. In the NUR major fair value movements as result of market developments and parameter changes have been eliminated from IFRS-result. SRLEV believes that the NUR provides useful information to stakeholders and investors which results in greater comparability of results with peers and that it enhances their understanding on the financial impact of management decisions (e.g. re-risking of investments, additional cost-savings). The NUR should be viewed as complementary to, and not as a substitute for net result IFRS.

> Limitations of the usefulness Net Underlying Result:

The large difference between net result IFRS and NUR is driven by a number of items.

Besides the result of new business the NUR also includes realisation of interest and technical results on the existing (old) business portfolio. As SRLEV values virtually all of its assets and liabilities on a fair value basis, these specific results are already included within Equity. Reported results on existing (old) portfolio in NUR are reversed in net result IFRS by means of a change in the LAT shortfall. The NUR is therefore not a full reflection of economic value added.

The increase in NUR is partly driven by the interest income on derivatives that will balance out when these instruments mature. This impact is offset by the fair value of technical provisions (LAT shortfall) in the net result IFRS, whilst any changes in LAT shortfall have been excluded from the net underlying result. This therefore increases the difference between NUR and net result IFRS.

Given the complexity in valuation of derivatives it is not possible to fully eliminate all fair value movements from NUR. This could lead to distortion in comparability of figures between different periods. In addition to the impact of additional investment income from derivatives the increase of the NUR was also supported by ongoing re-risking activities, lower costs and lower interest expenses.