Annual Report SRLEV NV 2016

Zwitserleven Reaal actiam VIVAT

At SRLEV we are looking beyond the horizon. We’ve taken a new approach to insurance. New technologies and analysis of big data allow us to identify our customers’ needs more effectively.

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1. Key figures

In € millions	2016	2015	2014	2013	2012[1]
Result					
Net premium income	1,818	1,769	2,176	2,231	2,468
Investment income	2,737	1,283	1,383	1,304	1,507
Investment income for account of policyholders	902	648	2,159	628	1,512
Total income	5,250	3,643	5,704	4,286	5,574
Total expenses	4,914	3,382	6,394	4,844	5,575
Result before taxation	**336**	**261**	**-690**	**-558**	**-1**
Taxation	84	67	-172	-142	-8
Net result	**252**	**194**	**-518**	**-416**	**7**
Statement of financial position					
Total assets	**55,936**	**57,651**	**58,259**	**53,350**	**54,732**
Investments	35,897	34,424	33,963	30,267	32,068
Investments for account of policyholders	14,251	14,377	14,559	13,491	13,265
Loans and advances to banks	960	999	1,127	1,172	859
Total equity	**3,035**	**2,755**	**2,134**	**2,688**	**3,142**
Insurance liabilities[2]	46,274	45,138	44,943	39,727	40,447
Amounts due to banks	1,330	1,376	1,504	2,753	2,994

> **Ratios**					
Regulatory solvency II SRLEV NV	149[3]	140[4]	-	-	-

1 Year 2012 is based on the company financial statements.
2 The surplus in the separate accounts are presented as insurance liabilities as of 2016 (previously they were presented as other liabilities). The comparative key figures have been adjusted for 2015.
3 Regulatory solvency II ratio is not final until filed with the regulator.
4 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), Foreword (chapter 2), Strategy and developments (chapter 3) and the Executive Board (chapter 4.1).

As the world becomes more complex, people need simplicity. At SRLEV, we are aware of the speed at which changes are taking place. We understand the impact on society and recognise that our customers' needs are rapidly evolving too.

2. Foreword

Message from the Executive Board of SRLEV NV

Dear stakeholders,

2016 – the first full year following the takeover by Anbang – was a dynamic year for VIVAT (and therefore SRLEV). An accelerated restructuring process ensured that, in a relatively short period of time, SRLEV has transformed itself to be able to respond to market developments more effectively. SRLEV faces the future with confidence.

In the first half of the year, the Executive Board was strengthened with a new Chief Executive Officer, a Chief Commercial Officer and a Chief Operating Officer. The Board consists of seven members who each focus their attention on one of the newly created product lines within SRLEV: Life Corporate and Individual Life. Furthermore, general managers who are responsible for the daily management have been appointed for each of these product lines. All digital activities, which previously were placed in different parts of the organisation, have been centralised in a Digital department that will focus on the further development of the digital channel.

The reorganisation through which the workforce of VIVAT NV was reduced by one third, was completed sooner than originally planned. By accomplishing this in 2016 instead of the previously anticipated three years, we have ended a period of uncertainty for our colleagues and will be able to reap the benefits of the changes at an earlier stage. In addition business processes and the IT landscape were simplified. The various measures are ongoing and will result in additional annual cost savings into the future.

Due to the capital injection to VIVAT NV provided by Anbang, the solvency ratio of VIVAT and therefore SRLEV (based on prudent calculations) has been stabilised. This also allows us to optimise our investment portfolio. Good progress was made in this direction in 2016, as a result of which we can expect additional investment income going forward.

SRLEV is ready to grow towards the future. The aim is to better serve the consumer market with Zwitserleven and Reaal. We will intensify an omnichannel approach including more online services. Our aim is to improve and strengthen our position across the board, for example by improving customer journeys and introducing new product offerings. Due to its distinctive sustainable investment policy, asset manager ACTIAM is one of our key resources. Recognition for this policy in 2016 was reflected in the high score in the Fair Insurance Guide (Eerlijke Verzekeringswijzer) and the receipt of the prestigious International Climate Award.

We trust that our improved positioning will help us to be more successful. SRLEV has created a new foundation on which we can continue to build on in the future. In addition to more financial security, close collaboration with our ultimate parent company Anbang provides us access to exceptional expertise in the area of digital services. This enables us to make fast progress in this field. Big data analysis further improves our ability to identify customers' needs and the use of advanced techniques allows us to work faster and more efficiently. Furthermore, we are increasing our power to innovate by establishing new, strong relationships with start-ups and by investing in data science education programmes for our employees. This enables us to quickly and adequately respond to the latest market trends.

SRLEV aims to take a leading position in the digital insurers market, next to our already strong relationship with intermediary distribution partners. By offering understandable, transparent and innovative products and services at a competitive price, customers should be able to rely on us and feel confident that they can approach us. As such, we offer our customers smart solutions for protecting their valuables and realising their dreams.

The transition year 2016 bodes well for the future, for a large part due to the efforts, flexibility and proactive attitude of our colleagues who are committed to the renewed organisation. We thank our customers, our shareholder, our employees and our business partners for the trust that they have placed in us.

Amstelveen, the Netherlands, April 26, 2017

On behalf of the Executive Board of SRLEV NV,

Ron van Oijen, Chief Executive Officer


With our trusted and familiar brands
Zwitserleven and Reaal, we offer
consumers products and services that
are designed to make their lives easier.
Now and in the future.

3. Strategy and developments

Reorganisation and stabilisation was the company's priority in 2016, the first full year following the acquisition by Anbang. A new organisational structure has been implemented with a full new management team in place. Various aspects of the strategy changes initiated in 2015 were accelerated, aimed at structurally improving SRLEV's foundations and creating a leading, customer-centric and innovation-driven insurance company that can respond to market developments effectively.

3.1. Strategic themes

SRLEV is transforming into a customer-centric rather than a product-centric insurance company. This process reflects our vision, which is helping our customers to realise their dreams and protect their belongings. More and more, SRLEV will apply an omni-channel approach. SRLEV recognises the power of the digital channel and therefore will further invest in its digital platform. At the same time SRLEV respects and sees the importance of our strong intermediary channel.

Standardisation and simplification are key concepts in our transition, as is demonstrated in the restructuring of the organisation. The present organisation is less complex and more compact, which enables us to provide better service to our customers in accordance with current standards. Business processes are being simplified and the new SRLEV strongly focuses on innovation and digitisation.

SRLEV has two main consumer-facing brands being Zwitserleven and Reaal. These brands serve our two product lines Life Corporate and Individual Life.

In order to achieve a successful new SRLEV organisation, it is necessary to improve our expense ratios which required significant cost reductions and downsizing. By reducing our work force by one third in 2016, instead of the previously anticipated three years, we have ended a period of uncertainty for our colleagues and will be able to reap the benefits of the changes at an earlier stage. Structural cost reductions are vital for guaranteeing the future of SRLEV in the interest of all our stakeholders, including our customers and employees.

3.1.1. Mission, vision and core behaviors

SRLEV has redefined its vision and mission in 2016.

Our vision

SRLEV is a leading, trusted and customer-centric financial service provider helping its corporate and individual customers to realize their dreams and insure their risks.

Our mission

Our mission is twofold:

- SRLEV will deliver a comprehensive product and service offering to our customers.
- SRLEV will leverage the most advanced technologies, resulting in long-term sustainable growth for customers, employees and society at large.

Our core behaviors

Customer centricity and a high performance culture are central aspects of the new strategy. SRLEV has also an ambitious task to achieve more for our clients with lower costs. This will ask for a different way of working and changing behavior. For that reason, SRLEV has defined five core behaviors for their employees:

- **Change attitude** Our employees have an open mind when it comes to change. We don't accept something just because "we've been doing this for years".

- **Immediate execution** Our employees do what they can do today to reach our goals. We break down our plans into specific actions.
- **Take responsibility** We know our company goals and our role in achieving these. Employees do what they have to do. They give feedback to others and help everyone in taking their responsibility.
- **Client focus** We think outside in and use common sense. We always ask ourselves if our decisions are in the best interest of our customers.
- **Result driven** We focus on things that clearly help us towards our targets. We finish what we start.

3.1.2. Stabilising the business

Stabilisation was the company's priority in 2016; the first full year following the acquisition by Anbang. Various measures aimed at structural improvement of SRLEV's foundation were taken. In 2016, a new Chief Executive Officer, a Chief Commercial Officer, and a Chief Operating Officer were appointed. The Executive Board now consists of seven members and is closely connected to the business operations.

Furthermore, the organisation has been restructured from a business unit model to a matrix model based on product lines. All digitisation-related activities have been grouped to form a new unit under the name Digital.

Each product line is represented in the Executive Board by the corresponding sponsor. Conversely, the members of the Executive Board are closely involved in the business processes of their designated product line. General managers have been appointed for each of the product lines. They are responsible for the results of their product line, with a focus on sales, operations and profitability. It is also their task to simplify and standardise the processes in their product line in a way that benefits the entire organisation.

Structural cost reductions, a lean organisation and streamlined business processes are the key stabilisation components. Due to the increase in our efforts in 2016, the reduction in the number of employees was accomplished significantly sooner than anticipated. The objective to reduce the workforce by the end of 2018 was already achieved in 2016. Some 400 employees have left the workforce of the company, which means that SRLEV will continue its operations with a staff of around 1,900 people (also see section 3.4).

Structural cost reductions have been achieved by means of process standardisation and centralisation. Moreover, the number of offices has been reduced and rationalisation of the IT landscape has resulted in lower IT-related costs. SRLEV also strives to further digitise its processes.

Measures aimed at structural improvement of profitability in other areas include changes in the asset mix to increase the return on the investment portfolio. The capital injection by Anbang through VIVAT enabled and will enable SRLEV to optimise its investment portfolio. Good progress was made in this direction in 2016, as a result of which investment income is expected to increase.

3.1.3. Revitalising and growing the business

Following the completion of the restructuring, resulting in the newly formed product lines and support functions, SRLEV is now able to focus on revitalisation and growth.

SRLEV's most important and well-known brands, Zwitserleven and Reaal, are aimed at the consumer and the business-to-business market. We opt for an omni-channel approach in the consumer market in the form of a combination between online (direct) sales, authorised agents and intermediaries.

SRLEV aims to strengthen its position in the consumer market. For Individual Life we will focus on mortgages. For Life Corporate we are developing a new defined contribution based solution in addition to our wide variety of exisiting defined contribution and defined benefits offerings using both our PPI (Premium Pension Institution)-proposition as well as our traditional solutions. These measures and plans are discussed in more detail in section 3.3.

3.1.4. Accelerating the business

SRLEV has the ambition and ability to reach a leading position in the online domain. By leveraging Anbang's knowledge and skills in this field, which it obtained in the Chinese market, SRLEV is able to accelerate innovation in this area.

We have set up a new unit, Digital, in which multidisciplinary teams work together on solutions that improve the efficiency of internal business processes and on the development of customer-oriented platforms and products.

One of the objectives for the Digital unit is to achieve structural cost reductions by optimising the IT landscape across the organisation. We plan to migrate the different platforms within SRLEV to a new uniform company-wide platform that will provide higher efficiency at lower cost. We aim to further reduce costs by optimising operational efficiency on the basis of data analytics, self-service and networked business models. Activities in the areas of social media, customer-centric design and active customer communities will contribute to improving SRLEV's non-financial performance.

Another objective is to further expand our digital direct retail platform and to develop new products and business opportunities, in part through collaboration with non-financial partners. This platform has already been launched under the name 'nowgo'. Nowgo offers customers the possibility to take out insurance policies easily and quickly, without the involvement of an intermediary. We offer existing products as well as products that have been especially developed for this platform.

SRLEV actively seeks to develop new business opportunities with partners. We are building strong relationships with start-ups in order to boost our innovative power and ability to respond to the latest market trends.

3.2. Corporate Responsibility

SRLEV's core activity, providing insurance to our customers, implicitly requires us to take our role in society seriously. Corporate Responsibility (CR) follows from our mission and vision, and forms an integral part of our strategy and business operations. Implementation of CR in the organisation and our operations was started in 2015 and continued in 2016.

3.2.1. CR policy

Our CR policy guides the behaviour of SRLEV employees and the manner in which they interact with the outside world. Our customers, employees, processes and social policy are all crucial factors that affect the future of our organisation. Our brands not only serve our customers, they also have impact on and are impacted by society at large and our environment. This interactive process is shown in the following figure.

Figure 1: Conceptual framework for Corporate Responsibility

Our CR activities are aligned and integrated with the mission and core strategy of the company and comprise four main pillars:

> Our impact and relationship with our customers through our brands;
> Our people;
> Our impact on society and the environment through our processes as well as our investments;
> Our (financial) results.

	Our Corporate Responsibility strategy			
Strategic pillars	Our brands & clients	Our people	Our environment	Our result
CR focus areas	Sustainable customer relations	Sustainable employability	Sustainable world	Responsible risktaking
	Customer relations enhancement themes	Sustainable employment	Public debate	Sustainable results

Figure 2: Corporate Responsibility policy framework

Our brands/clients
Our ambition is to create value for our customers and develop sustainable customer relations. Treating Customers Fairly (TCF) is a programme aimed at achieving this. It covers themes that are relevant for customers, such as understandable products, the availability and accessibility of our call centres, and fair pricing. Specific customer relations enhancement themes have been defined for each brand. These range from promoting financial resilience to investing our assets responsibly.

Our people
Our employees are the people who put our mission and vision into practice. We are a business that serves the financial interests of others, which requires a staff that is fully committed to this task. This means being a responsible employer by promoting sustainable employability (e.g. vitality, personal development) and sustainable employment relations (flexibility, diversity).

Our environment
We are working towards a sustainable world and promote protection of the environment. Our efforts include carbon emissions reduction, efficient use of paper and waste reduction. We also invest the assets entrusted to us in a sustainable manner by making sure that they meet specific ESG (Environmental, Social, Governance) criteria. Furthermore, SRLEV operates at the heart of society. Acting on behalf of our customers, our brands have entered into public debates on topics such as changes to pension legislation, the promotion of sustainable transport and responsible investing.

Our results
We strive for healthy and sustainable long-term results. Within this pillar we focus on activities that have an impact on our customers, our shareholders and our business, such as adequate risk management and achieving sustainable results.

3.2.2. Value creation

The essence of our operations and brands is the creation of value for our stakeholders and society at large. Building on the foundation that was laid in 2015, we have updated and visualised our value creation process (see figure 4). The columns 'impact on clients' and 'impact on society' list the areas in which we create the most value – both in the form of a direct or indirect positive impact and by reducing the impact of negative aspects. This visualisation also provides insight into the inputs required to make our business model work.

The model incorporates the larger context in which we operate in the form of external developments and trends and the impact thereof on SRLEV customers.

The supply chain forms the basis of the value creation model. In figure 3 we have depicted our supply chain in detail.

Figure 3: Our supply chain

SRLEV offers financial services in the Netherlands, mainly consisting of insurances and pensions, under various brand names to both business and individuals. The input to our business model encompasses different forms of capital (i.e. human, intellectual and financial capital). Our workforce is situated in the Netherlands. Financial capital is mainly provided by our customers in the form of insurance policy premiums and is a precondition for being able to carry out our core activities: Insurance and Pension Insurance.

SRLEV, as part of VIVAT attributes great importance to responsible business conduct. This is reflected in our CR policy framework and our corresponding efforts in areas such as maintaining long-term relationships with our customers, being a good employer, investing in society, adequate risk management and sustainable financial results. The key figures in the middle column of the value creation model (see figure 4) represent the KPI's that we use to assess the degree to which we achieve these and other business objectives. They indicate if our strategy is implemented effectively and if it yields the desired output, including benefits for customers and profits for our shareholders.

The impact of our asset management activities is even greater than the impact of the management of our own business operations. By investing the assets entrusted to us, additional capital is raised. This provides financial stability and the funds to pay out insurance claims, benefits and pensions in the long term. To deliver sustainable performance, investments must meet specific ESG (Environmental, Social, Governance) criteria.

The products that we provide also have an impact, as they contribute to the current and future financial security of our customers and, on a higher level, to financial solidarity and economic growth.

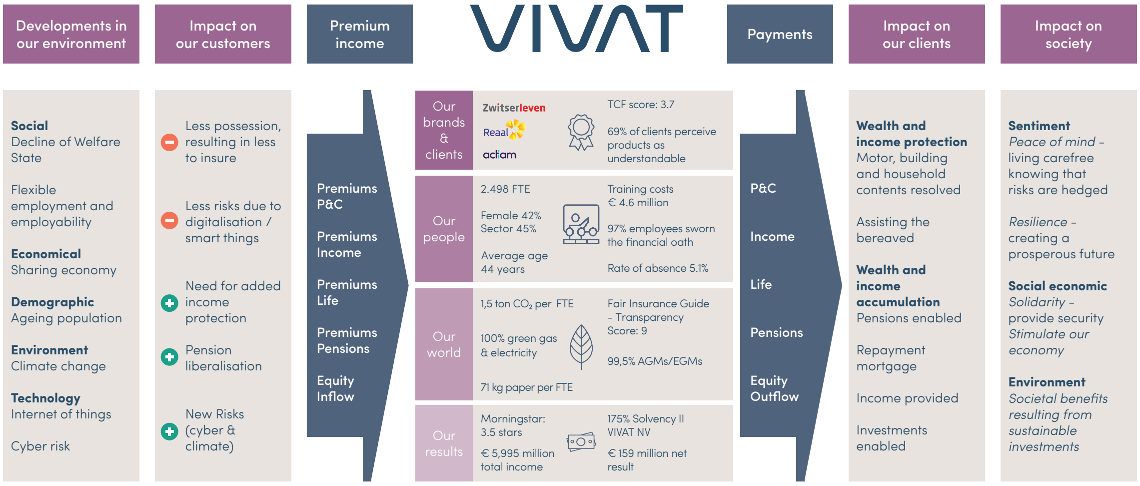


Figure 4: Value creation model

3.2.3. Transparant 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 approach towards them. 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). This is reflected in so called TCF scores.

The AFM tests whether insuring companies are succeeding in treating customers fairly. In connection with this, the regulator publishes TCF scores on a yearly basis. The AFM's TCF monitor surveys can be used to provide consumers with guidance on making qualitative comparisons. Apart from these scores at industry level we monitor customer loyalty and satisfaction within our company at brand level.

Treating Customers Fairly (TCF)

TCF covers themes that are relevant for customers, such as understandable products, the availability and accessibility of our call centres, and fair pricing. On a scale of 1 (low) to 5 (high), VIVAT has an overall score of 3.7, compared to a market average of 3.8. Improvement has been made compared to 2015, when VIVAT scored 3.0 against a market average of 3.4. The TCF figures are based on VIVAT as a whole (not only SRLEV).

TCF scores obtained in subcategories

(Sub)categories	VIVAT score	Average market score
Handling of claims	3.6	3.4
(Aftercare) unit-linked insurance policies	2.6	3.0
Customer contact insurers	4.0	3.8
Complaints management	4.5	4.5
Total score[1]	**3.7**	**3.8**

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

1 The average score of the market is based on all examinations and the average of VIVAT only those to which VIVAT participated.

Customer loyalty and customer satisfaction at brand level

We monitor customer loyalty and customer satisfaction by measuring various aspects of our service at brand level.

For Customer loyalty we use the Net Promotor Score, by asking customers one simple question: "How likely is it that you would recommend us to a friend or colleague?" The score can result in both positive (yes, I recommend this firm) as well as negative percentage scores (no, I don't recommend this firm). Our goal is to improve our service levels in such a way customer loyalty will show positive outcomes in the years ahead. Reaal managed to improve the NPS score in 2016 whilst Zwitserleven did not succeed to upheld the same level as in 2015.

Customer satisfaction score reflects our customers' satisfaction again on a scale from 1 to 10 (1 = extremely dissatisfied, 10 = extremely satisfied). Reaal's overall customer satisfaction scores show a slight increase, but unfortunately subscores were declining. Zwitserleven maintained the Customer satisfaction level of the previous year although subscores (simplicity and comprehensibility) show a slightly mixed result.

Simplicity

'Simplicity for the future' is the focus, the "raison d'être" of the Zwitserleven brand. Over the years, pensions in the Netherlands have become too complicated. Many consumers have insufficient understanding of their pension situation and are not sure which solution would be preferable or whether they need to take action at all. Since customers pay good money towards their pensions in good faith for a period of some forty years so that they can enjoy 'Het Zwitserleven Gevoel' (the carefree Zwitserleven Feeling) at a later stage, Zwitserleven ensures they are well informed. We measure the extent to which our customers feel our communications are transparent and clear. According to 68% of our customers we are succeeding in this area.

Customer scores of Zwitserleven

Zwitserleven	2016	2015
Net Promotor Score	-44%	-38%
Customer satisfaction score	7.0	7.0
Percentage of customers who think communication is transparent and clear	68%	67%
Percentage of customers that perceive products as comprehensible	69%	72%

These figures are measured throughout 2016 (Q2 and Q3).

Reaal aims to improve the financial resilience of customers, by helping them to make conscious choices about their financial situation. Simplicity in finance is an important principle for Reaal. This means that we stand for products that can be understood by all, that are open, accessible and have no small print, and that come with friendly service and lasting relationships. We try to keep our terms and conditions as transparent as possible and make our products understandable. We communicate this clearly in our product conditions, in letters and on our website. We measure the extent to which our customers feel our communications are transparent and clear. According to 67% of our customers we are succeeding in this area. There is still a significant number of customers who require clearer, more transparent communication.

Customer scores of Reaal

Reaal	2016	2015
Net Promotor Score	-42%	-47%
Customer satisfaction score	7.0	6.9
Percentage of customers who think communication is transparent and clear	67%	73%
Percentage of customers that perceive products as comprehensible	77%	79%

These figures are measured throughout 2016 (Q2 and Q3).

Customer privacy and data protection

Data protection and the privacy of customer data is of key importance for SRLEV. Customers can trust on SRLEV that their personal data is in safe hands. That is why SRLEV has implemented certain policies to protect customer data and customer privacy. The privacy statements as published on the websites of SRLEV and our brands describes the categories of data SRLEV collects, the purposes of the collection of the data and how customers may access such data. Customers can contact SRLEV with requests related to that data in writing. SRLEV also has a policy to handle data leakages to minimize possible damage to customers. The appointed Data Protection Officer is responsible for compliance with the law.

3.3. Our product lines

3.3.1. Life Corporate

SRLEV's Life Corporate product line 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 brand of the pension product range is Zwitserleven.

Objectives for 2016

The primary goal for 2016 was to establish a healthy and successful organisation that responds flawlessly to the needs of customers. Consequently, the priorities of the Life Corporate product line were to improve business processes and to further strengthen the long-term relationships with intermediaries and customers.

Close examination of the product range was, and will continue to be, an important topic. Focus points in this area were defined contribution solutions, optimisation of existing products and the development of new propositions, including reasonably priced defined benefit products. Another aim was to combine product optimisation and development with making effective use of SRLEV's new online distribution channel where possible.

Achievements in 2016

Organisational aspects

A more lean organisation with less management layers was created by setting up account teams. These teams have full authority and responsibility for maintaining the relationships with intermediaries and customers. As a result, the number of transfer moments has been reduced considerably, which speeds up the processes and reduces the risk of errors. As the responsibility for supporting processes, such as IT, has been placed with other departments in the SRLEV organisation, the account teams are able to focus their full attention on their primary tasks. Initial responses of customers and intermediaries to our ability to answer questions and resolve issues more effectively and efficiently indicate that this new approach will have a positive effect on customer satisfaction.

Relationship management events

In October 2016, SRLEV organised the sixth Zwitserleven Pension Event. This year's theme, Leap to the Future, was aimed not only at informing customers and intermediaries about the rapid developments that are taking place in the industry. It also reflected the changes in the SRLEV organisation to ensure that it is fully prepared to deal with these developments. No less than 90% of the 300 participants stated that the event was very useful and inspiring.

In September 2016, the Life Corporate product line organised its first webinar to provide our customers and intermediaries information on a variety of topics, including new products and services, the new organisation and our plans for the future. The webinar was a success: the audience awarded the webinar a score of 7.3 and the presenters (the General Manager and the management team) a 7.6. Motivated by these results, Life Corporate intends to organise more webinars in the future.

Optimised and new products

Many companies with up to 10 employees do not provide a pension scheme due to limited access to advice. For this reason, Life Corporate started a pilot project that enables employers to obtain a basic pension scheme (Nu PensioenRekening) with an easy to understand online tool. The tool was also made available to intermediaries, enabling them to provide pension advice to this type of companies more efficiently and at lower costs.

As of 1 January 2017 a more advanced product (Nu Pensioen Plus!) was introduced, offering an unique combination of low costs, responsible investment and guarantees.

More flexibly and effectively operations

The restructuring and increased digitisation of processes have enabled the Life Corporate product line to operate more flexibly and effectively. The resulting reduction in the number of employees contributed significantly to achieving a reduction of costs.

Award

On 1 July, our brand Zwitserleven was elected 'Best Pension Provider Netherlands' of 2016 by the World Finance Global Pension Funds Awards panel. According to the panel, areas in which Zwitserleven excelled were customer-orientation, a strong investment policy and the company's proactive approach to ensuring that its customers have a good understanding of their pensions. They also praised Zwitserleven for being a consistently strong brand over a period of 30 years. 'The Zwitserleven Gevoel'-campaign reached its 30th anniversary in October 2016.

Plans for the year ahead

Life Corporate strives to achieve further growth by taking advantage of the opportunities in the pension market for defined benefits and defined contribution products (Premium Pension Institution (PPI); persons who are both the director and major shareholder of a business; buy-out). We will continue to develop innovative products and prepare ourselves for the new pension landscape in 2020. Client satisfaction and operational excellence will continue to be important focus points.

3.3.2. Individual Life

The portfolio of the Individual Life product line mainly consists of life annuity insurance policies, mortgage-related endowment policies, term-life policies and unit-linked insurance policies. These products are targeted at the retail and SME markets.

Objectives for 2016

As a result of economic, regulatory, demographic and social developments, individuals are increasingly responsible for their own long-term financial security. The products offered by the Individual Life product line aim to provide this security. In view of the significant impact of these products on the well-being of individuals, customers need to be able to make well-informed choices. This requires clear products, assistance in finding the optimal solution and widespread availability.

The objective for the Individual Life product line for 2016 was to initiate structural and sustainable improvements to the business processes and product range that enable it to meet these customer needs. Other aims for 2016 were to increase revenue by strengthening the position of current products, capturing growth opportunities, developing innovative products and making use of the company's new online distribution facilities.

Achievements in 2016

Organisational aspects

In line with the restructurings in other parts of the organisation, the number of management layers at the Individual Life product line was reduced and more responsibility was assigned to employees at the operational level. In combination with improvements in the areas of workflow management and knowledge management, this resulted in significantly higher efficiency.

Term-life insurance

The market share of life insurance products was 15.2% in 2016.

To assist potential and current customers in making sure that, in the event of their death, their dependants will continue to be well-cared for, a nationwide campaign was launched in 2016 in the form of a 'surviving dependants check'. This online check enabled individuals to calculate the total insured amount and monthly premium required to ensure that their partner and children will be able to continue their lives without having to worry about their income. The check offered the possibility to take out the calculated insurance directly online, or to request further assistance from SRLEV or an intermediary.

Unique selling points for this product are the competitive premium, low non-recurring closing costs and rapid acceptance procedure. The customer rating for this product on the independent insurance comparison website Independer was 8.2 in 2016. The campaign was a success. Around 11,500 people completed the check.

Products

In 2016, Individual Life was working on the development of innovative new products with a focus on wealth management. At the end of the year immediate annuities was re-introduced. This product meets the needs of customers whose life annuity insurance is about to expire and who are looking for a complementary solution.

Unit-linked policies

In 2016, a lot of effort was put into fulfilling the company's obligations in connection with unit-linked policies.

In 2009 and 2010, SRLEV reached agreement with consumer organisations such as the Dutch Homeowners' Association (Vereniging Eigen Huis) and the Dutch Investors' Association (Vereniging Effecten Bezitters), to reduce the percentage fees charged for unit-linked policies to a level that is acceptable to all parties. SRLEV fulfilled its obligations in connection with the resulting compensation scheme before the start of 2016 and paid in 2016 a total of € 41 million in compensation to customers. In addition to the compensation scheme, complementary measures were agreed in consultation with the Dutch Minister of Finance that would enable all customers with a unit-linked policy to make changes to their policy or switch to another provider. In accordance with these measures, SRLEV has encouraged customers with unit-linked policies to assess their policy. The nature of the encouragement depended on the characteristics of the policies. A targeted approach was used to contact customers by mail or by phone, or by other methods where necessary, directly or through their intermediaries, to inform them about their policies and offer them an alternative. Intermediaries were stimulated to keep offering their customer base a free policy check.

Plans for the years ahead

In January 2017 Individual Life launched a new mortgage product. It is a simple and flexible mortgage for consumers offered via the brand Reaal and sold through intermediaries.

The primary aim for 2017 is to achieve further growth with the innovative products that are currently being developed. In view of its success in attracting new business, the 'surviving dependants check' will be continued. This also applies for the recently launched retention programme aimed at strengthening the relationships with our existing customer base.

3.4. Our people

SRLEV aims to become one of the larger players in the insurance industry. To reach this goal SRLEV has put data programmes for employees in place for beginners, intermediates and experts in cooperation with universities in the Netherlands. Next to that SRLEV also gives the opportunity for many employees to work together with start-up incubator B.Amsterdam and several start-ups to learn to work agile and innovative.

Customer centricity and a high performance culture are central aspects of the new strategy. To stimulate the new culture, SRLEV changed the organisation from a business unit model to a matrix model based on product lines and functional lines. SRLEV also downsized the number of employees all with the aim to create a lean organisation. This strategy will ask for a different way of working and changing behavior. For that reason SRLEV has defined five core behaviors for their employees. These are Change attitude, Immediate execution, Take responsibility, Client focus and Result driven. SRLEV is starting up training programmes to embrace these values.

Workforce

At 31 December 2016, SRLEV had an internal workforce of 1,923 FTEs (including redundancies to leave in 2017). The total workforce decreased by 17% (387 FTE) compared to 31 December 2015 (2,310 FTEs). This reduction of the number of employees was a result of simplification, standardisation and centralisation of processes and rationalisation of the IT landscape. In changing the organisation, the staff care has special attention to make them resilent.

Key figures Human Resources

	2016	2015
Number of internal FTEs	1,923	2,310
Ratio male-female	58% / 42%	61% / 39%
Female managers	23%	24%
Female members of senior management	24%	20%
Average length of service (years)[1]	13.9	13.8
Average age (years)	44	43
Full-time/part-time ratio	73% / 27%	71% / 29%
Ratio permanent/temporary contract	95% / 5%	93% / 7%
Training costs (million)	€ 4.6	€ 4.8
Sickness absence	5.1%	4.4%
Employees with health check	24%	32%
Employees who indicate the workload is acceptable[2]	n.a.	71%
Percentage of employees that have sworn the bankers oath	97%	92%

1 2015 figure of average length of service is corrected based on new insights.
2 In 2016 no employee survey has taken place.

3.4.1. Employability

To remain competitive SRLEV needed to downsize its costs. In reducing the workforce various actions were needed to be taken to support employees who were affected. Employees who were made redundant were offered a package consisting of an above-average severance payment, a period of nine months paid job-to-job coaching to support these employees to find new employment within or outside SRLEV. For the remaining workforce, SRLEV continues to provide extensive support in areas such as vitality, career development and an inspirational work environment. Other changes, such as modernisation of employment condition and flexibilisation of way of working are part of the future SRLEV's organisational strategy.

Vitality

To ensure the health of its employees and keep absences due to illness to a minimum, SRLEV works intensively together with external company doctors and counsellors. SRLEV will change to GOED as our health and safety service provider in 2017. SRLEV also offers sports facilities and encourages employees to adopt a healthy life style. With the strain on employees in the reorganisation the illness figure increased to an average of 5.1% (2015: 4.4%). These figures have increased focus by all managers and Human Resources. Resources are made available to develop and implement a programme to get a healthy work life balance.

Personal development

Providing excellent customer service requires motivated and well-trained employees who are empowered to help customers in a correct and professional manner (first time right). To achieve this, employees are encouraged to develop and grow in accordance with mutually agreed targets.

Personal development is supported by a learning portal that provides a range of training courses and tools, including 360 degree feedback and a network of coaches. In addition to the existing 'Management is a profession' programme for managers, SRLEV introduced the High Performance Cycle for senior management in 2016. This cycle integrates performance management, training, career and reward. The aim is to implement the High Performance Cycle for the performance management of all our employees in 2017.

Training and education

Training and education continue to be important, also in view of the restructuring and the resulting matrix structure of the organisation. In accordance with the T-shape model, employees are offered the possibility to further develop their skills and knowledge in their own area of expertise (vertical bar on the T) as well as their ability to communicate and collaborate with colleagues in other departments (horizontal bar on the T). Targets in this area are specified in consultation with each individual employee.

Furthermore, ongoing training is provided to keep employees up-to-date in accordance with the requirements of the Dutch Financial Supervision Act. The HR information system informs managers of the status of the necessary diplomas or qualifications of their staff.

SRLEV also invests in training aimed at innovation via the VIVAT Academy. Examples include the state of the art Data Scientist programme in which 11 employees have been enrolled. Knowledge in the area of innovation is also obtained by means of partnerships and collaboration with start-ups and universities.

Employment mobility

Mobility within the company is encouraged and supported. Tools and support in this area are provided by SRLEV's Career Plaza. The team behind Career Plaza was also responsible for helping 800 employees to find new positions inside or outside the SRLEV organisation in connection with the restructuring in 2016.

Being part of the Anbang organisation also offers SRLEV employees international perspectives in terms of training and career opportunities.

Flexible working

In 2016, SRLEV made a shift from the New Way of Working Practices it had been applying since 2009 to Flexible Working. This means that, depending on the workload, employees are permitted to work less or different hours if possible and are expected to put in extra hours in peak periods. This new approach offers employees a certain amount of flexibility in creating a good balance between their work and their private lives.

3.4.2. Terms and conditions of employment

SRLEV's aim to be an appealing employer is reflected in the company's terms and conditions of employment. Variable compensation based on corporate profit is limited. The aim of this policy is to avoid undesired incentives and to ensure that customers are treated fairly in relation to employee remuneration. The pensions of SRLEV's employees have been placed with the SNS REAAL Pension Fund Foundation. This foundation reports independently and publishes its own annual report.

Diversity and inclusivity

SRLEV's aim is that its workforce reflects the composition of its target groups. This includes creating a good balance between male and female competencies on the basis of our diversity guidelines for recruitment and career planning. Our policies are also in line with the Work-incapacitated Persons Participation legislation and the workforce diversity monitor.

Since 2014, SRLEV is a member of Women in Financial Services (WIFS), a network of women in key positions in the financial services sector, with the aim to strengthen the position of women in our organisation and increase the percentage of women in management positions. On 31 December 2016, the Executive Board of SRLEV consisted of two women and five men. The senior management of SRLEV included ten women equal to 24% (2015: 20%).

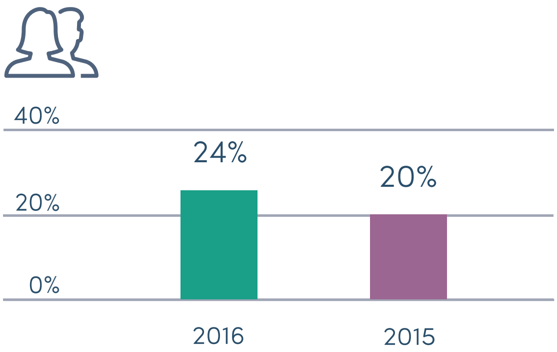


Figure 5: % Female members of senior management

Employee participation

The restructuring and relocation of employees from several buildings to the head office in Amstelveen was an important item on the employee participation agenda in 2016. The changes in the senior management and the implementation of the new matrix structure also affected the organisation of employee participation.

3.5. Financial position

Main developments in 2016

The net IFRS result of SRLEV increased to € 252 million in 2016 compared with € 194 million in 2015. Higher restructuring costs were offset by realised cost savings and higher investment income for the product lines Individual Life and Life Corporate. In total € 85 million restructuring costs were allocated to the product lines. Gross premium income of SRLEV in 2016 was € 1,834 million, € 93 million lower than in 2015.

Several subordinated loans were refinanced by the shareholder. The cash position increased from € 153 million at the end of 2015 to € 271 million at 31 December 2016.

Life Corporate

Gross premium income of product line Life Corporate has increased marginally from € 950 million in 2015 to € 954 million in 2016. Decline in premium income for the accumulation phase was more than offset by growth in sales single premium direct pension annuities. Net result of Life Corporate improved to € 79 million, a € 9 million increase compared to 2015 driven by lower operating expenses and an improved result on interest. Higher restructuring costs were largely offset by a positive impact of the change LAT-shortfall recorded in Life Corporate.

In 2016, Life Corporate recorded substantial realised gains on fixed income investments (€ 1.4 billion) as a result of the re-risking strategy. These gains were added to insurance liabilities. Therefore these realised gains did not have an impact on net IFRS result.

Individual Life

Gross premium income of Individual Life decreased in 2016 with € 97 million to € 880 million mainly caused by a shrinking Individual Life market. Net premium income was up as a result of higher own retention due to the optimisation of its reinsurance program.

Individual Life increased its result from € 115 million in 2015 to € 177 million in 2016 mainly due to an improved result on interest and the result on reinsurance. The improved result on interest was driven by lower impairments and a higher investment income.

3.6. Risk and capital management

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.

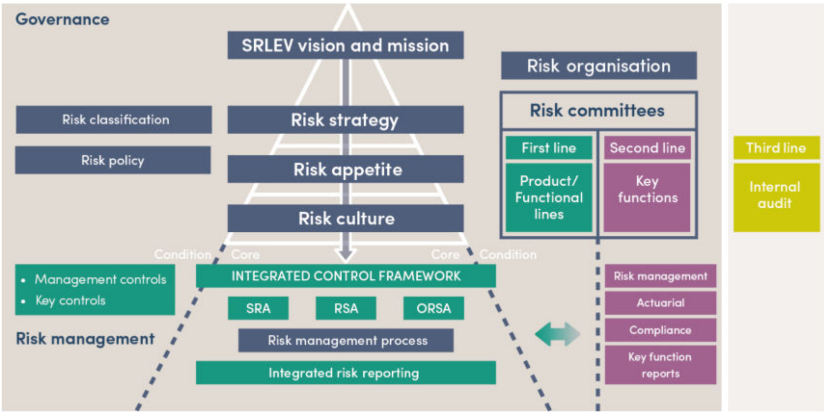


Figure 6: Risk management

The core of the Risk Management System consists of a strategic part Governance at which, starting from the Vision and 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 all second line SII Key Functions use the same risk classification, all 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. Further information about risk and capital management has been included in chapter 7 'Managing risks' in the consolidated financial statements incorporated by reference herein.

Risk Strategy

SRLEV has derived a Risk Strategy, a supporting set of objectives following from the VIVAT vision and 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, stable profitability, prudent and consistent risk policy, regulatory compliancy, social responsibility and effective and efficient client solutions. As insurance company SRLEV provides guarantees for future payments to its clients 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 Appetite, as an integrated part of overall business operations, is determined at least once a year and is subsequently translated into practical risk objectives. Risk Appetite is defined at VIVAT level, which includes the Risk Appetite of SRLEV. Subsequently it is developed in more detail on the individual legal entity level in the form of individual quantitative risk limits (including the use of hedges) and qualitative constraints. When implementing the strategy, the Product Lines are able to select the best possible products and services, although their selection must be in line with the strategy of VIVAT.

Risk Culture

Culture and conduct in general play a key role in controlling a company, and specific 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 fulfil their job. Finally, the Remuneration Policy of VIVAT 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 optimization and integration of the risk management.

Integrated Control Framework

Management uses the Integrated Control Framework (ICF) to direct and manage the control and integrity of its business processes, following strategic objectives and SRLEV's risk appetite. Management furthermore aims at the ICF helping to promote risk awareness among all employees. The ICF contains core components that together form the basis for sound and controlled business operations within SRLEV, and supports being in control. It measures the maturity of risk management and ensures steering on correct and complete risk reports. The ICF monitors process Key Controls and Management Controls.

Risk management process

SRLEV assesses underwriting risks by following the Product Approval and Review Process (PARP) for new or adjusted products and management of the existing portfolio. Based on the risk appetite, 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.

The ALM-policy covers the management of market risk, credit default risk and liquidity risk. The ALM study seeks to find a balance between risk and return within the preconditions that apply with regard to solvency, and laws and regulations, and is performed at the end of the year. This ALM study is used as a basis for defining a Strategic Asset Allocation (SAA), which is in turn used to translate specific investment activities into an investment plan and investment mandates for ACTIAM, taking into account the risk limits based on the Risk Appetite Statements (RAS), solvency, the tax position and the long-term risk exposure. Investments are made in accordance with the prudent person principle and in the interests of the policyholders. Investments are made exclusively in assets and instruments whose risks are properly identified, measured, monitored, managed, controlled and reported.

Developments

As a result of the acquisition by Anbang and the associated strategic review of VIVAT, SRLEV faced a period of transition during 2016. Implementing the new operating model and governance structure, strong focus on cost reduction and earnings models, job uncertainty, changes in products, methodologies and processes, the speed of required changes and cultural changes increased the chance that operational- and compliance risk would materialise. Allthough these risks are adequately addressed, managed and monitored during 2016, managing the impact of these developments remains a challenge looking forward to 2017.

SRLEV continued to invest in the development of the control environment by the strategic programmes Solvency II, Data management and Integrated Control Framework, resulting in the improvement of process controls, management information, risk management policies and first line risk maturity. These improvements contribute to managing the increased pressure on the organisation.

Rationalization of the model landscape, in which the number of models is further reduced, is a strategic programme executing in 2017. It contributes to a more efficient and reliable valuation of underwriting and market risks and the solvency, and leads to further reduction of model risk. Given the validation of a number of models in several segments the model risk has been further reduced in 2016. Uncertainty resulting from conversion projects has been mitigated by successful finalising or continuous monitoring, applying workarounds and a process for early provisioning in the accounts.

Capital management

Capitalisation refers to the extent to which SRLEV has a capital, which is necessary to cover unforeseen losses or to achieve the strategic objectives of the company. The by SRLEV required capital has to meet internal risk appetite standards as well as external requirements of regulators, rating agencies and commercial considerations. Capitalisation generally refers to the relationship between risk-bearing activities and available regulatory capital (own funds).

The objective of the Capital Policy is to ensure that there is always sufficient capital to fulfil obligations towards policyholders and all legal requirements. In addition there is a Recovery Plan which describes the procedure that applies in a contingency situation. In its Risk Appetite Statements, SRLEV has defined specific triggers that determine whether a contingency situation exists. The management of SRLEV uses the ORSA to verify the amount of capital required and this may result in management actions to bring the capital in line with the risk profile and risk appetite. In 2016, SRLEV performed an ORSA which was the basis for the Operational Plan and Capital Management.

Solvency II

Solvency II legislation is effective as of 1 January 2016. The supervisory authorities EIOPA and DNB have produced several public guidance notes on the interpretation and SRLEV produces all regulatory reports that are mandatory under the Solvency II legislation.

The Solvency II ratio is based on the Solvency Capital Requirement (SCR). Under Solvency II, the supervision of the risks to which an insurer is exposed and the management of those risks plays a more central role. The financial requirements more accurately reflect the risks to which insurers are exposed. Moreover, Solvency II is more in line with market developments and the internal risk management systems used by insurers.

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 SRLEV as an independent authorisation holder.

Regulatory Solvency II

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

In € millions/percentage	SRLEV
Eligible own funds	3,424
SCR	2,295
Solvency II Ratio	149%

The internal risk limit for the Solvency II capital ratio is 140%. More detailed information on determination of the Solvency II capital ratio is included in chapter 7 Managing Risks in the consolidated financial statements.

The classification of the hybrid capital of SRLEV NV (outstanding on 31 December 2016) into Tier 1 and Tier 2 capital is based on the transitional measures contained in the level 1 regulations, and aligned with DNB.

Following from the capital injection in 2015 and the strategic review evolving in a new Operational Plan, SRLEV is currently changing its risk profile taking into account its Risk Appetite. Supported by ORSA outcomes, SRLEV aims to work towards a new Strategic Asset Allocation which leads to higher expected return. In order to mitigate underwriting risks, SRLEV has entered into a mass lapse risk transfer agreement which has not yet been included in our Solvency II ratio. Furthermore, SRLEV reduced the spread mismatch between assets (mainly German and Dutch government bonds) and liabilities (mainly swap plus SII Volatility Adjustment) significantly in the second half of 2016 by selling German and Dutch government long term bonds and plans to sell more. Both risk mitigating measures lead to a relieve of capital requirements.

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 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.

EIOPA has recently evaluated the UFR, and the regulator has proposed to decrease the UFR to 3,65%. Annual changes will not be higher than 15 basis points. In a first step of the phasing-in, the current UFR of 4.2% will be lowered in January 2018 to 4.05%. This will have a negative impact on net result, own funds and solvency. A decrease of the UFR to 3,7% will lower the SII ratio for SRLEV with 14% to 135%.

Quantitative information about risks and related sensitivities for both Solvency II and IFRS has been described in chapter 7 Managing risks in the consolidated financial statements.

3.7. Our world

The figures in this chapter are based on VIVAT as a whole (not only SRLEV).

3.7.1. Reducing CO_2 emissions

One of the key priorities in our efforts towards creating a sustainable world is reducing our carbon emissions.

Our targets for 2016 were:

> a reduction in energy consumption of at least 3% compared to 2015;
> a CO_2 emissions reduction of at least 5% compared to 2015;
> materials used by SRLEV and its suppliers for building management purposes must be sustainable and energy-efficient;
> fully climate-neutral buildings and operations;

> a reduction in the use of paper in communication with customers by 5% compared to 2015.

By consuming less energy we also reduce our CO_2 emissions. We are committed to achieving our energy efficiency targets, which are monitored by the government.

Green energy is purchased directly from the source (Dutch wind and Dutch biogas) and the remaining CO_2 emissions from our business operations and mobility are offset by purchasing credits that meet at least the Fair Gold Standard (GS). In 2016, the ratio of remaining Gold Standard Ghana project credits to Fair GS credits in South Africa and India was 1:4. SRLEV also provided support for a start-up project involving the roll-out of one of the most energy efficient cookstoves available today, which is produced by African Clean Energy in Lesotho.

Nonetheless, carbon offsetting does not absolve us of the need to cut our own CO_2 emissions, particularly those caused by travel (mobility) on the part of our own employees. Therefore SRLEV makes efforts to change policies towards mobility, the use of (lease) cars and stimulate public transport.

As in previous years, SRLEV's ISO 9001 and 14001 certification was audited and confirmed by an external party. This guarantees that our quality management and environmental management systems are up to standard.

To provide assurance with respect to the sustainability of our buildings, we have obtained BREEAM certification for all the buildings of which we are the principal user.

Energy consumption of offices

in gigajoules	2016	2015
Energy consumption kWh per FTE	1,821	1,833
Energy consumption kWh per m^2	123	130

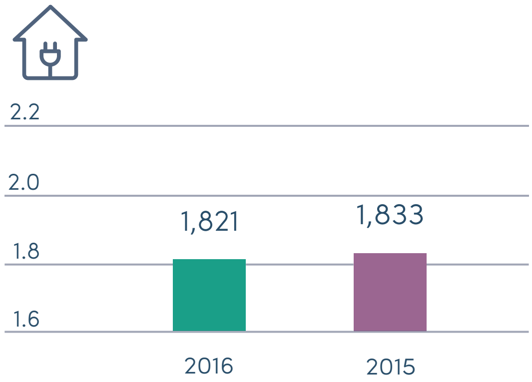


Figure 7: Energy consumption per kWh per FTE

Share of green energy offices

% of total	2016	2015
% Sustainable electricity	100%	100%
% Sustainable gas	100%	100%

We report our CO_2 emissions in accordance with the principles of the Greenhouse Gas Protocol (www.ghgprotocol.org).

This means that we report per scope:

> Scope 1: report on CO_2 emissions as a consequence of our direct energy consumption (e.g. gas);

> Scope 2: report on CO_2 emissions as a consequence of our indirect energy consumption (e.g. electricity);

> Scope 3: report on our indirect CO_2 emissions (e.g. due to commuting, air travel, leased cars, etc.).

Commuting by car is still the main cause of CO_2 emissions for our business. Measures taken in 2016 aimed at reducing these emissions included a stricter parking policy, increasing the proportion of (semi-) electrical cars in our fleet of leased vehicles and encouraging the use of public transport by providing our employees with NS Business Cards for travel by train. In 2017, our CO_2 standard for leased cars will be reduced from 125 grams to 120 grams per kilometre.

Carbon emissions (tonnes)

	2016	2015
Business travel and commuting	3,867	5,086
Operations	135	168
Net emissions	4,002	5,254
Gross emissions[1]	7,078	8,315

[1] Gross emissions would be VIVAT's emissions using 0% sustainable electricity.

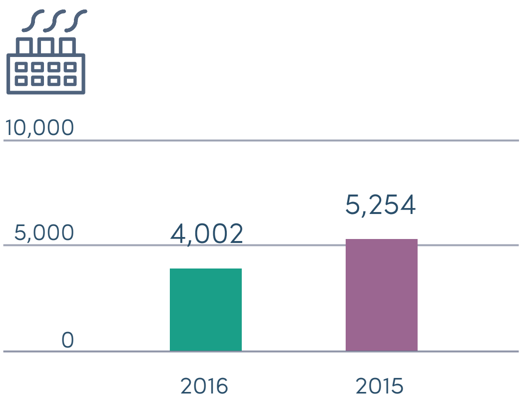


Figure 8: Net carbon emissions (tonnes)

3.7.2. Paper

SRLEV's continued effort to lower its paper consumption resulted in a 16% reduction from 226 tonnes in 2015 to just 191 tonnes in 2016. In 2015 we already reduced paper consumption by almost 40% compared to 2014. A number of processes was digitised and less paper was used for commercial purposes. It is expected that, as a result of further digitisation of processes, paper consumption will be reduced by another 5% by the end of 2017.

Paper consumption

	2016	2015
Paper consumption in tonnes	191	226
Paper consumption in kg/FTE	71	84

3.7.3. Waste

The objective for 2016 was to reduce the amount of waste resulting from our operations by 5%. The total volume of waste was down by 15.8% compared to 2015. This good result can be contributed mainly to our continued effort to create awareness among employees and the further reduction in paper consumption.

SRLEV also stimulates suppliers to reduce packaging materials and to take responsibility for the disposal of these materials. Furthermore, waste is recycled where possible. The proportion of waste that was recycled and reused in the form of raw material or sources of green energy was 80%. This is a slight increase compared with 2015 (78%).

Waste

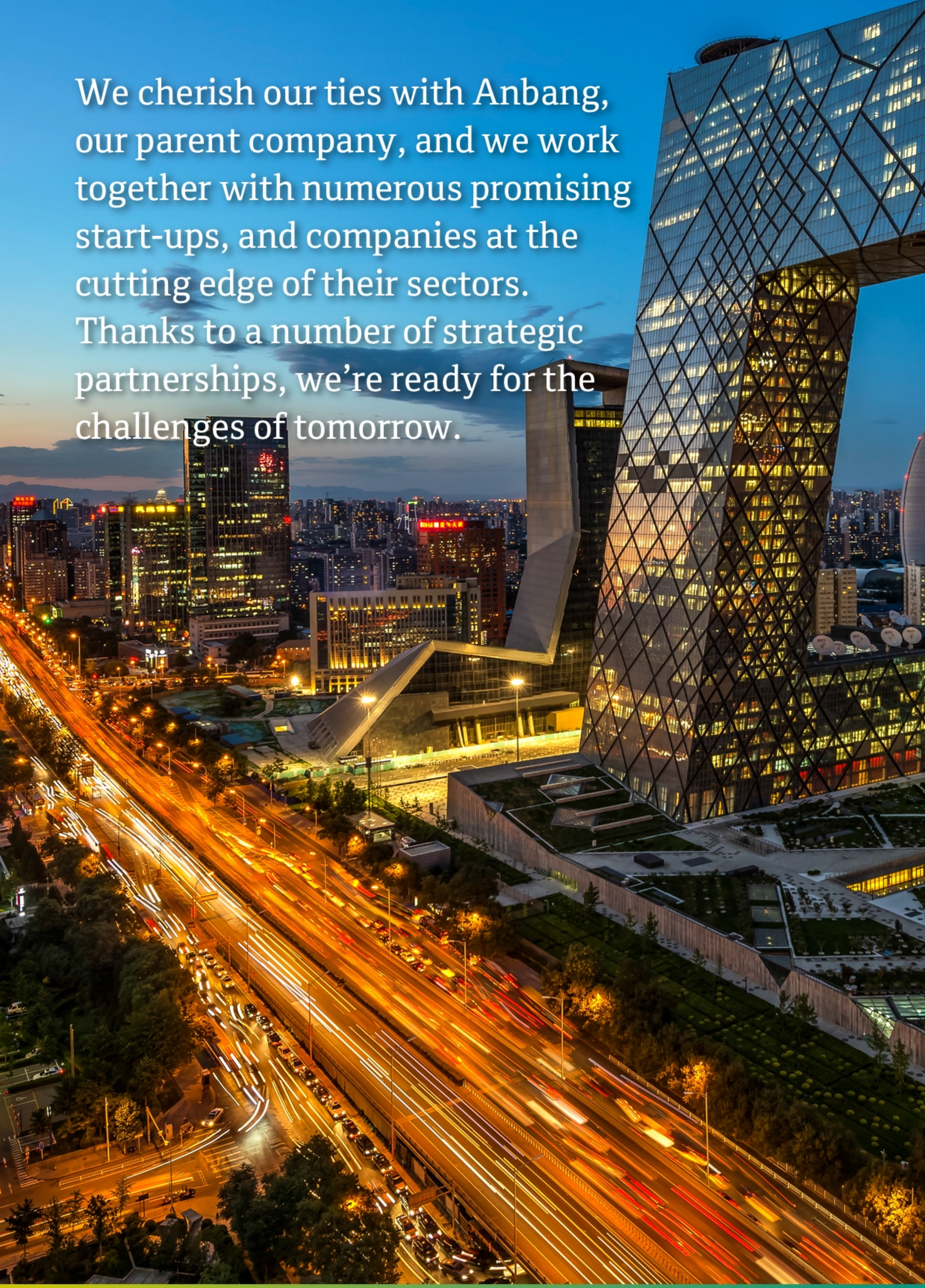
in kg/FTE	2016	2015
Residual waste	21	29
Organic waste	7	13
Industrial waste	1	1
Paper and cardboard waste	28	34
Plastics	6	7

3.7.4. Sustainable purchasing

All our suppliers are requested to comply with SRLEV's General Procurement Terms and Conditions as revised in 2016. 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 (inluding CO_2 emissions, paper consumption, energy consumtion and waste) and
- have implemented or are in the process of implementing similar sustainable procurement terms and conditions in their own organisation.

We cherish our ties with Anbang, our parent company, and we work together with numerous promising start-ups, and companies at the cutting edge of their sectors. Thanks to a number of strategic partnerships, we're ready for the challenges of tomorrow.



4. Corporate governance

SRLEV NV is a public limited company. Anbang Group Holdings Co, Limited holds 100% of the shares in VIVAT NV, which holds 100% of the shares in SRLEV NV. SRLEV has a two-tier board structure consisting of an Executive Board (EB) and a Supervisory Board (SB).

In 2016, SRLEV transformed itself into a matrix organisation including both product and functional lines focusing on 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 which allows the product lines, risk and finance to work together at this level. At the level of the board, sponsorship of the EB of product line and functional lines by EB members ensure that EB members are closely involved in the business of the company.

4.1. The Executive Board

The Executive Board is responsible for the strategy and management of the company. The Executive Board as of 31 December 2016 consists of the following:

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

Figure 9: The Executive Board of SRLEV. From left to right: Feng Zhang, Yinhua Cao, Ron van Oijen, Lan Tang, Wendy de Ruiter-Lörx, Xiao Wei Wu and Jeroen Potjes.

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 program at the Wharton Business School. Mr. van Oijen started his career at Aegon and ING in the Netherlands. He subsequently worked as CEO of ING Life and ING Bank in the Czech Republic and Slovakia for four years. In Seoul and Hong Kong he lead the large ING Life branches in India, Thailand and South Korea as Regional CEO. After which he was appointed as CEO of AIA Thailand, whose four million customers make it the largest insurance company in the country.

Other positions
Member of the Board Association of Insurers

F. (Feng) Zhang (1979) is Chief Of Staff. He has a master's degree in Business Administration, obtained from University of Northumbria at Newcastle, and a bachelor's degree in Literature, obtained from Wuhan University, China. Mr. Zhang joined Anbang in 2005, worked as director of claims, underwriting, sale and marketing, human resource. In 2011 he commenced as Deputy General Manager of Anbang Property and Casualty Insurance. His last positions were that of General Manager of Property and Casualty Insurance, Director of Anbang Life Insurance, Director of Anbang Annuity Insurance and Chairman of the Board at Anbang Property and Casualty Insurance.

Other positions
Non-executive Director Anbang Belgium Holding NV

L. (Lan) Tang (1974) is Chief Risk Officer. He has a bachelor degree in Engineering, obtained from Beijing University of Aeronautics and Astronautics, and a master degree in Actuarial Science from Central University of Finance and Economics in Beijing. Mr. 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 a Big 4 accounting firm in China. In 2010, he started to work as the chief actuary of Anbang Life, where his last position was the Deputy General Manager and Chief Actuary of Anbang Life.

Other positions
Chairman of Fidea NV
Non-executive Director of Bank Nagelmackers NV
Member of the Supervisory Board of ACTIAM Beleggingsfondsen NV
Member of the Supervisory Board of SNS Beleggingsfondsen NV

X.W. (Xiao Wei) Wu (1980) is Chief Transformation Officer. She has a bachelor's degree in International Finance from the University in Fudan, China, and a master's degree in Business Administration obtained at the China Europe International Business School (CEIBS) in Shanghai. She worked as Associate Principal at McKinsey Shanghai, for the insurance sector in Asia. In 2012, Ms. Wu commenced at the Anbang Group 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.

Other positions
Chairwoman Anbang Belgium Holding NV

Y. (Yinhua) Cao (1975) is Chief Financial Officer. He has a bachelor's degree in International Finance from the Shanghai University of Economics and Finance. Mr. Cao started his career in financial service sector at PwC 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 programs for insurers. His last position with PwC was the Partner of the Financial Service Group. At Anbang, Mr. Cao commenced as managing director of Anbang Asset Management Hong Kong and Finance Director of the Anbang Insurance Group.

Other positions
Member Financial and Economic Committee Association of Insurers

W.M.A. (Wendy) de Ruiter-Lörx (1973) is Chief Commercial Officer. 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 NN, 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 NN was that of director of retail clients. Mrs. 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.

Other positions
Member Distribution Committee Association of Insurers

J.C.A (Jeroen) Potjes (1965) is Chief Operating Officer. He earned a master's degree in Econometrics from Erasmus University Rotterdam as well as a doctorate in Economics from the same university. Mr. 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 CFO 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, Mr. Potjes also sat on the Supervisory Board of ING Re, ING's reinsurance business. Mr. Potjes joined Anbang in 2015, one of his roles being that of non-executive on the Managing Board of Anbang Belgium Holdings NV.

Other positions
Non-executive Director Anbang Belgium Holding NV
Member committee Life insurance Association of Insurers

Member of the board SIVI

On 14 March 2016, Albert Bakker stepped down as COO and acting CEO of SRLEV.

SRLEV has implemented all procedural and operational matters regarding the code of conduct of insurers 2015 together with the SRLEV Code of Conduct. SRLEV adheres to these.

SRLEV aims to have gender balance of having at least 30% men or 30% women on the board of directors. SRLEV currently has close to 30% females on the board.

The formal 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 the 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, Reaal Schadeverzekeringen NV and Proteq Levensverzekeringen NV. This means that the shared management principle has been implemented at all management levels.

As part of the continuing education program 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 program this year included sessions such as Asset Management, Privacy regulations, Treating Customers Fairly, Solvency II and In Control Framework. In addition the Executive Board attended an Executive program at Harvard University.

4.2. The Supervisory Board

J.J. (Jan) Nooitgedagt stepped down as chairman of the Supervisory Board as of 1 December 2016

M.W. (Maarten) Dijkshoorn has worked in the financial services industry for more than forty years. From 2002 to 2009, he was CEO and COO of Eureko BV (Achmea). Prior to this, Mr. Dijkshoorn held various management function within NN for twenty five years. M.W. (Maarten) Dijkshoorn was appointed as a member and as chairman of the Supervisory Board on 23 December 2016. He is member of the Remuneration and Nomination Committee and member of the Risk Committee.

Other positions
Chairman of the Supervisory Board of de Goudse Verzekeringen NV
Supervisory Board Member of Monuta and MediRisk (until 01-05-2017)
Mr. Dijkshoorn was member of the Supervisory Board of PGGM until 31 December 2016.

M.R. (Miriam) van Dongen has over twenty years experience in corporate finance, business strategy and in the financial services industry. In 2007 Miriam van Dongen joined Achmea BV/Eureko BV as CFO of the Health division. She now holds various supervisory boards positions and is the chair of the audit committees of these supervisory boards. Miriam van Dongen was appointed as delegated Supervisory Board member in October 2015 and this ended on 23 May 2016. The function of a Supervisory Board member delegate comprises intensified supervision of and advice to the Executive Board. Miriam van

Composition, appointment and role

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.C.K. (Kevin) Shum	British	Member	26 July 2015
P.P.J.L.M.G. (Pierre) Lefèvre	Belgian	Member	26 July 2015

Dongen was appointed as member of the Supervisory Board on 26 July 2015. She is chairman of the Audit Committee and member of Risk Committee and Remuneration and Nomination Committee.

Other positions
Supervisory Board member and chair of the audit committee of PGGM NV
Supervisory Board member and chair of the audit committee of CB Logistics
Supervisory Board member of Optiver
Member of the board of trustees of Dutch Kidney Foundation (until August 2016)

M. (Ming) He studied at Bowling Green State University in the United States and earned a master's degree in geology and environmental science in 1992. Mr. He earned a second master's degree in International Financial Management at the America International Management Business School in 1998. He started his career at the International Investment Department of Parker Hannifin, where he served as General Manager in 2009. He joined Anbang Insurance Group Co., Ltd. as Investment Director of Anbang Property & Casualty Insurance Co., Ltd. As of 2012, he was appointed as Director and General Manager of Anbang Asset Management. Mr. He also serves as non-executive director and general manager of Fidea NV. He was appointed as member of the Supervisory Board on 26 July 2015. He is member of the Audit Committee.

Other positions
Director and General Manager of Anbang Asset Management
Non-executive Director of Fidea NV
CEO Anbang Belgium Holding NV
Chairman Bank Nagelmackers NV

K.C.K. (Kevin) Shum joined Anbang Insurance Group in March 2014. He currently serves as the General Counsel for Anbang Group Holdings Co. Limited, overseeing its legal and compliance functions in respect of the group's direct investments, investment funds, private equity funds and general asset management activities. In addition, Mr. Shum serves as a Supervisory Board Director of SRLEV NV (being the Chairman of the Remuneration and Nomination Committee), as a Non-Executive Director of Bank Nagelmackers NV (being Chairman of the Nomination Committee), as a Non-Executive Director of Fidea NV (being Chairman of the Nomination and Governance Committee).

With over twenty years' experience in the legal and financial sectors, Mr. Shum has extensive experience in advising multinational corporations, funds and investment banks on legal issues relating to securities, investments, derivatives, financing, acquisitions, mergers, restructurings, liquidation and corporate governance. Mr. Shum also regularly advises on regulatory matters pertaining to the HK Securities and Futures Commission, the HK Takeovers Code and the HK Listing Rules.

Prior to joining Anbang, Mr. Shum worked as a private practitioner at Coudert Brothers LLP and at Jun He Law Offices, as counsel for private equity firm Alliance Capital Asia Limited and a hedge fund under CCIB Asset Management Co. Limited. Mr. Shum received his Master of Science in Financial Analysis from the Hong Kong University of Science and Technology, attended Guildford College of Law, UK and received his Bachelor of Laws from the University of Southampton, UK. He is a qualified Solicitor of England & Wales, a Solicitor of Hong Kong, a Member of the Chartered Institute of Arbitrators and is a Chartered Financial Analyst.

Other positions
Chief Legal Officer of Anbang Group Holdings Co. Limited
Non-executive Director of Bank Nagelmackers NV
Non-executive Director of Fidea NV

P.P.J.L.M.G. (Pierre) Lefèvre studied Mechanical Engineering and Industrial Administration, as an Internal Auditor at Unilever before joining AXA Belgium NV in Belgium as a Financial Controller. He continued his career with AXA Belgium in the role of General Manager of Individual Life and, later on, as General Manager of the P&C Personal Lines. In 1994, he moved on to AXA UK plc. as CEO of the P&C insurance business and was subsequently appointed as Chairman of the Management Board. In 1998 he was appointed as CEO of AXA Netherlands. Between 2002 and 2013, Pierre Lefèvre fulfilled various CEO roles in subsidiaries of Groupama SA. Since 2013, Mr. Lefèvre has acted as independent non-executive director of Hasting Insurance 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. Mr. 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.

Other positions
Independent non-executive Director and Chair of the Risk Committee of Hastings Group Holdings PLC
Independent non-executive Director and Chair of the Risk Committee of Advantage Insurance Company Limited
Independent non-executive Director of Anbang Belgium Holding NV
Senior Advisor at Eurohold Corporate Finance

The Supervisory Board meets on a regular basis in accordance with an annual schedule. The Supervisory Board has drawn up regulations that elaborate and expand on a number of provisions from the articles of association. These regulations set out additional powers. All members of the Supervisory Board have declared their acceptance of the substance of these regulations and have undertaken to abide by the rules contained therein.

The Supervisory Board has three committees; Audit Committee, Risk Committee and Remuneration and Nomination Committee.

4.3. Report of the Supervisory Board

Composition and 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, as mentioned. 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.

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

Facilitated by an external assessor the Supervisory Board assessed its functioning in order to evaluate the functioning of the Supervisory Board as a whole, the functioning of the individual committees, the individual supervisory directors, the relationship with the Executive Board and the effectiveness of continuing education. The evaluation found that the Supervisory Board has performed according to what can be expected, with sufficient expertise and involvement from the individual members. The Supervisory Board has played a constructive role in building the foundation for future progress.

Continuing education

Members of the Supervisory Board are encouraged to maintain their expertise at the required standard and enhance it where necessary. In this context, a program is compiled for the Supervisory Board every year. Each year the Supervisory Board members take at least three training courses within the framework of continuing education. The continuing education program relates to relevant developments within SRLEV NV and the financial sector, corporate governance in general and of the financial sector in particular, towards customers in relation to the duty of care, integrity, risk management, financial reporting and audit. The participation of the members of the Supervisory Board in the program was monitored.

These continuing education sessions included – amongst others – topics on Solvency II, Internal Control Framework, Tax Recoverability, Shadow accounting and Treating Customers Fairly.

Important topics and key discussions

Meetings of the Supervisory Board

The reorganisation of SRLEV has devoted attention of the Supervisory Board and therefore the formal meetings of the Supervisory Board were every six weeks and several additional meetings and conference calls were held. The Supervisory Board was generally complete during these meetings. None of the Supervisory Board members were frequently absent at these meetings and in all meetings there was sufficient presence to constitute a valid quorum. Based on a frequency of meetings once every six weeks (two days including meetings with the committees), it is fair to say that the attendance rate was high, demonstrating the strength of the Supervisory Board's commitment.

During the formal meetings the Supervisory Board was updated on topical issues and several presentations were given on business activities and key initiatives of the product lines. In the meetings, the Supervisory Board was briefed on the discussions and resulting recommendations from Supervisory Board committee meetings.

In 2016 the Supervisory Board discussed and approved several items, such as amendments of the regulations of the Executive Board and regulations of the Supervisory Board .

Additional topics discussed by the Supervisory Board were:

- New operating model
- Reorganisation
- Solvency II programme
- Internal Control Framework
- Adjustment RAS
- Optimisation of our investment portfolio
- Fair value measurement of investments
- Models and data quality
- Investment insurance policies

The Supervisory Board had regular contact about these subjects with other stakeholders of SRLEV NV, the Dutch Central Bank (DNB) and Dutch Authority for Financial Markets (AFM).

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 risk control are prepared and recommended by the Risk Committee (RC) and the Audit Committee (AC), respectively. These committees are carefully composed whereas at least two members of these committees have profound knowledge of respectively risk management / risk control and internal control / reporting.

Cooperation between the Supervisory Board and the committees was positive. The meetings of the committees drill down into the subject matter so that the decisions of the Supervisory Board can be carefully prepared. The substance of the meetings of the committees is fed back to the meeting of the Supervisory Board to ensure that the supervisory directors are kept fully informed and are well positioned to take prudent decisions.

The Supervisory Board wants to express its gratitude to Jan Nooitgedagt for his contribution to SRLEV and its predecessors. The Supervisory Board also wants to thank the Executive Board and all employees for their efforts in 2016 under challenging circumstances.

Amstelveen, the Netherlands, 26 April 2017
On behalf of the Supervisory Board,

Maarten Dijkshoorn, Chairman

4.4. Remuneration

4.4.1. Remuneration policy SRLEV in general

Introduction
The remuneration policy has been applied in full throughout 2016 to all employees of SRLEV NV and its subsidiaries, including their executive directors.

Principles
The 2016 remuneration policy:
> Is compliant with the prevailing laws, rules and regulations;
> Reflects the interests of all the company's stakeholders: customers, employees, shareholders and society at large;
> Is in line with, and contributes to, robust and effective risk management and, concurrently, does not encourage the taking of more risks than acceptable for the company's businesses;
> Supports the ability to attract and retain qualified people, taking into account the specific position occupied by the company in the Netherlands.

Governance
The Supervisory Board is responsible for the implementation of the remuneration policy for the members of the Executive Board that has been adopted by the General Meeting. The Supervisory Board is also responsible for approving the remuneration policy for the senior management and the remuneration policy for other employees.

The Supervisory Board's Remuneration and Nomination Committee (ReNomCo) prepares proposals in respect of the remuneration policy for decision-making by the Supervisory Board. Where necessary, the ReNomCo is assisted by independent remuneration experts. The control departments and various other corporate support departments (Finance, Legal, Human Resources and Audit) are also involved, each in their own capacity. As a result of this combined vetting, a governance framework has been prepared.

Identified Staff
SRLEV designates Identified Staff (employees who could have a material impact on the institution's risk profile) on the basis of applicable laws, rules and regulations.

The list of Identified Staff is kept up-to-date by Human Resources, is checked for its accuracy at least once a year by the control departments and, thereafter it is presented to the Supervisory Board. There are specific rules regarding variable remuneration for employees who qualify as Identified Staff (for further information, see section Performance targets and variable remuneration for Identified Staff).

Composition of primary remuneration
Primary remuneration is made up of fixed and variable pay. Fixed pay is generally made up of 12 times an employee's fixed monthly salary, plus 8% holiday allowance and a 13th-month payment.

Level of fixed remuneration
The fixed monthly salary depends on the level of the employee's role and the employee's knowledge and experience. A decision as to whether to increase the fixed monthly salary is made once a year, on the basis of a competency assessment. The fixed monthly salary is capped and cannot further increase if the maximum salary in the applicable pay scale has been reached.

Level of variable remuneration
Performance targets for Collective Labour Agreement employee are set in the first quarter of a performance period (a calendar year). In 2016, KPI's for senior management were set after the first quarter.

After completion of the performance period, the extent to which the performance targets have been achieved are used as the basis for determining whether an employee is eligible for variable remuneration. In 2015 the 'Act on the Remuneration Policy of Financial Undertakings' (Wet beloningsbeleid financiële ondernemingen, Wbfo 2015 stb 2015, 45) came into effect. The maximum levels of variable compensation as defined by Wbfo were implemented for the majority of SRLEV's organizations for the full performance year 2016.

Performance targets and variable remuneration for Identified Staff

For employees who qualify as Identified Staff, specific rules apply for setting performance targets, determining the extent to which performance targets have been achieved, and setting and paying variable remuneration.

Performance targets are divided into financial and non- financial targets and into collective and individual targets. The performance targets are subject to an ex- ante risk assessment.

Variable remuneration is awarded, when applicable, in two portions: an immediate/unconditional portion (60%) and a deferred/ conditional portion (40%). 50% of the variable remuneration of Identified Staff is paid in cash and 50% in share based instruments.

The deferred portion of variable remuneration is paid out over a period of three years following the year of award.

The deferred portion of variable remuneration may be adjusted downwards on the basis of the outcome of an ex-post risk assessment. A downward adjustment will be made if the employee has not met relevant standards in respect of competence and appropriate conduct, or was responsible for behaviours that led to a material deterioration in VIVAT NV's financial position (Dutch Financial Undertakings (Remuneration Policy) Act (Wft), Section 1:127, Subsection 2).

SRLEV NV has the power to claw back all or part of any variable pay awarded on the basis of incorrect information about the achievement of targets or the occurrence of circumstances that were a precondition for the variable pay to be awarded (Section 135(8), Book 2 of the Dutch Civil Code). Whole or partial claw back will take place if the employee has not met relevant competence standards and standards for appropriate conduct, or was responsible for behaviours that led to a material deterioration in the financial position of SRLEV NV (Wft, Section 1:127, Subsection 3). This claw back may relate to both the immediately payable portion and the deferred portion of the variable remuneration. Any tax consequences of the claw back of variable remuneration will be borne by the employee concerned.

Performance targets for employees in control functions

Employees in control functions are remunerated on the basis of the achievement of the targets set for their positions, regardless of the business units over which they exercise supervision and the results of the business operations. Employees in control functions are defined as all employees working within the Financial Risk, Non-Financial Risk and Audit departments.

Pension

Almost all employees of SRLEV are members of the same pension scheme. The scheme qualified as a defined contribution scheme for IAS 19 purposes. The contributions are paid by SRLEV NV. Employees contribute towards the contributions in the form of a member’s contribution that is deducted from the monthly salary. SRLEV NV does not award any discretionary pensions.

The tax law was amended to disallow a tax-facilitated pension accrual on an employee’s salary in excess of € 101,519 (2016). In dialogue with the trade unions, the premium rate paid by the employer in 2016 on salaries in excess of € 101,519 was converted into an allowance of 16.35% on an employee’s pensionable salary in excess of € 101,519. This agreement will be in effect until 1 January 2018, after which it will be subject to review.

Special arrangements on employee benefits

At SRLEV NV, special arrangements for employee benefits refer to retention and/or welcome bonuses and material redundancy packages. SRLEV NV exercises great restraint when agreeing such arrangements. Such arrangements may be agreed only if they are in accordance with legislation and regulations.

Number of employees with total remuneration in 2016 exceeding € 1 million

In 2016, no SRLEV employee received a total remuneration exceeding € 1 million.

Variable remuneration for the year 2016

An annual performance-related bonus for 2016 was paid to employees governed by the Collective Labour Agreement. In total an amount of € 3.5 million was paid to 2,549 employees.

For Senior Management of SRLEV no variable remuneration related to performance 2016 was awarded taking into account the redundancy program of over 400 employees. In 2016 SRLEV made a retention bonus available to 7 employees for a total amount of € 0.5 million. The retention bonus is partly unconditionally awarded (60%) and partly conditionally (40%). The payment of this variable remuneration will be made in accordance with the rules governing the payment of variable remuneration and the applicable variable remuneration policy for Identified Staff.

Other remuneration information

For further information regarding remuneration of Identified Staff we refer to the website of VIVAT. Information will be published as of May 2017.

4.4.2. Actual remuneration (former) members of the Executive Board

Reference is made to Note 19 Related parties (Intragroup balances with key management personnel of SRLEV) for the actual remuneration (former) members of the Executive Board.

4.4.3. Actual remuneration (former) members of the Supervisory Board

Reference is made to Note 19 Related parties (Intragroup balances with key management personnel of SRLEV) for the actual remuneration (former) members of the Supervisory Board.

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5. Consolidated financial statements

5.1. Consolidated statement of financial position

Before result appropriation and in € millions	Notes[1]	31 December 2016	31 December 2015[2]
> Assets			
Property and equipment	1	57	59
Investment property	2	274	259
Investments	3	35,897	34,424
Investments for account of policyholders	4	14,251	14,377
Investments for account of third parties	5	1,320	1,436
Derivatives	6	1,061	632
Deferred tax assets	7	1,370	1,458
Reinsurance contracts	13	106	3,310
Loans and advances to banks	8	960	999
Corporate income tax		17	-
Other assets	9	352	544
Cash and cash equivalents	10	271	153
Total assets		**55,936**	**57,651**
> Equity and liabilities			
Share capital[3]		0	0
Other reserves		2,783	2,561
Retained earnings		252	194
Shareholders' equity	**11**	**3,035**	**2,755**
Subordinated debts	12	798	805
Insurance liabilities	13	46,274	45,138
Liabilities investments for account of third parties	5	1,320	1,436
Provision for employee benefits	14	182	169
Other provisions	15	40	40
Derivatives	6	471	155
Deferred tax liabilities	7	931	942
Amounts due to banks	16	1,330	1,376
Corporate income tax		-	55
Other liabilities	17	1,555	4,780
Total equity and liabilities		**55,936**	**57,651**

1 The references next to the balance sheet items relate to the notes to the consolidated statement of financial position in Section 6.3
2 Adjustments have been made to the comparative figures. See section 6.1.2 Change in Presentation for more details
3 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]	2016	2015
> Income			
Premium income		1,834	1,927
Less: Reinsurance premiums		16	158
Net premium income	**22**	**1,818**	**1,769**
Fee and commission income		62	70
Fee and commission expense		5	1
Net fee and commission income	**23**	**57**	**69**
Investment income	24	2,737	1,283
Investment income for account of policyholders	25	902	648
Result on derivatives	26	-265	-126
Other operating income		1	-
Total income		**5,250**	**3,643**
> Expenses			
Technical claims and benefits	27	3,119	1,677
Charges for account of policyholders	28	1,349	1,127
Acquisition costs for insurance activities	29	24	35
Staff costs	30	265	259
Depreciation and amortisation of non-current assets	1	7	2
Other operating expenses	31	47	43
Impairment losses	32	-1	24
Other interest expenses	33	103	214
Other expenses		1	1
Total expenses		**4,914**	**3,382**
Result before taxation		**336**	**261**
Taxation	34	84	67
Net result continued operations for the period		**252**	**194**

> Attribution:			
Net result continued operations attributable to shareholders		252	194
Net result continued operations for the period		**252**	**194**

1 The references next to the income statement items relate to the notes to the consolidated statement of profit or loss in Section 6.3.

5.3. Consolidated statement of total comprehensive income

Consolidated statement of other comprehensive income

In € millions	2016	2015
> Items that will not be reclassified subsequently to profit or loss		
Changes in valuation of defined benefit pension plan	25	2
Total items never reclassified to profit or loss	**25**	**2**
> Items that may be reclassified subsequently to profit or loss		
Change in fair value reserve	3	-20
Total items that may be reclassified to profit or loss subsequently	**3**	**-20**
Other comprehensive income (after taxation)	**28**	**-18**

Statement of total comprehensive income

In € millions	2016	2015
Net result for the period	252	194
Other comprehensive income (after taxation)	28	-18
Total comprehensive income	**280**	**176**
> Attribution:		
Comprehensive income attributable to shareholder	280	176
Total comprehensive income	**280**	**176**

5.4. Consolidated statement of changes in equity

Consolidated statement of changes in shareholders' equity 2016

In € millions	Issued share capital[1]	Share premium reserve	Sum revaluation reserves	Sum other reserves	Shareholders' equity
Balance as at 1 January 2016	–	2,064	29	662	**2,755**
Unrealised revaluations from cashflow hedges	–	–	28	–	**28**
Unrealised revaluations	–	–	1,182	–	**1,182**
Impairments	–	–	-4	–	**-4**
Realised gains and losses through profit or loss	–	–	-1,217	–	**-1,217**
Change in profit-sharing reserve	–	–	-29	–	**-29**
Shadow accounting movement	–	–	43	–	**43**
Changes in valuation of defined benefit pension plan	–	–	–	25	**25**
Amounts charged directly to total equity	**-**	**-**	**3**	**25**	**28**
Net result 2016	–	–	–	252	**252**
Total result 2016	**-**	**-**	**3**	**277**	**280**
Capital issue	–	–	–	–	**-**
Total changes in equity 2016	**-**	**-**	**3**	**277**	**280**
Balance as at 31 December 2016	**-**	**2,064**	**32**	**939**	**3,035**

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

SRLEV NV announces that, similar to 2015, no dividend will be distributed for 2016.

Statement of revaluation reserves and other reserves 2016

In € millions	Revaluation property and equipment	Cash flow hedge reserve	Fair value reserve	Sum revaluation reserves	Other reserves	Retained earnings	Sum other reserves
Balance as at 1 January 2016	4	–	25	**29**	468	194	**662**
Transfer of net result 2015	–	–	–	**–**	194	–194	**–**
Transfers 2015	**4**	**–**	**25**	**29**	**662**	**–**	**662**
Unrealised revaluations from cashflow hedges	–	28	–	**28**	–	–	**–**
Unrealised revaluations	–	–	1,182	**1,182**	–	–	**–**
Impairments	–	–	–4	**–4**	–	–	**–**
Realised gains and losses through profit or loss	–	–	–1,217	**–1,217**	–	–	**–**
Change in profit-sharing reserve	–	–	–29	**–29**	–	–	**–**
Shadow accounting movement	–	–28	71	**43**	–	–	**–**
Changes in valuation of defined benefit pension plan	–	–	–	–	25	–	25
Amounts charged directly to total equity	**–**	**–**	**3**	**3**	**25**	**–**	**25**
Net result 2016	–	–	–	**–**	–	252	**252**
Total result 2016	**–**	**–**	**3**	**3**	**25**	**252**	**277**
Capital issue	–	–	–	**–**	–	–	**–**
Total changes in equity 2016	**–**	**–**	**3**	**3**	**25**	**252**	**277**
Balance as at 31 December 2016	**4**	**–**	**28**	**32**	**687**	**252**	**939**

Consolidated statement of changes in shareholders' equity 2015

In € millions	Issued share capital[1]	Share premium reserve	Sum revaluation reserves	Sum other reserves	Shareholders' equity
Balance as at 1 January 2015	-	1,619	49	466	**2,134**
Unrealised revaluations from cashflow hedges	-	-	-18	-	**-18**
Unrealised revaluations	-	-	-376	-	**-376**
Impairments	-	-	18	-	**18**
Realised gains and losses through profit or loss	-	-	-110	-	**-110**
Change in profit-sharing reserve	-	-	80	-	**80**
Shadow accounting movement	-	-	386	-	**386**
Changes in valuation of defined benefit pension plan	-	-	-	2	**2**
Amounts charged directly to total equity	**-**	**-**	**-20**	**2**	**-18**
Net result 2015	-	-	-	194	**194**
Total result 2015	**-**	**-**	**-20**	**196**	**176**
Capital issue	-	445	-	-	**445**
Total changes in equity 2015	**-**	**445**	**-20**	**196**	**621**
Balance as at 31 December 2015	**-**	**2,064**	**29**	**662**	**2,755**

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

Statement of revaluation reserves and other reserves 2015

In € millions	Revaluation property and equipment	Cash flow hedge reserve	Fair value reserve	Sum revaluation reserves	Other reserves	Retained earnings	Sum other reserves
Balance as at 1 January 2015	4	-	45	**49**	984	-518	**466**
Transfer of net result 2014	-	-	-	**-**	-518	518	**-**
Transfers 2014	**4**	**-**	**45**	**49**	**466**	**-**	**466**
Unrealised revaluations from cashflow hedges	-	-18	-	**-18**	-	-	**-**
Unrealised revaluations	-	-	-376	**-376**	-	-	**-**
Impairments	-	-	18	**18**	-	-	**-**
Realised gains and losses through profit or loss	-	-	-110	**-110**	-	-	**-**
Change in profit-sharing reserve	-	-	80	**80**	-	-	**-**
Shadow accounting movement	-	18	368	**386**	-	-	**-**
Changes in valuation of defined benefit pension plan	-	-	-	-	2	-	2
Amounts charged directly to total equity	**-**	**-**	**-20**	**-20**	**2**	**-**	**2**
Net result 2015	-	-	-	**-**	-	194	**194**
Total result 2015	**-**	**-**	**-20**	**-20**	**2**	**194**	**196**
Capital issue	-	-	-	**-**	-	-	**-**
Total changes in equity 2015	**-**	**-**	**-20**	**-20**	**2**	**194**	**196**
Balance as at 31 December 2015	**4**	**-**	**25**	**29**	**468**	**194**	**662**

5.5. Consolidated cash flow statement

In € millions	2016	2015
> Cash flow from operating activities		
Operating profit before taxation	336	261
> Adjustments for:		
Depreciation and amortisation of non-current assets	7	1
Changes in insurance liabilities for own risk	1,030	-150
Changes in provisions	13	-450
Impairment charges / (reversals)	-1	24
Unrealised results on investments through profit or loss	-	196
Taxes paid / received	-72	-2
> Change in operating assets and liabilities:		
Change in advances and liabilities to banks	-7	-43
Change in other operating activities	-2,127	-636
Net cash flow from operating activities	**-821**	**-799**
> Cash flow from investment activities		
Sale of investment property	4	9
Sale and redemption of investments and derivatives	23,901	12,373
Purchase of investment property	-4	-2
Purchase of investments and derivatives	-22,955	-12,356
Net cash flow from investment activities	**946**	**24**
> Cash flow from finance activities		
Issue of shares and share premium	-	445
Issue of subordinated loans	95	140
Redemption of subordinated loans	-102	-1
Net cash flow from financing activities	**-7**	**584**
Cash and cash equivalents 1 January	153	344
Change in cash and cash equivalents	118	-191
Cash and cash equivalents as at 31 December	**271**	**153**
> Additional disclosure with regard to cash flows from operating activities:		
Interest income received	1,250	1,257
Dividends received	151	147
Interest paid	85	302

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 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, which ultimate parent is Anbang Insurance Group Co. Ltd with its headquarters in Beijing, People's Republic of China.

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

The consolidated financial statements combines the financial statements of SRLEV NV (the parent company) and its subsidiaries (see Section 6.3, note 37 List of principal subsidiaries).

The main accounting policies used in the preparation of the 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 2016 were authorised for publication by the Executive Board following the approval by the Supervisory Board on 26 April 2017. 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 2016

New or amended standards become effective on the date specified in the relevant IFRS, but may allow early adoption. In 2016 the following new or amended standards and interpretations of the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRIC), applicable to SRLEV, have become effective:

> Amendments to IAS 27: Equity Method in Separate Financial Statements (issued on 12 August 2014)

For more details on the application of this amendment, refer to the section 9.1 Accounting policies to the company financial statement.

Relevant new standards, amended standards and interpretations of existing standards effective date on or after January 2017

Relevant new standards, amendments to existing standards and interpretations, published prior to 1 January 2017 and effective for reporting periods beginning on or after 1 January 2017, were not early adopted by SRLEV.

Other developments

Conjunction IFRS 9 Financial Instruments with the new standard on insurance contracts 'IFRS 17'

The financial instruments standard, IFRS 9 Financial Instruments, was issued in July 2014 and has an effective date of 1 January 2018.

In December 2015 IASB issued an exposure draft on IFRS 17, the new standard on insurance contracts. In this exposure draft entities, whose business model is predominantly to issue insurance contracts, are allowed to defer the implementation of IFRS 9 until 1 January 2021 or sooner if IFRS 17 is implemented at an earlier date. In the first half of 2016, IASB introduced the quantitative threshold for the assessment of the predominance criterion. Predominance will be assessed based on a ratio calculated as the quotient of insurance related liabilities (i.e. insurance contracts, investment contracts issued in combination with insurance contracts, tax liabilities relating to insurance activities, funding and other related liabilities) and total liabilities. If the predominance ratio is 90% or more, the entity qualifies for the 'temporary exemption' which offers the qualifying entity for the possibility to postpone the implementation of IFRS 9. SRLEV's predominance ratio is well above 90%.

SRLEV has decided that the implementation of IFRS 9 is to be postponed until 1 January 2021 or earlier if IFRS 17 is implemented at an earlier date.

IFRS 15 Revenue from Contracts with Customers

This standard becomes effective as of 1 January 2018. IFRS 15 provides more specific guidance on recognising revenue on contracts other than insurance contracts and financial instruments. The implementation of IFRS 15 is not expected to have a significant impact on the consolidated financial statements of SRLEV.

IFRS 16 Leases

This standard was issued in January 2016 and has an effective date of 1 January 2019.

According to this new standard, lessees (the user of the asset) no longer make a distinction between finance and operational lease. Lessees have to recognise all assets in scope of IFRS 16 'Leases' in their statement of financial position. The main change involves the accounting of operational leases; a lessee has to recognise a right-of-use asset representing the right to use the underlying asset and a lease liability representing the obligation to make lease payments. In statement of profit or loss a lessee recognises a depreciation charge regarding their assets in use and interest rate expense on their lease liabilities for all these leases.

As a result SRLEV is required to reassess all operational lease contracts in order to determine whether they need to be recognised in the statement of financial position or qualify for the exemption (short lease term, low value). In addition to these activities, lease contracts also need to be examined in order to unbundle possible service components. The outcome of this analysis is not expected to have material consequences for SRLEV.

Changes in policies, estimates and presentation

Changes in policies
In 2016 there were no significant changes in accounting policies.

Changes in estimates
The effects of significant changes in estimates are disclosed in the notes to the consolidated financial statements.

Changes in presentation
Change in presentation of separate account surplus
The surplus in the separate accounts is used to compensate the future losses on the segregated investments held by separate accounts. Since this surplus constitutes the part of insurance contracts, it is presented as insurance liabilities as of 2016 (previously it was presented as other liabilities). The comparative figures have been adjusted accordingly. The amount corresponding to this surplus is € 1,174 million at the end of 2016 and € 983 million at the end of 2015.

Change in presentation of final bonus account
The final bonus account is a discretionary liability. In line with the presentation of discretionary participation features in insurance contracts with profit sharing, these liabilities are presented under the insurance liabilities as of 2016. The comparative figures have been adjusted accordingly. The amount corresponding to the final bonus account was € 11 million at the end of 2016 and € 12 million at the end of 2015.

Change in presentation of private loans
Loans to special purpose vehicles relating to saving components of mortgages are presented as loans and advances to banks as of 2016 (previously they were presented as investments). The comparative figures have been adjusted accordingly. The amount corresponding to the relating saving components of mortgages was € 725 million at the end of 2016 and € 763 million at the end of 2015.

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.

The consolidated financial statements have been prepared on an accrual basis.

Functional currency and reporting currency

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

Further details on the accounting policies applied to the conversion of transactions and translation of items in the statement of financial position denominated in foreign currencies are provided in the section 'Foreign currencies' below.

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. These estimates have a significant impact on the reported amounts of assets and liabilities and the contingent assets and liabilities at the reporting date, and on the reported income and expenses for the reporting period. In this process, management judges situations on the basis of available information and financial data that could potentially change in the future. Although estimates are made to the best of the management's knowledge, actual results may 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 provisions for bad debts, the fair value of assets and liabilities, and impairments.

Fair value measurement

Application

The consolidated financial statements have been prepared using the measurement bases of fair value, amortised cost or historical cost.

Fair value is used to measure:

- owner-occupied property;
- investment property;
- investments at fair value through profit or loss;
- investments classified as available for sale;
- derivatives;
- investments and liabilities for account of policyholders;
- investments and liabilities for account of third parties.

All other financial assets (including loans and advances) and liabilities are measured at amortised cost. The carrying amount of assets and liabilities measured at amortised cost that is part of a fair value hedge accounting relationship is restated to reflect the change in fair value that is attributable to the hedged risk.

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 are disclosed separately in the consolidated statement of financial position and the statement of profit or loss.

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

For the segment information refer to Note 38 Segment information.

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 write-downs 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 50 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 other reserves.

Other assets

Other assets 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 assets in relation to their original use are capitalised and subsequently depreciated.

Gains and losses on the sale of other assets 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.

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 instruments

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 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 the saving components of 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'. To the extent a positive revaluation reserve exists regarding investments available for sale, impairment losses are charged against the revaluation reserve within shareholders' equity.

Investments in debt securities

Investments in debt securities measured at amortised cost or available for sale are tested for impairment if 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.

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 on debt securities and equity investments

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

Investments in mortgages

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.

If the amount of the impairment loss subsequently decreases due to an event occurring after the impairment, the previously recognised impairment loss is reversed in the statement of profit or loss to that extent. When a loan is uncollectable, it is written off against the relevant allowance for impairment. The subsequently collected amounts are deducted from the addition to the allowance for impairment in the statement of profit or loss.

Investments for account of policyholders (fair value through profit or loss)

Investments for account of policyholders are classified as fair value through profit or loss. These investments are 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. SRLEV is not exposed to any investment risk since the beneficial ownership rests with these third parties. The value of corresponding liabilities equals the fair value of the underlying investments.

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.

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).

SRLEV discontinues hedge accounting if any of the events occurs:

- when management decides to discontinue the hedging,
- as soon as it is established that a derivative is no longer an effective hedging instrument,
- when the derivative expires, is sold or terminated,
- when the hedged item expires, is sold or redeemed,
- when an expected transaction is no longer deemed highly likely to occur.

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

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 to 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.

Other assets

Reinsurance contracts

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 as reinsurance assets, after deduction of reinsurers' share in technical claims and benefits expenses. These assets comprise short-term receivables from reinsurance companies (presented under other assets) and long-term receivables (presented under reinsurance contracts). These receivables depend on the expected claims and benefits arising from the insurance contracts that SRLEV has reinsured.

The amounts receivable from, and payable to, reinsurance companies are determined in accordance with the terms and conditions of each reinsurance contract. Reinsurance obligations relate primarily to premiums payable for reinsurance contracts.

Receivables from reinsurers are assessed for potential impairment due to credit risk, at the reporting date.

Other assets

Other assets consist of receivables from direct insurance policies, other taxes (including VAT, payroll tax), other receivables and accrued assets. Accrued assets also include the 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

Share capital and share premium reserve

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

Other reserves

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.

Other reserves

Other reserves mainly comprise SRLEV's retained earnings.

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

Liabilities arising from insurance contracts (further referred to as insurance liabilities) are recognised in the statement of financial position. 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 cover- age 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 to 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) or historically observed claim development patterns (property & casualty insurance). A combination of both methods is used in relation to disability 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 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 and funeral expenses insurance policies.

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 2015 and 2016, 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 prudent 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 mortgages 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. As soon as the insurance liability relating to the host contract drops below the guaranteed minimum, the embedded derivatives are recognised as an addition to the insurance liabilities. The time value of the embedded options is not included in the measurement of the embedded derivative.

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 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 capitalised interest rate 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 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. After the initial recognition the net realised gain is amortised to cover benefits paid to policyholders at management' s discretion.

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.

Final bonus account

The final bonus account concerns final bonus commitments in relation to certain life insurance policies. Entitlement to a final bonus applies only to specific individual insurance contracts and becomes payable upon maturity or upon the death of the insured party. Entitlement to a final bonus is cancelled when the insurance contract is surrendered. Entitlements to final bonuses to be paid are subordinated to all other debts. Entitlement to a final bonus lapses if and insofar as the results erode the capital base to the extent that the regulatory solvency requirements cannot or may not be met any longer.

The final bonus account is determined based on actuarial principles. The estimated probability of early termination of insurance contracts is also taken into account. Part of the final bonus account is converted into an unconditional right of the policyholder on a consistent, annual basis.

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 two 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.

Fair value changes of interest rate derivatives, to which no cash flow hedge accounting is applied, are recognised in 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, 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 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. The valuation of the future expected profit-sharing and the time value of embedded options and guarantees are included in these cash flows. The estimate is increased with a risk margin, which is calculated using the Cost of Capital method. Finally, the cash flows are discounted using the swap curve published by DNB including the Ultimate Forward Rate. The resulting minimum 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 LAT minimum is higher, a test 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.

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. Any remaining deficit will be added to insurance liabilities though 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 2016:

- Discount rate: swap curve including an Ultimate Forward Rate which after the 20 years point (last liquid point) converges to 4,2% in 40 years.
- Profit allocation in accordance with the applicable profit-sharing arrangements.
- Cost allocation and distribution of efficiency gains based on internal assessment.
- Projected mortality probability data for the entire population based on *Prognose Model AG 2016* 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 (CAO) and for 20% the inflation of other costs.
- Cost of capital rate: 4% (2015: 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 N.V. 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 deferred members 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. This can be caused by actuarial gains and losses, gains and losses on plan assets, or by employers' contributions stipulated in the financial agreement with the pension fund. This agreement is based on the pension liability calculated by the pension fund according to the specific parameters prescribed by DNB, among other aspects.

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; given that 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 pension 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 using the discount rate of the gross defined benefit entitlements) 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. 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.

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.

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.

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 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. Income is recognised as described in the following sections.

Premium income

Premium income from insurance contracts, exclusive of other charges, comprises regular life premiums (including pensions) and 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 and surcharges 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 includes income from commissions from insurance operations and other related services offered by SRLEV. These are recognised in the reporting period in which the services are performed. Commission related to transactions in 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.

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.

Investment income

Investment income consists of interest, dividend, 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.

Dividend

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

Rental income

Rental income consists of 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 revaluations, 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 dividend and interest for account of policyholders are also accounted for in this item.

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. Technical claims and benefits are presented net of reinsurers' share.

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, the costs of medical check-ups and service charges for recording new policies in the portfolio.

Staff costs

This item concerns all staff costs, 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, with the exception of VOBA amortisation. 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 charges

This item includes downward revaluations of assets whose carrying amounts exceed their recoverable amounts. Intangible assets, property and equipment, 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 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 taxation are adjusted for gains and losses that did not result in income and payments in the same financial year and for movements in provisions and accrued and deferred items.

Investments in subsidiaries 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

There were no acquisitions or disposals in the financial year 2016.

6.3. Notes to the consolidated financial statements

1. Property and equipment

Breakdown of property and equipment

In € millions	2016	2015
Land and buildings for own use	56	58
Other assets	1	1
Total	**57**	**59**

Statement of changes in property and equipment 2016

In € millions	Land and buildings	IT equipment	Other assets	Total
Accumulated acquisition costs	114	1	3	**118**
Accumulated revaluations	-6	-	-	**-6**
Accumulated depreciation and impairments	-52	-1	-2	**-55**
Balance as at 31 December	**56**	**-**	**1**	**57**
Balance as at 1 January	58	-	1	**59**
Revaluations	-1	-	-	**-1**
Depreciation	-1	-	-	**-1**
Balance as at 31 December	**56**	**-**	**1**	**57**

Statement of changes in property and equipment 2015

In € millions	Land and buildings	IT equipment	Other assets	Total
Accumulated acquisition costs	114	1	3	**118**
Accumulated revaluations	-6	-	-	**-6**
Accumulated depreciation and impairments	-50	-1	-2	**-53**
Balance as at 31 December	**58**	**-**	**1**	**59**
Balance as at 1 January	51	-	1	**52**
Revaluations	7	-	-	**7**
Depreciation	-1	-	-	**-1**
Impairments	1	-	-	**1**
Balance as at 31 December	**58**	**-**	**1**	**59**

Rental income

Owner-occupied land and buildings includes one office that has been partially let. The expiration date of that agreement is in 2021.

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
2016	56	56	100%
2015	58	58	100%

2. Investment property

Statement of changes in investment property

In € millions	2016	2015
Balance as at 1 January	259	267
Reclassifications	–	–8
Investments	4	2
Divestments	–4	–9
Revaluations	15	7
Balance as at 31 December	**274**	**259**

Investment property mainly consists of offices and retail properties.

3. Investments

Investments

Breakdown of investments

In € millions	2016	2015
Fair value through profit or loss: Designated	69	161
Available for sale	26,923	26,382
Loans and receivables	8,905	7,881
Balance as at 31 December	**35,897**	**34,424**

Fair value through profit or loss: listed and unlisted

	Designated Fixed-income	
In € millions	**2016**	2015[1]
Unlisted	69	161
Total	**69**	**161**

[1] An adjustment of € 157 million has been made in the comparative figures from the category listed to the category unlisted.

Fair value through profit or loss: statement of changes

	Designated Fixed-income	
In € millions	**2016**	2015
Balance as at 1 January	161	225
Disposals and redemptions	–90	–62
Revaluations	–2	–2
Balance as at 31 December	**69**	**161**

Available for sale: listed and unlisted

	Shares and similar investments		Fixed-income investments		Total	
In € millions	**2016**	2015	**2016**	2015	**2016**	**2015**
Listed	–	2	24,373	24,576	**24,373**	**24,578**
Unlisted	1,689	1,678	861	126	**2,550**	**1,804**
Total	**1,689**	**1,680**	**25,234**	**24,702**	**26,923**	**26,382**

The increase of unlisted fixed-income investments in 2016 was primarily caused by the acquisition of unlisted mortgage-backed-securities (MBS) and asset-backed-securities (ABS).

Available for sale: statement of changes

	Shares and similar investments		Fixed-income investments		Total	
In € millions	**2016**	2015	**2016**	2015	**2016**	**2015**
Balance as at 1 January	1,680	1,296	24,702	24,200	**26,382**	**25,496**
Purchases and advances	7,107	4,731	10,492	4,220	**17,599**	**8,951**
Disposals and redemptions	-7,158	-4,360	-11,340	-3,117	**-18,498**	**-7,477**
Revaluations	65	19	1,508	-500	**1,573**	**-481**
Impairments	-5	-6	–	-18	**-5**	**-24**
Amortisation	–	–	-92	-80	**-92**	**-80**
Other	–	–	-36	-3	**-36**	**-3**
Balance as at 31 December	**1,689**	**1,680**	**25,234**	**24,702**	**26,923**	**26,382**

The high level of turnover in shares is due to the continuous re-investment of cash collateral in money market funds.

During 2016 first steps have been made into re-risking the portfolio by divesting fixed-income investments primarily German and Dutch government bonds resulting in net outflow of this investment category of € - 848 million (€ 10,492 million - € 11,340 million) whereas in 2015 there was a net inflow of € 1,103 million primarily due to the capital injection.

The other movements under Fixed-income investments involves the change in accrued interest (€ - 28 million) and currency revaluation (€ - 8 million).

Available for sale: measurement

	Shares and similar investments		Fixed-income investments		Total	
In € millions	**2016**	2015	**2016**	2015	**2016**	**2015**
(Amortised) cost	1,635	1,632	21,105	20,489	**22,740**	**22,121**
Revaluation	54	48	3,720	3,776	**3,774**	**3,824**
Accrued interest	–	–	409	437	**409**	**437**
Balance as at 31 December	**1,689**	**1,680**	**25,234**	**24,702**	**26,923**	**26,382**

SRLEV has lent some of its investments. The carrying amount of lent investments at 31 December 2016 was € 1,843 million (2015: € 2,186 million). The lending periods are open-ended and can be terminated on request. SRLEV charges a lending fee in 2016 of € 2.7 million (2015: € 3.7 million).

Some other investments have been pledged as collateral for amounts due to banks (repos). The carrying amount (market value) of investments pledged as collateral at 31 December 2016 was € 915 million (2015: € 3.631 million). The movement in collateral pledged was caused by the termination of the reinsurance contract with Munich Re. Central clearing has led to an increase of pledged collateral in 2016. The collateral received for derivatives are reported in note 35 Financial instruments.

Loans and receivables: investments

In € millions	2016	2015
Mortgages	2,648	1,856
Private loans linked to savings mortgages	5,294	5,392
Other private loans	976	651
Total	**8,918**	**7,899**
Provision for bad debts	-13	-18
Total	**8,905**	**7,881**

Mortgages changed by € 792 million to € 2.648 million from € 1.856 million in the previous year. This increase was mainly caused by the purchase of a mortgage portfolio.

Loans and receivables: statement of changes

In € millions	2016	2015
Balance as at 1 January	7,899	9,055
Reclassifications	-	-763
Purchases and advances	1,812	852
Disposals and redemptions	-1,054	-1,521
Interest addition	252	281
Amortisation	9	-5
Balance as at 31 December	**8,918**	**7,899**
Balance provisions as at 1 January	-18	-6
Addition	-	1
Release	5	-13
Balance provisions as at 31 December	**-13**	**-18**
Total	**8,905**	**7,881**

Investment portfolio

Fixed-income investment portfolio
Investments of insurance business

In € millions	2016	2015
Investments		
- Fair value through profit or loss: Designated	69	161
- Available for sale	24,288	24,702
- Loans and receivables	6,270	6,043
Interest-bearing investment portfolio	**30,627**	**30,906**
Mortgages	2,635	1,838
Total	**33,262**	**32,744**

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

Breakdown of interest-bearing investment portfolio (sector)

In € millions	2016		2015	
Sovereign	20,354	65%	19,949	65%
Private loans linked to savings mortgages	5,294	17%	5,393	17%
Corporate bonds - financial sector	2,630	8%	2,628	9%
Corporate bonds - non-financial sector	1,511	5%	1,036	3%
Mortgage backed securities	780	2%	925	3%
Loans	779	2%	616	2%
Other	225	1%	359	1%
Total	**31,573**	**100%**	**30,906**	**100%**

The following overview provides a breakdown of the interest-bearing investments by rating category. The 'not rated' category mainly consists of private loans related to savings-based mortgages.

Breakdown of interest-bearing investment profile (rating)

In € millions	2016		2015	
AAA	18,257	57%	20,181	65%
AA	3,356	11%	2,224	7%
A	1,863	6%	1,883	6%
BBB	2,188	7%	1,724	6%
< BBB	50	0%	7	0%
No rating	5,859	19%	4,887	16%
Total	**31,573**	**100%**	**30,906**	**100%**

Of the interest-bearing investment portfolio, 74% of investments had an A rating or higher (year-end 2015: 78%).

The re-risking strategy includes the sale of bonds with AAA-rating (German Government) and buying bonds with AA-rating (French and Belgian Government).

The table below contains the breakdown of the interest bearing investment portfolio by geographic area. The interest-bearing investment portfolios of SRLEV have predominantly European debtors. No single debtor represents an interest of more than 5% in the interest-bearing investment portfolio with the exception of the German Government and the Dutch Government.

Breakdown of interest-bearing investment profile (geographic)

In € millions	2016		2015	
Netherlands	13,817	43%	12,657	41%
Germany	9,708	31%	12,064	39%
France	1,479	5%	761	2%
Austria	901	3%	893	3%
Ireland	802	3%	654	2%
Spain	672	2%	612	2%
United States of America	672	2%	487	2%
United Kingdom	614	2%	446	1%
Italy	611	2%	537	2%
Other	2,297	7%	1,794	6%
Total	**31,573**	**100%**	**30,906**	**100%**

The category "others" also consists of European and other international institutions that cannot be allocated to a single country (2016: € 834 million / 2015: € 683 million) .

Investment of mortgage business per risk category

In € millions[1]	2016	2015
Mortgages < 75% of foreclosure value	569	420
Mortgages > 75% of foreclosure value	922	376
Mortgages with National Mortgage Guarantee	1,157	1,059
Residential property in the Netherlands	**2,648**	**1,855**
Specific provision for bad debts	-13	-18
Total	**2,635**	**1,837**

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

4. Investments for account of policyholders

Investments for account of policyholders include investments under unit-linked policies and separate investment deposits for seperate accounts.

Investments for account of policyholders: listed and unlisted

In € millions	2016	2015
Shares and similar investments:		
- Listed	12,924	12,642
- Unlisted	298	203
Fixed-income investments		
- Listed	659	1,156
- Unlisted	370	376
Total	**14,251**	**14,377**

As a consequence of the consolidation of investments funds, the investments for account of policyholders within these funds are represented by the underlying investments (look through principle).

Investments for account of policyholders: statement of changes

In € millions	2016	2015
Balance as at 1 January	14,377	14,559
Purchases and advances	3,428	2,510
Disposals and redemptions	-4,322	-3,231
Changes in fair value	755	487
Other movements	13	52
Balance as at 31 December	**14,251**	**14,377**

Other movements relate to currency gains and losses and changes in accrued interest.

5. Investments for account of third parties

The third party investments amount to € 1,320 million (2015: € 1,436 million) and are consisting of different SNS investment funds € 779 million (2015: € 969 million) and ACTIAM Responsible Index Funds and SNS Profile Funds € 541 million (2015: € 467 million).

6. Derivatives

Breakdown of derivatives

	Positive value		Negative value		Balance	
In € millions	**2016**	2015	**2016**	2015	**2016**	**2015**
Derivatives held for cash flow hedge accounting	180	137	2	-	**178**	**137**
Derivatives held for fair value hedge accounting	86	104	1	-	**85**	**104**
Derivatives held in the context of asset and liability management that do not qualify for hedge accounting	795	391	468	155	**327**	**236**
Total	**1,061**	**632**	**471**	**155**	**590**	**477**

Statement of changes in derivatives

In € millions	2016	2015
Balance as at 1 January	476	677
Purchases	245	43
Disposals	63	-82
Revaluations	-200	-173
Exchange rate differences	6	12
Balance as at 31 December	**590**	**477**

For more information about derivatives see Note 26 Results on derivatives and Note 36 Hedging and hedge accounting.

7. Deferred tax assets and liabilities

Breakdown of deferred tax assets and liabilities

In € millions	2016	2015
Deferred tax assets	1,370	1,458
Deferred tax liabilities	-931	-942
Total	**439**	**516**

Origin of deferred tax assets and tax liabilities 2016

In € millions	1 January	Change through profit or loss	Change through equity	Other movements	31 December
Value of business acquired	2	-1	-	-	1
Capitalised acquisition costs insurance activities	28	-5	-	-	23
(Investment) property and equipment	-31	-3	-	-	-34
Investments	-849	11	14	-	-824
Derivatives	-15	-29	-9	-	-53
Insurance contracts	1,390	-198	-4	-	1,188
Provision for employee benefits	3	52	-8	-	47
Carry forward losses	-	-	-	82	82
Other	-12	19	-	2	9
Total	**516**	**-154**	**-7**	**84**	**439**

The carry forward losses are the result of revaluation of tax liabilities.

Origin of deferred tax assets and tax liabilities 2015

In € millions	1 January	Change through profit or loss	Change through equity	Other movements	31 December
Value of business acquired	2	-	-	-	2
Capitalised acquisition costs insurance activities	56	-28	-	-	28
(Investment) property and equipment	-28	-3	-	-	-31
Investments	-1,028	19	160	-	-849
Derivatives	-54	35	4	-	-15
Insurance contracts	1,564	-29	-156	11	1,390
Provision for employee benefits	-	3	-	-	3
Other	-27	26	-	-11	-12
Total	**485**	**23**	**8**	**-**	**516**

Breakdown of tax-effect changes shareholders' equity

In € millions	2016	2015
Change in fair value reserve	-7	8
Total	**-7**	**8**

The corporate income taxes are irrevocable for the years up to and including 2013.

8. Loans and advances to banks

This item relates mainly to loans and advances to banks other than interest-bearing securities, with a remaining term to maturity of more than three months. Of the total amount of € 960 million (2015: € 999 million), € 5 million has a remaining term to maturity of less than three months (2015: € 6 million).

The loans and advances to banks mainly consist of loans relating to saving components of mortgages € 725 (2015: 763 million). The comparatives figures have been adjusted for presentation purposes, refer to section 6.1.2. change in presentation of private loans.

9. Other assets

Breakdown of other assets

In € millions	2016	2015
Policyholders	118	130
Intermediaries	135	101
Reinsurers	-	70
Amounts due from direct insurance	**253**	**301**
Accrued interest	24	37
Accrued assets	**24**	**37**
Other advances	75	206
Total	**352**	**544**

The decrease of receivables from reinsurers in 2016 is due to the termination of the Quota share reinsurance contracts as per 1 January 2016.

10. Cash and cash equivalents

Breakdown of cash and cash equivalents

In € millions	2016	2015
Short-term bank balances	271	153
Total	**271**	**153**

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

11. Equity

Breakdown of equity

In € millions	2016	2015
Equity attributable to shareholders	3,035	2,755
Total	**3,035**	**2,755**

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 change in Equity attributable to shareholders in 2016 was caused by net result 2016 (€ 252 million) and the change in Other Comprehensive Income (€ 28 million). For further details on group equity, see Section 5.4, Consolidated statement of changes in equity.

12. Subordinated debts

Breakdown of subordinated debt

In € millions	2016	2015
Bonds	563	570
Private loans	235	235
Total	**798**	**805**

Subordinated bonds

			Carrying amount		Nominal value	
In € millions	Interest	Maturity	2016	2015	2016	2015
SRLEV	9.000%	April 2011- April 2041	398	398	400	400
SRLEV (CHF)	mid-swap 5,625%	December 2011 - perpetual	98	96	87	87
Total			**496**	**494**	**487**	**487**
Change in fair value as a result of hedge accounting			67	76	-	-
Total			**563**	**570**	**487**	**487**

In April 2011, SRLEV NV issued € 400 million in subordinated bonds maturing in 2041. In July 2011, SRLEV NV issued CHF 105 million in perpetual subordinated bonds. The CHF bond has a first redemption date on 19 December 2016. SRLEV decided not to exercise its redemption option to redeem the CHF bond in December 2016. 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 and its policyholders not to exercise the redemption option to redeem the CHF Bond. The interest rate on the CHF bond has been reset to 5-year CHF mid-swap plus 5.625%.

Subordinated private loans

In € millions	Interest	Maturity	2016	2015
Anbang Group Holdings Co. Ltd.	7.750%	2016 - 2026	95	-

In € millions	Interest	Maturity	2016	2015
VIVAT NV	7.750%	2016 - 2026	140	140
SRH NV	8.900%	perpetual	-	95
Total			**235**	**235**

Subordinated private loans comprise of a perpetual loan of € 95 million and a loan of € 140 million.

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.

The perpetual loan was issued by SRH NV (former: SNS REAAL NV) and had an average interest rate of 8.9% (2015: 8.9%). At the beginning of 2016, the perpetual loan of € 95 million issued by SNS Reaal has been fully repaid. In stead of this loan a new subordinated private loan of € 95 million was granted by Anbang Group Holdings Co. Ltd. The loan bears a fixed interest rate of 7.75% annually.

13. Insurance liabilities and reinsurance share

As per 31 December, 2016 the total amount of insurance liabilities is € 46,274 million (2015: € 45,138 million). The reinsurers share is € 106 million (2015: € 3,310).

	Gross		Reinsurance	
In € millions	2016	2015	2016	2015
Provision for Life insurance obligations	31,666	30,479	106	3,310
Unamortised interest rate discounts	-124	-210	-	-
Provision for profit-sharing, bonuses and discounts	90	95	-	-
Life, for own risk (13.1)	**31,632**	**30,364**	**106**	**3,310**
Technical provisions for insurance on behalf of policyholders	14,642	14,774	-	-
Life, for account of policyholders (13.2)	**14,642**	**14,774**	**-**	**-**
Total	**46,274**	**45,138**	**106**	**3,310**

The Quota share reinsurance contracts on Individual Life policies have been terminated as per 1 January 2016.

Life insurance contracts are predominantly of a long-term nature. In 2016, € 178 million (2015: € 153 million) has been reclassified from insurance liabilities to the provision for employee benefits.

On 17 November 2010, SNS REAAL reached final agreement with Stichting Verliespolis on the compensation scheme for unit-linked policyholders. At 31 December 2016, the provision for life insurance liabilities included € 3 million for compensation to unit-linked policyholders (2015: € 46 million).

13.1. Life, for own risk

Statement of changes in provisions for Life insurance obligations for own risk

	Gross		Reinsurance	
In € millions	2016	2015	2016	2015
Balance as at 1 January	30,479	31,346	3,310	3,589
Portfolio reclassification	255	283	–	–
Reinsurance contracts	–	–	–3,191	–
Benefits paid	–1,855	–2,068	–21	–532
Premiums received	1,090	1,093	16	158
Interest added	898	891	7	120
Technical result	–178	–125	–5	–82
Release of expense loading	–128	–119	–10	57
Realised and unrealised result transferred to insurance liabilities	1,109	–760	–	–
Other movements	–4	–62	–	–
Balance as at 31 December	**31,666**	**30,479**	**106**	**3,310**

The Life portfolio contains individual and group insurance policies.

Realised and unrealised result transferred to insurance liabilities includes a release of € 97 million from the Liability Adequacy Test (2015 € 70 million). Also included is the effect of assumption adjustments, that took place in 2016 and caused an increase in insurance liabilities amounting to € 139 million. The most significant amounts correspond to the experience adjustments of mortality parameters (increase in the insurance liabilities of €146 million), the adjustments in the parameters resulting from alignment of assumptions for miscellaneous life and disability portfolios (decrease of € 101 million), the refinements in assumptions for measurement of fair value of mortgages (increase of € 46 million) and miscellaneous adjustments in the models, mostly as a result of refinements in cost allocation model (increase of € 38 million) and projections of management fees (increase of € 26 million).

Individual insurance policies are both sold as policies with a benefit in money (the traditional insurance that may or may not include profit-sharing or interest profit- sharing) as well as policies with a benefit in units (unit-linked insurance). The individual Life insurance portfolio mainly consists of unit-linked insurance policies, saving-based mortgage policies and Life annuity insurance policies providing regular payments for the remainder of the holder's life.

SRLEV sells individual Life insurance policies in the retail and SME markets in the Netherlands. With respect to new business, the focus is primarily on term Life insurance. These are sold both via intermediaries (Individual Life) as well as direct channels (Individual Life and Life Corporate).

SRLEV has concluded co-insurance contracts with other insurers. In the case of co-insurance, each co-insurer is liable for its own share in insurance policy. If a co-insurer withdraws, its insurance liabilities will be transferred to the remaining co-insurers. Every year, the leader of the contract draws up a report that SRLEV uses to monitor the development of the portfolio and determins the provisions.

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

Traditional insurance policies

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

Breakdown of traditional insurance policies

In € millions	2016	2015
With profit-sharing (operational or surplus interest)	9,964	10,152
With interest rate discounts (or surcharges)	4,116	3,693
Without profit-sharing	6,107	5,749
Savings-based mortgages	5,158	5,673
Reinsurance	-106	-3,310
Total	**25,239**	**21,957**

Statement of changes in unamortised interest rate discounts

	Life own risk	
In € millions	2016	2015
Balance as at 1 January	210	295
Discounts granted in the financial year	-53	-48
Amortisation	-33	-37
Balance as at 31 December	**124**	**210**

Statement of changes in provision for profit-sharing, bonuses and discounts

	Life own risk	
In € millions	2016	2015
Balance as at 1 January	95	69
Profit-sharing, bonuses and discounts granted in the financial year	-5	26
Balance as at 31 December	**90**	**95**

13.2. Life, for account of policyholders

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

In € millions	2016	2015
Balance as at 1 January	14,774	15,079
Portfolio reclassification	-255	-283
Premiums received	746	834
Benefits paid	-1,346	-1,265
Interest added	426	363
Exchange rate / valuation differences	370	137
Technical result	-2	-8
Release of expense loading	-77	-87
Other movements	6	4
Balance as at 31 December	**14,642**	**14,774**

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 credit default 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 consists of traditional contracts, group policies with separate accounts and of unit-linked policies. The separate accounts have an interest guarantee. At the current low interest rates this option has value for the customer. SRLEV's Corporate Life insurance portfolio focuses on the entire corporate market in the Netherlands.

Breakdown of insurance policies in investment units

In € millions	2016	2015
Without guarantee	9,224	9,255
With guarantee	5,418	5,519
Total	**14,642**	**14,774**

13.3. LAT test results

Reconciliation of the IFRS provision and the LAT test results

	Life insurance LAT	
In € millions	2016	2015
Insurance liabilities before LAT	42,087	37,560
Provision calculated for LAT	46,599	42,218
Deficit	**-4,512**	**-4,658**

The deficit is covered by shadow accounting of the revaluation reserve of the fixed income investment portfolio (2016: € 3,145 million; 2015: € 3,162 million) and by the surplus value of the investments measured at amortised cost (2016: € 503 million; 2015: € 535 million). The cumulative effect of recognition of the LAT deficit at 31 December 2016 amounts to € 864 million (2015: € 961 million).

14. Provision for employee benefits

Breakdown of provision for employee benefits

In € millions	2016	2015
Pension commitments	182	169
Total	**182**	**169**

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 is also responsible for 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.

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 € 3 million in 2017 (2016: €5 million). Obligations for additional indexation rights are included in the provision and will be released after payment to the insurer.The main aspects of the defined benefit schemes are explained below.

The main aspects of the defined benefit schemes are explained below.

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 but included in the balance sheet item Investments. The Guardian pension scheme is insured externally.

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 former participants are unconditionally indexed based on the salary index. 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, € 62 million was added to the provision for pensions for these pension schemes (2015: € 60 million). In 2017, VIVAT's contribution to these defined benefit schemes is expected to amount to € 1 million (2016: € 3 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 € 92 million (2015: € 84 million) has been included in the provision for employee benefits. There is no separate investment account. SRLEV's contribution to the defined benefit scheme of Zwitserleven is expected to amount to € 1 million in 2017 (2016: € 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 built up in the past are insured internally by SRLEV. In all of these pension schemes no more pension rights, other than indexation, are accrued.

After offsetting the fair value of the investments, € 28 million (2015: € 25 million) has been added to the provision for pensions for these pension schemes. In 2017, SRLEV's contribution to the other defined benefit schemes is expected to amount to € 1 million (2016: € 1 million).

Overview pension commitments
Breakdown of pension commitments

In € millions	2016	2015
Present value of defined benefit obligations	203	188
Less: Fair value of plan assets	21	19
Present value of the net liabilities	**182**	**169**

Change in present value of defined benefit obligations

In € millions	2016	2015
Fair value as at 1 January	188	-
Transfer from SRH NV	10	198
Increase and interest accrual through profit and loss	2	4
Actuarial gains or losses through Other Comprehensive Income	9	-9
Benefits paid	-6	-5
Present value as at 31 December	**203**	**188**

Change in fair value of the plan assets

In € millions	2016	2015
Fair value as at 1 January	19	-
Transfer from SRH NV	1	20

In € millions	2016	2015
Investment income through profit and loss	–	1
Investment income through Other Comprehensive Income	1	–1
Investment income	**1**	**-**
Premiums	5	4
Benefits paid	–5	–5
Fair value as at 31 December	**21**	**19**

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.

Breakdown of investments

In € millions	2016	2015
Shares	3	3
Fixed income investments	14	13
Other	4	3
Balance as at 31 December	**21**	**19**

Statement of Other Comprehensive Income

In € millions	2016	2015
Balance as at 1 January	2	–
Transfer from SRH NV per 1 January 2015	–	1
Actuarial gains or losses directly taken to Other Comprehensive Income pension commitments	-9	11
Investment income for the benefit or at the expense of Other Comprehensive Income	1	–1
Additional transfer from technical provision	21	–8
Deferred taxes	–3	–1
Balance as at 31 December	**12**	**2**

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	2016	2015
Experience adjustments as a % of defined benefit obligation	–4%	0%
Experience adjustments as a % of investments	–3%	4%

The main actuarial parameters at year-end

In percentages	2016	2015
Discount rate	1.7%	2.3%
Expected salary increase	1.8%	1,5% - 2,0%
Price inflation	1.8%	1.8%

Sensitivity present value of pension obligations 2016

In € millions	31 December 2016 Change	Change
Discount rate 0.7% (-1.0%)	45	22%
Discount rate 2.7% (+1.0%)	-34	-17%

Sensitivity present value of pension obligations 2015

In € millions	31 December 2015 Change	Change
Discount rate 1.3% (-1%)	39	21%
Discount rate 3.3% (+1%)	-30	-16%

15. Other provisions

Breakdown of other provisions

In € millions	2016	2015
Restructuring provision	-	1
Other provisions	40	39
Total	**40**	**40**

Other provisions are predominantly of a long-term nature; they have been formed mainly for the settlement of legal and other claims. The timing of the expected outflow of resources is uncertain.

Statement of changes in restructuring and other provisions

	Restructuring provision		Other provision		Total	
In € millions	2016	2015	2016	2015	2016	2015
Balance as at 1 January	1	2	39	18	**40**	**20**
Reclassifications	-22	-	-	6	**-22**	**6**
Additions / release	27	1	7	39	**34**	**40**
Withdrawal	-6	-	-3	-8	**-9**	**-8**
Released to results	-	-2	-3	-16	**-3**	**-18**
Balance as at 31 December	**-**	**1**	**40**	**39**	**40**	**40**

16. Amounts due to banks

Breakdown of amounts due to banks

In € millions	2016	2015
Due on demand	456	378
Deposits and certificates	149	235
Private loans	725	763
Total	**1,330**	**1,376**

The amount of € 456 million (2015: € 378 million) due on demand relates to cash collateral.

Deposits and certificates are comprised of liabilities under repo agreements.

The private loans relates to the saving components of mortgages.

17. Other liabilities

Breakdown of other liabilities

In € millions	2016	2015
Debts in relation to direct insurance	452	490
Debts to reinsurers	325	3,371
Other taxes	24	30
Other liabilities	721	846
Accrued interest	33	43
Total	**1,555**	**4,780**

The decrease of Debts to reinsurers in 2016 is due to the termination of the Quota share reinsurance contracts as per 1 January 2016.

18. Guarantees and commitments

Contingent liabilities

At year-end 2016, SRLEV NV had assumed commitments to invest € 273 million in investment funds (2015: € 46 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 2016.

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 obligations, including the indexation reserves, are contingent on the financial position of NV Pensioen ESC, which – as stipulated in the contract with the third party – will be guaranteed by 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 2016. 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.

DNB can impose a levy on SRLEV as part of a so-called relief scheme, which stipulates that a Life insurer falling short of the minimum capital requirement can be transferred to a relief institution through reinsurance or portfolio transfer. The additional capital required is apportioned among Life insurers, taking into account their own solvency requirements, with a maximum of approximately € 214 million in total and approximately € 107 million per relief situation for all Life insurers jointly in the Netherlands.

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 2016, a liability of € 6 million exists relating to this separate accounts restructuring (2015: € 6 million). The customers’ liability in respect of this restructuring was € 10 million at year-end 2016 (2015: € 10 million).

Guarantees received

The market value of guarantees received under the National Mortgage Guarantee Fund (in Dutch: NHG) amounted to € 1,157 million at year-end 2016 (2015: € 1,059 million).

The market value of the collateral of the mortgages was € 4,433 million at year-end 2016 (2015: € 2,935 million). The amortised cost of the mortgages was € 2,647 million at year-end 2016 (2015: € 1,837 million).

Netherlands Reinsurance company for Losses from Terrorism

In 2017, SRLEV will take a 13.80% share in the Life cluster (2016: 13.68%) of the Netherlands Reinsurance company for Losses from Terrorism (Nederlandse Herverzekeringsmaatschappij voor Terrorismeschaden NV). In 2017, the guarantee will be € 28 million (2016: € 41 million) and premiums will amount to € 0.8 million (2016: € 0.6 million).

Legal proceedings

General

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.

SRLEV believes it cannot be excluded that some of the proceedings set below may have significant operational, financial and/or reputational effects.

Investment insurance policies

SRLEV NV 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 NV has concluded approximately 1.2 million investment-linked insurance policies, of which about 300,000 were still outstanding at 31 December 2016.

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, SRLEV reached an outline agreement followed by an Agreement (‘Vaststellingsovereenkomst') in 2010 to offer compensation to its unit linked policyholders where individual unit-linked policies had a cost charge in excess of an agreed maximum. In 2014, SRLEV has concluded its implementation of the compensation scheme.

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 complies with the "Best in class criteria" as formulated by the Minister of Finance in a letter to Parliament in November 2011.

In order to improve the number of clients actually reviewing their position and taking adequate measures, the AFM has set target figures in the past with a strong focus on the so called 'non-accumulating policies' (niet opbouwende polissen, "NOPs"). Policies qualify as NOP if, based on the status on 1 January 2013 and a projected return of 4%, the increase in value at expiration date is lower than the total of the paid premiums over the same period. The AFM increased the pressure on insurers by setting a 'level of ambition' of 100% of the clients involved to take action before the end of Q1 2014. SRLEV did not succeed in achieving this level of ambition for the clients involved and, subsequently, SRLEV set a level of ambition of 80% at year end 2014. Despite initiatives to stimulate clients to come into action, the percentage realised by SRLEV was under target and substantially lower compared to peers. The AFM therefore decided to submit a complaint against REAAL N.V. at the Disciplinary Tribunal Financial Services (Tuchtraad Financiële Dienstverlening) which on July 15 2016 advised the Association Of Insurers (Verbond van Verzekeraars) to give SRLEV an official warning as failure to comply with the non-binding target created a confidence issue. This advise was followed by the Association. New legislation has recently been implemented that enables the AFM to impose sanctions on insurers if mobilisation targets set by the AFM are not met. SRLEV expects to meet all legal targets.

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 or products for capital accumulation. Compensation has been implemented. The costs of the compensation scheme and complementary policy are substantial and have been recognised in the financial statements.

Dutch insurers still face complaints and claims involving unit-linked policies. Over time SRLEV has received a large number of complaints/claims from customers stating SRLEV did not inform them in full about the associated costs, specific product features, leverage and capital consumption effects, attached risks or other material and legal grounds. 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. Current and any future subsequent legal proceedings could have a substantial financial and reputational impact. However, it is not possible at this time to make reliable estimates of the expected number of proceedings, possible future precedents or the financial and/or reputational impact of current and possible future proceedings. The political, regulatory and public focus on investment-linked insurances remains.

The number of legal proceedings against SRLEV NV that involve unit-linked policies is, compared to the portfolio of active policies, relatively limited. The number of active proceedings has been stabilised in 2015. Approximately 60 of those proceedings were still pending on 31 December 2016, including a class action before the District Court in Alkmaar brought by VerenigingWoekerpolis.nl. SRLEV has submitted its defense to the filing of VerenigingWoekerpolis.nl. 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 very limited.

19. Related parties

Identity of related parties

Parties are considered to be related if one party can exercise control or significantly affect the other party's financial or operating policies. SRLEV's related parties are its parent Anbang and affiliates, VIVAT 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 between SRLEV NV, VIVAT NV, Anbang and affiliates

The intra-group balances and transactions between VIVAT NV, SRLEV, Anbang and affiliates in 2016 were:

> At the beginning of 2016, the perpetual loan of € 95 million issued by SNS Reaal has been fully repaid. In stead of this loan a new subordinated private loan of € 95 million was granted by Anbang Group Holdings Co. Ltd. The loan bears a fixed interest rate of 7.75% annually.

> On 28 December 2016 Anbang Group Holdings Co. Ltd. issued a Solvency II Tier 2 Capital subordinated private loan of $ 190 million to VIVAT NV. This subordinated private loan bears an interest of 6-months LIBOR plus 6.3% and its earliest year of repayment is 2026 (first callable after 5 years).

> VIVAT NV is the sole shareholder of both ACTIAM NV and SRLEV NV. With the consent of VIVAT NV, SRLEV NV and ACTIAM NV agreed that ACTIAM NV provides a discount on the charged SRLEV NV's management fee (discount in 2016: € 25 million and 2015: € 23 million).

Intra-group balances with key management personnel of SRLEV

The transfer of shares of VIVAT NV to Anbang and changes in the composition of management boards during 2015 led to changes in the composition of key management personnel in 2015. As a result, the key management personnel from the end of 2015 and the year 2016 consists exclusively of the members of the Executive Board.

On 23 October 2015, responsibility under the Articles of Association for SRLEV NV, Proteq Levensverzekeringen NV and Reaal Schadeverzekeringen NV was also transferred to the members of the Executive Board.

Ron van Oijen, the new CEO, took office on 14 March 2016, after which Albert Bakker relinquished his role as Acting CEO and also as a member of the Executive Board. On 24 May 2016, Wendy de Ruiter-Lörx and Jeroen Potjes were appointed as members of the Executive Board of SRLEV.

The Executive Board comprised 7 employees as at 31 December 2016 (31 December 2015: 5).

Actual remuneration (former) members of the Executive Board

The following table provides an breakdown of the total remuneration of the Executive Board for the year 2016, including former and existing key management. The members of the Executive Board of VIVAT NV are the same as the management board members of SRLEV NV, Reaal Schadeverzekeringen NV and Proteq Levensverzekeringen NV.

Breakdown of remuneration key management personnel

In € thousands	2016	2015
Short-term employee benefits	4,419	4,612
Post-employment benefits	125	209
Other long-term benefits	-	104
Termination benefits	695	3,389
Share-based payment	-	131
Total	**5,239**	**8,445**

Reference is made to Section 6.1.5 for the accounting principles of employee benefits.

Loans

There are no loans outstanding on 31 December 2016 (and 2015) and/or granted to members of the Excecutive Board during 2016.

Actual remuneration (former) members of the Supervisory Board

The following table provides an overview of the total remuneration of the Supervisory Board members in 2016 (excluding 21% VAT). The members of the Supervisory Board of VIVAT NV are the same as the management board members of SRLEV NV, Reaal Schadeverzekeringen NV and Proteq Levensverzekeringen NV.

Breakdown of remuneration (former) members of the Supervisory Board

In € thousands[1]	2016	2015[2]
Total fixed actual remuneration of Supervisory Board members	543	240
Total remuneration for delegated Supervisory Board members	188	112
Total remuneration for the members of the Supervisory Board's Committees	25	11
Total fixed actual expense allowance		-
Total	**756**	**363**

1 On 26 July 2015 (date of transfer of shares) SRLEV NV has established their own Supervisory Board. Before this date the Supervisory Board of SNS REAAL NV formed the Supervisory Board of SNS REAAL NV, SNS Bank NV, VIVAT NV and SRLEV NV. The remuneration for the year 2015 disclosed above concerns the remuneration of the Supervisory Board of SRLEV NV from 26 July 2015 until 31 December 2015.

2 Figures are on an accrued basis and the comparative figures have been adjusted

Loans

There are no loans outstanding on 31 December 2016 (and 2015) and/or granted to members of the Supervisory Board during 2016.

Transactions with former intra-group companies

Tax group

The tax group for income tax and VAT purposes between SRH NV, de Volksbank NV and VIVAT NV was terminated on 30 June 2015. Immediately afterwards, VIVAT NV and its subsidiaries, including SRLEV NV, formed a new tax group and are jointly and individually liable for the fiscal unity's corporate income tax and VAT debts.

20. 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 2016

In € millions	Carrying amount assets	Carrying amount liabilities	Carrying amount vs maximum exposure to loss	Total assets of entities	Total liabilities of entities
Securitisation entities	46	-	**46**	2,343	2,343
Total	**46**	**-**	**46**	**2,343**	**2,343**

Non-consolidated structured entities 2015

In € millions	Carrying amount assets	Carrying amount liabilities	Carrying amount vs maximum exposure to loss	Total assets of entities	Total liabilities of entities
Securitisation entities	3	-	**3**	549	549
Total	**3**	**-**	**3**	**549**	**549**

The maximum exposure to losses with respect to equity interests (including loans and participating interests) is the carrying amount of those interests. The maximum exposure to losses with respect to commitments and guarantees is the notional amount. The nominal amount does not represent the expected losses or reflect unrealised losses (if applicable). These commitments and guarantees are conditional and present the maximum losses that SRLEV 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.

SRLEV had not offered financial or non-financial support to any non-consolidated structured entities at 31 December 2016.

21. Events after the balance sheet date

There are no events after balance sheet date which should be disclosed in the financial statements.

22. Net premium income

Premium income consists of insurance premiums net of reinsurance premiums.

Breakdown of net premium income

In € millions	Own account 2016	Own account 2015	For account of policyholders 2016	For account of policyholders 2015	Total 2016	Total 2015
Regular premiums REAAL Life	577	615	270	317	**847**	**932**
Regular premiums Zwitserleven	227	254	421	436	**648**	**690**
Total gross regular premiums Life	**804**	**869**	**691**	**753**	**1,495**	**1,622**
Single premiums REAAL Life	30	42	3	3	**33**	**45**
Single premiums Zwitserleven	254	182	52	78	**306**	**260**
Total gross single premiums	**284**	**224**	**55**	**81**	**339**	**305**
Total gross premium income	**1,088**	**1,093**	**746**	**834**	**1,834**	**1,927**
Total reinsurance premiums REAAL Life and Zwitserleven	16	158	-	-	**16**	**158**
Total net premium income Life	**1,072**	**935**	**746**	**834**	**1,818**	**1,769**

The amount of reinsurance decreased in 2016 due to the Quota share reinsurance contracts regarding Life that has been terminated on 1 January 2016.

Breakdown of regular premiums Life

In € millions	Own account 2016	Own account 2015[1]	For account of policyholders 2016	For account of policyholders 2015	Total 2016	Total 2015
Individual						
Without profit-sharing	509	536	270	317	**779**	**853**
With profit-sharing	85	95	-	-	**85**	**95**
Total individual	**594**	**631**	**270**	**317**	**864**	**948**
Group						
Without profit-sharing	78	88	421	436	**499**	**524**
With profit-sharing	132	150	-	-	**132**	**150**
Total group	**210**	**238**	**421**	**436**	**631**	**674**
Total gross regular premiums Life	**804**	**869**	**691**	**753**	**1,495**	**1,622**

1 An adjustment of € 88 million has been made in the comparative figures from the category with profit-sharing to the category without profitsharing (group / general account).

Breakdown of single premiums Life

In € millions	Own account		For account of policyholders		Total	
	2016	2015[1]	2016	2015	2016	2015
Individual						
Without profit-sharing	195	42	3	3	**198**	**45**
With profit-sharing	–	122	–	–	**–**	**122**
Total individual	**195**	**164**	**3**	**3**	**198**	**167**
Group						
Without profit-sharing	33	22	52	78	**85**	**100**
With profit-sharing	56	38	–	–	**56**	**38**
Total group	**89**	**60**	**52**	**78**	**141**	**138**
Total gross single premiums Life	**284**	**224**	**55**	**81**	**339**	**305**

1 An adjustment of € 22 million has been made in the comparative figures from the category with profit-sharing to the category without profitsharing (group / general account). An adjustment of € 122 million has been made in the comparative figures from the category with profitsharing to the category without profit-sharing (individual / general account).

23. Net fee and commission income

Breakdown of net fee and commission income

In € millions	2016	2015
Fee and commission income:		
- Insurance agency activities	-1	-1
- Management fees	58	63
- Other activities	5	8
Total fee and commission income:	**62**	**70**
Fee and commission expense	5	1
Total	**57**	**69**

24. Investment income

Breakdown of investment income

In € millions	2016	2015
Fair value through profit or loss: Designated	92	68
Available for sale	2,172	716
Loans and receivables	441	473
Investment property	32	26
Total	**2,737**	**1,283**

Breakdown of investment income 2016

In € millions	Fair value through profit or loss	Available for sale	Loans and receivables	Investment property	Total
Interest	95	510	441	–	**1,046**
Dividend	–	39	–	–	**39**
Rental income	–	–	–	22	**22**
Rental expense	–	–	–	-5	**-5**
Total interest dividend and rental income	**95**	**549**	**441**	**17**	**1,102**
Realised revaluations	–	1,623	–	–	1,623
Unrealised revaluations	-3	–	–	15	12
Total revaluations	**-3**	**1,623**	**-**	**15**	**1,635**
Total	**92**	**2,172**	**441**	**32**	**2,737**

Breakdown of investment income 2015

In € millions	Fair value through profit or loss	Available for sale	Loans and receivables	Investment property	Total
Interest	61	553	473	–	**1,087**
Dividend	–	14	–	–	**14**
Rental income	–	–	–	22	**22**
Rental expense	–	–	–	-7	**-7**
Total interest dividend and rental income	**61**	**567**	**473**	**15**	**1,116**
Realised revaluations	3	149	–	3	155
Unrealised revaluations	4	–	–	8	12
Total revaluations	**7**	**149**	**-**	**11**	**167**
Total	**68**	**716**	**473**	**26**	**1,283**

The increase in investment income in 2016 is caused by the re-risking strategy of SRLEV. Government bonds from Germany have been partially sold, which leads to an increase in realised revaluations. Because of these sales the interest income on the available for sale portfolio decreases.

SRLEV recognised € 3.3 million in income on impaired investments in 2016 (2015: € 0.1 million).

Interest income from Fair value through profit or loss includes € 67 million interest income from derivatives (2015: € 57 million).

Investment income includes a net loss on currency differences of € 7.9 million in 2016 (2015: € 6.5 million gain).

25. Investment income for account of policyholders

Breakdown of investment income for account of policyholders

In € millions	2016	2015
Interest	40	47
Dividend	112	132
Total interest and dividend	**152**	**179**
Revaluations	750	469
Total	**902**	**648**

The increase of investments for account of policyholders is mainly attributable to an increase in the market value revaluations.

26. Result on derivatives

Breakdown of result on derivatives

In € millions	2016	2015
Revaluations transferred from shareholders' equity	-	14
Interest income transferred from shareholders' equity	1	1
Result on derivatives held for cash flow hedge accounting	**1**	**15**
Market value movements in hedged item attributable to hedged risks	-5	-7
Market value movements in derivatives held for fair value hedge accounting	**-5**	**-7**
Market value movements of derivatives maintained for ALM not classified for hedge accounting	-261	-134
Total	**-265**	**-126**

27. Technical claims and benefits

Technical claims and benefits include benefits paid, surrenders and changes in insurance liabilities. This item also includes profit-sharing and discounts.

Breakdown of technical claims and benefits

	Gross		Reinsurance		Total	
In € millions	2016	2015	2016	2015	2016	2015
General account benefits and surrenders	1,855	2,068	-21	-532	**1,834**	**1,536**
Change in general account insurance liabilities	97	-58	13	279	**110**	**221**
Profit-sharing and discounts	48	57	-	-	**48**	**57**
Realised and unrealised result transferred to insurance liabilities	1,127	-137	-	-	**1,127**	**-137**
Life insurance	**3,127**	**1,930**	**-8**	**-253**	**3,119**	**1,677**

The change in general account insurance liabilities includes compensation paid to unit-linked policyholders and compensation relating to defined contribution schemes. For further details on the compensation scheme, see Note 13 Insurance liabilities and reinsurance share.

28. 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	2016	2015
Benefits paid and surrenders for Life insurance contracts for account of policyholders	1,346	1,265
Change in technical provisions for Life insurance contracts for account of policyholders	3	-138
Total	**1,349**	**1,127**

29. Acquisition costs for insurance activities

Breakdown of acquisition costs for insurance activities

In € millions	2016	2015
Individual Life	21	26
Life Corporate	3	4
Reinsurance Life	-	5
Total	**24**	**35**

30. Staff costs

Breakdown of staff costs

In € millions	2016	2015
Salaries	30	29
Pension costs	11	17
Social security contributions	4	4
Other staff costs	220	209
Total	**265**	**259**

Breakdown of pension costs

In € millions	2016	2015
Pension contributions based on defined contribution	7	6
Employee contributions	-1	-1
Total based on defined contributions	**6**	**5**
Increase of present value defined benefit plans	5	12
Total	**11**	**17**

Other staff costs

Other staff costs consist mainly of staff costs recharged by VIVAT NV. The increase of other staff costs relates to the increase of restructuring charges from VIVAT NV.

Number of internal FTE's

In numbers	2016	2015
Number of FTEs	1,923	2,310

31. Other operating expenses

Breakdown of other operating expenses

In € millions	2016	2015
IT systems	42	29
Housing	1	1
Marketing and public relations	–	2
External advisors	1	1
Other costs	3	10
Total	**47**	**43**

32. Impairment losses (reversals)

Breakdown of impairment losses / reversals by class of asset

	Impairments		Reversals		Total	
In € millions	2016	2015	2016	2015	2016	2015
> Through profit or loss						
Property and equipment	–	-1	–	–	**-**	**-1**
Investments	5	24	–	–	**5**	**24**
Other debts	–	1	6	–	**-6**	**1**
Total through profit or loss	**5**	**24**	**6**	**-**	**-1**	**24**
> Through equity						
Investments	–	18	4	–	**-4**	**18**
Total through equity	**-**	**18**	**4**	**-**	**-4**	**18**

33. Other interest expenses

Breakdown of other interest expenses

In € millions	2016	2015
Bonds	44	52
Private loans	55	41
Interest on reinsurance deposits	-1	115
Other interest and investment expenses	5	6
Total	**103**	**214**

The decrease in 2016 of 'Interest on reinsurance deposits' had been caused by the termination of the Quota share reinsurance contracts on 1 January 2016.

34. Taxation

Breakdown of taxation

In € millions	2016	2015
In financial year	-71	90
Prior year adjustments	1	-
Corporate income tax due	**-70**	**90**
Due to temporary differences	154	-23
Deferred tax	**154**	**-23**
Total	**84**	**67**

Reconciliation between the statutory and effective tax rate

In € millions	2016	2015
Statutory income tax rate	25.0%	25.0%
Result before tax	336	261
Statutory corporate income tax amount	**84**	**65**
Effect of participation exemption	**-1**	2
Prior year adjustments*(including tax provision release)*	1	-
Total	**84**	**67**
Effective tax rate	25.0%	25.8%

35. Financial instruments

Fair value of financial assets and liabilities

The table below shows the fair value of SRLEV's financial assets and liabilities. It also 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 financial assets and liabilities

In € millions	Fair value 2016	Carrying amount 2016	Fair value 2015	Carrying amount 2015
Financial assets				
Land and buildings for own use	56	56	58	58
Investment property	274	274	259	259
Investments				
- Fair value through profit or loss: designated	69	69	161	161
- Available for sale	26,923	26,923	26,382	26,382
- Loans and receivables	6,496	6,270	6,202	6,043
- Mortgages	2,864	2,635	2,152	1,838
Investments for account of policyholders	14,251	14,251	14,377	14,377
Derivatives	1,061	1,061	632	632
Loans and advances to banks	1,008	960	1,061	999
Other assets	352	352	544	544
Cash and cash equivalents	271	271	153	153
Total financial assets	**53,625**	**53,122**	**51,981**	**51,446**
Financial liabilities				
Subordinated debts	798	798	805	805
Derivatives	471	471	155	155
Amounts due to banks	1,330	1,330	1,376	1,376
Other liabilities	1,555	1,555	4,780	4,780
Total financial liabilities	**4,154**	**4,154**	**7,116**	**7,116**

The fair values represent the amount that would be received to sell a financial asset or paid to transfer a financial liability in an orderly transaction between market participants at the reporting date. The fair value of financial assets and liabilities is based on quoted market prices, where observable. If prices in an active market are not available, various valuation techniques are used to measure the fair value of these instruments. Parameters used in such valuation techniques may be subjective and various assumptions are used, for instance for the discount rate and the timing and size of expected future cash flows. Where possible and if available, the valuation techniques make use of observable inputs in relevant markets. Changes in assumptions can significantly influence estimated fair values. The main assumptions for each item are explained in the section on fair value hierarchy below.

The fair value of financial assets and liabilities at amortised cost is shown excluding accrued interest. Accrued interest related to these instruments is recognised within other assets or other liabilities.

Notes to the measurement of financial assets and liabilities

The following methods and assumptions are used to determine the fair value of 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 sub-portfolios. Expected future early redemptions, losses and the corresponding consumer rates are taken into account in determining the expected cash flows.

Derivatives

The fair value of nearly all derivatives is based on observable market inputs, such as market interest rates and foreign exchange rates. The fair value of a number of non-publicly traded derivatives depends on the type of instrument and is based on a discounted value model or an option valuation model.

Loans and advances to banks

Given the short-term nature of the loans classified as loans and advances to banks, the carrying amount is considered to be a reasonable approximation of the fair value.

Other assets

Given the predominantly short-term nature of other assets, the carrying amount is considered to be a reasonable approximation of the fair value.

Cash and cash equivalents

The carrying amount of the cash and cash equivalents is considered to be a reasonable approximation of the fair value.

Subordinated debts

The fair value of subordinated debts has been estimated based on the discounted value of future cash flows, using the prevailing interest rate plus a risk premium. The risk premium is based on the credit risk assumed by the market 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 NV, differentiated by maturity and type of instrument. The carrying amount of any amount that is due within one month is considered to be a reasonable approximation of the fair value.

Other liabilities

The carrying amount of the other liabilities is considered to be a reasonable approximation of the fair value.

Hierarchy in determining the fair value of financial instruments

A large part of the financial instruments is recognised at fair value. The fair value of financial instruments measured at fair value in the statement of financial position or for which the fair value is disclosed is classified as a level. This level depends on the parameters used to determine fair value and provides further insight into the valuation. The levels are explained below:

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

Quoted prices from exchanges, brokers or pricing institutions are observable for all financial instruments in this valuation category. In addition, these financial instruments are traded on an active market, which allows the price to accurately reflect current and regular market transactions between independent parties. The investments in this category mainly concern listed equities and bonds, including investment funds on behalf of policyholders whose underlying investments are listed.

Level 2 – Fair value based on observable inputs

This category includes financial instruments for which no quoted prices are available but whose fair value is determined using models where the parameters include available market inputs. These instruments are mostly privately negotiated derivatives and private loans. This category also includes investments whose prices have been supplied by brokers but for which there are inactive markets. In these cases, available prices are largely supported and validated using market inputs, including market rates and actual risk premiums related to credit rating and sector classification.

Level 3 – Fair value not based on observable market data

The financial instruments in this category have been assessed individually. The valuation is based on management's best estimate, taking into account most recently known prices. In many cases analyses prepared by external valuation agencies are used. These analyses are based on data unobservable in the market, such as assumed default rates associated with certain ratings.

The table below shows the instruments in level 1, level 2 and level 3. Financial assets and liabilities not measured at fair value and whose carrying amount is a reasonable approximation of fair value are not classified by level.

Hierarchy financial instruments 2016

In € millions	Carrying amount	Fair value Level 1	Level 2	Level 3	Total
> Financial assets measured at fair value					
Land and buildings for own use	56	-	-	56	**56**
Investment property	274	-	-	274	**274**
Investments at fair value through profit or loss: designated	69	-	63	6	**69**
Investments available for sale	26,923	25,089	807	1,027	**26,923**
Investments for account of policyholders	14,251	13,782	57	412	**14,251**
Derivatives	1,061	-	1,061	-	**1,061**
	42,634	**38,871**	**1,988**	**1,775**	**42,634**
> Financial assets not measured at fair value					
Mortgages	2,635	-	-	2,864	**2,864**
Investments loans and advances	6,270	-	6,338	158	**6,496**
Loans and advances to banks	960	-	1,008	-	**1,008**
Other assets	352	352	-	-	**352**
Cash and cash equivalents	271	271	-	-	**271**
> Financial liabilities measured at fair value					
Derivatives	471	-	404	67	**471**
> Financial liabilities not measured at fair value					
Subordinated debts	798	496	302	-	**798**
Amounts due to shareholder	1,330	-	1,330	-	**1,330**
Other liabilities	1,555	1,555	-	-	**1,555**

Hierarchy financial instruments 2015

In € millions	Carrying amount	Fair value Level 1	Level 2	Level 3	Total
> Financial assets measured at fair value					
Land and buildings for own use	58	-	-	58	**58**
Investment property	259	-	-	259	**259**
Investments at fair value through profit or loss: designated	161	-	139	22	**161**
Investments available for sale	26,382	24,202	1,513	667	**26,382**
Investments for account of policyholders	14,377	13,891	119	367	**14,377**
Derivatives	632	-	629	3	**632**
	41,869	**38,093**	**2,400**	**1,376**	**41,869**
> Financial assets not measured at fair value					
Mortgages	1,838	-	-	2,152	**2,152**
Investments loans and advances	6,806	-	6,143	59	**6,202**
Loans and advances to banks	999	-	1,061	-	**1,061**
Other assets	544	544	-	-	**544**
Cash and cash equivalents	153	153	-	-	**153**
> Financial liabilities measured at fair value					
Derivatives	155	-	94	61	**155**
> Financial liabilities not measured at fair value					
Subordinated debts	805	495	310	-	**805**
Amounts due to banks	1,376	-	1,376	-	**1,376**
Other liabilities	4,780	4,780	-	-	**4,780**

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

Change in level 3 financial instruments in 2016

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	58	259	–58	367	22	667	**1,315**
Transfer to level 3	–	–	–	40	8	27	**75**
Realised gains or losses recognised in profit or loss	–	–	–		–	5	**5**
Realised gains or losses recognised in other comprehensive income	–	–	–	–	–	–	**-**
Unrealised gains or losses recognised in profit or loss	–	–	–4	11	–2	–	**5**
Unrealised gains or losses recognised in other comprehensive income			–5	–	–	9	**4**
Purchase/acquisition	2	4	–	19	–	556	**581**
Sale/settlements	–	–4	–	–38	–22	–243	**–307**
Other	–4	15	–	13		7	**31**
Transfer from level 3			–	–	–	–1	**–1**
Balance as at 31 December	**56**	**274**	**–67**	**412**	**6**	**1,027**	**1,708**
Total gains and losses included in profit or loss	–	–	–4	11	–2	5	**10**

Change in level 3 financial instruments in 2015

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	267	–46	378	23	533	**1,206**
Transfer to level 3	–	–	–	–	5	59	**64**
Realised gains or losses recognised in profit or loss	1	–	–		–	32	**33**
Realised gains or losses recognised in other comprehensive income			–	–		–	
Unrealised gains or losses recognised in profit or loss	–	–	–13		–1	–	**–14**
Unrealised gains or losses recognised in other comprehensive income	–	–	2	–	–	–28	**–26**
Purchase/acquisition	2	2	–	16	–	281	**301**
Sale/settlements	–	–9	–	–33	–5	–212	**–260**
Other	4	–1	–	6	1	3	**12**
Transfer from level 3	–	–	–1	–	–	–	**–1**
Balance as at 31 December	**58**	**259**	**–58**	**367**	**22**	**667**	**1,315**
Total gains and losses included in profit or loss	1	–	–13		–1	32	**19**

Breakdown of level 3 financial instruments

In € millions	2016	2015
Land and buildings for own use	56	58
Investment property	274	259
Bonds issued by financial institutions	187	49
Collateralised debt obligation	460	346
Collateralised loan obligation	25	4
Equities	362	290
Derivatives	-67	-58
Investments for account of policyholders	411	367
Total	**1,708**	**1,315**

The fair value of financial instruments classified in level 3 is based in part on inputs that are not observable in the market. The values of CDOs and CLOs classified in level 3 are determined by calculating scenarios using best estimates of data unobservable in the market. The main non-observable data are the expected defaults in the underlying portfolios and the implied discount rate. A stress scenario involving a higher expected loss on the principal, for instance, would result in a significant decrease in the fair value of the instrument.

Impairments of financial instruments by category

	Level 1		Level 2		Level 3		Total	
In € millions	2016	2015	2016	2015	2016	2015	2016	2015
Equities	5	-	-	-		6	**5**	**6**
Bonds	-	-	-	-	-	18	**-**	**18**
CDOs / CLOs	-	-	-	-	-	-	**-**	**-**
Total	**5**	**-**	**-**	**-**		**24**	**5**	**24**

The table below shows movements in the financial assets and liabilities measured at fair value between the levels.

Reclassification between categories 2016

In € millions	to Level 1	to Level 2	to Level 3	Total
From:				
Based on published stock prices in an active market (Level 1)	-	-	-	**-**
Based on observable market data (Level 2)	594	-	75	**669**
Not based on observable market data (Level 3)	-	1	-	**1**

Reclassification between levels 1, 2 and 3

Shift between levels 2 and 3

At year-end 2016, € 75 million (2015 € 64 million) was transferred from level 2 to level 3 for investments that were significantly less traded. Therefore, available prices for these investments are largely supported and validated using market inputs resulting in an increase in measurement uncertainty.

Shift between levels 2 and 1

At year-end 2016, € 594 million was transferred from level 2 to level 1 for investments that were significantly more traded. These investment mainly consist of investment funds, where the available prices are quoted prices from exchanges, brokers or pricing institutions

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 2016

				Related amounts not netted in the carrying amount			
In € millions	Gross carrying amount	Offsetting carrying amount	Netted carrying amount	Financial instruments	Cash collateral	Other financial collateral	Netted value
Financial assets							
Derivatives	1,061	-	**1,061**	432	622	-	**7**
Total financial assets	**1,061**	**-**	**1,061**	**432**	**622**	**-**	**7**
Financial liabilities							
Derivatives	471	-	**471**	326	145	-	**-**
Amounts due to banks	1,330	-	**1,330**	149	-	-	**1,181**
Total financial liabilities	**1,801**	**-**	**1,801**	**475**	**145**	**-**	**1,181**

At year-end 2016, SRLEV received collateral from third parties by virtue of derivative exposures. An amount of € 485 million (2015: € 376 million) of this collateral has been reinvested in a money-market fund.

Financial assets and liabilities 2015

				Related amounts not netted in the carrying amount			
In € millions	Gross carrying amount	Offsetting carrying amount	Netted carrying amount	Financial instruments	Cash collateral	Other financial collateral	Netted value
Financial assets							
Derivatives	632	-	**632**	150	483	-	**-1**
Total financial assets	**632**	**-**	**632**	**150**	**483**	**-**	**-1**
Financial liabilities							
Derivatives	155	-	**155**	24	132	-	**-1**
Amounts due to banks	1,376	-	**1,376**	231	-	-	**1,145**
Total financial liabilities	**1,531**	**-**	**1,531**	**255**	**132**	**-**	**1,144**

Management of past due and impaired assets

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

Financial instruments - impairments 2016

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	27,041	-	-49	-	**26,992**
Loans and receivables	8,863	54	-	-12	**8,905**
Other financial assets	324	31	-	-3	**352**
Total	**36,228**	**85**	**-49**	**-15**	**36,249**

Financial instruments - impairments 2015

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	26,511	32	-24	-	**26,519**
Loans and receivables	7,846	53	-	-18	**7,881**
Other financial assets	506	34	-	4	**544**
Total	**34,863**	**119**	**-24**	**-14**	**34,944**

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 the Financial Committee. Financial instruments meeting one or more of these criteria are analysed and assessed individually to determine whether there is a loss event.

36. 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 2016

In € millions	Nominal amounts < 1 year	1 - 5 years	> 5 years	Total	Fair value Positive	Negative
> Interest rate contracts						
- Swaps and FRAs	36	1,879	14,866	**16,781**	796	-440
- Options	-	915	5,194	**6,109**	259	-29
> Currency contracts						
- Swaps	235	98	-	**333**	4	-1
- Forwards	289	-	-	**289**	2	-1
Total	**560**	**2,892**	**20,060**	**23,512**	**1,061**	**-471**

The difference in nominal amount swaps and FRAs compared to 2015 is mainly attributable to increased exposure on receiver swaps. These receiver swaps are for matching the duration of the liabilities. Option exposure has decreased by expiration and selling of the swaption portfolio.

Derivatives for hedging purposes 2015

In € millions	Nominal amounts < 1 year	1 - 5 years	> 5 years	Total	Fair value Positive	Negative
> Interest rate contracts						
- Swaps and FRAs	1,879	202	9,091	**11,172**	313	-134
- Options	1,513	3,596	5,936	**11,045**	307	-21
> Currency contracts						
- Swaps	152	-	-	**152**	11	-
- Forwards	202	-	-	**202**	1	-
Total	**3,746**	**3,798**	**15,027**	**22,570**	**632**	**-155**

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; and
- hedging currency risks on investments and liabilities denominated in foreign currencies.

Hedge accounting

SRLEV applies two types of hedge accounting, fair value hedges and cash flow hedges, in the majority of the hedging strategies described above.

Fair value hedges

Hedging currency risk in equity portfolio

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

Hedging interest rate risk on subordinated 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 an investment portfolio at macro level using interest rate swaps. As a result, the interest rate risk has been hedged by fixing the interest rates at the time of reinvestment, making the interest income constant over a longer period. The cash flow hedge consists of interest rate swaps. Reinvestments are made as soon as the current swap matures, at which time reinvestments are made in fixed-income securities. The characteristics of this reinvestment (maturity, coupon dates) are largely similar to those of the sold (long-term) swap. As a result, the effectiveness of the hedge is virtually 100%.

At year-end 2016, 11 of these combinations were outstanding (year-end 2015: 11 combinations) and no hedge relationship was terminated in 2016 (2015: 1).

Reinvestment calendar (nominal amounts)

In € millions	2016	2015
< 1 year	78	29
1 - 5 years	97	125
> 5 years	403	424
Total	**578**	**578**

A net unrealised revaluation gain of € 139 million was accrued in equity at year-end 2016 (2015: € 104 million). This fair value gain will be released to profit or loss at the moment of reinvestment specified above, over a period equal to the swap's remaining term to maturity.

Hedging inflation risk on government bonds

SRLEV uses inflation swaps to hedge the inflation risk in the government bonds.

37. List of principal subsidiaries

Overview of principal subsidiaries

Name	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 (%)
Empresa BV	Zeist	Property management	100	100
GVR500 Building BV	Utrecht	Property management	100	100
GVR 500 Parking BV	Utrecht	Property management	100	100
NV Pensioen ESC	Curaçao	Pension fund	100	100
Princenhof Staete Driebergen BV	Zeist	Property management	100	100
REAAL De Ruyterkade BV	Utrecht	Property management	100	100
REAAL Kantoren I BV	Utrecht	Property management	100	100
REAAL Landbouw I BV	Utrecht	Property management	100	100
REAAL Landbouw II BV	Utrecht	Property management	100	100
REAAL Landbouw III BV	Utrecht	Property management	100	100
REAAL Winkels I BV	Utrecht	Property management	100	100
REAAL Winkels II BV	Utrecht	Property management	100	100
REAAL Wognumsebuurt BV	Utrecht	Property management	100	100
REAAL Woningen I BV	Utrecht	Property management	100	100
SNS Investment Funds	divers	Investment management	range	range
ACTIAM Index Funds	divers	Investment management	range	range

For all principal subsidiaries the country of incorporation is the Netherlands.

6.4. Segmentation

38. Segment information

In 2016 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.

39. Statement of financial position by segment

Statement of financial position by segment 31 december 2016

In € millions	Life Corporate	Individual Life	Elimination	Total
> Assets				
Property and equipment	23	34	–	**57**
Investment properties	45	229	–	**274**
Investments	20,924	14,973	–	**35,897**
Investments for account of policyholders	9,035	5,216	–	**14,251**
Investments for account of third parties	–	1,320	–	**1,320**
Derivatives	605	456	–	**1,061**
Deferred tax assets	1,148	245	-23	**1,370**
Reinsurance contracts	1	105	–	**106**
Loans and advances to banks	37	923	–	**960**
Corporate income tax	–	56	-39	**17**
Other assets	353	11	-12	**352**
Cash and cash equivalents	172	99	–	**271**
Total assets	**32,343**	**23,667**	**-74**	**55,936**

In € millions	Life Corporate	Individual Life	Elimination	Total
> Equity and liabilities				
Share capital	0	0	0	**0**
Other reserves	1,594	1,206	-17	**2,783**
Retained earnings	77	158	17	252
Shareholders' equity	**1,671**	**1,364**	**-**	**3,035**
Subordinated debt	405	393	–	**798**
Insurance liabilities	28,326	17,948	–	**46,274**
Liabilities investments for account of third parties	–	1,320	–	**1,320**
Provision for employee benefits	182	–	–	**182**
Other provisions	11	29	–	**40**
Derivatives	429	42	–	**471**
Deferred tax liabilities	555	399	-23	**931**
Amounts due to banks	217	1,113	–	**1,330**
Corporate income tax	44	-5	-39	**-**
Other liabilities	503	1,064	-12	**1,555**
Total equity and liabilities	**32,343**	**23,667**	**-74**	**55,936**

Statement of financial position by segment 31 december 2015

In € millions	Life Corporate	Individual Life	Elimination	Total
> Assets				
Property and equipment	23	36	–	**59**
Investment property	37	222	–	**259**
Investments	19,504	15,379	-459	**34,424**
Investments for account of policyholders	8,787	5,590	–	**14,377**
Investments for account of third parties	–	1,436	–	**1,436**
Derivatives	298	334	–	**632**
Deferred tax assets	1,343	240	-125	**1,458**
Reinsurance contracts	1	3,309	–	**3,310**
Loans and advances to banks	37	962	–	**999**
Corporate income tax	10	89	-99	**-**
Other assets	139	437	-32	**544**
Cash and cash equivalents	89	64	–	**153**
Total assets	**30,268**	**28,098**	**-715**	**57,651**

> Equity and liabilities				
Share capital	0	0	0	**0**
Other reserves	1,613	817	131	**2,561**
Retained earnings	69	115	10	194
Shareholders' equity	**1,682**	**932**	**141**	**2,755**
Subordinated debt	352	611	-158	**805**
Insurance liabilities	26,384	18,734	20	**45,138**
Liabilities investments for account of third parties	–	1,436	–	**1,436**
Provision for employee benefits	169	–	–	**169**
Other provisions	11	29	–	**40**
Derivatives	122	33	–	**155**
Deferred tax liabilities	687	380	-125	**942**
Amounts due to banks	132	1,244	–	**1,376**
Corporate income tax	155	-1	-99	**55**
Other liabilities	574	4,700	-494	**4,780**
Total equity and liabilities	**30,268**	**28,098**	**-715**	**57,651**

40. Statement of profit or loss by segment

Statement of profit or loss by segment 2016

In € millions	Life Corporate	Individual Life	Elimination	Total
> Income				
Premium income	954	880	-	**1,834**
Less: Reinsurance premiums	2	14	-	**16**
Net premium income	**952**	**866**	**-**	**1,818**
Fee and commission income	21	41	-	**62**
Fee and commission expense	4	1	-	**5**
Net fee and commission income	**17**	**40**	**-**	**57**
Investment income	1,983	764	-10	**2,737**
Investment income for account of policyholders	733	169	-	**902**
Result on derivatives	-317	52	-	**-265**
Other operating income	-	1	-	**1**
Total income	**3,368**	**1,892**	**-10**	**5,250**
> Expenses				
Technical claims and benefits	2,133	986	-	**3,119**
Charges for account of policyholders	931	418	-	**1,349**
Acquisition costs for insurance activities	3	21	-	**24**
Staff costs	142	123	-	**265**
Depreciation and amortisation of non-current assets	1	6	-	**7**
Other operating expenses	22	25	-	**47**
Impairment losses	-1	-	-	**-1**
Other interest expenses	32	82	-11	**103**
Other expenses	-	1	-	**1**
Total expenses	**3,263**	**1,662**	**-11**	**4,914**
Result before taxation	**105**	**230**	**1**	**336**
Taxation	26	53	5	**84**
Net result continued operations	**79**	**177**	**-4**	**252**

Statement of profit or loss by segment 2015

In € millions	Life Corporate	Individual Life	Elimination	Total
> Income				
Premium income	950	977	-	**1,927**
Reinsurance premiums	3	155	-	**158**
Net premium income	**947**	**822**	**-**	**1,769**
Fee and commission income	22	48	-	**70**
Fee and commission expense	-	1	-	**1**
Net fee and commission income	**22**	**47**	**-**	**69**
Investment income	541	756	-14	**1,283**
Investment income for account of policyholders	256	392	-	**648**
Result on derivatives	-72	-54	-	**-126**
Overige operationele opbrengsten	-	-	-	**-**
Total income	**1,694**	**1,963**	**-14**	**3,643**
> Expenses				
Technical claims and benefits	988	689	-	**1,677**
Charges for account of policyholders	445	682	-	**1,127**
Acquisition costs for insurance activities	5	30	-	**35**
Staff costs	114	145	-	**259**
Depreciation and amortisation of non-current assets	1	1	-	**2**
Other operating expenses	27	16	-	**43**
Impairment losses	-2	26	-	**24**
Other interest expenses	22	215	-23	**214**
Other expenses	-	1	-	**1**
Total expenses	**1,600**	**1,805**	**-23**	**3,382**
Result before taxation	**94**	**158**	**9**	**261**
Taxation	24	43	-	**67**
Net result continued operations	**70**	**115**	**9**	**194**

7. Managing risks

7.1. Risk Management System

7.1.1. General

SRLEV has established a Risk Management System 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 organizational, 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 Internal 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 are including the minimum requirements. All components are periodically scored and made visible in the ICF-scorecard. The outcomes are discussed in the Operational Risk Committees (ORC's) and the VRC and are the basis for improvement plans.

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 exposed to.

The core of the Risk Management System consists of a strategic part Governance at which, starting from the Vision and 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 all second line Solvency II Key Functions use the same risk classification, all 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 the core a control cycle of risk identification-measurement- mitigation and continuous monitoring and reporting, supported by the ICF. The ICF plays a key role in eventually creating a solid foundation for an increase in maturity level of control and the ongoing professionalization of demonstrable, effective risk management throughout the organization.

The internal reports are a part of (the operation of) the Risk Management Process. The reports on recognized 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). ORSA is incorporated in the Risk Management System of SLEV and is performed at least annually.

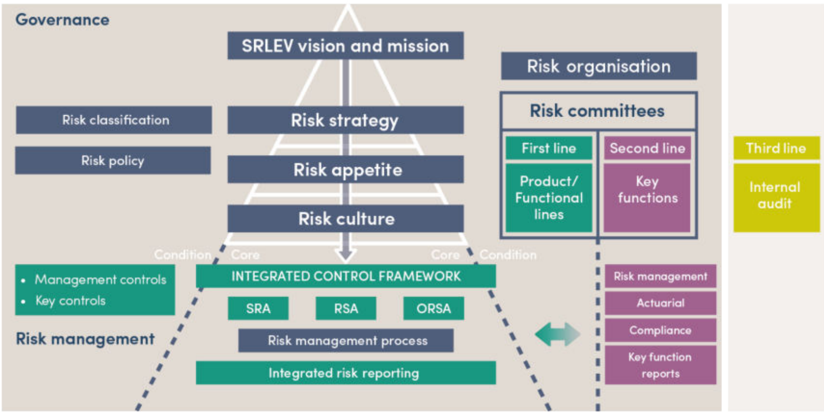

Figure 10: Risk management

7.2. Risk Management Governance

7.2.1. Mission and vision

The Vision of SRLEV to be a leading, trusted and customer-centric financial service provider results in a two pillar mission, focusing on comprehensive products and services leveraging the most advanced technologies. From this starting point, the Risk Strategy contributes to a sustainable growth of VIVAT, for the benefit of all its stakeholders.
SRLEV aims for a robust and strong capital position, which contributes to both the confidence that customers have in the institution and the access to financial markets. SRLEV offers competitively priced products by utilising economies of scale in its organisation. SRLEV takes its role in society seriously. Corporate responsibilitiy (CR) follows from the mission and vision, and forms an integral part of the strategy and business operations. SRLEV wishes to offer 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 vision and 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, stable profitability a prudent and consistent risk policy, regulatory compliance, social responsibility and effective and efficient customer solutions.

SRLEV provides guarantees for future payments to its customer and therefore SRLEV needs a strong capital position. The well capitalised shareholder has the intention to invest in the growth of the business. The Executive Board would like to hold a buffer above regulatory capital requirement to absorb temporary volatility and to provide more certainty to its customers.

7.2.3. Risk Appetite

The Risk Appetite is set yearly by the Executive Board and confirmed by the Risk Committee of the Supervisory Board. This 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 restrictions due to funding agreements or requirements imposed by regulators. The Risk Appetite is subsequently translated into practical risk objectives.

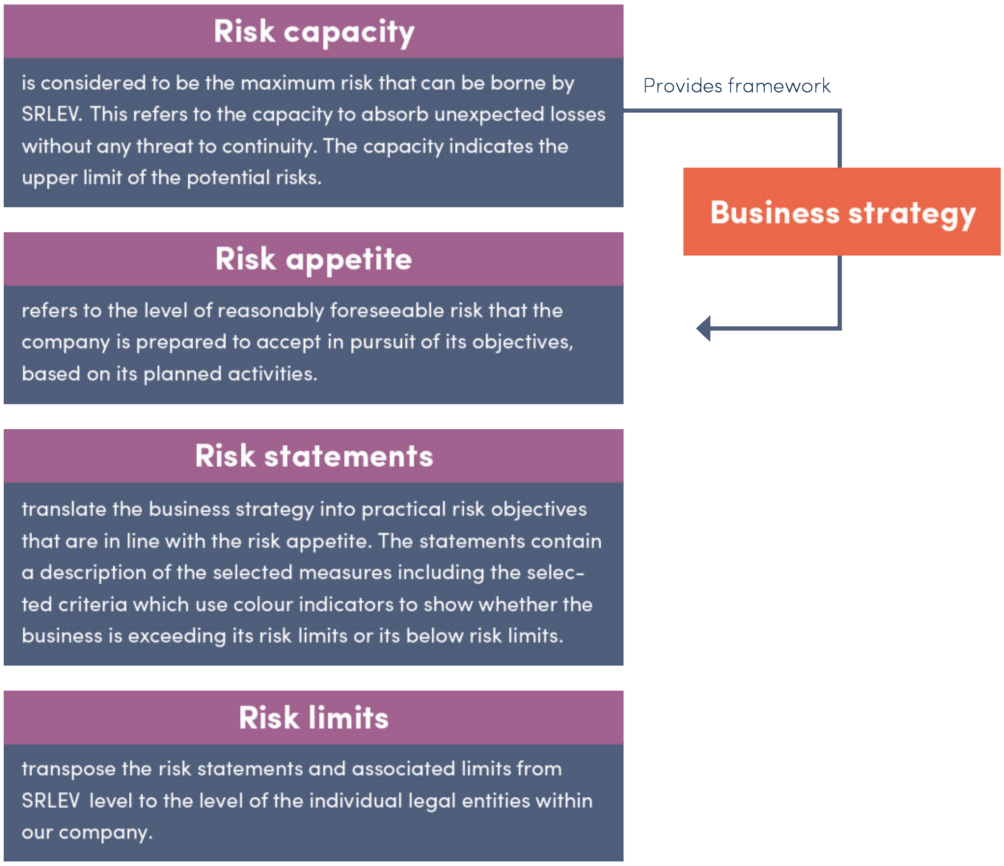

Figure 11: Risk appetite framework

Risk Appetite is defined at VIVAT level, including SRLEV. Subsequently it is developed in more detail on the individual legal entity level 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 Product Lines or legal entities are able to select the best possible products and services, although their selection must be in line with the strategy of VIVAT.

The Risk Appetite control procedure, which is carried out at least once a year, consists of a number of steps, including risk identification, the determination of risk capacity, the selection of measures, risk mitigation, risk criteria, reporting and monitoring.

7.2.4. Risk Culture

Culture and conduct in general play a vital role in controlling 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 behaviors: Focus on Client, Result Driven, Immediate Execution, Take Responsibility and Change Attitude.

SRLEV realizes 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 organizational processes and decision making of SRLEV. The management teams of the Product Lines and Functional Lines promote awareness of risks and are supported by the second line. 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 fulfil their job. Finally, the Remuneration Policy of VIVAT discourages taking undesired and irresponsible risks focused on short-term profit and personal gain.

7.2.5. Risk Organisation

SRLEV has established 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 optimization and integration of the risk management.

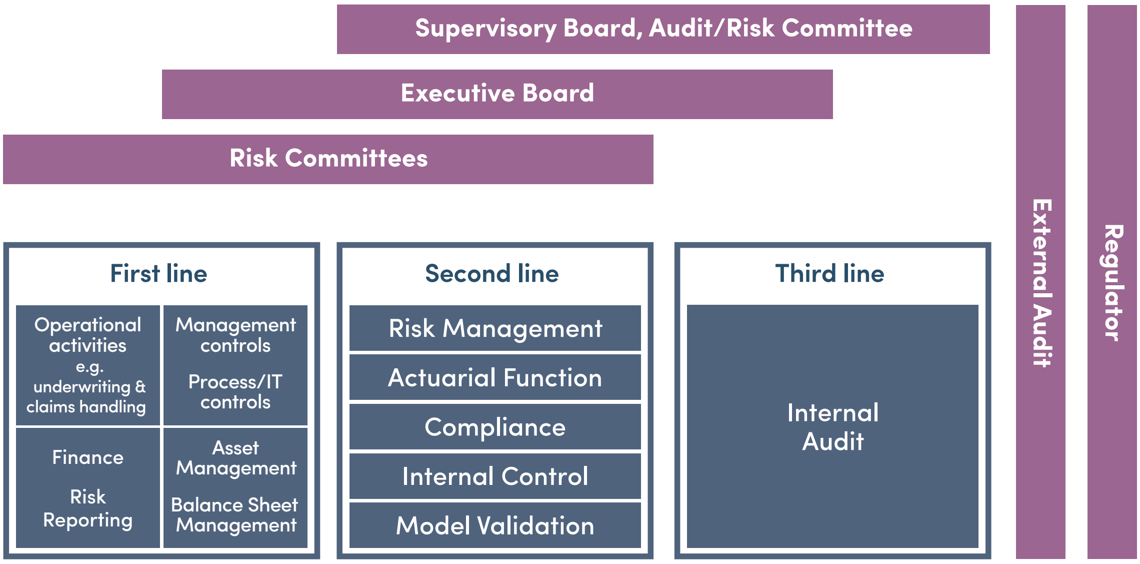

Figure 12: Three lines of defence

First line = risk taker

Business plans are prepared in the first line. With this preparation, the first line operationalizes 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 between risk and 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, the control framework and supports central decision-making bodies. The data used, including models, assumptions and techniques, are validated periodically. Furthermore the second line provides specialist advise to the first line.

The second line risk management organisation is organised of SRLEV level and is largely part of the Risk department, resorting under the Chief Risk Officer (CRO). This department includes the second line Financial and Non-Financial Risk departments, including Key Functions. The CRO is member of the Executive Board.

Third line = internal audit

Audit VIVAT is the independently operating (third line) audit function and has a supervising role assessing the functioning of the risk management system (including the interaction between first and second line).

Audit VIVAT does not take part in determining, implementing or steering of the risk policy. Audit VIVAT reports to the chairman of the Executive Board of VIVAT and has a reporting line to the Chairman of the Audit Committee of the Supervisory Board of VIVAT.

Audit performs independent and objective audits and reviews to assess whether there is an adequate and efficient Risk Management System within the business processes which supports the realisation of the organisation's strategic objectives; whether there is sufficient, reliable management information, which is used for testing the realisation of the objectives and whether (business, financial, reporting or other) processes are efficient and effective. Furthermore, Audit VIVAT assesses whether SRLEV complies with laws and regulations and if assets (e.g. physical, intellectual, policy & company data) are safeguarded adequately.

In the quarterly report, Audit VIVAT informs the Executive Board and the Audit Committee of VIVAT. This quarterly report contains at least an executive summary containing findings and issues relating to deficiencies regarding the governance, internal control and risk management system; findings and observations that are substantial for the risk profile; the executive summary of all audits reported in the quarter and a follow-up monitoring of recommendations of Audit, regulators and external auditor.

Risk management 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) and Product Committee (PC). The latter is leading for the underlying PMP MT's (Product, Marketing, Pricing) in the Product Lines. In the ORC MT's, the issues regarding Operational Risk and Compliance are discussed.

Key Functions

In accordance with Solvency II VIVAT recognizes four Key Functions. A function as intended in Solvency II is not a person or a department but an internal capacity to perform certain tasks and responsibilities. The Functions are established on Group level and carry out activities on behalf of all insurance activities of VIVAT. 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 third line Audit Function Holder.

The Risk Function Report (RFR) is an integrated report on all financial and non-financial risks with potential (material) financial impact. The RFR includes a summary of the major risks. Looking back, the RFR describes developments in risk areas compared to the previous reporting period. Looking forward, the RFR shows the uncertainty or expectations that (may) impact the future financial position of VIVAT Group, including SRLEV. Furthermore, the RFR contains an opinion drafted by the second line (FR and NFR) drafted and endorsed by the CRO on the development of the various risks, the dependency, and the impact on OP, solvency and strategy. The RFR opinion is discussed in the risk committees and in VRC and Supervisory Board.

The Actuarial Function opines on the adequacy of the Technical Provision used for IFRS-LAT and Solvency II purposes. It furthermore opines on the quality of Underwriting and Reinsurance programs. The Actuarial Function Report (AFR) is submitted to the VRC, Audit Committee and the Risk Committee of the Supervisory Board.

The Compliance Function provides at least twice a year a report on the most important Compliance Risk of VIVAT 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 iD 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 in order 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. The risk classification is structured in main risk types and corresponding sub risk types.

Strategic developments (governance, positioning, external developments) relate to future business developments and may eventually emerge as one of the main or sub risk types. Several internal and external scenarios are taken in to account, which arise from a Strategic Risk Assessment (SRA).

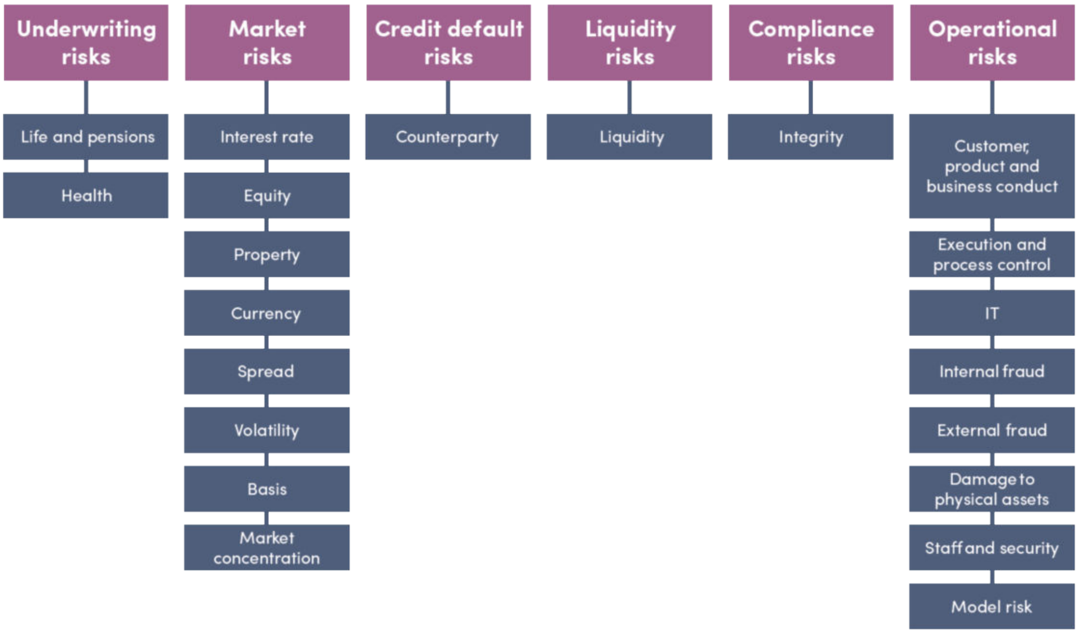

Figure 13: Risk classification

The way in which the risk categories are managed is discussed below.

7.3. Risk Management Process

7.3.1. Integrated Control Framework

The ICF is used for the improved management of all identified risk categories within SRLEV. As part of this, SRLEV has specifically opted for an integrated risk approach based on its risk classification.

Management uses the ICF to direct and manage the control and integrity of its business processes, following strategic objectives and SRLEV's risk appetite. Management furthermore aims at the ICF helping to promote risk awareness among all employees.

The ICF contains core components that together form the basis for controlled business operations within SRLEV, and supports being in control. It measures the maturity of risk management and ensures steering on correct and complete risk reports. The ICF monitors Process Controls and Management Controls. Important components, and conditions for performing adequate risk management, are Process management, Data, Infrastructure, Models and (behaviour of) People.

The ICF provides a framework which incorporates Management Controls and Process Controls in such a way that it is possible to state with a reasonable level of assurance, that the internal control system is operating effectively. SRLEV has set itself a maturity ambition and will continue to work on fine tuning of control objectives and a further involvement of the second line risk departments in the self-assessments of the first line departments in 2017.

7.3.2. Process Controls and Management Controls

During 2016, the implementation of ICF is finalized. 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.

Process controls have to be executed and documented within the processes in the first line (product and functional lines). These key controls are also independently tested on effectiveness within the first line and reviewed or reperformed by the second or third line of defense.

In 2017, new tooling will further support and optimize monitoring and reporting on process and management controls. Necessary improvements will be implemented in 2017. The completeness and design of both process and management controls is re-evaluated continuously in order to optimize the quality within ICF.

7.4. Capital management

7.4.1. Definition

Capitalisation refers to the extent to which SRLEV and its underlying legal entities have a capital, which is necessary to cover unforeseen losses or to achieve the strategic objectives of the company. The required 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).

7.4.2. Capital policy

SRLEV has a Capital Policy. The objective of the Capital Policy is to ensure that there is sufficient capital to fulfill obligations towards policyholders and meet legal 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.

In addition to the Capital Policy, a Recovery Plan exists which describes the procedure that applies in a contingency situation. In this context, a contingency situation is defined as a situation in which a capital deficit arises, or threatens to arise, which poses a direct threat to the going concern of SRLEV in its current form. In its Risk Appetite Statements, 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 translating policy into lower level policy, process descriptions, procedures and the like.

Management uses the Capital and Funding Plan, ALM study, Risk Dashboards, ORSA, Recovery Plan and Financial Risk Reporting for the purpose of managing the capital position. The Capital and Funding Plan describes the medium-term plans in the area of capital and funding. This includes a forecast of solvency for the next five years. The Capital and Funding Plan is based on the Operational Plan as supplied by the underlying Product Lines and supplementary information if appropriate.

7.4.3. Regulatory framework

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.

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

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

The second pillar includes a process under which the insurer has to evaluate its capitalisation periodically: the ORSA. A fixed part of the ORSA involves determining whether the standard model is appropriate for the needs of the insurer in question. If the standard model is not appropriate, the insurer has to develop its own models and methodologies in order to determine for itself whether its level of capitalisation is adequate. Based on the ORSA, a dialogue will take place between the insurer and DNB (in its capacity as regulator) in the context of the Supervisory Review Process (SRP). In the SRP, DNB assesses the ORSA outcomes of an insurer.

The way in which insurers have to report their exposure and capital adequacy to the market (disclosure) is laid down in the third pillar. 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 SRLEV as an independent authorisation holder. Other parts of SRLEV are not within the scope of Solvency II. The group regime does not apply to SRLEV.

7.4.4. ORSA

With the implementation of Solvency II on 1 January 2016, it has become mandatory for insurance companies to draft and submit to DNB an own-risk and solvency assessment (ORSA) at least on an annual basis. In 2016, SRLEV performed an ORSA. which was the basis for the Operational Plan and Capital Management.

The management of VIVAT uses the ORSA to verify the amount of capital required and this may result in management actions to bring the capital in line with the risk profile and risk appetite. The extent to which SRLEV's capitalization, given the identified risks, is sufficiently robust to be able to absorb remaining risks in existing and future circumstances is determined on the basis of scenario analyses and stress tests. The ORSA covers VIVAT NV and all underlying regulated insurance entities, including SRLEV. The internal evaluation of the ORSA is performed at least once a year. The ORSA contains "appropriateness testings" to assess whether the SCR standard formula is appropriate for VIVAT given its risk profile. This integral risk assessment is not limited to the risk categories that are explicitly included in the SCR standard formula, and includes a broader range of risks (e.g. Model risk).

The combination of the business strategy, risk appetite, solvency position and constant evaluation produces input for management's discussion on the amount of capital required. The outcome of this discussion is the ORSA capital, i.e. the minimum amount of capital required, given the current business, in order that any risks over a particular horizon can be absorbed. In the 2016 ORSA exercise, it was concluded that deviations exist on single risk level where some risks in the SCR standard model are understated or overstated, or even not at all taken into account. However in aggregate, SRLEV concluded that the standard formula SCR calculation is prudent, but appropriate for the risk profile of SRLEV.

7.4.5. Capital position

The supervisory authorities EIOPA and DNB have produced several public guidance notes on the interpretation of Solvency II and SRLEV produces all regulatory reports that are mandatory under the Solvency II legislation.

For internal purposes, SRLEV calculates the Solvency II position on a monthly basis. 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 2016. The yield curve used as at 31 December 2016, including the Ultimate Forward Rate (UFR), Credit Risk Adjustment (CRA) and VA, is published by EIOPA.

When determining the Solvency II capital ratio, the loss absorbing capacity of deferred tax assets may be set off against the Solvency Required Capital (SCR). Tax offsetting (Loss Absorbing Capacity of Deferred Taxes) in the SCR is applied at 0% for SRLEV and its legal entities, except for legal entities with a Deferred Tax Liability (DTL). In these cases tax offsetting equals the net DTL-position. The net Deferred Tax Asset on the balance sheet of SRLEV as at 31 December 2016 is valued at 100%.

The classification of the hybrid capital of VIVAT NV and SRLEV NV (outstanding on 31 December 2016) into Tier 1 and Tier 2 capital is based on the transitional measures contained in the level 1 regulations, and aligned with DNB.

Under Solvency II, capital is called 'eligible own funds' and is divided into three tiers. These tiers reflect the ability, with Tier 1 being the highest quality and Tier 3 the lowest. SRLEV does not have 'ancillary own funds' (such as letters of credit and guarantees) which require supervisory approval.

The following table shows the breakdown of the eligible own funds, starting from shareholdes' equity:

Breakdown own funds

In € millions	Total
Issued share capital	0
Share premium reserve	2,064
Retained earnings 2016	252
Other reserves	719
Shareholders' equity	**3,035**
Reconciliation IFRS-Solvency II	-254
Subordinated liabilities	834
Total available own funds SCR	**3,615**
Tiering restriction	-191
Total eligible own funds SCR	**3,424**

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:

> Intangible assets - under Solvency II goodwill is to be measured at zero. Other intangible assets can be recognised and measured at a value other than zero only if they can be sold separately and if there is a quoted market price in an active market for the same or similar intangible assets.

> Investments - Under IFRS the deposits and loans & mortgages (including saving mortgages) are valued at amortized cost. Under Solvency II these items are measured at fair value.

> Technical provisions - Under Solvency II the technical provisions (including provisions for saving mortgages) are measured at fair value, taking into account the current market conditions. Currently under IFRS, the technical provisions need to be presented at fair value only if the liability adequacy test results in a deficit or if the insurer choses to measure (part of) its insurance liabilities on a fair value basis.

Subordinated liabilities

Under Solvency II the available own funds include subordinated debt including accrued interest with regard to this debt.

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 causes a difference between the Available Own Funds and the Eligible Own Funds.

Solvency Capital Requirement

In € millions	Net SCR
Market risk	888
Credit default risk	263
Life underwriting risk	1,616
Diversification	-642
Basic Solvency Capital Requirement	**2,125**
Operational risk	170
Net Solvency Capital Requirement	**2,295**

Breakdown Solvency Capital Requirement

In € millions	2016[1]
Total eligible own funds to meet the SCR	3,424
SCR	2,295
Ratio of Eligible own funds to SCR	149%

1 Regulatory Solvency II ratio is not final until filed with the regulator

Contingent liabilities - Under Solvency II, SRLEV has not measured the contingent liability relating to unit-linked policies in calculating the SCR as no reliable estimate can be made of the outcome. This is consistent with measurement under IFRS.

7.5. Underwriting risk

7.5.1. Risks

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, customer behavior, 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. Risk management process

SRLEV assesses new underwriting risks continuously and manages existing underwriting risks, for both new business and for the existing portfolio. To this end, SRLEV follows the processes of the risk management cycle for each phase of a defined insurance life cycle.

Capital requirement

The expected capital needs are based on the Operational Plan (OP). The OP describes the planned development of the portfolio for the next three years, based on the strategy of the management of VIVAT. 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) 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, if applicable, the internal pricing curve. Furthermore, criteria related to profitability and risk control measures (acceptance criteria, clauses, any reinsurance) have to be met.

The Product Committee (PC), in which the Solvency II second line Key Functions are represented, is responsible for approval new products, including the pricing. SRLEV performs product reviews following a risk based product review calendar.

7.5.3. Life

7.5.3.1. Risks

The underwriting risk in the Life business includes the significant sub-risk categories of mortality risk, longevity risk, catastrophe risk, early surrender risk and expense risk. It can also include disability and 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. The sensitivities of the IFRS Equity movement are of similar magnitude and direction as the own funds movement under Solvency II.

Mortality risk and longevity risk

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

To forecast the survival probabilities of the entire population, SRLEV uses the model published by the Netherlands Actuarial Association (AG2016) which combines mortality rates of several European countries with those of The Netherlands. The probabilities are updated at least once a year to include the most recent observations. In 2016 the negative impact of this update was € 37 million on the Best Estimate of the Liabilities. Once a year SRLEV also updates the empirical figures for portfolio mortality and early surrender on the basis of research into observed mortality and changes within the Life portfolio.

Catastrophe risk

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

Policyholders' behaviour

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

Expense risk

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

Since 2013, SRLEV has used a 'moderate going concern' assumption in its models. This means that it expects the portfolio to decline in size owing to growth from new policies failing to keep pace with the expiry of existing policies. As a result, it will be harder to spread fixed costs over a declining total number of policies.

Market risk and interest rate guarantees

In the case of traditional insurance policies, SRLEV bears the interest rate risk on the investments that are held to cover the obligations to policyholders. When a benefit or annuity payment is due, SRLEV pays the policy holder a predetermined nominal amount. In contrast, SRLEV does not run any 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 interest rate risk in respect of products of this type. A guaranteed minimum return on maturity applies in the case of unit-linked investment policies with an interest rate guarantee.

In the case of Group insurance policies with separate accounts, it is the policyholder that, in principle, bears the market risk. The policyholder is the institution that concluded the contract to insure the pension commitments for its employees with 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. Information on how interest rate risk is managed is disclosed in Section 7.6.3.

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	Product features		Risks per product				
	Guarantee	Profit-Sharing	Mortality	Longevity	Catastrophe	Lapse	Expense
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 minumum yield applies at maturity
3 End of contract date contract contributory is not mandatory

7.5.3.2. Life insurance portfolio

The Life insurance portfolio contains individual and group insurance (Corporate Life) 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 the a fixed period or the remainder of the holder's life.

The corporate Life 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 in the retail and SME markets in the Netherlands. With respect to new business, the focus is primarily on term Life insurance. These are sold via the labels Reaal and

Zwitserleven by intermediaries and through direct channels. Furthermore, annuities, mortgage-related capital insurance and funeral insurance are sold. The individual life insurance is aimed at private households.

SRLEV's strategy for corporate Life policies for the next few years is to share longevity risk and market risk more broadly with the customer. SRLEV's corporate Life 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 2016

In € millions	Annual premium	Sum insured	Technical provision for insurance contracts[1]	Amount at risk
Savings-based mortgages	299	14,834	5,158	9,266
Life annuity	3	–	3,210	459
Term insurance	167	51,809	536	52,534
Traditional savings	92	7,271	5,605	1,854
Funeral insurance	22	1,600	781	1,138
Traditional insurance policies (individual)	**583**	**75,514**	**15,290**	**65,251**
Individual insurance policies in investment units	268	16,438	5,223	12,799
Traditional insurance policies (group)	205	19,243	10,054	31,735
Group insurance policies in investment units	390	37,975	9,419	33,574
Subtotal	**1,446**	**149,170**	**39,986**	**143,359**
Reinsurance of term insurance	-1	–	–	-339
Proportional reinsurance	-5	-170	-106	-819
Total	**1,440**	**149,000**	**39,880**	**142,201**

1 The technical provision for insurance contracts is before LAT.

Scope of various insurance categories 2015

In € millions	Annual premium	Sum insured	Technical provision for insurance contracts[1]	Amount at risk
Savings-based mortgages	327	16,884	5,673	10,855
Life annuity	3	–	3,287	494
Term insurance	167	51,853	526	52,582
Traditional savings	96	7,441	5,391	1,945
Funeral insurance	24	1,596	756	1,132
Traditional insurance policies (individual)	**617**	**77,774**	**15,633**	**67,008**
Individual insurance policies in investment units	314	19,262	5,589	15,549
Traditional insurance policies (group)	249	19,487	9,634	34,204
Group insurance policies in investment units	402	34,407	9,185	32,585
Subtotal	**1,582**	**150,930**	**40,041**	**149,346**
Reinsurance of term insurance	-1	–	–	-328
Proportional reinsurance	-138	-4,689	-3,310	-70,770
Total	**1,443**	**146,241**	**36,731**	**78,248**

1 The technical provision for insurance contracts is before LAT.

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. If a co-insurer withdraws, its insurance liabilities will be transferred to the remaining co-insurers. Every year, the leader of the contract draws up a report that SRLEV uses to monitor the development of the portfolio and determine the provisions. SRLEV intends to reduce co-insurance, considering the costs related to the limited size of the portfolio and potential data issues.

7.5.3.3. Life reinsurance

The insurance business has a largely integrated reinsurance programme for the life and disability portfolio. As in previous years, separate reinsurance contracts for life and disability have been in force for the individual and group portfolios. The catastrophe reinsurance contract was concluded as an umbrella cover for the different sub portfolios together.

In 2016, the retention of life and disability corresponded to € 1.5 million sum at risk per insured, for both individual and group risks. The retention of the catastrophe cover amounts to € 15 million. The two quota share contracts that were in place in respect of the individual life portfolio have been cancelled as per January 1, 2016. For 2017, the retention of life and disability for group risks decreased from € 1.5 to € 1.0 million sum at risk per insured.

To protect SRLEV for the risk of a mass lapse event, SRLEV has placed a non-proportional mass lapse reinsurance contract (indemnity based) with an effective date of December 31, 2016. The impact has currently not been reflected in the SCR calculations.

7.5.3.4. 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. In these calculations only the policies which are negatively affected by these sensitivities are taken into account.

The key sensitivities of IFRS equity 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 very sensitive for interest rate movements. Compared to last year the sensitivity to changes in surrender rates decreased significantly due to market and portfolio developments.

Sensitivity solvency as a result of changes in technical parameters

	Net result		Shareholders' equity	
In € millions	2016	2015	2016	2015
Impact of sensitivities:				
- 50% increase in surrender rates (including non-contributory continuation)	-92	-167	-92	-167
- 15% higher mortality rates (mortality risk)	-173	-179	-173	-179
- 20% lower mortality rates (longevity risk)	-729	-807	-729	-807
- 10% increase in expenses assumptions + 1% increase in inflation	-456	-487	-456	-487

Changes in these underwriting parameters have an immediate effect on the IFRS-result of SRLEV due to the outcome of the Liability Adequacy Test (LAT).

7.6. Market risk

7.6.1. Risks

Market risks can potentially have a substantial financial impact on the value of the assets and liabilities of the insurance business. Unfavorable changes in the market 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 optimizes 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 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, in particular with respect to the duration thereof.

The following eight sub-market risks have been defined: interest rate risk, equity risk, property risk, currency risk, spread risk, volatility risk, basis risk and market risk concentrations. SRLEV can achieve its financial objectives by managing these risks adequately. It does this by reducing losses due to movements in the level and/or volatility of market prices of financial assets. The sensitivities of the IFRS Equity movement are of similar magnitude and direction as the own funds movement under Solvency II.

The Balance Sheet Management department (BSM) aims to stabilize solvency and manage capital of VIVAT and its subsidiaries, including SRLEV. BSM monitors and mitigates market risk in close cooperation with ACTIAM, the asset manager of VIVAT, including SRLEV. For mitigation instruments such as interest rate swaps, interest rate swaptions and fixed income investments are used.

Re-risking

Due to the capital injection provided by Anbang the first steps in re-risking or opting for higher-yielding investments were taken in 2016. The execution is handled by ACTIAM and is monitored closely by VIVAT's Investment Committee.

7.6.2. Risk management process ALM

The ALM-policy covers the management of market risk, credit default risk and liquidity risk.

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

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

Sensitivity analyses and stress tests

Stress tests provide information on how sensitive investments and liabilities are to interest rate risk and market risk. These risks are quantified (and monitored) separately.

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.

Stress scenarios are monitored and reported once a month and also on an ad hoc basis if movements in the market (and in particular the yield curve) give grounds to do so.

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

The top-down approach reflects the sensitivity of the entire statement of financial position (of fixed cash flows, options, risk margin and required capital) drawn up on a Solvency II basis.

7.6.3. Interest rate risk

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

Interest rate risk is a key component of SRLEV's market risk profile. Interest rate risk arises when the interest rate sensitivities of the assets and liabilities are not completely equal and it is expressed as movements in the result and/or capital position if market rates change. Moreover the expected fixed cash flows from insurance liabilities are matched with fixed-income investments as much as possible. The profit-sharing and return guarantees given to policyholders are an additional source of interest rate risk. This risk is partly mitigated by the use of interest rate derivatives to hedge the guarantees and profit-sharing in the Life insurance portfolio. See Section 6.3, note 36 Hedging and hedge accounting.

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 enjoy a reasonable return (in terms of market value) that is in line with VIVAT's risk exposure and to stabilize the solvency capital. SRLEV manages its interest rate risk, by stabilizing the Solvency II ratio after an up or down interest rate shock.

Basis S2 curve	149%
Basis +1% S2 curve	152%
Basis -1% S2 curve	146%

The sensitivities are determined using a parallel shock on the interest rate curve of 1%, keeping the Ultimate Forward Rate (UFR) at the same level. The sensitivity for the UFR is shown in paragraph 7.6.4 Spread risk and Basis risk.

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 DNB. This method is chosen because solvency is the principal factor in managing market risks.

Interest rate risk broken down by buckets

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

Cash flows from insurance business 2016

In € millions	< 1 year	1 - 5 years	5 - 10 years	10 - 15 years	15 - 20 years	> 20 years	Total
Insurance liabilities - Life	1,161	4,247	5,112	4,634	4,049	13,044	32,247
Total	**1,161**	**4,247**	**5,112**	**4,634**	**4,049**	**13,044**	**32,247**

Cash flows from insurance business 2015

In € millions	< 1 year	1 - 5 years	5 - 10 years	10 - 15 years	15 - 20 years	> 20 years	Total
Insurance liabilities - Life	1,079	4,141	5,099	4,781	4,184	13,695	32,979
Total	**1,079**	**4,141**	**5,099**	**4,781**	**4,184**	**13,695**	**32,979**

The table excludes the portfolio on behalf of policyholders. The portfolio on behalf of policyholders is not relevant in this context, since the value accumulated in the investment funds is paid to policyholders on the policy's maturity date. The accrued balances of savings policies and savings-based mortgages are neither taken into account as these are 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. It is important to bear in mind that the Ultimate Forward Rate of 4.2% (UFR) prescribed by EIOPA also introduces a risk. It limits the interest rate sensitivity of the cash flows of the liabilities included in the above table. Over the course of time, the downward pressure of the UFR on the interest rate sensitivity of the liabilities will disappear.

7.6.4. Spread risk and Basis risk

Spread risk is defined as the sensitivity of the value of assets and liabilities 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 corporate and government bonds that are sensitive to changes in credit risk surcharges. Growing credit risk surcharges have a negative effect on the market value of underlying bonds.

Credit risk surcharges are also a source of basis risk in the valuation of insurance liabilities. The 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 synchronous 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.

Moreover, from this perspective, it is important to bear in mind that the UFR of 4.2% prescribed by 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 (see also Section 7.6.3). EIOPA has recently evaluated the UFR, and the regulator has proposed to decrease the UFR to 3,65%. Annual changes will not be higher than 15 basis points. In a first step of the phasing-in the current UFR of 4.2% will be lowered in January 2018 to 4.05%. This will have a negative impact on net result, own funds and solvency. The impact of a decrease of the UFR to 3,7% will lower the SII ratio for SRLEV with 14% to 135%.

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). SRLEV has reduced the spread mismatch significantly in the second half of 2016 by selling € 4.5 billion in German and Dutch government long term bonds and plans to sell more, reducing the swap spread risk (spread of government bonds versus swap).

The basis risk was mitigated during 2016 by replacing long German and Dutch government bonds by swaps combined with short government bonds. The basis risk is still material, in case of higher rates (spreads) for bonds, IFRS equity is affected.

	Net result		Shareholders' equity	
In € millions	2016	2015	2016	2015
Interest rates -0,5%	137	-23	137	-23
Interest rates +0,5%	-104	44	-104	33
Credit spreads Corporate Bonds +0.5%	-64	-48	-64	-48
Credit spreads Sovereign Bonds +0.5%	-711	-945	-711	-945

7.6.5. Equity risk

Equity 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 equities, respectively. The equity and similar investments of the insurance business amounted to € 1,689 million at year-end 2016 (2015: € 1,680 million).

The IFRS-based equities classification also includes participations in funds that invest in other types of securities. The ALM policy and the market sensitivities are adjusted to reflect the underlying risk under Solvency II and the economic approach ("look through"). SRLEV periodically examines the impact of changes in the equity markets on the result and on own funds. Scenario analyses are used for this purpose, in line with the situation applying in the case of interest rate risk.

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

Sensitivity of insurance business to equity prices

	Result		Own funds	
In € millions	2016	2015	2016	2015
Equities +10%	-	-	59	80
Equities -10%	-34	-84	-59	-80

An increase of the value of equities goes through the revaluation reserve in the shareholders' equity and does not influence the net result. A decrease does influence the net result in case of an impairment (for the accounting policies on impairments see Section 6.1.5 Accounting policies for the statement of financial position).

7.6.6. 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 property and similar investments of the insurance business amounted to € 274 million at year-end 2016 (2015: € 259 million).

SRLEV periodically examines the potential impact of changes in the property markets on the net result and on shareholders' equity based on scenario analyses 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 of insurance business to property prices

	Result		Own funds	
In € millions	2016	2015	2016	2015
Property +10%	21	25	21	19
Property -10%	-21	-25	21	-19

7.6.7. 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 a 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.

The table below provides an indication of SRLEV’s foreign exchange exposure excluding loans.

Currency exposure excluding loans (net exposure)

In € millions	Balance 2016	Balance 2015	Hedge derivatives 2016	Hedge derivatives 2015
US dollar	131	129	-134	-140
Pound Sterling	64	81	-64	-84
Swiss franc	-	4	-	-
Japanese yen	-	23	-	-22
Australian dollar	2	2	-	-
Other	-	9	-	-
Total	**197**	**248**	**-198**	**-246**

SRLEV's foreign exchange exposure on subordinated loans (nominal value).

Currency exposure loans (net exposure)

In € millions	Nominal balance 2016	Nominal balance 2015	Hedge derivatives 2016	Hedge derivatives 2015
US Dollar	-180	-	180	-
Swiss Franc	-98	-97	98	97
Total	**-278**	**-97**	**278**	**97**

The effects of changes in foreign exchange markets on the net result, own funds and solvency are measured periodically using scenario analyses. The Solvency II currency exposure is determined using the look through principle regarding investment funds. This results in slighty higher currency exposure.

7.6.8. 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.

7.6.9. 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. The main concentration within the market risk emanates from credit default risk.

This risk is measured as Loss At Default (LAD) and Stress Loss (SL), and under the ALM policy the relevant limits must be complied with. SRLEV uses this limit structure to monitor exposures to counterparties. The reports are discussed by the Investment Committee, and appropriate measures are taken when limits are exceeded. Credit default risk is discussed in the next paragraph.

7.7. Credit default risk

7.7.1. Risks

SRLEV defines credit default risk as the risk of potential losses due to an unexpected payment default of the counterparties and debtors of insurance and reinsurance undertakings within the next twelve months.

The credit default risk policy covers risk-mitigating contracts, such as reinsurance arrangements, securitisations and derivatives, and receivables from intermediaries, as well as any other credit exposures not covered by the definition of spread risk. It takes into account collateral or other security held by or for the account of the insurance or reinsurance undertaking and the risks associated therewith. For each counterparty, it takes into account the overall credit default risk exposure of the insurance or reinsurance undertaking concerned to that counterparty, irrespective of the legal form of its contractual obligations to that undertaking. The credit default risk is measured by measuring exposures on individual parties ("ultimate parent exposure") as well as on segments and countries.

7.7.2. Risk management process

The Balance Sheet Management department (BSM) manages and verifies credit default risk within the set frameworks. Investments may be sold when deemed necessary, risk mitigating contracts or clauses are drawn up in cooperation with ACTIAM and Legal Affairs. The credit default risk at SRLEV is measured by means of measuring the exposure to individual parties and, as the case may be, aggregating exposures with similar characteristics.

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

Fixed-income investment portfolio

The credit default risk within the interest-bearing investment portfolios of SRLEV is the risk that an issuer of a bond or a debtor of a private loan does no longer meet its obligations. The strategic allocation along the various investment grade categories within the interest-bearing portfolio is determined in the context of ALM and laid down in mandates with the asset managers.

Derivatives exposure

The credit 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 provide that the underlying value of the derivatives must be posted as collateral in liquid instruments, such as cash and government bonds, to cover the credit risk. See also Section 6.3, note 36 Hedging and hedge accounting, which describes how derivatives are used for hedging purposes.

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 panel for life and disability reinsurance contracts consists of reinsurers with at least an AA- rating. Continuity within the panels of reinsurers is an important principle.

Mortgage portfolio

SRLEV is exposed to credit default risk on its mortgage portfolio. 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 2014-2016. The market price of the portfolio has increased due to declining interest rates and the purchase of a mortgage portfolio. The notional of the portfolio increased mainly due to the purchase of a mortgage portfolio, which was slightly offset due to scheduled amortisation and increasing prepayments. SRLEV has plans to originate new mortgages in 2017 which will likely increase the average Loan to Value ratio.

7.8. Liquidity risk

7.8.1. Risks

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. Risk management process

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 fulfil her 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 the indicator for the overall liquidity position of SRLEV and takes into account all available assets and the impact of an interest shock and a mass lapse. Monitoring of this buffer accounts for an important part of the daily activities of the SRLEV.

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 and interest rate movements. The increase of the required liquidity is mainly due to the increase of derivatives to counterbalance the shortened duration of the (mainly Dutch and German government) bond portfolio. In total, the liquidity buffer is sufficient to cover a severe liquidity stress scenario.

The available assets consist of government bonds, corporate bonds and other investments (i.e. loans, deposits, equities and mortgages).The amount of available assets is adjusted (haircuts) based on eligible collateral, the level of illiquidity of the assets and expert judgement. Utilized liquidity refers to transactions such as repurchase agreements, or collateral posted.

Liquidity buffer

In € millions	2016	2015
Available assets	29,641	28,926
Total haircuts	-9,507	-7,796
Total utilized liquidity	-149	-690
Available liquidity	**19,985**	**20,440**
Required liquidity	-9,287	-7,426
Liquidity buffer	**10,698**	**13,014**

7.8.4 Maturity schedule for financial liabilities

The table below shows the undiscounted cash flows from the principal financial liabilities, other than derivatives and liabilities from investments for account of third parties, by contract maturity date.

Liquidity calendar financial liabilities 2016

In € millions	< 1 month	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Total
Subordinated debts	-	-	-	-67	-731	**-798**
Liabilities investments for account of third parties	-1,320	-	-	-	-	**-1,320**
Loans due to customers	-			-13	-355	**-368**
Amounts due to banks	-605	-	-	-	-725	**-1,330**
Total	**-1,925**			**-80**	**-1,811**	**-3,816**

Liabilities to third parties recognised in the statement of financial position as a result of the consolidation of non-controlling interest in the investment funds are classified as other liabilities falling due in less than one month. In 2016, this amounted to € 1,387 million. The share of non-controlling interests in investment funds in 2015 has also been included in the table below (€ 1,436 million).

Liquidity calendar financial liabilities 2015

In € millions	< 1 month	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Total
Subordinated debts	-	-95	-	-98	-612	**-805**
Liabilities investments for account of third parties	-1,436	-	-	-	-	**-1,436**
Loans due to customers	-3,191	-1	-72	-38	-164	**-3,466**
Amounts due to banks	-378	-266	-18	-130	-584	**-1,376**
Total	**-5,005**	**-362**	**-90**	**-266**	**-1,360**	**-7,083**

The table below shows the undiscounted cash flows from all derivative contracts by maturity date.

Liquidity calendar derivatives 2016

In € millions	< 1 month	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Total
Interest rate derivatives	-	-		-19	-449	**-468**
Currency contracts	-	-1	-1	-1	-	**-3**
Total	**-**	**-1**	**-1**	**-20**	**-449**	**-471**

Liquidity calendar derivatives 2015

In € millions	< 1 month	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Total
Interest rate derivatives	-	-	-	-12	-143	**-155**
Currency contracts	-	-	-	-	-	**-**
Total	**-**	**-**	**-**	**-12**	**-143**	**-155**

7.9. Non-financial risks

7.9.1. Risks

The Non-Financial Risk department (NFR), which is part of the Risk department resorting under the CRO, monitors and provides advice to management on compliancy risk and operational risk.

Compliance risk

Compliance risk is the risk that an organization could suffer legal or regulatory sanctions, material financial loss, or loss of reputation as a result of non-compliance with laws, regulations, rules, self-regulatory standards, codes and unwritten rules that apply to its activities.

Non-compliance with integrity- and conduct related rules can lead to regulatory action, financial loss or damage to the reputation of SRLEV, for example conviction of payment in fines, compensation, disciplinary action, imprisonment or exclusion proceedings.

Laws and regulations within scope consist a.o. of 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 is the risk of direct or indirect losses due to inadequate or deficient internal processes and systems, owing to inadequate action being taken, human error or external events. In this sense, operational risk is overarching in nature. It consist of Customer, Products and Business Conduct, Execution & Process Control, IT Risk, Fraud risk, Damage to physical assets, Staff & security and Model risk, monitored according to the Solvency II classification.

7.9.2. Risk management process

In managing non-financial risks SRLEV follows the risk management process as set out in Section 7.3.

Risk identification

SRLEV systematically analyses integrity and operational risks based on risk assessment and risk analysis, and gives insights to and reports on them.

Risk measurement

In addition SRLEV initiates integrity-investigations, risk self-assessments and incident analysis. In consultation with the business NFR assesses the level of risk maturity (management controls), the structure and effectiveness of process controls and mitigating measures within the first line to manage the non-financial risks.

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 with risk reports such as an integrated incident report, the Non-Financial Risk Appetite report and the report on 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 integrity risks.

Risk monitoring and reporting

NFR is represented in the Risk Committee Supervisory Board, the VRC, the PC and in the ORC and PMP MTs (see Section 7.2.5) of VIVAT. NFR monitors the implementation of laws and regulations on progress and also on design, existence and operation of the first line responsibility to implement laws and regulations. Within the PMP MTs NFR advices on the development, evaluation and approval of products in accordance with laws, regulations, the AFM criteria and criteria related to treating customers fairly.

Each quarter NFR draws up a non-financial risk report, which provides a comprehensive overview of the major non- financial risks and incidents within VIVAT. A summary of the NFR report is included in the Risk management Function Report (RFR as mentioned in Section 7.2.5).

7.9.3. Developments

The VIVAT organization, including SRLEV, faced a period of transition during 2016. Although this will bring new opportunities and sustainability this transition period challenged and stretched the organization and our people and increased the risk of the materialization of non-financial risks.

Implementing the new operating model and governance structure, strong focus on cost reduction and earnings models, job uncertainty, changes in products, methodologies and processes, the speed of required changes and cultural changes had a strong impact and influenced operational and compliance risks. These risks are addressed, managed and monitored within VIVAT to maintain a sound and controlled organization.

7.9.4. Exposure to non-financial risks

During 2016 SRLEV faced challenges regarding managing and mitigating Compliance and Operational Risks. In this paragraph the main developments and risks 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

Risks (including reputational risk) are still evident in the non-accruing investment-linked policy file, owing to the combined effect of new policy contingents (pension and mortgage related policies) continuing media exposure, political opinion, court judgements, inaction on the part of customers and approaching deadlines. SRLEV achieved, in line with instructions from the AFM, 100% activation within the set target dates.

Owing to the great complexity of the legislation concerning Solvency II, IFRS, FATCA, ILM, Privacy and Supply Chain Responsibility, changes to the pension legislation (Witteveen, net graduated scale), legislation may not be implemented in good time as a result of which SRLEV would not be compliant and would inter alia suffer reputational damage as a result.

Privacy risks are lurking due to new legislation both in the Netherlands and in the EU (General Data Protection Regulation) and special precautions need to be taken to avoid data breaches when personal data is transferred to third parties and especially to countries outside the EU that do not provide an adequate level of protection. ITC has set up a broad privacy programme in order to pay full attention to SRLEV's compliancy with the privacy regulation.

Operational Risk

Execution and process control

Based on strategic developments and choices VIVAT, including SRLEV, had chosen for an accelerated reorganisation resulting in a relatively large number of employees leaving the workforce of the company in 2016. Also in multiple parts of the organization new (senior) management was introduced. Furthermore during 2016 SRLEV was running a number of complex projects such as Solvency II, system conversions and data management.

During 2016 SRLEV continued to invest in the development of the control environment by the strategic programmes Solvency II, Data management and ICF, resulting in improved process controls, management information, risk management policies and first line risk maturity. These improvements significantly contribute to managing the organization.

Rationalization of the model landscape, in which the number of models is further reduced and the reporting process is further automated, is a strategic programme executing in 2017. It contributes to a more efficient and reliable valuation of underwriting and market risks and the solvency, and leads to further reduction of model risk. Given the validation of a number of models in several segments the model risk has been further reduced in 2016. Uncertainty resulting from conversion projects has been mitigated by successful finalising or continuous monitoring, applying workarounds and a process for early provisioning in the accounts.

Information Technology

To realise more efficiency SRLEV is busy rationalising the IT landscape. The target IT landscape has been defined, and non-target systems are being made obsolete. Beside this, the IT focus is on innovations like new and modern apps. The IT organisation is implementing the new Agile way of working, to improve on efficiency and to decrease time-to-market. SRLEV started the IT cooperation with the other European Anbang companies like Fidea and Nagelmackers to achieve synergy in IT. SRLEV is aware that these developments require high standards of change management within the IT department to maintain an IT landscape that is in control and is managing IT risks.

Outsourcing / Cloud computing

SRLEV is shifting away from handling IT matters itself in favour of outsourcing in areas of the consumer value chain where SRLEV is less distinctive. SRLEV assesses how the required functionalities in that value chain can be purchased or outsourced as components. SRLEV performs risk assessments for new outsourcing initiatives, the results of which are reflected in the contracts with outsourcing partners. A good supplier management is set up to in order to maintain the desired level of control over outsourcing.

Cybercrime risk

Fighting cybercrime is a key priority for a financial organisation like VIVAT. Cyber criminals are always trying to compromise financial companies, for example with ransomware. In 2016 no major incidents related to cybercrime occurred within SRLEV. Cybercrime will remain high on the agenda of the SRLEV management. Appropriate organisational and technological measures will be taken in order to be able to tackle the cybercrime risks, like the cooperation with the National Cyber Security Center and other major Dutch insurance companies.

Staff and security

Due to strategic developments and a new strategy a large number of employees left the workforce of the company in 2016 resulting in a relatively highstaff turnover in 2016. SRLEV has been well aware of the risk involved in such a substantial change and closely monitored risks on sick leave, due to heavy workload, work-related stress and possible resistance to a changing corporate culture.

8. Company financial statements

8.1. Company statement of financial position

Before result appropriation and in € millions	Notes[1]	31 December 2016	31 December 2015
> Assets			
Property and equipment	1	44	45
Subsidiaries	2	86	149
Receivables from subsidiaries	3	1,062	268
Investment property	4	142	130
Investments	5	34,904	34,140
Investments for account of policyholders	6	13,923	14,020
Derivatives		1,061	632
Deferred tax assets		1,393	1,458
Reinsurance contracts	10	106	3,310
Loans and advances to banks		960	999
Corporate income tax		86	-
Other assets	7	325	538
Cash and cash equivalents	8	270	151
Total assets		**54,362**	**55,840**
> Equity and liabilities			
Issued share capital[2]		-	-
Share premium reserve		2,064	2,064
Fair value reserve		32	29
Other reserves		687	468
Retained earnings		252	194
Shareholders' equity	**9**	**3,035**	**2,755**
Subordinated debt		798	805
Capital base		**3,833**	**3,560**
Insurance liabilities	10	46,023	44,878
Provision for employee benefits		182	169
Other provisions		40	40
Derivatives		471	155
Deferred tax liabilities		938	926
Amounts due to banks		1,329	1,376
Corporate income tax		69	62
Other liabilities	11	1,477	4,674
Total equity and liabilities		**54,362**	**55,840**

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]	2016	2015
> Income			
Premium income		1,830	1,923
Reinsurance premiums		16	158
Net premium income		**1,814**	**1,765**
Fee and commission income		62	70
Fee and commission expense		1	1
Net fee and commission income		**61**	**69**
Share in result of subsidiaries	14	9	15
Investment income		2,720	1,242
Investment income for account of policyholders		895	643
Result on derivatives		-265	-126
Other operating income		1	-
Total income		**5,235**	**3,608**
> Expenses			
Technical claims and benefits		3,119	1,677
Charges for account of policyholders		1,339	1,119
Acquisition costs for insurance activities		24	35
Staff costs		265	258
Depreciation and amortisation of non-current assets		6	1
Other operating expenses		48	43
Impairment losses		-2	24
Other interest expenses		103	194
Other expenses		1	1
Total expenses		**4,903**	**3,352**
Result before taxation		**332**	**256**
Taxation		80	62
Net result continued operations for the period		**252**	**194**

> Attribution:			
Net result continued operations attributable to shareholders		252	194
Net result continued operations for the period		**252**	**194**

[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.

8.3. Company statement of total comprehensive income

Company statement of other comprehensive income

In € millions	2016	2015
> Items that will not be reclassified subsequently to profit or loss		
Changes in valuation of defined benefit pension plan	25	2
Total items never reclassified to profit or loss	**25**	**2**
> Items that may be reclassified subsequently to profit or loss		
Change in fair value reserve	3	-20
Total items that may be reclassified to profit or loss subsequently	**3**	**-20**
Other comprehensive income (after taxation)	**28**	**-18**

Company statement of total comprehensive income

In € millions	2016	2015
Net result for the period	252	194
Other comprehensive income (after taxation)	28	-18
Total comprehensive income	**280**	**176**
> Attribution:		
Comprehensive income attributable to shareholder	280	176
Total comprehensive income	**280**	**176**

8.4. Company statement of changes in equity

Company statement of changes in equity 2016

In € millions	Issued share capital[1]	Share premium reserve	Sum revaluation reserves	Sum other reserves	Shareholders' equity
Balance as at 1 January 2016	-	2,064	29	662	**2,755**
Unrealised revaluations from cashflow hedges	-	-	28	-	**28**
Unrealised revaluations	-	-	1,182	-	**1,182**
Impairments	-	-	-4	-	**-4**
Realised gains and losses through profit or loss	-	-	-1,217	-	**-1,217**
Change in profit-sharing reserve	-	-	-29	-	**-29**
Shadow accounting movement	-	-	43	-	**43**
Changes in valuation of defined benefit pension plan	-	-	-	25	**25**
Amounts charged directly to total equity	**-**	**-**	**3**	**25**	**28**
Net result 2016	-	-	-	252	**252**
Total result 2016	**-**	**-**	**3**	**277**	**280**
Capital issue	-	-	-	-	**-**
Total changes in equity 2016	**-**	**-**	**3**	**277**	**280**
Balance as at 31 December 2016	**-**	**2,064**	**32**	**939**	**3,035**

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

SRLEV NV announces that, similar to 2015, no dividend will be distributed for 2016.

Statement of revaluation reserves and other reserves 2016

In € millions	Revaluation property and equipment	Cash flow hedge reserve	Fair value reserve	Sum revaluation reserves	Other reserves	Retained earnings	Sum other reserves
Balance as at 1 January 2016	4	–	25	**29**	468	194	**662**
Transfer of net result 2015	–	–	–	**-**	194	–194	**-**
Transfers 2015	**4**	**-**	**25**	**29**	**662**	**-**	**662**
Unrealised revaluations from cashflow hedges	–	28	–	**28**	–	–	**-**
Unrealised revaluations	–	–	1,182	**1,182**	–	–	**-**
Impairments	–	–	–4	**–4**	–	–	**-**
Realised gains and losses through profit or loss	–	–	–1,217	**–1,217**	–	–	**-**
Change in profit-sharing reserve	–	–	–29	**–29**	–	–	**-**
Shadow accounting movement	–	–28	71	**43**	–	–	**-**
Changes in valuation of defined benefit pension plan	–	–	–	–	25	–	25
Amounts charged directly to total equity	**-**	**-**	**3**	**3**	**25**	**-**	**25**
Net result 2016	–	–	–	**-**	–	252	**252**
Total result 2016	**-**	**-**	**3**	**3**	**25**	**252**	**277**
Capital issue	–	–	–	**-**	–	–	**-**
Total changes in equity 2016	**-**	**-**	**3**	**3**	**25**	**252**	**277**
Balance as at 31 December 2016	**4**	**-**	**28**	**32**	**687**	**252**	**939**

Company statement of changes in equity 2015

In € millions	Issued share capital[1]	Share premium reserve	Sum revaluation reserves	Sum other reserves	Shareholders' equity
Balance as at 1 January 2015	–	1,619	49	466	**2,134**
Unrealised revaluations from cashflow hedges	–	–	-18	–	**-18**
Unrealised revaluations	–	–	-376	–	**-376**
Impairments	–	–	18	–	**18**
Realised gains and losses through profit or loss	–	–	-110	–	**-110**
Change in profit-sharing reserve	–	–	80	–	**80**
Shadow accounting movement	–	–	386	–	**386**
Changes in valuation of defined benefit pension plan	–	–	–	2	**2**
Amounts charged directly to total equity	**-**	**-**	**-20**	**2**	**-18**
Net result 2015	–	–	–	194	**194**
Total result 2015	**-**	**-**	**-20**	**196**	**176**
Capital issue	–	445	–	–	**445**
Total changes in equity 2015	**-**	**445**	**-20**	**196**	**621**
Balance as at 31 December 2015	**-**	**2,064**	**29**	**662**	**2,755**

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

Statement of revaluation reserves and other reserves 2015

In € millions	Revaluation property and equipment	Cash flow hedge reserve	Fair value reserve	Sum revaluation reserves	Other reserves	Retained earnings	Sum other reserves
Balance as at 1 January 2015	4	–	45	**49**	984	-518	**466**
Transfer of net result 2014	–	–	–	**-**	-518	518	**-**
Transfers 2014	**4**	**-**	**45**	**49**	**466**	**-**	**466**
Unrealised revaluations from cashflow hedges	–	-18	–	**-18**	–	–	**-**
Unrealised revaluations	–	–	-376	**-376**	–	–	**-**
Impairments	–	–	18	**18**	–	–	**-**
Realised gains and losses through profit or loss	–	–	-110	**-110**	–	–	**-**
Change in profit-sharing reserve	–	–	80	**80**	–	–	**-**
Shadow accounting movement	–	18	368	**386**	–	–	**-**
Changes in valuation of defined benefit pension plan	–	–	–	–	2	–	2
Amounts charged directly to total equity	**-**	**-**	**-20**	**-20**	**2**	**-**	**2**
Net result 2015	–	–	–	**-**	–	194	**194**
Total result 2015	**-**	**-**	**-20**	**-20**	**2**	**194**	**196**
Capital issue	–	–	–	**-**	–	–	**-**
Total changes in equity 2015	**-**	**-**	**-20**	**-20**	**2**	**194**	**196**
Balance as at 31 December 2015	**4**	**-**	**25**	**29**	**468**	**194**	**662**

8.5. Company cash flow statement

In € millions	2016	2015
> Cash flow from operating activities		
Operating profit before taxation	336	261
> Adjustments for:		
Depreciation and amortisation of non-current assets	6	1
Changes in insurance liabilities for own risk	1,039	-160
Changes in provisions	13	-450
Impairment charges / (reversals)	-2	24
Unrealised results on investments through profit or loss	-	204
Taxes paid / received	-79	-7
> Change in operating assets and liabilities:		
Change in advances and liabilities to banks	-7	-17
Change in other operating activities	-3,112	-620
Net cash flow from operating activities	**-1,806**	**-764**
> Cash flow from investment activities		
Sale of investment property	1	9
Sale and redemption of investments and derivatives	23,794	12,102
Purchase of investments and derivatives	-21,863	-12,117
Net cash flow from investment activities	**1,932**	**-6**
> Cash flow from finance activities		
Issue of shares and share premium	-	445
Issue of subordinated loans	95	140
Redemption of subordinated loans	-102	-1
Net cash flow from financing activities	**-7**	**584**
Cash and cash equivalents 1 January	151	337
Change in cash and cash equivalents	119	-186
Cash and cash equivalents as at 31 December	**270**	**151**
> Additional disclosure with regard to cash flows from operating activities:		
Interest income received	1,233	1,240
Dividends received	151	147
Interest paid	68	293

9. Notes to the company financial statements

9.1. Accounting policies to the company financial statements

Change in accounting policies

An adjustment of IAS 27 effective from 2016 enables SRLEV to measure investments in subsidiaries, joint ventures and associates in its separate financial statements using the equity method. SRLEV has decided to apply this option in its separate financial statements, and adopt IFRS with a transition date of 1 January 2015.

From the transition date, SRLEV prepares its company financial in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union instead of earlier applied provisions of Book 2 of the Dutch Civil Code. Since SRLEV, according to the option offered in Article 362(8) of Book 2 of the Dutch Civil Code, was using the similar accounting policies for its company financial statements as for the consolidated financial statements, effectively applying IFRS in its previous company financial statements, the change of accounting policies results in a different measurement method only for investments in subsidiaries and associates in separate financial statements (the equity method). The (net) equity method required by Dutch Civil Code is different than under IFRS, as it requires goodwill to be presented separately from the investment in the group company in the parent's financial statements. However, as SRLEV carries no goodwill regarding any of its current investments, the change in accounting polices has no impact on the SRLEV's company financial statements.

Change in presentation

Pursuant to the adoption of IFRS for the separate financial statements, SRLEV has also changed the presentation of the statement of profit or loss in its company financial statements. SRLEV presents its company statement of profit or loss for the reporting period ending on 31 December 2016 in the same format as the consolidated version. The comparative figures for the reporting period ending on 31 December 2015 have been adjusted accordingly. Since the amounts per 31 December 2014 disclosed in the financial statements of 2014 and 2015 are exactly the same as the IFRS opening statement, no third statement of financial position is included in SRLEV's 2016 company financial statements.

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 profit 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 other reserves.

Loans to and from group companies

Loans (including subordinated loans) to and from group companies are recognised at amortised cost.

9.2. Notes to the company financial statements

1. Property and equipment

Breakdown of property and equipment

In € millions	2016	2015
Land and buildings for own use	43	44
Other assets	1	1
Total	**44**	**45**

Statement of changes in property and equipment 2016

In € millions	Land and buildings	Other assets	Total
Accumulated acquisition costs	95	3	**98**
Accumulated revaluations	-6	-	**-6**
Accumulated depreciation and impairments	-46	-2	**-48**
Balance as at 31 December	**43**	**1**	**44**
Balance as at 1 January	44	1	**45**
Revaluations	-2	-	**-2**
Depreciation	-1	-	**-1**
Impairments	2	-	**2**
Balance as at 31 December	**43**	**1**	**44**

Statement of changes in property and equipment 2015

In € millions	Land and buildings	Other assets	Total
Accumulated acquisition costs	95	3	**98**
Accumulated revaluations	-6	-	**-6**
Accumulated depreciation and impairments	-45	-2	**-47**
Balance as at 31 December	**44**	**1**	**45**
Balance as at 1 January	37	1	**38**
Reclassification	7	-	**7**
Depreciation	-1	-	**-1**
Impairments	1	-	**1**
Balance as at 31 December	**44**	**1**	**45**

2. Subsidiaries

Statement of changes in subsidiaries

In € millions	2016	2015
Balance as at 1 January	149	137
Disposals and divestments	-72	-3
Result	9	15
Balance as at 31 December	**86**	**149**

The amount of € 72 million relates to the merger of REAAL Hypotheken BV with SRLEV NV as of 1 January 2016.

3. Receivables from subsidiaries

Breakdown of receivables from subsidiaries

In € millions	2016	2015
Collaterized securities	994	-
Loans	46	246
Receivables	22	22
Balance as at 31 December	**1,062**	**268**

The collaterized securities relates to a loan relating to saving components of mortgages.

4. Investment property

Statement of changes in investment property

In € millions	2016	2015
Balance as at 1 January	130	144
Reclassifications	-	-8
Investments	3	-
Divestments	-1	-9
Revaluations	10	3
Balance as at 31 December	**142**	**130**

5. Investments

Breakdown of investments

In € millions	2016	2015
Fair value through profit or loss: Designated	69	161
Investments available for sale	26,923	26,382
Loans and receivables	7,912	7,597
Total	**34,904**	**34,140**

Fair value through profit or loss: listed and unlisted

In € millions	2016	2015
Unlisted	69	161
Total	**69**	**161**

Fair value through profit or loss: statement of changes

In € millions	2016	2015
Balance as at 1 January	161	225
Disposals and redemptions	-90	-62
Revaluations	-2	-2
Balance as at 31 December	**69**	**161**

Available for sale: statement of changes

In € millions	2016	2015
Balance as at 1 January	26,382	25,496
Purchases and advances	17,599	8,951
Disposals and redemptions	-18,498	-7,477
Revaluations	1,573	-481
Impairments	-5	-24
Amortisation	-92	-80
Other	-36	-3
Balance as at 31 December	**26,923**	**26,382**

Breakdown loans and receivables

In € millions	2016	2015
Mortgages	1,655	1,572
Private loans linked to savings mortgages	5,294	5,392
Other private loans	976	651
Total	**7,925**	**7,615**
Provision for bad debts	-13	-18
Total	**7,912**	**7,597**

Loans and receivables: statement of changes

In € millions	2016	2015
Balance as at 1 January	7,615	8,736
Reclassifications	–	–763
Purchases and advances	819	837
Changes in the composition of group companies	284	–
Disposals and redemptions	–1,054	–1,471
Interest addition	252	281
Amortisation	9	–5
Balance as at 31 December	**7,925**	**7,615**
Balance provisions as at 1 January	–18	–6
Addition	–	–13
Release	5	1
Balance provisions as at 31 December	**–13**	–18
Total	**7,912**	**7,597**

6. Investments for account of policyholders

In € millions	2016	2015
Shares and similar investments:		
– Listed	12,924	12,642
– Unlisted	295	201
Fixed-income investments		
– Listed	339	818
– Unlisted	365	359
Total	**13,923**	**14,020**

Investments for account of policyholders: statement of changes

In € millions	2016	2015
Balance as at 1 January	14,020	14,227
Purchases and advances	3,415	2,288
Disposals and redemptions	–4,293	–3,010
Revaluations through profit or loss	753	465
Other movements	28	50
Balance as at 31 December	**13,923**	**14,020**

7. Other assets

Breakdown of other assets

In € millions	2016	2015
Receivables from group companies	13	48
Accrued interest from group companies	24	35
Amounts due from direct insurance	251	299
Other	37	156
Total	**325**	**538**

8. Cash and cash equivalents

Breakdown of cash and cash equivalents

In € millions	2016	2015
Short-term bank balances	270	151
Total	**270**	**151**

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

9. Equity

In € millions	2016	2015
Equity attributable to shareholders	3,035	2,755
Total	**3,035**	**2,755**

The change in Equity attributable to shareholders in 2016 was caused by net result 2016 (€ 252 million) and the change in Other Comprehensive Income (€ 28 million). For further details on group equity, see Section 8.4, Company statement of changes in 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 2016 (2015: 90).

Breakdown of issued share capital

	Number of ordinary shares		Amount of ordinary shares (in € thousands)	
	2016	2015	2016	2015
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

	Gross		Reinsurance	
In € millions	2016	2015	2016	2015
Provision for Life insurance obligations	31,666	30,479	106	3,310
Unamortised interest rate discounts (or surcharges)	-124	-210	-	-
Provision for profit-sharing, bonuses and discounts	90	95	-	-
Life, for own risk	**31,632**	**30,364**	**106**	**3,310**
Insurance liabilities for insurance on behalf of policyholders	14,391	14,514	-	-
Life, for account of policyholders	**14,391**	**14,514**	**-**	**-**
Total	**46,023**	**44,878**	**106**	**3,310**

The Quota share reinsurance contracts on Individual Life policies have been terminated as per 1 January 2016.

Statement of changes in provision for Life insurance obligation for own risk

	Gross		Reinsurance	
In € millions	2016	2015	2016	2015
Balance as at 1 January	30,479	31,346	3,310	3,589
Portfolio reclassification	255	283	–	–
Reinsurance contracts	–	–	–3,191	–
Benefits paid	–1,855	–2,068	–21	–532
Premiums received	1,090	1,093	16	158
Interest added	898	891	7	120
Technical result	–178	–125	–5	–82
Release of expense loading	–128	–119	–10	57
Realised and unrealised result transferred to insurance liabilities	1,109	–760	–	–
Other movements	–4	–62	–	–
Balance as at 31 December	**31,666**	**30,479**	**106**	**3,310**

For the LAT test results we refer to Note 13.3 LAT test results in the Notes to the consolidated financial statements.

Statement of changes in unamortised interest rate discounts

In € millions	2016	2015
Balance as at 1 January	210	295
Discounts granted in the financial year	–53	–48
Amortisation	–33	–37
Balance as at 31 December	**124**	**210**

Statement of changes in provision for profit-sharing, bonusses and discounts

In € millions	2016	2015
Balance as at 1 January	95	69
Profit-sharing, bonuses and discounts granted in the financial year	–5	26
Balance as at 31 December	**90**	**95**

Statement of changes in insurance liabilities for insurance on behalf of policyholders

In € millions	2016	2015
Balance as at 1 January	14,514	14,557
Portfolio reclassification	–255	–283
Premiums received	746	829
Benefits paid	–1,346	–1,237
Interest added	426	353
Exchange rate / valuation differences	370	384
Technical result	–2	–8
Release of expense loading	–68	–85
Other movements	6	4
Balance as at 31 December	**14,391**	**14,514**

11. Other liabilities

Breakdown of other liabilities

In € millions	2016	2015
Debts to group companies	222	49
Debts in relation to direct insurance	375	408
Debts to reinsurers	142	3,370
Other taxes	23	29
Other liabilities	715	818
Total	**1,477**	**4,674**

12. Guarantees and commitments

For details on off-balance sheet commitments, see Note 18 Off balance sheet commitments of the consolidated financial statements.

13. Related parties

Intra-group balances between SRLEV NV, VIVAT NV and other group companies

In € millions	2016	2015
> Positions		
Loans and advances	229	246
Receivables	35	21
Accrued interest	-	1
Other liabilities	222	48
> Transactions		
Movements loans and advances	-17	-
Movements receivables	14	6
Movements accrued interest	-1	-
Movements other liabilities	174	22
Interest	-	6
Discount management fee	25	23
Other expenses	-	1

For details on SRLEV NV's related parties, see Note 19 Related parties of the consolidated financial statements.

Significant intra-group balances between SRLEV NV and its subsidiaries

New intra-group balances

- On 28 December 2016, VIVAT NV granted a loan to SRLEV NV in the amount of $ 190 million. The loan is a 10-years senior loan in order to facilitate a foreign currency hedge with the possibility of early repayment. The loan bears an interest rate of 6-months LIBOR plus 6.3% annually;
- On 29 December 2016, SRLEV NV granted a loan to VIVAT NV in the amount of € 183 million. The loan is a 10-years senior loan in order to facilitate a foreign currency hedge with the possibility of early repayment. The loan bears an interest rate of 6-months EURIBOR plus 5.545% annually.

14. Share in result of subsidiaries

Breakdown of share in result of subsidiaries

In € millions	2016	2015
REAAL Wognumsebuurt BV	-	1
REAAL de Ruijterkade BV	5	1
REAAL Kantoren I BV	1	-
REAAL Winkels I BV	-1	-
REAAL Woningen I BV	1	-
GVR 500 Building BV	3	7
Total	**9**	**9**

REAAL Hypotheken BV Merged with SRLEV NV as of 1 January 2016. The share in result of REAAL Hypotheken BV in 2015 amounted to € 6 million.

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 2016 of VIVAT NV.

16. Provisions regarding appropriation of profit or loss

Profit for 2016: € 252 million.

16.1. Provisions in Articles of Association governing the appropriation of profit or loss

Article 41 Profit and loss; general

1. The profits shall be at the free disposal of the general meeting.

2. The company may only make distributions to shareholders and other persons entitled to the distributable profits to the extent its equity exceeds the total amount of its issued share capital and the reserves which to be maintained pursuant to the law.

3. Distribution of profits shall take place following the adoption of the annual accounts from which it appears that such distribution is allowed.

Article 42 Profit and loss; distributions

1. Dividends shall be due and payable fourteen days after having been declared, unless upon the proposal of the management board the general meeting determines another date thereof.

2. Dividends that have not been collected within five years after they became due and payable shall revert to the company.

3. If the general meeting so determines on the proposal of the management board, an interim dividend will be distributed, including an interim dividend from reserves, but only with due observance of what is provided in Section 2:105, paragraph 4, of the Dutch Civil Code.

4. A loss may only be applied against reserves maintained pursuant to the law to the extent permitted by the law.

16.2. Result appropriation

The result for 2016 will be added to the other reserves of SRLEV NV.

Amstelveen, the Netherlands, 26 April 2017

The Executive Board

J.J.T. van Oijen (Chairman)

F. Zhang

L. Tang

X.W. Wu

Y. Cao

W.M.A. de Ruiter-Lörx

J.C.A. Potjes

The Supervisory Board

M.W. Dijkshoorn (Chairman)

M.R. van Dongen

M. He

K.C.K. Shum

P.P.J.L.M. Lefèvre

Independent auditor's report

To: the shareholder and supervisory board of SRLEV N.V.

Report on the audit of the financial statements 2016 included in the annual report

Our opinion

We have audited the financial statements 2016 of SRLEV N.V., based in Alkmaar (SRLEV or the Company) as set out on pages 41 to 171.

In our opinion the accompanying financial statements give a true and fair view of the financial position of SRLEV as at 31 December 2016 and of its result and its cash flows for 2016 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 2016
- The following statements for 2016: the consolidated and company statement of profit or loss, the consolidated and company statement of comprehensive income, the consolidated and company statement of changes in equity and the consolidated and company cash flows statement
- The notes comprising a summary of the significant accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the Our responsibilities for the audit of the financial statements section of our report.

We are independent of SRLEV in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, 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	€60 million
Benchmark applied	2% 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 the SRLEV's Shareholder's funds.

We have also taken misstatements into account and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the audit committee of the supervisory board that misstatements in excess of €3 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

SRLEV N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of SRLEV N.V.

We have performed an audit of SRLEV N.V. In total these audit procedures represent approximately 99% of SRLEV's total consolidated assets, 96% of SRLEV's total consolidated shareholder's funds and approximately 98% of SRLEV's consolidated profit before tax.

By performing the procedures mentioned above at SRLEV N.V., 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.

Key Audit Matter	Our audit approach
Fair value measurement of investments and related disclosures	
SRLEV invests in various asset classes, of which 88% is carried at fair value in the balance sheet. Of these assets, 4% 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, real estate, private equity investments and for non-listed bonds, equities and derivatives involve setting various assumptions regarding pricing factors. The use of different valuation techniques and assumptions could produce significantly different estimates of fair value. Associated risk management disclosure is complex and dependent on high quality data. Specific area of audit focus include the valuation of Level 3 assets where valuation techniques are applied in which unobservable inputs are used.	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 procedures for areas of higher risk and estimation such as mortgages, real estate, private equity investments, derivatives and for non-listed bonds or equities with the assistance of our valuation specialists. 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 and tested the design and operating effectiveness of the controls over related disclosures including the disclosure of valuation sensitivity and fair value hierarchy in note 35.
Appropriateness of models and input data used in the measurement of technical provisions and LAT	
SRLEV uses models and policy data to determine future cash flows in order to calculate the best estimate liabilities in the liability adequacy test. SRLEV is in the process of rationalizing its model landscape to reduce complexity and improve the consistency and stability of its best estimate liability calculations. The new models, or changes in existing models, need to appropriately reflect the insurance contract terms and conditions. Changes in models can have financial impact as calculation conventions or parameters differ. Further, the liability calculations are dependent on high quality input data from product administration systems. As at year-end 2016, backlogs exist in the processing of premiums and claims in product administration systems and or the ledger.	We involved our own actuarial specialists in performing audit procedures in this area. This included among others the assessment of the models used for the valuation of insurance liabilities and assessment of internal model validation reports for model changes with material impact. We tested management's control over data extraction processes and key actuarial models. We have performed substantive testing on a sample basis to assess the accuracy and completeness of the data extraction process and tested that the key actuarial models represent an effective implementation of the approved methodology and operate as intended. In order to address the risk of incorrect and/or incomplete data being used for insurance liability calculations, we performed detailed substantive procedures on premium and claims suspense accounts and assessed related provisions. We have evaluated management's analysis of the nature and aging of the reconciling items and related provisions.

Key Audit Matter	Our audit approach
Estimates used in calculation of insurance contract liabilities and Liability Adequacy Test (LAT)	
SRLEV has insurance contract liabilities of € 46 billion representing 88% 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, any excess of fair value over the carrying value of mortgages at amortized cost is taken into account. As at 31 December 2016, SRLEV's LAT shows a deficit. As a consequence, insurance liabilities are primarily measured on the basis of the LAT. Various economic and non-economic assumptions are being used in the LAT to estimate these long-term liabilities. The setting of mortality, longevity, expense and lapse assumptions in the LAT, including the assumptions to determine the fair value of mortgages, require application of significant judgment. Changes in estimates and assumptions used in the LAT have direct impact on SRLEV's profit and loss account.	We involved our own actuarial specialists to assist us in performing our audit procedures in this area, which included among others: • Consideration of the appropriateness of the mortality, longevity, expense and lapse assumptions used in the valuation of insurance contract liabilities by reference to Company and industry data and expectations of future mortality, longevity, expense and lapse developments. Further, 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, and determination of fair value of the mortgage portfolio, based on Company's and industry experience data, expected market developments and trends. 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. We considered whether SRLEV's disclosures in note 13 of the financial statements in relation to insurance contract liabilities and liability adequacy test results are compliant with the relevant accounting requirements.

<table>
<tr><th>Key Audit Matter</th><th>Our audit approach</th></tr>
<tr><td colspan="2">Unit-Linked Exposure</td></tr>
<tr><td>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 or quantified at this point. Refer to note 18 to the financial statements.</td><td>We performed audit procedures in this area, which included:
• An assessment of SRLEV's governance, processes and internal controls with respect to unit-linked exposures.
• A review of the documentation and a discussion about the unit-linked exposures with management and its internal legal advisors.
• Obtaining a legal letter from SRLEV's external legal advisor.
• Consideration of the recognition and measurement requirements for establishing provisions under the Company's accounting framework.
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 18 to the financial statements.</td></tr>
<tr><td colspan="2">Solvency</td></tr>
<tr><td>In the section Managing Risks (section 7.4.5 Capital Position) of the financial statements, SRLEV discloses its capital position as at year-end 2016 in accordance with Solvency II regulations which became effective on 1 January 2016. These disclosures provide information on the capital position of SRLEV on a regulatory basis (Solvency II) of accounting compared to an IFRS basis. The determination of the Solvency II ratio involves judgment in respect of methodologies used and setting best estimate assumptions. Specifically, judgment is involved in:
• determining the best estimate insurance liabilities, particularly the assumptions setting for mortality, longevity, expense and lapse assumptions;
• treatment of non-modelled business for the best estimate insurance liabilities.

As per IFRS, SRLEV has not provided for the contingent liability in respect of the unit-linked issue in the calculation of the Solvency II ratio.</td><td>We involved our actuarial specialists to assist us in performing our audit procedures with regard to the Solvency II calculations, which included among others:
• Consideration of the appropriateness of the mortality, longevity, expense and lapse assumptions used in the valuation of the best estimate insurance liabilities by reference to Company and industry data and expectations of future mortality and expense developments.
• Consideration of the appropriateness of methodology of estimation of non-modelled business by reference to Company and industry data and recognised actuarial practice.

We assessed the design and operating effectiveness of the internal controls over SRLEV's Solvency II calculations. This included, where relevant, interpretation of guidelines, comparison of judgements made to current and emerging market practice and re-performance of calculations on a sample basis.

We considered whether the Company's disclosures in note 7.4.5 of the financial statements in relation to capital management are compliant with the relevant accounting requirements.</td></tr>
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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:

- The management board's report
- Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code
- Corporate governance report

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the management board's report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were appointed by the supervisory board as auditor of SRLEV on 29 October 2015 as of the audit for the year 2016 and have operated as statutory auditor since that date.

Description of responsibilities for the financial statements

Responsibilities of the executive board and the supervisory board for the financial statements

The executive board is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS-EU and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the executive board 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, the executive board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the executive board should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The executive board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

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

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Concluding on the appropriateness of the executive board's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, 26 April 2017

Ernst & Young Accountants LLP

signed by J.G. Kolsters