Annual Report SRLEV NV 2015

VIVAT VERZEKERINGEN

Zwitserleven Zelf ROUTE MOBIEL Reaal Proteq Dier&Zorg actiam

Contents

Key **figures**

In € millions	2015	2014	2013	2012[1]	2011
Result					
Net premium income	1,769	2,176	2,231	2,468	2,644
Investment income	1,283	1,383	1,304	1,507	1,355
Investment income for account of policyholders	648	2,159	628	1,512	-39
Other income	-57	-14	123	87	250
Total income	**3,643**	**5,704**	**4,286**	**5,574**	**4,210**
Total expenses	3,382	6,394	4,844	5,575	3,981
Result before taxation	**261**	**-690**	**-558**	**-1**	**229**
Taxation	67	-172	-142	-8	50
Net result continued operations and minority interests	**194**	**-518**	**-416**	**7**	**179**
Statement of financial position					
Total assets	**57,651**	**58,259**	**53,350**	**54,732**	**51,905**
Investments	35,187	34,769	31,077	32,475	30,772
Investments for account of policyholders	14,377	14,559	13,491	13,265	12,443
Loans and advances to banks	236	321	362	452	490
Total equity	**2,755**	**2,134**	**2,688**	**3,142**	**4,342**
Insurance contracts	44,143	44,943	39,727	40,447	37,375
Amounts due to banks	1,376	1,504	2,753	2,994	2,522
Ratios					
New annual premium equivalent (in € millions)	179	260	172	310	376
Regulatory solvency VIVAT NV	240%	136%	172%	176%	203%
Regulatory solvency SRLEV NV	203%	141%	187%	211%	234%

1 Years 2011 and 2012 are based on the company financial statements.

1 SRLEV at a glance

1.1 General

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'.

1.1.1 New shareholder, new future

New Shareholder

The year 2015 was an important year in the history of SRLEV. After a strong company put itself forward, the signing of the sales agreement was announced on 16 February 2015.

On 26 July 2015, Anbang Group Holdings Co. Ltd. (**"Anbang"**) became the new sole shareholder of VIVAT NV (and therefore SRLEV). Anbang strengthened the financial position of VIVAT in October 2015 when it made a € 1.35 billion capital injection. As a result, SRLEV's Solvency I and II ratios increased.

SRLEV now embarks upon a new phase, which will allow it to place full focus on its policyholders and existing and new customers, based upon a new strategy for the future.

New future

During the second half of 2015, a thorough and extensive Strategic Review was carried out under the supervision of the new Executive Board.

Already during 2015, efforts have been made to stabilise the business, turning around loss-making product lines and business units.

Going forward, SRLEV will focus more on innovation and digitalisation, and plans to further simplify its business processes. Through these plans, customers will be better served by the company. SRLEV will also make its organisation less complex. Simplifying the operations and the business processes will create a lean, customer-oriented organisation. SRLEV will implement this change over the course of three years, during which it will create one centralised structure. The company will continue its digitisation effort and adapt to technological developments, drawing on the innovative capability and experience of its shareholder.

To secure the future of SRLEV, which is in the interest of all stakeholders including our customers and employees, SRLEV will implement cost reductions. These cost reductions are expected to lead to a loss of 900 to 1,200 jobs.
The change in SRLEV’s strategic course has now been initiated and will be completed by the end of 2018.

1.1.2 Legal structure

During 2015 significant changes were made in the Executive Board of SRLEV NV. As per the date of this annual report, the members of the Executive Board of SRLEV NV were:

- Ron van Oijen, Chief Executive Officer
- Yinhua Cao, Chief Financial Officer
- Lan Tang (Branden), Chief Risk Officer
- Feng Zhang (John), Chief of Staff
- Xiao Wei Wu (Charlene), Chief Transformation Officer
- Albert Bakker, Chief Operating Officer

These officers also have seats on the statutory boards of VIVAT NV, Proteq Levensverzekeringen NV (Life and pension insurance) and Reaal Schadeverzekeringen NV (Non-Life insurance). All Executive Board members have extensive experience in the international and/or Dutch insurance sector.

Mr. J.J. Nooitgedagt and Mrs. M.R. van Dongen were appointed as delegated Supervisory Board members in September and October 2015 respectively. They also serve as delegated Supervisory Board member for VIVAT NV.

The role of delegated Supervisory Board members entails exercising supervision of and providing advice to the boards that the Supervisory Board supervises on behalf of the Supervisory Board. Delegated Supervisory Board members are not members of the boards to which they are delegated. Both Mr. J.J. Nooitgedagt and Mrs. M.R. van Dongen have profound knowledge of the Dutch insurance market.

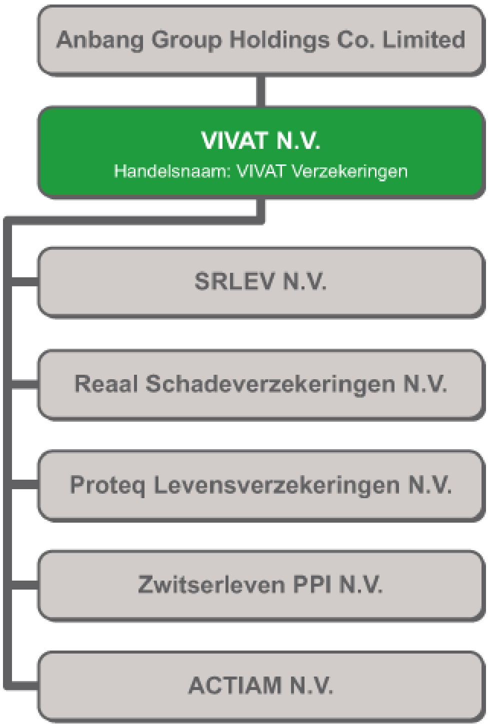

Figure 1: Legal structure of VIVAT, including SRLEV, and key entities at 31 December 2015. These entities are wholly owned.

1.2 Developments

1.2.1 Joining the Anbang Family

With the completion of the sale of VIVAT NV (and therefore SRLEV), SRLEV has become a member of the Anbang Family.

Anbang Insurance Group Co., Ltd. is a leading insurance company based in Beijing, China, with more than 30,000 employees. It provides a comprehensive range of financial and insurance products and services, including life insurance, pensions, health insurance, property and casualty insurance and asset management services, to more than 35 million customers. Since its founding, Anbang Insurance Group has delivered superior results to its clients and provided the most advanced technological solutions to enhance the customers' experience.

As a leading Chinese insurance company with an international vision, Anbang Insurance Group has established and implemented a strategy to offer comprehensive globalized services to its clients and realize stable, long-term returns through asset allocation measures around the world.

Anbang is expanding abroad and has made several major acquisitions in recent years, including that of the Waldorf Astoria Hotel and – more recently – Fidelity & Guaranty Life Insurance Company in the US. Other acquisitions include Fidea and Delta Lloyd Bank in Belgium as well as Tong Yang Life Insurance in South Korea.

The sale of VIVAT NV (and SRLEV) to Anbang was announced by SNS REAAL NV on 16 February 2015; completion took place on 26 July 2015. The € 1.35 billion capital injection was made on 23 October 2015.

1.2.2 Developments at SRLEV

In line with consumer trends, the Reaal brand continued to grow its online presence. Several products were revamped and repriced, the product portfolio was modernised and propositions with poor claims performance were cleaned up.

Zwitserleven looks back on a challenging year in terms of customer retention and attracting new business, due to perceived uncertainties relating to the capital position. However, the recapitalisation restored confidence and makes Zwitserleven a robust pension insurer in the Netherlands.

1.2.3 SRLEV's **financial position**

Market circumstances remain challenging for the Life insurance business mainly due to low interest rates and increased competition. The higher life expectancy puts additional pressure on the traditional Pension market, while strong competition in the individual Life leads to lower margins. Nevertheless, the current market conditions also offer opportunities. SRLEV believes that in these uncertain market conditions in particular there is a strong demand for high quality insurance products at a competitive/fair price to reduce risk and create security for our customers.

The Solvency II regime has come into effect on 1 January, 2016. SRLEV sees the stricter and more risk-based solvency requirements as a positive development that will help insurance businesses in adequately meeting their obligations in the years ahead.

The Life insurance business lost (new business) market share in 2015. At 13.5%, the share of the regular individual Life premiums market fell by 3.3%- points.

The result of SRLEV show a sharp improvement compared to 2014. In 2015, a profit of € 194 million was realised compared to a net loss of € 518 million in 2014. This improvement was mainly attributable to a release of the IFRS LAT shortfall in 2015 (€ 50 million) compared to a € 628 million expense in 2014.

Underlying earnings for Reaal Life improved from € 65 million in 2014 to € 79 million in 2015. Zwitserleven reported negative underlying earnings in 2015 of € 4 million compared to € 3 million profit in 2014..

SRLEV NV's regulatory solvency I ratio increased from 141% to 203% in 2015, which was largely attributable to the capital injection from Anbang (€ 1.35 billion) in October 2015.

VIVAT calculates its position under Solvency II using the standard formula. As a result of the € 1.35 billion capital injection by Anbang, the estimated Solvency II ratio of VIVAT NV increased to approximately 160% at year-end 2015.

1.2.4 Outlook

For SRLEV the period of solely protecting the capital position is now at an end. With the provided capital injection and the new management, SRLEV and its brands will focus again on growth. Growth in terms of propositions, services, customer focus as well as growth in terms of premium and market share.

SRLEV's mission is to become a leading and trusted financial service provider, helping our customers to realise their dreams and insure their risks. SRLEV wants to achieve this by providing a comprehensive product and service offering to our target segments, applying the most advanced technologies. This is expected to result in long-term sustainable growth for our customers, our employees and society at large.

To accomplish this, SRLEV will reinvent itself to become a more agile and lean organisation with a structurally lower cost base, while at the same time it will develop new customer interaction technologies and launch new products and services aimed at the customer segments served by SRLEV's brands.

SRLEV aims to balance operational excellence with customer intimacy, and is confident that new technologies will enable this dual strategy and even allow it to excel at both.

New technologies will also enable SRLEV to achieve better cross-disciplinary teamwork within the company. This will provide us with a better understanding of customer needs and help us improve our interaction with customers and our service offering at lower cost levels.

SRLEV aims to remain profitable in 2016 and grow towards a solid underlying profitability, maintaining its solvency rates at robust levels while growing its premium income and its assets under management.

1.3 Our brands

Zwitserleven

Zwitserleven is the leading pension insurer in the Netherlands. Zwitserleven offers wealth accumulation products 'for later'.

In thousands	**2015**	2014
Number of directors/major shareholders	9	21
Number of self-employed	62	49
Number of group participants	773	716
Total number of pensions administrated	**844**	**786**
Number of employers	42	36

Reaal

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

In thousands	**2015**	2014
Number of customers Life	1,454	1,357
Number of customers Property & Casualty	249	337
Number of customers Disability	16	17

2 Foreword

Message from the Executive Board of SRLEV NV

Dear stakeholders,

2015 was a special year for VIVAT (and therefore SRLEV) and its brands. The year started out under the most difficult circumstances in our history and ended with us successfully joining the Anbang Family. Now that we are a proud subsidiary of Anbang, the time has come for us to look ahead.

Market conditions were challenging in the first half of 2015, as the market was characterised by low interest rates, increasing regulation and fierce competition SRLEV was dealing with its own challenges. Low solvency rates were holding us back and the Dutch Finance Minister announced that he wanted wanted SNS REAAL to look for a new shareholder. We spent a lot of time, money and effort on trying to survive and finding a new owner.

On 26 July 2015 SRLEV NV had a new owner. On Monday 16 February 2015, SNS REAAL NV announced the acquisition of VIVAT NV (and therefore SRLEV) by Anbang Insurance Group. The final agreement for the acquisition was subject to the consent of the supervisory authorities, in both the Netherlands and China, and a positive formal opinion from the Works' Council. Consent was granted in the summer when the sale had been completed. Since then, we have been very proud to be called a member of the international Anbang Family.

A new organisation requires a new composition of management boards. Our current Executive Board consists of two Dutch nationals and four foreign colleagues. With them, we have built an enthusiastic and diverse management team, that combines global experience with a profound knowledge of the insurance market. All members share the same passion for the insurance business and are deeply committed to building a flourishing company.

Our special thanks goes out to our employees. We are truly appreciative of all their hard work in the past year. We would like to mention that all SRLEV employees are taking the oath to perform their job in a careful, expert and honest way, in accordance with existing law and regulations. We also thank our customers who remained loyal to us and rewarded us with a high customer satisfaction rating.

Becoming a member of the Anbang Group did not automatically solve all SRLEV's problems. Circumstances in the markets did not change much. It was obvious that we needed to change in order to survive. Therefore, we started a Strategic Review of our business: this is designed to help us benefit from the online and digital expertise and knowledge of our shareholder Anbang.

Society is digitising and we believe the needs and demands of our customers are changing rapidly. Customers as we knew them are no longer around. That is why we have to go back to our pioneering ways, just like we did when our company was founded. We have to look for new ways to help and serve our customers and make their dreams come true by reducing their risks. SRLEV endeavours to be a contemporary and leading financial services provider that delivers advanced and smart solutions in a customised and simple way.

To achieve this, we have to think outside the box. We have to embrace our diversity and combine the best of both worlds. We have to be flexible, enterprising and pioneering as we used to be.

Our commitment to the company is unconditional. The challenges in the markets continue to be huge, but we know we can overcome them with the help of our enthusiastic, young and committed management team that has firm confidence in the future of our great company.

As Confucius once said: 'The man who moves the mountain starts by carrying small stones'.

Utrecht, the Netherlands, 1 April 2016
On behalf of the Executive Board of SRLEV NV,

Ron van Oijen, Chief Executive Officer

3 Corporate governance

This section covers the corporate governance of SRLEV NV. The shares of SRLEV NV are held by insurance holding company VIVAT NV. The acquisition of SRLEV NV, as part of VIVAT NV by Anbang Group Holdings Co. Ltd, was completed on 26 July 2015.

After the completion of the sale, significant changes were made in SRLEV's Executive Board and SRLEV's Supervisory Board. Per the completion of the sale, the composition of the Executive Board was as follows: Gerard van Olphen, Chief Executive Officer, Arjen Schouten, Chief Financial Officer, Willem Horstmann, Chief Risk Officer, Jacob de Wit, Managing Director of ACTIAM NV and Seada van den Herik, Managing Director of Zwitserleven. Gerard van Olphen left SRLEV on 14 September 2015, after which Albert Bakker was appointed Acting CEO. Mr. J.J. Nooitgedagt, Chairman of the Supervisory Board, was appointed Supervisory Board member delegate.

As of the date of the capital injection by Anbang on 23 October 2015, the composition of the Executive Board was as follows: Albert Bakker, Chief Operating Officer and Acting CEO, Feng Zhang (John), Chief of Staff, Xiao Wei Wu (Charlene), Chief Transformation Officer. Yinhua Cao was appointed as Chief Financial Officer and Lan Tang became Chief Risk Officer. On that date, the statutory boards of SRLEV NV, Reaal Schadeverzekeringen NV and Proteq Levensverzekeringen NV came to be composed of the same members as the members of the Executive Board and form a personal union. Mrs. M.R. van Dongen was also appointed as Supervisory Board member delegate.

On 14 March 2016, Ron van Oijen took office as the new CEO, after which Albert Bakker has relinquished his role as Acting CEO.

A Strategic Review was initiated in mid-2015, this review will result in further modifications to the overall governance structure of SRLEV.

3.1 The **Executive** Board of SRLEV

Composition and role

The Executive Board is the day-to-day governing body of SRLEV and its business operations, and is responsible for achieving the commercial, operational and financial objectives of SRLEV in the short and long term.
In performing its role, it carefully weighs the interests of all its stakeholders and acts within the established risk frameworks.

As per the date of this annual report, the members of the Executive Board of SRLEV NV were:

- Ron van Oijen, Chief Executive Officer
- Yinhua Cao, Chief Financial Officer
- Lan Tang (Branden), Chief Risk Officer
- Feng Zhang (John), Chief of Staff
- Xiao Wei Wu (Charlene), Chief Transformation Officer
- Albert Bakker, Chief Operating Officer

Ron van Oijen, the new CEO, took office on 14 March 2016, after which Albert Bakker has relinquished his role as Acting CEO. Mr. J.J. Nooitgedagt and Mrs. M.R. van Dongen were appointed as delegated Supervisory Board members in September and October 2015 respectively. The function of a Supervisory Board member delegate comprises intensified supervision of and advice to the Executive Board which the Supervisory Board supervises, on behalf of the Supervisory Board. It is emphasised they were not members of the boards. For more information about the Executive Board members, see Additional Information section 1, Responsibilities and curricula vitae of, and other positions held by Executive Board members.

All Executive Board members have made the moral and ethical conduct declaration, which includes the pledge to make a balanced assessment of the interests of customers, shareholders, bondholders, employees and the community in which SRLEV operates.

The formal rules for the performance of the Executive Board are set out in the articles of association of SRLEV NV and in the regulations for the Management Board of SRLEV. These rules have been approved by the Supervisory Board and Anbang. 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 Executive Board of SRLEV NV has the same members as the Executive Board of VIVAT NV, Reaal Schadeverzekeringen NV and that of Proteq Levensverzekeringen NV. This means that the shared management principle has been implemented at all management levels.

The Executive Board members are obliged to maintain their expertise at the required standard and to improve it where necessary. In this context, a programme for continuing education is internally compiled every year, which includes lectures by internal and external speakers that cover various topics based on topical issues such as new legislation. Every Executive Board member is required to take part in at least three continuing education sessions. The Chairman of the Executive Board monitors that the Executive Board members participate in the continuing education curriculum. The Chairman of the Supervisory Board then monitors that the Chairman of the Executive Board also participates in the aforementioned program. This is explicitly recorded in the Executive Board regulations of SRLEV NV.
Apart from the Executive Board members, other managers within the SRLEV's various business units can also, at their discretion, take training courses relevant to them.

Various continuing education sessions were arranged for the Executive Board members and managing directors of the subsidiaries in 2015 in order to keep their expertise up-to-date and, where necessary, to build on it. The following subjects were covered in the past year:
- Legislation Witteveen;
- Solvency II;
- Insider trading rules;
- Social media;
- Integrated Control Framework;
- Audit VIVAT.

The sessions were taught by both internal and external speakers. In addition, an extensive introductory programme was attended by the new members of the Executive Board including continuing education sessions. This programme contained subjects such as an introduction to the business and introduction to Risk and Finance. Besides the Executive Board and managing directors, other senior managers in our insurance business were also invited to attend the continuing education sessions on a voluntary basis.

In addition to the continuing education programme, an intercultural awareness programme was developed in collaboration with KIT, the Dutch Royal Tropical Institute. This programme was attended by the Executive Board members and senior management of SRLEV

Remuneration report
The remuneration report of the Executive Board is included in the annual report of VIVAT NV.

3.2 The Supervisory Board

Composition, appointment and role
As per the date of this annual report, the members of the Supervisory Board of SRLEV NV were:
- Jan Nooitgedagt (Chair) (Dutch nationality)
- Miriam van Dongen (Dutch nationality)
- Pierre Lefèvre (Belgium nationality)
- Ming He (United States nationality)
- Kevin Shum (British nationality)

The Supervisory Boards of VIVAT NV, Reaal Schadeverzekeringen NV and Proteq Levensverzekeringen NV are comprised of the same individuals as the Supervisory Board of SRLEV NV and therefore membership overlaps.

For more information about the supervisory directors, reference is made to Additional Information, section 2 Curricula vitae, appointment terms and other positions of Supervisory Board members.

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

The Supervisory Board has appointed three committees from among its members; as of 7 September 2015, they were composed as follows:

Audit Committee:
- Miriam van Dongen (Chair)
- Ming He
- Pierre Lefèvre.

Remuneration and Nomination Committee:
- Kevin Shum (Chair)
- Jan Nooitgedagt
- Miriam van Dongen

Risk Committee:
- Pierre Lefèvre (Chair)
- Kevin Shum
- Miriam van Dongen

As the new Supervisory Board was in place by mid-2015, it was decided that all Supervisory Board members attend all committees in the first half year to learn and oversee the organisation from all perspectives. The new Supervisory Board members followed an extensive introduction programme including a session with the Works Council and sessions with the business and subsequently followed by deep dive sessions.

3.3 Report of the Supervisory Board

General

For SRLEV NV, 2015 was a year marked by the completion of the acquisition by Anbang on 26 July 2015. The composition of the Executive Board of SRLEV NV changed.

The members of the Supervisory Board of SRLEV NV are also members of the Supervisory Board of VIVAT NV, Reaal Schadeverzekeringen NV and Proteq Levensverzekeringen NV and therefore form a personal union. This helps to safeguard uniform policy within SRLEV. Attention is being paid to the balance of interests of the various entities. The meetings of the Supervisory Boards of VIVAT NV, SRLEV NV, Reaal Schadeverzekeringen NV and Proteq Levensverzekeringen NV take place in a combined format. In this report, the Supervisory Board of the entities mentioned above is referred to as the “Supervisory Board”.

Themes

Important topics and discussions of the Supervisory Board

The first half year of 2015 was dominated by the sale of SRLEV NV, as part of VIVAT NV. The Executive Board sought, at that time, the engagement of the Supervisory Board and the Supervisory Board was periodically updated by SNS REAAL NV (now SRH NV) about the sale. With the sale of SRLEV NV, as part of VIVAT NV, to Anbang an important measure in the restructuring plan of SRH NV was accomplished in 2015. Anbang completed the acquisition of SRLEV NV, as part of VIVAT NV, on 26 July 2015 and VIVAT NV reeived a capital injection of € 1.35 billion from Anbang on 23 October 2015. The acquisition by Anbang enables a strategy ‘reset’. The Strategic Review was an important topic in 2015. The objective was to define a holistic VIVAT organic strategy which maximises value creation and growth with run-rate impact to be realised in 2018 in the context of the Dutch market. The Executive Board and the management sought the advice of the Supervisory Board and frequently updated them about the Strategic Review. Parallel to the Strategic Review discussions, the Supervisory Board had extensive attention for a number of subjects such as the search for new Executive Board members and the Integrated Control Framework (ICF).

The year 2015 was also dominated by the Solvency II programme. At the beginning of 2015, the main purpose of the Solvency II programme was to make sure that SRLEV can report in the way that Solvency II requires. The Supervisory Board of course emphasised how important it is to put all effort in becoming Solvency II compliant. Consequently the Supervisory Board has been updated on Solvency II on a regular basis and discussed the outstanding topics with the Executive Board.

Another subject of discussion was the new Financial Risk Appetite Statement (Financial RAS) for the year 2015-2016, the Risk Tolerances and limits as a result. The Financial RAS is the result of an internal process in which the Executive Board discussed the Financial RAS and received approval on methodology, parameters and limits.

The Supervisory Board had regular contact about these subjects with other stakeholders of SRLEV NV, including the Dutch Central Bank (DNB).

The Supervisory Board also discussed important matters such as the non-accruing policies as well as customer focus during this process.

Composition and functioning of the Supervisory Board

Composition

As a result of the acquisition, a new Supervisory Board was appointed, composed of five members. Supervisory Board diversity is reflected in such factors as gender, age, professional and cultural background, as mentioned in the Additional Information under 2. Curricula vitae, appointment terms and other positions of the Supervisory Board members, in the annual report of SRLEV NV. 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, shareholders, bondholders, employees and the society in which the Insurer operates. The regulations of the Supervisory Board explicitly provides 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.

As result of the sale to Anbang the following periods can be distinguished:
1 January 2015 – 26 July 2015: As SRLEV NV was still part of SNS REAAL group, the Supervisory Board members of SNS REAAL NV were the same people as the Supervisory Board members of SRLEV NV. The Supervisory Board comprised of seven members: Jan Nooitgedagt (Chairman), Charlotte Insinger, Monika Milz, Jos Nijhuis, Jan Nijssen, Jan van Rutte and Ludo Wijngaarden. The persons stated above also constituted the Supervisory Boards of VIVAT NV, Reaal Schadeverzekeringen NV and Proteq Levensverzekeringen NV.

26 July 2015 – 31 December 2015: The new Supervisory Board comprised of five members: Jan Nooitgedagt (Chairman), Pierre Lefèvre, Miriam van Dongen, Ming He and Kevin Shum.

Functioning

Forthcoming the fact that the new Supervisory Board was in place mid-2015, the self-evaluation is on the agenda of 2016. The evaluation will focus on 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.

Cooperation

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 the Insurer'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.

Decisions regarding Remuneration and Nomination are prepared and recommended by the Remuneration and Nomination Committee. The Remuneration and Nomination Committee periodically assesses the composition of the Supervisory Board, the performance of the individual members and make a proposal for an Executive Board and/or Supervisory Board member profile and (re)appointments.

Cooperation between the Supervisory Board and the committees in 2015 was positive. The meetings of the committees drill down into the subjects so that the decisions of the Supervisory Board can be carefully prepared. The substance of the meetings of the committees is fed back to the meeting of the Supervisory Board to ensure the supervisory directors are kept fully informed and are well positioned to take prudent decisions.

Cooperation with the Executive Board

The Supervisory Board maintains oversight and advises the Executive Board by taking a critical stance where needed, rendering advice when needed and by giving support where it can. The Supervisory Board ascertains whether the decisions taken or yet to be taken by the Executive Board are well-founded and have been arrived at prudently. An evaluation of the consequences of the new Executive Board and the cooperation will be explicitly addressed in the course of 2016.

Cooperation with external experts
Advice is sought from external experts where necessary for the proper execution of the Supervisory Board's supervision role. Regular contact between the Audit Committee and Risk Committee with the independent auditor and actuary is a corollary of this.
After a thorough tender process, Anbang as shareholder appointed, based on the proposal of the Supervisory Board of SRLEV NV, Ernst & Young Accountants as SRLEV's external auditor for years 2016-2019.

Human resources
The Supervisory Board and the Remuneration and Nomination Committee have discussed the human resources policy of VIVAT NV. The Strategic Review was also a key subject for the Supervisory Board and the Remuneration and Nomination Committee.

There is periodic contact between the Supervisory Board and the Works Council (WC). Miriam van Dongen frequently meets with the executive committee of the Works Council. The same applies for the Chairman of the Supervisory Board. They met on several occasions in 2015. During periodic meetings constructive discussions took place on subjects such as the sale to Anbang, the Strategic Review and governance changes. The Supervisory Board appreciates these constructive meetings and would like to emphasise the constructive cooperation with the works council during the sales process and the Strategic Review.

All the work on finalising the sale and the Strategic Review comes on top of the day-to-day work of our employees. SRLEV is proud that it was possible to maintain the result-driven culture and the Supervisory Board greatly appreciates the efforts of all employees of VIVAT. Despite the far-reaching changes that SRLEV and its employees are still facing, the Supervisory Board trusts that employees will continue to work hard throughout 2016 and will be committed to the Strategic Review.

Meetings of the Supervisory Board

General
The Strategic Review has divided the attention of the Supervisory Board and therefore the formal meetings of the Supervisory Board were held monthly after September 2015. In 2015, some additional meetings were held (by telephone).

Attendance
Despite the additional meetings planned at short notice, the Supervisory Board was generally complete. On occasions where a supervisory director was absent, they had generally already provided their input on the subject matter to be discussed, either to the Chair of the Supervisory Board or to all other members of the Board. Based on a high frequency of monthly meetings (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.

Continuing education (CE)
Members of the Supervisory Board are encouraged to maintain their expertise at the required standard and enhance it where necessary. In this context, a programme is compiled for the Supervisory Board every year. Each year the Supervisory Board members take at least three training courses within the framework of continuing education. 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 programme was monitored.

The subjects dealt with in the context of continuing education in the first half year of 2015 were:
- Corporate Governance and legislation
- Update legislation Capitalisation and Funding
- CRD IV

In the second half year several deep dive sessions took place on the following topics for example regarding:
- Life
- Non-life

The Supervisory Board also followed an intercultural awareness programme which was developed in collaboration with the Royal Tropical Institute.

Furthermore, in order to learn more about SRLEV's client-oriented approach, the members of the Supervisory Board are offered client-focused experiences such as a visit to (departments servicing) customers.

Attendance by the management
In general, the opening of the meetings (first half hour) takes place without the attendance of the Executive Board. Following the opening, the Supervisory Board meets with these boards in attendance in case these boards are invited for the Supervisory Board meeting involved.

Attendance by the external auditor
The external auditor attends all meetings of the Audit Committee. In addition to the Audit Committee meetings, the Chairman of the Audit Committee frequently meets with the external auditor to discuss key audit issues. If required, the external auditor can also attend the meetings of the Supervisory Board and/or the Risk Committee and/or Remuneration and Nomination Committee.

Remuneration report
The remuneration report of the Supervisory Board is included in the annual report of VIVAT NV.

Closing words
The Supervisory Board would like to thank the Executive Board, management and all employees of VIVAT, particularly for their dedication and hard work. Great demands have been made of them in the past period, from within the organisation, but also from outside. The Supervisory Board wishes SRLEV success in overcoming future challenges for the good of the company.

Utrecht, the Netherlands, 1 April 2016
On behalf of the Supervisory Board,

Jan Nooitgedagt, Chairman

3.4 Internal management of **financial reporting**

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

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

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

The internal risk management and control system is managing risks so that they support SRLEV’s strategic objectives.

4 Strategy and developments

4.1 Strategic themes

During the second half of 2015, a thorough and extensive Strategic Review was carried out under the supervision of the new Executive Board.

Already during 2015, efforts have been made to stabilise the business, turning around loss-making product lines and business units.

Going forward, to better serve its customers, SRLEV will focus more on innovation and digitalisation, and plans to further simplify its business processes. SRLEV will also make its organisation less complex. Simplifying the operations and the business processes will create an agile, customer-oriented organisation.

SRLEV will implement this change over the course of three years, during which it will create one centralised structure. The company will continue its digitisation effort and adapt to technological developments, drawing on the innovative capability and experience of its shareholder.

To secure the future of SRLEV, which is in the interest of all stakeholders including our customers and employees, SRLEV will implement cost reductions. As a consequence, this will lead to the loss of 900 to 1,200 jobs over the next three years.

The change in SRLEV’s strategic course has now been initiated and will be completed by the end of 2018.

4.1.1 Mission, vision and core values

Under the new Executive Board and as a sign of changing times, SRLEV has updated its vision and mission. Our vision is to create a SRLEV which is a smart and sophisticated financial service provider helping its customers to realise their dreams and protect their belongings, every day.

The resulting mission for SRLEV comprises three pillars:
- SRLEV delivers advanced and smart solutions to our customers in a customised and simple way;
- SRLEV leverages state of the art technologies and excels in efficient business processes;
- SRLEV fosters an agile culture where our customer service improves continuously and employees grow.

This should result in long-term sustainable growth for our company, our customers, our employees and society at large. SRLEV recognises three key values that comprise our business view and provide direction to our employees: Sustainable services, Smart solutions and Surprisingly simple.

4.1.2 Stabilising the business

Our first priority has been to stabilise the business. During the first half of 2015, before the closing of the deal with Anbang, this meant the close control of out of pocket spending and the freezing of most larger investment decisions. Price adjustments were implemented at the time for the loss making products. As a result we have lost some of our customers. However, SRLEV believes that it is very important to stabilise our business and to focus on our core competencies.

With the Anbang aquisition completed and the recapitalisation secured, the focus shifted to maintaining the customer base. Retention of customers, albeit at a profitable basis, became one of the key focus area's while a thorough review of the entire company was made at a strategic level.

4.1.3 Rationalising and revitalising the business

The Strategic Review had as primary aim, to identify where and how the company could be restructured to become more customer-centric, agile and more profitable. Enabling the business to react faster to changing requirements while doing so at a lower cost level.

Excess governance layers, procedures and structures were identified. Inefficiencies, superfluous systems, processes and functions were charted during this process.

The business will be restructured following several guiding principles. It is critical and necessary for SRLEV to standardise its key business processes as much as possible in order to improve its efficiency. We need to centralise those activities that will become more efficient with scale and the 'double' activities that can be done in a single place. Reducing the number of IT systems to the minimum required, allowing for faster changes and less costs. The implementation of this rationalisation is expected to take concrete form during the first half of 2016.

While the rationalisation is taking place, SRLEV will invest in new technologies to improve digital interaction across all brands, products and services, aimed at consumers and businesses as well as distribution partners and business partners.

Once the business has been reorganised, SRLEV and its brands will be able to put its focus on market growth, introducing new products and services for its flagship brands.

At the same time, SRLEV will focus on creating a culture which fosters the key values that will be required going forward: agility, customer centricity and lean thinking.

4.1.4 Growing the business

With the organisation lean and flexible, we will focus on growth. This will be done organically by improving brand strength and distribution power. Growth will also be pursued by taking an active role in the consolidation of the insurance sector.

4.2 Our business environment

4.2.1 Economic and social trends in the Netherlands

The Dutch economy is recovering and growing again. Continued growth within the Eurozone is expected for the coming year. A new fiscal package will put more money in the hands of consumers, and is thus expected to further stimulate growth driven by increased consumption.

At the same time, the economy is changing. The impact of the internet and changing consumer behavior resulted in the bankruptcy of several larger chains of retail business, while many others are struggling. We see a trend where consumers either choose for low cost and maximum ease of purchase or for more luxury items and a real shopping experience. The 'middle ground' of demand is suffering, with many store chains that were aimed at the 'average consumer' now struggling or disappearing.

The same trend can be seen in insurance, where people increasingly either choose the cheapest options and opt for the simplest and barest forms of insurance (a trend especially seen in the simple risk category), or choose to pay for service and 'all risk' type coverage.

The changing economy also impacts job growth. Even though the economy is growing in terms of GDP, unemployment is still relatively high. With the disappearing 'mass in the middle', corresponding jobs are also disappearing. Automation at the lower end of the spectrum, where low margins must be offset by volume and lean operations, replaces the more job intensive middle. At the higher end of the market the number of jobs is growing, but not fast enough and in enough volume to replace the jobs lost.

The ECB retains low interest rates for the foreseeable future due to the slow and still fragile recovery of the economy for the Eurozone as a whole. This will continue to pose problems for people trying to save and for the pension sector. Consumers react to low interest rates by saving more in order to have adequate buffers and to be able to meet debt payments.

With the changing economy, businesses are also hesitant to invest despite the low interest rates, because many old business models are proving to provide uncertain or disappointing returns. This will mean that the economy's growth is expected to remain fragile and hesitant for the coming years.

Individualisation continues to be a trend in which people are unwilling to share risks they themselves do not run or they perceive to be less prone to run. This is most visible in the health insurance business, but also in initiatives around car insurance, where premiums can be lowered if driving styles are deemed less risky.
The Internet of Things, allowing more intensive monitoring of both factual states of 'things' and the behaviour of the owners, is expected to further enable this trend, allowing for more individualised premiums to be calculated for a variety of insurance products.

The sharing economy is also expected to grow and expand further. Similar to initiatives for disability insurance, the so-called 'broodfondsen' (bread funds), we expect other types of insurance to also see exploratory trials of consumer or business collectives to effectively insure each other. For the foreseeable future, this remains a nascent business, but it is one where insurance companies could be sidelined in the long run. They also could adapt and show their expertise in risk assessment to help and facilitate these initiatives.

The realisation that the environment is not just a problem at arms' length, but something that impacts our everyday lives is gaining traction within the Dutch society. People are increasingly aware of the environmental impact of their own households, the things they buy and the companies they do business with. This means that environmentally responsible business is increasingly important. This also impacts our own way of doing business, both directly, as well as indirectly, through our investments and our business partners.

4.2.2 Technological developments

Technological developments continue to form a driving force behind many social and economic changes.

We are entering what some call the fourth industrial revolution. The Internet of Things, Robots, 3D Printing and the ever present link to the internet and all our things there colloquially known as ‘the cloud’. This combination of advancements change the way we do business, the way we communicate and even the fundamentals of our primary needs and requirements.

While these developments impact society and the economy, technology itself now also increasingly is seen as a source of risk. Cyber crime and cyber terrorism are no longer science fiction, but a part of our everyday lives.

As we spend more of our time connected, rely more on technology to do basic things for us, such as driving a car and put entire libraries of books, movies, songs and administration online, the damage that cybercrime can do to individual businesses and persons increases steadily.

This will give rise to new forms of insurance. Insurance against the damage done by identity theft, by digital burglary etc.

4.2.3 Market developments within the financial sector

Distribution

Digital distribution continues to increase in importance. As tooling and digital possibilities (comparison services, digital advice, real time chat) improve, more and more insurance products which were perceived to be complex and, therefore, in need of face to face advice can now be sold directly, with the needed information and online to consumers and small businesses.

In this area, the ‘middle ground’ is disappearing. On the one hand, many products and services are commoditised with customers seeking the lowest price and easiest (generally digital) form of purchase. On the other hand, there is an increase in complex financial needs, especially in the (mass) affluent customer segments, where personal advice is growing in importance.

This also applies to the growing number of self-employed and entrepreneurs, a segment where complex fiscal aspects and the need to organise your own social safety net will mean increased need for advice, especially in the more successful, affluent segments.

Life insurance market

The issues concerning the unit-linked policies still cast a shadow of distrust over the whole individual Life category of products. Furthermore, the individual Life insurance market continues to suffer from tightened tax laws with regard to mortgages.

The potential increase in individual added pension products due to cuts taken in the collective Life insurance market has been largely captured by banking-based solutions (‘banksparen’), although going forward, there remain opportunities.

The term Life insurance market remains strong and is expected to grow slowly while individual pension payout products are also expected to increase as collective pension products are transformed when they reach maturity (i.e. the pension date of the policy holder or beneficiary).

Pensions market

The pensions market has seen the introduction of the APF shortly after the launch of the Premium Pension

Institution (PPI). These constructions are expected to siphon off the more traditional pension products. All these products, however, put the risk in the hands of the insured, away from the insurers.

This means that the profit pools within this market will further shift away from return on risk, towards lower margins on fees for asset management and administration.

Due to the low interest rates and capital requirements, guarantee products are currently very expensive, but there remains to be an underlying demand for these products. Once capital markets return to a more normalised situation, these products may see increased demand.

Conclusion

The insurance market remains in flux due to changing economic realities and continued change in both legislation and customer behaviour. This means that SRLEV and its brands need to increase their flexibility and effectiveness while keeping their sights on the uncertain future. Receptiveness to the changes in trends and subsequent ability to adapt and innovate will be the success factors of the (near) future.

4.2.4 SWOT analysis

Strengths

Customer-centric strategy

SRLEV continues to pursue a customer-centric strategy with different brands aimed at different customer segments. Both Zwitserleven and Reaal are positioned clearly and appeal to different segments.

Zwitserleven will be targeting the increasingly complex needs of the more affluent segments of the Dutch society, while Reaal will be aimed at the mass market. With its ‘Zwitserleven feeling’, Zwitserleven is excellently positioned to take advantage of the increasingly individualised pensions and related wealth accumulation markets besides continuing to serve its corporate clients with collective pension products.

Reaal is also positioned very well with its ‘realism’ feeling, as befitting the increased realistic and rational approach towards risk protection among the larger population. In term Life, as well as, Disability, two sectors that will remain strong towards the future, Reaal has a profitable and large market share. With its online offering, Reaal is also growing a position in the direct, self-reliant customer segments.

Strong Capitalisation

The recent aquisition by Anbang and the capital injection into SRLEV and its subsidiaries has resulted in a stronger capitalisation for SRLEV to go forward in a positive manner.

Sustainable investments

ACTIAM remains our ‘engine’ specialised in sustainable investments. ACTIAM will increase its customer focus from only internal clients to leveraging their expertise to other market segments, including consumer investment products beside institutional clients and prospects.

Weaknesses

Complexity

SRLEV and its brands have experienced a series of acquisitions, followed by first nationalisation and disentanglement from SNS REAAL. This has resulted in a fragmented and complex organisation, both in terms of governance, operations and IT landscape with accompanying cost levels and long time to market.

Therefore, the top priority of SRLEV is to decrease the complexity of the company across all levels. This is necessary to become a flexible organisation, in terms of operations and IT systems, that is able to quickly respond to changing needs of our customers.

Opportunities

Digitisation

SRLEV and her brands have long maintained a traditional distribution model with heavy reliance on intermediaries and face to face contact. The current state of technology allows us to digitise many elements of this process. Service, both to distribution partners as well as consumers, can be increased, accuracy and speed improved, while at the same time decreasing cost levels. With the knowledge offered by our new parent company Anbang, SRLEV is accelerating her investments in state of the art IT and intends to leapfrog our competitors.

Increased self-reliance

With the dismantling of the traditional welfare state, more and more risks and responsibilities have to be taken up by consumers. Some of these risks will have to be insured as they are too great to be borne by individuals. This process is accelerated by the trend of increased self employment where the traditional employer transfers certain risks and responsibilities to the individual. This will especially impact the markets for disability insurance, pensions and term life products. We therefore expect these markets to expand.

Cyber risk
The increased automation of processes, robotisation, and the increased use of 'the cloud' and other online activity by both consumers and companies is leading to a new risk category, so called 'cyber risk'. Steps to provide insurance for these risks are being taken, but are still in its infancy. Over time, this has the potential to become a complete new branch of insurance.

Threats

Market and economic circumstances
The market circumstances remain difficult, with low interest rates and increased longevity forming threats to the profitability of the (collective) pension business, while the changes in consumer behaviour and technology continue to put pressure on the profitability of the Non-life markets.

The fragile economic recovery and still relatively high unemployment makes consumers critical towards what to insure and claim.

4.3 Corporate Responsibility (CR)

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. The CR policy framework, established in 2014 with the aim to streamline our activities in this area, was worked out in more detail and implemented in the organisation in 2015.

4.3.1 CR policy

Our CR policy guides the behaviour of SRLEV employees and how 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 2: Conceptual framework for Corporate Responsibility

Our CR activities are aligned and integrated with the mission and core strategy of the company and organised along 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.

Figure 3: 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. Additionally, 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.

4.3.2 Value creation

The essence of our operations and brands is the creation of value for our stakeholders and society at large. In 2015, we have reassessed and visualised the value creation process (figure 4) of VIVAT (and therefore SRLEV). 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 also incorporates the larger context in which we operate in the form of external developments and trends and the impact thereof on SRLEV's customers.

The supply chain forms the basis of the value creation model:

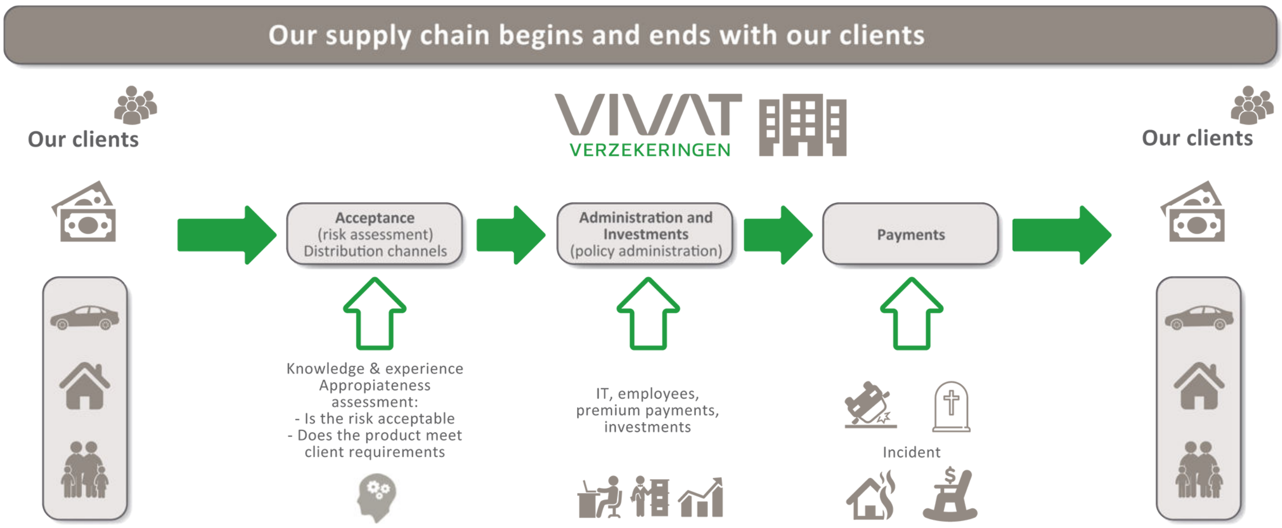

Figure 4: Value creation process of VIVAT (and therefore SRLEV)

SRLEV offers financial services, 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). 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 two core activities: Insurance (including Pension Insurance) and Asset Management.

SRLEV 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 the middle column of the value creation model (figure 5) 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.

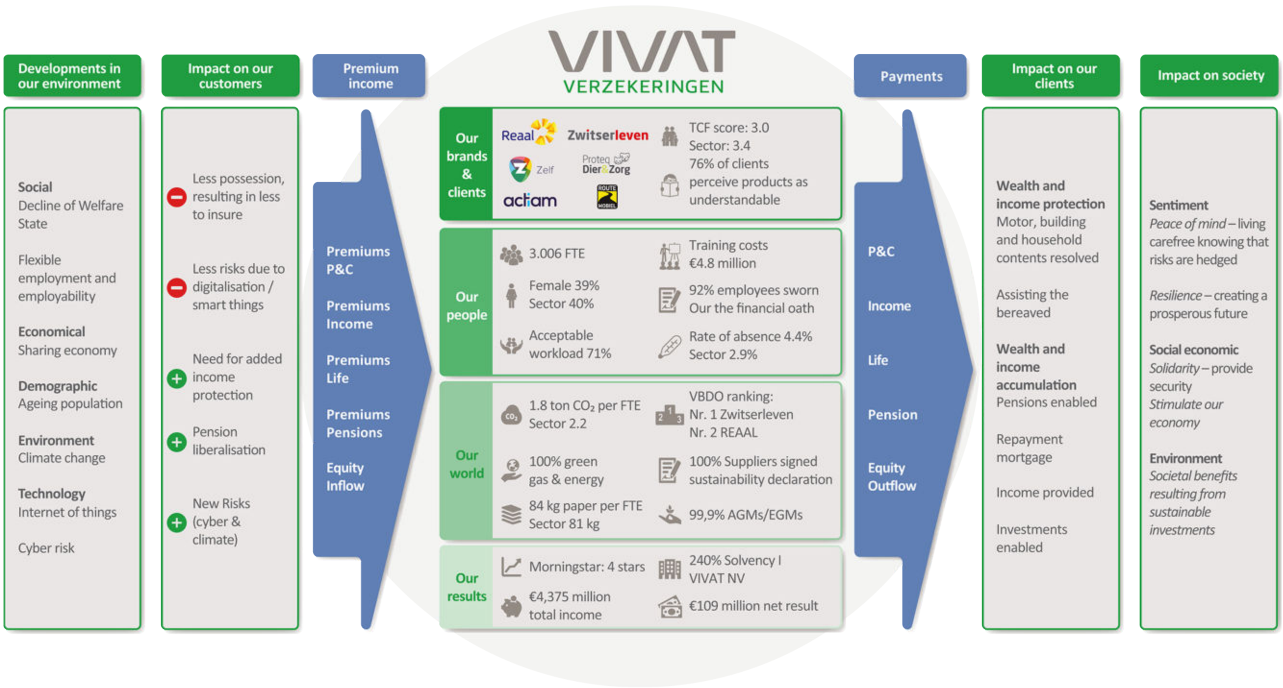

Figure 5: Value creation model for VIVAT as a whole

4.3.3 Restoration of trust

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

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

Treating Customers Fairly (TCF)

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

TCF scores of SRLEV

In anticipation of the introduction of a new, comprehensive monitor, the SRLEV brands have decided to publish their TCF scores. On a scale of 1 (low) to 5 (high), our brands have a joint overall score of 3.0, compared to a market average of 3.4. In 4 out of 7 categories our score is the same or higher than the market score. This score reflects our efforts to treat customers fairly.

TCF scores obtained in subcategories

(Sub)categories	VIVAT score	Average market score
Late payments with mortgages	1.6	2.2
Claims processing	3.6	3.4
Aftercare investment linked policies	1	2.6
Customer contact insurers	4	3.8
Complaints management	4	4.2
Digital Pension communication	3.4	3.4
Expiring live annuity	3.5	3.2
Total score	3	3.4

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

Unit-linked policies

SRLEV and Reaal are working hard to fulfill the obligations stemming from unit-linked products.

Compensation for excessive fees charged for unit-linked policies

SRLEV reduced the percentage fees charged for unit-linked policies to a level that is acceptable to all parties. In 2009 and 2010, agreements to this effect were reached with consumer organisations such as the Dutch Homeowners' Association and the Dutch Investors' Association. SRLEV has fulfilled its obligations in connection with the resulting compensation scheme, and paid € 360 million in compensation to customers. In addition, complementary measures have been agreed in consultation with the Dutch Minister of Finance that will enable all customers with a unit-linked policy to make changes to their policy or switch to another provider.

Encouraging customers to act

SRLEV encourages customers with non-accruing policies to assess their policy.[1]

Non-accruing policies are a group of unit-linked policies that are covered by the compensation scheme. To invite customers to assess their policy, we contact them, directly or through their intermediairies, to offer them an alternative. SRLEV has sent out many hundreds of thousands of letters and e-mails since the start of 2013, and a dedicated team trained in contacting customers by telephone made many phone calls. This adds up to more than two million attempts to reach customers with unit-linked policies (including non-accruing policies).

Furthermore, Reaal joined forces with advisers in setting up the 'Resolving it together' programme. Verzekeringscheck, an online tool for checking insurances, is available on Reaal's website and is used frequently: by the end of 2015 it had been accessed more than 200,000 times by over 24,000 customers with a non-accruing policy. All these efforts are aimed at encouraging customers to talk to their advisers so that they can make a well-informed decision.

During the course of 2015, SRLEV continued its efforts to activate customers. Intermediaries were stimulated to keep offering their customer base a free policy check, and we have covered the costs for 10,000 consultations with financial advisers, which are available to our customers with a non-accruing policy. A total of 6,712 of such consultations have already taken place. Furthermore, we have initiated home visits by financial advisers to reach customers who don't seem to respond to phone calls or letters. Nearly 2,300 customers have already been visited.

Our targeted and accurate approach is effective, looking at the results. In 2016, we have continued our efforts, our target was to have a 100% of our customers with a non-accruing policy make a conscious choice by 15 February 2016, in line with instructions from the AFM. We have achieved this percentage in time.

4.4 Our brands

4.4.1 Zwitserleven

Simplicity for later

Zwitserleven, SRLEV's pension brand that manages the combined pension capital of 844,000 people, takes its responsibility towards the financial futures of its customers seriously. Zwitserleven believes that every person in the Netherlands should be able to enjoy the secure 'Zwitserleven Feeling' and that everyone should be given the chance to shape their own financial future. Customers of Zwitserleven include directors, major shareholders, small, medium and large businesses, their employees and other individuals. For each of these customer groups, Zwitserleven has a pension product to match.

Zwitserleven connects and helps people; not only from a moral or ethical point of view, but also as a way of doing things. To this end, Zwitserleven strives for financial health, sets realistic objectives and takes the interests of customers, employees and other stakeholders into consideration.

Sustainability plays an important role in Zwitserleven's investment decisions and business is conducted with respect for human life and the environment and on a basis of open continuous dialogue. Zwitserleven is proud to have been ranked as most sustainable insurance company for four years in a row. The brand does what it is good at: transforming expertise and experience into products that anyone can understand.

1 *The AFM defines non-accruing policies as 'unit-linked policies that are not expected to result in capital accumulation based on the future premiums to be paid'.*

‘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 the Zwitserleven Feeling at a later stage, Zwitserleven ensures they are well informed.

Zwitserleven's objectives for 2015

Zwitserleven believes it has a duty to help people understand their pension and the consequences of changes in legislation and regulations. In line with this belief, one of the objectives for 2015 was to enhance the information portals for customers and advisers.

Another objective was to streamline the product offering to meet customers' needs more closely with simple and comprehensible products. This also involved making products less vulnerable to market developments, such as the continuously low interest rates and the longevity risk.

Pension products are distributed via a network of advisers, consultants, accountants, our own Zwitserleven Pension Service (ZPS) and directly to consumers via the internet. Good partnerships with external advisers are and will continue to be essential for achieving the ambitions for the coming years. Zwitserleven set itself the objective to restore its position of preferred supplier among external advisers by means of targeted campaigns.

Last but not least, Zwitserleven also planned to simplify its internal organisation in order to reduce costs.

Consumer understanding

The Pension Clarification tool was optimised in 2015. This tool – which is accessible to everyone – enables consumers to see what their financial future looks like and what they can do to improve their situation, for example by saving extra money. Furthermore, simple animations relating to various recent developments concerning pensions were placed on the Zwitserleven website.

In 2015, Zwitserleven introduced Life Moments: everyone who has questions about their pension is welcome in the Amstelveen office for an informative personal conversation with one of the Zwitserleven professionals. The sessions are strictly informative; the main goal is to increase knowledge about pensions among the general public.

Understandable products

	2015	2014
Percentage of customer that perceive products as understandable	72%	no data

Changes in the product offering

In view of changing circumstances, Zwitserleven started to adapt its product offering in 2014. This process was continued in 2015 in the form of simplification and rationalisation of the product line.

The savings product Zwitserleven Sparen, which was introduced in 2015, was a success. Another new product was the Zwitserleven term life insurance. Zwitserleven Sparen and Zwitserleven term life insurance are part of the individual insurance products that offer customers the opportunity to shape their own financial future.

Zwitserleven’s top-ranking collective pension products are very successful. Zwitserleven Exclusive Pension (ZEP) was awarded five out of five stars by MoneyView, a company that collects information on and evaluates financial products. NU Pensioen – the Zwitserleven PPI product – was awarded four stars. MoneyView is an independent organisation, whose product comparisons are used by financial advisers when advising their clients.

Improving collaboration with advisers

In 2015, Zwitserleven worked hard to improve its relationship and communication with advisers. The proposal portals which were opened in 2014 exclusively for advisers, were expanded and improved during 2015. Furthermore, an advisory board for advisers was introduced. This board convenes several times a year to discuss product and company related issues.

The annual Pension Event for financial advisors, employers and other stakeholders was very successful. Guests were informed about important changes in pensions and the consequences of market developments. The Pension Event provides a good opportunity for Zwitserleven to maintain its relationship and engage in dialogue with advisers, employers and other stakeholders.

Most sustainable insurer

Zwitserleven is proud that it was again selected by the Dutch Association of Investors for Sustainable Development (VBDO) as the most sustainable pension insurer. The care-free Zwitserleven Feeling is closely linked to making this a better and more beautiful world. Zwitserleven aims to contribute to this goal by means of its Corporate Responsibility Policy Framework and, in particular, its responsible investment policy. After all: people not only want to have enough money to retire comfortably, they also want to enjoy their retirement in and contribute to a better world.

VBDO score and image value

	2015	2014
Most sustainable pension insurer according to VBDO	1st place	1st place

Customer satisfaction

Zwitserleven worked hard to improve customer satisfaction. The long term goal is a positive NPS. To achieve this, changes were made to the client contact registration system. The complaints procedure was also improved, to ensure that complaints are followed up adequately. In 2015, we noted a limited decrease in the number of complaints registered.

Complaints received

	2015	2014
Number of complaints received	1,462	1,563

A restructuring of the Service Centre was initiated to enhance customer service. Zwitserleven monitors this restructuring process closely, to ensure that improvements are followed up as quickly as possible. The brand managed to reduce administrative backlogs resulting from the high impact of changing legislation and regulations on the back office. Zwitserleven's next goal is to improve the predictability of its service.

Customer satisfaction

	2015	2014
Net Promoter Score[1]	-38%	-43%
Customer satisfaction score	7.0	6.9
Brand is well accessible	96%	no data

1 To calculate the Net Promotor Score, customers are asked one simple question: "How likely is it that you would recommend us to a friend or colleague?" Answers are assigned a score from zero to ten, with ten being the most positive. Customers are divided into three categories: Promoters, Passives and Detractors. Promoters (score: 9-10) are the most loyal, Passives (score: 7-8) are satisfied, yet unenthusiastic, and Detractors (score: 0-6) are unhappy. The Net Promoter Score is calculated by subtracting the percentage of Detractors from the percentage of Promoters. This can result in both positive as well as negative percentage scores.

Simpler and more effective

The motto 'Simplicity for the future' used by Zwitserleven in its customer-facing communications, also applies to the internal organisation. The focal point is to simplify, reduce and enhance the effectiveness of work processes. The shared back office, where all processes from proposals to signing off the policies are performed electronically, proves to be essential to achieve structural cost-savings. Zwitserleven expects that, in due time, its costs per customer will be lower than its competitors' costs. In 2015, the accounting system Lifetime for unit-linked pension plans was further enhanced. Customers appreciate the new system because of its speed and reliability. More than 5,500 contracts with 80,000 pension plan members have now been entered into the Lifetime system.

Transparant and clear communication

	2015	2014
Percentage of customers who think communication is transparant and clear	67%	no data

Plans for the years ahead

Zwitserleven faces several strategic challenges that include adapting its business model to the challenges posed by the persistently low interest rate, moving away from full guarantees (initiated in 2014) and benefitting from the trend of further individualisation.

Zwitserleven's vision is to add value and meet customers' needs by offering innovative guarantee solutions in addition to defined contribution products, meeting at least the industry average on service and cost levels. By making use of SRLEV's extensive capabilities, Zwitserleven aims to evolve from a strictly second pillar pension offering to a broader ‘income for later’ proposition in line with the Zwitserleven brand and image.

4.4.2 Reaal

Financial resilience

The Reaal brand offers individual Life insurance, Property & Casualty (P&C) insurance and disability insurance. Reaal aims to improve the financial resilience of customers, by helping them to make conscious choices about their financial situation. Reaal applies a positive approach, as set out in the brand manifest ‘Financial Resilience’. The brand does not emphasise the possible fear of suffering a loss, but rather the peace of mind and freedom that insurance products offer.

The role that insurers play has changed. In a time in which the government moves away from collective arrangements and people are increasingly responsible for how they manage their own financial futures, customers need a clear-cut approach and assistance. Reaal aims to meet this need. The focus lies on individual consumers in the Netherlands as well as small and medium-sized businesses, which Reaal serves direct or via its network of advisers and directly through the internet.

Reaal's objectives for 2015

Reaal focuses on growth opportunities in the Life market, in particular term life. Better prospects are to be found in insurance of income. Reaal aims to obtain a top position in the disability market.

Omni-channel products enable customers to take control of their own affairs via the website or via the Reaal contact centre, by calling in an adviser or a combination of these. The preferences of the customer are the key focus. In 2015, Reaal wanted to put more effort in direct sales of P&C products, as well as enabling term life in the direct channel.

Reaal is working towards building a strong position in the insurance market. With the brand theme of ‘Live your Life’, the brand aims to set itself apart from its competitors within its target segments. This is to be reflected in brand awareness and brand preference.

What has Reaal achieved in 2015?

Term life Market share in term life products (new production) was 16.5% in 2015. Direct sales (online and call) was implemented as part of Reaal’s omni-channel strategy throughout the year.
Reaal launched campaigns for a new term life tarif in September and in October 2015 with attractive pricing for the target 40+ age group. With these campaigns, Reaal focusses alternately on various segments in the target group, starting with chronically ill persons. Unique Selling Points for this product line are swift and digital quotes and acceptance, and a high acceptance rate. The results are promising, targets for 2015 were met. Reaal no longer sells Funeral products.

Brand awareness

A cross-channel media campaign with the theme of 'Live your Life’ shows a significant increase in spontaneous brand recognition from 15% to 22%, as well as in website visits.

Social media

Social media are structurally integrated in brand, retention and sales campaigns. After the (re)launch of the new WeCare-team, the social buzz on Reaal was swiftly changing from neutral to positive. Reaal is now ranked number 10 in the top Dutch social media insurers by ITDS in 2015 (46 in 2014).

Partnerships with start-ups

In 2015, Reaal started exclusive partnerships with a number of innovative startups like iLost, PickThis Up and AfterNote. This pooling of different companies should create helpful synergy effects. Reaal does not only work together commercially, but also allows start-up companies to use vacant office space.

Customer satisfaction

Our customer satisfaction scores and Net Promotor Score remained stable in 2015. For the financial sector as a whole, the trend is one of low customer satisfaction scores and NPS. Obviously we are dissatisfied with our negative NPS and we want to improve our score substantially.

Net Promoter Score and Customer satisfaction score

	2015	2014
Net Promoter Score	-47%	-48%
Customer satisfaction score	6.9	6.8

Unit-linked policies
For details on what Reaal did in 2015 to resolve the matter of unit-linked policies, reference is made to Section 4.3.3 Restoration of trust.

Transparent and clear communications
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 73% of our customers we are succeeding in this area. There is still a significant number of customers who require clearer, more transparent communications.

Transparant and clear communication

	2015	2014
Percentage of customers who think communication is transparant and clear	73%	69%
Percentage of customers that perceive products as understandable	79%	no data

Omni-channel and well-considered choice

	2015	2014
Number of omni-channel products	8	6
Percentage of customers that say they have made a well-considered choice	60%	61%

First contact resolution-rate

	2015	2014
First Contact Resolution-rate	83%	73%

Plans for the years ahead
By year-end 2015, SRLEV and parent company Anbang, developed an innovative mobile app for Reaal customers together, based on a concept that has already proven successful in China. The app enables smartphone users to purchase insurance products with just a few clicks, and provides them with useful information and direct service. The product, which is fully in line with Reaal's aim to further expand direct distribution, will be introduced to the market early 2016.

4.5 Our people

SRLEV is run by and for people. The dedication of our employees is essential to building long-term relationships with our customers.

The acquisition of VIVAT NV by Anbang on 26 July 2015 marked the end of a period of uncertainty about our future prospects. However, much work still needs to be done to improve the position of the company.

Workforce
At 31 December 2015, SRLEV employed 2.310 FTE's: 504 at the business unit Reaal, 526 at Zwitserleven and IT & Staff 1,280.

Key figures HR

	2015	2014
Number of FTEs	2,310	2,011
Ratio male-female	61% / 39%	58% / 42%
Female managers	24%	24%
Female members of senior management	20%	26%
Average length of service	8 years	12 years
Average age	43 years	43 years
Full-time/part-time ratio	71% / 29%	74% / 26%
Ratio permanent/temporary contract	93% / 7%	93% / 7%
Training costs	€ 4.8 million	€ 4.0 million
Sickness absence	4.4%	4.4%
Employees with health check	32%	42%
Employees who indicate the workload is acceptable	71%	65%
Percentage of employees that have sworn the bankers oath	92%	no data

4.5.1 Sustainable employability
In 2015, much attention was devoted to human resource aspects of corporate responsibility. With

respect to our people, one of the pillars of the corporate responsibility framework, emphasis was placed on sustainable employability and sustainable labour conditions. At SRLEV, promoting sustainable employability includes encouraging vitality and personal development, and facilitating work mobility.

Vitality
To ensure the health of its employees and keep absences due to illness to a minimum, SRLEV works together with the company doctors and counsellors of the occupational health and safety service Beter.The absence due to illness figure shows that we are on track.

Personal development
Providing excellent customer service requires motivated and well-trained employees who are able to help customers in a correct and professional manner. Employees are encouraged to develop and grow. Managers and employees agree long-term performance targets for personal development and career progression. Employees have access to a learning portal that includes a range of training courses as well as development tools, including 360 degree feedback, and a network of coaches.

For managers, a profile has been created based on the 'Management is a profession' programme. This profile includes a set of competencies, such as staff development, personal leadership, focus on results and focus on customers.

Training & Education
Employee development is a key driver for sustainable employability. At an individual level, planning interviews are conducted with all employees, during which they can specify their development needs and agreements are made with respect to specific training and education.

At the corporate level , development programmes, such as Management Development, Specialist Development and Talent Development, were reintroduced.

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

SRLEV's learning portal includes a number of digital training modules that every employee must complete. These include:

- 'Common Sense, Common Knowledge' about the internal rules of conduct;
- In-house emergency response;
- Training for new employees (an understanding of the business and its rules of conduct);

In 2016, new modules will be added on topics such as what to do if a notebook computer is lost and rules of conduct for working from home outside regular office hours.

Employment mobility
To stimulate employee mobility, SRLEV has introduced Career Plaza. The aim of Career Plaza is to support employees in their development. Tools provided include drop-in sessions and instruments that can help employees with the development of their careers, both inside our outside our organisation.

New Working Practices
As early as 2009, SRLEV introduced New Working Practices, our standard for working and collaboration. This means that results are more important than how, when and where work is carried out. Within specified limits, employees are free to decide at what time and location they can achieve the best results, using the technical tools they deem necessary. More than two-thirds of our employees choose to implement the flexible Alternative Working Practices by working from home between one to, at most, three days a week. The New Working Practices not only enable our employees to create a good balance between their work and their private life, they also reduce commuter traffic. Consequently, our carbon emissions have declined steadily over the past several years.

4.5.2 Durable 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. Various aspects of the pension plan were changed in 2014 and 2015. The retirement age was raised from 62 to 67 years and the accrual rate for retirement pension was reduced from 2.15% to 1.875% per 1 January 2015, in accordance with amendments to the legislation (Witteveen framework).

Diversity and inclusivity

To ensure that our customers are treated conform their needs, we aim for a workforce that reflects the composition of our 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.

In 2014, we joined 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 2015, the Executive Board of SRLEV consisted of one woman and four men. At business unit level, the Zwitserleven management team consists of one woman and five men and the Reaal management team of three women and three men. The senior management of SRLEV included ten women or 20.8% (2014: 26.3%).

Employee participation

The acquisition by Anbang was the main item on the employee participation agenda in 2015. The changes in the senior management and control structures also affected the organisation of employee participation. In 2015, the Central Works Council (CWC) continued to be responsible at group level for handling requests for formal opinion on the employment relationship with SRLEV concerning all employees.

4.6 Our world

4.6.1 Reducing CO_2 emissions

One of the priorities of the 'Sustainable World' programme in our Corporate Responsibility framework is reducing our CO_2 emissions. Although we, as a financial services provider, have lower emissions than those seen in other sectors, we still feel a need to set ambitions targets in this area.

The targets we have set for ourselves are:
- An annual reduction in energy consumption of at least 3%;
- Starting in 2015, the owner, occupant and suppliers choose only sustainable and energy-efficient materials for building management purposes;
- By 2016 our buildings, operations and management will be fully climate-neutral, with CO_2 emissions being cut annually by at least 8% compared to SRLEV's total emissions in 2012;
- 100% of energy will be generated from renewable sources in 2015.

By consuming less energy we will also cut CO_2 emissions and save on raw materials. We are committing to our energy efficiency targets, which are monitored by the government.

Besides purchasing green energy directly from the source (Dutch wind and Dutch biogas), we offset our remaining CO_2 emissions from our internal business operations and mobility by purchasing credits that are at least Gold Standard (GS). The block of credits for 2015 was made even more sustainable by opting for a more Fairtrade GS variant in South Africa and India in addition to the standard GS cookstoves in Ghana. In this way, we are helping to create a world that is more sustainable in socio-economic terms too. For 2015, we opted for a 50:50 split between the Ghana project and the Fairtrade credits. The funds used to purchase these credits are invested in efficient ways of using basic raw materials, reducing CO_2 emissions in the countries in question, among other things. The projects meet the Gold Standard, which is the highest quality mark for CO_2 credits. SRLEV also provided support for a start-up project related to the roll-out of the most efficient cookstove available today 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.

Moreover, SRLEV has obtained ISO 9001 and 14001 certification for its own internal operations. This means that the quality and environmental management system we have established in order to mitigate environmental risks and continuously improve our environmental performance has been verified by an external party.

To provide a further guarantee of the sustainability of our buildings, we decided to obtain BREEAM certification. BREEAM is an environmental assessment method used to determine the sustainability performance of buildings. Our premises in Amstelveen have been assessed by BREEAM as 'very good' for Building and Management and 'good' for Use, while our premises in Alkmaar (Wognumsebuurt) have been assessed as 'very good' for Management and good' for Building and Use.

Energy consumption of offices

in gigajoules	2015	2014
Energy consumption kWh per FTE	1,833	2,148
Energy consumption kWh per m²	113	132

Share of green energy offices

% of total	2015	2014
% Green electricity	100%	100%
% Green 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.).

It is apparent from our CO_2 footprint that our scope 3 emissions in particular still account for a substantial share. Commuting by car is still the main cause of CO_2 emissions for our business. In 2015, we took a number of measures to promote sustainable mobility. We tightened up our parking policy, adjusted the number of leased cars we provide and encouraged the use of public transport by providing our employees with NS Business Cards for travel by train. In addition, the CO_2 standard for leased cars was reduced from 135 grams to 125 grams per kilometer.

Carbon emissions (tonnes)

	2015	2014
Business travel and commuting	5,086	5,416
Operations	168	311
Net emisions	5,254	5,727
Gross emissions	8,315	9,327

4.6.2 Paper

SRLEV made great efforts to reduce paper consumption in 2015. For VIVAT as a whole the result was a reduction of almost 40% in the amount of paper consumed, from 421 tonnes in 2014 to just 226 tonnes in 2015. A number of processes were digitised, and less paper was used for commercial purposes. We will maintain our aim of reducing paper consumption significantly by digitising our processes in 2016. As part of this, physical output should be reduced by 5% by the end of 2016.

Paper consumption

	2015	2014
Paper consumption in tonnes	226	421
Paper consumption in kg/FTE	84	149

4.6.3 Waste

As a large organisation we generate a substantial volume of waste. In an effort to take responsibility for this aspect of our operations, we aim to reduce the volume of waste, sort waste into different types for separate collection and arrange for sustainable waste processing.

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

Waste per FTE fell 28% in 2015, which is a major achievement. That said, the proportion of residual waste (34.9%) was still on the high side. The reason for this was the reduction in the total volume of waste, which altered the ratios between the different types of waste.

The reduction in the total volume of waste was due in part to increased awareness among SRLEV employees and among suppliers.

One way to determine the extent to which suppliers have used less packaging material and taken such material away is to look at the volume of waste plastic and paper/cardboard. In 2015, the volume of waste paper/cardboard fell by 37%.

The proportion of the total volume of waste that was processed into raw materials or sources of green energy stood at 78%, which was slightly up on 2014 (76%).

For 2016, we have decided to revise the targets for waste to reflect the CO_2 targets, specifically a 5% reduction compared with 2015. This is because our primary goal is to reduce the total volume of waste, whereas separating waste into different types is a secondary goal. Both of these goals are designed to help support a circular economy and hence reduce demand for raw materials.

Waste

in kg/FTE	2015	2014
Residual waste	29	45
Organic waste	13	12
Industrial waste	1	1
Paper and cardboard waste	34	53
Plastics	7	7

4.6.4 Sustainable purchasing

Many of the improvements we can make in the context of CR can be achieved through close cooperation with our suppliers. This means that we must challenge them to make responsible choices in their own business operations and at the same time help us to achieve our CR objectives.

To guarantee this we have drawn up a sustainability declaration to be signed by suppliers. This contains provisions about respecting the principles of the International Labour Organisation (ILO), having or implementing an environmental management system and operating a social sponsoring policy. By signing the sustainability declaration, the supplier confirms that these provisions also apply to its own suppliers (and any subcontractors). Our aim is to conduct audits of our suppliers. The purpose of these audits will be to check whether the agreements in the sustainability declaration are actually being performed.

We have set the following objectives for sustainable purchasing:

- All suppliers which provide SRLEV with goods or services worth € 500,000 or more on an annual base should sign our sustainability declaration or submit their own sustainability declaration which has been seen and accepted by us;
- The suppliers should make an active contribution to achieving the annual CO_2 reduction of at least 3%;
- The general purchasing conditions should have been modified so that suppliers can impose the provisions of the sustainability declaration on their own suppliers.

We check whether our main suppliers have signed a sustainability declaration. Just as in 2014, all major suppliers have done this.

Sustainable procurement

	2015	2014
Significant suppliers that have signed our sustainability declaration	100%	100%

5 Risk and capital management

5.1 Introduction

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

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

5.2 Risk management system

5.2.1 General

SRLEV has to operate in challenging circumstances. In 2015, the solvency ratio improved significantly after the capital injection of Anbang, but in the current economic environment with long lasting low interest levels combined with decreasing and competitive markets SRLEV is evaluating its business model to keep a satisfying long-term solvency ratio.

Risk taking is an integral part of doing insurance business and demands a consistent and transparent assessment of opportunities and risks, aimed at continuity of the company. The governance structure of SRLEV ensures that risk management is inseparably linked in the process that leads to management decisions. Scenarios and proposals are assessed on optimizing returns in relation to their corresponding risks.

The Executive Board (EB) of VIVAT has set guidelines in the areas of strategy, culture and risk governance in order to enable this assessment to be performed properly and efficiently. These guidelines apply to the entire organisation. VIVAT 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 VIVAT risk management system contributes to the controlled, effective achievement of the strategic objectives. It relates the 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 VIVAT recognises that transparency on risks is a vital element in effective risk management. The EB and the Insurer's Risk Committee (IRC), which is responsible for setting the risk management system, ensure that the desired culture and level of risk awareness are translated into identifiable aspects, such as desirable behaviour, the details of the risk appetite or criteria for the evaluation of employees.

The established Integrated Control Framework (ICF) provides the basis for the structure of the internal control system on process management within SRLEV. The management of the business units is responsible for day-to-day operations within this framework and prepares operational plans on a yearly basis. These plans are subject to the approval of the management of SRLEV.

SRLEV has set up a procedure in which is defined how and to which extent the management of SRLEV and the corporate staff assess and control, on a semi-annual basis, essential risks. This relates in particular to the discussions between the management levels on the risks in the business operations and the measures taken to address such risks. The periodic internal control statements form key input for this procedure. These statements are based on the results of the assessments on the design, implementation and operation of policy and control measures.

5.2.2 Overview

The Executive Board of VIVAT is responsible for an effective risk management system. The VIVAT risk management system is an interacting process of risk culture, governance and behaviour, a risk management process cycle and the Integrated Control Framework (ICF).

In Risk culture, governance and behaviour are covered the mission and vision, the risk culture, risk appetite, governance and organisation, risk policy and risk classification. To ensure an integrated approach all departments use the same risk classification, all operations are covered by the risk appetite and are aligned by a policy structure.

The risk management process consists of a control cycle of risk identification-measurement-mitigation and continuous monitoring and reporting. The risk management process is supported by the ICF, built up from several components that together form the basis for sound and controlled business operations and hence for visibly being in control of VIVAT, including SRLEV.

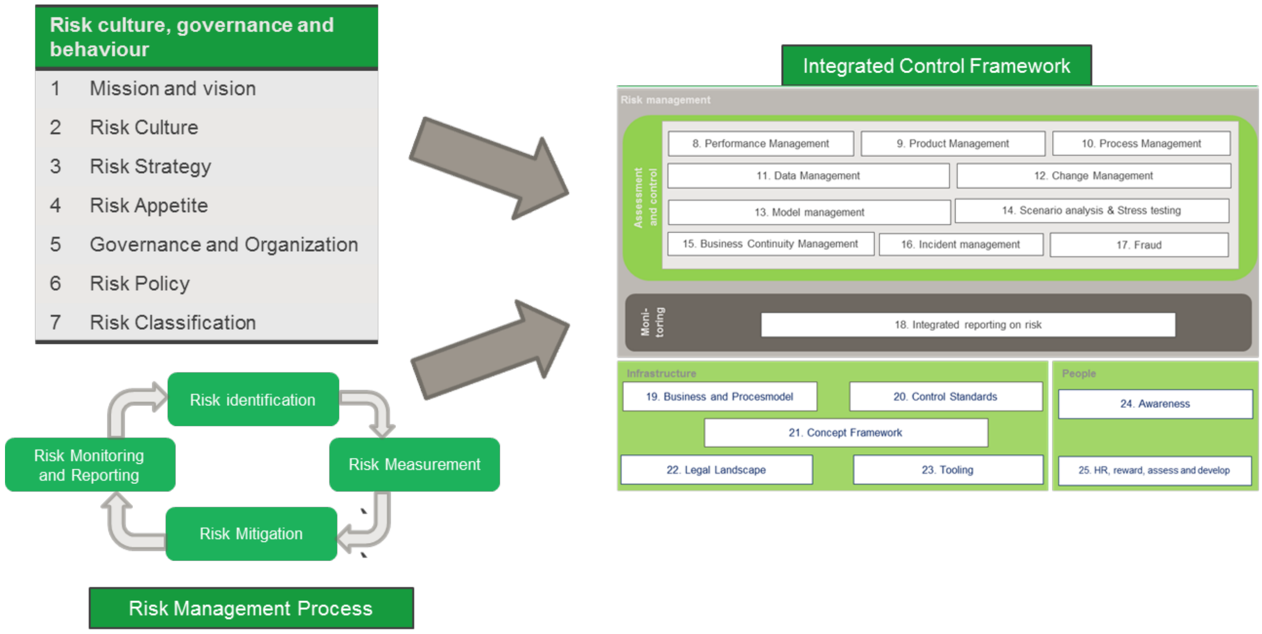

Figure 6: Integrated Control Framework SRLEV

The Own Risk and Solvency Assessment (ORSA, see Section 5.9.6) is incorporated in the VIVAT Risk Management System and is performed annually.

5.3 Risk management system components

5.3.1 Integrated Control Framework

Management uses the Integrated Control Framework (ICF) to direct and manage the control and integrity of its business processes, within the policies of strategic objectives and risk attitude, based on an understanding and overview of the control of risks. Management furthermore aims at the ICF helping to promote risk awareness among all employees, in part by encouraging interaction between value chains.

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. The ICF applies at all levels within the organisation. In this context, SRLEV uses a system of clear roles and responsibilities. The ICF encompasses frameworks, management processes and infrastructure, acting as one single navigator for all three lines of defence in their responsibilities towards risk and control. SRLEV strives for sound and controlled operations and with ICF SRLEV is able to measure the level of maturity, enabling management to take action accordingly.

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

Altogether this gives guidance to an adequate risk culture and enables management to give Internal Control Statements.

Developments ICF 2015
During 2015, SRLEV finalized a broad assessment of the maturity level in terms of policies, processes and the implementation of risk mitigating measures. Actions plans have been drawn up, assigned to both business units and group level. Execution of the plans is currently ongoing. VIVAT has made progress in reaching its ambition level in ICF, but further steps are still to be made. The ICF program plays a key role in monitoring the action plans and eventually creating a solid foundation for an increased maturity level of control and the ongoing professionalization of demonstrable, effective risk management throughout the organization. Also the VIVAT programs Solvency II implementation, data quality and culture are important for reaching the ambition level in ICF.

5.3.2 Mission and vision, risk culture and strategy

Mission and vision SRLEV
The Vision of SRLEV (see Section 4.1.1) to be a smart and sophisticated financial service provider results in a three pillar Mission, focusing on customer centricity, lean thinking and agility. From this starting point, the risk management strategy should contribute to a long-term sustainable growth of SRLEV, for the benefit of all its stakeholders.

Risk Culture
Culture and conduct play a vital role 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 desirable conduct, i.e. how employees hold each other accountable for their conduct and how they can escalate matters if necessary.

SRLEV realizes that the tone at the top is defining for the risk culture, which makes communication and exemplary behaviour determinant. VIVAT 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. The remuneration policy of VIVAT, including SRLEV, discourages taking undesired and irresponsible risks focused on short-term profit and personal gain.

Risk Strategy
The risk management strategy is expressed in the risk appetite, i.e. the extent to which SRLEV is prepared to accept risks in pursuit of its objectives. 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.

A robust and strong capital position contributes to both the confidence that clients have in VIVAT and access to financial markets. The core activity of insurance implicitly requires VIVAT to take its role in society seriously, Corporate Responsibility (CR) forms an integral part of the strategy and business operations. VIVAT wishes to offer competitively priced products in efficient business processes. One of the ways in which this is done is by using a central back office.

SRLEV continues to pursue a customer-centric strategy, with both Zwitserleven and Reaal positioned clearly and appealing to different segments. The focus on these flagship brands allow for a more agile and lean operation bringing costs to a lower required level.

Risk management is an integral part of the organizational processes of SRLEV and part of decision-making, which is in line with the risk policy and Risk Appetite of SRLEV. The business strategy always entails a certain degree of risk, owing to the influence of internal and external factors. The extent to which SRLEV is able to absorb losses resulting from the classified financial and non-financial risks by using SRLEVs financial buffers determines the parameters of the risk appetite.

Therefore, business strategy and business operations should always be aligned with the assessed risks in conjunction with the capacity to bear those risks. The interplay between strategy, risk taking, risk capacity and risk appetite is expressed and further detailed in the risk appetite framework.

5.3.3 Risk appetite

The risk appetite, as an integrated part of overall business operations, is determined at least once a year. The risk appetite 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.

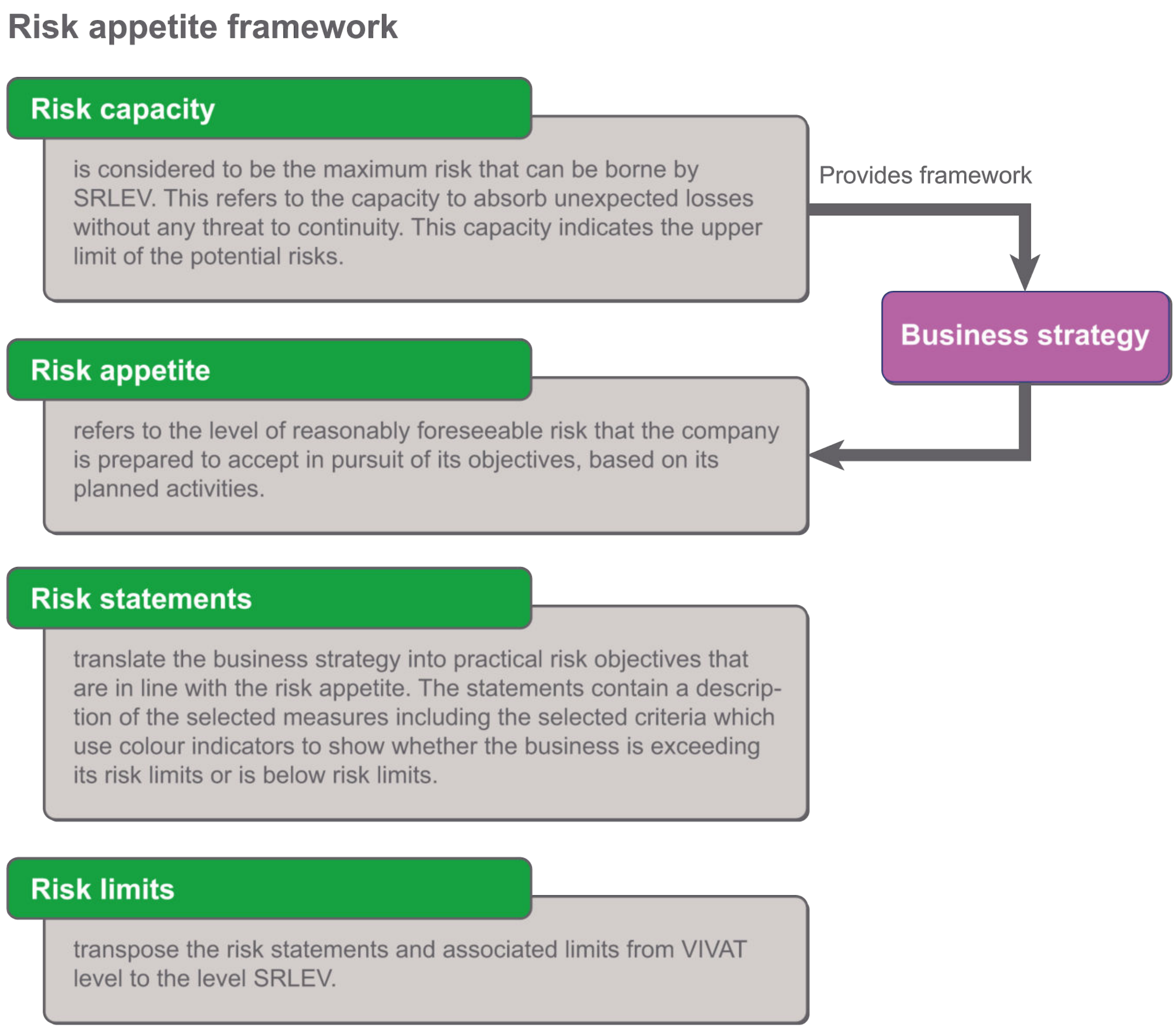

Figure 7: Risk appetite framework

Risk appetite is defined at VIVAT level, including SRLEV. Subsequently it is developed in more detail at the individual legal entity level or specific business units in the form of individual risk limits for each business unit or legal entity. When implementing the strategy, the business units or legal entities are able to select the best possible products and services, although their selection must be in line with the strategy of VIVAT. The risk appetite is set yearly by the Executive Board.

In 2014, due to the reduced level of SRLEV's capitalisation (see Section 5.9.4) the capacity of risk taking was limited and the risk appetite was adjusted downwards. Because of the capital injection of Anbang in 2015, SRLEV has decided to adjust the asset portfolio to better suit the capital position. Changes will be predominantly made in 2016 to the asset portfolio, see Section 5.5.1.

5.3.4 Governance and **organisation**

SRLEV implemented the Three Lines of Defence control model (3LoD) and a risk committee governance structure.

Three lines of defence governance model
SRLEV uses a governance model based on the 'three lines of defence' principle. The 3LoD principle 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.

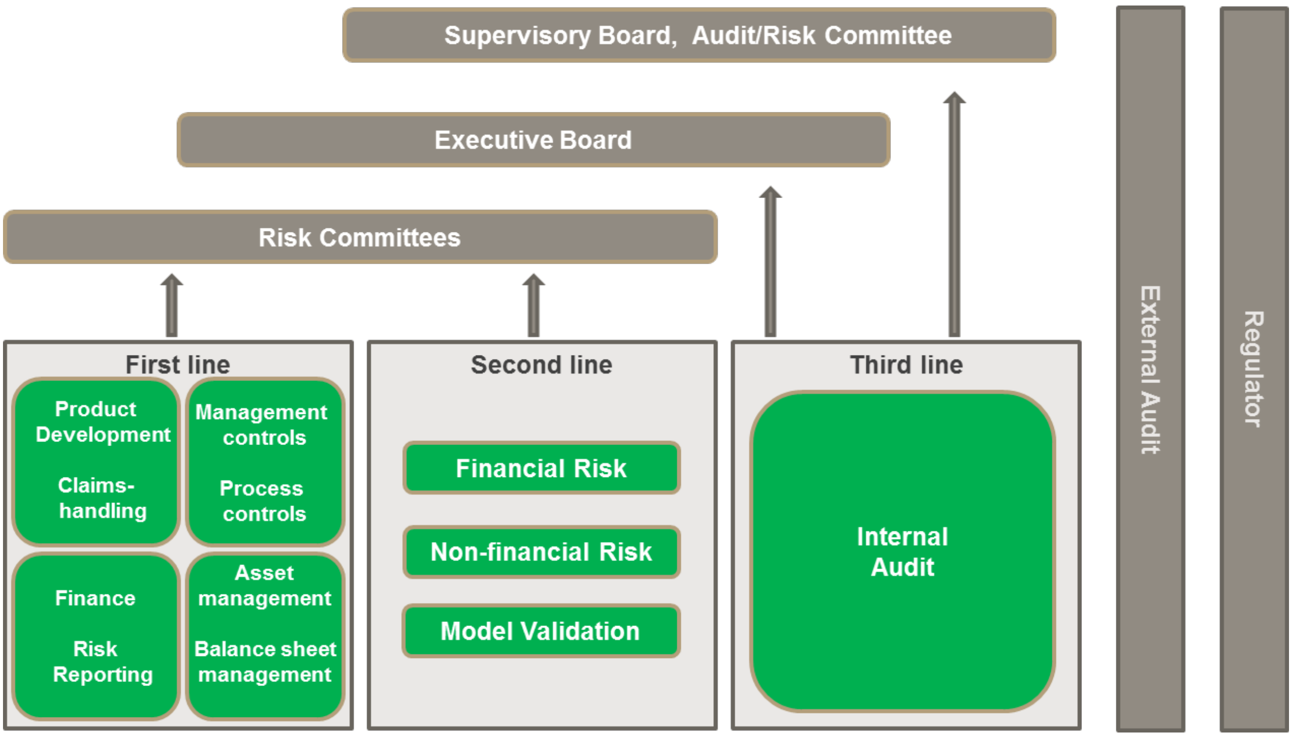

Figure 8: Three lines of defence

First line = risk taker
The first line has an operational role, focusing on the primary process of the business activities. Within the policy framework and subject to internal procedures and risk limits, it is the objective of the risk owner to achieve optimum risk/return ratios. Business plans are prepared in the first line. The first line should be able to demonstrate management and process controls according to the standards as set by the Internal Control Framework, and to report about them.

Second line = risk management
The second line has a monitoring role in respect of the actions carried out by the first line. The second line assesses the actions in the first line as well as the effectiveness of procedures by means of testing key controls, and is responsible for the overall risk profile to be in line with the risk appetite.

The second line is also responsible for formulating the risk framework and setting policies. The execution of these policies is the responsibility of the first line. The second line assesses policy compliance on a regular basis, using risk reports, reports on management and key controls and own observations. Furthermore, the second line sets the mandates in line with the risk appetite. It also defines basic principles and preconditions for risk models and supports central decision-making bodies. The data used, including models, assumptions and techniques, are validated periodically. The risk management organization of SRLEV is organised at VIVAT-level and is largely part of the Risk department, resorting under the Chief Risk Officer (CRO). The CRO is part of the Executive Board (EB). The second line Risk department consists of Financial Risk, Non-financial risk and Model Validation.

The Risk management Function Report (RFR) is a quarterly integrated report on all financial and non-financial risks with potential financial impact. The RFR includes the Risk Dashboard (backward looking), the KRI dashboard (forward looking) and a summary of the major risks. Furthermore, it contains an independent opinion endorsed by the CRO on the development of the various risks, the dependency, and the impact on Operational Plan, solvency and strategy. The RFR opinion is discussed in the risk committees and in Executive Board, Supervisory Board and IRC. The opinion of the second line risk departments is independent from their remuneration.

Third line = internal audit

Audit VIVAT (AV) is the independently operating (third line) audit function and conducts audits with respect to the first and second line risk management processes. AV does not play any role in determining, implementing or steering the risk policy. AV reports to the Chief of Staff and the chairman of the EB of VIVAT and also has a reporting line to the Chairman of the Audit Committee (AC) of the Supervisory Board (SB) of VIVAT.

Audit performs independent and objective audits and reviews to assess whether there is an adequate and efficient Integrated Control Framework within the business processes which supports the realisation of the organisations 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 assesses if SRLEV complies with laws and regulations and if assets (e.g. physical, intellectual, policy & company data) are safeguarded adequately.

In the quarterly report, AV informs the EB and the AC of VIVAT regarding audit results and ongoing key issues and monitors how matters for improvement are followed up. If the follow-up is inadequate, the matter is escalated to the EB and the AC of the SB.

Every year, AV will issue a management letter, composed in conjunction with the external auditor. The management letter is issued to the business unit boards, the EB and the AC of the SB of VIVAT.

Risk management committees

In addition to the risk management organization, VIVAT has established risk committees to manage risks effectively. On Group level the IRC, an extended committee of the EB of VIVAT, is in the risk governance leading for risk management and its implementation, in particular by defining the preferred risk profile and determining the risk appetite. Furthermore VIVAT has established the Asset Liability Committee (ALCO), the Financial Committee (FinCo), the Investment Committee (IC), the Actuarial Risk Committee (ARC) and the Model Governance Committee (MGC).

On Business unit level VIVAT has the Product Marketing and Pricing Committees (PMPCs) and the Operational Risk & Compliance Committees (ORCCs).

5.3.5 Risk policy

SRLEV has an integrated risk management policy house, incorporated in that of VIVAT. The entire policy structure is accessible to employees through an internal website. The policy house ensures the timely identification and assessment of risks and adequate monitoring and reporting of the material risks, both on board and workplace level.

These policies are structured in separate documents and divided into top-down layers with increased levels of detail.

5.3.6 Risk classification

It is essential for VIVAT to provide information on risks for the business itself and for its stakeholders, and to manage these risks within the indicated tolerance levels. This includes both behaviour related and financial aspects of risk management. Clarity is of vital importance when it comes to ensuring adequate risk management. To provide clarity in the communication and management of risks, SRLEV has defined and categorised different risk types in alignment with legislation and regulations. This set of risk types covers all significant risks SRLEV is exposed to.

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

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

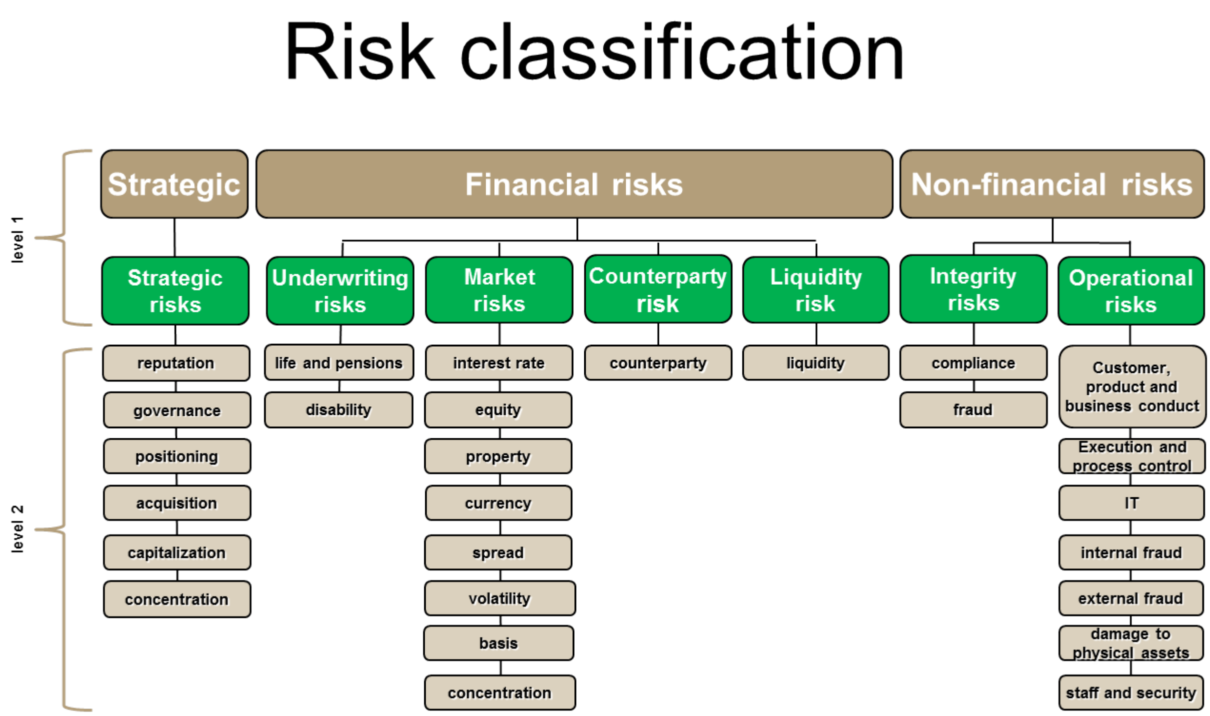

Figure 9: Risk classification

Strategic risk is the risk that strategic objectives will not be achieved due to a failure to respond, or a failure to respond adequately or in time, due to changes in the environment and the business climate. For the strategic risks Capitalization see Section 5.9 and for Concentration risk see Sections 5.4.3.1, 5.4.4.1 and 5.5.10. The Positioning and Acquisition risk are considered in the current strategic review. Reputation risk and Governance risk are discussed in Section 5.8.4.

The way in which the classified Financial and Non-financial risks are managed is discussed below.

5.4 Underwriting risk

5.4.1 Risks

The underwriting risk is the risk that the own funds, earnings or continuity will be threatened as a result of the inability to make payments (either now or in the future) from premium and/or investment income owing to incorrect and/or incomplete assumptions (mortality, longevity, disability, claims, customer behavior, catastrophes) and principles (such as interest and costs) 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.

5.4.2 Risk management process

SRLEV assesses new underwriting risks on a constant basis 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 Operational Plan (OP) describes the planned development of the portfolio for the next three years, together with the related capital requirement, based on the strategy of the management of VIVAT. 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 have to be met related to profitability and risk control measures (acceptance criteria, clauses, any reinsurance).

The PMPCs, in which the second line risk management is represented and mandated, are responsible for deciding on product approval, including the pricing.

Claims handling and reserve
Annuities that have already started to pay out are treated as claims. These claims are paid immediately or periodically in which case a reserve is created. For Disability, the customer follows a reintegration process. Trends in the number of claims, payments and reserves are reported and assessed on a monthly basis.

A liability adequacy test on the premium and claims reserves is performed once a quarter or more frequently if this is deemed necessary. Any reserves that are inadequate are increased. The most recent insights as to parameters are involved here. At least once a year the external actuary assesses and expresses an opinion on the liability adequacy test.

Parameter study
Trends in underwriting risk related to mortality, disability and lapses, and trends in costs, are studied at least once a year. The results of these studies are to set the price of new Life insurance policies and value the existing Life insurance portfolio.

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

Reinsurance
In the phases Product development, Claims handling and reserving and Portfolio analysis reinsurance may play a role. The reinsurance programme provides protection against underwriting risks arising in the insurance portfolio.

Reinsurance is a tool used for risk management (traditional reinsurance) and capital management purposes. Traditional reinsurance is primarily used to protect the profit and loss. The capital-oriented reinsurance solutions help to optimise the capital position of SRLEV and VIVAT.

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 and loss, the risk appetite and the financial strength of the company.

The risk of terrorism is reinsured through the Dutch Terrorism Pool (Nederlandse

Herverzekeringsmaatschappij voor Terrorismeschaden (NHT)).

5.4.3 Life and Pensions

5.4.3.1 Risks

The underwriting risk at the Life and Pensions businesses includes the significant sub-risk categories of mortality risk, longevity risk, catastrophe risk, early surrender risk and expense risk. It can also include disability and recovery risk to a limited degree. SRLEV is also exposed to interest rate risk in the context of guarantees.

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 for this purpose (AG 2014). This model is updated at least once a year to include the most recent observations by Statistics Netherlands (CBS). Once a year 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.

Early surrender risk

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

Expense risk

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

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

Market risk and interest rate guarantees

In the case of traditional insurance policies, SRLEV bears the interest rate risk on the investments that are held to cover the obligations to policyholders. When a benefit or annuity payment is due, 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 shortfall is for the risk of SRLEV. Information on the way in which interest rate risk is managed is disclosed in Section 5.5.3.

The following table indicates which risks are associated with specific products for the Life insurance portfolio of SRLEV.

Contents of the Life insurance portfolio

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

1 Partly company profit-sharing

2 In some insurance guaranteed minumum yield applies at maturity

3 End of contract date contract contributory is not mandatory

5.4.3.2 Life and Pensions **portfolio**

The Life and Pensions portfolio contains individual and group insurance policies.

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

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

SRLEV's portfolio consists of traditional contracts, group policies with separate accounts, and unit-linked policies. The separate accounts have an interest guarantee whereby at the current low interest rates this option has value for the customer. SRLEV's strategy for group insurance policies for the next few years is to share longevity risk and market risk more broadly with the customer. SRLEV's group Life insurance portfolio focuses on the entire corporate market in the Netherlands.

Co-insurance

SRLEV has concluded a number of co-insurance contracts with one or more other insurers. In general, risk assessments are based on the information provided by the administrating company. In the case of co-insurance, each co-insurer is liable for its own part of the insurance. If a co-insurer withdraws, its insurance liabilities will be transferred to the remaining co-insurers.

Every year, the leader of the contract draws up a report that SRLEV uses to monitor the development of the portfolio and determine the provisions.

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

Breakdown of portfolio on 31 December 2015

In € millions	Premium on an annualised basis	Insured capital	Technical provision for insurance contracts	Risk capital
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	5,140	1,945
Funeral insurance	24	1,596	756	1,132
Individual insurance policies in cash	**617**	**77,774**	**15,382**	**67,008**
Individual insurance policies in investment units	314	19,262	5,840	15,549
Group insurance policies in cash	249	19,487	9,634	34,204
Group insurance policies in investment units	402	34,407	8,202	32,585
Subtotal	**1,582**	**150,930**	**39,058**	**149,346**
Reinsurance of term insurance	-1	-	-	-328
Proportional reinsurance	-138	-4,689	-3,310	-70,770
Total	**1,443**	**146,241**	**35,748**	**78,248**

Breakdown of portfolio on 31 December 2014

In € millions	Premium on an annualised basis	Insured capital	Technical provision for insurance contracts	Risk capital
Savings-based mortgages	360	18,604	5,650	12,443
Life annuity	4	-	3,411	327
Term insurance	170	48,578	468	49,830
Traditional savings	114	8,360	5,581	2,076
Funeral insurance	25	1,628	737	1,172
Individual insurance policies in cash	**673**	**77,170**	**15,847**	**65,848**
Individual insurance policies in investment units	507	32,543	6,196	24,738
Group insurance policies in cash	289	14,331	9,212	29,322
Group insurance policies in investment units	456	28,891	7,942	28,665
Subtotal	**1,925**	**152,935**	**39,197**	**148,573**
Reinsurance of term insurance	-1	-75	-	-44
Proportional reinsurance	-151	-5,639	-3,589	-71,728
Total	**1,773**	**147,221**	**35,608**	**76,801**

The insured capital concerns the balance on the reference date of the highest value of the insured amount payable on survival of the policyholder and the insured amount payable on death of the policyholder. The risk capital is the balance on the reference date of the amount payable on death of the policyholder minus the provision. Annuities are not included in the sum insured, therefore the risk capital may be higher than the sum insured.

Insurance policies in cash

In principle, VIVAT bears the investment risk related to insurance policies in cash. Special categories are formed by the savings-based mortgage insurance policies, in which the return on the savings portion is linked to the associated mortgage loan. A small portion of this portfolio is exposed to counterparty risk.

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

Breakdown of insurance policies in cash

In € millions	2015	2014
With profit-sharing (operational or surplus interest)	10,152	10,352
With interest rate rebate	3,693	3,763
Without profit-sharing	5,498	5,294
Savings-based mortgages	5,673	5,650
Reinsurance	-3,310	-3,589
Total	**21,706**	**21,470**

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

Breakdown of insurance policies in investment units

In € millions	2015	2014
Without guarantee	9,505	9,449
With guarantee	4,536	4,689
Total	**14,041**	**14,138**

5.4.3.3 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.

The 2015 reinsurance programme is largely a continuation of the programme for 2014. The retention of life and disability corresponds to € 1.5 million sum at risk per insured, for both individual and group risks. In addition, the retention of the individual Life portfolio has been proportionally reinsured by means of two quota share contracts. The quota share reinsurance contract on sum at risk, concluded as of October 2009, is in force for the term life insurance, savings mortgages and unit-linked policy product groups, and has a retention of 9%. The second quota share reinsurance contract, which came into effect on 1 January 2011, reinsures both sum at risk and reserves, and applies to the traditional savings portfolio. The retention of this contract is 8%. Both quota share contracts have been cancelled as per 1 January 2016, since they were developed under Solvency I and have no capital effect under Solvency II regulation.

The retention of the catastrophe cover amounts to € 15 million. The sublayer that was in force in 2014 in respect of the Zwitserleven portfolio, has been cancelled as per 2015.

5.4.3.4 Sensitivities

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

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

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

In percentages	2015	2014
Solvency ratio	203%	141%
Impact of sensitivities:		
- 50% increase in surrender rates (including non-contributory continuation)	-3%	-3%
- 15% higher mortality rates (mortality risk)	-3%	-3%
- 20% lower mortality rates (longevity risk)	-55%	-54%
- 10% increase in expenses assumptions + 1% increase in inflation	-29%	-28%

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

5.4.4 Adequacy test

IFRS-based Liability Adequacy Test (LAT)

IFRS requires the adequacy of the underwriting provisions to be tested. The LAT starts from the same premise as the TRT, but the underlying principles are different in some respects. The IFRS-based LAT, rather than the TRT is leading in determining the IFRS-based underwriting provisions. A deficit in the LAT will cause the underwriting provision in the IFRS-based statement of financial position to rise. Shadow loss accounting is used for SRLEV to allocate an interest shortfall to the underwriting provision from the provision for changes in the fair value of fixed-income securities before the LAT is even performed. If the provision for changes in the fair value of fixed-income securities has been utilised in full and a LAT deficit still remains, that deficit is cleared by making an allocation to the underwriting provision. This allocation will have an adverse effect on earnings for IFRS purposes.

Regulatory adequacy test (TRT)

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

Calculation of adequacy of underwriting provisions

SRLEV uses the swap curve with UFR for both TRT and LAT. The adequacy of the underwriting provisions is initially tested using the LAT. The TRT is performed next, subject to adjustments for reasons of prudence:

- The TRT includes a surrender value restriction meaning that the available provisions for TRT purposes should at least equal the surrender value;
- The Cost of Capital for SRLEV is 4% (TRT and LAT).

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

	LAT		TRT	
In € millions	**2015**	2014	**2015**	2014
IFRS-based provision (including shadow accounting)	**36,577**	**36,369**	**36,577**	**36,369**
Market value of provision	41,235	41,653	41,235	41,653
Surrender floor restriction	-	-	611	798
Market value of provision calculated for LAT or TRT	**41,235**	**41,653**	**41,846**	**42,451**
Difference between Market Value and IFRS-based Provision	**-4,658**	**-5,284**	**-5,269**	**-6,082**
Shadow loss entry	3,201	3,717	-	-
Surplus value of investments	536	536	535	535
Cash flow hedge reserve	-	-	188	213
Addition to based-provision (IFRS-based P&L) due to LAT deficit	921	1,031	-	-
Addition to based-provision (P&L under Dutch Wft) due to TRT deficit	-	-	4,546	5,334
Adequacy test result of LAT or TRT[1]	**-**	**-**	**-**	**-**

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

5.5 Market risk

5.5.1 Risks

Market risks can potentially have a substantial financial impact on the value of the assets and liabilities of 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 bounds 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 upon the value of the assets and liabilities of SRLEV. It shall 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 Balance Sheet Management department (BSM) aims to stabilize solvency and capital of VIVAT and its subsidiaries. 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

Following the takeover of VIVAT by Anbang and the improvement of the capital position of SRLEV, a process of asset re-risking has started in the last quarter of 2015. The re-risking process aims to elevate the return on investments. Less risky, low yielding investments are sold and replaced by higher yielding investments. The execution of the re-risking plan is handled by ACTIAM, and is monitored closely by VIVAT's Investment Committee.

5.5.2 Risk management process ALM

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

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

Sensitivity analyses and stress tests
Stress tests provide information on how sensitive investments and liabilities are to 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 tests are performed once a month and also on an ad hoc basis if movements in the market (and in particular the yield curve) give grounds to do so.

Furthermore, monthly single-shock sensitivity analyses are performed, which combine a top-down and bottom-up approach. For each product group, the products and models are 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 and options). This concerns the statement of financial position drawn up on an economic basis and that under solvency principles). The interest rate sensitivity is the most important sensitivity managed.

5.5.3 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 7.5, note 38 Hedging and hedge accounting.

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

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

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

Interest rate risk broken down by buckets
The table below presents nominal cash flows arising from insurance liabilities, net of reinsurance (liabilities) by maturity segment.

Cash flows from insurance business 2015

In € millions	< 1 year	1 - 5 years	5 - 10 years	10 - 15 years	15 - 20 years	> 20 years	Total
Insurance liabilities - Life	2,153	4,097	5,071	4,652	4,072	12,934	32,979
Total	**2,153**	**4,097**	**5,071**	**4,652**	**4,072**	**12,934**	**32,979**

Cash flows from insurance business 2014

In € millions	< 1 year	1 - 5 years	5 - 10 years	10 - 15 years	15 - 20 years	> 20 years	Total
Insurance liabilities - Life	2,070	4,203	4,954	4,577	3,938	12,473	32,215
Total	**2,070**	**4,203**	**4,954**	**4,577**	**3,938**	**12,473**	**32,215**

The table only includes the ‘for own account portfolio’. The portfolio on behalf of policyholders is not relevant in this context, since the value accumulated in the investment funds is paid to policyholders on the policy's maturity date. The accrued balances of savings policies and savings-based mortgages are neither taken into account as these are offset. The cash flows from the underwriting provisions concern cash flows with a nominal guarantee own capital. This does not include the options and guarantees and the risk margin. The cash flows arising from the underwriting provisions are estimated on a best-estimate basis. Assumptions are made of mortality, disability, surrender and costs. A change in assumptions can alter the view of the cash flows in the table. The cash flow projections do not include future profit-sharing. In this perspective, it is important to bear in mind that the Ultimate Forward Rate of 4.2% (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.

SRLEV's interest rate hedging policy and its general hedging policy aim to ensure that obligations towards policyholders are fulfilled in both the short term and the 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 SRLEV's risk exposure and to stabilize the solvency capital.

5.5.4 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 € 1,962 million at year-end 2015 (2014: € 1,296 million).

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

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

The table below shows the indicative results of this analysis at the reporting date gross 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	**2015**	2014	**2015**	2014
Equities +10%	-	-	80	65
Equities -10%	-84	-47	-80	-65

An increase of the value of equities goes through the revaluation reserve through the IFRS equity and does not influence the P&L. A decrease does influence the P&L in case of an impairment (for impairment rules see Section 5.6.4).

5.5.5 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 € 259 million at year-end 2015 (2014: € 267 million).

SRLEV periodically examines the impact of changes in the property markets on the result and on own funds. Scenario analyses are used for this purposes, in line with the situation applying in the case of interest rate risk. The table below shows the indicative results of this analysis at the reporting date gross of taxation.

Sensitivity of insurance business to property prices

	Result		Own funds	
In € millions	**2015**	2014	**2015**	2014
Property +10%	25	27	19	20
Property -10%	-25	-27	-19	-20

5.5.6 Currency risk

Currency risk is defined as the sensitivity of the value of assets and liabilities to changes in the level or volatility of exchange rates. The currency risk of SRLEV is caused by a combination of investments and liabilities in foreign currencies that are not perfectly matched.

With respect to fixed-income investments, SRLEV's policy is to permit only a very limited currency risk. Given this, the currency risk on fixed-income investments denominated in foreign currency is, in principle, hedged completely 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 if the net exposure without applying look through principle exceeds € 10 million.

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

Currency exposure (net exposure)

	Balance		Hedge derivatives	
In € millions	**2015**	2014	**2015**	2014
US dollar	130	139	-140	-137
Pound Sterling	81	20	-84	-21
Swiss franc	-92	-95	105	87
Japanese yen	23	19	-22	-18
Australian dollar	2	8	-	-
Other	8	9	-	-
Total	**152**	**100**	**-141**	**-89**

The effects of changes in foreign exchange markets on the result, own funds and solvency are measured periodically using scenario analyses. The table below shows the results of these analyses, net of taxation.

Sensitivity to foreign currency

	Result		Own funds	
In € millions	**2015**	2014	**2015**	2014
Currencies +10%	1	1	1	1
Currencies -10%	-1	-1	-1	-1

This table shows that movements in exchange rates have a very limited impact on VIVAT's earnings and own funds. There was limited currency risk in the equity portfolio for 2015, as these were hedged to a large extent (see also Section 7.5, note 38 Hedging and hedge accounting). In this assessment the look through principle is not applied.

5.5.7 Spread 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, where there are corporate and government bonds that are sensitive to changes in credit risk surcharges. Growing credit risk surcharges have a negative effect on the market value of underlying bonds.

Credit risk surcharges are also a source of basis risk (see Section 5.5.9) in the valuation of insurance liabilities. The swap curve 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 capital available, 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 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 basis risk exists because the VA is based on a reference portfolio instead of SRLEV's own asset portfolio. For managing market risks a number of combined scenarios is determined with (different) simultaneous shocks to risk categories. In this scenario based approach amongst others credit spreads, volatility (interest rate volatility and equity volatility) and a best estimate for the VA are taken into account.

5.5.8 Volatility risk

The volatility risk is the risk of losses due to changes in volatility and is measured and presented separately. It is addressed in the market sub risks as described before.

5.5.9 Basis risk

Basis risk arises due to the fact that there are multiple 'risk-free' yield curves. This basis risk 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. Changing the basis discount curves of the liabilities to a swap-based curve changed the basis risk, but it still exists. For managing this risk a number of combined scenarios is determined. See also Section 5.5.7. Moreover, from this perspective, it is important to bear in mind that the Ultimate Forward Rate of 4.2% (UFR) 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 5.5.3. EIOPA currently evaluates the UFR, the outcome of this evaluation is uncertain. In case, the regulator decides to decrease the UFR, and assuming SRLEV will not adjust its risk management, this will have a significant negative impact on results, own funds and solvency.

5.5.10 Concentration risk

Concentration risk is defined as all risk exposures associated with a potential loss that is large enough to endanger the solvency or financial position of insurance and reinsurance undertakings. The main concentration within the market risk emanates from counterparty 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. Counterparty risk is elaborated below.

5.6 Counterparty risk

5.6.1 Risks

SRLEV defines counterparty 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 counterparty risk policy covers risk-mitigating contracts, such as reinsurance arrangements, securitizations and derivatives, and receivables from intermediaries, as well as any other credit exposures not covered by the definition of spread risk. It shall take appropriate account of 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 shall take account of the overall counterparty 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 counterparty risk is measured by measuring exposures on individual parties as well as on segments.

5.6.2 Risk management process

The Balance Sheet Management department (BSM) manages and verifies counterparty 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 counterparty risk at SRLEV is measured by means of measuring the exposure to individual parties.

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

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

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

Reinsurers
VIVAT, including SRLEV, pursues an active policy with respect to the placement of reinsurance contracts, using a panel consisting of reinsurers that have been rated. The general policy is that reinsurers should have a minimum rating of A-. However, given the long-term nature of the underlying business, the current casualty panel consists of reinsurers with at least an A+ rating, while the panel for life and disability reinsurance contracts consists of reinsurers with an AA- rating. Continuity within the panels of reinsurers is an important principle.

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

Mortgage portfolio
SRLEV is exposed to a low level of counterparty 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 and 2015. The market price of the portfolio has increased due to declining market rates and the notional of the porfolio has decreased due to scheduled amortisation and increasing prepayments. SRLEV does not originate new mortgages currently.

5.6.3 Exposure

Fixed-income investment portfolio
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 and the Dutch State.

Investments of insurance business

In € millions	2015	2014
Investments		
- Fair value through profit or loss: Designated	161	225
- Available for sale	24,702	24,200
- Loans and receivables	6,806	6,991
Interest-bearing investment portfolio	**31,669**	**31,415**
Equities and similar investments	1,680	1,296
Total	**33,349**	**32,711**

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

Breakdown of interest-bearing investment profile (sector)

In € millions	2015		2014	
Sovereign	20,054	63%	20,391	65%
Corporate bonds - financial sector	3,396	11%	3,147	10%
Investments related to savings-based mortgages	5,393	17%	5,404	17%
Corporate bonds - non-financial sector	1,480	5%	1,200	4%
Mortgage backed securities	959	3%	1,023	3%
Other	387	1%	250	1%
Total	**31,669**	**100%**	**31,415**	**100%**

The following overview provides a breakdown of the interest-bearing investments (excluding mortgages) by rating category. The strategic mix of the various categories within the interest-bearing investment portfolio is set annually in the ALM investment plan. The 'not rated' category mainly consists of private loans related to savings-based mortgages.

Breakdown of interest-bearing investment portfolio (rating)

In € millions	2015		2014	
AAA	20,181	64%	21,891	70%
AA	2,224	7%	1,369	4%
A	1,883	6%	1,555	5%
BBB	1,724	5%	908	3%
< BBB	7	0%	26	0%
No rating	5,650	18%	5,666	18%
Total	**31,669**	**100%**	**31,415**	**100%**

Of the fixed income portfolio, 77% of investments had an A rating or higher (year-end 2014: 80%), while 64% of investments were rated AAA (year-end 2014: 70%).

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

Breakdown of interest-bearing investment profile (geographic)

In € millions	2015		2014	
Netherlands	13,420	43%	13,808	44%
Germany	12,064	38%	12,646	40%
Austria	893	3%	935	3%
France	761	2%	539	2%
Italy	537	2%	454	1%
Spain	612	2%	336	1%
Other	3,382	11%	2,697	9%
Total	**31,669**	**100%**	**31,415**	**100%**

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

Mortgages of insurance business by type of security provided

In € millions[1]	**2015**	2014
Mortgages < 75% of foreclosure value	420	482
Mortgages > 75% of foreclosure value	376	452
Mortgages with National Mortgage Guarantee	1,059	1,131
Residential property in the Netherlands	**1,855**	**2,065**
Specific provision for bad debts	-18	-7
Total	**1,837**	**2,058**

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

5.6.4 Management of past due and impaired assets

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

Financial instruments - impairments 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	8,609	53	-	-18	**8,644**
Other financial assets	504	34	-	4	**542**
Total	**35,624**	**119**	**-24**	**-14**	**35,705**

Financial instruments - impairments 2014

In € millions	Not in arrears nor impaired	Financial assets that are past due but not impaired	Financial assets that have been impaired	Provision for bad debt	Total
Investments	25,663	62	-4	-	**25,721**
Loans and receivables	9,020	36	-	-7	**9,049**
Other financial assets	409	40	-	-7	**442**
Total	**35,092**	**138**	**-4**	**-14**	**35,212**

SRLEV recognises impairments on equities if the market value has fallen to 25% below cost price, or has been 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.

5.6.5 Netting of financial assets and liabilities

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

Financial assets and liabilities 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**

Financial assets and liabilities 2014

				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	846	-	**846**	313	526	-	**7**
Total financial assets	**846**	**-**	**846**	**313**	**526**	**-**	**7**
Financial liabilities							
Derivatives	169	-	**169**	52	117	-	**-**
Amounts due to banks	1,504	-	**1,504**	260	-	260	**984**
Total financial liabilities	**1,674**	**-**	**1,674**	**312**	**117**	**260**	**984**

5.7 Liquidity risk

5.7.1 Risks

Liquidity risk is defined as the risk SRLEV will have not enough liquid assets to meet its financial liabilities on the short term, in a going concern situation or in times of a stress situation, without incurring unacceptable costs or losses.

The liquidity risk policy uses three sources of liquidity:
1. the cash position
2. the liquidity buffer
3. the liquidity contingency policy.

The liquidity risk is monitored and managed both at consolidated level and at legal entity level.

5.7.2 Risk management process

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

Cash position
The first source concerns the cash position. This position can be divided into an investment circuit and an operational circuit. In the operational circuit premiums are received and underwriting- and operational (salaries, taxes, etc.) payments will be done. On average SRLEV generates positive returns on its investments and reinvests redeemed loans in its investment circuit.

The relationship between the two circuits arises through the cash positions and the cashflows of both circuits: when premiums exceed the payments in the operational circuit, money flows from the operational circuit to the investment circuit. Otherwise, when payments exceed the premiums in the operational circuit, SRLEV will withdraw money from the investment circuit.

Liquidity buffer
The second source is the liquidity buffer. SRLEV aims for a sound policy. Therefore when payments exceed premiums, SRLEV wants to have a liquidity buffer as part of her investment portfolio.

The available assets consist of government bonds, corporate bonds and other investments (i.e. loans, deposits, equities and mortgages). The liquidity buffer is equal to these available assets corrected for the negative impact of haircuts on the market values of the assets, the required buffer (taking account of mass lapse, a shock on interest rates and storm-/hail damage) and the liquidity utilized in transactions (liquidity trades, repurchase agreements, pledged securities).

Contingency policy
The last source of liquidity serves to deal with a situation in which the normal liquidity buffer turns out to be insufficient. To this end, SRLEV has implemented a Crisis Management Team (CMT) structure. The CMT

structure must take timely action in rapidly deteriorating liquidity circumstances in order to avoid a bankruptcy that could occur in the worst case and/or to settle all of the obligations under the insurance portfolio in an orderly manner.

5.7.3 Exposure

The available liquidity 2015 is unchanged compared to 2014. The decrease of required liquidity is a result of a methodology change which had a positive effect on the liquidity buffer.

Liquidity buffer

In € millions	2015	2014[1]
Available assets	28,926	29,224
Total haircuts	-7,796	-7,442
Total utilized liquidity	-690	-857
Available liquidity	**20,440**	**20,925**
Required liquidity	-7,426	-10,345
Liquidity buffer	**13,014**	**10,580**

1 *The amount of 2014 available assets differs compared to the 2014 available liquidity, as stated in the 2014 annual report of SRLEV NV, due to the reclassification of the collateral value amounting to € 689.9 million.*

5.8 Non-financial risks

5.8.1 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 these risks. NFR consists of Integrity and Operational Risk Management.

Integrity risk

Integrity Risk consists of Compliance Risk and Fraud Risk.

Compliance

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.

The scope of external laws and regulations consists 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 international laws such as Solvency II, AIFMD and regulations from the Dutch Association of Insurers.

Fraud Risk

Committing or attempting to commit forgery, deception, prejudicing creditors or beneficiaries and / or embezzlement, through the creation and / or implementation of a contract of non-life, life or health insurance, or a kind funeral, mortgage or savings product person and organization involved, and aimed at obtaining benefits or services to which there is no entitlement or acquiring insurance cover under false pretenses.

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, Damage to physical assets and Staff & security, monitored according to the SII classification.

5.8.2 Risk management process

In managing non-financial risks SRLEV follows the risk management process as set out in Section 5.2.2.

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 VIVAT investigates in terms of integrity, risk self-assessments and incident analysis. In consultation with the business NFR assesses the structure of mitigating measures and key controls within the first line on effectiveness 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 and the Non-Financial Risk Appetite report to draw attention to relevant issues in the field of internal control. NFR facilitates the business in training & awareness on integrity risks. Furthermore NFR advices on the development, evaluation and approval of products in accordance with the AFM criteria and criteria related to treating customers fairly.

Risk monitoring and reporting
NFR serves on the Insurance Risk Committee (IRC) and is represented in the ORCCs (see Section 5.3.4) of VIVAT. Within the ORCCs, 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. Periodically NFR facilitates management of VIVAT in the preparation of an Internal Control Statement. In this statement management of VIVAT reports about the net risk exposure and the quality of internal controls or measures to mitigate these risks. Each quarter NFR draws up a non-financial risk report, which provides a comprehensive and overall picture 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 5.3.4).

5.8.3 Developments

During, especially, the first half year of 2015 VIVAT including SRLEV, was under pressure due to great uncertainty regarding its future. The combination of different factors (strategic review, including earnings model and cost savings, and related reorganizations) was and is still putting great pressure on the organisation and causing substantial transitional risks (retention of key figures and good governance are of essential importance).

As a result of the purchase by Anbang and the associated strategic review the VIVAT organization faces a new period of transition extending to 2016. This will bring new opportunities and sustainability. Nevertheless this transition period will again stretch the organization and our people and increases the risk of the materialization of non-financial risks. Uncertainties regarding the governance structure, job certainty, changes in products, methodologies and processes, the speed of required changes and cultural changes will have impact and presents operational and compliance risks which are being addressed in the transition program in which NFR is involved.

5.8.4 Exposure to **non-financial** risks

Compliance risk

- Accumulated risks (including reputational risk) are still evident in the non-accruing policy file, owing to the combined effect of continuing media exposure, political opinion and court judgments, the failure to meet the required targets in time and inaction on the part of customers with investment linked policies. With new legislation in force, insurers have a legal obligation to activate customers with non-accruing policies, insofar as these customers are not yet proven activated. Despite extensive efforts SRLEV did not reach the 100% target of activating customers with non-accruing policies (Section 4.3.3) in 2015. However, the targeted and accurate approach, is effective, looking at the results. SRLEV has managed to activate the highest number of customers with non-accruing policies. The target was to have a 100% of the customers make a conscious choice by 15 February 2016, in line with instructions from the AFM. SRLEV has achieved this percentage in time.

- Owing to the great complexity of the legislation concerning SII, IFRS, FATCA, ILM, Privacy and Supply Chain Responsibility, changes to the pension legislation (Witteveen, net graduated scale), legislation may not be implemented quickly enough 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 program in order to pay full attention to SRLEV's compliancy with the privacy regulation.

Operational Risk

Execution and process control

- Due to strategic developments and choices, combined with legal obligations SRLEV is in a situation for already some years where it has been, and still is running a relatively large number of complex projects such as Solvency II and data management. Overall the organisation and its employees are under increasing pressure to meet legal deadlines and keep reporting correct financial figures.

- During 2015 SRLEV continued to invest in the development of the control environment by the strategic programs SII, Data management and ICF, resulting in improved process controls, management information, risk management policies and first line risk maturity. These improvements will contribute to managing the increased pressure on the organization.

- The landscape of models used to model the underwriting and market risks is in the midst of changes as a result of migration to new platforms, as well as maintenance to the models. Given the validation of a number of models in several segments the model risk has reduced in 2015, however, there is still a number of large migrations of cash flow models and administration systems that will take place in future years. Rationalization of the model landscape, in which the number of models is reduced, contributes to an efficient and reliable valuation of underwriting and market risks and the solvency, and leads to further reduction of the model risk. Uncertainty resulting from current conversion projects is mitigated by continuous monitoring, applying workarounds and a process for early provisioning in the accounts.

- During the second half of 2015, a thorough and extensive Strategic Review was carried out under the supervision of the new Executive Board. Every individual work stream had an Executive Board member as sponsor and an executive from the business line as responsible owner. Operational support and a project secretary role was provided by Corporate Strategy. Decisions were made in the Executive Board with attendance of relevant responsible owners wherever possible.

Information Technology

Split between IT SNS Bank and IT VIVAT

- During 2015 the IT systems of SNS and VIVAT, including SRLEV, had to be separated, which meant running a large, complex project. The complexity was mainly in the fact that these projects are not often done on this scale, but also in the fact that the continuity of the production areas of banking and insurance had to be be guaranteed. Due to all precautions virtually wihout any problems the two networks were separated. Thus was completed a precondition for the transfer of the business to a new shareholder.

Outsourcing / Cloud computing

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

Cybercrime risk

- VIVAT, including SRLEV, attracts a great deal of attention from cybercriminals since it is a financial organisation. Fighting cybercrime is therefore a key priority. In 2015 no major incidents related to cybercrime occurred within VIVAT. In the years to come, cybercrime will remain high on the agenda of the VIVAT management. Appropriate organisational and technological measures will be taken in order to be able to tackle the cybercrime risks, like the strengthening of the cooperation with other Dutch insurance companies and the implementation of new tooling.

Staff and security

- Due to strategic developments and new strategic choices VIVAT, including SRLEV, was confronted with a relatively high staff turnover in the top three management levels in 2015. VIVAT was also well aware of possible high staff turnover and sick leave among key players due to heavy workload, work-related stress and possible resistance on another corporate culture. The Human Resources Department organized various cultural training sessions for both Dutch and foreign staff, as well as combined sessions. Also, extra staffing quality assessment sessions are carried out. A retention program was started and Management development interviews were held with senior management.

5.9 Capital management

5.9.1 Definition

Capitalisation refers to the extent to which VIVAT NV and its underlying legal entities, including SRLEV, have a capital buffer, which is necessary to cover unforeseen losses or to achieve the strategic objectives of the company. This capital buffer has to comply with internal standards as well as the external requirements of regulators and rating agencies.

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

5.9.2 Capital policy

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

In addition to the Capitalization Policy, there is also a Capital Contingency Plan (CCP) 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 continued existence of SRLEV in its current form and thus for its stakeholders. In its Risk Appetite Statements, SRLEV has defined specific triggers that determine whether a contingency situation exists. The emphasis of these triggers is on metrics of capital that are linked to governance and management measures. SRLEV's Capitalization 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 and the Financial Risk Reporting for the purpose of managing the capital position. The Capital and Funding Plan describes the medium-term plans in the area of capital and funding. This includes a forecast of solvency for the next three years. The Capital and Funding Plan is based on the OP as supplied by the underlying Business Units plus supplementary information if appropriate. The Balance Sheet Optimisation department within BSM is responsible for delivering this plan. In 2015, the annual strategic Capital and Funding Plan, ALM Study and ORSA were accelerated in interim processes in order to obtain the Declaration of No Objection for the Anbang transaction and the subsequent strategic update.

5.9.3 Regulatory framework

Solvency I

SRLEV’s solvency is at year-end 2015 calculated in accordance with the Solvency I regulatory framework. Available capital is mainly based on the market value of assets and liabilities, adjusted for intangible assets and increased by subordinated debt. Required capital is related to the size of the technical provisions.

Solvency II

The Solvency II regulatory came into force on 1 January, 2016. The framework consists of the Solvency II guideline (2009/138/EG), Delegated Acts (EU 2015/35) and Technical Standards. On 1 January 2016 the changes are implemented in Dutch law (Wft and other rulings). The Solvency II ratio is based on the Solvency Capital Requirement (SCR). Since 2015, the calculated Solvency II ratio is already an important criterion that is used for all insurers to determine whether a declaration of no objection is required for withdrawals of capital.

The European Solvency II project created a new regulatory framework and a solvency framework based on market-consistent valuation. Under Solvency II, the supervision of the risks to which an insurer is exposed and the management of those risks 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.

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 Own Risk and Solvency Assessment or ORSA. A fixed part of the ORSA involves determining whether the standard model is appropriate for the needs of the insurer in question. If the standard model is not appropriate, the insurer has to develop its own models and methodologies in order to determine for itself whether its level of capitalisation is adequate. Based on the ORSA, a dialogue will take place between the insurer and DNB (in its capacity as regulator) in the context of the Supervisory Review Process (SRP). In the SRP, DNB assesses the ORSA outcomes of an insurer. The outcomes of the SRP determine the minimum level of capital for an insurer.

The way in which insurers have to report their exposure and capital adequacy to the market (disclosure) is laid down in the third pillar. SRLEV will disclose its solvency position and financial condition on a Solvency II basis by means of public reports. Solvency II will apply to SRLEV as an independent authorisation holder. Other parts of SRLEV are not within the scope of Solvency II. The group regime does not apply to SRLEV.

5.9.4 Capital **position** - Solvency I

The Solvency I ratio of SRLEV NV, rose from 141% to 203% in 2015. Much of this improvement was due to the capital injection of € 445 million from VIVAT NV following the acquisition of VIVAT NV by Anbang. The credit facility of € 105 million, granted in 2014 to VIVAT NV, has been redeemed following the capital injection, which also resulted in a further strengthening of the capital position as this was deducted from available regulatory capital. Trends in market parameters and portfolio developments also contributed to the improvement in regulatory solvency.

Because Solvency I is replaced by Solvency II as of 1 January 2016 focus has shifted away from Solvency I. Internal risk appetite limits were redefined at levels required by law (i.e. 100%) to reflect the fact that Solvency I is no longer relevant, but still a legal requirement at the end of year. The limit for SRLEV was kept at 120% as a result of triggers on Solvency I in SRLEV's Quota Share contract that ran until 31 December 2015.

Regulatory solvency I

In € millions	2015	2014
Regulatory solvency - VIVAT NV	240%	136%
Regulatory solvency - SRLEV NV	203%	141%
Available regulatory capital	2,947	2,058
Capital requirement	1,440	1,465

Market sensitivity of regulatory solvency

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

In percentages	2015	2014
Interest rates -1%	-17%	-1%
Interest rates +1%	18%	-2%
Credit spreads Corporate Bonds +0.5%	-8%	-9%
Credit spreads Sovereign Bonds +0.5%	-7%	-3%
Equity prices -10%	-2%	-2%

The increased interest rate and spread sensitivity is attributable to the rerisking measures taken in the past year and the increased focus on the Solvency II ratio. These measures include short selling futures on German government bonds and buying long swaps to reduce the basic risk on the swap curve. Also the program of buying and selling swaptions and swaps for hedging interest rate risk is still in place. Currently the asset portfolio is being re-risked by switching from less risky investments (mostly Dutch and German government bonds) to riskier investments (such as ABSs/MBSs, corporate bonds and equities). As a consequence, on a Solvency I basis the hedge is less effective.

5.9.5 ORSA

With the implementation of Solvency II on 1 January 2016, it will 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 2014 and 2015, the preparatory phase leading up to Solvency II, insurance companies were required to draft and submit a similar report, called an “Eigen Risico Beoordeling” or ERB. In 2015, SRLEV provided different scenarios that constitute a Forward Looking Assessment of Own Risks as part of the Declaration of No-Objection (DNO) application related to the purchase by Anbang. DNB considers this documentation as an ERB and therefore DNB did not require further documentation on this subject per 2015.

The management of VIVAT uses the ORSA to verify the amount of capital required and may decide on 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. All of the above is recorded in the ORSA document. The ORSA covers VIVAT NV and all underlying supervised legal entities including SRLEV. The internal evaluation of the ORSA is performed at least once a year. The ORSA contains Appropriateness tests that 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 assesses 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.

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

The management of VIVAT formulates a strategy for SRLEV and hence management of VIVAT defines the degree to which SRLEV is prepared to take risks (the Risk Appetite Statement), which is subsequently submitted to the Executive Board and the Supervisory Board of VIVAT for approval. After approval, this risk appetite is implemented using a top-down approach. The risk appetite (see Section 5.3.3) shows, from a quantitative perspective, how much capital is available for carrying on business operations and taking on new risks, among other things.

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

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

The evaluation of the risks and the related capital requirements is an ongoing, iterative process.

5.9.6 Capital **position** - Solvency II

SRLEV is able to produce all regulatory reports that are mandatory under the Solvency II legislation, which came into effect on 1 January 2016. SRLEV managed to become compliant with most of the requirements under Solvency II, nevertheless full compliance has not yet been achieved. Activities determined to achieve full compliance have been agreed with DNB and execution is highly prioritised by the Executive Board.

All figures with respect to Solvency II in this section are not part of the consolidated financial statements. As a result, the scope of the independent auditor’s report does not include this section. Solvency II calculations are indicative given ongoing interpretations for the first year implementation and sensitive to market movements.

For internal purposes, SRLEV calculates the Solvency II position on a monthly basis. SRLEV calculates and reports Solvency II figures based on the standard model.

The required and available capital (own funds) under Solvency II are determined on the basis of information at year-end 2015. The Delegated Acts of October 2015 are used as a starting point. The Level 3 guidance is analysed and does not impact results.

The yield curve used as at 31 December 2015, including the Ultimate Forward Rate (UFR), Credit Risk Adjustment (CRA) and Volatility Adjustment (VA), is published by EIOPA. The yield curve used as at 31 December 2014 was supplied by DNB.

When calculating the capital position under Solvency II, SRLEV makes use of the possibility of applying long-term guarantee measures. SRLEV applies the VA. SRLEV does not apply the Matching Adjustment (MA).

When determining the Solvency II capital ratio, the loss absorbing capacity of deferred tax assets may be set off against the required capital (SCR). In that case, it is necessary to demonstrate that, following aloss of the same scale as the (pre-tax) SCR shock, future fiscal profits will be sufficient to be able to recover the deferred tax asset created by that loss. Tax offsetting in the SCR is applied for SRLEV.

VIVAT calculates its position under Solvency II using the standard formula. As a result of the € 1.35 billion capital injection by Anbang, the estimated Solvency II ratio of VIVAT NV increased to approximately 160% at year-end 2015.

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

A description of the significant assumptions used by SRLEV when determining its capital (own funds) position under Solvency II is provided below.

Summary of main assumptions VIVAT NV for Solvency II

Item	Solvency II
Legal Basis	Delegated Acts October 2015
Curve	Swap -/- CRA + VA
CRA	10 bps
VA	22 bps
MA	Not applied
UFR	UFR (from year 20 to UFR of 4.2% over 40 years)
Model used for Riks Margin	Standard Model
CoC% in Risk Margin	6%
Reduction factors applied to Risk Margin	No
Reduction factors applied to SCR for underwriting risk (longevity / lapse)	No
Surrender value floor	No; surrender value floor does not apply
Required capital	Based on correlated results of SCR calculations
Deferred tax assets utilised in required capital	0% tax recoverability assumed in required capital
Tiering of capital	In line with Solvency II Delegated Acts (restrictions on subordinated capital and deferred tax assets).

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6 Consolidated financial statements

6.1 Consolidated statement of financial position

Before result appropriation and in € millions	Notes[1]	31 December 2015	31 December 2014
Assets			
Property and equipment	1	59	52
Investment property	2	259	267
Investments	3	35,187	34,769
Investments for account of policyholders	4	14,377	14,559
Investments for account of third parties	5	1,436	1,427
Derivatives	6	632	846
Deferred tax assets	7	1,458	1,643
Reinsurance contracts	13	3,310	3,589
Loans and advances to banks	8	236	321
Other assets	9	544	442
Cash and cash equivalents	10	153	344
Total assets		**57,651**	**58,259**
Equity and liabilities			
Share capital[2]		-	-
Other reserves		2,561	2,652
Retained earnings		194	-518
Shareholders' equity		**2,755**	**2,134**
Minority interests		-	-
Total equity	**11**	**2,755**	**2,134**
Subordinated debts	12	817	680
Insurance contracts	13	44,143	44,943
Liabilities investments for account of third parties	5	1,436	1,427
Provision for employee benefits	14	169	-
Other provisions	15	40	20
Derivatives	6	155	169
Deferred tax liabilities	7	942	1,157
Amounts due to banks	16	1,376	1,504
Corporate income tax		55	69
Other liabilities	17	5,763	6,156
Total equity and liabilities		**57,651**	**58,259**

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

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

6.2 Consolidated statement of **profit** or loss

In € millions	Notes[1]	2015	2014
Income			
Premium income		1,927	2,337
Reinsurance premiums		158	161
Net premium income	**23**	**1,769**	**2,176**
Fee and commission income		70	65
Fee and commission expense		1	1
Net fee and commission income	**24**	**69**	**64**
Investment income	25	1,283	1,383
Investment income for account of policyholders	26	648	2,159
Result on financial instruments	27	-126	-78
Total income		**3,643**	**5,704**
Expenses			
Technical claims and benefits	28	1,677	3,473
Charges for account of policyholders	29	1,127	2,329
Acquisition costs for insurance activities	30	35	46
Staff costs	31	259	150
Depreciation and amortisation of non-current assets	1	2	6
Other operating expenses	32	43	136
Impairment losses	33	24	22
Other interest expenses	34	214	231
Other expenses		1	1
Total expenses		**3,382**	**6,394**
Result before taxation		**261**	**-690**
Taxation	35	67	-172
Net result continued operations for the period		**194**	**-518**
Attribution:			
Net result continued operations attributable to shareholders		194	-518
Net result continued operations attributable to minority interests		-	-
Net result continued operations for the period		**194**	**-518**

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

6.3 Consolidated statement of total comprehensive income

Consolidated statement of other comprehensive income

In € millions	2015	2014
Items that will not be reclassified subsequently to profit or loss		
Other changes in comprehensive income	**2**	-1
Total items never reclassified to profit or loss	**2**	**-1**
Items that may be reclassified subsequently to profit or loss		
Change in cashflow hedgereserve	**-**	-8
Change in fair value reserve	**-20**	-27
Total items that may be reclassified to profit or loss subsequently	**-20**	**-35**
Other comprehensive income (after taxation)	**-18**	**-36**

Statement of total comprehensive income

In € millions	2015	2014
Net result for the period	194	-518
Other comprehensive income (after taxation)	-18	-36
Total comprehensive income	**176**	**-554**
Attribution:		
Comprehensive income attributable to shareholder	176	-553
Comprehensive income to minority interests	-	-1
Total comprehensive income	**176**	**-554**

6.4 Consolidated statement of changes in equity

Consolidated statement of changes in group equity 2015

In € millions	Issued share[1] capital	Share premium reserve	Sum revaluation reserves	Sum other reserves	**Equity attributable to shareholders**	Minority interests	**Group equity**
Balance as at 1 January 2015	-	1,619	49	466	**2,134**	-	**2,134**
Unrealised revaluations from cashflow hedges	-	-	-18	-	**-18**	-	**-18**
Deferred interest income from cashflow hedges	-	-	-	-	**-**	-	**-**
Unrealised revaluations	-	-	-376	-	**-376**	-	**-376**
Impairments	-	-	18	-	**18**	-	**18**
Realised revaluations through profit or loss	-	-	-110	-	**-110**	-	**-110**
Change in profit-sharing reserve	-	-	80	-	**80**	-	**80**
Change in shadow accounting	-	-	386	-	**386**	-	**386**
Other movements	-	-	-	2	**2**	-	**2**
Amounts charged directly to total equity	**-**	**-**	**-20**	**2**	**-18**	**-**	**-18**
Net result 2015	-	-	-	194	**194**	-	**194**
Total result 2015	**-**	**-**	**-20**	**196**	**176**	**-**	**176**
Capital issue	-	445	-	-	**445**	-	**445**
Total changes in equity 2015	**-**	**445**	**-20**	**196**	**621**	**-**	**621**
Balance as at 31 December 2015	**-**	**2,064**	**29**	**662**	**2,755**	**-**	**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.

VIVAT NV announces that, similar to 2014, no dividend will be distributed for 2015.

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**	-	-	**-**
Deferred interest income from cashflow hedges	-	-	-	**-**	-	-	**-**
Unrealised revaluations	-	-	-376	**-376**	-	-	**-**
Impairments	-	-	18	**18**	-	-	**-**
Realised revaluations through profit or loss	-	-	-110	**-110**	-	-	**-**
Change in profit-sharing reserve	-	-	80	**80**	-	-	**-**
Change in shadow accounting	-	18	368	**386**	-	-	**-**
Other movements	-	-	-	**-**	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**

Consolidated statement of changes in group equity 2014

In € millions	Issued share capital	Share premium reserve	Sum revaluation reserves	Sum other reserves	**Equity attributable to shareholders**	Minority[1] interests	**Group equity**
Balance as at 1 January 2014	-	1,619	84	984	**2,687**	1	**2,688**
Unrealised revaluations from cashflow hedges	-	-	116	-	**116**	-	**116**
Deferred interest income from cash flow hedges	-	-	1	-	**1**	-	**1**
Unrealised revaluations	-	-	2,547	-	**2,547**	-	**2,547**
Impairments	-	-	3	-	**3**	-	**3**
Realised revaluations through profit or loss	-	-	-186	-	**-186**	-	**-186**
Change in profit-sharing reserve	-	-	-422	-	**-422**	-	**-422**
Change in shadow accounting	-	-	-2,094	-	**-2,094**	-	**-2,094**
Other movements	-	-	-	-	**-**	-1	**-1**
Amounts charged directly to total equity	**-**	**-**	**-35**	**-**	**-35**	**-1**	**-36**
Net result 2014	-	-	-	-518	**-518**	-	**-518**
Total result 2014	**-**	**-**	**-35**	**-518**	**-553**	**-1**	**-554**
Capital issue	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total changes in equity 2014	**-**	**-**	**-35**	**-518**	**-553**	**-1**	**-554**
Balance as at 31 December 2014	**-**	**1,619**	**49**	**466**	**2,134**	**-**	**2,134**

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

Statement of revaluation reserves and other reserves 2014

In € millions	Revaluation property and equipment	Cash flow hedge reserve	Fair value reserve	**Sum revaluation reserves**	Other reserves	Retained earnings	**Sum other reserves**
Balance as at 1 January 2014	**4**	**8**	**72**	**84**	**1,400**	-416	**984**
Transfer of net result 2013	-	-	-	**-**	-416	416	**-**
Transfers 2013	-	-	-	**-**	-416	416	**-**
Unrealised revaluations from cashflow hedges	-	116	-	**116**	-	-	**-**
Deferred interest income from cashflow hedges	-	1	-	**1**	-	-	**-**
Unrealised revaluations	-	-	2,547	**2,547**	-	-	**-**
Impairments	-	-	3	**3**	-	-	**-**
Realised revaluations through profit or loss	-	-	-186	**-186**	-	-	**-**
Change in profit-sharing reserve	-	-	-422	**-422**	-	-	**-**
Change in shadow accounting	-	-125	-1,969	**-2,094**	-	-	**-**
Other movements	-	-	-	**-**	-	-	**-**
Amounts charged directly to total equity	**-**	**-8**	**-27**	**-35**	**-**	**-**	**-**
Net result 2014	-	-	-	**-**	-	-518	**-518**
Total result 2014	**-**	**-8**	**-27**	**-35**	**-**	**-518**	**-518**
Capital issue	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total changes in equity 2014	**-**	**-8**	**-27**	**-35**	**-416**	**-102**	**-518**
Balance as at 31 December 2014	**4**	**-**	**45**	**49**	**984**	**-518**	**466**

6.5 Consolidated cash **flow** statement

Consolidated cash flow statement

In € millions	2015	2014[1]
Cash flow from operating activities		
Operating profit before taxation	261	-690
Adjustments for:		
Depreciation and amortisation of non-current assets	1	1
Changes in technical provisions for own risk	-150	1,477
Changes in other provisions	-450	-160
Impairment charges / (reversals)	24	22
Unrealised results on investments through profit or loss	196	-1,022
Taxes paid / received	-2	3
Change in operating assets and liabilities:		
Change in advances and liabilities to banks	-43	-1,208
Change in other operating activities	-636	80
Net cash flow from operating activities	**-799**	**-1,497**
Cash flow from investment activities		
Sale of investment property	9	4
Sale and redemption of investments and derivatives	12,373	9,727
Purchase of investment property	-2	-2
Purchase of investments and derivatives	-12,356	-8,907
Net cash flow from investment activities	**24**	**822**
Cash flow from finance activities		
Issue of shares and share premium	445	-
Issue of subordinated loans	140	-
Redemption of subordinated loans	-1	-1
Net cash flow from financing activities	**584**	**-1**
Cash and cash equivalents 1 January	344	1,020
Change in cash and cash equivalents	-191	-676
Cash and cash equivalents as at 31 December	**153**	**344**
Additional disclosure with regard to cash flows from operating activities:		
Interest income received	1,257	1,195
Dividends received	147	141
Interest paid	302	194

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

7 Notes to the consolidated financial statements

7.1 Accounting policies for the consolidated financial statements

7.1.1 General information

SRLEV NV (SRLEV), incorporated and established in the Netherlands, is a public limited liability company incorporated under the laws of the Netherlands. SRLEV is the wholly owned subsidiary of VIVAT NV and VIVAT NV is a wholly owned subsidiary of Anbang Group Holdings Co. Limited, which ultimate parent is Anbang Insurance Group Co. Ltd with its headquarters in Beijing, People's Republic of China.

The consolidated financial statements comprise the financial statements of SRLEV (the parent company) and its subsidiaries (see Section 7.5, note 39 List of 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 2015 were authorised for publication by the Executive Board following the approval by the Supervisory Board on 1 April 2016. The financial statements will be submitted to the General Meeting of Shareholders for adoption.

7.1.2 Basis of preparation

Statement of IFRS compliance

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

Relevant new standards amended standards and interpretations of existing standards effective as of 2015

New or amended standards become effective on the date specified in the relevant IFRS, but may allow early adoption. In 2015 no new or amended standards and interpretations have been issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRIC).

Relevant new standards, amended standards and interpretations of existing standards effective date on or after January 2016

Relevant new standards, amendments to existing standards and interpretations, published prior to 1 January 2016 and effective for reporting periods beginning on or after 1 January 2016, were not early adopted by SRLEV.

Other developments

Conjunction IFRS 9 Financial Instruments with the new standard on insurance contracts 'IFRS 4 Phase II'

On the 23rd of September 2015 the IASB decided on a package of temporary measures to address concerns about issues arising from implementing IFRS 9 before the new standard on insurance contacts comes into effect.

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

The temporary measures would amend IFRS 4 Insurance Contracts to give companies whose business model is to predominantly issue insurance contracts the option to defer the effective date of IFRS 9 until 2021 (the 'deferral approach'). It would also give insurers who implement IFRS 9 the option to remove from profit or loss some of the accounting mismatches and temporary volatility that could occur before the new insurance contracts standard is implemented (the 'overlay approach').

On the 9th of December 2015 the IASB has issued an exposure draft on IFRS 4 Insurance Contracts. Within this exposure draft a quantitative threshold on 'predominance' has not been proposed, however the IASB notes that the temporary exemption from applying IFRS 9 is targeted at entities that are significantly affected by the different effective dates of IFRS 9 and the new insurance standard and thus predominance is intended to be a high threshold. For example: at least three quarters of an entity's liabilities are liabilities arising from contracts within the scope of IFRS 4 in order to qualify on the predominance criterion. SRLEV would meet this criterion.

The Executive Board of SRLEV has not yet decided on the implementation of IFRS 9 or the application of one of the alternatives mentioned above.

Changes in policies, **estimates** and **presentation**

In 2015 no changes in policies, estimates or presentation have been made.

7.1.3 General **accounting** policies

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

IFRS disclosures on risk and capital management, as included in Sections 5.4 up to and including 5.9.5 form an integral part of the consolidated financial statements and are subject to an audit. As a result, the scope of the independent auditor's report includes these disclosures as well.

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 entitled 'Foreign currencies'.

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 a legally enforceable right to set off the recognised amounts exists, as well as an intention to settle the items on a net basis, or to settle the asset and the liability simultaneously. If these conditions are not met, amounts are not offset.

Discontinued operations or assets held for sale

Assets and liabilities qualifying as discontinued operations and assets held for sale, of which it is highly probable at the reporting date that they will be discontinued or sold within twelve months, are recognised at the lower of their carrying amount or fair value less expected costs to sell.

Financial instruments and insurance contracts held for sale are measured in accordance with IAS 39 and IFRS 4 requirements, respectively.

Estimates and assumptions

General

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.

For detailed information and disclosure of the accounting estimates and assumptions, we refer to the next sections and the notes to the items in the consolidated financial statements.

Use of estimates and assumptions in preparing the financial statements

The measurement of certain items in the statement of financial position is highly dependent on the use of estimates and assumptions. For further disclosures on the use of estimates and assumptions, see the specific accounting policies for the following items in the statement of financial position:

- Insurance contracts
- Provision for bad debts
- Impairments:
  - Financial assets
  - Investments in debt securities
  - Investments in equity securities
  - Reversal of impairment regarding investments in equity and debt securities

For details on the use of estimates and assumptions regarding the fair value of financial instruments, in the statement of financial position and disclosures, see the section entitled ‘Measurement’ below.

Measurement

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.

Non-financial assets and liabilities are generally measured at historical cost.

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.

7.1.4 Basis of **consolidation**

Subsidiaries

Subsidiaries, i.e. all companies and other entities (including special-purpose 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 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.

Investments for account of third parties and liabilities from investments for account of third parties

SRLEV consolidates investment funds and recognises investments for account of third parties in the consolidated statement of financial position together with the related liabilities, which are consolidated accordingly.

Investments in associates and joint arrangements

Associates are entities in which SRLEV holds between 20% and 50% of the voting rights or entities in which SRLEV can exercise significant influence on the operating and financial policies, but over which it has no control.

Joint arrangements are arrangements of which SRLEV has joint control, which arises from a joint arrangement; and strategic decisions on the financial and operating policies are taken subject to unanimous consent. The accounting treatment of a joint arrangement is determined by its classification. There are two types of joint arrangement:

- Joint operation: the parties that have joint control have rights to the assets, and obligations for the liabilities, relating to the arrangement (proportionate consolidation);
- Joint venture: the parties that have joint control have rights to the net assets of the arrangement (equity method of accounting).

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

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

Under the equity method, SRLEV's share of profit or loss of associates and joint ventures is recognised in the statement of profit or loss within share of profit of associates. SRLEV's share in changes in the reserves of associates or joint ventures is recognised directly in other comprehensive income (change in share of associates in other comprehensive income).

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

Associates and joint ventures held for sale are classified as held for sale. These associates and joint ventures are measured at the lower of their carrying amount or fair value less costs to sell. Gains and losses on the sale of an investment in an associate or joint venture are presented in the statement of profit or loss as an aggregated amount, consisting of the selling price less transaction costs and the carrying amount of the associate.

Elimination of group transactions

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

Unrealised gains on transactions between SRLEV and its associates and joint ventures are eliminated to the extent of SRLEV's interest in these investments. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that no evidence of impairment exists.

Segment information

No operating segments are presented in the financial statement of SRLEV. The business units comprising SRLEV are defined, managed and controlled by VIVAT. Therefore the presentation of business units within SRLEV would result in less transparent information for the users of the financial statement. For the segment information refer to the consolidated financial statement of VIVAT.

7.1.5 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 transferred between willing parties in an arm's length transaction. 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 through profit or loss.

Buildings are depreciated over their useful lives using the straight-line method, with a maximum of 50 years, taking into account any residual value. Land is not depreciated. Regular impairment tests are performed of 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.

IT equipment and other property and equipment

All other property and equipment are measured at cost net of accumulated depreciation and, if applicable, accumulated impairment losses. Cost includes the expenses directly attributable to the acquisition of the assets. 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.

Periodic impairment tests are performed of other property and equipment. If the carrying amount of an asset exceeds its recoverable amount, it is written down to the recoverable amount.

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

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

Investments in associates

For details, see Section 7.1.4 (Basis of consolidation) under 'Investments in associates and joint arrangements'.

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, including transaction costs, upon initial recognition. Investment property qualifies as a long-term investment and is measured at fair value, i.e. its value in a (partially) let state. 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 transferred between willing parties in an arm's length transaction. 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 through 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, and (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.

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 classifies 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 is held for trading purposes or if it was designated as such upon initial recognition. Financial assets are only designated at fair value through profit or loss if:

1. this eliminates or considerably limits an inconsistency in valuation or recognition between assets and liabilities that would otherwise arise; or
2. 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 do not qualify 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 investments with a fixed term 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 a provision 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 difficulties 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.

Investments in mortgages
Where mortgage loans are concerned, a provision for impairment is recognised if objective evidence exists that SRLEV is not able to collect all payments in accordance with the initial contract. For mortgages that are individually significant, this provision 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 provision for impairment losses also covers losses where objective evidence exists of losses likely to be incurred in the loan portfolio (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. When a loan is uncollectable, it is charged against the relevant provision for impairment. Amounts that are subsequently collected are deducted from the addition to the provision for impairment in the statement of profit or loss.

Investments for account of policyholders (fair value through profit or loss)
Investments for account of policyholders are classified as fair value through profit or loss. These investments are designated as such, as the corresponding financial liabilities are also measured at fair value (see the section entitled ‘Life insurance contracts for account of policyholders’). Amounts due from policyholders in this context are recognised in the statement of profit or loss as premium income. Adjustments in the fair value of investments and 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 share of third parties in the investments of investment funds with opposite daily redeemable financial obligations to these third parties at the same amount. Both are measured at fair value through profit or loss and 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.

These investment funds are consolidated given that SRLEV has control of these funds and is exposed to these funds’ gross 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.

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

Embedded derivatives

An embedded derivative is considered to be a separate derivative if there is no close relationship between the economic characteristics and risks of the derivative and the host contract, if the host contract is not measured at fair value through profit or loss, and if a separate instrument with the same terms as the embedded derivative meets the definition of a derivative. Embedded derivatives are measured at fair value through profit or loss.

Hedge accounting

In addition to derivatives qualifying for shadow 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:

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

Hedge accounting, which is applied to derivatives designated as such, is performed in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

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.

SRLEV ceases the hedging relationship after a management decision to this effect or as soon as it has been established that a derivative is no longer an effective hedging instrument, when the derivative expires, is sold or terminated, when the hedged item expires, is sold or redeemed, or when an expected transaction is no longer deemed highly likely to occur.

Fair value hedge accounting

Derivatives designated as a hedge of fair value changes of recognised assets or of a firm 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 the ineffective portion is recognised in the statement of profit or loss. The underlying measurement of the hedged item, which is designated as part of a cash flow hedge, does not change.

If the forecast transaction leads to the recognition of an asset or a liability, the accumulated gains and losses that were previously recognised in the cash flow hedge reserve are transferred to the statement of profit or loss and classified as income or expense in the period in which the hedged transaction occurs.

If the hedging instrument itself expires or is sold or terminated, or no longer meets the conditions for hedge accounting, the accumulated 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 of investments in group companies, joint ventures and associates, unless

SRLEV can determine the time at which these temporary differences will end and if it is likely that these differences will not end in the near future.

Deferred tax assets are assessed at the reporting date; if it is no longer likely that the related taxable profit will achieved, the asset is reduced to its recoverable value.

The most significant temporary differences arise from the revaluation of property and equipment, certain financial assets and liabilities, including derivative contracts and hedge accounting practices, provisions for pensions and other post-retirement employee plans, technical provisions, deductible losses carried forward and, where acquisitions are concerned, from the difference between (a) the fair value of the acquired net assets, and (b) the carrying amount of these assets.

Deferred taxes involving the revaluation of the aforementioned assets and liabilities whose value adjustments are recognised directly in shareholders' equity are also charged or credited to shareholders' equity upon realisation, they are included in the statement of profit or loss together with the deferred revaluations.

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. Owing to the transfer of significant insurance risk, the entire contract qualifies as an inbound reinsurance contract; 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 technical provisions and the benefits to which SRLEV is entitled by virtue of its reinsurance contracts are accounted for as reinsurance assets, after deduction of reinsurers’ share in 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. These premiums are expensed in the period in which they are due.

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

Issued share capital and share premium reserve

The share capital comprises the issued and paid-up ordinary shares. The share premium reserve concerns the paid-in surplus capital in addition to the nominal value of the issued ordinary and Class B shares. Costs directly attributable to the issue of equity instruments (net of tax) are deducted from the share issue income.

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 to 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 recorded in the fair value reserve (net of taxes). If the particular assets are sold, settled or become due as a result of other events, the assets are no longer recognised; the corresponding cumulative gains and losses will then be transferred from the fair value reserve to the statement of 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 and final bonus account

Subordinated debt

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

Final bonus account

The final bonus account concerns final bonus commitments in relation to certain life insurance policies. Entitlement to a final bonus applies only to specific individual insurance contracts that become payable upon expiry of the agreed term or upon the death of the insured party. Entitlement to a final bonus is cancelled when the insurance contract is surrendered. Entitlements to final bonuses to be paid are subordinated to all other debts. Entitlement to a final bonus lapses if and insofar as the results erode the capital base to the extent that the regulatory solvency requirements can or may no longer be satisfied.

The final bonus account is determined based on actuarial principles using the same accounting policies that are applied for the valuation of the profit allocations, which form part of the liabilities arising from insurance contracts. The estimated probability of early termination of insurance contracts is also taken into account.

Part of the final bonus account is converted annually into an unconditional right of the policyholder using a fixed method and added to the liabilities arising from insurance contracts.

The obligations arising from the final bonus scheme are classified as liabilities in the consolidated financial statements. This item is part of the available regulatory capital in the solvency I reports on the insurance business to the Dutch Central Bank.

Insurance contracts

General
The statement of the financial position recognises liabilities arising from insurance contracts (further referred to as insurance liabilities). Insurance contracts are contracts that concern the transfer of significant insurance risks. These contracts can also involve investment risks.

An obligation to make future contractual payments is recognised as soon as the insurance contract takes effect. SRLEV has continued applying the accounting policies to 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 using 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 measurements based on historical cost, IFRS requires a liability adequacy test to be performed. The carrying amount of the insurance liability based on historical cost is compared to the fair value of the insurance liability. When the latter is higher, there is a deficit. Under IFRS 4, the carrying amount of the insurance liability has to be supplemented by this deficit (as described in the section entitled ‘IFRS liability adequacy test of life insurance contracts – Recognition of a deficit’), causing the insurance liability to be measured at fair value assumptions.

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

Life insurance

General
Life insurance contracts can be divided into life insurance policies for own account and life insurance contracts for account of policyholders for which SRLEV incurs significant insurance risk. Policyholders incur investment risk with regard to 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 or death of the insured.

At the reporting date, life insurance liabilities will be determined based on a rate basis, a provision for longevity, interest rate guarantees (on life insurance contracts, of which the investment risk is borne by the insurance policyholder) and the effects of shadow accounting.

Rate policies
Liabilities arising from life insurance contracts on a rate basis are determined on the basis of a sufficiently conservative prospective actuarial method taking into account all future benefit payments and premiums to be received, if applicable. The calculation deviates from using a prospective method if the nature of the relevant type of life insurance does not allow the application of this method.

Actual payments and the timing of payments also depend on 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 valuation of life insurance contracts at the reporting date are based on the calculation principles set at the contract’s inception date. Using different assumptions for these factors than the assumptions used in these consolidated financial statements could have a significant effect on liabilities arising from insurance contracts and insurance-related expenses.

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

Embedded options and guarantees in insurance contracts
SRLEV does not separately recognise embedded derivatives in insurance contracts, such as options to surrender insurance contracts at a fixed amount, or at a fixed amount and an interest rate (i.e. closely linked to the basic insurance contract), but recognises them under the host contract from which they stem. The embedded derivatives are recognised as soon as the technical provision relating to the host contract drops below the guaranteed minimum. The time value is not included in the measurement.

Life insurance policies for own account

General
For these contracts, SRLEV incurs insurance risk as well as investment risk since claims from these insurance contracts are directly linked to the underlying investments. These insurance contracts are divided into individual and group contracts within the following product groups: offset savings mortgage insurance, annuities, term insurance policies, savings policies, and funeral expenses insurance policies.

The provision for life insurance contracts for own account consists of the discounted value of expected future benefits payments to policyholders or other beneficiaries, less future premiums (net premium method).

Assumptions in basis rates
The assumptions used for the valuation of life insurance contracts for own account at the reporting date are based on the calculation principles set at the inception date of the contract. Furthermore, a periodic IFRS liability adequacy test is performed as described below. For estimates, assumptions and an explanation of the test, see the section entitled 'IFRS liability adequacy test of life insurance contracts'.

Provisions for longevity risk
Particularly with regard to the pension portfolio, liabilities arising from insurance contracts may become insufficient due to the extended life expectancy of the beneficiaries. Additional contributions to the provision have been made in the past and provisions of acquired insurance companies have been maintained to absorb this longevity risk. The provisioning policy was amended in 2008 following the legal merger of various entities and the increased possibility of compensation using mortality risk. No additions to the provision for longevity risks are recognised as long as there is sufficient compensation from positive risk premiums in the total portfolio. The actual longevity risk also forms part of 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 discount
In respect of individual single-premium insurance contracts, an interest amount can be guaranteed, which may be higher or lower than the standard rate basis. The rates for annuity policies are based on a yield curve derived from actual market data. The policyholder is granted a discount 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 interest rate discount is capitalised and deducted from the insurance liabilities and amortised on either an actuarial or a straight-line basis.

With regard to group insurance contracts, at inception, the share in the expected investment income on premiums received and single premiums is recognised as an interest rate discount and deducted from insurance liabilities.

Recognised interest rate discounts are amortised on a straight-line basis with the exception of agreed payment terms. 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 and for no-claim disability annuities. This provision is based on a factor multiplied by the annual premium that applies to the disability risk. The factor is based on such aspects as 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, bonuses and rebates

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, bonuses and rebates.

Profit-sharing

In addition to non-profit-sharing insurance contracts, the insurance portfolio also contains insurance contracts with discretionary or contractual profit-sharing rights. Discretionary profit-sharing schemes concern the contractual right of individual policyholders to receive additional benefit payments over and above any insured or guaranteed capital.

The determination of the amount and timing of these additional benefits is at the discretion of SRLEV's management. Profit shares already awarded are also included in liabilities arising from insurance contracts.

In addition to discretionary profit-sharing, there are also individual and group contracts with contractual profit-sharing. These include profit-sharing based on a share of any surplus interest profits and profit-sharing based on a share of any insurance profits. Obligations as a result of contractual profit-sharing are included in liabilities arising from insurance contracts.

Shadow accounting

In accordance with IFRS 4, SRLEV applies shadow accounting in order to reduce the asymmetry in the liability adequacy test. As a result, both the statement of the financial position and the financial results improve the insight into the economic relationship between assets and liabilities.

The asymmetry results from the measurement of financial assets at fair value and the measurement of the insurance liabilities, to be recognised in the statement of the financial position, based on the expected cash flows from insurance contracts discounted at a fixed interest rate (derived from the rate policies).

Changes in interest rates do not affect the insurance liabilities that are discounted at a fixed interest rate. Shadow accounting is based on the principle according to which fixed-income investments serve as an economic hedge for the insurance liabilities.

As a result of applying shadow accounting, an increase or decrease in interest rate has a similar opposite effect on both recognised fixed-income investments and insurance liabilities. Also, via shadow losses, the effect of changes in interest rates on potential liability adequacy test deficits, based on actual assumptions (including discounting at an actual interest rate) is better aligned with the effect of changing interest rates on the revaluation of investments classified as available for sale.

Application
Shadow accounting is applied to fixed-income available-for-sale financial assets and interest rate derivatives measured at fair value through profit or loss that are held to cover insurance liabilities arising from:
- insurance contracts with profit-sharing;
- insurance contracts without profit-sharing, if and to the extent that the expected average interest rate on the reinvestments is lower than the average interest rate of the insurance liabilities used in the premium calculation at the inception date of the contracts, considered at a portfolio level; or
- certain interest-related options embedded in insurance contracts.

With respect to insurance contracts with profit-sharing, specific investment portfolios are held to cover the profit-sharing liabilities.

Shadow accounting is not applied in respect to:
- impairments; and
- revaluation of debt securities resulting from impairment losses.

Under shadow accounting, unrealised and realised gains or losses on financial assets have a similar effect on the measurement of liabilities arising from insurance contracts.

Shadow accounting in the statement of profit or loss
If, in case of reinvestment, the interest income achieved falls short of the required interest rate charges within the technical insurance charges, for instance due to profit-sharing rights, the realised gains or losses recognised in the statement of profit or loss are, as a result shadow accounting, mirrored via technical claims and benefits and added to insurance liabilities.

The realised gains or losses that are added to insurance liabilities through shadow accounting are subsequently amortised through the statement of profit or loss to (fully or partially) compensate the deficit in interest income on the (re)investments. The carrying amount of the relating insurance liabilities (not yet amortised) is included in the carrying amount of the overall insurance liabilities, which are assessed in the liability adequacy test.

Unrealised gains or losses on derivatives are included in shadow accounting through recognition of technical claims and benefits in the consolidated statement of profit or loss.

Rights of policyholders are not limited if the total of gains and losses on investments encompassed within shadow accounting is negative. These losses are directly recognised in the consolidated statement of profit or loss as an addition to technical claims and benefits.

Shadow accounting and the liability adequacy test
Unrealised gains or losses on financial assets and realised gains or losses on financial assets yet to be amortised, which, as a consequence of shadow accounting, are included in insurance liabilities, are taken into account when performing the liability adequacy test.

Shadow loss charged to Other Comprehensive Income
If, after application of shadow accounting on realised results on fixed-income available for sale financial assets and on results on interest rate derivatives, an interest related deficit remains in the liability adequacy test, a mirrored ‘shadow loss’ (see hereafter in the section on the IFRS liability adequacy test for life insurance) is charged to the available revaluation reserve in other comprehensive income and added to the insurance liabilities.

Life insurance contracts for account of policyholders

General

This concerns insurance contracts under which policyholders incur the investment risk. The liabilities arising from these contracts consist of the technical provisions for the value of the underlying investments, the value of interest rate guarantees and the value of the insurance component.

Unit-linked life insurance contracts

Claims from unit-linked life insurance contracts are directly linked to the underlying investments. As a result, the insurance liabilities for these contracts are adjusted in line with changes in the fair value of these investments. The policyholders determine how SRLEV should invest any premiums paid net of costs and risk premium. To this end, SRLEV has created separate investment funds.

Unit-linked policyholders incur investment risk. In addition to deciding how funds should be invested, policyholders are also allowed to amend the policy conditions at any given time depending on their personal and/or financial situation. With regard to unit-linked insurance contracts, SRLEV issues guaranteed returns for a limited number of investment funds.

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

Technical provisions 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 technical provisions (*and* the underlying investment) are recognised at fair value through profit or loss. Transaction costs and commission are not included at initial recognition but charged to the statement of profit or loss as these transactions incur.

Interest rate guarantees

Interest rate guarantees have been issued by SRLEV 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 provision formed for 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.

If income from investments is not sufficient to cover the obligations from guaranteed returns for group contracts, the insurance liabilities are increased and charged to the statement of profit or loss. If group insurance contracts are renewed for SRLEV's own 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.

Insurance component

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

IFRS liability adequacy test of life insurance contracts

Test

Under IFRS, the carrying amount of an insurance liability, is required to be at least equal to the fair value of the insurance liability. The total carrying amount of the liabilities tested consists of the carrying amount based on historical cost, supplemented with the effects of shadow accounting (see the sections entitled 'Shadow accounting' and 'Shadow losses') and any provisions for interest rate guarantees on life insurance contracts, in which the investment risk is borne by the policyholders (net of deficits due to interest rate guarantees in group contracts that can be charged to policyholders, i.e. employers or pension funds).

It is tested, based on actual 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 is included in these cash flows. The estimate is increased by a risk margin, which is calculated using the Cost of Capital method. Finally, the cash flows are discounted using the swap curve including the Ultimate Forward Rate (UFR) as published by the Dutch Central Bank (DNB). If the resulting provision turns out to be higher than the carrying amount of the insurance liabilities presented in the statement of the financial position increased by differences in the recognised investments (to the extent that they are not recognised at fair value), a test deficit exists.

Where interest rate guarantees in group contracts under which the investment risk is for account of policyholders is concerned, it has been agreed with a number of policyholders that deficits in relation to the guaranteed interest rate will (partially) be borne by the policyholders. As a result, contributions received or to be received from the policyholders are deducted from the liability adequacy test deficit.

Test level and frequency
This IFRS liability adequacy test is performed at least quarterly of liabilities arising from the entire portfolio of life insurance contracts.

Recognition of a deficit
If the outcome of the test is a deficit, the carrying amount will be supplemented and charged to shareholders' equity insofar as there are assignable positive revaluation reserve and cash flow hedge reserve (see the section entitled ‘Shadow losses’ below). Any remaining deficit will be added to liabilities arising from insurance contracts, also via technical claims and benefits. If the deficit decreases in the next reporting period, this addition will be reversed from insurance liabilities through profit and loss (via technical claims and benefits).

Shadow loss
Insofar the IFRS liability adequacy test deficit is related to an increase in insurance liabilities as a result of lower interest rates, the required addition to the carrying amount of the liabilities, through shadow loss accounting, is charged to the revaluation reserve and the cash flow hedge reserve. The revaluation reserve is only increased to the extent that the charges relate to the fixed-income investments related to the insurance liabilities. A deficit resulting from other technical assumptions is not recognised as a part of a shadow loss. Any liability adequacy test surplus in a successive reporting period will result in a credit to the fair value reserve or the cash flow hedge reserve of a shadow loss previously recognised in the insurance liability equal to the surplus.

Assumptions
The following assumptions were used in performing the IFRS liability adequacy test as at 31 December 2015:
- Discount rate: swap curve including UFR (DNB curve).
- 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 2014* updated with recent CBS mortality figures and 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: 4%.

Mortality probabilities
The mortality rates used in the projection of the insurance liabilities are based on the expected population mortality rate multiplied by a portfolio factor.

To determine the expected mortality rates for the entire population the updated AG 2014 model of the Dutch Actuarial Society is used. The portfolio factor measures the difference between the mortality of the entire population and the mortality in the insurance portfolio. Within the framework set by SRLEV, this factor is individually determined for each portfolio; it is dependent on product characteristics, gender, and elapsed time/age. This portfolio factor is revised annually based on internal research and the mortality quotient of the latest CBS (Central Dutch Institute for Statistics) findings.

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 in Section 7.1.5 entitled 'Accounting policies for the statement of financial position'.

Employee benefits

All staff was employed by VIVAT as of 1 January 2015 (by SNS REAAL until 31 December 2014). As of this date VIVAT charged the annual employee benefits expense, including the share in the costs for short-term employee benefits and pension schemes, to SRLEV. Previously these costs were charged to SRLEV by SNS REAAL.

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

SRLEV'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 of insurance companies in the past. The members of those schemes are referred to as deferred members or retirees.

Disclosures in statement of financial position
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
Under this item SRLEV's defined benefit schemes are presented, that are partially insured externally.

The defined benefit obligation that has been pledged to members is based on the difference between the present value of the future liabilities to pay the participants' pensions and the value of the plan assets.

Net liability (or asset) from defined benefit schemes
This item represents the sum of gross pension entitlements from the individual defined benefit schemes less 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.

Disclosures in 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 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.

The interest on the amount that exceeds the asset ceiling by defined benefit asset is part of the total change resulting from the effect of no capitalisation due to the asset ceiling and is determined based on the actuarial discount rate. This interest is determined by multiplying the amount exceeding the asset ceiling using the actuarial discount rate. This interest is a negative factor in determining the net interest on the one hand and constitutes the part of the revaluation on the other.

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.

Share-based payment
VIVAT charges these employee benefits to SRLEV. For several SRLEV employees, formally employed by VIVAT, VIVAT continued a share based payment plan of SNS REAAL, the former parent. In accordance with the conditions of the plan, the phantom shares are now linked to the value per ordinary share in the financial statements of VIVAT. Changes in the initial value of granted phantom shares are, in principle, based on the financial performance of VIVAT. This performance can be adjusted for incidental income and expenses and the effect of capital contributions or distributions. The value of a phantom share is paid out at maturity date.

The value of the phantom share is expensed in the period in which the services have been rendered. In the subsequent periods, changes in value are recognised in the statement profit of loss until the date of payment.

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.

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

SRLEV recognises severance pay if it has demonstrably committed itself, either through a constructive or legally enforceable obligation, to:
- terminating the employment contracts of current employees in accordance with a detailed formal plan without the option of the plan being withdrawn; or
- paying termination benefits as a result of an offer to encourage voluntary redundancy.

Benefits that fall due after more than twelve months after the reporting date are discounted.

Legal provisions
At the reporting date, SRLEV recognises a provision for the estimated liability with respect to ongoing legal proceedings. The provision comprises an estimate of the legal fees and payments due in the course of the legal proceedings, to the

extent that it is more likely than not that an obligation exists at the reporting date. The 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 primarily consist of interest accrued on financial instruments that are measured at amortised cost. This item also includes creditors, other taxes and accrued liabilities.

7.1.6 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.

The services of a number of SNS REAAL's corporate staff departments were shared with SRLEV until 31 December 2014. The costs of the corporate staff departments were charged to SRLEV on the basis of the services provided, or, if more appropriate, proportionally allocated to SRLEV's subsidiaries. The costs of the financial holding SNS REAAL NV, the costs associated with the strategic reorientation of SNS REAAL NV and the resulting one-off costs were not allocated.

Income

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

Premium income

Premium income from insurance contracts, exclusive of taxes and other charges, is divided into 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 rate rebates 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 asset management, commissions from the 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 financial instruments for own account are 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.

Share of profit of associates

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

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

Investment income

Investment income consists of interest, 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. If the risk of early redemption cannot be reliably estimated, SRLEV calculates the cash flows over the full contract period of the financial instruments.

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.

Gains and losses on financial instruments

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 under gains and losses on financial instruments.

Other operating income

This comprises all income that cannot be accounted for under the items of the statement of profit or loss described above.

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

Net movements in technical provisions are recorded under this item. These mainly include the addition of required interest and premiums to cover future benefit payments, less payments due, developments in the insurance portfolio, such as benefit payments and surrenders, actuarial gains and losses on surrenders, cancellations and mortality and capitalised interest rate discounts.

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 or the conclusion of a mortgage in combination with an insurance product, including brokerage fees, the costs of medical check-ups and service charges for recording new policies in the portfolio. The change in the provision for unearned premiums, insofar as it corresponds to commissions paid, is also accounted for under acquisition costs.

Impairment charges

This item includes downward revaluations of assets whose carrying amounts exceed their recoverable amounts. Property and equipment, associates, financial assets, receivables and other assets may be subject to impairment.

As soon as an impairment loss is identified, it is recognised in the statement of profit or loss. The specific policies for impairment are explained in greater detail in Section 7.1.5 entitled 'Accounting policies for the statement of financial position' (see the applicable items).

Employee benefit expense
This item concerns all staff costs, including salaries, social security contributions and pension costs. In 2015 the salaries, social security contributions and costs of the SNS REAAL defined contribution pension scheme were charged by VIVAT to SRLEV. In 2014 all staff costs were charged by SNS REAAL to SRLEV.

Depreciation
This item comprises all depreciation of property and equipment. For details on depreciation, see Section 7.1.5 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.

Other interest expenses
Other interest expenses comprise interest expenses in respect of financial obligations arising from insurance operations and group operations. Interest expenses are recognised in the statement of profit or loss based on the effective interest method.

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

7.1.7 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.

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

7.2 Acquisitions and disposals

There were no acquisitions or disposals in the financial year 2015.

7.3 Notes to the consolidated financial statements

1 Property and equipment

Breakdown of property and equipment

In € millions	2015	2014
Land and buildings for own use	58	51
IT equipment	-	-
Other assets	1	1
Total	**59**	**52**

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**
Reclassifications	7	-	-	**7**
Depreciation	-1	-	-	**-1**
Impairments	1	-	-	**1**
Balance as at 31 December	**58**	**-**	**1**	**59**

Of the value of buildings in own use, € 7 million was reclassified in 2015 from investment property to owner-occupied land and buildings (2014: of the value of buildings no longer in use, € 2 million was reclassified from owner-occupied land and buildings to investment property).

Statement of changes in property and equipment 2014

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	-57	-1	-2	**-60**
Balance as at 31 December	**51**	**-**	**1**	**52**
Balance as at 1 January	58	-	1	**59**
Revaluations	-	-	-	**-**
Impairments	-1	-	-	**-1**
Impairments	-4	-	-	**-4**
Other	-2	-	-	**-2**
Balance as at 31 December	**51**	**-**	**1**	**52**

Rental income

No owner-occupied land or buildings are sublet.

Appraisal of land and buildings for own use

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

Valuation of land and buildings for own use

In € millions	Assessed	Carrying amount	Appraised value as % of total carrying amount
2015	58	58	100%
2014	51	51	100%

Fair value hierarchy for property, plant and equipment

In 2015, VIVAT classified owner-occupied land and buildings in level 3 of the fair value hierarchy (2014: level 3). These assets are measured on the basis of annual appraisals. The main parameters for these appraisals are rentable market value and expected yield. It was concluded at year-end 2015 that these parameters could not be defined objectively as they are different for every property and that these parameters have a significant impact on the measurement of the assets. For details on the levels, see Note 42 Financial instruments (Fair value of financial assets and liabilities).

Hierarchy property and equipment

In € millions	Level 1	Level 2	Level 3	Total
Land and buildings for own use 2015	-	-	58	**58**
Land and buildings for own use 2014	-	-	51	**51**

2 Investment property

Statement of changes in investment property

In € millions	2015	2014
Balance as at 1 January	267	268
Reclassifications	-8	2
Investments	2	2
Divestments	-9	-4
Revaluations	7	-1
Balance as at 31 December	**259**	**267**

Of the value of buildings in own use, € 7 million was reclassified in 2015 from investment property to owner-occupied land and buildings and € 1 million to other assets (2014: € 2 million was reclassified from owner-occupied land and buildings to investment property).

Fair value hierarchy for investment property

In 2015, SRLEV classified the investment property in level 3 of the fair value hierarchy (2014: level 3). These assets are measured on the basis of annual appraisals. The main parameters for these appraisals are rentable market value and expected yield. It was concluded at year-end 2015 that the parameters could not be defined objectively as they are different for every property and have a significant impact on the measurement of the assets. For details on the levels, see Note 37 Financial instruments (Hierarchy in determining the fair value of financial instruments).

Fair value hierarchy investment property

In € millions	Level 1	Level 2	Level 3	Total
Land and buildings used by third parties 2015	-	-	259	**259**
Land and buildings used by third parties 2014	-	-	267	**267**

3 Investments

Breakdown of investments

In € millions	2015	2014
Fair value through profit or loss: Designated	161	225
Available for sale	26,382	25,496
Loans and receivables	8,644	9,049
Balance as at 31 December	**35,187**	**34,769**

SRLEV has lent some of its investments. The carrying amount of lent investments at 31 December 2015 was € 2,186 million (2014: € 1,712 million). The lending periods are open-ended and can be terminated on request. SRLEV charges an annual lending fee of 0.17% of the value of the related investments.

Some other investments have been pledged as collateral for amounts due to banks (repos). The carrying amount of investments pledged as collateral at 31 December 2015 was € 3,631 million (2014: € 4,271 million).

Fair value through profit or loss: listed and unlisted

	Designated Fixed-income	
In € millions	**2015**	2014
Listed	157	219
Unlisted	4	6
Total	**161**	**225**

Fair value through profit or loss: statement of changes

	Designated Fixed-income	
In € millions	**2015**	2014
Balance as at 1 January	225	415
Disposals and redemptions	-62	-191
Revaluations	-2	1
Balance as at 31 December	**161**	**225**

Available for sale: listed and unlisted

	Shares and similar investments		Fixed-income investments		Total	
In € millions	**2015**	2014	**2015**	2014	**2015**	**2014**
Listed	2	93	24,576	24,082	**24,578**	**24,175**
Unlisted	1,678	1,203	126	118	**1,804**	**1,321**
Total	**1,680**	**1,296**	**24,702**	**24,200**	**26,382**	**25,496**

Available for sale: statement of changes

	Shares and similar investments		Fixed-income investments		Total	
In € millions	**2015**	2014	**2015**	2014	**2015**	**2014**
Balance as at 1 January	1,296	924	24,200	20,030	**25,496**	**20,954**
Purchases and advances	4,731	1,785	4,220	4,621	**8,951**	**6,406**
Disposals and redemptions	-4,360	-1,435	-3,117	-3,775	**-7,477**	**-5,210**
Revaluations	19	25	-500	3,396	**-481**	**3,421**
Impairments	-6	-4	-18	-	**-24**	**-4**
Amortisation	-	-	-80	-78	**-80**	**-78**
Other	-	-	-3	7	**-3**	**7**
Balance as at 31 December	**1,680**	**1,296**	**24,702**	**24,200**	**26,382**	**25,496**

The net amount of € 371 million (€ 4,731 million - € 4,360 million) in equities sold and purchased in 2015 (2014: € 350 million) was mainly attributable to the re-investment of cash collateral in the money market fund and additional investments in equities as a result of the up-risking strategy, which resulted in the relative high turnover in 2015.

The net amount of € 1,103 million (€ 4,220 million - € 3,117 million) in interest-bearing securities sold and purchased in 2015 (2014: € 846 million) was attributable to profit realisation, portfolio optimisation, reinvestment and up-risking.

Available for sale: valuation

	Shares and similar investments		Fixed-income investments		Total	
In € millions	**2015**	2014	**2015**	2014	**2015**	**2014**
(Amortised) cost	1,632	1,222	20,489	19,388	**22,121**	**20,610**
Revaluation	48	74	3,776	4,373	**3,824**	**4,447**
Accrued interest	-	-	437	439	**437**	**439**
Balance as at 31 December	**1,680**	**1,296**	**24,702**	**24,200**	**26,382**	**25,496**

Changes in the (amortised) cost of shares and similar investments are the result of the up-risking strategy.

Investments: loans and receivables

In € millions	**2015**	2014
Mortgages	1,856	2,064
Private loans linked to savings mortgages	5,392	5,405
Other private loans	1,414	1,585
Total	**8,662**	**9,055**
Provision for bad debts	-18	-6
Total	**8,644**	**9,049**

Statement of changes in loans and receivables

In € millions	**2015**	2014
Balance as at 1 January	9,055	9,715
Purchases and advances	852	485
Disposals and redemptions	-1,521	-1,422
Interest addition	281	282
Amortisation	-5	-5
Balance as at 31 December	**8,662**	**9,055**
Balance provisions as at 1 January	-6	-7
Addition	1	1
Release	-13	-
Balance provisions as at 31 December	**-18**	**-6**
Total	**8,644**	**9,049**

4 Investments for account of policyholders

Investments for account of policyholders include separate deposits held on behalf of policyholders, investments under unit-linked policies and separate investment deposits for large group pension contracts.

Expiring contracts with a value of € 431 million (2014: € 796 million) were reclassified from investments for account of policyholders to investments in 2015.

Investments for account of policyholders: listed and unlisted

In € millions	2015	2014
Shares and similar investments:		
- Listed	12,642	13,044
- Unlisted	203	48
Fixed-income investments		
- Listed	1,156	1,091
- Unlisted	376	376
Total	**14,377**	**14,559**

The figures for 2014 regarding shares and similar investments have been restated for comparative purposes (the figures in the 2014 annual report of SRLEV NV were: listed € 5,743 million, unlisted: € 7,349 million). As a consequence of the consolidation of investments funds, the investments for account of policyholders within these funds must be classified based on the look through principle. This raises the proportion of listed investments over unlisted investments.

Statement of changes in investments for account of policyholders

In € millions	2015	2014
Balance as at 1 January	14,559	13,491
Purchases and advances	2,510	1,849
Disposals and redemptions	-3,231	-2,852
Changes in fair value	487	2,021
Other movements	52	50
Balance as at 31 December	**14,377**	**14,559**

Of other movements, € 35 million (2014: € 38 million) related to currency gains and losses and € 17 million (2014: € 12 million) to changes in accrued interest.

5 Investments for account of third parties

This item concerns third party investments in investment funds in which SRLEV has control.

The third party investments amount to € 1,436 million (2014: € 1,427 million) and are largely consisting of different SNS investment funds (€ 969 million; 2014: € 952 million) with the ACTIAM Responsible Index Funds and SNS Profile Funds accounting for the remainder (€ 467 million; 2014: € 461 million).

The classification as 'listed' or 'unlisted' is based on the listing of the investments of a fund. The full amount has been classified as listed.

6 Derivatives

Breakdown of derivatives

	Positive value		Negative value		Balance	
In € millions	**2015**	2014	**2015**	2014	**2015**	2014
Derivatives held for cash flow hedge accounting	137	154	-	-	**137**	**154**
Derivatives held for fair value hedge accounting	104	104	-	-	**104**	**104**
Derivatives held in the context of asset and liability management that do not qualify for hedge accounting	391	588	155	169	**236**	**419**
Total	**632**	**846**	**155**	**169**	**477**	**677**

Most derivatives are held to hedge market risks (see Note 38 Hedging and hedge accounting).

Statement of changes in derivatives

In € millions	**2015**	2014
Balance as at 1 January	677	467
Purchases	43	167
Disposals	-82	-52
Revaluations	-173	93
Exchange rate differences	12	2
Balance as at 31 December	**477**	**677**

Limited new exposures were contracted in 2015 in the context of cash flow hedge accounting and fair value hedge accounting. The purchases and disposals mainly relate to derivatives held for the purposes of balance sheet management.

7 Deferred tax assets and liabilities

Breakdown of deferred tax assets and liabilities

In € millions	**2015**	2014
Deferred tax assets	1,458	1,643
Deferred tax liabilities	-942	-1,157
Total	**516**	**486**

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
Intangible assets	-	-	-	-	**-**
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**

Origin of deferred tax assets and tax liabilities 2014

In € millions	1 January	Change through profit or loss	Change through equity	Other movements	31 December
Value of business acquired	3	-1	-	-	**2**
Capitalised acquisition costs insurance activities	84	-28	-	-	**56**
(Investment) property and equipment	-30	2	-	-	**-28**
Investments	-243	16	-792	-8	**-1,028**
Derivatives	-25	2	-39	8	**-54**
Insurance contracts	531	196	839	0	**1,564**
Provision for employee benefits	-	-	-	-	**-**
Other	-	-27	-	-	**-27**
Total	**320**	**160**	**7**	**-**	**486**

Breakdown of tax-effect changes shareholders' equity

In € millions	2015	2014
Change in cash flow hedge reserve	-	-31
Change in fair value reserve	8	38
Change in other reserve	-	-
Total	8	7

The corporate income taxes are irrevocably 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 € 236 million (2014: € 321 million), € 6 million has a remaining term to maturity of less than three months (2014: € 28 million).

9 Other assets

Breakdown of other assets

In € millions	2015	2014
Policyholders	130	120
Intermediaries	101	83
Reinsurers	70	75
Amounts due from direct insurance	**301**	**278**
Accrued interest	37	20
Other advances	206	144
Total	**544**	**442**

10 Cash and cash equivalents

Breakdown of cash and cash equivalents

In € millions	2015	2014
Short-term bank balances	153	344
Total	**153**	**344**

At year-end 2015, short-term bank balances included € 2 million in collateral received from third parties by virtue of derivative exposures (2014: € 12 million). With effect from 2015, this collateral has been reinvested in a money-market fund. This collateral amounted to € 376 million at year-end 2015 (2014: € 426 million). Short-term bank balances are at free disposal of the company.

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	2015	2014
Equity attributable to shareholders	2,755	2,134
Total	**2,755**	**2,134**

For further details on group equity, see Section 6.4, Consolidated statement of changes in equity. The difference in total equity compared to 2014 is attributable to the capital injection of € 445 million by Anbang. See Note 19 Related parties (Intra-group balances between SRLEV, Anbang and affiliates) for more details.

12 Subordinated debt

Breakdown of subordinated debt

In € millions	2015	2014
Bonds	570	572
Private loans	235	95
Final bonus account	12	13
Total	**817**	**680**

Subordinated bonds

Bonds

			Carrying amount		Nominal value	
In € millions	Interest	Maturity	**2015**	2014	**2015**	2014
SRLEV	9.000%	2011-2041	398	398	400	400
SRLEV (CHF)	7.000%	2011/perpetual	96	86	87	87
Total			**494**	**484**	**487**	**487**
Change in fair value as a result of hedge accounting			76	88	-	-
Total			**570**	**572**	**487**	**487**

In April 2011, SRLEV issued € 400 million in subordinated bonds maturing in 2041. The terms and conditions were set out in a prospectus of 12 April 2011. In July 2011, SRLEV issued CHF 105 million in perpetual subordinated bonds. The terms and conditions of the issue were set out in a prospectus of 15 July 2011 (“Terms & Conditions”).

On 18 December 2013, the European Commission ratified its provisional resolution of 22 February 2013 in a final resolution that approved the state aid resulting from the nationalisation of SNS REAAL, at that time SRLEV’s former ultimate parent company, on 1 February 2013, subject to a hybrid debt call and a ban on coupon interest payments that do not stem from a legal obligation.

As a result of the sale and purchase agreement with Anbang, the coupon ban that was imposed by the European Commission on the outstanding subordinated bonds issued by SRLEV placed with third parties, was lifted. Until the transaction was completed and the capital injection by Anbang was received, SRLEV has avail itself of its optional right to defer payment of interest on these hybrid debt instruments. After the capital injection by Anbang was received, SRLEV paid on 15 November 2015 the total accrued interest in the sum of € 139 million.

Subordinated private loans

Subordinated private loans comprise of a perpetual loan of € 95 million and a loan of € 140 million. The perpetual loan was issued by SNS REAAL NV and has an average interest rate of 8.9% (2014: 8.9%). The earliest repayment date is 24 April 2018. At the beginning of 2016, the perpetual loan of € 95 million has been fully repaid.

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.

Final bonus account

The subordinated final bonus account liability is no longer part of the solvency of SRLEV under the Solvency II regime. This account concerns final bonus commitments relating to certain Life insurance policies and is predominantly of a long-term nature.

13 Insurance and reinsurance contracts

Breakdown of insurance and reinsurance contracts by contract

	Gross		Reinsurance	
In € millions	**2015**	2014	**2015**	2014
Provision for Life insurance obligations	30,479	31,346	3,310	3,589
Unamortised interest rate discounts	-210	-295	-	-
Provision for profit-sharing, bonuses and discounts	83	69	-	-
Life, for own risk	**30,352**	**31,120**	**3,310**	**3,589**
Technical provisions for insurance on behalf of policyholders	13,791	13,823	-	-
Life, for account of policyholders	**13,791**	**13,823**	**-**	**-**
Total	**44,143**	**44,943**	**3,310**	**3,589**

Insurance contracts are predominantly of a long-term nature.

As part of the simplification of systems and software within VIVAT, insurance portfolios were converted from REAAL to Zwitserleven systems. In this context, € 337 million (2014: € 2,531 million) of the insurance portfolio was transferred from REAAL Leven to Zwitserleven in 2015. The portfolio was transferred at the carrying amount of the insurance liabilities.

On 17 November 2010, SNS REAAL reached final agreement with Stichting Verliespolis on the compensation scheme for unit-linked policyholders. At 31 December 2015, the provision for life insurance liabilities included € 46 million for compensation to unit-linked policyholders (2014: € 82 million). Of this provision, € 37 million was utilised in 2015 (2014: € 2 million). In 2015, life insurance liabilities included € 1 million addition related to unit-linked policyholders. In 2014, the compensation to unit-linked policyholders was € 19 million consisting of an addition of € 24 million and a release of € 5 million.

The provision for compensation for defined contribution plans amounted to nil at year-end 2015 (2014: € 2 million). The provision was utilised in full in 2015 (2014: € 2 million). The provision had been needed to cap policy costs in accordance with the recommendations of the Dutch Association of Insurers. The scheme was set up to compensate for the provision of insufficiently transparent information to members of pension plans on the costs embedded in policies and their implications for the pension benefit outlook.

SRLEV has guaranteed obligations arising under an insurance contract between NV Pensioen ESC, a subsidiary of SRLEV, and a third party related to the defined benefit plan of that party for the term of the contract. The obligations, including the indexation reserves, are contingent on the financial position of NV Pensioen ESC, which – as stipulated in the contract with the third party – will be guaranteed by VIVAT NV if the solvency ratio of SRLEV should fall below 150%. SRLEV’s solvency ratio stood at 203% at year-end 2015. Given that the fair value of the separated assets exceeds the technical claims and benefits, this contract does not give rise to any additional technical claims and benefits in the statement of financial position.

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

	Gross		Reinsurance	
In € millions	**2015**	2014	**2015**	2014
Balance as at 1 January	31,346	26,216	3,589	3,863
Portfolio reclassification	283	601	-	-
Benefits paid	-2,068	-1,664	-532	-533
Premiums received	1,093	1,358	158	161
Interest added	891	862	120	142
Technical result	-125	-174	-82	-112
Release of expense loading	-119	-153	57	68
Change in shadow accounting	-690	3,459	-	-
Change in statement of profit or loss by IFRS LAT shortfall	-70	838	-	-
Other movements	-62	3	-	-
Balance as at 31 December	**30,479**	**31,346**	**3,310**	**3,589**

In 2015, an amount of € 283 million was reclassified from life insurance on behalf of policyholders to retained life insurance liabilities (2014: € 601 million). This concerned group pension contracts. At the end of the contract terms, these contracts were converted into other contract forms for account of VIVAT. This transfer took place in dialogue with the customers. Additional provisions relating to these insurance contracts were also converted into retained insurance contracts. At year-end 2015, these additional provisions amounted to € 351 million.

The table below breaks down movements as a result of shadow accounting versus the corresponding movements in insurance contracts in the statement of financial position.

See Section 5.4.5 for a reconciliation of the IFRS provision and the TRT and LAT test results.

Breakdown of changes in shadow accounting in provisions for Life insurance obligations

	Through OCI, revaluation reserves		Through statement of profit or loss, technical claims and benefits		Total	
In € millions	**2015**	2014	**2015**	2014	**2015**	2014
Results on allocated investments and interest derivatives[1]	**-**	-	**-119**	-56	**-119**	**-56**
Profit-sharing	**-107**	562	**52**	161	**-55**	**723**
Shadow loss accounting	**-516**	2,792	**-**	-	**-516**	**2,792**
Total changes in shadow accounting in provision for Life insurance obligations	**-623**	**3,354**	**-67**	**105**	**-690**	**3,459**
Taxation	**-157**	839	**-17**	26	**-174**	**865**
Total changes, net	**-466**	**2,515**	**-50**	**79**	**-516**	**2,594**

1 *This relates to results on interest derivatives and fixed income investments available for sale recognised in profit and loss, provided that they are held to match interest related derivatives and guarantees for account of policyholders, embedded in the provision for Life insurance obligations.*

b. Statement of changes in unamortised interest rate discounts

	Life own risk	
In € millions	**2015**	2014
Balance as at 1 January	295	344
Discounts granted in the financial year	-48	-6
Amortisation	-37	-43
Balance as at 31 December	**210**	**295**

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

	Life own risk	
In € millions	**2015**	2014
Balance as at 1 January	69	90
Profit-sharing, bonuses and discounts granted in the financial year	14	-21
Balance as at 31 December	**83**	**69**

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

In € millions	**2015**	2014
Balance as at 1 January	13,823	13,765
Portfolio reclassification	-283	-601
Premiums received	834	980
Benefits paid	-1,265	-1,190
Interest added	363	617
Exchange rate / valuation differences	410	448
Technical result	-8	-36
Release of expense loading	-87	-102
Other movements	4	-58
Balance as at 31 December	**13,791**	**13,823**

14 Provision for employee **benefits**

Breakdown of provision for employee benefits

In € millions	**2015**	2014
Pension commitments	169	-
Total	**169**	**-**

Pension commitments

In relation to the change of employer with effect from 1 January 2015, when active employees of SNS REAAL NV were transferred to SNS Bank NV or VIVAT NV, the associated pension provision and related costs were allocated to the relevant entity (and therefore SRLEV) at that date.

The pension rights of the majority of the VIVAT employees, including the accrual of new pension rights of nearly all active employees from acquired schemes, have been transferred to the defined contribution scheme of the independent Stichting Pensioenfonds SNS REAAL.

The pension rights of employees continuing under acquired pension schemes are designated as defined benefit schemes. In most cases these schemes have been insured by SRLEV. A number of schemes are insured externally.

Investments relating to pension schemes that are included in a separate investment account are offset against the commitments. 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 € 5 million in 2016. Obligations for additional indexation rights are included in the provision and will be released after payment to the insurer.

The main aspects of the various schemes are explained below.

Pension scheme administrated by Stichting Pensioenfonds SNS REAAL (defined contribution scheme)

The pension scheme to which VIVAT employees are entitled is a defined collective contribution scheme. Under this scheme, VIVAT NV pays a fixed agreed amount to Stichting Pensioenfonds. As there is no commitment for VIVAT NV, either enforceable by law or otherwise, to pay additional contributions, pension benefits and related investments have no longer been included in the balance sheet since 2005. In 2009 an agreement was reached on the pension premium for a period of 5 years, effective 1 January 2010 until 31 December 2014. During this period, SNS REAAL NV paid a fixed percentage of 21.15% of gross wages. Employees paid a contribution of 4.5% of pensionable earnings (net franchise). The existing service agreement with Stichting Pensioenfonds SNS REAAL was extended by one year to 31 December 2015. Per 1 January 2016 a new agreement entered into force for the years 2016 and 2017. The total fixed percentage of the gross wages was raised by 1.85% to a total of 23.0%.

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, 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, € 60 million was added to the provision for pensions for these pension schemes. In 2016, SRLEV's contribution to these defined benefit schemes is expected to amount to € 3 million.

Pension scheme Zwitserleven (defined benefit scheme)

As of 1 January 2010, the accrual of new pension entitlements of the employees of Zwitserleven 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 has been included in the provision for employee benefits, in the amount of € 84 million. There is no separate investment account. SRLEV's contribution to the defined benefit scheme of Zwitserleven is expected to amount to € 2 million in 2016.

Other pension schemes

The accrual of new pension rights of former employees of Zürich, NHL 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. These rights are limited.

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

Overview pension commitments

Breakdown of pension commitments

In € millions	2015
Present value of defined benefit obligations	188
Fair value of plan assets	19
Present value of the net liabilities	**169**

Change in present value of pension obligations

In € millions	2015
Transfer from Group per 1 January 2015	198
Increase and interest accrual through profit and loss	4
Actuarial gains or losses through Other Comprehensive Income	-9
Benefits paid	-5
Present value as at 31 December	**188**

Change in fair value of the plan assets

In € millions	2015
Transfer from Group per 1 January 2015	20
Investment income through profit and loss	1
Investment income through Other Comprehensive Income	-1
Investment income	**20**
Premiums	4
Benefits paid	-5
Fair value as at 31 December	**19**

The return on investments through profit and loss has, in accordance with IAS 19 Revised, been equated with the actuarial rate of interest. The difference between the actual result and the actuarial rate of interest is recognised in Other comprehensive income.

Breakdown of investments

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

Statement of OCI

In € millions	2015
Transfer from Group per 1 January 2015	1
Actuarial gains or losses at the expense of Other Comprehensive Income	11
Investment income for the benefit or at the expense of Other Comprehensive Income	-1
Additional transfer from technical provision	-8
Deferred taxes	-1
Balance as at 31 December	**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	2015
Experience adjustments as a % of defined benefit obligation	0%
Experience adjustments as a % of investments	4%

The main actuarial parameters at year-end

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

The value of the provision for pensions changes as the interest rate changes. This sensitivity is shown in the table below. If the interest rate falls by 1%, the present value of the pension commitments rises by € 39 million (21%), and if the interest rate rises by 1%, the pension commitments fall by € 30 million (-16%).

Sensitivity present value of pension obligations

	31 December 2015	
In € millions	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	2015	2014
Restructuring provision	1	2
Other provisions	39	18
Total	**40**	**20**

The restructuring provision relates to future restructuring operations. Most of the restructuring operations are expected to be completed over the next few years.

Other provisions are predominantly of a long-term nature; they have been formed mainly for the risk that legal and other claims cannot be settled. The timing of the expected outflow of resources is uncertain.

Statement of changes in other provisions

	Restructuring provision		Other provisions		Total	
In € millions	2015	2014	2015	2014	2015	2014
Balance as at 1 January	2	3	18	11	**20**	**14**
Reclassifications	-	-	6	8	**6**	**8**
Additions / release	1	-	39	-	**40**	**-**
Withdrawal	-	-	-8	-	**-8**	**-**
Released to results	-2	-1	-16	-1	**-18**	**-2**
Balance as at 31 December	**1**	**2**	**39**	**18**	**40**	**20**

16 Amounts due to banks

Breakdown of amounts due to banks

In € millions	2015	2014
Due on demand	378	438
Deposits and certificates	235	260
Private loans	763	806
Total	**1,376**	**1,504**

Deposits and certificates are comprised of liabilities under repo agreements.

17 Other liabilities

Breakdown of other liabilities

In € millions	2015	2014
Debts in relation to direct insurance	1,473	1,494
Debts to reinsurers	3,371	3,654
Other taxes	30	35
Other liabilities	846	845
Accrued interest	43	128
Total	**5,763**	**6,156**

Amounts due on account of direct insurance include € 1,362 million related to the Zwitserleven group contracts (2014: € 1,406 million).

In 2014, accrued interest included an amount of € 93 million for deferred coupon interest payments on the subordinated bonds issued by SRLEV. In 2015, the full amount of deferred coupon interest was paid. For details, see Note 12 Subordinated debt.

18 Off balance sheet commitments

Contingent liabilities

Breakdown of contingent liabilities

In € millions	2015	2014
Liabilities from pledges and guarantees given	-	3
Liabilities from irrevocable facilities	46	51
Total	**46**	**54**

Liabilities from tiered loans relate to the maximum potential credit risk of SRLEV's arising from tiered loans from ABN AMRO as the intermediary. Tiered loans are private loans whose principal is not paid as a lump sum but according to a schedule. Over the course of time, subsequent payments will form part of the investment portfolio. This exposure does not affect SRLEV NV's solvency margin.

At year-end 2015, SRLEV had assumed commitments to invest € 46 million in investment funds (2014: € 51 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 has no effect on capital for SRLEV's solvency.

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

Guarantee schemes

For details on the insurance contract between NV Pensioen ESC, an associate of SRLEV NV, and a third party, see Note 13 Insurance and reinsurance contracts.

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

In 2012, SRLEV 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 bore part of the interest deficit. At year-end 2015, a liability of € 6 million exists relating to this separate accounts restructuring (2014: € 7 million). The customers' liability in respect of this restructuring was € 10 million at year-end 2015 (2014: € 29 million).

Guarantees received

The market value of guarantees received under the National Mortgage Guarantee Fund (in Dutch: NHG) amounted to € 1,059 million at year-end 2015 (2014: € 1,131 million).

The market value of the collateral of the mortgages was € 2,935 million at year-end 2015 (2014: € 3,227 million). The amortised cost of the mortgages was € 1,837 million at year-end 2015 (2014: € 2,058 million).

Netherlands Reinsurance company for Losses from Terrorism

In 2016, SRLEV will take a 13.68% share in the Life cluster (2015: 13.60%) of the Netherlands Reinsurance company for Losses from Terrorism (Nederlandse Herverzekeringsmaatschappij voor Terrorismeschaden NV). In 2016, the guarantee will be € 41 million (2015: € 54 million) and premiums will amount to € 0.6 million (2015: € 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 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 has concluded approximately 1.2 million investment-linked insurance policies, of which about 322,000 were still outstanding at 31 December 2015.

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.

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 strategy'). SRLEV complies with the “Best in class criteria” as formulated by the Minister of Finance in a letter to Parliament in November 2011. 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. In 2014, SRLEV has concluded its implementation of the compensation scheme. An audit of this implementation in 2015 has uncovered a small number of deviations. When applicable additional payments shall be made to a small group of customers to rectify these deviations. A provision has been formed for the amount involved.

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 strategy 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 that involve unit-linked policies is, compared to the portfolio of active policies, limited but growing. Up to 31 December 2015, fewer than 120 proceedings connected with the above issue had been initiated against SRLEV, either before Complaints Committee of KiFiD or civil courts. Approximately 50 of those proceedings were still pending on 31 December 2015, 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 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 has a range of normal business relationships with related companies and parties as part of its ordinary activities. SRLEV’s related parties are its (indirect) parents Anbang and VIVAT, affiliates and SRLEV's senior management and their close family members. Until the transfer of shares of VIVAT NV, the related parties of SRLEV NV also included its former (indirect) parent SNS REAAL NV (although now operating under the name SRH NV, its is referred to as SNS REAAL NV in this chapter), SNS Bank NV, subsidiaries, associates, joint ventures, Stichting administratiekantoor beheer financiële instellingen (NLFI) and the Dutch State. Transactions with related parties primarily concern normal banking and insurance activities, taxation and other administrative activities. Unless stated otherwise, transactions with related parties are conducted at arm’s length.

Intra-group balances between SRLEV NV, SNS REAAL NV, SNS Bank NV and affiliates

The shares of VIVAT NV were transferred to Anbang on 26 July 2015. Until the transfer of the shares, any transactions and balances existing between SRLEV NV, SNS REAAL NV, SNS Bank NV and affiliates are disclosed. For further details on the transactions and balances between SRLEV NV, Anbang and affiliates, see the Section on Intra-group balances between SRLEV NV, Anbang and affiliates.

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

	SNS REAAL NV		VIVAT NV		SNS Bank NV		Affiliates	
In € millions	**31 July 2015**	2014	**2015**	2014	**31 July 2015**	2014	**2015**	2014
Balances								
Receivables	-	-	21	110[1]	2,558[2]	2,624	29	12
Subordinated loans	95[3]	95	140[4]	-	-	-	-	-
Other debts	11	10	-	-	775[5]	806	1	-
Transactions								
Movements receivables	-	-28	-89	41	-67	-426	16	-4
Movements subordinated loans	-	-	140	-	-	-	-	-
Movements other debts	1	4	-	-235	-31	-56	1	-
Income	-	7	2	12	24	129	45	11
Other expenses	5	55	7	3	23	42	-	7

1 *Includes the signed credit facility of € 200 million between VIVAT NV and SRLEV NV. Six sub-loans with a combined value of € 105 million had been granted. This was a temporary facility. The facility has been terminated and the loans were repaid fully on 23 October 2015.*

2 *Includes the total savings deposits held with SNS Bank NV amounted to € 1,676 million.*

3 *Subordinated private loan of € 95 million. The earliest repayment date was 24 April 2018. In 2016, the loan was repaid in full.*

4 *On 29 December 2015, VIVAT NV granted a loan to SRLEV NV in the amount of € 140 million.*

5 *Concerns the € 775 million (of the € 1,676 million) related to insurance savings participations in securitisation or covered bond transactions.*

Tax group

The tax group for income tax and VAT purposes between SNS REAAL NV, SNS Bank 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 severally liable for the fiscal unity's corporate income tax and VAT debts.

Funding-related intra-group balances

On 31 July 2015, the intra-group balances were:

- A Subordinated private loan of € 95 million. The earliest repayment date was 24 April 2018. Early in 2016, the perpetual loan of € 95 million was repaid in ful;
- VIVAT NV signed a credit facility of € 200 million with its subsidiary SRLEV NV in March 2014. Six sub-loans with a combined value of € 105 million had been granted. This was a temporary facility. The facility has been terminated and the loans were repaid fully on 23 October 2015;
- 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 an interest fixed rate of 7.75% annually.

Mortgage-related intra-group balances

SRLEV NV entered into savings mortgage arrangements with several mortgage providers, including SNS Bank NV (and / or its relevant subsidiaries). In this context, SNS Bank NV provided savings mortgages (*spaarhypotheken*) to customers (each a Savings Mortgage). Each Savings Mortgage is connected to a savings mortgage insurance (*spaarhypotheekverzekering*) (each a Savings Mortgage Insurance) provided by SRLEV NV.

The customer pays savings premiums relating to the Savings Mortgage Insurance to SRLEV NV. SRLEV NV transfers these amounts subsequently to SNS Bank NV. The aggregate amount of the savings premium and accrued interest (corresponding to the mortgage interest) is administered by SNS Bank NV for the benefit of SRLEV NV. Since the Savings Amount represents a considerable claim of SRLEV NV vis-à-vis SNS Bank NV, it is relevant for SRLEV NV to secure that payment obligation, also because a lack of such security has a negative impact on the solvency margins of SRLEV NV. In order to reduce this impact, SRLEV NV entered into a deed of assignment and retro-assignment (*akte van cessie en retrocessie*) (the Deed of Assignment) with SNS Bank NV. As a result of this Deed of Assignment, SRLEV NV has acquired part of the legal ownership of the Savings Mortgage (up to the Savings Amount).

If Savings Mortgages become part of a securitisation or covered bond transaction, it is customary that SRLEV NV enters into an insurance savings participation agreement with the Special Purpose Vehicle. This type of agreement provides adequate security for SRLEV NV and reduces the capital requirement that SRLEV NV incurs.

On 31 July 2015, the total savings deposits held with SNS Bank NV amounted to € 1,676 million, of which € 775 million related to insurance savings participations in securitisation or covered bond transactions.

Management fee ACTIAM NV

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, from 2015, under specific conditions, including expected adequate capitalisation of ACTAM NV, provides a prescribed maximum discount on the charged SRLEV NV's management fee.

Other significant intra-group balances between SRLEV NV and related parties

Other significant intra-group balances between SRLEV NV and related parties were:

- On 31 July 2015, SRLEV NV’s investments in fixed-income securities issued by SNS Bank NV were € 23 million (2014: € 23 million).
- On 31 July 2015, SRLEV NV’s investments, measured at amortised cost, in bonds issued by various Holland Homes securitisation entities consolidated by SNS Bank NV were € 45 million (2014: € 48 million).
- A reimbursement right exists of VIVAT NV and Reaal Schadeverzekeringen NV at SRLEV NV in the amount of € 304 million and € 22 million respectively, as a result of VIVAT's defined benefit pension liabilities, largely reinsured at SRLEV NV.
- On 1 January 2015, the operations of REAAL Banking Services, have been transferred to SNS Bank NV, which will continue these operations under the BLG Wonen label.

Intra-group balances between SRLEV, Anbang and affiliates

The intra-group balances and transactions between SRLEV NV, Anbang and affiliates between 26 July 2015 (the date of the transfer of shares of VIVAT NV to Anbang) and 31 December 2015 were:

- Under the agreement, Anbang acquired 100% of the shares of VIVAT NV. The solvency of VIVAT NV has been strengthened to adequate levels through a capital injection by Anbang. The capital injection of € 1.35 billion, has been received by VIVAT NV on 23 October 2015. On the same day, € 550 million (€ 445 million in share premium and € 105 million in loan redemption) was transferred to SRLEV NV.

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.

From 1 January 2015 until 26 July 2015, the key management personnel consisted of the members of the Executive Board of SNS REAAL NV, the statutory board of VIVAT NV and the management of Zwitserleven and Reaal.

From 27 July 2015 until 23 October 2015, the key management personnel consisted of the Executive Board of VIVAT NV and the key management personnel having indirect authority and responsibility for the activities of VIVAT NV. Owing to the introduction of the new governance structure, the management of Zwitserleven and Reaal ceased to be part of the key management personnel on 27 July 2015.

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, as a result of which the key management personnel now consists exclusively of the members of the Executive Board.

The key management personnel comprised 5 employees as at 31 December 2015 (31 December 2014: 15).

The following table provides an breakdown of the total remuneration of key management personnel for the year 2015, including former and existing key management.

Breakdown of remuneration key management personnel

In € thousands	**2015**	2014
Short-term employee benefits	4,612	3,622
Post-employment benefits	209	545
Other long-term benefits	104	-
Termination benefits	3,389	-
Share-based payment	131	-
Total	**8,445**	**4,167**

Reference is made to Section 7.1.5 for the accounting principles of employee benefits.

Loans

The table below provides an overview of the loans granted to key management personnel which were still outstanding on 31 December 2015. The loans were provided in the course of ordinary business and under terms and conditions that also apply to other members of staff.

Breakdown of loans to key management personnel

	Outstanding as at 31 December		Average interest rate[1]		Redemptions		Advances	
In € thousands	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Mortgage loans	-	5,835	-	4.11%	-	264	-	-

1 The average interest rate is the interest paid as a percentage of the average outstanding mortgage loan balances.

The difference in the amount outstanding at 31 December 2015 and 2014 was due to changes in the composition of management boards during 2015 leading to changes in the composition of key management personnel. The key management personnel as at 31 December 2015 has no loans outstanding on 31 December 2015.

20 Interests in non-consolidated structured entities

In some cases SRLEV has retained involvement in non-consolidated structured entities, such as investment funds, in the form of investments, credit guarantees or liquidity obligations.

The table below breaks down the carrying amount of the assets and liabilities relating to SRLEV with its involvement classified by type of transaction and the maximum exposure to losses of the non-consolidated structured entities and the relative size of those entities.

Non-consolidated structured entities 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**

Non-consolidated structured entities 2014

In € millions	Carrying amount assets	Carrying amount liabilities	**Carrying amount vs maximum exposure to loss**	Total assets of entities	Total liabilities of entities
Securitisation entities	29	-	**29**	2,016	2,016
Total	**29**	**-**	**29**	**2,016**	**2,016**

The maximum exposure to losses with respect to equity interests (including loans and participating interests) is the carrying amount of those interests. The maximum exposure to losses with respect to commitments, derivatives and guarantees is the nominal amount. The nominal amount does not represent the expected losses or reflect unrealised losses (if applicable). These commitments and guarantees are conditional and present the maximum losses that SRLEV 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 2015. SRLEV does not intend to offer further financial or other support to non-consolidated structured entities.

During the year SRLEV received no income, gains or losses from its interests in non-consolidated structured entities.

21 Interest in associates and other enterprises

Zwitserleven RM Beleggingen BV, a structured entity over which SRLEV exercises control, is consolidated. SRLEV manages this entity as part of its Life insurance business. Zwitserleven RM Beleggingen BV held mortgages acquired from SNS Bank NV in 2010. At year-end 2014, SNS Bank NV repurchased remaining mortgages from this entity. The gain on this transaction for SRLEV was € 4.4 million. As a result of the transaction, this entity had no activities at year-end 2014 and 2015 and will cease to exist in 2016.

22 Post balance sheet events

New CEO

Ron van Oijen has taken office as Chief Executive Officer (CEO) of VIVAT NV and SRLEV NV on 14 March 2016, among other group companies of VIVAT NV. As of that date, Van Oijen will be responsible for the VIVAT brands, including Zwitserleven and Reaal (insurance). Albert Bakker has relinquished his role as Acting CEO after Ron van Oijen took office on 14 March 2016.

Strategic Review

VIVAT, including SRLEV, announced the outcome of the Strategic Review on 1 February 2016. Going forward, to better serve its customers, VIVAT will focus more on innovation and digitalisation, and plans to further simplify its business processes. VIVAT will also make its organisation less complex. VIVAT will implement this change over the course of three years, during which it will create one centralised structure. To secure the future of VIVAT, including SRLEV, which is in the interest of all stakeholders including our customers and employees, VIVAT will implement cost reductions.

Funding related subordinated loans

The earliest repayment date of the subordinated private loan of € 95 million was 24 April 2018. Beginning 2016, the loan has been fully repaid. On 1 February 2016, a new subordinated loan has been granted by Anbang to SRLEV NV for the amount of € 95 million.

Quota share reinsurance contracts

The Quota share reinsurance contracts regarding Life were terminated on 1 january 2016. The insured amount was € 3.310 million and premiums paid amounted to € 253 million in 2015. The final settlement has taken place in 2016.

23 Net premium income

Premium income consists of insurance premiums net of reinsurance premiums.

Breakdown of net premium income

	Own account		For account of policyholders		Total	
In € millions	2015	2014	2015	2014	2015	2014
Regular premiums REAAL Life	615	643	317	364	**932**	**1,007**
Regular premiums Zwitserleven	254	305	436	496	**690**	**801**
Total gross regular premiums Life	**869**	**948**	**753**	**860**	**1,622**	**1,808**
Single premiums REAAL Life	42	75	3	2	**45**	**77**
Single premiums Zwitserleven	182	334	78	118	**260**	**452**
Total gross single premiums	**224**	**409**	**81**	**120**	**305**	**529**
Total gross premium income	**1,093**	**1,357**	**834**	**980**	**1,927**	**2,337**
Total reinsurance premiums REAAL Life and Zwitserleven	158	161	-	-	**158**	**161**
Total net premium income Life	**935**	**1,196**	**834**	**980**	**1,769**	**2,176**

Breakdown of regular premiums Life

	Own account		For account of policyholders		Total	
In € millions	2015	2014	2015	2014	2015	2014
Individual						
Without profit-sharing	536	540	317	364	**853**	**904**
With profit-sharing	95	125	-	-	**95**	**125**
Total individual	**631**	**665**	**317**	**364**	**948**	**1,029**
Group						
Without profit-sharing	-	-	436	496	**436**	**496**
With profit-sharing	238	283	-	-	**238**	**283**
Total group	**238**	**283**	**436**	**496**	**674**	**779**
Total gross regular premiums Life	**869**	**948**	**753**	**860**	**1,622**	**1,808**

Breakdown of single premiums Life

	Own account		For account of policyholders		Total	
In € millions	**2015**	2014	**2015**	2014	**2015**	2014
Individual						
Without profit-sharing	42	75	3	2	**45**	**77**
With profit-sharing	122	192	-	-	**122**	**192**
Total individual	**164**	**267**	**3**	**2**	**167**	**269**
Group						
Without profit-sharing	-	-	78	118	**78**	**118**
With profit-sharing	60	142	-	-	**60**	**142**
Total group	**60**	**142**	**78**	**118**	**138**	**260**
Total gross single premiums Life	**224**	**409**	**81**	**120**	**305**	**529**

24 Net fee and commission income

This item includes fees from services that do not qualify as interest.

Breakdown of net fee and commission income

In € millions	**2015**	2014
Fee and commission income:		
- Securities activities	-	2
- Insurance agency activities	-1	-1
- Management fees	63	52
- Other activities	8	12
Total fee and commission income:	**70**	**65**
Fee and commission expense	1	1
Total	**69**	**64**

25 Investment income

Breakdown of investment income

In € millions	**2015**	2014
Fair value through profit or loss: Designated	68	38
Available for sale	716	830
Loans and receivables	473	498
Investment property	26	17
Total	**1,283**	**1,383**

Breakdown of investment income 2015

	Fair value through profit or loss		Available for sale	Loans and receivables	Investment property	Total
In € millions	Held for trading	Designated				
Interest	-	61	553	473	-	**1,087**
Dividend	-	-	14	-	-	**14**
Rental income	-	-	-	-	15	**15**
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**

Breakdown of investment income 2014

	Fair value through profit or loss		Available for sale	Loans and receivables	Investment property	Total
In € millions	Held for trading	Designated				
Interest	-	6	557	497	-	**1,061**
Dividend	-	-	24	-	-	**24**
Rental income	-	-	-	-	18	**18**
Total interest dividend and rental income	**-**	**6**	**581**	**497**	**18**	**1,103**
Realised revaluations	-	31	249	1	-1	280
Unrealised revaluations	-	1	-	-	-1	0
Total revaluations	**-**	**32**	**249**	**1**	**-1**	**280**
Total	**-**	**38**	**830**	**498**	**17**	**1,383**

SRLEV recognised € 0.1 million in interest income on impaired investments in 2015 (2014: € 0.5 million).

The Interest income relating to fair value throught profit or loss includes the interest income from derivatives (€ 57 million).

Rental income from investment property includes both rentals and directly attributable operating expenses. Operating expenses amounted to € 7.2 million in 2015 (2014: € 5.8 million).

Investment income includes a net gain on currency differences of € 6.5 million in 2015 (2014: € 1.2 million).

26 Investments income for account of policyholders

Breakdown of investment income for account of policyholders

In € millions	2015	2014
Interest	47	44
Dividend	132	116
Total interest and dividend	**179**	**160**
Revaluations	469	1,999
Total	**648**	**2,159**

The difference in investment income for account of policyholders is mainly attributable to the lower increase in the market value revaluations.

27 Result on financial instruments

Breakdown of result on financial instruments

In € millions	2015	2014
Revaluations transferred from shareholders' equity	14	-19
Interest income transferred from shareholders' equity	1	1
Result on derivatives held for cash flow hedge accounting	**15**	**-18**
Market value movements in hedged item attributable to hedged risks	-7	-2
Market value movements of derivatives maintained for ALM not classified for hedge accounting	-134	-59
Total	**-126**	**-79**

28 Technical claims and benefits

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

Breakdown of technical claims and benefits

	Gross		Reinsurance		**Total**	
In € millions	2015	2014	2015	2014	2015	2014
Benefits paid and surrenders for own account	2,068	1,890	-532	-533	**1,536**	**1,357**
Change in technical provisions for own account	-58	829	279	274	**221**	**1,103**
Profit-sharing and discounts	57	72	-	-	**57**	**72**
Change in shadow accounting	-67	105	-	-	**-67**	**105**
Change in LAT shortfall	-70	837	-	-	**-70**	**837**
Life insurance	**1,930**	**3,733**	**-253**	**-259**	**1,677**	**3,473**

The change in technical provisions for own account 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 and reinsurance contracts.

29 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	2015	2014
Benefits paid and surrenders for Life insurance contracts for account of policyholders	1,265	1,190
Change in technical provisions for Life insurance contracts for account of policyholders	-138	1,139
Total	**1,127**	**2,329**

30 Acquisition costs for insurance activities

Breakdown of acquisition costs for insurance activities

In € millions	2015	2014
REAAL Life	26	32
Zwitserleven	4	11
Reinsurance Life	5	3
Total	**35**	**46**

31 Staff costs

Breakdown of staff costs

In € millions	2015	2014
Salaries	29	32
Pension costs	17	9
Social security contributions	4	5
Other staff costs	209	104
Total	**259**	**150**

Breakdown of pension costs

In € millions	2015	2014
Pension schemes based on defined contribution	5	9
Pension schemes based on defined benefit	12	-
Total	**17**	**9**

Breakdown of pension costs

In € millions	2014	2013
Pension contributions based on defined contribution	6	10
Employee contributions	-1	-1
Total based on defined contributions	**5**	**9**
Increase of present value defined benefit plans	12	-
Total	**17**	**9**

Share-based remuneration

For details on the share-based remuneration see annual report 2015 of VIVAT NV (Section 3.4.1 Remuneration policy VIVAT in general).

Other staff costs

Other staff costs consist mainly of staff costs recharged by VIVAT NV. The increase of other staff costs relates to increase cost of temporary staff and restructuring charges at VIVAT NV level.

Number of FTEs

In numbers	2015	2014
Number of FTEs	2,310	2,011

32 Other **operating** expenses

Breakdown of other operating expenses

In € millions	2015	2014
IT systems	29	33
Housing	1	2
Marketing and public relations	2	2
External advisors	1	2
Other costs	10	97
Total	**43**	**136**

33 Impairment losses (reversals)

Breakdown of impairment losses / reversals by class of asset

	Impairments		Reversals		Total	
In € millions	**2015**	2014	**2015**	2014	**2015**	2014
Through profit or loss						
Property and equipment	-1	4	-	-	**-1**	**4**
Investments	24	4	-	-	**24**	**4**
Other debts	1	14	-	-	**1**	**14**
Total through profit or loss	**24**	**22**	**-**	**-**	**24**	**22**
Through equity						
Investments	18	-	-	-	**18**	**-**
Total through equity	**18**	**-**	**-**	**-**	**18**	**-**

34 Other interest expenses

Breakdown of other interest expenses

In € millions	**2015**	2014
Bonds	52	49
Private loans	41	55
Interest on reinsurance deposits	115	122
Other interest and investment expenses	6	5
Total	**214**	**231**

Other interest and investment expenses includes the interest relating to the fair value hedge (see Note 38 Hedging and hedge accounting). In 2015, this concerns an interest gain of € 16 million (2014: € 5 million).

35 Taxation

Breakdown of taxation

In € millions	**2015**	2014
In financial year	90	-12
Prior year adjustments	-	-
Corporate income tax due	**90**	**-12**
Due to temporary differences	-23	-160
Deferred tax	**-23**	**-160**
Total	**67**	**-172**

Reconciliation between the statutory and effective tax rate

In € millions	2015	2014
Statutory income tax rate	25.0%	25.0%
Result before tax	261	-690
Statutory corporate income tax amount	**65**	**-172**
Effect of participation exemption	2	-
Total	**67**	**-172**
Effective tax rate	25.8%	25.0%

7.4 Segmentation

36 Segment information

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

VIVAT and SRLEV share a number of corporate staff departments. All of their costs are allocated to the segments that engage their services in a two-stage process. Stage 1 is the allocation, where possible, of expenses according to services engaged (standard allocation). The remaining expenses are allocated in proportion to staff numbers in stage 2.

7.5 Additional notes to the consolidated financial statements

37 Financial instruments

Fair value of financial assets and liabilities

The table below shows the fair value of SRLEV's financial assets and liabilities. It only shows the financial assets and financial liabilities and does not include items that do not meet the definition of a financial asset or liability. The total fair value shown below does not represent the carrying amount for SRLEV and should not be interpreted as such.

Value of financial assets and liabilities

In € millions	Fair value 2015	Carrying amount 2015	Fair value 2014	Carrying amount 2014
Financial assets				
Investments				
- Fair value through profit or loss: designated	161	161	225	225
- Available for sale	26,382	26,382	25,496	25,496
- Loans and receivables	6,965	6,806	7,180[1]	6,991
- Mortgages	2,152	1,838	2,338	2,058
Investments for account of policyholders	14,377	14,377	14,567	14,559
Derivatives	632	632	846	846
Loans and advances to banks	298	236	379	321
Other assets	544	544	442	442
Cash and cash equivalents	153	153	344	344
Total financial assets	**51,664**	**51,129**	**51,817**	**51,281**
Financial liabilities				
Subordinated debts	817	817	680[2]	680
Derivatives	155	155	169	169
Amounts due to banks	613	613	1,504	1,504
Other liabilities	6,527	6,527	6,156	6,156
Total financial liabilities	**8,112**	**8,112**	**8,509**	**8,509**

1 The loans and advances to banks include the loans and deposits to financial institutions. These loans and deposits have an excess value. The excess value was disclosed in 2014 as part of the fair value of loans and receivables. The excess value from loans and receivables was reclassified to loans and advances to banks. The fair value of loans and receivables and loans and advances to banks in the 2014 annual report amounted to € 7,239 million and € 321 million respectively.

2 In 2014, the subordinated debt included the fair value hedge adjustment. This has been adjusted. The fair value of subordinated debt in the 2014 annual report amounted to € 701 million.

The fair values represent the amount at which financial instruments could have been traded at arm's length between market participants on the measurement date. The fair value of financial assets and liabilities is based on quoted market prices, where observable. If prices in an active market are not available, various valuation techniques are used to measure the fair value of these instruments. Parameters used in such valuation techniques may be subjective and various assumptions are used, for instance for the discount rate and the timing and size of expected future cash flows. Where possible and if available, the valuation techniques make use of observable inputs in relevant markets. Changes in assumptions can significantly influence estimated fair values. The main assumptions for each item are explained in the 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.

Investments
The fair value of equities is based on quoted prices in an active market or other available market data. The fair value of interest-bearing securities, exclusive of mortgage loans, is also based on quoted market prices or if actively quoted market prices are not available, on the discounted value of expected future cash flows. These discounted values are based on the relevant market interest rate, taking into consideration the liquidity, creditworthiness and maturity of the investment.

Mortgages
The market value of mortgages is determined using a discounted value method. The yield curve used to discount cash flows of mortgage loans is the swap rate plus a risk premium that can vary between sub-portfolios. Expected future early redemptions, losses and the corresponding consumer rates are taken into account in determining the expected cash flows.

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

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

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

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

Subordinated debts
The fair value of subordinated debts has been estimated based on the discounted value of future cash flows, using the prevailing interest rate plus a risk premium. The risk premium is based on the credit risk assumed by the market for holding subordinated debt issued by SRLEV, differentiated by maturity and type of instrument.

Amounts due to banks
The fair value of amounts due to banks has been estimated based on the discounted value of the future cash flows, using the prevailing interest rate plus a risk premium. The risk premium is based on the credit risk assumed by the market for holding such instruments issued by SRLEV, differentiated by maturity and type of instrument. The carrying amount of any 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 2015

		Fair value			
In € millions	Carrying amount	Level 1	Level 2	Level 3	**Total**
Financial assets measured at fair value					
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**
	41,552	**38,093**	**2,400**	**1,059**	**41,552**
Financial assets not measured at fair value					
Mortgages	1,838	-	-	2,152	**2,152**
Investments loans and advances	6,806	-	6,906	59	**6,965**
Loans and advances to banks	236	-	-	-	**-**
Other assets	544	-	-	-	**-**
Cash and cash equivalents	153	-	-	-	**-**
Financial liabilities measured at fair value					
Derivatives	155	-	94	61	**155**
Financial liabilities not measured at fair value					
Subordinated debts	817	495	322	-	**817**
Amounts due to banks	613	-	-	-	**-**
Other liabilities	6,527	-	-	-	**-**

Hierarchy financial instruments 2014

		Fair value			
In € millions	Carrying amount	Level 1	Level 2	Level 3	**Total**
Financial assets measured at fair value					
Investments at fair value through profit or loss: designated	225	-	201	24	**225**
Investments available for sale	25,496	23,688	1,276	532	**25,496**
Investments for account of policyholders	14,559	14,069	120	378	**14,567**
Derivatives	846	-	843	3	**846**
	41,126	**37,757**	**2,440**	**937**	**41,134**
Financial assets not measured at fair value					
Mortgages	2,058	-	-	2,346	**2,346**
Investments loans and advances	6,991	-	7,153	78	**7,231**
Loans and advances to banks	321	-	-	-	**-**
Other assets	442	-	-	-	**-**
Cash and cash equivalents	344	-	-	-	**-**
Financial liabilities measured at fair value					
Derivatives	169	-	121	49	**169**
Financial liabilities not measured at fair value					
Subordinated debts	680	485	195	-	**680**
Amounts due to banks	1,504	-	-	-	**-**
Other liabilities	6,156	-	-	-	**-**

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 2015

In € millions	Derivatives	Investments for account of policyholders	Fair value through profit and loss: designated	Available for sale	Total
Balance as at 1 January	-46	378	23	533	**888**
Transfer to level 3	-	-	5	59	**64**
Realised gains or losses recognised in profit or loss	-	0	-	32	**32**
Unrealised gains or losses recognised in profit or loss	-13	0	-1	-	**-14**
Unrealised gains or losses recognised in other comprehensive income	2	-	-	-28	**-26**
Purchase/acquisition	-	16	-	281	**297**
Sale/settlements	-	-33	-5	-212	**-251**
Other	-	6	1	3	**9**
Transfer from level 3	-1	-	-	-	**-1**
Balance as at 31 December	**-58**	**367**	**22**	**667**	**998**
Total gains and losses included in profit or loss	-13	-	-2	32	19

Change in level 3 financial instruments in 2014

In € millions	Derivatives	Investments for account of policyholders	Fair value through profit and loss: designated	Available for sale	Total
Balance as at 1 January	-	411	14	648	**1,073**
Transfer to level 3	-46	-	11	8	**-27**
Realised gains or losses recognised in profit or loss	-	9	-1	20	**28**
Unrealised gains or losses recognised in profit or loss	-	6	-	-4	**2**
Unrealised gains or losses recognised in other comprehensive income	-	-	-	6	**6**
Purchase/acquisition	-	9	-	79	**88**
Sale/settlements	-	-20	-1	-218	**-238**
Other	-	-	-	3	**3**
Transfer from level 3	-	-36	-	-9	**-46**
Balance as at 31 December	**-46**	**378**	**23**	**533**	**888**
Total gains and losses included in profit or loss	-	15	-1	16	**30**

Breakdown of level 3 financial instruments

In € millions	2015	2014
Bonds issued by financial institutions	49	62
Collateralised debt obligation	346	146
Collateralised loan obligation	4	12
Equities	290	334
Derivatives	-58	-46
Investments for account of policyholders	367	379
Total	**998**	**888**

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	2015	2014	2015	2014	2015	2014	2015	2014
Equities	-	-	-	-	6	4	**6**	**4**
Bonds	-	-	-	-	18	-	**18**	**-**
Total	**-**	**-**	**-**	**-**	**24**	**4**	**24**	**4**

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

Reclassification between categories 2015

In € millions	to Level 1	to Level 2	to Level 3	Total
From:				
Based on published stock prices in an active market (Level 1)	-	3	-	**3**
Based on observable market data (Level 2)	-	-	64	**64**
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 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.

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 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**

Financial assets and liabilities 2014

				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	846	-	**846**	313	526	-	**7**
Total financial assets	**846**	**-**	**846**	**313**	**526**	**-**	**7**
Financial liabilities							
Derivatives	169	-	**169**	52	117	-	**-**
Amounts due to banks	1,504	-	**1,504**	260	-	260	**984**
Total financial liabilities	**1,674**	**-**	**1,674**	**312**	**117**	**260**	**984**

Maturity schedule for **financial liabilities**

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

Liquidity calendar financial liabilities 2015

In € millions	< 1 month	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	**Total**
Subordinated debts	-	-95	-	-98	-612	**-805**
Other liabilities[1]	-4,627[2]	-1	-72	-38	-164	**-4,902**
Amounts due to banks	-378	-266	-18	-130	-584	**-1,376**
Total	**-5,005**	**-362**	**-90**	**-266**	**-1,360**	**-7,083**

1 *Excluding debt in relation to direct insurance.*

2 *The other liabilities include the reinsurance contracts for Life. As a result of termination of the reinsurance contracts, the related balance of € 3,310 million (2014: € 3,589 million) has become due. This is included as liabilities falling due in less than one month. These other liabilities are offset against the related assets in the statement of financial position.*

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 2015, this amounted to € 1,436 million. The share of non-controlling interests in investment funds in 2014 has also been included in the table below (€ 1,427 million).

Liquidity calendar financial liabilities 2014

In € millions	< 1 month	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Total
Subordinated debts	-	-	-51	-289	-1,463	**-1,802**
Other liabilities[1]	-1,502	-112	-932	-1,119	-1,537	**-5,203**
Amounts due to banks	-438	-285	-55	-324	-402	**-1,504**
Total	**-1,940**	**-397**	**-1,038**	**-1,732**	**-3,403**	**-8,509**

1 *Excluding debt in relation to direct insurance.*

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

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**

Liquidity calendar derivatives 2014

In € millions	< 1 month	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Total
Interest rate derivatives	-14	-	-16	-133	-	**-163**
Currency contracts	-	-6	-	-	-	**-6**
Total	**-14**	**-6**	**-16**	**-133**	**-**	**-169**

For further details on liquidity management, see Section 5.7 Liquidity risk.

38 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 2015

	Nominal amounts				Fair value	
In € millions	< 1 year	1 - 5 years	> 5 years	**Total**	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 difference in nominal amounts compared to 2014 is mainly attributable to the increased exposure in futures and receiver swaps in order to mitigate the interest rate risk by hedging the swapspread.

Derivatives for hedging purposes 2014

	Nominal amounts				Fair value	
In € millions	< 1 year	1 - 5 years	> 5 years	**Total**	Positive	Negative
Interest rate contracts						
- Swaps and FRAs	-	103	5,875	**5,978**	423	-122
- Options	1,223	4,743	6,094	**12,060**	421	-41
Currency contracts						
- Swaps	-	87	-	**87**	1	-
- Forwards	177	-	-	**177**	1	-6
Total	**1,400**	**4,933**	**11,969**	**18,302**	**846**	**-169**

In 2015, the notionals of the derivatives are not disclosed netted (positive and negative). For reasons of comparability, the 2014 figures are adjusted accordingly.

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 2015, 11 of these combinations were outstanding (year-end 2014: 12 combinations) and 1 hedge relationship was terminated in 2015.

Reinvestment calendar (nominal amounts)

In € millions	2015	2014
< 1 year	29	58
1 - 5 years	125	78
> 5 years	424	471
Total	**578**	**607**

A net unrealised revaluation gain of € 104 million was accrued in own funds at year-end 2015 (2014: € 121 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.

39 List of subsidiaries

Overview of subsidiaries

Name	Country of incorporation and place of business	Nature of business or industry	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares directly held by the group (%)	Proportion of ordinary shares directly held by non-controlling interests (%)
Empresa BV	Zeist	Vastgoedbeheer	100	100	-
GVR500 Building BV	Utrecht	Vastgoedbeheer	100	100	-
GVR 500 Parking BV	Utrecht	Vastgoedbeheer	100	100	-
NV Pensioen ESC	Curaçao	Pensioenbeheer	100	100	-
Princenhof Staete Driebergen BV	Zeist	Vastgoedbeheer	100	100	-
REAAL De Ruyterkade BV	Utrecht	Vastgoedbeheer	100	100	-
REAAL Hypotheken BV	Utrecht	Hypotheken	100	100	-
REAAL Kantoren I BV	Utrecht	Vastgoedbeheer	100	100	-
REAAL Landbouw I BV	Utrecht	Vastgoedbeheer	100	100	-
REAAL Landbouw II BV	Utrecht	Vastgoedbeheer	100	100	-
REAAL Landbouw III BV	Utrecht	Vastgoedbeheer	100	100	-
REAAL Winkels I BV	Utrecht	Vastgoedbeheer	100	100	-
REAAL Winkels II BV	Utrecht	Vastgoedbeheer	100	100	-
REAAL Wognumsebuurt BV	Utrecht	Vastgoedbeheer	100	100	-
REAAL Woningen I BV	Utrecht	Vastgoedbeheer	100	100	-
Zwitserleven RM Beleggingen BV	Alkmaar	Hypotheken	100	100	-
SNS Investment Funds	various	Investment management	range	range	range
ACTIAM Index Funds	various	Investment management	range	range	range

The list of subsidiaries is in accordance with in Sections 379 and 414 of Book 2 of the Dutch Civil Code.

As of 1 January 2014, IFRS 10 ‘Consolidated financial statements’ has been in effect. The standard introduces new rules for assessing control and consolidation. In this context, SNS Investment Funds and ACTIAM Index Funds have, since 2014, been included in the above list.

8 Company **financial** statements

8.1 Company statement of **financial position**

Before result appropriation and in € millions	Notes[1]	31 December 2015	31 December 2014
Assets			
Property and equipment	1	45	38
Subsidiaries	2	149	137
Receivables from subsidiaries		268	262
Investment property	3	130	144
Investments	4	34,903	34,450
Investments for account of policyholders	5	14,020	14,227
Derivatives		632	846
Deferred tax assets		1,458	1,642
Reinsurance contracts	10	3,310	3,589
Loans and advances to banks		236	304
Other assets	6	538	444
Cash and cash equivalents	7	151	337
Total assets		**55,840**	**56,420**
Equity and liabilities			
Issued share capital[2]		-	-
Share premium reserve		2,064	1,619
Fair value reserve		29	49
Other reserves		468	984
Retained earnings		194	-518
Shareholders' equity	**8**	**2,755**	**2,134**
Subordinated debt	9	817	680
Capital base		**3,572**	**2,814**
Insurance contracts	10	43,883	44,694
Provision for employee benefits	11	169	-
Other provisions	12	40	20
Derivatives		155	169
Deferred tax liabilities		926	1,142
Amounts due to banks	13	1,376	1,504
Corporate income tax		62	69
Other liabilities	14	5,657	6,008
Total equity and liabilities		**55,840**	**56,420**

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	**2015**	2014
Result on subsidiaries after taxation	15	19
Other results after taxation	179	-537
Net result for the period	**194**	**-518**

9 Notes to the company financial statements

9.1 Accounting policies for the company financial statements

SRLEV NV prepares its company financial statements in accordance with the provisions of Section 402 of Book 2 of the Dutch Civil Code. Accordingly, the share of profit of subsidiaries after taxation is the only item shown in the statement of profit or loss. Use has been made of the option offered in Section 362(8) of Book 2 of the Dutch Civil Code to use the same accounting policies for the company financial statements as for the consolidated financial statements (see the accounting policies for the consolidated financial statements).

For details on items not disclosed in the notes to the separate statement of financial position, see the notes to the consolidated financial statements.

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. Group companies are recognised using the equity method of accounting.

Movements in the carrying amounts of subsidiaries due to changes in their revaluation, cash flow, fair value and profit-sharing reserves are recognised in the statutory reserve for associates, which forms part of own funds.

Statutory reserves that have been formed for the capitalised costs of subsidiaries' research and development of software are also recognised in the statutory reserve for associates.

Movements in the carrying amounts arising from the share of profit of subsidiaries recognised in accordance with the accounting policies of SRLEV NV are recognised through profit or loss. The distributable reserves of subsidiaries are recognised in other reserves.

Loans to and from group companies qualify as intercompany balances, which are recognised at amortised cost.

Cash and cash equivalents include amounts held at banks that are available on demand.

9.2 Notes to the company financial statements

1 Property and equipment

Breakdown of property and equipment

In € millions	2015	2014
Land and buildings for own use	44	37
Other assets	1	1
Total	**45**	**38**

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**

Statement of changes in property and equipment 2014

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

2 Subsidiaries

Statement of changes in subsidiaries

In € millions	2015	2014
Balance as at 1 January	137	98
Disposals and divestments	-3	-2
Revaluations	-	24
Result	15	19
Dividend received	-	-2
Balance as at 31 December	**149**	**137**

3 Investment property

Statement of changes in investment property

In € millions	2015	2014
Balance as at 1 January	144	145
Reclassifications	-8	2
Investments	-	2
Divestments	-9	-2
Revaluations	3	-3
Balance as at 31 December	**130**	**144**

Fair value hierarchy investment property

In € millions	Level 1	Level 2	Level 3	Total
Land and buildings used by third parties 2015	-	-	130	**130**
Land and buildings used by third parties 2014	-	-	144	**144**

4 Investments

Breakdown of investments

In € millions	2015	2014
Fair value through profit or loss: Designated	161	225
Investments available for sale	26,382	25,496
Loans and receivables	8,360	8,729
Total	**34,903**	**34,450**

Fair value through profit or loss: listed

In € millions	2015	2014
Listed	157	219
Unlisted	4	6
Total	**161**	**225**

Fair value through profit or loss: statement of changes

In € millions	2015	2014
Balance as at 1 January	225	415
Disposals and redemptions	-62	-191
Revaluations	-2	1
Balance as at 31 December	**161**	**225**

Statement of changes in investments available for sale

In € millions	2015	2014
Balance as at 1 January	25,496	20,953
Purchases and advances	8,951	6,406
Disposals and redemptions	-7,477	-5,210
Revaluations	-481	3,421
Impairments	-24	-4
Amortisation	-80	-78
Other	-3	8
Balance as at 31 December	**26,382**	**25,496**

Investments: loans and receivables

In € millions	2015	2014
Mortgages	1,572	1,745
Private loans linked to savings mortgages	5,392	5,405
Other private loans	1,414	1,585
Total	**8,378**	**8,735**
Provision for bad debts	-18	-6
Total	**8,360**	**8,729**

Statement of changes in loans and receivables

In € millions	2015	2014
Balance as at 1 January	8,735	8,725
Purchases and advances	837	470
Disposals and redemptions	-1,470	-724
Interest addition	281	282
Amortisation	-5	-5
Other	-	-13
Balance as at 31 December	**8,378**	**8,735**
Balance provisions as at 1 January	-6	-4
Addition	-13	-2
Release	1	-
Balance provisions as at 31 December	**-18**	**-6**
Total	**8,360**	**8,729**

5 Investments for account of policyholders

Listing investments for account of policyholders

In € millions	2015	2014
Shares and similar investments:		
- Listed	12,304	12,732
- Unlisted	201	47
Fixed-income investments		
- Listed	1,156	1,091
- Unlisted	359	357
Total	**14,020**	**14,227**

Statement of changes in investments for account of policyholders

In € millions	2015	2014
Balance as at 1 January	14,227	13,198
Purchases and advances	2,288	1,848
Disposals and redemptions	-3,010	-2,832
Revaluations	465	2,001
Other movements	50	12
Balance as at 31 December	**14,020**	**14,227**

6 Other assets

Breakdown of other assets

In € millions	2015	2014
Receivables from associated companies	48	22
Accrued interest from associated companies	35	18
Amounts due from direct insurance	299	277
Other taxation	156	127
Total	**538**	**444**

7 Cash and cash equivalents

Breakdown of cash and cash equivalents

In € millions	2015	2014
Short-term bank balances	151	244
Short-term bank balances from associated companies	-	93
Total	**151**	**337**

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

8 Equity

Statement of changes in equity 2015

In € millions	Issued share capital	Share premium reserve	Revaluation reserve	Statutory reserves associates	Other statutory reserves	Other reserves	Retained earnings	Equity attributable to shareholders
Balance as at 1 January 2015	**-**	**1,619**	**49**	**-**	**-**	**984**	**-518**	**2,134**
Transfer of 2014 net result	-	-	-	-	-	-518	518	-
Transfers 2014	**-**	**-**	**-**	**-**	**-**	**-518**	**518**	**-**
Unrealised revaluations from cash flow hedges	-	-	-18	-	-	-	-	-18
Deferred interest income from cash flow hedges	-	-	-	-	-	-	-	-
Unrealised revaluations	-	-	-376	-	-	-	-	-376
Impairments	-	-	23	-	-	-	-	23
Realised revaluations through profit or loss	-	-	-115	-	-	-	-	-115
Change in profit-sharing reserve	-	-	80	-	-	-	-	80
Suppletion negative revaluation reserves associates	-	-	-	-	-	-	-	-
Change in shadow accounting	-	-	386	-	-	-	-	386
Other movements	-	-	-	-	-	2	-	2
Amounts charged directly to equity	**-**	**-**	**-20**	**-**	**-**	**2**	**-**	**-18**
Net result 2015	-	-	-	-	-	-	194	194
Total result 2015	**-**	**-**	**-20**	**-**	**-**	**2**	**194**	**176**
Capital issue	-	445	-	-	-	-	-	445
Transactions with shareholders and securityholders	**-**	**445**	**-**	**-**	**-**	**-**	**-**	**445**
Total changes in equity 2015	**-**	**445**	**-20**	**-**	**-**	**-516**	**712**	**621**
Balance as at 31 December 2015	**-**	**2,064**	**29**	**-**	**-**	**468**	**194**	**2,755**

Statement of changes in equity 2014

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

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 2015 (2014: 90).

Breakdown of issued share capital

	Number of ordinary shares		Amount of ordinary shares (in € thousands)	
	2015	2014	**2015**	2014
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**

Statement of changes in issued share capital

	Ordinary shares	
In numbers	**2015**	2014
Outstanding as at 1 January	90	90
Outstanding as at 31 December	**90**	**90**

9 Subordinated debt

Breakdown of subordinated debt

In € millions	**2015**	2014
Bonds	570	572
Private loans	235	95
Final bonus account	12	13
Total	**817**	**680**

Subordinated private loans comprise of a perpetual loan of € 95 million and a loan of € 140 million. The perpetual loan was issued by SNS REAAL NV and has an average interest rate of 8.9% (2014: 8.9%). The earliest repayment date is 24 April 2018. At the beginning of 2016, the perpetual loan of € 95 million has been fully repaid.

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 an fixed interest rate of 7.75% annually.

10 Insurance and reinsurance contracts

Breakdown of technical claims and benefits

	Gross		Reinsurance	
In € millions	**2015**	2014	**2015**	2014
Provision for Life insurance obligations	30,479	31,346	3,310	3,589
Unamortised interest rate discounts	-210	-295	-	-
Provision for profit-sharing, bonuses and discounts	83	69	-	-
Life, for own risk	**30,352**	**31,120**	**3,310**	**3,589**
Technical provisions for insurance on behalf of policyholders	13,531	13,574	-	-
Life, for account of policyholders	**13,531**	**13,574**	**-**	**-**
Total	**43,883**	**44,694**	**3,310**	**3,589**

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

	Gross		Reinsurance	
In € millions	**2015**	2014	**2015**	2014
Balance as at 1 January	31,346	26,216	3,589	3,863
Portfolio reclassification	283	554	-	-
Benefits paid	-2,068	-1,728	-532	-533
Premiums received	1,093	1,358	158	161
Interest added	891	943	120	142
Technical result	-125	-144	-82	-112
Release of expense loading	-119	-153	57	68
Change in shadow accounting	-690	3,459	-	-
Change in statement of profit or loss by IFRS LAT shortfall	-70	838	-	-
Other movements	-62	3	-	0
Balance as at 31 December	**30,479**	**31,346**	**3,310**	**3,589**

Breakdown of changes in shadow accounting in provisions for Life insurance obligations

	Through OCI, revaluation reserves		Through statement of profit or loss, technical claims and benefits		Total	
In € millions	**2015**	2014	**2015**	2014	**2015**	2014
Results on allocated investments and interest derivatives[1]	**-**	-	**-119**	-56	**-119**	**-56**
Profit-sharing	**-107**	562	**52**	161	**-55**	**723**
Shadow loss accounting	**-516**	2,792	**-**	-	**-516**	**2,792**
Total changes in shadow accounting in provision for Life insurance obligations	**-623**	**3,354**	**-67**	**105**	**-690**	**3,459**
Taxation	**-157**	839	**-17**	26	**-174**	**865**
Total changes, net	**-466**	**2,515**	**-50**	**79**	**-516**	**2,594**

1 This relates to results on interest derivatives and fixed income investments available for sale recognised in profit and loss, provided that they are held to match interest related derivatives and guarantees for account of policyholders, embedded in the provision for Life insurance obligations.

b. Statement of changes in unamortised interest rate discounts

	Life own risk	
In € millions	**2015**	2014
Balance as at 1 January	295	344
Discounts given in the financial year	-48	-6
Amortisation	-37	-43
Balance as at 31 December	**210**	**295**

c. Statement of change in provision for profit sharing, bonuses and discounts

	Life own risk	
In € millions	**2015**	2014
Balance as at 1 January	69	90
Profit-sharing, bonuses and discounts granted in the financial year	14	5
Other movements	-	-26
Balance as at 31 December	**83**	**69**

d. Statement of change in technical provisions for insurance on behalf of policyholders

In € millions	2015	2014
Balance as at 1 January	13,574	13,479
Portfolio reclassification	-283	-554
Premiums received	829	975
Benefits paid	-1,237	-1,212
Interest added	353	607
Exchange rate / valuation differences	384	413
Technical result	-8	-35
Release of expense loading	-85	-100
Other movements	4	1
Balance as at 31 December	**13,531**	**13,574**

11 Provision for employee **benefits**

Specification of provision for employee benefits

In € millions	31 December 2015	31 December 2014
Pension commitments	169	-
Total	**169**	**-**

The provision for employee benefits consists of the pension commitment to SRLEV employees in accordance with IAS19 (Revised). For more information about the provision for employee benefits, see Note 14 Provision for employee benefits of the consolidated financial statements.

12 Other provisions

Breakdown of other provisions

In € millions	2015	2014
Restructuring provision	1	2
Other provisions	39	18
Total	**40**	**20**

Statement of changes in other provisions

In € millions	2015	2014
Balance as at 1 January	20	14
Reclassifications	6	[illegible]
Additions	22	[illegible]
Withdrawal	-8	[illegible]
Balance as at 31 December	**40**	**20**

13 Amounts due to banks

Time to maturity amounts due to banks

In € millions	2015	2014
< 1 year	378	778
1 - 5 year	235	324
> 5 year	763	402
Total	**1,376**	**1,504**

14 Other liabilities

Breakdown of other liabilities

In € millions	2015	2014
Debts to subsidiaries	48	26
Debts to associated companies	1	5
Debts in relation to direct insurance	1,391	1,411
Debts to reinsurers	3,370	3,654
Other taxes	29	-
Other liabilities	818	912
Total	**5,657**	**6,008**

In 2014 other liabilities includes an amount of € 93 million in deferred coupon payments on subordinated bonds issued by SRLEV NV in 2011. As a result of the sale and purchase agreement with Anbang, the coupon ban that was imposed by the European Commission on the outstanding subordinated bonds issued by SRLEV NV placed with third parties, was lifted. Until the transaction was completed and the capital injection by Anbang was received, SRLEV NV has avail itself of its optional right to defer payment of interest on these hybrid debt instruments. After the capital injection by Anbang was received, SRLEV NV paid on 15 November 2015 the total accrued interest in the sum of € 139 million.

15 Off balance sheet commitments

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

16 Related parties

Intra-group balances between SRLEV NV and subsidiaries

In € millions	2015	2014
Positions		
Loans and advances	246	246
Receivables	21	15
Accrued interest	1	1
Other liabilities	48	26
Transactions		
Movements loans and advances	-	-442
Movements receivables	6	-26
Movements accrued interest	-	-1
Movements other liabilities	22	20
Interest	6	13
Other expenses	1	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

On 31 December, the intra-group between SRLEV NV and its subsidiaries were:

- A loan issued by SRLEV NV to REAAL Hypotheken BV for the amount of € 200 million. The entire loan was used to repay the outstanding intercompany account balances with group companies. To guarantee compliance with the obligation under this loan, an undisclosed pledge has been granted to SRLEV NV with respect to the mortgage receivables of REAAL Hypotheken BV. The interest rate due on the loan corresponds to 12-month EURIBOR plus 200 basis points.
- Two loans issued by SRLEV NV to Empresa BV for the total amount of € 6 million. The loan has a repayment date of 1 September 2020 and bears an interest rate of 7.5%;
- A loan issued by SRLEV NV to GVR500 Building BV for the amount of € 40 million. The loan has a repayment date of 31 December 2032 and bears an interest rate of 2.56%.

17 Audit fees

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

Utrecht, the Netherlands, 1 April 2016

The Supervisory Board

J.J. Nooitgedagt (Chairman)

M.R. van Dongen

P.P.J.L.M. Lefèvre

M. He

K.C.K. Shum

The Executive Board

J.J.T. van Oijen (Chairman)

A.F.J. Bakker

Y. Cao

F. Zhang

X.W. Wu

L. Tang

10 Other information

10.1 Post balance sheet events

See Note 22 Post balance sheet events of the consolidated financial statements.

10.2 Provisions regarding appropriation of profit or loss

Profit for 2015: € 194 million.

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

Article 36
1. The profits shall be at the free disposal of the general meeting.

2. If the general meeting does not resolve to distribute profit or such financial year, that profit will be added to the general reserves.

3. The company may only make distributions to shareholders and other persons entitled to the distributable profits to the extent that its equity exceeds the total amount of its issued share capital and the reserves to be maintained pursuant to the law. The reserve created in accordance with article 35 by the management board are not subject to distribution to shareholders and other persons who are entitled to profit distribution.

4. Profits will only be distributed after adoption of the annual accounts showing that this is justified.

Article 37
1. Dividends shall be payable within fourteen days following their adoption, unless the general meeting determines another date on the proposal of the management board.

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

3. The general meeting may resolve that dividends shall be distributed in whole or in part in a form other than cash.

4. Interim distributions shall be made if the general meeting so determines on the proposal of the management board, including an interim distribution of reserves, subject to due observance of the provisions of Section 2:105 Subsection 4 Civil Code.

5. A deficit may only be offset against the reserves prescribed by law, to the extent permitted by law or by these articles of association.

10.2.2 Result appropriation

The result for 2015 will be added to the retained earnings reserve of SRLEV NV.

Independent auditor's report

To: the General meeting of Shareholders and Supervisory Board of SRLEV N.V.

Report on the audit of the annual financial statements 2015

Opinion

In our opinion:

- the consolidated financial statements give a true and fair view of the financial position of SRLEV N.V. as at 31 December 2015, and of its result and its cash flows for 2015 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Netherlands Civil Code;
- the company financial statements give a true and fair view of the financial position of SRLEV N.V. as at 31 December 2015, and of its result for 2015 in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

What we have audited

We have audited the financial statements 2015 of SRLEV N.V. (the company), based in Utrecht. The financial statements include the consolidated financial statements and the company financial statements.

The consolidated financial statements comprise:

1. the consolidated statement of financial position as at 31 December 2015;
2. the following consolidated statements for 2015: the profit or loss, total comprehensive income and changes in equity and cash flows; and
3. the notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1. the company statement of financial position as at 31 December 2015;
2. the company statement of profit or loss 2015; and
3. the notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

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

We are independent of SRLEV N.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA).

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

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Audit approach

Summary

Unqualified audit opinion

Materiality
- Overall materiality of EUR 25 million
- 0.9% of Equity of EUR 2,756 million

Audit Scope
- Coverage of 99% of total assets
- Coverage of 99% of equity

Key Audit Matters
- Accounting for sale related events and strategic review
- Change in management and impact on internal control environment
- Estimation uncertainty regarding valuation of technical provision
- Application of shadow (loss) accounting
- Uncertainty regarding compensation for unit linked policies

Materiality

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

Based on our professional judgment we determined the materiality for the financial statements as a whole at EUR 25 million (2014: EUR 25 million). The materiality is determined with reference to SRLEV's equity (0.9%). We consider equity as the most appropriate benchmark as the company's equity is an important measure for its solvency position. Given the long-term nature of the liabilities and of the solvency required to fulfil those liabilities, we consider equity to be the most suitable benchmark for determining the materiality. Moreover, compared to the frequently applied benchmark such as profit before tax, equity is less affected by individual non-recurring or volatile items.

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

We agreed with the Supervisory Board that misstatements in excess of EUR 1.250 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 head of a group of legal entities.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and / or the risk profile of the group entities. On this basis, we selected group entities for which an audit had to be carried out on the complete set of financial information or specific items.

As group auditor, we audited SRLEV as the parent company resulting in a coverage of 99% of total assets and 99% of profit before tax. We, as the Group audit team, have engaged the component auditor of ACTIAM N.V. for the audit of the investments and financial instruments of these insurance entities. We performed for the remaining small entities, amongst others, analytical procedures to corroborate our assessment that there are no significant risks of material misstatement

By performing the procedures mentioned above, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the 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 key audit 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.

Accounting for sale related events and strategic review
Description The company's weak solvency position as of 31 December 2014 was strengthened after the transfer of ownership of the VIVAT NV group to Anbang Group Holdings Co. Ltd ('Anbang') on 26 July 2015 and due to the capital contribution of EUR 1,350 million on 23 October 2015 at VIVAT level. VIVAT contributed EUR 445 million to SRLEV as on that date. The sale and purchase contract, and the Declaration of No Objection (DNO) issued by the Dutch Central Bank ("DNB") included requirements related to governance, the composition of the Executive Board and refinancing the loans from the former group companies. The new Executive Board of VIVAT publicly announced the 'strategic review' on 1 February 2016 with the strategic priorities for 2016-2018, with amongst others the purpose of improving the future profitability and future outlook of SRLEV and other group companies. The significance of the recovery of the solvency position, the accounting and disclosure of the sale related transactions and requirements, and assessing the potential impact of the strategic review on the financial position were a key matter in our audit. The sale related events and strategic review has been disclosed in section 4.1 of the Executive Board report and section 22 of the financial statements.
Our response We analysed the conditions of the sale and purchase contract and DNO. We verified the capital contribution at SRLEV and subsequent capitalisation of subsidiaries with underlying transaction documentation. We verified with underlying documentation the refinancing of loans from former group companies. We confirmed our understanding of the DNO requirements with management and with DNB and by analysing the implementation by the company. We have evaluated the factual pattern of the decision process and planned execution by the Executive Board of the strategic review for recognition and disclosure of the financial impact of the announced organisational measures in the financial statements of 2015. We specifically took into consideration;

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Accounting for sale related events and strategic review

- the recognition of measures related to announced redundancies of personnel based on IAS37; and
- the recognition of cost reduction targets in the cost projections in the best estimate of the Liability Adequacy Test based on IFRS 4.

Our procedures included assessing the adequacy of the related disclosures.

Our observation

Based on our procedures, we consider the accounting and disclosure of the sale related transactions and the strategic review to be in accordance with EU-IFRS.

Change in management and impact on internal control environment

Description

As disclosed in section 3 and section 5.8.4 of the Executive Board report, the composition of the Executive Board and governance of SRLEV have changed significantly as of the date of acquisition by Anbang. Furthermore, senior management turnover increased in 2015 compared to other periods. At the same time, SRLEV announced the outcome of the strategic review on 1 February 2016. The new ownership and governance whilst executing a new strategy might have an impact on the internal control environment, including increased key management risk and maintaining in-depth knowledge of critical matters for the financial statements 2015.

Our response

We have obtained an understanding of the new governance structure and internal control environment by evaluating the internal control environment. We took into account elements of, amongst others, management operating style, cultural aspects, financial reporting, information processing and accounting to the extent relevant for the financial statements 2015.
We evaluated the functioning of relevant committees having responsibilities for financial oversight, risk and reporting matters.

We obtained an understanding of the reasons for turnover of senior management, those charged with governance, key employees in financial reporting, internal audit function, and relevant key business segment management. We obtained such understanding by inquiry of the Supervisory Board, the Executive Board and senior management, including those who left the company.

We involved soft controls specialists to assist in identifying key areas of consideration of potential management override of controls, given the changes in governance and turnover of senior management. We performed data analytics procedures on journal entries testing for the financial closing process 2015 to identify and analyse any unusual or unauthorised journal entries in the context of management override of controls.

We discussed, as part of regular meetings held with DNB, the impact of the temporary composition of the Executive Board and understanding of the control environment. We read minutes of the Executive Board, Supervisory Board and other committees to evaluate how matters related to governance, key management risk, risk management and control environment were addressed.

Our observation

Based on our procedures, we have been able to rely on the internal controls for our audit and performed additional procedures where necessary to reduce the risk of material misstatement to an acceptable low level in light of the change in management in the context of our audit.

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Estimation uncertainty regarding valuation of technical provisions

Description

The valuation of the technical provisions for insurance contracts and the associated Liability Adequacy Test involve significant estimates for portfolio developments, life expectancies, cost levels, the fair value of the mortgage loan portfolio and the retention of collective pension agreements discounted to their present value using the swap curve plus the ultimate forward rate (UFR).

In section 7.1.5 and of the financial statements the accounting policies and assumptions have been disclosed. Section 5.5.7 up to and including 5.5.9 and Section 5.8.4 of the Executive Board report discloses the sensitivity of the calculation of the technical provision to underlying risks including the sensitivity to changes in the UFR and including the uncertainties in the actuarial modelling.

This valuation is to a significant extent based on management estimates of future developments. Consequently, the calculations require a high degree of judgement on the part of management and involve the use of complex actuarial models.
Given the significant influence of the outcomes of the Liability Adequacy Test on the financial performance, equity and solvency of SRLEV, the valuation of the technical provisions was a key matter in our audit.

Our response

Our audit included testing the procedures and controls relevant to the significant estimates, including the use of observable market data and the actuarial analysis of the outcome compared to previous estimates and periods. Given the ongoing migrations in the actuarial model landscape and remaining backlogs in model validation, additional procedures had to be performed by the certifying external actuary and by us on the cash flow projections.

We performed audit procedures on the contract data and actuarial and economic data used in the calculations. We analysed the company's calculations and actuarial analyses by involving our in-house actuaries and discussed them in detail with the company's actuarial specialists and the certifying external actuary. As part of this analysis, we specifically took into consideration the following aspects: the substantiation of the assumptions applied for cost projections, the fair value of the mortgage loan portfolio and the retention of collective pension agreements.

Our procedures included assessing the adequacy of the related disclosures in the financial statements.

Our observation

Based on our procedures, we consider the valuation of the technical provisions to be acceptable. The disclosure of the assumptions, risks and sensitivity in the financial statements and the Executive Board report is in accordance with the requirements under EU-IFRS.

Application of shadow (loss) accounting

Description

As disclosed in section 7.1.5 and section 7.3.13 of the financial statements SRLEV applies shadow (loss) accounting which has a significant impact on the presentation of equity and individual line items in the income statement and has an impact on the accounting for the deficit of the Liability Adequacy Test (LAT). Shadow (loss) accounting is conceptually complex, requires significant management judgement in the accounting applied and requires proper controls for accurate processing of eligible transactions.

Our response

We tested the internal control procedures regarding the accounting of the different shadow accounting policies applied by SRLEV. We verified whether the accounting applied was in accordance with the accounting policy. We evaluated management judgement and

Application of shadow (loss) accounting
potential management bias in choices made to shadow accounting. We performed audit procedures on the accuracy of accounting entries including the appropriate elimination of realised results on the sale of fixed income investments and derivatives in the income statement. Furthermore, we verified that shadow loss adjustments to the unrealised revaluation reserve in equity was only applied to the extent the LAT deficit originated from interest rate movements. Our procedures included assessing the adequacy of the shadow (loss) accounting disclosures.
Our observation We observed that the application of shadow (loss) accounting has been consistently applied by SRLEV and to be acceptable in accordance with IFRS 4. The disclosure of the impact of shadow (loss) accounting in section 7.1.5 and 7.3.13 of the financial statements is in accordance with the requirements under EU-IFRS.

Uncertainty regarding compensation for investment insurance policies
Description As disclosed in section 7.3.13 of the financial statements, as at 31 December 2015 a provision totalling EUR 46 million was recognised for compensation to holders of investment policies for cost deductions. In Section 7.3.18 contingent liabilities arisen from sold investment insurance policies have been disclosed. Case law outcomes, out-of-court settlements, third-party claims against Dutch market parties and the continuing focus by politicians and society on ‘non-accruing policies’ have led to continued uncertainty about potential additional compensation for this portfolio. Given the size of the portfolio and the public focus on investment policies, the valuation of the provision and disclosure was a key matter in our audit. Section 4.3.3 of the Executive Board report discloses the approach adopted by SRLEV towards compensation for unit linked policies.
Our response We reviewed management's analysis of the potential risks in the portfolio. In doing so, we considered the portfolio characteristics, the application of SRLEV's ‘flankerend beleid‘, and the arrangements made with third parties regarding compensation. We reviewed complaints and claims received by the company, its analysis of the complaints, the legal proceedings, and the out-of-court settlements reached. We made use of the available public information on the case law and out-of-court settlements in the Dutch market. We assessed the valuation of the provision based on the information obtained. In section 7.3.18 of the financial statements, the Executive Board refers to contingent liabilities for which no reliable estimate could be made as at 31 December 2015 in terms of the outcome and potential financial impact. Our procedures included assessing the adequacy of these disclosures.
Our observation Based on our procedures we consider the valuation of the provision for compensation to investment insurance policyholders to be balanced. The disclosure regarding the contingent liabilities associated with the unit linked policies in section 7.3.18 of the financial statements is in accordance with the requirements under EU-IFRS.

Responsibilities of the Executive Board and Supervisory Board for the financial statements

The Executive Board is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Netherlands Civil Code and for the preparation of the Executive Board report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, the Executive Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework 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 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 errors and fraud. For a further description of our responsibilities in respect of an audit of financial statements we refer to the website of the professional body for accountants in the Netherlands (NBA) www.nba.nl/standardtexts-auditorsreport

Report on other legal and regulatory requirements

Report on the Executive Board report and the other information

Pursuant to legal requirements of Part 9 of Book 2 of the Netherlands Civil Code (concerning our obligation to report about the Executive Board Report and other information):

- We have no deficiencies to report as a result of our examination whether the Executive Board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Netherlands Civil Code, and whether the information as required by Part 9 of Book 2 of the Netherlands Civil Code has been annexed.
- We report that the Executive Board report, to the extent we can assess, is consistent with the financial statements.

Engagement

We are annually re-engaged as auditor of SRLEV; for the 2015 financial statements the re-appointment was on 26 June 2015. We will no longer act as audit firm of SRLEV N.V. as of financial year 2016.

Amstelveen, 1 April 2016

KPMG Accountants N.V.

F.M. van den Wildenberg RA

Additional information

1 **Responsibilities** and curricula vitae of, and other **positions** held by **Executive** Board members

Name	Nationality	Position	Date of appointment
J.J.T. (Ron) van Oijen	Dutch	Chief Executive Officer	14 March 2016
A.F.J. (Albert) Bakker	Dutch	Chief Operating Officer / Chief Executive Officer (Acting until 14 March 2016)	23 October 2015
F. (Feng) Zhang	Chinese	Chief of Staff	23 October 2015
L. (Lan) Tang	British	Chief Risk Officer	23 October 2015
X.W. (Xiao) Wu	Chinese	Chief Transformation Officer	23 October 2015
Y. (Yinhua) Cao	Chinese	Chief Financial Officer	23 October 2015

J.J.T. (Ron) van Oijen has taken office as Chief Executive Officer (CEO) of SRLEV NV on 14 March 2016. Ron van Oijen obtained a master degree in Actuarial Science from the University of Amsterdam and successfully succeeded the Advanced Management Program at the Wharton Business School. Ron van Oijen has returned to the Netherlands for this appointment after gaining extensive experience in Asia and other parts of Europe. He was CEO of ING Life and ING Bank in the Czech Republic and Slovakia between 1995 and 2004. In 2004 Van Oijen was assigned as CEO ING Life in Seoul and between 2008 and 2010 he became regional CEO ING Life Asia/Pacific in Hong Kong. Hereafter he was appointed as CEO of AIA Thailand until 2013 and previously he was CEO of WYNN International Broker Thailand.

Other positions
No other positions

A.F.J. (Albert) Bakker was appointed as a member of the Executive Board on 23 October 2015 and serves as Chief Operating Officer. As of that date, Albert Bakker also serves as Acting CEO of SRLEV NV. Albert Bakker has relinquished his role as Acting CEO after Ron van Oijen took office on 14 March 2016. Albert Bakker has a master's degree in Business Economics from the Erasmus University in Rotterdam, the Netherlands, followed by a postdoctoral in Accountancy. Albert worked at SNS REAAL from 1997 to 2006 where he initially held various senior management roles and became COO in the year 2000. After having worked at Achmea BV as CEO of the Pensions Division, he specialised in closed life books for several years, working for Achmea NV, among other companies. His last role was that of CEO of De Eendragt Pensioen NV.

Other positions
Member of the Board of the Dutch Association of Insurers

F. (Feng) Zhang was appointed as a member of the Executive Board on 23 October 2015 and serves as Chief of Staff. Feng Zhang obtained a bachelor's degree in Literature from Wuhan University, China and a master's degree in Business Administration from the University of Northumbria at Newcastle, United Kingdom. Feng Zhang joined Anbang Insurance Group Co., Ltd. in 2005 and worked as director of claims, underwriting, sale and marketing and human resources. Between 2011 and 2012, he served as Deputy General Manager of Anbang Property & Casualty Insurance Co., Ltd. Hereafter he was appointed General Manager and President of Anbang Property & Casualty Insurance Co., Ltd. Between 2014 and July 2015 Feng Zhang served as board member of Annuity Insurance Co., Ltd.

Other positions

No other positions

L. (Lan) Tang was appointed as a member of the Executive Board on 23 October 2015 and he currently fulfills the role of Chief Risk Officer. Lan Tang obtained a bachelor degree in Engineering from Beijing University of Aeronautics and Astronautics, China, and a master degree in Actuarial Science from Central University of Finance and Economics in Beijing, China. In 2002, he was hired in the role of Actuary at the Actuarial Department of the British Government and, in 2007, was appointed Senior Actuarial Consultant at Mercer Hong Kong Co., Ltd. Between 2008 and 2010, Lan managed the Actuarial Department of Ernst & Young (China) Business Consulting Co., Ltd. From 2010 onwards, he holds the position of General Actuary in Anbang Life Insurance Co., Ltd. In 2012, he was also appointed as Vice General Manager of Anbang Life Insurance Co. Ltd.

Other positions
Non-executive Director of Fidea NV
Non-executive Director of Bank Nagelmackers NV

X.W. (Xiao) Wu was appointed as a member of the Executive Board on 23 October 2015 and serves as Chief Transformation Officer. Xiao Wu earned a bachelor's degree in International Finance from Fudan University, China, and a master's degree in Business Administration from China Europe International Business School (CEIBS) in Shanghai. She worked as Associate Principal at McKinsey&Company between 2007 and 2012 and was one of the insurance sector leaders in Asia for McKinsey&Company. In 2012, Xiao Wu took on the role of Strategy Director and was subsequently appointed as IT Director and then as Risk Director of the Anbang Insurance Group Co., Ltd. She was also Board Director of Hexie Health Insurance Co., Ltd. and Board Director of Annuity Insurance Co., Ltd.

Other positions
Non-executive Director of AB Belgium Holding company

Y. (Yinhua) Cao was appointed as a member of the Executive Board on 23 October 2015 and serves as Chief Financial Officer. Yinhua Cao earned a bachelor's degree in Economics from the Shanghai University of Economics and Finance, China. Yinhua Cao worked at PricewaterhouseCoopers Zhongtian LLP from 1998 to 2015 as a partner of the Financial Service Group. At Anbang, he served as managing director of Anbang Asset Management (Hong Kong) Co. Ltd. and Finance Director of the Anbang Insurance Group Co Ltd. Yinhua Cao is a member of the Chinese Institute of Certified Public Accountants (*CICPA*).

Other positions
No other positions

2 Curricula vitae, appointment terms and other **positions** of Supervisory Board members

Name	Nationality	Position	Date of appointment
J.J. (Jan) Nooitgedagt	Dutch	Chairman / Delegated member of the Supervisory Board	1 November 2013
M.R. (Miriam) van Dongen	Dutch	Member / Delegated member of the Supervisory Board	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

J.J. (Jan) Nooitgedagt has worked in the financial services industry for more than 35 years. From April 2009 to May 2013, he was CFO and member of the Executive Board of Aegon NV. Prior to this, Mr. Nooitgedagt worked at Ernst & Young for 28 years, including as Chairman and Managing Partner in the Netherlands and Belgium. He is a member of the supervisory board of NV Bank Nederlandse Gemeenten, Robeco Groep NV and Telegraaf Media Groep NV. He chairs the Executive Committee of the Dutch Association of Securities-Issuing Companies and the Nyenrode Foundation Board. Jan Nooitgedagt was appointed as a member and as chairman of the Supervisory Board on 1 November 2013. Jan Nooitgedagt was appointed as delegated Supervisory Board member in September 2015 and has been assisting Albert Bakker who served as Acting CEO. The function of a Supervisory Board member delegate comprises intensified supervision of and advice to the Executive Board which the Supervisory Board supervises, on behalf of the Supervisory Board.

Other positions
Supervisory Board Member of NV Bank Nederlandse Gemeenten, Robeco Groep NV and Telegraaf Media Groep NV. Chairman of the Executive Committee of the Dutch Association of Securities-Issuing Companies
Chairman of the Nyenrode Foundation Board

M.R. (Miriam) van Dongen has over 20 years experience in corporate finance, business strategy and in the financial sevices industry. In 2007 Miriam van Dongen joined Achmea BV/Eureko BV as CFO of the Health division. She holds various supervisory boards positions and is the chair of the audit committees of these supervisory boards. Ms. Van Dongen currently serves as supervisory board member and the chair of the audit committee of CB Logistics and PGGM NV. She is also a member of the board of trustees and the chair of the audit committee of Dutch Kidney Foundation and EP Nuffic. Miriam van Dongen was appointed as delegated Supervisory Board member in October 2015. The function of a Supervisory Board member delegate comprises intensified supervision of and advice to the Executive Board which the Supervisory Board supervises, on behalf of the Supervisory Board.

Other positions
Supervisory Board Member of PGGM and CB Logistics
Member of the board of trustees of Dutch Kidney Foundation and EP Nuffic

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. Ming 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. In 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.

Other positions
Director and General Manager of Anbang Asset Management
Non-executive Director of Fidea NV

K.C.K. (Kevin) Shum holds a master's degree in Financial Analysis from the Hong Kong University of Science and Technology and started his career in 2006 when he joined United Way Investment as a Legal Adviser. In 2011, he was a Senior Lawyer at Jun He Law Office. In the same year, he was appointed as Director of the Hong Kong Lawyer Compensation Fund Company. Mr. Shum left He Law Office in 2013 to become Associate Director and General Counsel of GMF Group Holdings Limited. He left this position in 2014. In addition to his current position as Director of the Hong Kong Lawyer Compensation Fund Company, he has served as Chief Legal Officer in Anbang Group Holdings Co., Ltd. since 2014. In addition, he serves as non-executive director of Delta Lloyd Bank NV and Fidea NV.

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

After his studies in Mechanical Engineering and Industrial Administration, *P.P.J.L.M.G. (Pierre) Lefèvre* was hired 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. Between 2002 and 2013, Pierre Lefèvre fulfilled various CEO roles in subsidiaries of Groupama SA. Since 2013, Pierre 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.

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

1 Colophon

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