# Annual Report VIVAT NV 2015

VIVAT
VERZEKERINGEN

Zwitserleven Zelf ROUTE MOBIEL Reaal Proteq Dier&Zorg actiam

# Contents

# Key **figures**

| In € millions | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| Result | | | | | |
| REAAL Life | 120 | 100 | -439 | 72 | 246 |
| REAAL Non-life | -81 | -110 | - | -84 | 32 |
| REAAL Other | -5 | - | -43 | -15 | 1 |
| **REAAL** | **34** | **-10** | **-482** | **-27** | **279** |
| ACTIAM[1] | 6 | **11** | **-** | **-** | **-** |
| Zwitserleven | 69 | -613 | -143 | -122 | -87 |
| **VIVAT NV** | **109** | **-612** | **-625** | **-149** | **192** |
| Income | | | | | |
| Net premium income | 2,418 | 2,898 | 2,967 | 3,232 | 3,450 |
| Investment income | 1,319 | 1,469 | 1,434 | 1,598 | 1,432 |
| Investment income for account of policyholders | 648 | 2,159 | 628 | 1,511 | -39 |
| Other income | -10 | 8 | 132 | 96 | 277 |
| **Total income** | **4,375** | **6,534** | **5,161** | **6,437** | **5,120** |
| Total expenses | 4,234 | 7,349 | 5,934 | 6,579 | 4,868 |
| **Result before taxation** | **141** | **-815** | **-773** | **-142** | **252** |
| Taxation | 32 | -203 | -148 | 4 | 59 |
| Net result discontinued operations and minority interests | - | - | - | 3 | 1 |
| **Net result** | **109** | **-612** | **-625** | **-149** | **192** |
| | | | | | |
| Statement of financial position | | | | | |
| **Total assets** | **60,328** | **60,525** | **55,475** | **56,464** | **53,990** |
| Investments | 37,490 | 36,648 | 32,979 | 34,768 | 32,818 |
| Investments for account of policyholders | 14,377 | 14,559 | 13,491 | 13,265 | 12,443 |
| Loans and advances to banks | 236 | 321 | 362 | 452 | 499 |
| **Total equity** | **3,451** | **2,015** | **2,589** | **2,932** | **4,020** |
| Insurance contracts | 45,462 | 46,646 | 41,263 | 42,102 | 38,827 |
| Amounts due to banks | 1,378 | 1,754 | 3,035 | 3,745 | 3,154 |
| | | | | | |
| **Ratios** | | | | | |
| New annual premium equivalent (in € millions) | 179 | 260 | 172 | 315 | 384 |
| Regulatory solvency I VIVAT NV | 240% | 136% | 172% | 176% | 203% |
| Regulatory solvency I SRLEV NV | 203% | 141% | 187% | 211% | 234% |
| Regulatory solvency I Reaal Schadeverzekeringen NV (Non-life) | 317% | 191% | 235% | 490% | 464% |

1 *As part of the restructuring of SNS REAAL Group, VIVAT NV acquired all shares in ACTIAM NV from SNS REAAL NV on 1 July 2014. This acquisition was a result of the disentanglement of the insurance business given that ACTIAM NV primarily manages investments for the insurance business. ACTIAM NV is regarded as a separate segment.*

# 1 VIVAT at a glance

## 1.1 General

**VIVAT and VIVAT NV**

In this annual report, we use the name 'VIVAT NV' when referring to the company financial statements of VIVAT NV, Reaal Schadeverzekeringen NV and SRLEV NV. For the consolidated financial statements of the insurance business as a whole, we use the name 'VIVAT'.

### 1.1.1 New shareholder, new future

**New Shareholder**

The year 2015 was an important year in the long history of VIVAT and its predecessors. 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. Anbang strengthened the financial position of VIVAT in October 2015 when it made a € 1.35 billion capital injection. As a result, VIVAT's Solvency I and II ratios increased.

VIVAT 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, VIVAT 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. VIVAT will also make its organisation less complex. Simplifying the operations and the business processes will create a lean, customer-oriented organisation. VIVAT 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 VIVAT, which is in the interest of all stakeholders including our customers and employees, VIVAT will implement cost reductions. These cost reductions are expected to lead to a loss of 900 to 1,200 jobs.
The change in VIVAT's strategic course has now been initiated and will be completed by the end of 2018.

### 1.1.2 Legal structure and governance structure

During 2015 significant changes were made in the Executive Board of VIVAT NV. As per the date of this annual report, the members of the Executive Board of VIVAT 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 SRLEV 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 members for the insurance subsidiaries SRLEV NV, Reaal Schadeverzekeringen NV and Proteq Levensverzekeringen 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.

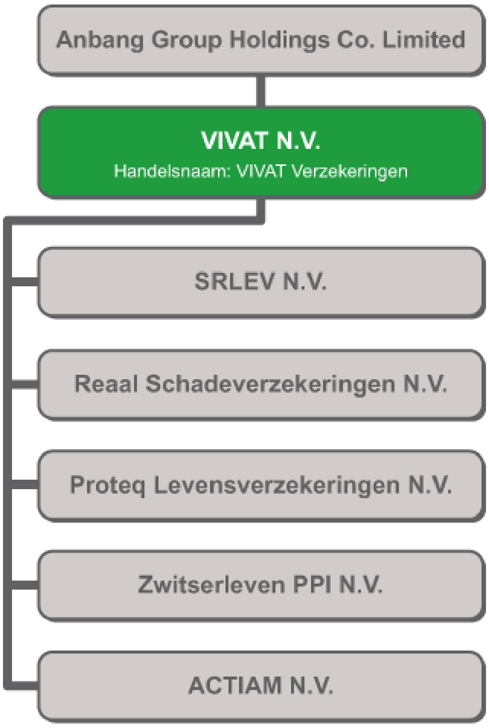


*Figure 1: Legal structure of VIVAT and key entities at 31 December 2015. These entities are wholly owned..*

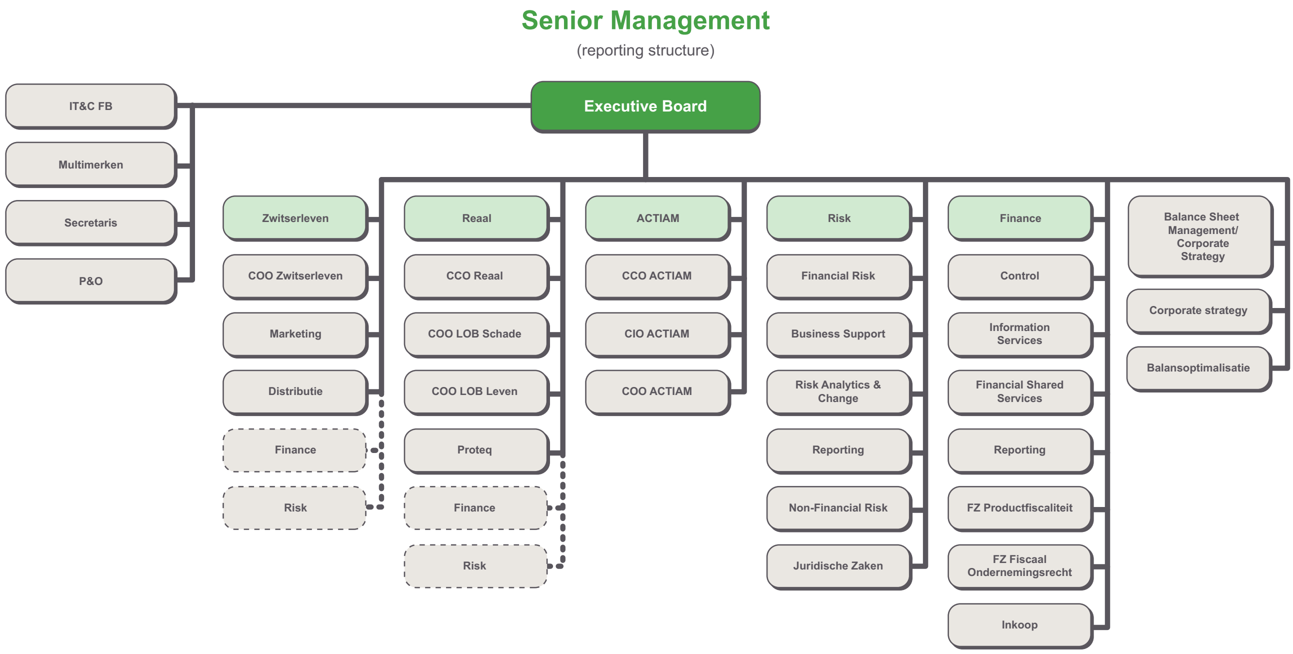


*Figure 2: VIVAT governance structure at 31 December 2015 (combination of departments and key positions). The Finance and Risk departments (indicated with dotted lines) work for the Zwitserleven and REAAL business units, but are under the management of the CFO and CRO of VIVAT respectively.*

## 1.2 Developments

### 1.2.1 Joining the Anbang Family

With the completion of the sale of VIVAT NV, VIVAT 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 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 VIVAT

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.

ACTIAM launched new investment funds for consumers to participate in; they are tradeable on the open market. For the fourth year in a row, ACTIAM's sustainable investment policies allowed both Zwitserleven and Reaal to rank 1 and 2 in the sustainable insurer's benchmark of the Dutch Association of Investors for Sustainable Development (VBDO).

The other VIVAT brands (Zelf, Route Mobiel and Proteq Dier & Zorg) maintained a stable customer base and increased their customer satisfaction rating.

### 1.2.3 VIVAT's **financial position**

Market circumstances remain challenging for Life and Non-life insurers 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 and Non-life markets leads to lower margins. Nevertheless, the current market conditions also offer opportunities. VIVAT 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. VIVAT 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 and Non-life insurance businesses 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 share of the Non-life market decreased with 1.1%-points to 3.6%.

The result of VIVAT show a sharp improvement on 2014. In 2015, a profit of € 109 million was realised compared to a net loss of € 612 million in 2014. This improvement was mainly attributable to a release of the IFRS LAT shortfall in 2015 (€ 52 million) compared to a € 648 million expense in 2014.

In 2015, VIVAT's Net Underlying Result improved to € 33 million against € 0 in 2014. Underlying earnings were positive for REAAL Life (profit of € 79 million) and ACTIAM (profit of € 6 million). REAAL Non-life and Zwitserleven reported negative underlying earnings for 2015 of € 43 million and € 4 million respectively. The improvement in 2015 was mainly attributable to REAAL Non-life which saw its earnings rise by € 20 million on 2014.

VIVAT NV's regulatory solvency I ratio increased from 136% to 240% 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 VIVAT the period of solely protecting the capital position is now at an end. With the provided capital injection and the new management, VIVAT 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.

VIVAT's mission is to become a leading and trusted financial service provider, helping our customers to realise their dreams and insure their risks. VIVAT 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, VIVAT 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 VIVAT's brands.

VIVAT 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 VIVAT 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.

VIVAT 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 |

### Zelf

Zelf is an online insurer targeting independent-minded people who like to decide for themselves how they live. The motto is: 'You live. Zelf insures.'

| In thousands | 2015 | 2014 |
|---|---|---|
| Number of customers Non-life | 225 | 229 |
| Number of customers Life | 821 | 867 |
| **Total number of customers** | **1,046** | **1,096** |

### Route Mobiel

Route Mobiel offers mobility-related insurance: roadside assistance, travel, motor. It is the second roadside assistance organisation in the Netherlands.

| In thousands | 2015 | 2014 |
|---|---|---|
| Number of customers | 108 | 108 |

### 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 |

### Proteq Dier & Zorg

Proteq Dier & Zorg exclusively offers healthcare insurance for pet dogs and cats, and the brand is the market leader in the Netherlands.

| In thousands | 2015 | 2014 |
|---|---|---|
| Number of customers | 70 | 75 |

### ACTIAM

ACTIAM is the leading sensible investor for institutional clients. With sustainable performance, service and advice, our asset management business helps clients to achieve their investment objectives.

| In € millions | 2015 | 2014 |
|---|---|---|
| Managed assets for VIVAT | 42,425 | 41,875 |
| Managed assets for SNS Bank NV | 5,070 | 5,437 |
| Managed assets for other parties | 4,561 | 4,044 |
| **Total managed assets** | **52,056** | **51,356** |

# 2 Foreword

## Message from the Executive Board of VIVAT NV

Dear stakeholders,

2015 was a special year for VIVAT 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 VIVAT 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 we had a new owner. On Monday 16 February 2015, SNS REAAL NV announced the acquisition of VIVAT NV 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 VIVAT 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 VIVAT'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. VIVAT 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 VIVAT NV,

Ron van Oijen, Chief Executive Officer

# 3 Corporate governance

This section covers the corporate governance of VIVAT NV. The acquisition 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 VIVAT's Executive Board and VIVAT's Supervisory Board. Per the completion of the sale, the composition of the Executive Board was as follows: Gerard van Olphen, Chief Executive Officer, Albert Bakker, Chief Operating Officer, Xiao Wei Wu (Charlene), Chief Transformation Officer, Lan Tang (Branden), Chief Finance & Risk Officer and Feng Zhang (John), Chief of Staff. Gerard van Olphen left VIVAT 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, 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 VIVAT.

## 3.1 The **Executive** Board of VIVAT

**Composition and role**

The Executive Board of VIVAT was appointed on 26 July 2015. The Executive Board is the day-to-day governing body of VIVAT NV and its business operations, and is responsible for achieving the commercial, operational and financial objectives of VIVAT 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 VIVAT 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 3, 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 VIVAT operates.

The formal rules for the performance of the Executive Board are set out in the articles of association of VIVAT NV and in the regulations for the Management Board of VIVAT. 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 VIVAT NV has the same members as the Executive Board of SRLEV 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 VIVAT NV.
Apart from the Executive Board members, other managers within the VIVAT'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 VIVAT.

## 3.2 The Supervisory Board

**Composition, appointment and role**
As per the date of this annual report, the members of the Supervisory Board of VIVAT 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 SRLEV NV, Reaal Schadeverzekeringen NV and Proteq Levensverzekeringen NV are comprised of the same individuals as the Supervisory Board of VIVAT NV and therefore membership overlaps.

For more information about the supervisory directors, reference is made to Additional Information, section 4 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 VIVAT 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 VIVAT NV changed.

The members of the Supervisory Board of VIVAT NV are also members of the Supervisory Board of SRLEV NV, Reaal Schadeverzekeringen NV and Proteq Levensverzekeringen NV and therefore form a personal union. This helps to safeguard uniform policy within VIVAT. 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 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 VIVAT NV to Anbang an important measure in the restructuring plan of SRH NV was accomplished in 2015. Anbang completed the acquisition of VIVAT NV on 26 July 2015 and VIVAT NV received 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 VIVAT 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 VIVAT 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 4. Curricula vitae, appointment terms and other positions of Supervisory Board members, of the annual report of VIVAT 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 VIVAT 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 VIVAT 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 SRLEV 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 VIVAT NV, Ernst & Young Accountants as VIVAT'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. VIVAT 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 VIVAT 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 VIVAT 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 VIVAT'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.

**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 VIVAT 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 Remuneration

### 3.4.1 Remuneration policy VIVAT in general

**Introduction**
VIVAT NV was part of SNS REAAL NV until 26 July 2015. From 26 July 2015 onwards VIVAT NV became wholly owned by Anbang Group Holdings Co. Ltd, a 100% subsidiary of Anbang Insurance Group Co. Ltd. The remuneration policy has been applicable in full throughout 2015 to all of the employees of VIVAT NV and its subsidiaries, including their executive directors. Because 2015 was a transitional year for VIVAT NV the SNS REAAL NV's group policy will be replaced by the 'VIVAT Remuneration Policy' in 2016. The main elements of the 2015 remuneration policy are summarised in this chapter.

**Principles**
The 2015 remuneration policy:
- Is compliant with the prevailing laws, rules and regulations;
- Reflects the interests of all the company's stakeholders: customers, employees, shareholder and society at large;
- Is in line with, and contributes to, robust and effective risk management and, concurrently, does not encourage the taking of more risks than is acceptable for the businesses of the company;
- Supports the ability to attract and retain good people, taking into account the specific position occupied by the company in the Netherlands.

**Governance**
The Supervisory Board is responsible for the implementation and evaluation of the remuneration policy that has been adopted by the members of the Executive Board. The Supervisory Board is also responsible for approving the remuneration policy for the senior management and, in principle, the remuneration policy for other employees. Lastly, the Supervisory Board is responsible for monitoring how this policy is implemented by the Executive Board.

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

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

The list of Identified Staff is kept up-to-date by Human Resources, is checked for its accuracy at least once a year by the control departments and, thereafter is presented to the Supervisory Board. There are specific rules on setting performance targets, determining the extent to which performance targets have been achieved, and setting and paying variable remuneration in the case of employees who qualify as Identified Staff (for further information see section Performance targets and variable remuneration for Identified Staff).

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

## Level of fixed remuneration

The level of the fixed monthly salary depends on the importance of the role and the employee's performance. A decision as to whether to increase the fixed monthly salary is made once a year, on the basis of a competency assessment. The fixed monthly salary cannot be increased further once the maximum salary in the pay scale has been reached.

## Level of variable remuneration

Performance targets for each employee are set in the first quarter of a performance period (a calendar year). As 2015 was a transitional year, some performance targets were set after the first quarter.

After the performance period has ended, the extent to which the performance targets have been achieved are used as a basis for determining whether an employee is eligible for variable remuneration. For employees governed by the Collective Labour Agreement, the maximum amount of assessment fee (performance-related remuneration) is 6.75% of employee's fixed income (2.25% of fixed income for an at target performance). For senior management (i.e. employees not governed by the Collective Labour Agreement), the maximum amount of variable remuneration is 20% of fixed income.

For a number of specific positions at ACTIAM a different percentage of variable remuneration may apply (depending on the employee's position, the maximum is up to 30% for on-target performance and up to 50% in the event of stretched performance).

VIVAT has set "Guiding Principles" for variable remuneration. Based on the guiding principles, tests are performed to ensure that the total variable remuneration does not constrain the ability of VIVAT to strengthen its required capital, solvency margin or equity. The variable remuneration can be adjusted downwards or may not be granted at all if there is cause.

## Performance targets and variable remuneration for Identified Staff

Specific rules on setting performance targets, determining the extent to which performance targets have been achieved, and setting and paying variable remuneration apply in the case of employees who qualify as Identified Staff.

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

Variable remuneration is awarded in two portions: an immediate/unconditional portion (60%) and a deferred/conditional portion (40%). Both the immediate/unconditional portion and the deferred/conditional portion are awarded 50% in cash and 50% in phantom shares. The final award of the deferred/conditional portion depends on the outcome of an ex-post risk assessment, among other things.

## Reasonableness test and claw back

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

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

## Performance targets for employees in control functions

Specific rules on setting performance targets apply for employees in control functions. Employees in control functions, regardless of the business units over which they exercise supervision, have sufficient authority and are remunerated on the basis of the achievement of the targets for their post, regardless of the result of the business operations. Employees in control functions are defined as all employees working within the Financial Risk, Non-Financial Risk and Audit departments.

### Pension

All employees of VIVAT are members of the same pension scheme. The scheme is a group defined contribution scheme. The contributions are paid by VIVAT NV. Employees contribute towards the contributions in the form of a members' contribution that is deducted from the monthly salary. VIVAT NV does not award any discretionary pension.

Until 1 January 2015, pension was accrued (with the SNS REAAL pension fund) on an employee's full pensionable salary. The tax law was amended on 1 January 2015 to disallow tax-facilitated pension accrual on an employee's salary in excess of € 100,000. In dialogue with the trade unions, the premium rate paid by the employer on salaries in excess of € 100,000 (20.85% less a personal contribution of 4.5%, i.e. 16.35%) in 2014 was converted into a salary supplement of 16.35% (on an employee's pensionable salary in excess of € 100,000). This agreement will be in effect until 1 January 2018, after which it will be subject to review.

### Special arrangements on employee benefits

At VIVAT NV, special arrangements on employee benefits refer to guaranteed variable remuneration, retention and/or welcome bonuses and material redundancy packages. VIVAT NV exercises great restraint when agreeing such arrangements. Such arrangements may be agreed only if they are in accordance with legislation and regulations, and after consent has been obtained from the Supervisory Board.

### Number of employees with total remuneration in 2015 exceeding € 1 million

In 2015, there was one VIVAT employee that received a total remuneration exceeding € 1 million.

### Paid variable remuneration in 2015

The annual performance-related bonus for 2015 was paid to employees governed by the Collective Labour Agreement in January 2016. In total an amount of € 4.1 million was paid to 2,843 employees.

In 2015, an amount of € 0.7 million was provided in the form of immediate/unconditional variable remuneration for 40 senior managers. The extent to which this amount will actually be paid out depends on both the performance of the individual employee and the financial health of VIVAT NV. Any payment of the variable remuneration will be held according to the rules applicable for Identified Staff (see section Performance targets and variable remuneration for Identified Staff).

In 2015, an amount of € 1.0 million was provided in the form of variable remuneration for 62 ACTIAM NV employees. The extent to which this amount will actually be paid out depends on both the performance of the individual employee and the financial health of VIVAT NV and ACTIAM NV. For some of these employees payment of the variable remuneration will be held according to the rules that apply to Identified Staff (see section Performance targets and variable remuneration for Identified Staff).

## 3.4.2 Actual **remuneration** (former) members of the **Executive** Board

The following table provides an overview of the total remuneration of the Executive Board members and former Executive Board members in 2015.

### Breakdown actual remuneration (former) members of the Executive Board 2015

| In € thousands | 2015[1] |
|---|---|
| Fixed employee benefits[2] | 2,985 |
| Variable benefits[3] | 183 |
| Pension benefits[4] | 115 |
| Termination benefits[5] | 2,787 |
| Other employee benefits[6] | 176 |
| **Total** | **6,246** |

1 *For the comparative figures of 2014 a reference is made to the 2014 annual report of SNS REAAL NV. The year 2015 is the first year VIVAT NV is required to disclose this information, as a result no comparative figures are presented.*

2 *Fixed employee benefits includes salary (30% facility), holiday allowance, 13th-month payment, allowance for pension accrual for employee with an income above € 100,000 and social security contributions.*

3 *Variable benefits includes the provision for the unconditional portion.*

4 *Pension benefits includes the pension contribution paid by VIVAT less the employee's contribution.*

5 *Termination benefits includes all benefits related to the termination of the employment contract.*

6 *Other employee benefits includes occupational disability insurance premium and term-life insurance premium, the benefit of the private use of a company lease car and any allowance for housing expenses.*

In 2015, VIVAT NV experienced a number of organisational changes. On 26 July 2015, VIVAT NV became wholly owned by Anbang Group Holdings Co. Ltd. The organisational changes led to changes in the composition of the Executive Board, resulting in a relatively increased ratio between fixed employee benefits and termination benefits.

### Loans

There are no loans outstanding on 31 December 2015 granted to members of the Executive Board.

## 3.4.3 Actual **remuneration** (former) members of the Supervisory Board

The following table provides an overview of the total remuneration of the Supervisory Board members in 2015 (excluding 21% VAT).

### Breakdown actual remuneration (former) members of the Supervisory Board 2015

| In € thousands[1] | 2015 |
|---|---|
| Total fixed actual remuneration of Supervisory Board members | 240 |
| Total remuneration for the members of the Supervisory Board's Committees | 11 |
| Total fixed actual expense allowance | - |
| **Total** | **251** |

1 *On 26 July 2015 (date of transfer of shares) VIVAT NV has established their own Supervisory Board. Before this date the Supervisory Board of SNS REAAL NV formed the Supervisory Board of SNS REAAL NV, SNS Bank NV and VIVAT NV. For the comparative figures of 2014 and the remuneration of 2015 up to 25 July 2015 reference is made to the 2014 and 2015 annual report of SNS REAAL NV. The remuneration disclosed above concerns the remuneration of the Supervisory Board of VIVAT NV from 26 July 2015 until 31 December 2015.*

### Loans

There are no loans outstanding on 31 December 2015 granted to members of the Supervisory Board.

## 3.5 Internal management of **financial reporting**

VIVAT 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 VIVAT.

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 VIVAT. 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 VIVAT 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 VIVAT'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, VIVAT will focus more on innovation and digitalisation, and plans to further simplify its business processes. VIVAT will also make its organisation less complex. Simplifying the operations and the business processes will create an agile, customer-oriented organisation.

VIVAT 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 VIVAT, which is in the interest of all stakeholders including our customers and employees, VIVAT 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 VIVAT'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, VIVAT has updated its vision and mission. Our vision is to create a VIVAT 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 VIVAT comprises three pillars:

- VIVAT delivers advanced and smart solutions to our customers in a customised and simple way;
- VIVAT leverages state of the art technologies and excels in efficient business processes;
- VIVAT 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. VIVAT 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, VIVAT 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 VIVAT 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, VIVAT 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, VIVAT 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, VIVAT 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.

### Non-life market

In the Non-life market, especially the consumer side of the Property & Casualty (P&C) market has seen strong commoditisation and pressure on price. Here, consumers tend to only insure the minimum required risks on the one hand and advances in technology allow for lower actual damages in many subsegments (i.e. smart cars) on the other hand. The power of comparison websites combined with increasingly similar products then creates a market of near perfect competition.

This market also sees the effects of the sharing economy. On the one hand, at individual household level people have less 'stuff' that needs insurance while, on the other hand, the use of items by multiple households implies increased risk of damage per insured object.

### Conclusion

The insurance market remains in flux due to changing economic realities and continued change in both legislation and customer behaviour. This means that VIVAT 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

VIVAT 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 VIVAT and its subsidiaries has resulted in a stronger capitalisation for VIVAT 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

VIVAT 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 VIVAT 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**

VIVAT 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, VIVAT 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)

VIVAT'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 VIVAT 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 3: 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 4: 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, VIVAT 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 our value creation process (see figure 5). 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 VIVAT's customers.

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

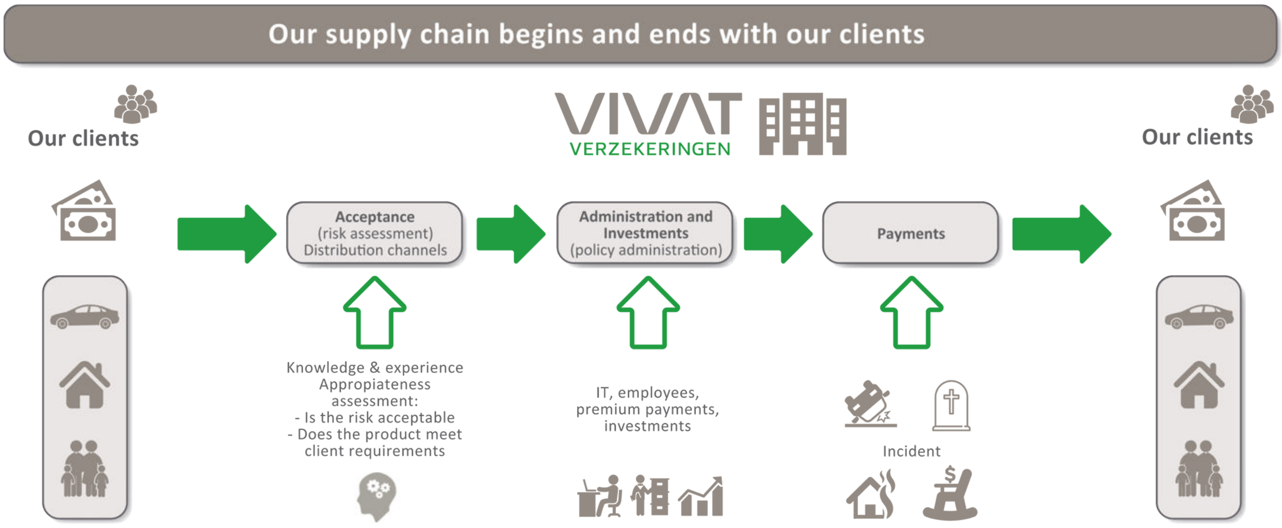


*Figure 5: Value creation process*

VIVAT 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.

VIVAT attributes great importance to responsible business conduct. This is reflected in our CR policy framework and our corresponding efforts in areas such as maintaining long-term relationships with our customers, being a good employer, investing in society, adequate risk management and sustainable financial results. The key figures the middle column of the value creation model (see figure 6) 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.

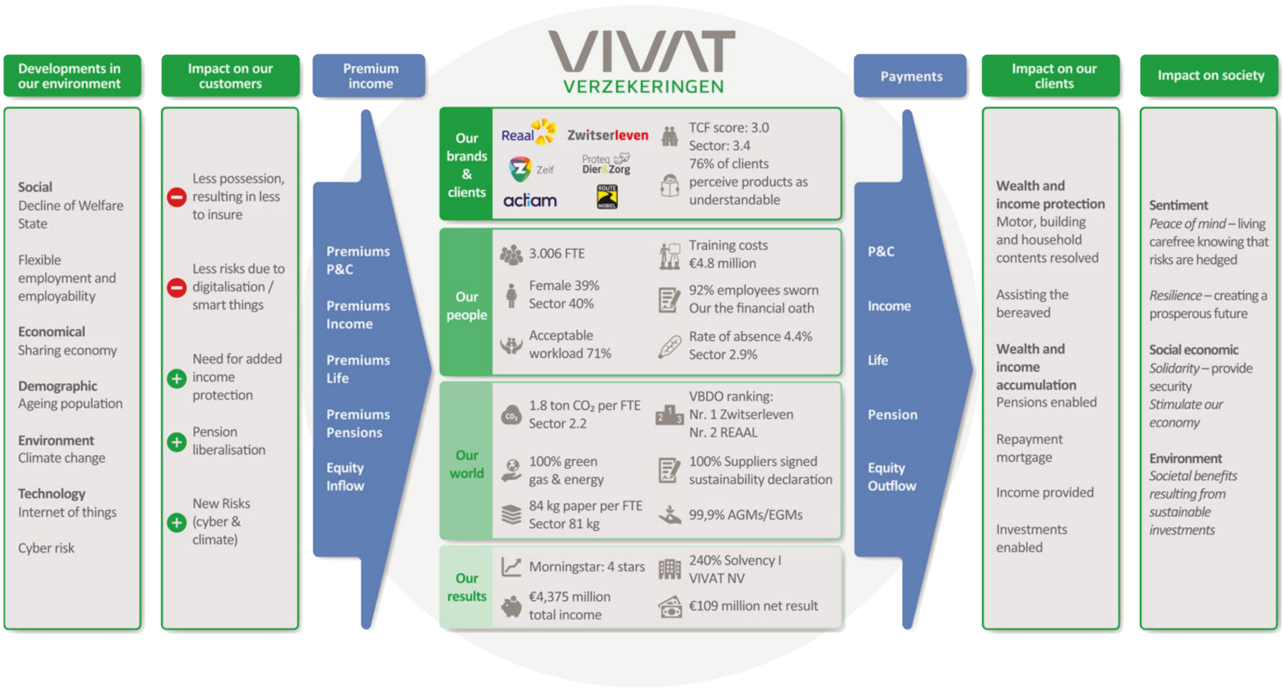


*Figure 6: Value creation model*

### 4.3.3 Restoration of trust

Sustainable customer relations are essential for all VIVAT 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. VIVAT 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 VIVAT

In anticipation of the introduction of a new, comprehensive monitor, the VIVAT 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 | 1.0 | 2.6 |
| Customer contact insurers | 4.0 | 3.8 |
| Complaints management | 4.0 | 4.2 |
| Digital Pension communication | 3.4 | 3.4 |
| Expiring live annuity | 3.5 | 3.2 |
| Total score | 3.0 | 3.4 |

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

### Unit-linked policies

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

**Compensation for excessive fees charged for unit-linked policies**

In 2009 and 2010 VIVAT reached agreements with consumer organisations such as the Dutch Homeowners' Association and the Dutch Investors' Association to reduce the percentage fees charged for unit-linked policies to a level that is acceptable to all parties. Prior to 2015 VIVAT 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**

VIVAT 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. VIVAT 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, VIVAT 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 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, however, is effective, looking at the results. In 2016, we have continued our efforts to have all 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 goal in time.

## 4.4 Our brands

### 4.4.1 Zwitserleven

#### Simplicity for later

Zwitserleven, VIVAT'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.

## 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 VIVAT'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 Zelf

## You live. Zelf insures

Zelf ('Self') is VIVAT's online brand that aims to help customers who want to take financial matters into their own hands. With its motto 'You live. Zelf insures.', Zelf positions itself as a brand for independent customers who wish to decide for themselves how they organise their affairs, their life. Customers are therefore given the opportunity to make an online selection from a clear and easy to understand range of insurance products. The service provided and transparency of the terms and conditions of insurance are improved, where necessary, on the basis of an ongoing online dialogue with customers.

### Zelf's objectives for 2015

Improving customer satisfaction has always been and will continue to be the key driver for Zelf. Based on knowledge of its customers and risk modelling, Zelf wanted to introduce further premium differentiation and launch new products. By using online marketing and a quantitative approach to product development, Zelf aimed to achieve profitable growth.

### What has Zelf achieved?

Zelf measures customer satisfaction periodically and uses the Net Promotor Score (would our customers recommend us to others?). In 2015, the Net Promotor Score increased from 11.7 to 18.9 and the Customer Satisfaction score rose to 8 on a scale of 10 (2014: 7.9).

**Net Promoter Score and Customer satisfaction score**

| | 2015 | 2014 |
|---|---|---|
| Net Promoter Score | 18.9% | 11.7% |
| Customer satisfaction score | 8.0 | 7.9 |

Zelf has adjusted its premiums and conditions. The premium increase for Motor TPL (third party liability) took effect on 1 September 2015. Zelf was able to retain its customers and to generate additional turnover. In 2015, Zelf introduced its new back office ICT system that will enable it to meet current and future customer expectations.

### Plans for the years ahead

As part of creating a less complex organisation the activities and expertise of Zelf will be used to boost the online activities of the brand Reaal.

## 4.4.3 Route Mobiel

### On the move again

Since early 2004, Route Mobiel has grown to become the second Dutch roadside assistance provider, with a network of bases across the Netherlands. In 2013, Route Mobiel changed course from the consumer market (B2C) to the business market (B2B) to offer roadside assistance through partners.

### Route Mobiel's objectives for 2015

Route Mobiel wanted to embark on an active relationship marketing campaign to convince the B2B market to cooperate in jointly selling roadside assistance services. The plan was also to select businesses that offer a good match for Route Mobiel as well as potential for the sale of roadside assistance coverage. Furthermore, Route Mobiel aimed to be distinctive in its customer service as was to be reflected in a continually high Net Promoter Score.

### What has Route Mobiel achieved?

In 2015, Route Mobiel has started collaboration with four new business partners besides Vakgarage, amongst which are the Dutch Mazda distributor and First Stop.

Route Mobiel further strengthened its partnership with Vakgarage. Sales through Vakgarage more than doubled.

In the summer of 2015, performance issues at Route Mobiel's assistance provider led to a temporary decline in the Net Promoter Score and customer satisfaction. Meanwhile, service levels are back on track and the Net Promoter Score and customer satisfaction again on the desired level.

**Net Promoter Score and Customer satisfaction score**

| | 2015 | 2014 |
|---|---|---|
| Net Promoter Score | 31.5% | 37.5% |
| Customer satisfaction score | 8.1 | 8.2 |

### Plans for the years ahead

Route Mobiel's activities have been designated as 'non-core' for VIVAT. The future of these activities are under review.

## 4.4.4 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?

### Disability

Overall, the disability market is declining, while selective risk-oriented underwriting by Reaal is putting pressure on its market position. As a result, Reaal’s market share (new production) decreased from 7.3% to 5.9%. Adjusted for additional measures, Reaal’s market share remained stable.

Reaal achieved a top 5 position for most occupations/ businesses, based on the price of the product. The main challenge, however, is to obtain a top 3 position to achieve further growth. In September 2015, Reaal launched a new disability campaign with a stronger focus on health. Part of the disability policy is prevention; in cooperation with external expertise, customers and intermediaries are continuously engaged on this topic. The first results show a rise in sales and are encouraging. For 2015, Reaal maintained its five star MoneyView rating for this product line, as is reflected in a high customer satisfaction rate: 8.1 out of 10.

### 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.

### Property & Casualty

The effects of ‘going direct’ were clearly visible in P&C. In the distributon mix, 16% of the new P&C production is derived from direct, 84% from advisers. The P&C results however are still under pressure, mainly at Motor, with ongoing high claim costs. To improve the results, product terms were adapted and investments in fraud detection measures increased. In addition, a new Fire product was introduced.

### 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, VIVAT 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.

# 4.4.5 Proteq Dier & Zorg

## Taking care together

Proteq Dier & Zorg is dedicated to insuring the health care costs of pet dogs and cats, and is the market leader in the sector.

## Dier & Zorg's objectives for 2015

The main objective was to be the most appreciated company in providing health care insurance for cats and dogs, while keeping the claims ratio under control. Another aim was to further build the position of category leader by positioning Proteq Dier & Zorg as the authority on the subject of wellbeing of pets.

## What has Proteq Dier & Zorg achieved?

Over the year 2015, Proteq Dier & Zorg achieved an average Net Promoter Score of 19.0%, a significant increase compared to 2014.

### Customer satisfaction

| | 2015 | 2014 |
|---|---|---|
| Net Promoter Score | 19.0% | 12.9% |
| Customer satisfaction score | 8.0 | 7.2 |

Proteq Dier & Zorg started a pilot project to increase loyalty by rewarding desired consumer behaviour. For example, customers can earn loyalty points by using electronic means of communication, by inviting friends to join the programme or by sharing content via social media.

### Plans for the years ahead

As part of the reduction in complexity of the VIVAT organisation, Proteq Dier & Zorg will be phased out as a seperate brand. The insurance activities will continue under the Reaal brand.

## 4.4.6 ACTIAM

### Because we care

ACTIAM is the responsible investment manager of VIVAT, with € 52.1 billion in assets under management. ACTIAM offers a comprehensive range of investment funds and investment solutions that extends from responsible index investing all the way to impact investing. ACTIAM is an AIFM, manager of alternative investment funds within the meaning of the Dutch Financial Supervision Act.

ACTIAM manages the assets of:

- Reaal and Zwitserleven;
- SNS Investment Funds;
- RZL Investment Funds;
- ACTIAM Responsible Index Funds Equity;
- ACTIAM Responsible Index Funds for Retail;
- ACTIAM Impact Investing Micro and SME Financing Funds;
- Zwitserleven Investment Funds;
- ASN Bank;
- ASN Investment Funds;
- a select group of external clients.

ACTIAM's mission is to deliver sustainable performance, services and advice in order to enable customers to achieve their investment objectives. ACTIAM's vision is to take responsibility in everything it does, continue to surprise and inspire, working both for and with customers.

Investments must be in line with international standards and conventions. ACTIAM acts as an active and engaged shareholder (on behalf of our clients) in order to attain a far-reaching change of conduct in businesses and in the regulatory frameworks.

ACTIAM's responsible investment policies are developed by a dedicated ESG team (Environmental, Social, Governance). The Fundamental Investment Principles form the basis of these policies. These principles are derived from international treaties, conventions and best practices, such as the UN Global Compact, and relate to a variety of important themes: human rights, fundamental labour rights, corruption, the environment, weapons, and customer and product integrity.

The in-house ESG team conducts engagements (dialogues) with companies and other entities to induce behavioural change towards sustainable practices. If an entity does not comply with ACTIAM's responsible investment policies and is not responsive to engagement, it is excluded from investment by the ACTIAM Selection Committee, based on advise of the ESG team.

### ACTIAM's objectives for 2015

As every year, investment performance was a top priority in 2015. ACTIAM also made efforts to achieve good ratings for its investment funds from independent analysts, such as Morningstar.

ACTIAM wanted to strengthen its partnerships and boost customer satisfaction. Furthermore, ACTIAM intended to further expand its responsible proposition in micro financing and responsible tracker funds externally.

### What has ACTIAM achieved?

**Investment performance**

ACTIAM has managed to achieve a positive investment performance for almost all of its funds. Notably, positive performance in European equities has made a significant contribution. Assets under management in 2015 rose from € 51.4 billion to € 52.1 billion. ACTIAM launched new retail responsible index funds under ACTIAM Beleggingsfondsen N.V. which attracted € 0.3 billion in the last three months of the year. Furthermore, ACTIAM welcomed new participants in the institutional index funds and Impact Investing Micro and SME Investment Funds. ACTIAM earned the Lipper Fund Award for the Netherlands' best performing mixed fund house (small) in 2009, 2010, 2011 and 2015. In addition, ACTIAM received the vwd cash Fund Award for best asset manager for mixed assets. On top of these achievements the ACTIAM Responsible Index Funds for retail received the public award for best financial product of the year 2015 from *de Financiële Telegraaf* and were second in the product of the year 2015 election of *de Financiële Telegraaf.*

**Morningstar Ratings of SNS Investment Funds**
The Morningstar Rating is an external, independent benchmark that compares the risk-adjusted performance of a fund with other funds in the same Morningstar category. The rating is calculated (where possible) over a period of three, five and ten years. The best 10 percent of the funds in a given category are given a five-star rating, the next 22.5 percent are given four stars, the middle 35 percent get three stars, the next 22.5 percent two stars and the worst performing 10 percent get just one star. The Morningstar Rating Overall is an average of the individual ratings. As per the end of December 2015, the average number of stars stood at four.

### Transparent and clear communication

| | 2015 | 2014 |
|---|---|---|
| Change in engagement milestones/ progress[1] | 32 | 6 |
| Percentage of AGMs/EGMs | 99.7% | > 99.5% |

1 *The increase in engagement milestones is partly due to the effect that we have also included collaborative engagements this year.*

**Responsible investments**
As an investor, ACTIAM has different tools to influence behaviour and contribute to sustainability, such as impact investing, engagement (dialogues), exerting shareholder voting rights, and exclusion. By 31 December 2015, ACTIAM was involved in 22 individual engagements and 11 collaborative engagements in which it was a lead investor for at least one company, 56 companies were excluded from investment.

Climate change was a central theme for ACTIAM in 2015. New engagements and initiatives regarding this theme were set up, such as an engagement with automobiles producers about direct and indirect carbon emissions and a partnership with FSC Netherlands. In addition, ACTIAM played an active role in the green bonds market and evaluated the carbon emissions of its investment funds compared with the benchmark. The results of these evaluations were reported to the funds.

Success of engagements is measured through milestones. This system allows ACTIAM to track changes in policy and behaviour of companies that it engages with. In 2015, five changes in policy and/or behaviour were registered at companies with which ACTIAM engaged. The difference in results between 2014 and 2015 is partly caused by the increased capacity of the ESG team and by a new method of calculation. In 2014, only the companies that were engaged individually by ACTIAM were taken into consideration. In 2015, the companies that were engaged through a collaborative initiative where ACTIAM was the lead investor were taken into consideration as well. Furthermore, ACTIAM strives to vote at 100% of the Annual General Meetings (AGMs) and Extraordinary General Meetings (EGMs) of the companies of which it holds equity. In 2015, ACTIAM voted on 99,9% of the AGMs and EGMs.

We are proud that Zwitserleven and Reaal have been recognised as the insurers with the most responsible investment policy by the Dutch Association of Investors for Sustainable Development (VBDO) for the fourth year in a row. In 2015, ACTIAM also received the highest score (A+) by the PRI for its active ownership approach.

### Sustainable investments

| | 2015 | 2014 |
|---|---|---|
| Most sustainable pension insurer according to VBDO | Zwitserleven 1st, Reaal 2nd | Zwitserleven 1st, Reaal 2nd |
| Score asset management from Fair Insurance Guide | 8 out of 10 | 5 out of 10 |

### Plans for the years ahead
In line with its strategy, ACTIAM will continue to strengthen its partnerships and boost customer satisfaction. ACTIAM intends to further expand its responsible proposition in micro financing and responsible tracker funds externally. Furthermore, ACTIAM will focus on third party retail distribution and is eager to support and accommodate Anbang affiliates.

## 4.5 Our people

VIVAT 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, VIVAT employed 3,113 employees (3,006 FTE): 1,099 at the business unit Reaal (Zelf, Route Mobiel, Reaal and Proteq Dier & Zorg), 479 at Zwitserleven and 136 at ACTIAM and IT & Staff 1,399. In addition to the employees, VIVAT makes use of freelancers and other temporary staff bringing the total amount of work provided to about 3,674 FTE.

### Key figures HR

| | 2015 | 2014 |
|---|---|---|
| Number of employees | 3,113 | 3,300 |
| Number of FTEs | 3,006 | 3,134 |
| 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 VIVAT, 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, VIVAT 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.

VIVAT'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, VIVAT 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, VIVAT 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

VIVAT'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 VIVAT’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 VIVAT 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 VIVAT 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 VIVAT 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 VIVAT'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. VIVAT 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, VIVAT 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

VIVAT made great efforts to reduce paper consumption in 2015. 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 VIVAT 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 CO2 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 VIVAT 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 VIVAT. It starts with a discussion of the risk management system of VIVAT 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 VIVAT has organised its capital management.

## 5.2 Risk management system

### 5.2.1 General

VIVAT 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 VIVAT 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 VIVAT 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 VIVAT. 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 VIVAT.

VIVAT has set up a procedure in which is defined how and to which extent the management of each business unit 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 of each business unit 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 and its individual business units (lines of business and corporate staff).

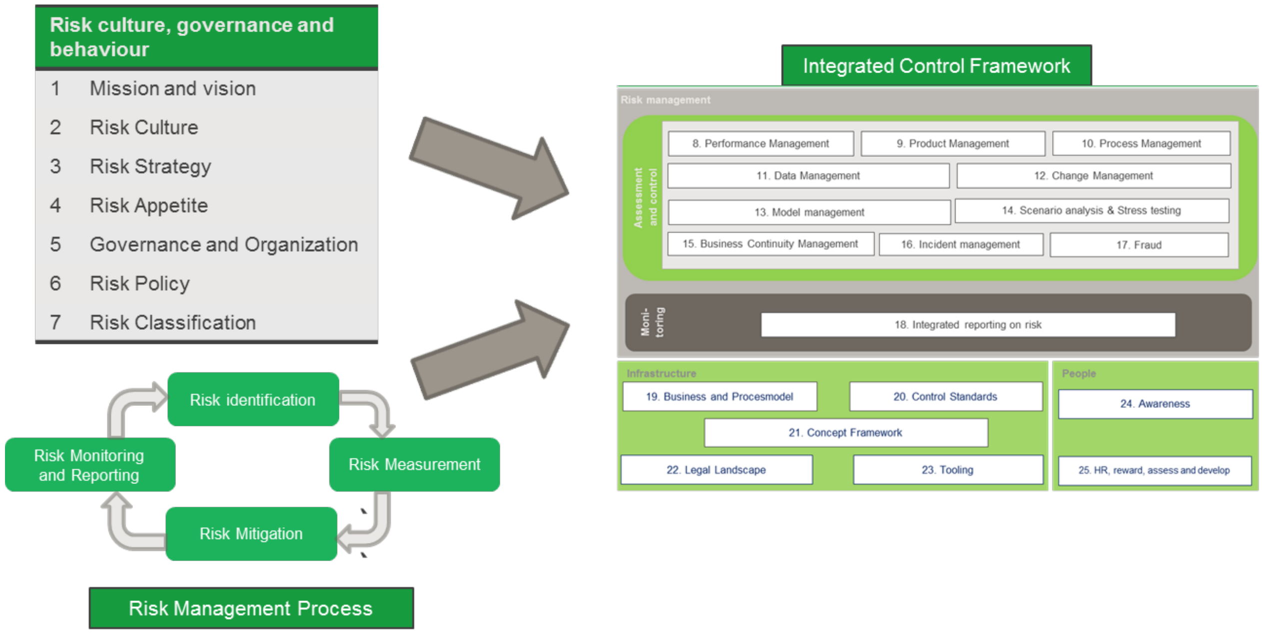


*Figure 7: Integrated Control Framework VIVAT*

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 VIVAT. As part of this, VIVAT 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, VIVAT 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. VIVAT strives for sound and controlled operations and with ICF VIVAT 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, VIVAT 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 VIVAT**
The Vision of VIVAT (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 VIVAT, 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. VIVAT 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.

VIVAT 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 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 VIVAT is prepared to accept risks in pursuit of its objectives. As main principles VIVAT 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.

VIVAT 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 VIVAT and part of decision-making, which is in line with the risk policy and Risk Appetite of VIVAT. VIVAT's business strategy always entails a certain degree of risk, owing to the influence of internal and external factors. The extent to which VIVAT is able to absorb losses resulting from the classified financial and non-financial risks by using VIVATs 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 VIVAT 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.

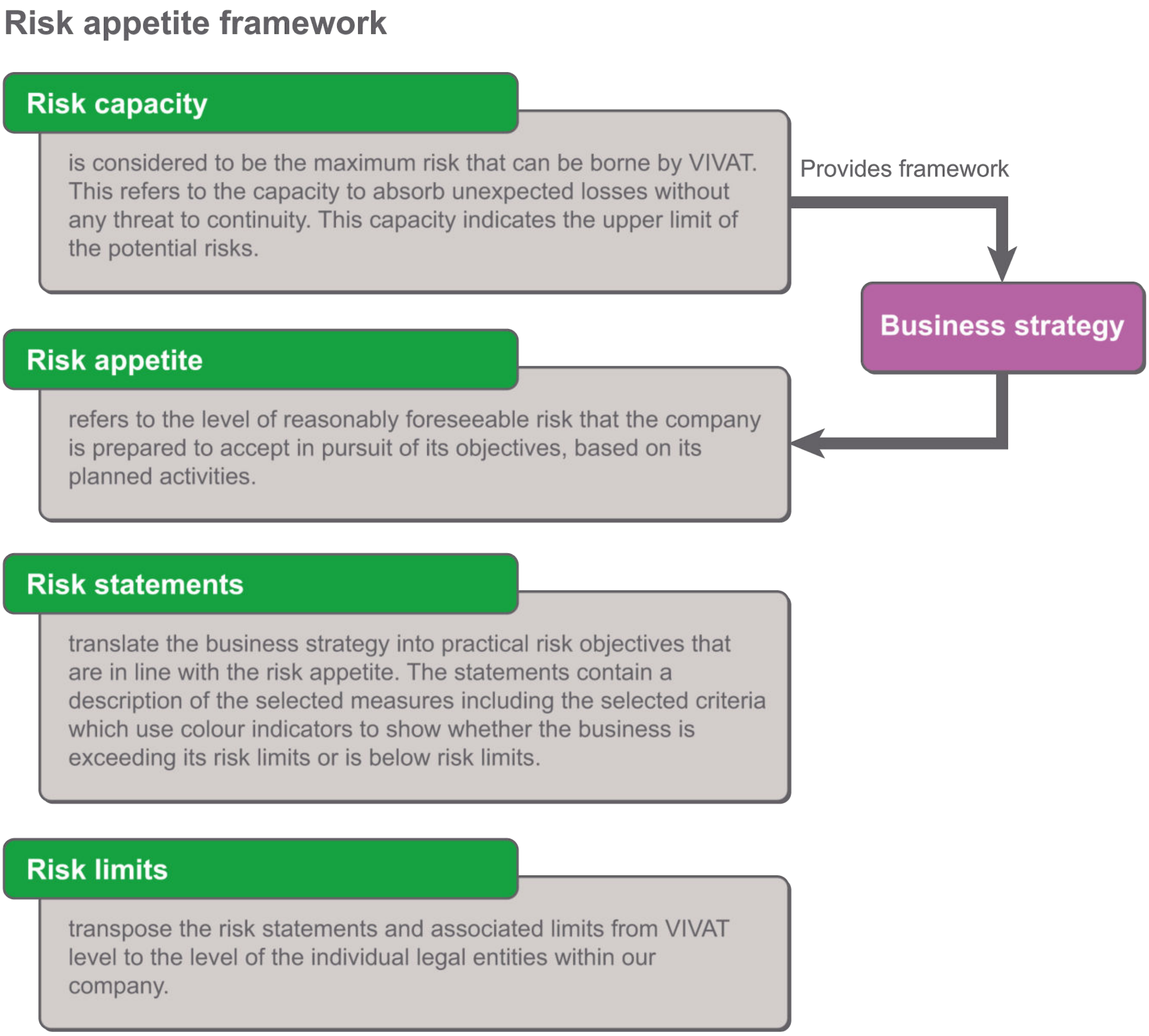


*Figure 8: Risk appetite framework*

Risk appetite is defined at VIVAT level. 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 VIVAT'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, VIVAT 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.

**Three lines of defence governance model**
VIVAT 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.

## 5.3.4 Governance and **organisation**

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

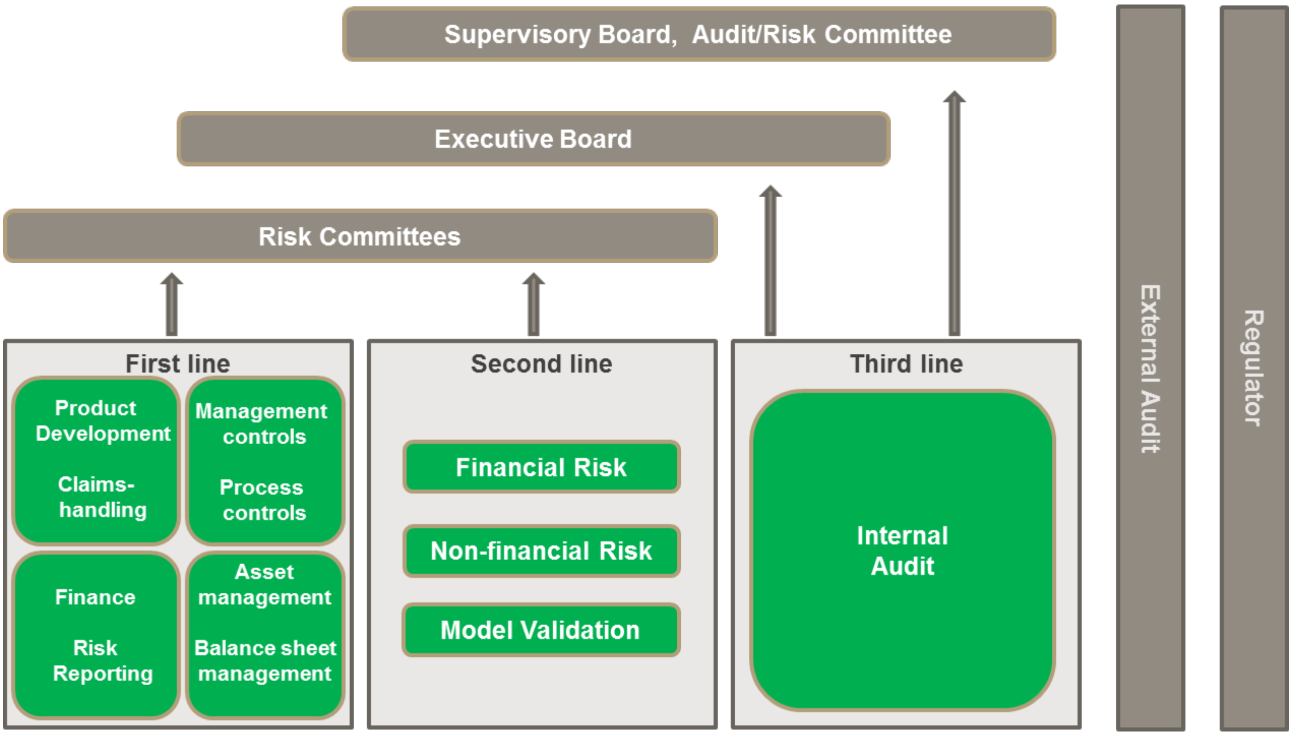


*Figure 9: Three lines of defence*

**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 at VIVAT 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 organisation's strategic objectives; whether there is sufficient, reliable management information, which is used for testing the realisation of the objectives and whether (business, financial, reporting or other) processes are efficient and effective. Furthermore, Audit assesses if VIVAT 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

VIVAT has an integrated risk management policy house. 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, VIVAT has defined and categorised different risk types in alignment with legislation and regulations. This set of risk types covers all significant risks VIVAT 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.

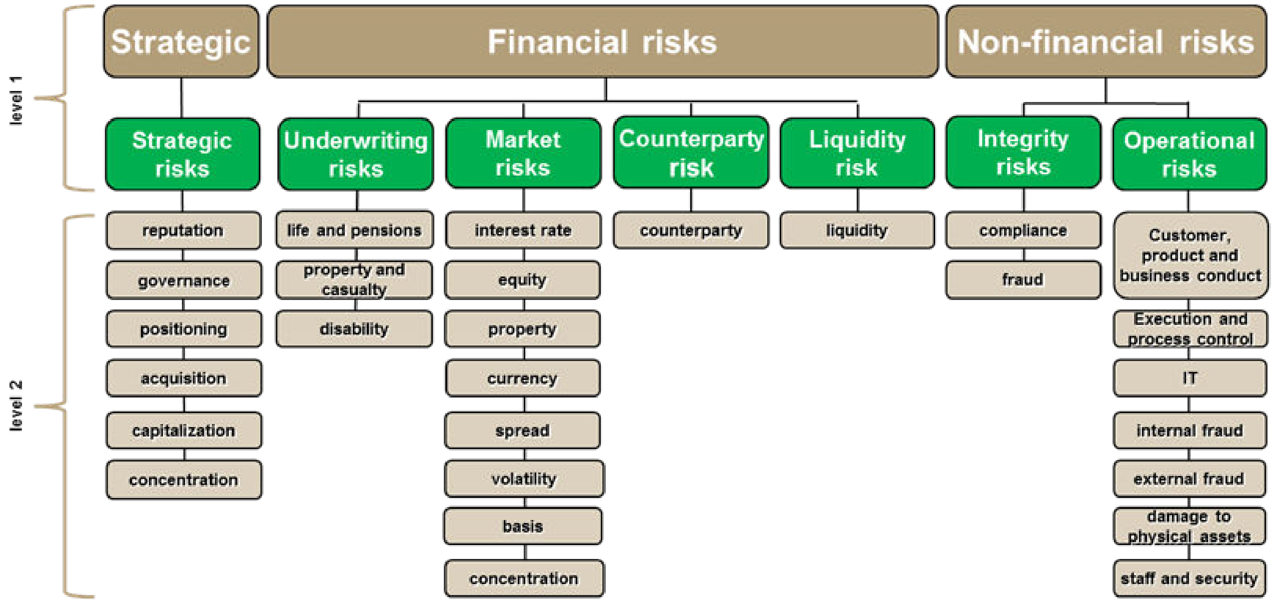


*Figure 10: Risk classification*

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), Property&Casualty (P&C) and Disability. The interest rate risk related to insurance products forms part of the market risk.

## 5.4.2 Risk management process

VIVAT 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, VIVAT 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 VIVAT 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**
When a claim is submitted, the product terms and conditions form the starting point for determining the payment. In the case of P&C insurance policies, the submission of a claim leads to the creation of a claims reserve, which is determined automatically for smaller claims. For Disability, the customer follows a reintegration process. At the Motor Insurance business, the cost of claims are mitigated by promoting the use of preferred repair centres. At the P&C and Disability Insurance businesses, trends in the number of claims, payments and reserves are reported and assessed on a monthly basis.

At the Life business, life 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.

A liability adequacy test on the premium and claims reserves is performed once a quarter (at the Life and Pensions businesses) or once every six months (at the P&C and Disability Insurance businesses), 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. At the Non-life business, the tariff structure of each product is regularly assessed by means of analysis. Monitoring takes place on the basis of the combined ratio of each branch and distribution channel.

**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, VIVAT 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 portfolios of both the Life and the Non-life business.

Reinsurance is a tool used for risk management (traditional reinsurance) and capital management purposes. Traditional reinsurance is primarily used to protect the profit or loss. The capital-oriented reinsurance solutions help to optimise the capital position of 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 or 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. VIVAT 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 VIVAT 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, VIVAT 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 VIVAT 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). For more information on disability risk, see Section 5.4.4.1.

**Expense risk**

VIVAT 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, VIVAT 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, VIVAT 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, VIVAT pays the policy holder a predetermined nominal amount. In contrast, VIVAT does not run any interest rate risk on pure unit-linked contracts. However, VIVAT 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 VIVAT.
VIVAT 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). VIVAT 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 VIVAT. 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 VIVAT.

### 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.

VIVAT 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).

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

**Co-insurance**
VIVAT 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 VIVAT 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 | 326 | 16,884 | 5,673 | 10,855 |
| Life annuity | 3 | - | 3,287 | 494 |
| Term insurance | 168 | 51,852 | 526 | 52,582 |
| Traditional savings | 96 | 7,441 | 5,140 | 1,945 |
| Funeral insurance | 31 | 2,279 | 1,092 | 1,478 |
| **Individual insurance policies in cash** | **624** | **78,456** | **15,718** | **67,354** |
| 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 | 34,408 | 8,202 | 32,585 |
| **Subtotal** | **1,589** | **151,613** | **39,394** | **149,692** |
| Reinsurance of term insurance | -1 | - | - | -328 |
| Proportional reinsurance | -138 | -4,689 | -3,310 | -70,770 |
| **Total** | **1,450** | **146,924** | **36,084** | **78,594** |

## 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 | 33 | 2,320 | 1,071 | 1,530 |
| **Individual insurance policies in cash** | **681** | **77,862** | **16,181** | **66,206** |
| 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** | **1,933** | **153,627** | **39,531** | **148,931** |
| Reinsurance of term insurance | -1 | -75 | - | -44 |
| Proportional reinsurance | -151 | -5,639 | -3,589 | -71,728 |
| **Total** | **1,781** | **147,913** | **35,942** | **77,159** |

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) | 10,402 | 10,599 |
| With interest rate rebate | 3,693 | 3,763 |
| Without profit-sharing | 5,584 | 5,381 |
| Savings-based mortgages | 5,673 | 5,650 |
| Reinsurance | -3,309 | -3,589 |
| **Total** | **22,043** | **21,804** |

**Insurance policies in investment units**
Policyholders usually bear the investment risk for insurance policies in investment units (unit-linked investment units), and VIVAT is not, in principle, exposed to interest rate risk, price risk, exchange rate risk or counterparty risk. For part of the portfolio however, VIVAT 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 VIVAT. 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 | 240% | 136% |
| Impact of sensitivities: | | |
| - 50% increase in surrender rates (including non-contributory continuation) | -3% | -2% |
| - 15% higher mortality rates (mortality risk) | -3% | -3% |
| - 20% lower mortality rates (longevity risk) | -51% | -49% |
| - 10% increase in expenses assumptions + 1% increase in inflation | -28% | -26% |

Changes in the actuarial parameters have an immediate effect on the IFRS-result of VIVAT 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 Property & Casualty and Disability

### 5.4.4.1 Risks

For the subdivision of risks into sub-risks in the Non-life insurance portfolios, VIVAT makes a distinction between disability insurance and P&C insurance.

Disability policies are insurance policies covering the financial consequences of the policyholder becoming unfit for work (either fully or partially). The classification of Life insurance risks also applies to these insurance policies, although the materiality of these risks is different. The Non-life insurer pays disability benefits that stem from the individual and group portfolios. The Life insurer pays disability benefits that relate to the cover that forms part of a Life insurance contract.

**Disability and recovery risk**
In the case of disability insurance, the main risks are the disability risk and recovery risk. These are risks that appear when a policyholder becomes unfit for work and receives benefits during the period this situation remains to exist. The risks relate to the amount, duration and timing of the payment of the insured cash flows. The disability risk is the risk that more policyholders than expected become disabled, or that policyholders become more severely disabled than expected. The recovery risk is the risk that fewer policyholders recover or that the policyholder recovers to a lesser extent than expected. VIVAT manages this risk by continuously monitoring the inflow and by promoting/offering reintegration pathways.

The risks of P&C insurance policies can be divided into risks related to future claims arising from current contracts (premium risk and catastrophe risk) and risks related to claims, whether reported or not, that have already occurred (reserve risk).

**Premium risk**
Premium risk is the risk that premiums pertaining to future exposure are insufficient to meet all corresponding claims and costs. VIVAT manages this risk by means of the product development, pricing and acceptance procedures as described in Section 5.4.2.

**Catastrophe risk**
Catastrophe risk is the risk of losses due to extreme or exceptional events. This includes both natural disasters and events caused by human actions.
Geographically, the risk in the Non-life portfolio of VIVAT is almost entirely concentrated in the Netherlands. There is concentration of underwriting risks in the Fire segment, where storm risk is an important factor. In addition, the concentration of risks can occur in apartment buildings, city blocks and office buildings. The concentration of risks also occurs in the group accident portfolio and the group disability schemes. VIVAT reinsures catastrophe risks due to perils of nature (such as storms) or terrorism. Catastrophes resulting from acts of violence, nuclear incidents or floods are excluded under the standard policy conditions. Through participation in the nuclear insurance pool and the environmental insurance pool, specifically insured risks are shared with other insurers.

**Reserve risk**
Reserve risk is the risk that the accrued claims reserves are insufficient to settle all claims already incurred. VIVAT manages this risk by means of the previously described procedures for claims handling and reserves. VIVAT has assigned specialised departments for the handling and run-off of claims (including bodily injury claims). Experts in these departments handle claims on an item-by-item basis, make estimates of the size of the claim, and monitor the progress of claims settlement. Claims with a run-off period of more than one year include disability claims, bodily injury claims and liability claims.

Early surrender risk plays a limited role owing to the usually brief contract period duration of Non-life insurance policies.

### 5.4.4.2 Property & Casualty and Disability portfolio

All major Non-life segments are represented in the Non-life portfolio. The emphasis of this portfolio is on three segments: Fire, Motors and Disability. The insurance policies are mostly sold through authorized agents, distribution partners to retail and SME customers. In addition, sales are also effected via the direct channel. The disability insurance products in the portfolio include both individual coverage (mainly for self- employed persons) and group coverage for employees. Only individual coverage is selling.

**Co-insurance**
Reaal Schadeverzekeringen NV is represented at the Rotterdam Insurance Exchange through its co-insurance unit. Risks in the Fire, Transport and Liability segments are underwritten. The focus is on the medium-sized and large business segments of the corporate insurance market.

**Gross premium income and net reserves**
In 2015, total gross premium income from Non-life insurance policies amounted to € 686 million (2014: € 760 million). The decline is mainly due to lower premium income Motor vehicles segment and the Transport segment. The net reserve was € 1,135 million at year-end 2015 (2014: € 1,165 million).

Gross premium income and the net reserve can be broken down by segment as follows:

**Net reserve**

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| In € millions | Net reserve | % Net reserve | % Gross earned premium | Net reserve | % Net reserve | % Gross earned premium |
| Fire | 108 | 10% | 28% | 97 | 8% | 28% |
| Accident and health | 390 | 34% | 17% | 434 | 37% | 17% |
| Motor | 425 | 37% | 32% | 425 | 37% | 33% |
| Transport | 53 | 5% | 6% | 55 | 5% | 7% |
| Other | 159 | 14% | 17% | 154 | 13% | 15% |
| **Total** | **1,135** | **100%** | **100%** | **1,165** | **100%** | **100%** |

**Key figures on provision for regular disability payments**

| | Life insurance | | Non-life insurance | | Total | |
|---|---|---|---|---|---|---|
| In € thousands | **2015** | 2014 | **2015** | 2014 | **2015** | **2014** |
| Provision for regular payments | 24,559 | 27,699 | 257,094 | 265,484 | **281,653** | **293,183** |
| Number of commenced annuities | 635 | 703 | 3,544 | 3,575 | **4,179** | **4,278** |
| Average insured annual annuity | 9 | 9 | 26 | 24 | **23** | **22** |

The table includes a relatively large reserve for the Accident and Health segment owing to the large amount of long-term claim reserves of disability insurance policies. That said, the disability insurance policies make up a limited share of the gross premium income earned. The opposite is true in the Fire segment. Owing to the rapid settlement of Fire claims, this segment, which generates more than a quarter of premium income, only represents a small part of the total claims reserve.

In 2015, the reinsurance premium earned was € 46 million (2014: € 46 million). This corresponds to 6.7% (2014: 6.1%) of the gross premium income earned.

The run-off of the claims reserve for previous claim years is shown in the table below.

## Claims history 2015

| In € thousands | Reserve as of 1 January | Addition of interest | Payments | Reserve as of 31 December | Claims run-off result |
|---|---|---|---|---|---|
| Claim years: | | | | | |
| 2006 and earlier | 262,225 | 3,374 | 29,249 | 239,608 | -3,258 |
| 2007 | 34,972 | 291 | 8,189 | 27,617 | -543 |
| 2008 | 33,363 | 210 | 5,932 | 23,070 | 4,571 |
| 2009 | 42,941 | 282 | 7,779 | 31,615 | 3,829 |
| 2010 | 60,031 | 424 | 12,916 | 43,973 | 3,566 |
| 2011 | 98,055 | 563 | 16,917 | 76,440 | 5,261 |
| 2012 | 110,715 | 636 | 20,671 | 84,796 | 5,884 |
| 2013 | 154,440 | 991 | 36,282 | 114,679 | 4,470 |
| 2014 | 241,818 | 968 | 116,043 | 144,911 | -18,168 |
| **Total through 2014** | **1,038,560** | **7,739** | **253,978** | **786,709** | **5,612** |
| Total 2015 | - | 46 | 213,751 | 228,029 | - |
| **Total** | **1,038,560** | **7,785** | **467,729** | **1,014,738** | **5,612** |

## Claims history 2014

| In € thousands | Reserve as of 1 January | Addition of interest | Payments | Reserve as of 31 December | Claims run-off result |
|---|---|---|---|---|---|
| Claim years: | | | | | |
| 2005 and earlier | 250,303 | 4,310 | 24,279 | 214,283 | 16,051 |
| 2006 | 22,877 | 264 | 4,090 | 18,018 | 1,033 |
| 2007 | 39,035 | 361 | 8,521 | 32,222 | -1,347 |
| 2008 | 42,290 | 461 | 6,640 | 29,802 | 6,309 |
| 2009 | 48,113 | 548 | 7,499 | 37,839 | 3,323 |
| 2010 | 74,932 | 709 | 12,491 | 53,313 | 9,837 |
| 2011 | 111,224 | 918 | 20,746 | 87,135 | 4,261 |
| 2012 | 130,334 | 1,160 | 30,469 | 103,787 | -2,762 |
| 2013 | 267,140 | 1,473 | 135,389 | 152,218 | -18,994 |
| **Total through 2013** | **986,248** | **10,204** | **250,124** | **728,617** | **17,711** |
| Total 2014 | - | 936 | 248,127 | 345,056 | - |
| **Total** | **986,248** | **11,140** | **498,251** | **1,073,673** | **17,711** |

The tables above show the claims patterns for 2014 and 2015. In 2015 VIVAT improved its allocation of the non-life reserves to premium and claims reserve, as well as the allocation to segments and loss years, mainly effecting the loss year 2014. The figures are restated accordingly. As a result, a total of € 35 million shifted from claims reserve to premium reserve.

### 5.4.4.3 Non-life reinsurance

The level of retention of the VIVAT Non-life reinsurance contracts is in line with the size of the portfolios. The reinsurance programme consists of reinsurance contracts per line of business and makes no specific distinction between the various sales channels.

In addition to the regular protection for the portfolios, Reaal Schadeverzekeringen NV has concluded a catastrophe contract for covered natural perils (storm, hail) and accumulation within the fire portfolio.

The 2015 reinsurance programme is largely a continuation of the programme for 2014. From capital management considerations, the capacity of the catastrophe programme has been extended with an extra (top)layer to reconcile a 1 in 200 years event according to the Solvency II standard formula. In addition, the retention of the catastrophe programme has been reduced to € 25 million for 2015. Regarding the Fire portfolio, as from 2014 an annual aggregate deductible of € 3 million is applicable to the sublayer of the property per risk reinsurance contract in addition to the regular retention. Furthermore, for the other lines of business, both the retention and the capacity have remained the same.

**Non-life insurance retention**

| In € thousands | | 2015 | 2014 |
|---|---|---|---|
| Coverage: | | | |
| Fire | per risk | 1,000 | 1,000 |
| Motor third-party liability | per risk | 2,500 | 2,500 |
| Personal / business liability | per risk | 1,000 | 1,000 |
| Accidents | per risk | 750 | 750 |
| Transport | per risk | 1,000 | 1,000 |
| Occupational disability (risk capital) | per risk | 1,500 | 1,500 |
| Catastrophe | per event | 25,000 | 35,000 |

**Incoming occupational disability reinsurance**

The reinsurance contract for disability pensions related to the Dutch Disability Benefits Act *(WAO)* has not been renewed since 2004 and is in run-off. The gross claims reserve at year-end 2015 was € 34 million (2014: € 36 million). After retrocession, the reserve amounted to € 20 million (2014: € 21 million).

### 5.4.4.4 Sensitivities

The solvency of the Non-life insurer is sensitive to changes in results in the Non-life claims. The table below shows the sensitivity of the profit after taxation in the event of a 10% increase or 10% decrease in Non-life claims. These sensitivities are based on a one-off increase or decrease of the incurred losses in the relevant financial year under Non-life insurance policies.

The Solvency I ratio year-end 2015 is higher than the ratio year-end 2014 (337% vs. 191%). This is mainly due to the capital injection by Anbang. The sensitivities have dropped due a decreased portfolio and a lower loss ratio.

### Sensitivity of result to movements in Non-life claims

| | Result | | Own funds | | Solvency | |
|---|---|---|---|---|---|---|
| In € millions | **2015** | 2014 | **2015** | 2014 | **2015** | 2014 |
| Claims +10% | -33 | -41 | -33 | -41 | 311% | 160% |
| Claims -10% | 33 | 41 | 33 | 41 | 364% | 223% |

## 5.4.5 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 and Proteq Levensverzekeringen NV 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 and Proteq Levensverzekeringen NV are 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. Where Reaal Schadeverzekeringen NV is concerned, the TRT surplus value is not considered in determining the solvency position. The value of the cash flow hedge reserve is not treated separately in the TRT.

**Calculation of adequacy of underwriting provisions**
VIVAT 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 for SRLEV and Proteq Levensverzekeringen NV, meaning that the available provisions for TRT purposes should at least equal the surrender value;
- The Cost of Capital for SRLEV is 4% (TRT and LAT). For Proteq Levensverzekeringen NV, this is 6% (TRT) and 4% (LAT);
- The Cost of Capital for Reaal Schadeverzekeringen NV is 6% (TRT) and 4% (LAT).

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

| | Life insurance | | | | Non-life insurance | | | |
|---|---|---|---|---|---|---|---|---|
| | LAT | | TRT | | LAT | | TRT | |
| In € millions | **2015** | 2014 | **2015** | 2014 | **2015** | 2014 | **2015** | 2014 |
| **IFRS-based provision (including shadow accounting)** | **36,995** | **36,798** | **36,995** | **36,789** | **1,247** | **1,290** | **1,247** | **1,255** |
| | | | | | | | | |
| Market value of provision | 41,673 | 42,066 | 41,672 | 42,066 | **1,224** | **1,258** | **1,241** | **1,278** |
| Surrender floor restriction | - | - | 611 | 798 | **-** | **-** | **-** | **-** |
| Delta risk margin due to use of different CoC rate for Proteq | - | - | 11 | 12 | **-** | **-** | **-** | **-** |
| **Market value of provision calculated for LAT or TRT** | **41,673** | **42,066** | **42,294** | **42,876** | **1,224** | **1,258** | **1,241** | **1,278** |
| | | | | | | | | |
| **Difference between Market Value and IFRS-based Provision** | **-4,678** | **-5,268** | **-5,299** | **-6,078** | **23** | **32** | **6** | **-23** |
| Shadow loss entry | 3,236 | 3,756 | - | - | **-** | **-** | **-** | **-** |
| Surplus value of investments | 535 | 536 | 535 | 536 | **-** | **-** | **-** | **-** |
| Cash flow hedge reserve | - | - | 188 | 213 | **-** | **-** | **-** | **-** |
| Addition to based-provision (IFRS-based P&L) due to LAT deficit | 907 | 976 | - | - | **-** | **-** | **-** | **-** |
| Addition to based-provision (P&L under Dutch Wft) due to TRT deficit | - | - | 4,577 | 5,329 | **-** | **-** | **-** | **35** |
| **Adequacy test result of LAT or TRT[1]** | **-** | **-** | **-** | **-** | **23** | **32** | **6** | **12** |

*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 VIVAT'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 VIVAT'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 VIVAT. 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. VIVAT 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. 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 VIVAT, 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 VIVAT'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 43 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.

VIVAT 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 | 2,167 | 4,131 | 5,123 | 4,711 | 4,134 | 13,448 | **33,714** |
| Insurance liabilities - Non-life | 208 | 349 | 160 | 120 | 86 | 90 | **1,013** |
| **Total** | **2,375** | **4,480** | **5,283** | **4,831** | **4,220** | **13,538** | **34,727** |

### 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 | 2,082 | 4,234 | 5,003 | 4,634 | 4,000 | 13,006 | **32,959** |
| Insurance liabilities - Non-life | 275 | 411 | 205 | 96 | 79 | 24 | **1,090** |
| **Total** | **2,357** | **4,645** | **5,208** | **4,730** | **4,079** | **13,030** | **34,049** |

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.

VIVAT'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 VIVAT'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: € 1,330 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.

VIVAT 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% | - | - | 83 | 68 |
| Equities -10% | -84 | -47 | -83 | -68 |

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).

VIVAT 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 VIVAT is caused by a combination of investments and liabilities in foreign currencies that are not perfectly matched.

With respect to fixed-income investments, VIVAT'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 VIVAT. 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 VIVAT's foreign exchange exposure.

### Currency exposure (net exposure)

| | Balance | | Hedge derivatives | |
|---|---|---|---|---|
| In € millions | **2015** | 2014 | **2015** | 2014 |
| US Dollar | 129 | 139 | -140 | -137 |
| Pound Sterling | 81 | 20 | -84 | -20 |
| Swiss Franc | -92 | -95 | 105 | 87 |
| Japanese Yen | 23 | 19 | -22 | -18 |
| Australian Dollar | 2 | 8 | - | - |
| Other | 9 | 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 43 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 VIVAT'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 VIVAT 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. VIVAT 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

VIVAT 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 VIVAT 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 VIVAT 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 VIVAT 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 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**
VIVAT 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. VIVAT does not originate new mortgages currently.

## 5.6.3 Exposure

**Fixed-income investment portfolio**
The interest-bearing investment portfolios of VIVAT 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 | 26,721 | 26,141 |
| - Loans and receivables | 6,807 | 6,892 |
| **Interest-bearing investment portfolio** | **33,689** | **33,258** |
| Equities and similar investments | 1,962 | 1,330 |
| **Total** | **35,651** | **34,588** |

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 | 21,578 | 64% | 21,832 | 66% |
| Corporate bonds - financial sector | 3,719 | 11% | 3,362 | 10% |
| Investments related to savings-based mortgages | 5,391 | 16% | 5,404 | 16% |
| Corporate bonds - non-financial sector | 1,626 | 5% | 1,357 | 4% |
| Mortgage backed securities | 978 | 3% | 1,042 | 3% |
| Other | 397 | 1% | 261 | 1% |
| **Total** | **33,689** | **100%** | **33,258** | **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 | 21,619 | 64% | 23,316 | 70% |
| AA | 2,456 | 7% | 1,536 | 5% |
| A | 2,021 | 6% | 1,709 | 5% |
| BBB | 1,936 | 6% | 1,098 | 3% |
| < BBB | 7 | 0% | 32 | 0% |
| Not rated | 5,650 | 17% | 5,567 | 17% |
| **Total** | **33,689** | **100%** | **33,258** | **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 | 14,407 | 42% | 14,634 | 44% |
| Germany | 12,513 | 37% | 13,066 | 40% |
| Austria | 982 | 3% | 1,026 | 3% |
| France | 870 | 3% | 638 | 2% |
| Italy | 578 | 2% | 496 | 1% |
| Spain | 694 | 2% | 414 | 1% |
| Other | 3,645 | 11% | 2,984 | 9% |
| **Total** | **33,689** | **100%** | **33,258** | **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 | 422 | 483 |
| Mortgages > 75% of foreclosure value | 376 | 452 |
| Mortgages with National Mortgage Guarantee | 1,060 | 1,132 |
| **Residential property in the Netherlands** | **1,858** | **2,067** |
| Specific provision for bad debts | -18 | -7 |
| **Total** | **1,840** | **2,060** |

*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 | 28,812 | 31 | -24 | - | **28,819** |
| Loans and receivables | 8,613 | 53 | - | -19 | **8,647** |
| Other financial assets | 515 | 34 | - | -6 | **543** |
| **Total** | **37,940** | **118** | **-24** | **-25** | **38,009** |

### 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 | 27,642 | 57 | -4 | - | **27,695** |
| Loans and receivables | 8,924 | 36 | - | -8 | **8,952** |
| Other financial assets | 456 | 32 | - | -9 | **479** |
| **Total** | **37,022** | **125** | **-4** | **-17** | **37,126** |

VIVAT recognises impairments on equities if the market value has fallen to 25% below cost price, or has been at least 5% below cost price uninterruptedly for at least nine months.

VIVAT 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 | 641 | - | **641** | 150 | 492 | - | **-1** |
| **Total financial assets** | **641** | **-** | **641** | **150** | **492** | **-** | **-1** |
| | | | | | | | |
| *Financial liabilities* | | | | | | | |
| Derivatives | 163 | - | **163** | 24 | 139 | - | **-** |
| Amounts due to banks | 1,378 | - | **1,378** | 231 | - | - | **1,147** |
| **Total financial liabilities** | **1,541** | **-** | **1,541** | **255** | **139** | **-** | **1,147** |

### Financial assets and liabilities 2014

| In € millions | Gross carrying amount | Offsetting carrying amount | **Netted carrying amount** | Related amounts not netted in the carrying amount<br>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 | 1,754 | - | **1,754** | - | - | 260 | **1,494** |
| **Total financial liabilities** | **1,924** | **-** | **1,924** | **52** | **117** | **260** | **1,494** |

## 5.7 Liquidity risk

### 5.7.1 Risks

Liquidity risk is defined as the risk VIVAT 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 VIVAT 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, VIVAT 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 VIVAT 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, VIVAT will withdraw money from the investment circuit.

**Liquidity buffer**

The second source is the liquidity buffer. VIVAT aims for a sound policy. Therefore when payments exceed premiums, VIVAT 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, VIVAT 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 | 30,948 | 31,206 |
| Total haircuts | -8,198 | -7,848 |
| Total utilized liquidity | -690 | -857 |
| **Available liquidity** | **22,060** | **22,501** |
| Required liquidity | -7,736 | -10,599 |
| **Liquidity buffer** | **14,324** | **11,902** |

*1 The amount of 2014 available assets differs compared to the 2014 available liquidity, as stated in the 2014 annual report of REAAL 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 VIVAT, 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 VIVAT follows the risk management process as set out in Section 5.2.2.

**Risk identification**
VIVAT 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 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 VIVAT 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. VIVAT 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. VIVAT 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 VIVAT 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 VIVAT's compliancy with the privacy regulation.

**Operational Risk**

*Execution and process control*

- Due to strategic developments and choices, combined with legal obligations VIVAT 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 VIVAT 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 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 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 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 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 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 VIVAT is unable (either temporarily or otherwise) to raise new capital or is unable to reduce risks.

### 5.9.2 Capital policy

VIVAT 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 VIVAT'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 VIVAT in its current form and thus for its stakeholders. In its Risk Appetite Statements, VIVAT 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. VIVAT'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**

VIVAT’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. VIVAT will disclose its solvency position and financial condition on a Solvency II basis by means of public reports. Solvency II will apply to the supervised insurance entities and also to the consolidated activities of VIVAT. Other parts of VIVAT are not within the scope of Solvency II.

### 5.9.4 Capital **position** - Solvency I

VIVAT NV's Solvency I ratio increased from 136% to 240% in 2015, which was largely attributable to the capital injection from Anbang (€ 1.35 billion) in October 2015. Market and portfolio developments also contributed to the increase in the Solvency I ratio in 2015. The Solvency I ratio of SRLEV NV, VIVAT's main life subsidiary, 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% |
| Regulatory solvency - Reaal Schadeverzekeringen NV | 337% | 191% |
| | | |
| Available regulatory capital | 3,818 | 2,213 |
| Capital requirement | 1,592 | 1,624 |
| Double leverage | 96.1% | 128.2% |

The regulatory solvency of Reaal Schadeverzekeringen NV increased from 191% at year-end 2014 to 337% at year-end 2015. Much of this raise was due to the capital injection of € 200 million from VIVAT NV and the issuance of € 80 million Tier 2 loan from VIVAT NV, both following the acquisition of VIVAT NV by Anbang. The underlying loss at Reaal Schadeverzekeringen NV, which was due to a combined ratio above 100%, partially negated the rise in the regulatory solvency position.

Compared to year-end 2014, double leverage at the insurance business decreased from 128% to 96%, mainly as a result of the capital injection of € 1.35 billion by Anbang Insurance Group in VIVAT NV of which € 645 million was invested in the subsidiaries SRLEV NV and Reaal Schadeverzekeringen NV.

### Market sensitivity of regulatory solvency

The sensitivity of the regulatory solvency (Solvency I) of VIVAT 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% | -15% | 1% |
| Interest rates +1% | 11% | -4% |
| 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, VIVAT 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 VIVAT'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. 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 VIVAT as a whole and hence management of VIVAT defines the degree to which VIVAT 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, VIVAT 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

VIVAT is able to produce all regulatory reports that are mandatory under the Solvency II legislation, which came into effect on 1 January 2016. VIVAT 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, VIVAT NV calculates the Solvency II position on a monthly basis. VIVAT NV and its subsidiaries calculate 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, VIVAT NV makes use of the possibility of applying long-term guarantee measures. VIVAT NV applies the VA. VIVAT NV 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 VIVAT NV and its legal entities.

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

A Similar to Life (SLT) model is used for occupational disability insurance when determining the SCR of Reaal Schadeverzekeringen NV. No future management actions are included.

A description of the significant assumptions used by VIVAT 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). |

# Financial statements

## Contents

# 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** | | | |
| Intangible assets | 1 | 38 | 75 |
| Property and equipment | 2 | 81 | 81 |
| Investments in associates | 3 | 7 | 6 |
| Investment property | 4 | 259 | 267 |
| Investments | 5 | 37,490 | 36,648 |
| Investments for account of policyholders | 6 | 14,377 | 14,559 |
| Investments for account of third parties | 7 | 1,436 | 1,427 |
| Derivatives | 8 | 641 | 846 |
| Deferred tax assets | 9 | 1,499 | 1,674 |
| Reinsurance contracts | 15 | 3,422 | 3,714 |
| Loans and advances to banks | 10 | 236 | 321 |
| Other assets | 11 | 542 | 479 |
| Cash and cash equivalents | 12 | 300 | 428 |
| **Total assets** | | **60,328** | **60,525** |
| | | | |
| **Equity and liabilities** | | | |
| Share capital[2] | | - | - |
| Other reserves | | 3,342 | 2,627 |
| Retained earnings | | 109 | -612 |
| **Shareholders' equity** | **13** | **3,451** | **2,015** |
| Minority interests | | - | - |
| **Total equity** | | **3,451** | **2,015** |
| Subordinated debt | 14 | 884 | 887 |
| Insurance contracts | 15 | 45,462 | 46,646 |
| Liabilities investments for account of third parties | 7 | 1,436 | 1,427 |
| Provision for employee benefits | 16 | 542 | 8 |
| Other provisions | 17 | 73 | 29 |
| Derivatives | 8 | 163 | 169 |
| Deferred tax liabilities | 9 | 990 | 1,218 |
| Amounts due to banks | 18 | 1,378 | 1,754 |
| Corporate income tax | | 28 | 82 |
| Other liabilities | 19 | 5,921 | 6,290 |
| **Total equity and liabilities** | | **60,328** | **60,525** |

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

*2 The issued and paid up share capital of VIVAT NV is € 238,500*

## 6.2 Consolidated statement of **profit** or loss

| In € millions | Notes[1] | 2015 | 2014 |
|---|---|---|---|
| **Income** | | | |
| Premium income | | 2,622 | 3,105 |
| Reinsurance premiums | | 204 | 207 |
| **Net premium income** | **25** | **2,418** | **2,898** |
| Fee and commission income | | 147 | 100 |
| Fee and commission expense | | 30 | 15 |
| **Net fee and commission income** | **26** | **117** | **85** |
| Share in result of associates | 27 | 1 | 1 |
| Investment income | 28 | 1,319 | 1,469 |
| Investment income for account of policyholders | 29 | 648 | 2,159 |
| Result on financial instruments | 30 | -128 | -78 |
| **Total income** | | **4,375** | **6,534** |
| **Expenses** | | | |
| Technical claims and benefits | 31 | 2,134 | 4,065 |
| Charges for account of policyholders | 32 | 1,127 | 2,329 |
| Acquisition costs for insurance activities | 33 | 178 | 215 |
| Staff costs | 34 | 410 | 234 |
| Depreciation and amortisation of non-current assets | 1,2 | 20 | 15 |
| Other operating expenses | 35 | 74 | 213 |
| Impairment losses | 36 | 56 | 21 |
| Other interest expenses | 37 | 234 | 256 |
| Other expenses | | 1 | 1 |
| **Total expenses** | | **4,234** | **7,349** |
| **Result before taxation** | | **141** | **-815** |
| Taxation | 38 | 32 | -203 |
| **Net result continued operations for the period** | | **109** | **-612** |
| | | | |
| **Attribution:** | | | |
| Net result continued operations attributable to shareholders | | 109 | -612 |
| Net result continued operations attributable to minority interests | | - | - |
| **Net result continued operations for the period** | | **109** | **-612** |

*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 may be reclassified subsequently to profit or loss** | | |
| Change in revaluation reserve | - | -1 |
| Change in cashflow hedgereserve | - | -8 |
| Change in fair value reserve | -26 | -9 |
| Remeasurement effects of defined benefit pension plan | 3 | - |
| **Total items that may be reclassified to profit or loss subsequently** | **-23** | **-18** |
| **Other comprehensive income (after taxation)** | **-23** | **-18** |

## Statement of total comprehensive income

| In € millions | 2015 | 2014 |
|---|---|---|
| Net result for the period | 109 | -612 |
| Other comprehensive income (after taxation) | -23 | -18 |
| **Total comprehensive income** | **86** | **-630** |
| **Attribution:** | | |
| Total comprehensive income attributable to shareholder | 86 | -629 |
| Total comprehensive income to minority interests | - | -1 |
| **Total comprehensive income** | **86** | **-630** |

## 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** | **-** | **2,911** | **142** | **-1,038** | **2,015** | **-** | **2,015** |
| Unrealised revaluations from cashflow hedges | - | - | -18 | - | **-18** | - | **-18** |
| Deferred interest income from cashflow hedges | - | - | - | - | **-** | - | **-** |
| Unrealised revaluations | - | - | -392 | - | **-392** | - | **-392** |
| Impairments | - | - | 18 | - | **18** | - | **18** |
| Realised revaluations through profit or loss | - | - | -112 | - | **-112** | - | **-112** |
| Change in profit-sharing reserve | - | - | 88 | - | **88** | - | **88** |
| Change in shadow accounting | - | - | 390 | - | **390** | - | **390** |
| Other movements | - | - | - | 3 | **3** | - | **3** |
| **Amounts charged directly to total equity** | **-** | **-** | **-26** | **3** | **-23** | **-** | **-23** |
| Net result 2015 | - | - | - | 109 | **109** | - | **109** |
| **Total result 2015** | **-** | **-** | **-26** | **112** | **86** | **-** | **86** |
| Capital issue | - | 1,350 | - | - | **1,350** | - | **1,350** |
| **Total changes in equity 2015** | **-** | **1,350** | **-26** | **112** | **1,436** | **-** | **1,436** |
| **Balance as at 31 December 2015** | **-** | **4,261** | **116** | **-926** | **3,451** | **-** | **3,451** |

*1 The share capital issued is fully paid up and comprises of 477 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** | **-** | **138** | **142** | **-426** | **-612** | **-1,038** |
| Transfer of net result 2014 | - | - | - | **-** | -612 | 612 | **-** |
| **Transfers 2014** | **-** | **-** | **-** | **-** | **-612** | **612** | **-** |
| Unrealised revaluations from cashflow hedges | - | -18 | - | **-18** | - | - | **-** |
| Deferred interest income from cashflow hedges | - | - | - | **-** | - | - | **-** |
| Unrealised revaluations | - | - | -392 | **-392** | - | - | **-** |
| Impairments | - | - | 18 | **18** | - | - | **-** |
| Realised revaluations through profit or loss | - | - | -112 | **-112** | - | - | **-** |
| Change in profit-sharing reserve | - | - | 88 | **88** | - | - | **-** |
| Change in shadow accounting | - | 18 | 372 | **390** | - | - | **-** |
| Other movements | - | - | - | **-** | 3 | - | **3** |
| **Amounts charged directly to total equity** | **-** | **-** | **-26** | **-26** | **3** | **-** | **3** |
| Net result 2015 | - | - | - | **-** | - | 109 | **109** |
| **Total result 2015** | **-** | **-** | **-26** | **-26** | **3** | **109** | **112** |
| Capital issue | - | - | - | **-** | - | - | **-** |
| **Total changes in equity 2015** | **-** | **-** | **-26** | **-26** | **-609** | **721** | **112** |
| **Balance as at 31 December 2015** | **4** | **-** | **112** | **116** | **-1,035** | **109** | **-926** |

## 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** | **-** | **2,855** | **160** | **-427** | **2,588** | **1** | **2,589** |
| Unrealised revaluations from cashflow hedges | - | - | 116 | - | **116** | - | **116** |
| Deferred interest income from cash flow hedges | - | - | 1 | - | **1** | - | **1** |
| Unrealised revaluations | - | - | 2,668 | - | **2,668** | - | **2,668** |
| Impairments | - | - | 3 | - | **3** | - | **3** |
| Realised revaluations through profit or loss | - | - | -211 | - | **-211** | - | **-211** |
| Change in profit-sharing reserve | - | - | -476 | - | **-476** | - | **-476** |
| Change in shadow accounting | - | - | -2,118 | - | **-2,118** | - | **-2,118** |
| Other movements | - | - | -1 | 1 | **-** | -1 | **-1** |
| **Amounts charged directly to total equity** | **-** | **-** | **-18** | **1** | **-17** | **-1** | **-18** |
| Net result 2014 | - | - | - | -612 | **-612** | - | **-612** |
| **Total result 2014** | **-** | **-** | **-18** | **-611** | **-629** | **-1** | **-630** |
| Capital issue | - | 56 | - | - | **56** | - | **56** |
| **Total changes in equity 2014** | **-** | **56** | **-18** | **-611** | **-573** | **-1** | **-574** |
| **Balance as at 31 December 2014** | **-** | **2,911** | **142** | **-1,038** | **2,015** | **-** | **2,015** |

*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** | **5** | **8** | **147** | **160** | **198** | **-625** | **-427** |
| Transfer of net result 2013 | - | - | - | **-** | -625 | 625 | **-** |
| **Transfers 2013** | **-** | **-** | **-** | **-** | **-625** | **625** | **-** |
| Unrealised revaluations from cashflow hedges | - | 116 | - | **116** | - | - | **-** |
| Deferred interest income from cashflow hedges | - | 1 | - | **1** | - | - | **-** |
| Unrealised revaluations | - | - | 2,668 | **2,668** | - | - | **-** |
| Impairments | - | - | 3 | **3** | - | - | **-** |
| Realised revaluations through profit or loss | - | - | -211 | **-211** | - | - | **-** |
| Change in profit-sharing reserve | - | - | -476 | **-476** | - | - | **-** |
| Change in shadow accounting | - | -125 | -1,993 | **-2,118** | - | - | **-** |
| Other movements | -1 | - | - | **-1** | 1 | - | **1** |
| **Amounts charged directly to total equity** | **-1** | **-8** | **-9** | **-18** | **1** | **-** | **1** |
| Net result 2014 | - | - | - | **-** | - | -612 | **-612** |
| **Total result 2014** | **-1** | **-8** | **-9** | **-18** | **1** | **-612** | **-611** |
| Capital issue | - | - | - | **-** | - | - | **-** |
| **Total changes in equity 2014** | **-1** | **-8** | **-9** | **-18** | **-624** | **13** | **-611** |
| **Balance as at 31 December 2014** | **4** | **-** | **138** | **142** | **-426** | **-612** | **-1,038** |

# 6.5 Consolidated cash flow statement

## Consolidated cash flow statement

| In € millions | 2015 | 2014 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Operating profit before taxation | 141 | -815 |
| **Adjustments for:** | | |
| Depreciation and amortisation of non-current assets | 20 | 15 |
| Changes in technical provisions for own risk | -163 | 1,549 |
| Changes in other provisions | -27 | -166 |
| Impairment charges / (reversals) | 56 | 21 |
| Unrealised results on investments through profit or loss | 195 | -1,022 |
| Retained share in the result of associates | -1 | - |
| Taxes (paid) received | -2 | 3 |
| **Change in operating assets and liabilities:** | | |
| Change in advances and liabilities to banks | -291 | -1,240 |
| Change in other operating activities | -972 | -113 |
| **Net cash flow from operating activities** | **-1,044** | **-1,768** |
| | | |
| **Cash flow from investment activities** | | |
| Sale of investment property | 9 | 4 |
| Sale and redemption of investments and derivatives | 13,535 | 10,370 |
| Purchase of intangible assets | -1 | -2 |
| Purchase of property and equipment | -6 | -1 |
| Purchase of investments in associates | - | -15 |
| Purchase of investment property | -2 | -2 |
| Purchase of investments and derivatives | -13,968 | -9,360 |
| **Net cash flow from investment activities** | **-433** | **994** |
| | | |
| **Cash flow from finance activities** | | |
| Issue of shares and share premium | 1,350 | 56 |
| Redemption of subordinated loans | -1 | -1 |
| **Net cash flow from financing activities** | **1,349** | **55** |
| Cash and cash equivalents 1 January | 428 | 1,106 |
| Cash from acquisitions | - | 41 |
| Change in cash and cash equivalents | -128 | -719 |
| **Cash and cash equivalents as at 31 December** | **300** | **428** |
| | | |
| **Additional disclosure with regard to cash flows from operating activities:** | | |
| Interest income received | 1,264 | 1,249 |
| Dividends received | 148 | 145 |
| Interest paid | 310 | 217 |

# 7 Notes to the consolidated financial statements

## 7.1 Accounting policies for the consolidated financial statements

### 7.1.1 General information

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

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

The consolidated financial statements comprise the financial statements of VIVAT NV (the parent company) and its subsidiaries (see Section 7.5, note List of principal subsidiaries).

The main accounting policies used in the preparation of the consolidated financial statements are set out in this section.

#### Adoption of the financial statements

The consolidated financial statements of VIVAT NV 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

VIVAT 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, VIVAT 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 VIVAT.

## 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. VIVAT would meet this criterion.

The Executive Board of VIVAT 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**

### Changes in presentation

In 2014, all employees were employed by SNS REAAL NV. Personnel costs of direct personnel were accounted for as employee benefits expense in the 2014 annual report. In the 2014 figures, approximately € 96 million of personnel costs were accounted for under Other operating expenses, due to the fact that this was indirect personnel of the SNS REAAL group. Since 1 January 2015 all personnel is employed by VIVAT NV (former REAAL NV), and thus accounted for under employee benefits expense.

## 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 VIVAT. 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 VIVAT 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 VIVAT 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:
  - Intangible assets
  - Goodwill
  - Value of Business Acquired (VOBA)
  - Software and other intangible assets
  - Reversal of impairment on intangible assets
  - 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. VIVAT 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 VIVAT 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 VIVAT are consolidated. Control over companies and entities is assumed to exist if all of the following conditions are met:

- VIVAT 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;
- VIVAT has exposure or rights to variable returns from its involvement with the investee; and
- VIVAT 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 VIVAT until the date this control ceases. The financial statements of these group companies are fully consolidated and aligned with the accounting policies applied by VIVAT. 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**

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

Joint arrangements are arrangements of which VIVAT 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 VIVAT's total share of profit of associates and joint ventures, from the date that VIVAT 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 VIVAT'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, VIVAT'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. VIVAT'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 VIVAT 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 VIVAT and its associates and joint ventures are eliminated to the extent of VIVAT'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

The three primary operating segments of VIVAT are clearly distinctive organisational components, and carry out activities that generate income and expenses. It encompasses also the operational segment Group Activities that primarily performs transactions and activities with and on behalf of other parts of VIVAT. The operating segments are:
- REAAL
- Zwitserleven
- ACTIAM

The segment REAAL is divided in the segments Life, Non-life and Other. Other comprises holding activities and other activities which are not managed directly by REAAL Life or Non-life. ACTIAM comprises the asset management activities of the insurer. The segment information is based on the accounting policies used in the consolidated financial statements. Necessary consolidation adjustments and elimination entries are directly accounted for in the related operating segment for one-off intercompany transactions directed by VIVAT.

## 7.1.5 Accounting policies for the statement of financial position

### Intangible assets

#### Goodwill

Acquisitions are accounted for using the purchase method, with the cost of the acquisitions being allocated to the fair value of the acquired identifiable assets, liabilities and contingent liabilities. Goodwill, i.e. the difference between the cost of the acquisition and VIVAT's interest in the fair value of the acquired identifiable assets, liabilities and contingent liabilities on the acquisition date, is capitalised as an intangible asset. Any negative goodwill is recognised directly in the statement of profit or loss.

Any change in the fair value of acquired assets and liabilities at the acquisition date, determined within one year after acquisition, is recognised as an adjustment charged to goodwill in case of a preliminary valuation. Adjustments that occur after a period of one year are recognised in the statement of profit or loss. Adjustments to the purchase price that are contingent on future events – to the extent that these have not already been included in the purchase price – are recognised within the purchase price of the acquisition at the time the adjustment is likely and can be measured reliably.

Goodwill is not amortised. Instead, an impairment test is performed annually or more frequently in case of indication of an impairment loss (see the section entitled 'Impairment of intangible assets').

## Software

Costs that are directly related to the development of identifiable software controlled by VIVAT that is likely to generate economic benefits in excess of these costs are capitalised. The direct costs comprise external costs and staff costs directly attributable to software development. All other costs associated with the development or maintenance of software are expensed as incurred.

Capitalised software development costs are amortised on a straight-line basis over the asset's useful life, with a maximum of five years. An asset impairment test is performed at the end of each reporting period.

## Value of Business Acquired (VOBA)

Value of business acquired (VOBA) is the net present value of estimated future cash flows of current insurance contracts of a business or insurance portfolio acquired as at the acquisition date and represents the difference between the fair value and the carrying amount in accordance with VIVAT accounting policies for the insurance portfolios acquired.

VIVAT amortises VOBA on the basis of the established release pattern of the value of the actuarially calculated surplus at the date of purchase of the underlying portfolios. As a result, the amortisation charge is in line with the release of this surplus value from the carrying amount of the underlying portfolios.

At the end of each reporting period, an IFRS liability adequacy test is performed of the carrying amount of the insurance contracts, net of capitalised VOBA. For a more detailed explanation of the liability adequacy test, see the sections entitled 'Insurance contracts' and 'Impairment of intangible assets'.

## Other intangible assets

Other intangible assets include assets with finite and indefinite useful lives, such as distribution channels, trademarks and client portfolios. Assets with finite useful lives are either amortised using the straight-line method over their useful lives or on the basis of the economic benefits flowing from the underlying portfolios, i.e. usually between five and 15 years. If objective evidence points to a possible impairment loss, an impairment test is performed. Assets with indefinite useful lives are not amortised. They are tested for impairment at the end of each reporting period.

## Impairment of intangible assets

An intangible asset is subject to impairment if its carrying amount exceeds the recoverable amount from continued use (value in use) or sale of the asset. The recoverable amount of assets not classified at fair value through profit or loss is estimated if indications of an impairment of the asset exist. Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested at least once a year. If such intangible assets are initially recognised during the reporting period, they are tested for impairment before the end of the reporting period.

### Goodwill

Goodwill arising on the acquisition of subsidiaries, associates and joint ventures is allocated to cash-generating units (CGUs). The carrying amount of a cash-generating unit (including goodwill) is compared to the calculated recoverable amount based on value in use. If the recoverable amount is lower than the carrying amount, the difference is recognised as an impairment loss in the statement of profit or loss. The following assumptions are used in these goodwill impairment tests:

- The value in use is determined for every CGU individually;
- The value in use is based on the business plan of the CGU concerned;
- The discount rate is based on the capital asset pricing model, in which process the beta is calculated on the basis of a group of peers. This reference group is determined individually per CGU.

**Value of Business Acquired (VOBA)**

VOBA is tested simultaneously using the IFRS liability adequacy test for insurance contracts. Deficits resulting from the liability adequacy test are charged to VOBA, until it is completely impaired. Any remaining deficits are recognised in the statement of profit or loss. VOBA impairments will not be reversed in subsequent reporting periods if the test deficit decreases.

**Software and other intangible assets**

Capitalised costs of software, distribution channels and client portfolios are reviewed for indications of impairment at the end of each reporting period.

Other intangible assets are tested for impairment once every year. The recoverable amount is determined based on value in use. The key assumptions used in this process are the discount rate and the use of the intangible asset.

**Reversal of impairment losses on intangible assets**

Except for goodwill and VOBA, impairment losses on intangible assets are reversed if there is proof that a change in the estimates of the recoverable amount occurred after the impairment loss was recognised. The reversal is included within impairment charges in the statement of profit or loss. The carrying amount after reversal can never exceed the amount before recognition of the impairment loss.

## Property and equipment

### 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

VIVAT 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.

VIVAT 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. VIVAT 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. VIVAT 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, VIVAT 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 VIVAT 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. VIVAT is not exposed to any investment risk since the beneficial ownership rests with these third parties.

These investment funds are consolidated given that VIVAT 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. VIVAT 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, VIVAT 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. VIVAT 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 VIVAT, 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.

VIVAT 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

VIVAT 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 VIVAT. 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, VIVAT 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 VIVAT 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 VIVAT 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 VIVAT’s retained earnings.

## Subordinated debt and final bonus account

### Subordinated debt

Subordinated debt includes the subordinated bonds and private loans issued by VIVAT. 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. VIVAT has both life and non-life insurance contracts.

An obligation to make future contractual payments is recognised as soon as the insurance contract takes effect. VIVAT 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 and reduced by the related Value of Business Acquired (VOBA) 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 and non-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 VIVAT 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**
VIVAT 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, VIVAT 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 VIVAT'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, VIVAT 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 VIVAT should invest any premiums paid net of costs and risk premium. To this end, VIVAT 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, VIVAT 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 VIVAT 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 VIVAT'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, net of VOBA, 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). Should a deficit remains, it will first be charged to VOBA via technical claims and benefits, if available. Finally, 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). Charges to VOBA are final and will therefore not be reversed in a next reporting period.

**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 VIVAT, 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.

## Non-life insurance

**General**
These are insurance contracts that provide coverage not related to the life or death of insured persons. Apart from disability contracts, the P&C contracts generally provide coverage for a relative short period of time. VIVAT's non-life insurance contracts can be divided into the following product groups: accident and health, motor vehicles, fire, transport and other.

Payments made after the occurrence of a specified insured event are either fixed (e.g. in the event of disability) or linked to the scale of the economic loss suffered by the policyholder (in accordance with the indemnity principle).

Liabilities arising from non-life insurance contracts are determined as specified below:

**Provision for unearned premiums**
This provision reflects premiums related to the period of any unexpired cover at the reporting date. The provision is equal to the unearned gross premiums and commission paid is deducted from the gross premium. The provision for unearned premiums is calculated separately for each insurance contract in proportion to the unexpired risk period, adjusted for variations in risk and claim frequencies over the term of the insurance contract, where necessary.

The change in the provision for unearned premiums is recorded in the statement of profit or loss in order to recognise the income over the period of exposure to risk.

**Provision for current risks (Unexpired Risk Reserve)**
The provision for current risks has been formed to meet obligations resulting from:
- claims and claims handling expenses that may arise after the reporting date and which are covered by contracts issued prior to that date, insofar as the related estimated amount exceeds the provision for unearned premiums and the premiums claimable in relation to these contracts; and
- premiums received, both single and regular, for contracts with a fixed premium where the underlying risk increases over time. This applies to disability insurance contracts in particular.

**Provision for claims payable**
This provision is intended to cover claims arising from the current and preceding years that have not been settled at the reporting date. The provision is determined systematically on a claim-by-claim basis. In the case of disability claims, this provision is referred to as the provision for regular payments.

**Provision for internal claims handling costs**
A separate provision for internal claims handling costs is formed as part of the provision for claims payable. This provision is an estimate of the expenses relating to payments to be made in respect of claims arising from insured events that have already occurred. The provision for internal claims handling costs is measured by reference to the carrying amount of the previous month, adjusted – if necessary – for significant developments in the current month. The provision is reassessed twice a year, based on business information as well as actuarial analysis derived from the most recent liability adequacy test.

**Provision for co-insurance**
VIVAT participates in co-insurance contracts, mainly relating to the transport sector. The technical provision is calculated based on all risks accepted at the reporting date and claims incurred during the financial year, both reported and unreported.

The expected balances of risks covered and losses incurred arising from transport insurance contracts are determined on an underwriting-year basis.

**Provision for claims incurred but not reported (IBNR)**
This provision is intended for events that occurred prior to the reporting date but have not yet been reported at that date. Upon measurement, projected subrogation amounts are deducted from this experience-based provision.

**IBNR methodology**
Except for disability contracts and run-off portfolio's the IBNR is based on historically observed claim development statistics on which estimates are made for claims that have occurred, but are not yet (enough) reported at the reporting date. For disability contracts and run-off portfolio's the IBNR is measured by reference to the carrying amount of the previous month. Twice a year this provision is reassessed, based on inter alia on business information.

**Discounting**
In accordance with general practice in the industry, VIVAT does not discount the non-life provisions mentioned in this section, with the exception of disability claims provisions. This also applies to the provision for claims handling costs. Changes in estimates are recognised in the statement of profit or loss in the period in which the estimates are adjusted.

## Liability adequacy test of non-life insurance contracts

**Test object**
This test is performed on all non-life provisions.

**Test methodology**
The test value of the insurance liabilities is based on a best estimate and a risk margin. The best estimate is determined for each portfolio with homogeneous risk separately. The best estimate serves as a realistic estimate of future premium income, claim payments, expenses and commissions. The cash flows are discounted using the swap curve including ultimate forward rate. The risk margin is based on the cost of capital method, in which process the cost of capital equals the capital requirements of a reference company. Cost of capital is determined annually; it was set at 4% in Q4 2015 (2014: 4%).

The test is performed on an aggregate level; deficits in portfolios are compensated with a surplus in another.
Any remaining deficit is charged directly to the statement of profit or loss.

**Test level and frequency**
An IFRS liability adequacy test is carried out quarterly to establish the adequacy of provisions for liabilities arising from the total portfolio of non-life insurance policies.

## 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 SNS REAAL until 31 December 2014. Until this date, SNS REAAL charged the annual employee benefits expense, including the share in the costs for short-term employee benefits and pension schemes, to VIVAT. Since 1 January 2015, VIVAT staff have been contractually employed by VIVAT.

### Short-term employee benefits

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

### Pension benefits

**General**

VIVAT’s main pension scheme is a defined contribution scheme administrated by Stichting Pensioenfonds SNS REAAL. New staff is included in this scheme. In addition, a number of defined benefit plans were acquired from 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, VIVAT has no obligation to make additional payments to the scheme to make up for deficits resulting from actuarial or investment risk.

*Defined benefit schemes*

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 VIVAT.

A net asset due to a surplus is recognised only if VIVAT 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 VIVAT.

*Self-administered defined pension schemes*
Entitlements from these schemes are insured at SRLEV (Zwitserleven Business Unit) within VIVAT. The investments under these schemes are held by Zwitserleven; given that they do not qualify as plan assets, they are presented as investments (for own account).

**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 VIVAT;
- 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 VIVAT 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

For several VIVAT employees, 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.

VIVAT 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, VIVAT 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 VIVAT until 31 December 2014. The costs of the corporate staff departments were charged to VIVAT on the basis of the services provided, or, if more appropriate, proportionally allocated to VIVAT'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 VIVAT. 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), single life premiums and non-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.

Premium income from non-life insurance contracts is recognised as income (earned premium) until the contracts' maturity in proportion to the insurance period, taking into account movements in the provision for unearned premium. In general, this concerns the insurance contracts with periods of up to twelve months. In case of long term disability contracts with fixed premiums and increasing risk during the contract period, the premium is recognised in profit or loss in line with the predefined risk.

**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 VIVAT. 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 VIVAT's share of profit of its associates. If the carrying amount of an associate falls to zero, no further losses are recognised, unless VIVAT 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 VIVAT.

## 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, VIVAT 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 VIVAT will conclude a particular loan agreement. If the commitment expires without VIVAT 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 (life and non-life), developments in the insurance portfolio, such as benefit payments and surrenders, actuarial gains and losses on surrenders, cancellations and mortality, and amortisation of VOBA 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. Intangible assets, property and equipment, associates, financial assets, receivables and other assets may be subject to impairment. As soon as an impairment loss is identified, it is recognised in the statement of profit or loss. The specific policies for impairment are explained in greater detail in Section 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. Until 31 December 2014, all staff was employed by SNS REAAL.SNS REAAL charged staff costs to VIVAT.

### Depreciation and amortisation
This item comprises all depreciation and amortisation of property and equipment and intangible assets, with the exception of VOBA amortisation. For details on depreciation and amortisation, see Section 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 VIVAT. 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 Intangible assets

### Breakdown of intangible assets

| In € millions | 2015 | 2014 |
|---|---|---|
| Goodwill | 17 | 17 |
| Software | 6 | 7 |
| Other intangible assets | 15 | 51 |
| **Total** | **38** | **75** |

### Statement of changes in intangible assets 2015

| In € millions | Goodwill | Software | Other intangible assets | Total |
|---|---|---|---|---|
| Accumulated acquisition costs | 17 | 10 | 107 | **134** |
| Accumulated amortisation and impairments | - | -4 | -92 | **-96** |
| **Balance as at 31 December** | **17** | **6** | **15** | **38** |
| | | | | |
| Balance as at 1 January | 17 | 7 | 51 | **75** |
| Purchases | - | 1 | - | **1** |
| Amortisation capitalised costs | - | -1 | - | **-1** |
| Amortisation purchases | - | -1 | -4 | **-5** |
| Impairments | - | - | -32 | **-32** |
| Other | - | - | - | **-** |
| **Balance as at 31 December** | **17** | **6** | **15** | **38** |

### Statement of changes in intangible assets 2014

| In € millions | Goodwill | Software | Other intangible assets | Total |
|---|---|---|---|---|
| Accumulated acquisition costs | 17 | 9 | 107 | **133** |
| Accumulated amortisation and impairments | - | -2 | -56 | **-58** |
| **Balance as at 31 December** | **17** | **7** | **51** | **75** |
| | | | | |
| Balance as at 1 January | - | 7 | 57 | **64** |
| Purchases | 17 | 2 | - | **19** |
| Amortisation capitalised costs | - | -1 | - | **-1** |
| Amortisation purchases | - | -1 | -5 | **-6** |
| Other | - | - | -1 | **-1** |
| **Balance as at 31 December** | **17** | **7** | **51** | **75** |

Of the carrying amount of the software at year-end 2015, € 4 million (2014: € 4 million) related to self-developed software.

Other intangible assets include customer relationships. At year-end 2015, VIVAT had capitalised € 15 million (2014: € 51 million) in customer relationships. This related to the occupational disability insurance portfolio, which was recognised in the insurance business following acquisitions in 2007. After an impairment in 2015 of € 32 million, the remaining straight-line amortisation period for customer relationships is nine years.

## Recoverable amount of goodwill

Goodwill is not amortised. Instead, an impairment test is performed annually, or more frequently if indications of a possible impairment exist. The carrying amount of the related cash-generating units (including goodwill) is compared to the calculated recoverable amount. The recoverable amount of a cash-generating unit is determined by value-in-use calculations prepared with the help of independent external consultants.

### Goodwill cash generating units

| In € millions | **2015** | 2014 |
|---|---|---|
| ACTIAM NV | 17 | 17 |
| **Total** | **17** | **17** |

The impairment test performed in 2015 did not give rise to a goodwill impairment.

## **Assumptions** for value-in-use **calculations**

### Breakdown of principles value-in-use calculations

| In € millions / % | ACTIAM NV |
|---|---|
| Equity | 40.3 |
| Other liabilities | 37.0 |
| Post-tax discount rate | 7.5% |
| Annual growth rate | 2.0% |

The value-in-use calculations have been drawn up on the basis of the operating plans for the period 2016-2018. The assumptions are based on expected future market developments and past experience, and on the long-term characteristics of the markets in which ACTIAM operates. In addition to the recharged group expenses already included in the operational plan, the goodwill impairment test also makes allowance for other holding company expenses that have not been directly allocated.

The main value drivers of the recoverable amount at ACTIAM are Cost of Equity (CoE), long-term income growth, and margin and market developments.

## 2 Property and equipment

### Breakdown of property and equipment

| In € millions | 2015 | 2014 |
|---|---|---|
| Land and buildings for own use | 58 | 51 |
| IT equipment | 13 | 19 |
| Other assets | 10 | 11 |
| **Total** | **81** | **81** |

### Statement of changes in property and equipment 2015

| In € millions | Land and buildings | IT equipment | Other assets | Total |
|---|---|---|---|---|
| Accumulated acquisition costs | 115 | 24 | 14 | **153** |
| Accumulated revaluations | -6 | - | - | **-6** |
| Accumulated depreciation and impairments | -51 | -11 | -4 | **-66** |
| **Balance as at 31 December** | **58** | **13** | **10** | **81** |
| | | | | |
| Balance as at 1 January | 51 | 19 | 11 | **81** |
| Reclassifications | 5 | - | 2 | **7** |
| Investments | 2 | 4 | - | **6** |
| Depreciation | -1 | -10 | -3 | **-14** |
| Impairments | 1 | - | - | **1** |
| **Balance as at 31 December** | **58** | **13** | **10** | **81** |

Of the value of buildings in own use, € 5 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 | 122 | 21 | 18 | **161** |
| Accumulated revaluations | -6 | - | - | **-6** |
| Accumulated depreciation and impairments | -65 | -2 | -7 | **-74** |
| **Balance as at 31 December** | **51** | **19** | **11** | **81** |
| | | | | |
| Balance as at 1 January | 66 | - | 28 | **94** |
| Reclassifications | -11 | - | 9 | **-2** |
| Investments | 1 | - | - | **1** |
| Depreciation | -1 | -1 | -5 | **-7** |
| Impairments | -4 | - | - | **-4** |
| Changes in the composition of group companies | - | 20 | -21 | **-1** |
| **Balance as at 31 December** | **51** | **19** | **11** | **81** |

In 2014, SNS REAAL transferred data processing equipment with a value of € 20 million to VIVAT at carrying amount and VIVAT transferred other assets with a value of € 21 million to SNS Bank NV at carrying amount in the context of the changes in group structure and the associated disentanglement of SNS REAAL.

## 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** |

## 3 Investments in associates

### Statement of changes in investments in associates

| In € millions | 2015 | 2014 |
|---|---|---|
| Balance as at 1 January | 6 | 6 |
| Share in result of associates | 1 | 1 |
| Dividend received | - | -1 |
| **Balance as at 31 December** | **7** | **6** |

The statement below shows the principal associate (CED) at year-end 2015 and year-end 2014. CED's share capital is comprised entirely of ordinary shares and VIVAT holds an interest in those shares. CED's operations are carried on in the country where it is registered. The shares of the associate are not listed.

### Overview of investment in associates 2015 and 2014

| Name | Country of incorporation | % of ownership interest | Measurement method |
|---|---|---|---|
| CED Holding BV | NL | 23% | Equity |

CED is a claims specialist. Its customers are insurance companies, self-insured entities and other parties that are affected by claims, such as financial service providers, leasing companies and government agencies. CED's expertise spans all areas of the claims handling process, from reporting to recovery. It helps its customers to resolve their claims quickly, effectively and responsibly. Its service encompasses both complex claims and high volumes of relatively simple claims. CED is strategic to VIVAT as it helps VIVAT gain access to experience in efficient claims handling. CED's financial year ends on 30 June.

### Condensed financial information of CED Holding BV

### Condensed statement of financial position

| | CED Holding BV | |
|---|---|---|
| In € millions | 30 June 2015 | 30 June 2014 |
| Non-current assets | 12 | 11 |
| Current assets | 51 | 49 |
| **Total assets** | **63** | **60** |
| Current liabilities | 26 | 25 |
| Non-current liabilities | 7 | 8 |
| **Total liabilities** | **33** | **33** |
| **Net assets** | **30** | **27** |

### Condensed statement of profit or loss

| In € millions | CED Holding BV 2014/2015 | CED Holding BV 2013/2014 |
|---|---|---|
| Revenue | 108 | 103 |
| Expenses | 103 | 99 |
| **Result continued operations** | **5** | **4** |
| Taxation | 1 | 1 |
| **Net result continued operations** | **4** | **3** |

The information above was derived from CED's financial statements; it does not represent the share of VIVAT of its profits. The financial statements have been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code.

### Reconciliation of condensed financial information

| In € millions | CED Holding BV 30 June 2015 | CED Holding BV 30 June 2014 |
|---|---|---|
| Opening net assets as at 1 January | 27 | 25 |
| Result for the period | 4 | 3 |
| Dividend received | -1 | -1 |
| **Closing net assets** | **30** | **27** |
| Interest in associates (23%) | 7 | 6 |
| **Carrying value** | **7** | **6** |

No loans had been granted to the associates at year-end 2015 (2014: nil). VIVAT had no investment commitments to the associates at year-end 2015 (2014: nil).

## 4 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, VIVAT 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 42 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** |

## 5 Investments

### Breakdown of investments

| In € millions | 2015 | 2014 |
|---|---|---|
| Fair value through profit or loss: Designated | 161 | 225 |
| Available for sale | 28,683 | 27,471 |
| Loans and receivables | 8,646 | 8,952 |
| **Balance as at 31 December** | **37,490** | **36,648** |

VIVAT has lent some of its investments. The carrying amount of lent investments at 31 December 2015 was € 2,352 million (2014: € 2,045 million). The lending periods are open-ended and can be terminated on request. VIVAT 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 € 3,648 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 | 26,595 | 26,023 | **26,597** | **26,117** |
| Unlisted | 1,960 | 1,237 | 126 | 118 | **2,086** | **1,355** |
| **Total** | **1,962** | **1,330** | **26,721** | **26,141** | **28,683** | **27,471** |

## 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 | 1,330 | 1,161 | 26,141 | 21,683 | **27,471** | **22,844** |
| Purchases and advances | 5,448 | 1,789 | 5,111 | 5,174 | **10,559** | **6,963** |
| Disposals and redemptions | -4,833 | -1,647 | -3,889 | -4,196 | **-8,722** | **-5,844** |
| Revaluations | 23 | 30 | -527 | 3,563 | **-504** | **3,593** |
| Impairments | -6 | -4 | -18 | - | **-24** | **-4** |
| Amortisation | - | - | -92 | -88 | **-92** | **-88** |
| Other | - | - | -5 | 7 | **-5** | **7** |
| **Balance as at 31 December** | **1,962** | **1,330** | **26,721** | **26,141** | **28,683** | **27,471** |

The net amount of € 616 million (€ 5,449 million - € 4,833 million) in equities sold and purchased in 2015 (2014: € 142 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 € 1,222 million (€ 5,111 million - € 3,889 million) in interest-bearing securities sold and purchased in 2015 (2014: € 978 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 | 1,890 | 1,235 | 22,284 | 21,074 | **24,174** | **22,309** |
| Revaluation | 72 | 95 | 3,970 | 4,596 | **4,042** | **4,691** |
| Accrued interest | - | - | 467 | 471 | **467** | **471** |
| **Balance as at 31 December** | **1,962** | **1,330** | **26,721** | **26,141** | **28,683** | **27,471** |

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 | 1,858 | 2,067 |
| Private loans linked to savings mortgages | 5,391 | 5,404 |
| Other private loans | 1,415 | 1,488 |
| **Total** | **8,664** | **8,959** |
| Provision for bad debts | -18 | -7 |
| **Total** | **8,646** | **8,952** |

### Statement of changes in loans and receivables

| In € millions | 2015 | 2014 |
|---|---|---|
| Balance as at 1 January | 8,959 | 9,727 |
| Purchases and advances | 846 | 381 |
| Changes in the composition of group companies | - | 5 |
| Disposals and redemptions | -1,417 | -1,431 |
| Interest addition | 281 | 282 |
| Amortisation | -5 | -5 |
| **Balance as at 31 December** | **8,664** | **8,959** |
| Balance provisions as at 1 January | -7 | -7 |
| Addition | 1 | 1 |
| Release | -12 | -1 |
| **Balance provisions as at 31 December** | **-18** | **-7** |
| **Total** | **8,646** | **8,952** |

## 6 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 REAAL 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.

## 7 Investments for account of third parties

This item concerns third party investments in investment funds in which VIVAT 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.

## 8 Derivatives

### Breakdown of derivatives

| | Positive value | | Negative value | | Balance | |
|---|---|---|---|---|---|---|
| In € millions | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Derivatives held for cash flow hedge accounting | 136 | 154 | - | - | **136** | **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 | 401 | 588 | 163 | 169 | **238** | **419** |
| **Total** | **641** | **846** | **163** | **169** | **478** | **677** |

Most derivatives are held to hedge market risks (see Note 43 Hedging and hedge accounting).

### Statement of changes in derivatives

| In € millions | 2015 | 2014 |
|---|---|---|
| Balance as at 1 January | 677 | 467 |
| Purchases | 42 | 167 |
| Disposals | -80 | -52 |
| Revaluations | -173 | 93 |
| Exchange rate differences | 12 | 2 |
| **Balance as at 31 December** | **478** | **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.

## 9 Deferred tax assets and liabilities

### Breakdown of deferred tax assets and liabilities

| In € millions | 2015 | 2014 |
|---|---|---|
| Deferred tax assets | 1,499 | 1,674 |
| Deferred tax liabilities | -990 | -1,218 |
| **Total** | **509** | **456** |

### 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 | -13 | 9 | - | - | **-4** |
| Value of business acquired | 4 | -1 | - | - | **3** |
| Capitalised acquisition costs Insurance activities | 56 | -27 | - | - | **29** |
| (Investment) property and equipment | -29 | -2 | - | - | **-31** |
| Investments | -1,082 | 21 | 167 | - | **-894** |
| Derivatives | -53 | 34 | 3 | - | **-16** |
| Insurance contracts | 1,605 | -38 | -159 | - | **1,408** |
| Provision for employee benefits | 2 | -1 | - | 16 | **17** |
| Other | -34 | 31 | - | - | **-3** |
| **Total** | **456** | **26** | **11** | **16** | **509** |

### 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 |
|---|---|---|---|---|---|
| Intangible assets | -14 | 1 | - | - | **-13** |
| Value of business acquired | 5 | -1 | - | - | **4** |
| Capitalised acquisition costs Insurance activities | 85 | -29 | - | - | **56** |
| (Investment) property and equipment | -30 | 1 | - | - | **-29** |
| Investments | -266 | 19 | -827 | -8 | **-1,082** |
| Derivatives | -24 | 2 | -39 | 8 | **-53** |
| Insurance contracts | 537 | 204 | 865 | - | **1,605** |
| Provision for employee benefits | 2 | - | - | - | **2** |
| Other | -6 | -30 | - | 1 | **-35** |
| **Total** | **289** | **166** | **-2** | **1** | **456** |

### Breakdown of tax-effect changes shareholders' equity

| In € millions | 2015 | 2014 |
|---|---|---|
| Change in cash flow hedge reserve | - | 32 |
| Change in fair value reserve | -11 | -30 |
| **Total** | **-11** | **2** |

The corporate income taxes are irrevocably for the years up to and including 2013. The corporate income tax of VIVAT regarding these years has been settled with SRH, the former parent of the fiscal unity (SRH). See Note 21 Related parties for more details.

## 10 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).

## 11 Other assets

### Breakdown of other assets

| In € millions | 2015 | 2014 |
|---|---|---|
| Policyholders | 131 | 121 |
| Intermediaries | 110 | 107 |
| Reinsurers | 76 | 82 |
| **Amounts due from direct insurance** | **317** | **310** |
| Accrued interest | 37 | 19 |
| Other advances and accrued assets | 188 | 150 |
| **Total** | **542** | **479** |

## 12 Cash and cash equivalents

### Breakdown of cash and cash equivalents

| In € millions | 2015 | 2014 |
|---|---|---|
| Short-term bank balances | 300 | 428 |
| **Total** | **300** | **428** |

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 € 378 million at year-end 2015 (2014: € 426 million). Short-term bank balances are at VIVAT's free disposal.

The group companies of VIVAT have a joint credit facility of € 10 million in total with ABN AMRO.

## 13 Equity

### Breakdown of equity

| In € millions | 2015 | 2014 |
|---|---|---|
| Equity attributable to shareholders | 3,451 | 2,015 |
| **Total** | **3,451** | **2,015** |

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 € 1.35 billion by Anbang. See Note 21 Related parties (Intra-group balances between VIVAT, Anbang and affiliates for more details).

## 14 Subordinated debt

### Breakdown of subordinated debt

| In € millions | 2015 | 2014 |
|---|---|---|
| Bonds | 570 | 572 |
| Private loans | 302 | 302 |
| Final bonus account | 12 | 13 |
| **Total** | **884** | **887** |

## 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** |
| Hedge accounting adjustment | | | 76 | 88 | - | - |
| **Total** | | | **570** | **572** | **487** | **487** |

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

On 18 December 2013, the European Commission ratified its provisional resolution of 22 February 2013 in a final resolution that approved the state aid resulting from the nationalisation of SNS REAAL, 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 two perpetual loans of € 207 million and € 95 million. Both loans were issued by SNS REAAL NV and have an average interest rate of 7.1% (2014: 7.1%). The earliest repayment date is 17 July 2017 for the loan of € 207 million and 24 April 2018 for the loan of € 95 million. At the beginning of 2016, the perpetual loan of € 95 million had been fully repaid and on the perpetual loan of € 207 million, € 63 million had been repaid.

## Final bonus account

The subordinated final bonus account liability is no longer part of the solvency of SRLEV NV 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.

# 15 Insurance and reinsurance contracts

### Breakdown of insurance and reinsurance contracts by segment

| | Gross | | Reinsurance | |
|---|---|---|---|---|
| In € millions | **2015** | 2014 | **2015** | 2014 |
| REAAL Life, for own risk | 13,563 | 14,524 | 3,309 | 3,589 |
| Zwitserleven, for own risk | 17,187 | 17,009 | 1 | - |
| **Life, for own risk** | **30,750** | **31,533** | **3,310** | **3,589** |
| REAAL Life, for account of policyholders | 5,589 | 5,881 | - | - |
| Zwitserleven, for account of policyholders | 8,202 | 7,942 | - | - |
| **Life, for account of policyholders** | **13,791** | **13,823** | **-** | **-** |
| **Non-life** | **1,247** | **1,290** | **112** | **125** |
| Reclassification to provision for employee benefits | -326 | - | - | - |
| **Total** | **45,462** | **46,646** | **3,422** | **3,714** |

### Breakdown of insurance and reinsurance contracts by contract

| | Gross | | Reinsurance | |
|---|---|---|---|---|
| In € millions | **2015** | 2014 | **2015** | 2014 |
| Provision for Life insurance obligations | 30,877 | 31,759 | 3,310 | 3,589 |
| Unamortised interest rate discounts | -210 | -295 | - | - |
| Provision for profit-sharing, bonuses and discounts | 83 | 69 | - | - |
| **Life, for own risk** | **30,750** | **31,533** | **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** | **-** | **-** |
| Premium shortfalls and current risks | 47 | 10 | - | - |
| Unearned premiums | 74 | 83 | 1 | 1 |
| Claims payable | 860 | 878 | 78 | 88 |
| Claims incurred but not reported | 266 | 319 | 33 | 36 |
| **Non-life** | **1,247** | **1,290** | **112** | **125** |
| Reclassification to provision for employee benefits | -326 | - | - | - |
| **Total** | **45,462** | **46,646** | **3,422** | **3,714** |

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 NV has guaranteed obligations arising under an insurance contract between NV Pensioen ESC, a subsidiary of SRLEV NV, and a third party related to the defined benefit plan of that party for the term of the contract. The obligations, including the indexation reserves, are contingent on the financial position of NV Pensioen ESC, which – as stipulated in the contract with the third party – will be guaranteed by VIVAT NV if the solvency ratio of SRLEV NV should fall below 150%. SRLEV NV'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 | 31,759 | 26,530 | 3,589 | 3,863 |
| Portfolio reclassification | 283 | 601 | - | - |
| Benefits paid | -2,078 | -1,900 | -532 | -533 |
| Premiums received | 1,102 | 1,366 | 158 | 161 |
| Interest added | 903 | 874 | 120 | 142 |
| Technical result | -130 | 49 | -82 | -112 |
| Release of expense loading | -123 | -156 | 57 | 68 |
| Change in shadow accounting | -709 | 3,563 | - | - |
| Change in statement of profit or loss by IFRS LAT shortfall | -68 | 829 | - | - |
| Other movements | -62 | 3 | - | - |
| **Balance as at 31 December** | **30,877** | **31,759** | **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] | **-** | - | -122 | -56 | **-122** | **-56** |
| Profit-sharing | -118 | 635 | 52 | 160 | **-66** | **795** |
| Shadow loss accounting | -521 | 2,824 | - | - | **-521** | **2,824** |
| **Total changes in shadow accounting in provision for Life insurance obligations** | **-639** | **3,459** | **-70** | **104** | **-709** | **3,563** |
| Taxation | -160 | 865 | -18 | 26 | **-178** | **891** |
| **Total changes, net** | **-479** | **2,594** | **-52** | **78** | **-531** | **2,672** |

*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** |

## e. Statement of changes in provision for premium shortfalls and current risks

| | Gross | |
|---|---|---|
| In € millions | **2015** | 2014 |
| Balance as at 1 January | 10 | 9 |
| Reclassification | 35 | - |
| Additions during the year | -1 | - |
| Added to the results | 3 | 1 |
| **Balance as at 31 December** | **47** | **10** |

The € 35 million relates to a reclassification from provision for claims payable to provision premium shortfalls.

### f. Statement of changes in provision for unearned premiums

| | Gross | | Reinsurance | |
|---|---|---|---|---|
| In € millions | **2015** | 2014 | **2015** | 2014 |
| Balance as at 1 January | 83 | 93 | 1 | 1 |
| Additions during the year | 74 | 83 | 1 | 1 |
| Added to the results | -83 | -93 | -1 | -1 |
| **Balance as at 31 December** | **74** | **83** | **1** | **1** |

### g. Statement of changes in provision for claims payable

| | Gross | | Reinsurance | |
|---|---|---|---|---|
| In € millions | **2015** | 2014 | **2015** | 2014 |
| Balance as at 1 January | 878 | 834 | 88 | 99 |
| Reclassification | -35 | - | - | - |
| Reported claims, current period | 406 | 447 | 17 | 21 |
| Reported claims, prior periods | 103 | 84 | 1 | 2 |
| Claims paid, current period | -226 | -262 | -13 | -13 |
| Claims paid, prior periods | -275 | -273 | -21 | -23 |
| Interest added | 9 | 13 | 2 | 2 |
| Change in statement of profit or loss by IFRS LAT shortfall | - | 35 | 4 | - |
| **Balance as at 31 December** | **860** | **878** | **78** | **88** |

### h. Statement of changes in provision for claims incurred but not reported

| | Gross | | Reinsurance | |
|---|---|---|---|---|
| In € millions | **2015** | 2014 | **2015** | 2014 |
| Balance as at 1 January | 319 | 286 | 36 | 35 |
| Additions during the year | 55 | 136 | 2 | 4 |
| Added to the results | -108 | -103 | -5 | -3 |
| **Balance as at 31 December** | **266** | **319** | **33** | **36** |

## 16 Provision for employee **benefits**

### Breakdown of provision for employee benefits

| In € millions | **2015** | 2014 |
|---|---|---|
| Pension commitments | 523 | - |
| Other employee commitments | 19 | 8 |
| **Total** | **542** | **8** |

## 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 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.

VIVAT's total contribution to these defined benefit schemes is expected to be approximately € 15 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%.

In 2016, VIVAT's contribution to the defined contribution scheme will be approximately € 35 million (2015: € 33 million).

### Pension scheme former AXA and Winterthur (defined benefit scheme)

The accrual of new pension rights of former employees of Winterthur, UAP, Equity & Law (E&L) and Guardian have been transferred to the Stichting Pensioenfonds SNS REAAL as from 1 January 2009. The schemes of Winterthur, UAP and Equity & Law (E&L) are insured with SRLEV NV, without the investments being separated; instead they are recognised within investments in the statement of financial position but included in the balance sheet item Investments. The Guardian pension scheme is insured externally.

The indexation of the pension entitlements of inactive participants is equal to the indexation applied by the Stichting Pensioenfonds SNS REAAL. The pension entitlements of active former participants are unconditionally indexed based on the salary index. In the event that the coverage ratio of the Winterthur scheme falls below the agreed limit of 105%, an additional contribution will be made by the employer.

After offsetting the fair value of the investments, € 187 million was added to the provision for pensions for these pension schemes. In 2016, VIVAT's contribution to these defined benefit schemes is expected to amount to € 7 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 € 260 million. There is no separate investment account. VIVAT's contribution to the defined benefit scheme of Zwitserleven is expected to amount to € 6 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, € 76 million has been added to the provision for pensions for these pension schemes. In 2016, VIVAT's contribution to the other defined benefit schemes is expected to amount to € 2 million.

## Overview pension commitments

### Breakdown of pension commitments

| In € millions | 2015 |
|---|---|
| Present value of defined benefit obligations | 583 |
| Fair value of plan assets | 60 |
| **Present value of the net liabilities** | **523** |

### Change in present value of pension obligations

| In € millions | 2015 |
|---|---|
| Transfer from Group per 1 January 2015 | 616 |
| Increase and interest accrual through profit and loss | 13 |
| Actuarial gains or losses through Other Comprehensive Income | -29 |
| Benefits paid | -17 |
| **Present value as at 31 December** | **583** |

## Change in fair value of the plan assets

| In € millions | 2015 |
|---|---|
| Transfer from Group per 1 January 2015 | 62 |
| Investment income through profit and loss | 2 |
| Investment income through Other Comprehensive Income | -1 |
| **Investment income** | **1** |
| Premiums | 14 |
| Benefits paid | -17 |
| **Fair value as at 31 December** | **60** |

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 | 10 |
| Fixed income investments | 40 |
| Other | 10 |
| **Balance as at 31 December** | **60** |

## Statement of OCI

| In € millions | 2015 |
|---|---|
| Transfer from Group per 1 January 2015 | 3 |
| Actuarial gains or losses at the expense of Other Comprehensive Income | 29 |
| Investment income for the benefit or at the expense of Other Comprehensive Income | -1 |
| Additional transfer from technical provision | -27 |
| Deferred taxes | -1 |
| **Balance as at 31 December** | **3** |

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 € 120 million (21%), and if the interest rate rises by 1%, the pension commitments fall by € 92 million (-16%).

### Sensitivity present value of pension obligations

| | 31 December 2015 | |
|---|---|---|
| In € millions | Change | Change |
| Discount rate 1.3% (-1%) | 120 | 21% |
| Discount rate 3.3% (+1%) | -92 | -16% |

## Other employee benefit commitments

### Change in other employee benefit commitments

| In € millions | 2015 | 2014 |
|---|---|---|
| Balance as at 1 January | 8 | 8 |
| Additions | 2 | - |
| Changes in the composition of group companies | 9 | - |
| **Balance as at 31 December** | **19** | **8** |

## 17 Other provisions

### Breakdown of other provisions

| In € millions | 2015 | 2014 |
|---|---|---|
| Restructuring provision | 33 | 10 |
| Other provisions | 40 | 19 |
| **Total** | **73** | **29** |

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 | | Totaal | |
|---|---|---|---|---|---|---|
| In € millions | **2015** | 2014 | **2015** | 2014 | **2015** | 2014 |
| Balance as at 1 January | 10 | 16 | 19 | 12 | **29** | **28** |
| Reclassifications | - | - | 6 | 8 | **6** | **8** |
| Additions / release | 43 | 1 | 39 | 1 | **82** | **2** |
| Withdrawal | -18 | -9 | -8 | - | **-26** | **-9** |
| Released to results | -2 | -2 | -17 | -1 | **-19** | **-3** |
| Change in structure of group companies | - | 4 | - | - | **-** | **4** |
| Other movements | - | - | - | -1 | **-** | **-1** |
| **Balance as at 31 December** | **33** | **10** | **39** | **19** | **72** | **29** |

## 18 Amounts due to banks

### Breakdown of amounts due to banks

| In € millions | **2015** | 2014 |
|---|---|---|
| Due on demand | 380 | 438 |
| Deposits and certificates | 235 | 260 |
| Private loans | 763 | 1,056 |
| **Total** | **1,378** | **1,754** |

The amount of € 380 million due on demand concerns cash collateral. Deposits and certificates are comprised of liabilities under repo agreements.

The private loans comprise a loan from SNS Bank NV with a floating-rate which relates to the savings elements of securitised mortgages. The difference in private loans in 2015 compared to 2014 is attributable to the repayment of the loan of € 250 million from SNS Bank NV in December 2015. For details on both loans see Note 21 Related parties.

## 19 Other liabilities

### Breakdown of other liabilities

| In € millions | **2015** | 2014 |
|---|---|---|
| Debts in relation to direct insurance | 1,486 | 1,522 |
| Debts to reinsurers | 3,400 | 3,686 |
| Other taxes | 50 | 41 |
| Other liabilities | 923 | 907 |
| Accrued interest | 62 | 134 |
| **Total** | **5,921** | **6,290** |

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 NV. In 2015, the full amount of deferred coupon interest was paid. For details, see Note 14 Subordinated debt.

## 20 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 NV'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 NV 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 NV's solvency.

Related-party balances are presented in Note 21 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 15, Insurance and reinsurance contracts.

DNB can impose a levy on VIVAT 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 NV revised separate account contracts before the end date of the contracts to make the deficits arising from issued guarantees more manageable. Agreement was reached with customers, in which process customers funded the increased charges of longevity risk while SRLEV NV bore part of the interest deficit. At year-end 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 € 1,061 million at year-end 2015 (2014: € 1,132 million).

The market value of the collateral of the mortgages was € 2,935 million at year-end 2015 (2014: € 3,230 million). The amortised cost of the mortgages was € 1,854 million at year-end 2015 (2014: € 2,060 million).

## Netherlands Reinsurance company for Losses from Terrorism

In 2016, VIVAT will take a 13.73% share in the Life cluster (2015: 13.66%) and a 5.15% share in the Non-life cluster (2015: 5.19%) of the Netherlands Reinsurance company for Losses from Terrorism (Nederlandse Herverzekeringsmaatschappij voor Terrorismeschaden NV). In 2016, the guarantee will be € 57 million (2015: € 75 million) and premiums will amount to € 0.8 million (2015: € 0.8 million).

## Legal proceedings

### General

VIVAT is involved in litigation and other binding proceedings involving, but not limited to, disputes concerning the products and services of VIVAT 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 VIVAT's financial position or operating results.

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

### Investment insurance policies

SRLEV NV has a portfolio of investment insurance policies (including and also referred to as: unit-linked policies) which consists of a variety of products with distinct characteristics and different versions of contractual documentation. SRLEV NV has concluded approximately 1.2 million investment-linked insurance policies, of which about 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, VIVAT being one of them, agreed on compensation schemes with consumer organisations. In 2009, VIVAT reached an outline agreement followed by an Agreement (‘Vaststellingsovereenkomst') in 2010 to offer compensation to 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’). VIVAT 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, VIVAT 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.

VIVAT 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 VIVAT has received a large number of complaints/claims from customers stating VIVAT 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 VIVAT and peers. There is a risk that one or more of those legal challenges will succeed and may affect VIVAT. Current and any future subsequent legal proceedings could have a substantial financial and reputational impact. However, it is not possible at this time to make reliable estimates of the expected number of proceedings, possible future precedents or the financial and/or reputational impact of current and possible future proceedings. The political, regulatory and public focus on investment-linked insurances remains.

The number of legal proceedings against SRLEV NV that involve unit-linked policies is, compared to the portfolio of active policies, limited but growing. Up to 31 December 2015, fewer than 120 proceedings connected with the above issue had been initiated against SRLEV NV, 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. VIVAT has submitted its defense to the filing of VerenigingWoekerpolis.nl. To date, the number of cases in which SRLEV NV has been required to pay damages following a decision by KiFiD or a civil court has been very limited.

### Future payment **obligations**

VIVAT has signed a number of contracts for ITC support, with a payment obligation of € 6 million in 2016. The obligation for the period of more than one year and less than five years amounts to € 10 million. No obligations have been entered into for more than five years.

Future payment obligations for car leases in 2016 amount to € 2 million and to € 3 million for a period of more than one year. No obligations have been entered into for more than five years.

The rental obligations for owner-occupied properties are € 13 million in 2016. The tenancy agreements will expire between 2016 and 2022.

## 21 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. VIVAT has a range of normal business relationships with related companies and parties as part of its ordinary activities. VIVAT’s related parties are its parent Anbang and affiliates and VIVAT's senior management and their close family members. Until the transfer of shares of VIVAT NV, the related parties of VIVAT NV also included its former parent SNS REAAL NV (although now operating under the name SRH NV, its is referred to as SNS REAAL NV in this chapter), 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 VIVAT NV, SNS REAAL 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 VIVAT NV, SNS REAAL NV and affiliates are disclosed. For further details on the transactions and balances between VIVAT NV, Anbang and affiliates, see the Section on Intra-group balances between VIVAT NV, Anbang and affiliates.

## Transactions and balances between VIVAT NV, SNS REAAL NV and affiliates

| | SNS REAAL NV | | Affiliates | |
|---|---|---|---|---|
| In € millions | **July 2015**[1] | 2014 | **July 2015** | 2014 |
| **Balances** | | | | |
| Receivables | - | - | 2,544 | 2,683 |
| Subordinated loans | 302 | 302 | - | - |
| Other debts | 25 | 36 | 1,026 | 1,058 |
| **Transactions** | | | | |
| Movements in receivables | - | -41 | -139 | -420 |
| Movements in subordinated loans | - | - | - | - |
| Movements in other debts | -11 | 5 | -32 | -54 |
| Income | 18 | 7 | 2 | 129 |
| Other expenses | 15 | 180 | 5 | 54 |

*1 The shares in VIVAT NV were transferred from SNS REAAL NV to Anbang on 26 July 2015. The balances and transactions disclosed concern the balances at 31 July 2015.*

## Disentanglement and divestment

As a consequence of the disentanglement and divestment of SNS Bank NV and VIVAT NV, operational links between the two companies were terminated. SNS Bank NV and VIVAT NV continue their cooperation in commercial activities through a long-term distribution agreement. Pursuant to this agreement, SNS Bank NV will continue to provide the necessary (administrative) services (such as IT-systems, client customer services etc.) under savings propositions (*e.g.* internet savings accounts) offered by VIVAT NV's Zwitserleven brand. Also, the savings gathered by VIVAT NV under the Zwitserleven brand are placed on SNS Bank NV's balance sheet. Pursuant to the long-term distribution agreement, VIVAT NV will continue to provide the (administrative) services for property and casualty insurance (*e.g.* car insurance) provided by SNS Bank NV under the SNS brand. Also, the insurance policies sold by SNS Bank NV are under certain conditions placed on the balance sheet of VIVAT NV. In addition, ACTIAM NV manages assets for SNS Bank NV, has a distribution agreement with SNS Bank NV for the distribution of mutual funds and acts as Alternative Investment Fund Manager for the ASN Bank NV branded mutual funds.

## Transitional Services Agreements

In relation to the transfer of the shares in VIVAT NV from SNS REAAL NV, SNS REAAL NV, VIVAT NV and SNS Bank NV entered into Transitional Services Agreements for the term of one year. Under these agreements, the parties entered into a partnership with a view to eliminating specific operational links that require more time to eliminate in a responsible manner.

## 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 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

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

- A € 250 million loan by SNS Bank NV to VIVAT NV (31 December 2014: € 250 million). The loan bears an interest rate of 2.52% per annum. VIVAT NV has provided the shares in SRLEV NV, Reaal Schadeverzekeringen NV and Proteq Levensverzekeringen NV as collateral to SNS Bank NV. The loan has been fully repaid by VIVAT NV in December 2015 and therefore the shares are uncollateralised as of year-end.

- Subordinated private loans comprise of two perpetual loans of € 207 million and € 95 million. The earliest repayment date was 17 July 2017 for the loan of € 207 million and 24 April 2018 for the loan of € 95 million. Early in 2016, the perpetual loan of € 95 million was repaid in full and on the perpetual loan of € 207 million, € 63 million was repaid.

### 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.

At 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.

### Other significant intra-group balances between VIVAT NV and related parties

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

- At 31 July 2015, VIVAT NV's investments in fixed-income securities issued by SNS Bank NV were € 23 million (2014: € 23 million).
- At 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).
- 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 VIVAT NV, Anbang and affiliates

The intra-group balances and transactions between VIVAT 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.
- As part of the sale and purchase agreement between SNS REAAL NV and Anbang, it was agreed that the tax claims of € 85 million on VIVAT NV over the years 2013 and 2014 by SNS REAAL NV transferred to Anbang. VIVAT NV has paid the tax claims of € 85 million to Anbang in November 2015.

## Intra-group balances with key management personnel of VIVAT

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, Reaal and ACTIAM.

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, Reaal and ACTIAM 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: 21).

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 | 6,099 | 4,774 |
| Post-employment benefits | 270 | 725 |
| Other long-term benefits | 104 | - |
| Termination benefits | 3,389 | - |
| Share-based payment | 131 | - |
| **Total** | **9,993** | **5,499** |

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 at 31 December | | Average interest rate[1] | | Redemptions | | Issuances | |
|---|---|---|---|---|---|---|---|---|
| In € thousands | **2015** | 2014 | **2015** | 2014 | **2015** | 2014 | **2015** | 2014 |
| Mortgage loans | - | 7,789 | - | 4.05% | - | 354 | - | - |

*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.

## 22 Interests in non-consolidated structured entities

In some cases VIVAT 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 VIVAT 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 | 4 | - | 4 | 998 | 998 |
| **Total** | **4** | **-** | **4** | **998** | **998** |

### 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 | 30 | - | 30 | 2,016 | 2,016 |
| **Total** | **30** | **-** | **30** | **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 VIVAT 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.

VIVAT had not offered financial or non-financial support to any non-consolidated structured entities at 31 December 2015. VIVAT does not intend to offer further financial or other support to non-consolidated structured entities.

During the year VIVAT received no income, gains or losses from its interests in non-consolidated structured entities.

## 23 Interest in associates and other enterprises

Zwitserleven RM Beleggingen BV, a structured entity over which VIVAT exercises control, is consolidated. VIVAT 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 VIVAT 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.

## 24 Post balance sheet events

### New CEO

Ron van Oijen has taken office as Chief Executive Officer (CEO) of VIVAT NV, SRLEV NV, Proteq Levensverzekeringen NV and Reaal Schadeverzekeringen NV on 14 March 2016. As of that date, Van Oijen will be responsible for the VIVAT brands, including Zwitserleven and Reaal (insurance), and ACTIAM (fund and asset management). Albert Bakker has relinquished his role as Acting CEO after Ron van Oijen took office on 14 March 2016.

### Strategic review

VIVAT 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, which is in the interest of all stakeholders including our customers and employees, VIVAT will implement cost reductions.

### Funding related subordinated loans

Subordinated private loans comprise of two perpetual loans of € 207 million and € 95 million. The earliest repayment date was 17 July 2017 for the loan of € 207 million and 24 April 2018 for the loan of € 95 million. Beginning 2016, the perpetual loan of € 95 million has been fully repaid and on the perpetual loan of € 207 million € 63 million has been repaid. On 1 February 2016, two new subordinated loans have been granted by Anbang to VIVAT NV and SRLEV NV for the amount of respectively € 63 million and € 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.

## 25 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 | 623 | 651 | 317 | 364 | 940 | 1,015 |
| Regular premiums Zwitserleven | 254 | 305 | 436 | 496 | 690 | 801 |
| **Total gross regular premiums Life** | **877** | **956** | **753** | **860** | **1,630** | **1,816** |
| Single premiums Reaal Life | 43 | 76 | 3 | 2 | 46 | 78 |
| Single premiums Zwitserleven | 182 | 334 | 78 | 118 | 260 | 452 |
| **Total gross single premiums** | **225** | **410** | **81** | **120** | **306** | **530** |
| **Total gross premium income** | **1,102** | **1,366** | **834** | **980** | **1,936** | **2,346** |
| Total reinsurance premiums Reaal Life and Zwitserleven | 158 | 161 | - | - | 158 | 161 |
| **Total net premium income Life** | **944** | **1,205** | **834** | **980** | **1,778** | **2,185** |
| Total net premium income Non-life | | | | | 640 | 713 |
| **Total net premium income** | | | | | **2,418** | **2,898** |

## Breakdown of regular premiums Life

| | Own account | | For account of policyholders | | Total | |
|---|---|---|---|---|---|---|
| In € millions | **2015** | 2014 | **2015** | 2014 | **2015** | 2014 |
| *Individual* | | | | | | |
| Without profit-sharing | 537 | 541 | 317 | 364 | **854** | **905** |
| With profit-sharing | 102 | 132 | - | - | **102** | **132** |
| **Total individual** | **639** | **673** | **317** | **364** | **956** | **1,037** |
| | | | | | | |
| *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** | **877** | **956** | **753** | **860** | **1,630** | **1,816** |

## 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 | 123 | 193 | - | - | **123** | **193** |
| **Total individual** | **165** | **268** | **3** | **2** | **168** | **270** |
| | | | | | | |
| *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** | **225** | **410** | **81** | **120** | **306** | **530** |

## Breakdown of premium income Non-life

| | Gross | | Reinsurance | | Total | |
|---|---|---|---|---|---|---|
| In € millions | **2015** | 2014 | **2015** | 2014 | **2015** | 2014 |
| Fire | 193 | 214 | 14 | 14 | **179** | **200** |
| Accident and health | 117 | 126 | 6 | 5 | **111** | **121** |
| Motor vehicle | 221 | 248 | 2 | 2 | **219** | **246** |
| Transport | 43 | 54 | 2 | 1 | **41** | **53** |
| Other segments | 112 | 117 | 22 | 24 | **90** | **93** |
| **Net premium income Non-life** | **686** | **759** | **46** | **46** | **640** | **713** |

## 26 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 | 18 | 18 |
| - Management fees | 121 | 69 |
| - Other activities | 8 | 11 |
| **Total fee and commission income:** | **147** | **100** |
| Fee and commission expense | 30 | 15 |
| **Total** | **117** | **85** |

## 27 Share in result of associates

This item represents the share in the profit or loss of associates. In 2015, this amounted to € 1 million (2014: € 1 million).

## 28 Investment income

### Breakdown of investment income

| In € millions | 2015 | 2014 |
|---|---|---|
| Fair value through profit or loss: Designated | 70 | 38 |
| Available for sale | 750 | 912 |
| Loans and receivables | 473 | 501 |
| Investment property | 26 | 17 |
| **Total** | **1,319** | **1,469** |

### 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 | - | 62 | 587 | 472 | - | **1,121** |
| Dividend | - | - | 14 | - | - | **14** |
| Rental income | - | - | - | - | 16 | **16** |
| **Total interest dividend and rental income** | **-** | **62** | **601** | **472** | **16** | **1,151** |
| Realised revaluations | - | 3 | 149 | 1 | 3 | **156** |
| Unrealised revaluations | - | 5 | - | - | 7 | **12** |
| **Total revaluations** | **-** | **8** | **149** | **1** | **10** | **168** |
| **Total** | **-** | **70** | **750** | **473** | **26** | **1,319** |

### 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 | - | 7 | 604 | 500 | - | **1,111** |
| Dividend | - | - | 28 | - | - | **28** |
| Rental income | - | - | - | - | 18 | **18** |
| **Total interest dividend and rental income** | **-** | **7** | **632** | **500** | **18** | **1,157** |
| Realised revaluations | - | 31 | 280 | 1 | -1 | **311** |
| Unrealised revaluations | - | 1 | - | - | - | **1** |
| **Total revaluations** | **-** | **32** | **280** | **1** | **-1** | **312** |
| **Total** | **-** | **38** | **912** | **501** | **17** | **1,469** |

VIVAT recognised € 0.1 million in interest income on impaired investments in 2015 (2014: € 0.5 million).

Interest income from Fair value throught profit or loss includes the interest income from derivatives (€ 58 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).

## 29 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.

## 30 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 in derivatives held for fair value hedge accounting** | **-7** | **-2** |
| Market value movements of derivatives maintained for ALM not classified for hedge accounting | -136 | -59 |
| **Total** | **-128** | **-78** |

## 31 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 | 2,079 | 1,900 | -532 | -533 | **1,547** | **1,367** |
| Change in technical provisions for own account | -56 | 832 | 279 | 274 | **223** | **1,106** |
| Profit-sharing and discounts | 58 | 73 | - | - | **58** | **73** |
| Change in shadow accounting | -70 | 104 | - | - | **-70** | **104** |
| Change in LAT shortfall | -68 | 829 | - | - | **-68** | **829** |
| **Life insurance** | **1,943** | **3,738** | **-253** | **-259** | **1,690** | **3,479** |
| Claims paid | 501 | 535 | -33 | -36 | **468** | **499** |
| Change in provision for reported claims | 17 | 44 | 9 | 11 | **26** | **55** |
| Change in provision for claims incurred but not reported | -53 | 33 | 3 | -1 | **-50** | **32** |
| **Non-life insurance** | **465** | **612** | **-21** | **-26** | **444** | **586** |
| **Total** | **2,408** | **4,350** | **-274** | **-285** | **2,134** | **4,065** |

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 15 Insurance and reinsurance contracts.

## 32 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** |

## 33 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 Life** | **35** | **46** |
| REAAL Non-life | 151 | 178 |
| Reinsurance Non-life | -8 | -9 |
| **Total Non-life** | **143** | **169** |
| **Total** | **178** | **215** |

## 34 Staff costs

### Breakdown of staff costs

| In € millions | 2015 | 2014 |
|---|---|---|
| Salaries | 188 | 131 |
| Pension costs | 44 | 29 |
| Social security contributions | 26 | 20 |
| Other staff costs | 152 | 53 |
| **Total** | **410** | **234** |

### Breakdown of pension costs

| In € millions | 2015 | 2014 |
|---|---|---|
| Pension schemes based on defined contribution | 32 | 29 |
| Pension schemes based on defined benefit | 12 | - |
| **Total** | **44** | **29** |

### Breakdown of pension costs

| In € millions | 2015 | 2014 |
|---|---|---|
| Pension contributions based on defined contribution | 38 | 34 |
| Employee contributions | -6 | -5 |
| **Total based on defined contributions** | **32** | **29** |
| Increase of present value defined benefit plans | 12 | - |
| **Total** | **44** | **29** |

### Share-based remuneration
For details on the share-based remuneration see Section 3.4.1 Remuneration policy VIVAT in general.

### Other staff costs
Other staff costs include the cost of temporary staff of € 78 million (2014: € 36 million), restructuring charges of € 43 million (2014: € 2 million). It also consists of travelling expenses, car fleet and training costs.

### Number of FTEs

| In numbers | 2015 | 2014 |
|---|---|---|
| Number of FTEs | 3,006 | 3,134 |

The corporate staff at SNS REAAL holding company level were largely allocated to SNS Bank NV and VIVAT in 2014. In addition, ACTIAM NV was acquired in 2014, which had a headcount of 139 FTEs at year-end 2014.

On 1 January 2015, another 777 FTEs transferred from SNS REAAL NV to VIVAT, including IT & Change and Audit. Because of the disentanglement of SNS REAAL NV, the responsibility for these FTEs transferred from SNS REAAL NV to VIVAT.

## 35 Other operating expenses

### Breakdown of other operating expenses

| In € millions | 2015 | 2014 |
|---|---|---|
| IT systems | 10 | 113 |
| Housing | 16 | 14 |
| Marketing and public relations | 11 | 13 |
| External advisors | 20 | 9 |
| Other costs | 17 | 64 |
| **Total** | **74** | **213** |

## 36 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** | | | | | | |
| Intangible assets | 32 | - | - | - | **32** | **-** |
| Property and equipment | - | 4 | 1 | - | **-1** | **4** |
| Investments | 24 | 4 | - | - | **24** | **4** |
| Other debts | 1 | 13 | - | - | **1** | **13** |
| **Total through profit or loss** | **57** | **21** | **1** | **-** | **56** | **21** |
| **Through equity** | | | | | | |
| Investments | 18 | 3 | - | - | **18** | **3** |
| **Total through equity** | **18** | **3** | **-** | **-** | **18** | **3** |

## 37 Other interest expenses

### Breakdown of other interest expenses

| In € millions | **2015** | 2014 |
|---|---|---|
| Bonds | 52 | 49 |
| Private loans | 60 | 74 |
| Interest on reinsurance deposits | 115 | 123 |
| Other interest and investment expenses | 7 | 11 |
| **Total** | **234** | **256** |

Other interest and investment expenses includes the interest relating to the fair value hedge (see Note 43 Hedging and hedge accounting). In 2015, this concerns an interest gain of € 16 million (2014: € 5 million).

## 38 Taxation

### Breakdown of taxation

| In € millions | **2015** | 2014 |
|---|---|---|
| In financial year | 63 | -38 |
| Prior year adjustments | -5 | 1 |
| **Corporate income tax due** | **58** | **-37** |
| Due to temporary differences | -26 | -166 |
| **Deferred tax** | **-26** | **-166** |
| **Total** | **32** | **-203** |

### Reconciliation between the statutory and effective tax rate

| In € millions | 2015 | 2014 |
|---|---|---|
| Statutory income tax rate | 25.0% | 25.0% |
| Result before tax | 141 | -815 |
| **Statutory corporate income tax amount** | **35** | **-204** |
| Effect of participation exemption | 2 | - |
| Prior year adjustments*(including tax provision release)* | -5 | 1 |
| **Total** | **32** | **-203** |
| Effective tax rate | 22.8% | 24.9% |

## 7.4 Segmentation

### 39 Segment information

The corporate structure was comprised of three segments at year-end 2015: REAAL, Zwitserleven and ACTIAM. REAAL focuses on individual Life and Non-life insurance, while Zwitserleven offers individual and group pension insurance. ACTIAM seeks to achieve investment targets for institutional market parties.

ACTIAM NV has been part of VIVAT since 1 July 2014; it is included separately in the segment tables. The segment statement of profit or loss 2014 includes the results of ACTIAM NV for the second half of 2014.

#### Zwitserleven
This segment offers specialised pension products aimed at future income. Zwitserleven's customers are directors/major shareholders, SMEs and large companies.

#### REAAL
The REAAL segment has three sub-segments: REAAL Life, REAAL Non-life and REAAL Other.

#### REAAL Life
This segment offers individual Life insurance to the retail and SME markets, and includes REAAL Levensverzekeringen and Proteq Levensverzekeringen.

#### REAAL Non-life
This segment offers property, mobility, bodily injury, invalidity and occupational disability insurance.

#### REAAL Other
This segment comprises activities that are managed separately from the REAAL Life and REAAL Non-life.

#### ACTIAM
This segment offers solutions to institutional market parties. ACTIAM helps its customers achieve their investment targets with sustainable performance, service and advice.

## 40 Statement of financial position by segment

### Statement of financial position by segment 31 December 2015

| | Zwitserleven | | | | REAAL | ACTIAM | Elimination | Total |
|---|---|---|---|---|---|---|---|---|
| In € millions | | REAAL Life | REAAL Non-life | REAAL[1] Other | REAAL Total | | | |
| **Assets** | | | | | | | | |
| Intangible assets | - | - | 21 | 17 | **38** | - | - | **38** |
| Property and equipment | 23 | 36 | - | 22 | **58** | - | - | **81** |
| Investments in associates | - | - | 7 | - | **7** | - | - | **7** |
| Investment properties | 37 | 222 | - | - | **222** | - | - | **259** |
| Investments | 19,504 | 16,677 | 1,615 | 269 | **18,561** | 25 | -600 | **37,490** |
| Investments for account of policyholders | 8,787 | 5,590 | - | - | **5,590** | - | - | **14,377** |
| Investments for account of third parties | - | 1,436 | - | - | **1,436** | - | - | **1,436** |
| Derivatives | 298 | 334 | 9 | - | **343** | - | - | **641** |
| Deferred tax assets | 1,343 | 257 | -3 | -75 | **179** | - | -23 | **1,499** |
| Reinsurance contracts | 1 | 3,309 | 112 | - | **3,421** | - | - | **3,422** |
| Loans and advances to banks | 37 | 199 | - | - | **199** | - | - | **236** |
| Corporate income tax | 10 | 89 | 24 | 6 | **119** | - | -129 | **-** |
| Other assets | 139 | 439 | 38 | 291 | **768** | 20 | -385 | **542** |
| Cash and cash equivalents | 89 | 70 | 61 | 74 | **205** | 6 | - | **300** |
| **Total assets** | **30,268** | **28,658** | **1,884** | **604** | **31,146** | **51** | **-1,137** | **60,328** |
| | | | | | | | | |
| **Equity and liabilities** | | | | | | | | |
| **Total equity** | **1,682** | **1,044** | **355** | **342** | **1,741** | **28** | **-** | **3,451** |
| Subordinated debt | 364 | 611 | 130 | -81 | **660** | - | -140 | **884** |
| Insurance contracts | 25,389 | 19,152 | 1,247 | - | **20,399** | - | -326 | **45,462** |
| Liabilities investments for account of third parties | - | 1,436 | - | - | **1,436** | - | - | **1,436** |
| Provision for employee benefits | 169 | - | 24 | 349 | **373** | - | - | **542** |
| Other provisions | 11 | 30 | - | 32 | **62** | - | - | **73** |
| Derivatives | 122 | 34 | 7 | - | **41** | - | - | **163** |
| Deferred tax liabilities | 687 | 407 | 10 | -91 | **326** | - | -23 | **990** |
| Amounts due to banks | 132 | 1,244 | 2 | - | **1,246** | - | - | **1,378** |
| Corporate income tax | 155 | - | - | - | **-** | 2 | -129 | **28** |
| Other liabilities | 1,557 | 4,700 | 109 | 53 | **4,862** | 21 | -519 | **5,921** |
| **Total equity and liabilities** | **30,268** | **28,658** | **1,884** | **604** | **31,146** | **51** | **-1,137** | **60,328** |

*1 In the segment REAAL Other eliminations have been included between REAAL Life, REAAL Non-life and REAAL Other.*

## Statement of financial position by segment 31 December 2014

| In € millions | Zwitserleven | REAAL Life | REAAL Non-life | REAAL[1] Other | REAAL Total | ACTIAM | Elimination | Total |
|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | |
| Intangible assets | - | - | 51 | 24 | **75** | - | - | **75** |
| Property and equipment | 21 | 31 | - | 29 | **60** | - | - | **81** |
| Investments in associates | - | - | 6 | - | **6** | - | - | **6** |
| Investment property | 37 | 230 | - | - | **230** | - | - | **267** |
| Investments | 18,124 | 17,193 | 1,431 | -69 | **18,555** | - | -31 | **36,648** |
| Investments for account of policyholders | 8,691 | 5,868 | - | - | **5,868** | - | - | **14,559** |
| Investments for account of third parties | - | 1,427 | - | - | **1,427** | - | - | **1,427** |
| Derivatives | 419 | 427 | - | - | **427** | - | - | **846** |
| Deferred tax assets | 1,408 | 259 | 11 | -4 | **266** | - | - | **1,674** |
| Reinsurance contracts | - | 3,589 | 125 | - | **3,714** | - | - | **3,714** |
| Loans and advances to banks | 54 | 267 | - | - | **267** | - | - | **321** |
| Corporate income tax | 2 | -2 | 27 | -27 | **-2** | - | - | **-** |
| Other assets | 147 | 297 | 33 | -11 | **319** | 15 | -2 | **479** |
| Cash and cash equivalents | 179 | 170 | 21 | 19 | **210** | 39 | - | **428** |
| **Total assets** | **29,082** | **29,756** | **1,705** | **-39** | **31,422** | **54** | **-33** | **60,525** |
| | | | | | | | | |
| **Equity and liabilities** | | | | | | | | |
| **Total equity** | **1,166** | **938** | **239** | **-363** | **814** | **36** | **-** | **2,015** |
| Subordinated debt | 224 | 613 | 50 | - | **663** | - | - | **887** |
| Insurance contracts | 24,951 | 20,405 | 1,290 | - | **21,695** | - | - | **46,646** |
| Liabilities investments for account of third parties | - | 1,427 | - | - | **1,427** | - | - | **1,427** |
| Provision for employee benefits | - | - | - | 8 | **8** | - | - | **8** |
| Other provisions | 6 | 14 | - | 9 | **23** | - | - | **29** |
| Derivatives | 129 | 40 | - | - | **40** | - | - | **169** |
| Deferred tax liabilities | 741 | 451 | 29 | -3 | **477** | - | - | **1,218** |
| Amounts due to banks | 298 | 1,206 | - | 250 | **1,456** | - | - | **1,754** |
| Corporate income tax | - | 70 | - | 5 | **75** | 7 | - | **82** |
| Other liabilities | 1,567 | 4,592 | 97 | 55 | **4,744** | 11 | -33 | **6,289** |
| **Total equity and liabilities** | **29,082** | **29,756** | **1,705** | **-39** | **31,422** | **54** | **-33** | **60,525** |

*1 In the segment REAAL Other eliminations have been included between REAAL Life, REAAL Non-life and REAAL Other.*

# 41 Statement of **profit** or loss by segment

## Statement of profit or loss by segment 2015

| In € millions | Zwitserleven | REAAL Life | REAAL Non-life | REAAL[1] Other | REAAL Total | ACTIAM | Elimination | Total |
|---|---|---|---|---|---|---|---|---|
| **Income** | | | | | | | | |
| Premium income | 950 | 986 | 686 | - | **1,672** | - | - | **2,622** |
| Reinsurance premiums | 3 | 155 | 46 | - | **201** | - | - | **204** |
| **Net premium income** | **947** | **831** | **640** | **-** | **1,471** | **-** | **-** | **2,418** |
| Fee and commission income | 22 | 47 | - | 19 | **66** | 103 | -44 | **147** |
| Fee and commission expense | - | 1 | - | 10 | **11** | 63 | -44 | **30** |
| **Net fee and commission income** | **22** | **46** | **-** | **9** | **55** | **40** | **-** | **117** |
| Share in result of associates | - | - | 1 | - | **1** | - | - | **1** |
| Investment income | 541 | 769 | 23 | - | **792** | - | -14 | **1,319** |
| Investment income for account of policyholders | 256 | 392 | - | - | **392** | - | - | **648** |
| Result on financial instruments | -73 | -56 | 1 | - | **-55** | - | - | **-128** |
| **Total income** | **1,693** | **1,982** | **665** | **9** | **2,656** | **40** | **-14** | **4,375** |
| **Expenses** | | | | | | | | |
| Technical claims and benefits | 989 | 701 | 444 | - | **1,145** | - | - | **2,134** |
| Charges for account of policyholders | 445 | 682 | - | - | **682** | - | - | **1,127** |
| Acquisition costs for insurance activities | 5 | 30 | 143 | - | **173** | - | - | **178** |
| Staff costs | 114 | 146 | 120 | 8 | **274** | 22 | - | **410** |
| Depreciation and amortisation of non-current assets | 1 | 1 | 6 | 12 | **19** | - | - | **20** |
| Other operating expenses | 27 | 17 | 24 | -4 | **37** | 10 | - | **74** |
| Impairment losses | -2 | 26 | 32 | - | **58** | - | - | **56** |
| Other interest expenses | 22 | 215 | 4 | 7 | **226** | - | -14 | **234** |
| Other expenses | - | 1 | - | - | **1** | - | - | **1** |
| **Total expenses** | **1,601** | **1,819** | **773** | **23** | **2,615** | **32** | **-14** | **4,234** |
| **Result before taxation** | **92** | **163** | **-108** | **-14** | **41** | **8** | **-** | **141** |
| Taxation | 23 | 43 | -27 | -9 | **7** | 2 | - | **32** |
| **Net result continued operations** | **69** | **120** | **-81** | **-5** | **34** | **6** | **-** | **109** |

*1 In the segment REAAL Other eliminations have been included between REAAL Life, REAAL Non-life and REAAL Other.*

## Statement of profit or loss by segment 2014

| In € millions | Zwitserleven | REAAL Life | REAAL Non-life | REAAL[1] Other | REAAL Total | ACTIAM | Elimination | Total |
|---|---|---|---|---|---|---|---|---|
| **Income** | | | | | | | | |
| Premium income | 1,253 | 1,093 | 759 | - | **1,852** | - | - | **3,105** |
| Reinsurance premiums | 2 | 159 | 46 | - | **205** | - | - | **207** |
| **Net premium income** | **1,251** | **934** | **713** | **-** | **1,647** | **-** | **-** | **2,898** |
| Fee and commission income | 13 | 52 | - | 12 | **64** | 46 | -23 | **100** |
| Fee and commission expense | - | 1 | - | 15 | **16** | 14 | -15 | **15** |
| **Net fee and commission income** | **13** | **51** | **-** | **-3** | **48** | **32** | **-8** | **85** |
| Share in result of associates | - | - | 1 | - | **1** | - | - | **1** |
| Investment income | 643 | 781 | 38 | 23 | **842** | 1 | -17 | **1,469** |
| Investment income for account of policyholders | 1,666 | 493 | - | - | **493** | - | - | **2,159** |
| Result on financial instruments | -108 | 30 | - | - | **30** | - | - | **-78** |
| **Total income** | **3,465** | **2,289** | **752** | **20** | **3,061** | **33** | **-25** | **6,534** |
| **Expenses** | | | | | | | | |
| Technical claims and benefits | 2,501 | 978 | 586 | - | **1,564** | - | - | **4,065** |
| Charges for account of policyholders | 1,594 | 735 | - | - | **735** | - | - | **2,329** |
| Acquisition costs for insurance activities | 10 | 36 | 169 | - | **205** | - | - | **215** |
| Staff costs | 68 | 83 | 71 | 3 | **157** | 9 | - | **234** |
| Depreciation and amortisation of non-current assets | 1 | 5 | 7 | 2 | **14** | - | - | **15** |
| Other operating expenses | 61 | 77 | 61 | 7 | **145** | 7 | - | **213** |
| Impairment losses | 20 | 3 | 1 | -3 | **1** | - | - | **21** |
| Other interest expenses | 27 | 238 | 4 | 9 | **251** | 3 | -25 | **256** |
| Other expenses | - | 1 | - | - | **1** | - | - | **1** |
| **Total expenses** | **4,282** | **2,156** | **899** | **18** | **3,073** | **19** | **-25** | **7,349** |
| **Result before taxation** | **-817** | **133** | **-147** | **2** | **-12** | **14** | **-** | **-815** |
| Taxation | -204 | 33 | -37 | 2 | **-2** | 3 | - | **-203** |
| **Net result continued operations** | **-613** | **100** | **-110** | **-** | **-10** | **11** | **-** | **-612** |

*1 In the segment REAAL Other eliminations have been included between REAAL Life, REAAL Non-life and REAAL Other.*

# 7.5 Additional notes to the consolidated financial statements

## 42 Financial instruments

### Fair value of financial assets and liabilities

The table below shows the fair value of VIVAT's financial assets and liabilities. It only shows the financial assets and financial liabilities and does not include items that do not meet the definition of a financial asset or liability. The total fair value shown below does not represent the carrying amount for VIVAT and should not be interpreted as such.

**Value of financial assets and liabilities**

| | Fair value | Carrying amount | Fair value | Carrying amount |
|---|---|---|---|---|
| In € millions | 2015 | 2015 | 2014 | 2014 |
| Financial assets | | | | |
| Investments | | | | |
| - Fair value through profit or loss: designated | 161 | 161 | 225 | 225 |
| - Available for sale | 28,683 | 28,683 | 27,471 | 27,471 |
| - Loans and receivables | 6,966 | 6,807 | 7,082[1] | 6,892 |
| - Mortgages | 2,154 | 1,840 | 2,340 | 2,060 |
| Investments for account of policyholders | 14,377 | 14,377 | 14,567 | 14,559 |
| Derivatives | 641 | 641 | 846 | 846 |
| Loans and advances to banks | 298 | 236 | 379 | 321 |
| Other assets | 542 | 542 | 479 | 479 |
| Cash and cash equivalents | 300 | 300 | 428 | 428 |
| **Total financial assets** | **54,122** | **53,587** | **53,817** | **53,281** |
| Financial liabilities | | | | |
| Subordinated debt | 884 | 884 | 887[2] | 887 |
| Derivatives | 163 | 163 | 169 | 169 |
| Amounts due to banks | 1,378 | 1,378 | 1,754 | 1,754 |
| Other liabilities | 5,920 | 5,920 | 6,290 | 6,290 |
| **Total financial liabilities** | **8,345** | **8,345** | **9,100** | **9,100** |

*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 € 7,140 million and € 321 million respectively.*

*2 In 2014, the subordinated debt included fair value hedge adjustment. This has been adjusted. The fair value of subordinated debt in the 2014 annual report amounted to € 937 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 VIVAT, differentiated by maturity and type of instrument.

### Amounts due to banks

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

### Other liabilities

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

## Hierarchy in determining the fair value of financial instruments

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

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

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

### Level 2 – Fair value based on observable inputs

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

### Level 3 – Fair value not based on observable market data

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

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

## Hierarchy financial instruments 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 | 28,683 | 26,432 | 1,541 | 710 | **28,683** |
| Investments for account of policyholders | 14,377 | 13,891 | 120 | 366 | **14,377** |
| Derivatives | 641 | - | 637 | 4 | **641** |
| **Total** | **43,862** | **40,323** | **2,437** | **1,102** | **43,862** |
| | | | | | |
| **Financial assets not measured at fair value** | | | | | |
| Mortgages | 1,840 | - | - | 2,154 | **2,154** |
| Investments loans and advances | 6,807 | - | 6,907 | 59 | **6,966** |
| Loans and advances to banks | 236 | - | - | - | **-** |
| Other assets | 542 | - | - | - | **-** |
| Cash and cash equivalents | 300 | - | - | - | **-** |
| | | | | | |
| **Financial liabilities measured at fair value** | | | | | |
| Derivatives | 163 | - | 102 | 61 | **163** |
| | | | | | |
| **Financial liabilities not measured at fair value** | | | | | |
| Subordinated debt | 884 | 495 | 389 | - | **884** |
| Amounts due to banks | 1,378 | - | - | - | **-** |
| Other liabilities | 5,920 | - | - | - | **-** |

## 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 | 27,471 | 25,590 | 1,315 | 566 | **27,471** |
| Investments for account of policyholders | 14,559 | 14,069 | 120 | 378 | **14,567** |
| Derivatives | 846 | - | 843 | 3 | **846** |
| **Total** | **43,101** | **39,659** | **2,479** | **971** | **43,109** |
| | | | | | |
| **Financial assets not measured at fair value** | | | | | |
| Mortgages | 2,060 | - | - | 2,348 | **2,348** |
| Investments loans and advances | 6,892 | - | 7,003 | 79 | **7,082** |
| Loans and advances to banks | 321 | - | - | - | **-** |
| Other assets | 479 | - | - | - | **-** |
| Cash and cash equivalents | 428 | - | - | - | - |
| | | | | | |
| **Financial liabilities measured at fair value** | | | | | |
| Derivatives | 169 | - | 121 | 48 | **169** |
| | | | | | |
| **Financial liabilities not measured at fair value** | | | | | |
| Subordinated debt | 887 | 485 | 452 | - | **937** |
| Amounts due to banks | 1,754 | - | - | - | **-** |
| Other liabilities | 6,290 | - | - | - | **-** |

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 | 24 | 566 | **922** |
| | | | | | |
| Transfer to level 3 | - | - | 5 | 62 | **67** |
| Realised gains or losses recognised in profit or loss | - | - | - | 32 | **32** |
| Unrealised gains or losses recognised in profit or loss | -13 | - | -2 | - | **-15** |
| Unrealised gains or losses recognised in other comprehensive income | 2 | - | - | -25 | **-23** |
| Purchase/acquisition | - | 16 | - | 286 | **302** |
| Sale/settlements | - | -33 | -5 | -214 | **-252** |
| Other | - | 6 | - | 3 | **9** |
| Transfer from level 3 | -1 | - | - | - | **-1** |
| **Balance as at 31 December** | **-58** | **367** | **22** | **710** | **1,041** |
| Total gains and losses included in profit or loss | - | - | -2 | 32 | 30 |

## 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 | 691 | **1,116** |
| | | | | | |
| Transfer to level 3 | -46 | - | 11 | 8 | **-27** |
| Realised gains or losses recognised in profit or loss | - | 9 | -1 | 21 | **29** |
| Unrealised gains or losses recognised in profit or loss | - | 6 | - | -4 | **2** |
| Unrealised gains or losses recognised in other comprehensive income | - | - | - | 9 | **9** |
| Purchase/acquisition | - | 9 | - | 73 | **82** |
| Sale/settlements | - | -20 | -1 | -226 | **-247** |
| Other | - | - | | 1 | **1** |
| Transfer from level 3 | - | -36 | - | -7 | **-43** |
| **Balance as at 31 December** | **-46** | **379** | **23** | **566** | **922** |
| Total gains and losses included in profit or loss | - | 9 | -1 | 21 | 29 |

### Breakdown of level 3 financial instruments

| In € millions | 2015 | 2014 |
|---|---|---|
| Bonds issued by financial institutions | 49 | 64 |
| Collateralised debt obligation | 354 | 147 |
| Collateralised loan obligation | 4 | 12 |
| Equities | 325 | 366 |
| Derivatives | -58 | -46 |
| Investments for account of policyholders | 367 | 379 |
| **Total** | **1,041** | **922** |

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) | - | - | 67 | **67** |
| 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, € 67 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 | 641 | - | **641** | 150 | 492 | - | **-1** |
| **Total financial assets** | **641** | **-** | **641** | **150** | **492** | **-** | **-1** |
| | | | | | | | |
| *Financial liabilities* | | | | | | | |
| Derivatives | 163 | - | **163** | 24 | 139 | - | **-** |
| Amounts due to banks | 1,378 | - | **1,378** | 231 | - | - | **1,147** |
| **Total financial liabilities** | **1,541** | **-** | **1,541** | **255** | **139** | **-** | **1,147** |

### 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 | 1,754 | - | **1,754** | - | - | 260 | **1,494** |
| **Total financial liabilities** | **1,924** | **-** | **1,924** | **52** | **117** | **260** | **1,494** |

## 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 | - | -302 | - | -98 | -472 | **-872** |
| Other liabilities[1] | -4,627[2] | -1 | -72 | -38 | -188 | **-4,926** |
| Amounts due to banks | -380 | -266 | -18 | -130 | -584 | **-1,378** |
| **Total** | **-5,007** | **-569** | **-90** | **-266** | **-1,244** | **-7,176** |

1 *Excluding debt in relation to direct insurance.*

2 *The other liabilities also 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 | - | - | -64 | -341 | -2,509 | **-2,914** |
| Other liabilities[1] | -1,502 | -113 | -938 | -1,127 | -1,548 | **-5,228** |
| Amounts due to banks | -438 | -285 | -305 | -324 | -402 | **-1,754** |
| **Total** | **-1,940** | **-398** | **-1,307** | **-1,792** | **-4,459** | **-9,896** |

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 | - | - | - | -19 | -144 | **-163** |
| Currency contracts | - | | - | - | - | |
| **Total** | **-** | | **-** | **-19** | **-144** | **-163** |

### 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.

## 43 Hedging and hedge **accounting**

VIVAT 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 VIVAT 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 | 1,987 | 603 | 9,389 | **11,979** | 322 | -142 |
| - Options | 1,513 | 3,595 | 5,936 | **11,044** | 307 | -21 |
| Currency contracts | | | | | | |
| - Swaps | 152 | - | - | **152** | 11 | - |
| - Forwards | 202 | - | - | **202** | 1 | - |
| **Total** | **3,854** | **4,198** | **15,325** | **23,377** | **641** | **-163** |

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 | 5,876 | **5,979** | 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** | **11,970** | **18,303** | **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

VIVAT 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

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

**Hedging interest rate risk on subordinated debt**
VIVAT hedges the interest rate risk in the subordinated debt using interest rate swaps.

### Cashflow hedges

**Hedging interest rate risk in future reinvestments**
VIVAT 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**
VIVAT uses inflation swaps to hedge the inflation risk in the government bonds.

## 44 List of principal subsidiaries

### Overview of principal subsidiaries

| Name | Country of incorporation and place of business | Nature of business or industry | Proportion of ordinary shares directly held by parent (%) | Proportion of ordinary shares directly held by the group (%) | Proportion of ordinary shares directly held by non-controlling interests (%) |
|---|---|---|---|---|---|
| SRLEV NV | Alkmaar | Insurance | 100 | 100 | - |
| Reaal Schadeverzekeringen NV | Zoetermeer | Insurance | 100 | 100 | - |
| Proteq Levensverzekeringen NV | Alkmaar | Insurance | 100 | 100 | - |
| Fnidsen Beheer BV | Utrecht | Holding and brokerage | 100 | 100 | - |
| Bemiddelingskantoor Nederland BV (formerly: SNS Verzekeringen BV) | Zoetermeer | Insurance | 100 | 100 | - |
| Zwitserleven PPI NV | Utrecht | Pensions | 100 | 100 | - |
| ACTIAM NV | Utrecht | Asset management | 100 | 100 | - |
| SNS Investment Funds | divers | Investment management | range | range | range |
| ACTIAM Index Funds | divers | Investment management | range | range | range |

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** | | | |
| Intangible assets | 1 | 17 | 24 |
| Property and equipment | 2 | 21 | 29 |
| Subsidiaries | 3 | 3,315 | 2,584 |
| Receivables from subsidiaries | 4 | 554 | 16 |
| Investments | 5 | 130 | 6 |
| Deferred tax assets | | 22 | 6 |
| Corporate income tax | | 1 | - |
| Other assets | 6 | 10 | 3 |
| Cash and cash equivalents | 7 | 73 | 15 |
| **Total assets** | | **4,143** | **2,683** |
| | | | |
| **Equity and liabilities** | | | |
| Issued share capital[2] | | - | - |
| Share premium reserve | | 4,261 | 2,911 |
| Statutory reserves associates | | 120 | 146 |
| Other reserves | | -1,039 | -430 |
| Retained earnings | | 109 | -612 |
| **Shareholders' equity** | **8** | **3,451** | **2,015** |
| Subordinated debt | 9 | 207 | 207 |
| **Capital base** | | **3,658** | **2,222** |
| Provision for employee benefits | 10 | 350 | 8 |
| Other provisions | 11 | 32 | 9 |
| Amounts due to banks | 12 | - | 250 |
| Corporate income tax | | - | 37 |
| Other liabilities | 13 | 103 | 157 |
| **Total equity and liabilities** | | **4,143** | **2,683** |

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 VIVAT NV is € 238,500.*

## 8.2 Company statement of **profit** or loss

| In € millions | **2015** | 2014 |
|---|---|---|
| Result on subsidiaries after taxation | 124 | -582 |
| Other results after taxation | -15 | -30 |
| **Net result for the period** | **109** | **-612** |

# 9 Notes to the company financial statements

## 9.1 Accounting policies for the company financial statements

VIVAT 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.

The list referred to in Sections 379 and 414 of Book 2 of the Dutch Civil Code has been filed with the Trade Register of the Chamber of Commerce of Utrecht.

Subsidiaries are companies and other entities in which VIVAT NV has the power, directly or indirectly, to govern the financial and operating policies and that are controlled by VIVAT 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 VIVAT 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. A situation in which a closed SRLEV NV portfolio is managed could also affect the financing structure and the terms attaching to the loans from VIVAT NV group companies (see Section 7.1.2 of the consolidated financial statements).

Cash and cash equivalents include amounts held at banks that are available on demand.

## 9.2 Notes to the company financial statements

## 1 Intangible assets

### Breakdown of intangible assets

| In € millions | 2015 | 2014 |
|---|---|---|
| Goodwill | 17 | 17 |
| Software | - | 7 |
| **Total** | **17** | **24** |

### Statement of changes in intangible assets 2015

| In € millions | Goodwill | Software | Total |
|---|---|---|---|
| Accumulated acquisition costs | 17 | - | **17** |
| Accumulated amortisation and impairments | - | - | **-** |
| **Balance as at 31 December** | **17** | **-** | **17** |
| Balance as at 1 January | 17 | 7 | **24** |
| Changes in the composition of group companies | - | -6 | **-6** |
| Amortisation capitalised costs | - | -1 | **-1** |
| **Balance as at 31 December** | **17** | **-** | **17** |

The goodwill of € 17 million relates to the acquisition of ACTIAM NV in 2014. For more information about the goodwill please refer to Note 1 Intangible assets of the consolidated financial statements.

The changes in the composition of group companies consists of the transferring from VIVAT NV to Reaal Schadeverzekeringen NV.

### Statement of changes in intangible assets 2014

| In € millions | Goodwill | Software | Total |
|---|---|---|---|
| Accumulated acquisition costs | 17 | 9 | **26** |
| Accumulated amortisation and impairments | - | -2 | **-2** |
| **Balance as at 31 December** | **17** | **7** | **24** |
| Balance as at 1 January | - | 7 | **7** |
| Purchases | 17 | 2 | **19** |
| Amortisation capitalised costs | - | -1 | **-1** |
| Amortisation purchases | - | -1 | **-1** |
| **Balance as at 31 December** | **17** | **7** | **24** |

## 2 Property and equipment

### Breakdown of property and equipment

| In € millions | 2015 | 2014 |
|---|---|---|
| Land and buildings for own use | - | - |
| IT equipment | 12 | 19 |
| Other assets | 9 | 10 |
| **Total** | **21** | **29** |

### Statement of changes in property and equipment 2015

| In € millions | Land and buildings | IT equipment | Other assets | Total |
|---|---|---|---|---|
| Accumulated acquisitions costs | 2 | 23 | 11 | **36** |
| Accumulated depreciation and impairments | -2 | -11 | -2 | **-15** |
| **Balance as at 31 December** | **-** | **12** | **9** | **21** |
| Balance as at 1 January | - | 19 | 10 | **29** |
| Reclassification | -2 | - | 1 | **-1** |
| Investments | 2 | 4 | - | **6** |
| Depreciation | - | -11 | -2 | **-13** |
| **Balance as at 31 December** | **-** | **12** | **9** | **21** |

### Statement of changes in property and equipment 2014

| In € millions | Land and buildings | IT equipment | Other assets | Total |
|---|---|---|---|---|
| Accumulated acquisitions costs | 9 | 20 | 15 | **44** |
| Accumulated depreciation and impairments | -9 | -1 | -5 | **-15** |
| **Balance as at 31 December** | **-** | **19** | **10** | **29** |
| Balance as at 1 January | 7 | - | 27 | **34** |
| Reclassification | -9 | - | 9 | **-** |
| Investments | 2 | - | - | **2** |
| Depreciation | - | -1 | -5 | **-6** |
| Changes in the composition of group companies | - | 20 | -21 | **-1** |
| **Balance as at 31 December** | **-** | **19** | **10** | **29** |

In 2014, SNS REAAL NV transferred data processing equipment for the amount of € 20 million to VIVAT NV at carrying amount and VIVAT NV transferred other assets worth € 21 million to SNS Bank NV at carrying amount in the context of the changes in group structure and the associated disentanglement of SNS REAAL NV.

## 3 Subsidiaries

### Statement of changes in subsidiaries

| In € millions | 2015 | 2014 |
|---|---|---|
| Balance as at 1 January | 2,584 | 3,154 |
| Purchases and expansions | - | 39 |
| Capital issue | 645 | 4 |
| Revaluations | -24 | -17 |
| Result | 124 | -582 |
| Dividend received | -14 | -14 |
| **Balance as at 31 December** | **3,315** | **2,584** |

VIVAT NV received the capital injection of € 1.35 billion 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 and € 200 million to Reaal Schadeverzekeringen NV.

## 4 Receivables from subsidiaries

### Breakdown of receivables from subsidiaries

| In € millions | 2015 | 2014 |
|---|---|---|
| Loans | 220 | - |
| Reimbursement right to SRLEV NV | 304 | - |
| Receivables | 30 | 16 |
| **Total** | **554** | **16** |

Reference is made to Note 15 Related parties to the company financial statements for more details about the granted loans of € 220 million and the reimbursement right to SRLEV NV.

## 5 Investments

### Breakdown of investments

| In € millions | 2015 | 2014 |
|---|---|---|
| Investments available for sale | 130 | 1 |
| Loans and receivables | - | 5 |
| **Total** | **130** | **6** |

### Investments available for sale

| In € millions | 2015 | 2014 |
|---|---|---|
| Balance as at 1 January | 1 | 1 |
| Purchases and advances | 600 | - |
| Disposals and redemptions | -471 | - |
| **Balance as at 31 December** | **130** | **1** |

The investments available for sale concern investments in unlisted shares and similar investments. The cost of the investments at 31 December 2015 is € 130 million.

### Statement of changes in loans and receivables

| In € millions | 2015 | 2014 |
|---|---|---|
| Balance investments as at 1 January | 5 | 8 |
| Changes in the composition of group companies | -5 | 5 |
| Disposals and redemptions | - | -8 |
| **Total** | **-** | **5** |

# 6 Other assets

### Breakdown of other assets

| In € millions | 2015 | 2014 |
|---|---|---|
| Other accrued assets | 3 | 3 |
| Other | 7 | - |
| **Total** | **10** | **3** |

# 7 Cash and cash equivalents

### Breakdown of cash and cash equivalents

| In € millions | 2015 | 2014 |
|---|---|---|
| Short-term bank balances | 73 | 1 |
| Short-term bank balances from associated companies | - | 14 |
| **Total** | **73** | **15** |

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 | Statutory reserves associates | Other reserves | Retained earnings | Equity attributable to shareholders |
|---|---|---|---|---|---|---|
| **Balance as at 1 January 2015** | **-** | **2,911** | **146** | **-430** | **-612** | **2,015** |
| Transfer of 2014 net result | - | - | - | -612 | 612 | **-** |
| **Transfers 2014** | **-** | **2,911** | **146** | **-1,042** | **-** | **2,015** |
| Unrealised revaluations from cash flow hedges | - | - | -18 | - | - | **-18** |
| Deferred interest income from cash flow hedges | - | - | - | - | - | **-** |
| Unrealised revaluations | - | - | -360 | - | - | **-360** |
| Impairments | - | - | -13 | - | - | **-13** |
| Realised revaluations through profit or loss | - | - | -112 | - | - | **-112** |
| Change in profit-sharing reserve | - | - | 88 | - | - | **88** |
| Change in shadow accounting | - | - | 390 | - | - | **390** |
| **Amounts charged directly to equity** | **-** | **-** | **-26** | **3** | **-** | **-23** |
| Net result 2015 | - | - | - | - | 109 | **109** |
| **Total result 2015** | **-** | **-** | **-26** | **3** | **109** | **86** |
| Capital issue | - | 1,350 | - | - | - | **1,350** |
| **Transactions with shareholders** | **-** | **1,350** | **-** | **-** | **-** | **1,350** |
| **Total changes in equity 2015** | **-** | **1,350** | **-26** | **3** | **109** | **1,436** |
| **Balance as at 31 December 2015** | **-** | **4,261** | **120** | **-1,039** | **109** | **3,451** |

### Statement of changes in equity 2014

| In € millions | Issued share capital | Share premium reserve | Statutory reserves associates | Other reserves | Retained earnings | Equity attributable to shareholders |
|---|---|---|---|---|---|---|
| **Balance as at 1 January 2014** | **-** | **2,855** | **163** | **195** | **-625** | **2,588** |
| Transfer of 2013 net result | - | - | - | -625 | 625 | **-** |
| **Transfers 2013** | **-** | **-** | **-** | **-625** | **625** | **-** |
| Unrealised revaluations from cash flow hedges | - | - | 116 | - | - | **116** |
| Deferred interest income from cash flow hedges | - | - | 1 | - | - | **1** |
| Unrealised revaluations | - | - | 2,668 | - | - | **2,668** |
| Impairments | - | - | 3 | - | - | **3** |
| Realised revaluations through profit or loss | - | - | -211 | - | - | **-211** |
| Change in profit-sharing reserve | - | - | -476 | - | - | **-476** |
| Change in shadow accounting | - | - | -2,118 | - | - | **-2,118** |
| **Amounts charged directly to equity** | **-** | **-** | **-17** | **-** | **-** | **-17** |
| Net result 2014 | - | - | - | - | -612 | **-612** |
| **Total result 2014** | **-** | **-** | **-17** | **-** | **-612** | **-629** |
| Capital issue | - | 56 | - | - | - | **56** |
| **Transactions with shareholders** | **-** | **56** | **-** | **-** | **-** | **56** |
| **Total changes in equity 2014** | **-** | **56** | **-17** | **-625** | **13** | **-573** |
| **Balance as at 31 December 2014** | **-** | **2,911** | **146** | **-430** | **-612** | **2,015** |

## Issued share capital

The issued share capital has been fully paid-up and consists of ordinary shares with a nominal value of € 500 each. 477 ordinary shares had been issued at 31 December 2015 (2014: 477).

### Breakdown of issued share capital

| | Number of ordinary shares | | Amount of ordinary shares (in € thousands) | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| Authorised share capital | 2,385 | 2,385 | 1,193 | 1,193 |
| Share capital in portfolio | 1,908 | 1,908 | 954 | 954 |
| **Issued share capital as at 31 December** | **477** | **477** | **239** | **239** |

### Statement of changes in issued share capital

| | Ordinary shares | |
|---|---|---|
| In numbers | **2015** | 2014 |
| Outstanding as at 1 January | 477 | 477 |
| **Outstanding as at 31 December** | **477** | **477** |

## 9 Subordinated debt

### Breakdown of subordinated debt

| In € millions | **2015** | 2014 |
|---|---|---|
| Private loans | 207 | 207 |
| **Total** | **207** | **207** |

Subordinated private loans comprise a perpetual loan of € 207 million. The loan were issued by SNS REAAL NV and have an average interest rate of 6.3% (2014: 6.3%). The earliest repayment date is 17 July 2017 for the loan of € 207 million. At the beginning of 2016 € 63 million of the perpetual loan of € 207 million had been repaid.

## 10 Provision for employee **benefits**

### Specification provision for employee benefits

| In € millions | **2015** | 2014 |
|---|---|---|
| Pension commitments | 331 | - |
| Other employee commitments | 19 | 8 |
| **Total** | **350** | **8** |

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 16 Provision for employee benefits of the consolidated financial statements.

Other employee commitments consist mostly of discounts granted for bank and insurance products to (former) employees after the date of their retirement.

## 11 Other provisions

### Breakdown of other provisions

| In € millions | **2015** | 2014 |
|---|---|---|
| Restructuring provision | 32 | 9 |
| Other provisions | - | - |
| **Total** | **32** | **9** |

### Statement of changes in other provisions

| | Restructuring provision | |
|---|---|---|
| In € millions | 2015 | 2014 |
| Balance as at 1 January | 9 | 14 |
| Additions | 42 | 1 |
| Withdrawal | -19 | -9 |
| **Balance as at 31 December** | **32** | **9** |

## 12 Amounts due to banks

### Time to maturity amounts due to banks

| In € millions | 2015 | 2014 |
|---|---|---|
| < 1 year | - | 250 |
| **Total** | **-** | **250** |

The loan from SNS Bank NV to VIVAT NV (31 December 2014: € 250 million) bears an interest rate of 2.52% per annum. VIVAT NV has provided the shares in SRLEV NV, Reaal Schadeverzekeringen NV and Proteq Levensverzekeringen NV as collateral to SNS Bank NV. The loan has been fully repaid by VIVAT NV on 29 December 2015 and therefore the shares are uncollateralised since that date.

## 13 Other liabilities

### Breakdown of other liabilities

| In € millions | 2015 | 2014 |
|---|---|---|
| Debts to subsidiaries | 21 | 110 |
| Debts to associated companies | - | 20 |
| Accrued interest to associated companies | - | 6 |
| Accrued interest | 18 | - |
| Other taxes | 14 | - |
| Other liabilities | 50 | 21 |
| **Total** | **103** | **157** |

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 in 2014. The facility has been terminated and the loans were repaid fully in 2015.

## 14 Off balance sheet commitments

VIVAT NV has provided a statement in accordance with section 2:403 of the Dutch Civil Code (Burgerlijk Wetboek) in relation to its (indirect) subsidiaries Bemiddelingskantoor Nederland BV, Volmachtkantoor Nederland BV, Proteq Levensverzekeringen NV and Reaal Schadeverzekeringen NV, pursuant to which VIVAT NV declares itself to be jointly and severally liable for the legal acts performed by aforementioned entities. The 403-statement provided in relation to SRLEV NV was revoked as per 6 November 2015.

## 15 Related parties

### Intra-group balances between VIVAT NV and subsidiaries

| In € millions | 2015 | 2014 |
|---|---|---|
| **Positions** | | |
| Receivables | 29 | 16 |
| Reimbursement right to SRLEV NV | 304 | - |
| Loans | 220 | - |
| Other amounts due to customers | - | 105 |
| Other liabilities | 21 | 5 |
| | | |
| **Transactions** | | |
| Movements receivables | 13 | -265 |
| Movements reimbursement right | 304 | - |
| Movements loans | 220 | - |
| Movements amounts due to customers | -105 | 105 |
| Movements other liabilities | 16 | -76 |
| Interest expense | 2 | - |
| Other expenses | 385 | 350 |

For details on VIVAT NV's related parties, see Note 21 Related parties of the consolidated financial statements.

### Significant intra-group balances between VIVAT NV and its subsidiaries

**New intra-group balances**

- On 29 December 2015, VIVAT NV granted a loan to Reaal Schadeverzekeringen NV in the amount of € 80 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;
- 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;
- A reimbursement right exists of VIVAT NV at SRLEV NV in the amount of € 304 million, as a result of VIVAT's defined benefit pension liabilities, largely reinsured at SRLEV NV.

**Terminated intra-group balances**

- 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.

## 16 Audit fees

KPMG Accountants NV and other KPMG lines of service charged the following fees pursuant to Section 382a(3) of Book 2 of the Dutch Civil Code to VIVAT, its subsidiaries and other consolidated entities in 2015.

| | KPMG Accountants NV | | Other KPMG Netherlands Subsidiaries | | Total | |
|---|---|---|---|---|---|---|
| In € thousands | **2015** | 2014 | **2015** | 2014 | **2015** | **2014** |
| Examination of the financial statements, including the audit of the statutory financial statements and other statutory audits of subsidiaries and other consolidated companies | 1,536 | 1,641 | - | - | **1,536** | **1,641** |
| Other audit services | 1,237 | 1,177 | - | - | **1,237** | **1,177** |
| Tax advisory services | - | - | - | - | - | - |
| Other non-audit services | - | - | - | - | - | - |
| **Total** | **2,773** | **2,818** | - | - | **2,773** | **2,818** |

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 24 Post balance sheet events of the consolidated financial statements.

## 10.2 Provisions regarding appropriation of profit or loss

Profit for 2015: € 109 million.

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

**Article 41**

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

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

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

**Article 42**

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

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

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

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

### 10.2.2 Result appropriation

The result for 2015 will be added to the retained earnings reserve of VIVAT NV.

# Independent auditor's report

To: the General Meeting of Shareholders and Supervisory Board of VIVAT 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 VIVAT 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 VIVAT 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 VIVAT 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 VIVAT 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 30 million
- 0.9% of Equity of EUR 3,451 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 investment insurance policies

### *Materiality*

Misstatements can arise from fraud or errors 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 30 million (2014: EUR 30 million). The materiality is determined with reference to VIVAT'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 1.5 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*

VIVAT 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.

Our group audit mainly focused on group entities that are significant in the context of the financial statements.

As group auditor, we included the two largest insurance entities, SRLEV N.V. and Reaal Schadeverzekeringen N.V., in the audit scope for consolidation purposes given their significance, resulting in a coverage of 99% of total assets and 99% of profit before tax. The group audit team performed the audit of these two entities. We, as 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 entities, amongst others, analytical procedures to corroborate our assessment that there are no significant risks of material misstatement.

By performing the procedures mentioned above for the two significant insurance entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the 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**<br>The company's weak solvency position as of 31 December 2014 was strengthened after the transfer of ownership 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. 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.<br><br>The new Executive Board of VIVAT publicly announced the 'strategic review' on 1 February 2016 with the strategic priorities of VIVAT for 2016-2018, with amongst others the purpose of improving the future profitability and future outlook of VIVAT.<br><br>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.<br><br>The sale related events and strategic review has been disclosed in section 4.1 of the Executive Board report and section 24 of the financial statements. |
| **Our response**<br>We analysed the conditions of the sale and purchase contract and DNO. We verified the capital contribution at VIVAT 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. |

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| Accounting for sale related events and strategic review |
|---|
| 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;<br>• the recognition of measures related to announced redundancies of personnel based on IAS37; and<br>• the recognition of cost reduction targets in the cost projections in the best estimate of the Liability Adequacy Test based on IFRS 4.<br><br>Our procedures included assessing the adequacy of the related disclosures. |
| **Our observation**<br>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**<br>As disclosed in section 3 and section 5.8.4 of the Executive Board report, the composition of the Executive Board and governance of VIVAT 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, VIVAT 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**<br>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.<br>We evaluated the functioning of relevant committees having responsibilities for financial oversight, risk and reporting matters.<br><br>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.<br><br>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.<br><br>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**<br>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 |

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| Change in management and impact on internal control environment |
| --- |
| misstatement to an acceptable low level in light of the change in management in the context of our audit. |

| **Estimation uncertainty** regarding valuation of technical provisions |
| --- |
| **Description**<br>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, disability, 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).<br><br>In section 7.1.5 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.<br><br>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.<br>Given the significant influence of the outcomes of the Liability Adequacy Test on the financial performance, equity and solvency of VIVAT, the valuation of the technical provisions was a key matter in our audit. |
| **Our response**<br>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.<br><br>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.<br><br>Our procedures included assessing the adequacy of the related disclosures in the financial statements. |
| **Our observation**<br>Based on our procedures, we considered 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**<br>As disclosed in section 7.1.5 and section 7.3.15 of the financial statements VIVAT 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 |

| Application of shadow (loss) accounting |
|---|
| for accurate processing of eligible transactions. |
| **Our response**<br>We tested the internal control procedures regarding the accounting of the different shadow accounting policies applied by VIVAT. We verified whether the accounting applied was in accordance with the accounting policy. We evaluated management judgement and potential management bias in choices made to shadow accounting.<br>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.<br>Our procedures included assessing the adequacy of the shadow (loss) accounting disclosures. |
| **Our observation**<br>We observed that the application of shadow (loss) accounting has been consistently applied by VIVAT and to be acceptable in accordance with IFRS 4. The disclosure of the impact of shadow (loss) accounting in section 7.1.5 and 7.3.15 of the financial statements is in accordance with the requirements under EU-IFRS. |

| Uncertainty regarding compensation for investment insurance policies |
|---|
| **Description**<br>As disclosed in section 7.3.15 of the financial statements, as at 31 December 2015 a provision totalling EUR 46 million was recognised for compensation to holders of investment insurance policies for cost deductions. In Section 7.3.20 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.<br><br>Section 4.3.3 of the Executive Board report discloses the approach adopted by VIVAT towards compensation for investment insurance policies. |
| **Our response**<br>We reviewed management's analysis of the potential risks in the portfolio. In doing so, we considered the portfolio characteristics, the application of VIVAT'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 7.3.20 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**<br>Based on our procedures we considered the valuation of the provision for compensation to Investment insurance policyholders to be balanced. The disclosure regarding the contingent liabilities associated with the investment insurance policies in section 7.3.20 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

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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 VIVAT; for the 2015 financial statements the re-appointment was on 26 June 2015 by the Supervisory Board. We will no longer act as audit firm of VIVAT N.V. as of financial year 2016.

Amstelveen, 1 April 2016

KPMG Accountants N.V.

F.M. van den Wildenberg RA

# Additional information

## 1 GRI-table and Assurance report

### 1.1 GRI-table

| GRI code | Description | Cross-reference / explanatory notes |
|---|---|---|
| **Strategy and analysis** | | |
| G4-1 | Statement from the organisation's most senior decision-maker | 2 Foreword |
| **Organisationprofile** | | |
| G4-3 | Name of the organisation | 1 VIVAT at a glance |
| G4-4 | Primary brands, products and/or services | 1.3 Our brands |
| G4-5 | Location of the organisation's headquarters | Amstelveen |
| G4-6 | Number of countries where the organisation operates | The Netherlands |
| G4-7 | Nature of ownership and legal form | 7.1.1 General information |
| G4-8 | Sales markets | 1.3 Our brands<br>4.3.3 Value creation |
| G4-9 | Scale of the reporting organisation | Key figures |
| G4-10 | Composition of workforce | 4.5 Our people |
| G4-11 | Employees covered by collective bargaining agreements | 100% of the employees |
| G4-12 | Description of the organisation's supply chain | 4.3.2 Value creation<br>4.6.4 Sustainable purchasing |
| G4-13 | Significant changes during the reporting period | 1.1 General, 1.2 Developments |
| G4-14 | Explanation of the application of the precautionary principle by the reporting organisation | 5 Risk and capital management |
| G4-15 | Externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes | OECD guidelines - We undertake to encourage our suppliers and subcontractors to apply rules of conduct that are compatible with the guidelines which we endorse. We apply due diligence in the supply chain and combat corruption and anti-competitive practices in any form (including tax avoidance). In 2015 no significant incidences of corruption were reported. 100% of our significant suppliers have signed our sustainability declaration. If a supplier violates the sustainability declaration, we enter into a dialogue and seek ways for improvement. If improvements are not made, we have the option to terminate the contract.<br>International Labour Organisation (ILO) - By complying with these guidelines, we support effective measures to abolish child labour and eliminate any form of forced labour, we support the elimination of discrimination in employment and occupation and, within our sphere of influence, we support the freedom to join a trade union and effective recognition of the right to collective bargaining. |
| G4-16 | Memberships of associations (such as industry associations) and national and international advocacy organisations | Here is a selection of the organisations of which we are members:<br>Zwitserleven: PSI (UNEP Principles for Sustainable Insurance), VBDO (Association of Investors for Sustainable Investment), Verbond van Verzekeraars (Dutch Association of Insurers), CSR Netherlands, Dutch Dream Foundation, Swiss Life Network (International network of insurers who service multinational customers across borders) |

| GRI code | Description | Cross-reference / explanatory notes |
|---|---|---|
| | | Reaal: Keurmerk Klantgericht Verzekeren, Verbond van Verzekeraars (Dutch Association of Insurers), Stichting Weet Wat je Besteedt (Money Management for Young People Foundation), Stichting Geldinzicht (Financial Literacy Foundation), CSR Netherlands<br>ACTIAM: Dutch Fund and Asset Management Association (DUFAS), Extractive Industries<br>Transparency Initiative (EITI), European Sustainable X Investment Forum (EuroSIF), Global Impact Investing Network, NPM, Platform for Inclusive Finance, VBDO (Association of Investors for Sustainable Investment), Eumedion, UN Principles for Responsible Investment<br>Proteq Dier & Zorg:Partner of the Continuing Education Programme for Veterinary Surgeons<br>Facility Management: Dutch Facility Management Trade Association (FMN), Accommodation and Real Estate Department, VGP (Association of Volume Users of Postal Services), Association of Corporate Real Estate Management Executives (CREME), Corporate Real Estate Federation (CREF), Sustainable Accommodation Platform |
| **Material aspects and boundaries** | | |
| G4-17 | Overview of all entities which are included in the consolidated financial statements and which are not covered by this report | 7.1.1 General information<br>Additional information 2.5 About this report |
| G4-18 | Process for determining the contents and specific boundaries of the report and the principles applied in this connection | Additional information 2 Principles of non-financial reporting |
| G4-19 | Material aspects determined during the process to decide on the report's content | Additional information 2.2 Determination of materiality and stakeholder engagement |
| G4-20 | Boundary of each material aspect within the organisation | VIVAT is part of society and therefore is impacted by and has impact on its surroundings. Below, we have further clarified the boundary and scope per material topic:<br>- The topics*economic performance*and*compliance with laws and regulations*have most impact on our own operations as these safeguard our long-term viability of our business. This provides financial stability and the funds to pay out insurance claims, benefits and pensions in the long term.<br>- Also the impacts of the topics*employment practices* and*training & education*lay mostly within our own organisation. Our employees are our most important asset, as they are the people who put our mission and vision into practice.<br>- The impact of the*emissions*is mostly outside our organisation. As a financial service provider we have lower emissions than those in other sectors. However, our greatest impact lays in the scope 3 emissions and our*socially responsible investments.*Namely, we have almost €52 billion Assets under Management. We have different tools to influence behaviour and contribute to sustainability, such as impact investing, engagement (dialogues) extering our shareholder voting rights and exclusion.<br>-The impact of our*marketing communications, information about products & services, customer privacy*and*product responsiblility*are mostly outside our organisation as these greatly impact our customers. The essence of our operations and brands is the creation of value for our stakeholders and society at large. With these topics we aim to create sustainable customer relations. These relations are essential for all VIVAT brands to win back the trust of our customers. We forge sustainable customer relations by being fair and transparent in the way we do business. |
| G4-21 | Boundary of the material aspects outside the organisation | See G4-20 |
| G4-22 | Consequences of a possible restatement of information provided in previous reports and the reasons for such restatement | Additional information 2.5 About this report |
| G4-23 | Significant changes from previous reporting periods in the scope and aspect boundaries | Additional information 2.5 About this report<br>Additional information 2.2 Determination of materiality and stakeholder engagement |

| GRI code | Description | Cross-reference / explanatory notes |
|---|---|---|
| **Consultation with stakeholders** | | |
| G4-24 | List of stakeholder groups engaged by the organisation | 1.1 General<br>Additional information 2.2 Determination of materiality and stakeholder engagement |
| G4-25 | Basis for identification and selection of stakeholders | Additional information 2.2 Determination of materiality and stakeholder engagement |
| G4-26 | Approach to stakeholder engagement | Additional information 2.2 Determination of materiality and stakeholder engagement<br>Additional information 2.3 Stakeholder engagement |
| G4-27 | Key aspects and concerns that have been raised through stakeholder engagement | Additional information 2.2 Determination of materiality and stakeholder engagement<br>Additional information 2.3 Stakeholder engagement |
| **Reporting profile** | | |
| G4-28 | Reporting period for information provided | Additional information 2.5 About this report |
| G4-29 | Date of most recent previous report | 2014 calendar year. Report was published in April 2015 |
| G4-30 | Reporting cycle | Yearly |
| G4-31 | Contact point for questions regarding the report or its contents | Additional information 2.5 About this report |
| G4-32 | GRI application level and GRI table | Additional information 2.5 About this report |
| G4-33 | Policy on assurance | Additional information 2.5 About this report |
| **Governance structure** | | |
| G4-34 | The governance structure of the organisation | 1.1 General<br>Additional information 2.1 Organisation of Corporate Responsibility |
| **Ethics and integrity** | | |
| G4-56 | Description of the organisation's values, principles, standards and norms of behaviour, such as codes of conduct and codes of ethics | 5.3.1 Integrated Control Framework<br>G4-15 |
| **Material indicators that VIVAT reports according to GRI** | | |
| **Economic performance (G4 aspects: Economic performance)** | | |
| DMA | (a) State why the aspect is material and describe its impact. (b) Describe how the organisation deals with the material aspect and its impact. (c) Evaluation of the management approach. | 4.1 Strategic themes<br>4.2.4 SWOT analysis<br>5.8 Non-financial risks<br>5.9 Capital management<br>6 Consolidated financial statements<br>Additional information 2.2 Determination of materiality and stakeholder engagement |
| G4-EC1 | Direct economic value generated and distributed | Key figures, 6 Consolidated financial statements |
| **Energy** | | |
| DMA | (a) State why the aspect is material and describe its impact. (b) Describe how the organisation deals with the material aspect and its impact. (c) Evaluation of the management approach. | 4.2 Strategic themes<br>4.5 Our world<br>Additional information 3.2 Determination of materiality and stakeholder engagement |
| G4- EN3 | Energy consumption within the organisation | 4.5.1 CO2-reduction |
| **Emissions (G4 aspect: Emissions)** | | |
| DMA | (a) State why the aspect is material and describe its impact. (b) Describe how the organisation deals with the material aspect and its impact. (c) Evaluation of the management approach. | 4.1 Strategic themes<br>4.6 Our world<br>Additional information 2.2 Determination of materiality and stakeholder engagement |

| GRI code | Description | Cross-reference / explanatory notes |
|---|---|---|
| G4-EN15 | Direct emissions (Scope 1): GHG emissions, including quantity standard/ methods of measurement and conversion factor | 4.6.1 CO2-reduction |
| G4-EN16 | Indirect emissions (Scope 2) | 4.6.1 CO2-reduction |
| G4-EN17 | Other indirect emissions (Scope 3) | 4.6.1 CO2-reduction |
| **Employment practices (G4 aspect: Employment practices)** | | |
| DMA | (a) State why the aspect is material and describe its impact. (b) Describe how the organisation deals with the material aspect and its impact. (c) Evaluation of the management approach. | 4.1 Strategic themes<br>4.5 Our people<br>Additional information 2.2 Determination of materiality and stakeholder engagement |
| G4-LA1 | Total workforce and new employees and rate of employee turnover by age group and gender | 4.5 Our people |
| **Training and education (G4 aspect: Training and education)** | | |
| DMA | (a) State why the aspect is material and describe its impact. (b) Describe how the organisation deals with the material aspect and its impact. (c) Evaluation of the management approach. | 4.1 Strategic themes<br>4.5 Our people<br>Additional information 2.2 Determination of materiality and stakeholder engagement |
| G4-LA10 | Programmes for skills management and lifelong learning that support the continued employability of employees and assisting them in managing career endings | 4.5 Our people<br>4.5.1 Sustainable employability |
| **Compliance with laws and regulations (G4 aspect: Compliance with laws and regulations)** | | |
| DMA | (a) State why the aspect is material and describe its impact. (b) Describe how the organisation deals with the material aspect and its impact. (c) Evaluation of the management approach. | 3 Corporate Governance<br>4.1 Strategic themes<br>4.3.3 Restoration of trust<br>Additional information 2.2 Determination of materiality and stakeholder engagement<br>Additional information 2.4 Coherence & Connectivity CR Strategy |
| G4-SO8 | Significant fines and number of non-monetary sanctions for noncompliance with laws and regulations | 3 Corporate Governance<br>4.3.3 Restoration of trust<br>Additional information 2.4 Coherence & Connectivity CR Strategy |
| G4-PR9 | Significant fines for non-compliance with laws and regulations concerning the provision and use of products and services | 3 Corporate Governance<br>4.3.3 Restoration of trust<br>Additional information 2.4 Coherence & Connectivity CR Strategy |
| **Information about products and services (G4 aspect: Information about products and services)** | | |
| DMA | (a) State why the aspect is material and describe its impact. (b) Describe how the organisation deals with the material aspect and its impact. (c) Evaluation of the management approach. | 4.1 Strategic themes<br>4.3.3 Restoration of trust<br>4.4 Our brands<br>Additional information 2.2 Determination of materiality and stakeholder engagement |
| G4-PR5 | Results of surveys measuring customer satisfaction | 4.3.3 Restoration of trust<br>4.4 Our brands |
| **Marketing communication (G4 aspect: Marketing communication)** | | |
| DMA | (a) State why the aspect is material and describe its impact. (b) Describe how the organisation deals with the material aspect and its impact. (c) Evaluation of the management approach. | 4.1 Strategic themes<br>4.3.3 Restoration of trust<br>Additional information 2.2 Determination of materiality and stakeholder engagement<br>Additional information 2.4 Coherence & Connectivity CR Strategy |
| G4-PR7 | Number of incidents of non-compliance with regulations concerning marketing communications | 4.3.3 Restoration of trust<br>Additional information 2.4 Coherence & Connectivity CR Strategy |

| GRI code | Description | Cross-reference / explanatory notes |
| --- | --- | --- |
| **Customer privacy (G4 aspect: Customer privacy)** | | |
| DMA | (a) State why the aspect is material and describe its impact. (b) Describe how the organisation deals with the material aspect and its impact. (c) Evaluation of the management approach. | 4.1 Strategic themes<br>4.3.3 Restoration of trust<br>5.8.2 Risk management process<br>Additional information 2.2 Determination of materiality and stakeholder engagement<br>Additional information 2.4 Coherence & Connectivity CR Strategy |
| G4-PR8 | Number of substantiated complaints about breaches of customer privacy and losses of customer data | 4.3.3 Restoration of trust<br>5.8.2 Risk management process<br>Additional information 2.4 Coherence & Connectivity CR Strategy |
| **Product responsibility (Sector Supplement) (G4 aspect: Product responsibility)** | | |
| DMA | (a) State why the aspect is material and describe its impact. (b) Describe how the organisation deals with the material aspect and its impact. (c) Evaluation of the management approach. | 4.1 Strategic themes<br>4.4.6 ACTIAM<br>Additional information 2.2 Determination of materiality and stakeholder engagement |
| G4-FS8 | Monetary value of products and services designed to deliver an environmental benefit | 4.4 Our brands |
| **Other material objects that VIVAT reports, but are not included in GRI** | | |
| **Socially responsible investment** | | |
| DMA | (a) State why the aspect is material and describe its impact. (b) Describe how the organisation deals with the material aspect and its impact. (c) Evaluation of the management approach. | 4.1 Strategic themes<br>4.4.6 ACTIAM<br>Additional information 2.2 Determination of materiality and stakeholder engagement |
| | Policy and results of socially responsible investment | 4.4.6 ACTIAM |

KPMG

# Independent auditor's assurance-report

To the Readers of the Annual Report of VIVAT N.V.

## Our conclusion

We have reviewed the corporate responsibility information included in Chapter 4 and section 2 of the Additional Information ('Principles of non-financial reporting') – hereafter: the Report – as included in the annual report over the year 2015 of VIVAT N.V. (hereafter: VIVAT).

Based on our review, nothing has come to our attention to indicate that the Report is not presented, in all material respects, in accordance with GRI G4 guidelines and as defined on page 210 of the annual report.

## Our report on consistency

We report, to the extent we can assess, that the information on sustainability in the Report is consistent with the rest of VIVAT's 2015 annual report.

## Basis for our conclusion

We conducted our engagement in accordance with the Dutch Standard 3810N: "Assurance engagements relating to sustainability reports". We do not provide any assurance on the achievability of the objectives, targets and expectations of VIVAT.

Our responsibilities under Standard 3810N and procedures performed have been further specified in the paragraph titled "Our responsibility for the review of the Report.

We are independent of VIVAT in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO) and other relevant independence requirements in The Netherlands. Furthermore we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA).

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

## Key assurance matters

In Key assurance matters are those matters that, in our professional judgment, were of most significance in our review of the Report. We have communicated the key assurance matters to the Executive Board. The key assurance matters are not a comprehensive reflection of all matters discussed.

These assurance matters were addressed in the context of our review of the Report as a whole and in forming our conclusion thereon, and we do not provide a separate conclusion on these matters.

***Materiality assessment by the Executive Board***
*Identified risk* – The Executive Board of VIVAT has updated its analysis to identify CR topics which it considers material for the readers of the Report. The outcomes of this analysis have not been validated by stakeholders of VIVAT. Therefore there is a risk that CR topics which are material to the stakeholders of VIVAT are not addressed in the Report.

*Our response* – We have reviewed VIVAT's process for identifying material CR topics. As part of our review, we have performed our own media- and peer analysis. We have compared the results of our analysis with the outcomes of the analysis performed by VIVAT and the topics which VIVAT addresses in its Report.

*Our observations* – We have concluded that VIVAT has followed a sufficiently reliable process for identifying material CR topics. In addition we have concluded that VIVAT sufficiently addresses these material topics in the Report.

### Responsibilities of Management for the Report

The Executive Board is responsible for the preparation of the Report in accordance with the GRI G4 Guidelines as defined page 210 of the annual report.

It is important to view the information in the chapters/section(s) in the context of these criteria. As part of this, the Executive Board is responsible for such internal control as it determines is necessary to enable the preparation of the Report that is free from material misstatement, whether due to fraud or error. The Audit committee is responsible for VIVAT's reporting process.

### Our responsibility for the review of the Report

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

We apply the "Nadere voorschriften accountantskantoren ter zake van assurance opdrachten" and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our engagement has been performed with a limited level of assurance. Procedures performed in a limited assurance engagement are aimed at determining the plausibility of information and therefore vary in nature and timing from - and are less extensive than - a reasonable assurance engagement.

The procedures selected depend on our understanding of the Report and other engagement circumstances, and our consideration of areas where material misstatements are likely to arise. The following procedures were performed:

- Risk analysis/Media search: A risk analysis, including a media search, to identify relevant sustainability issues for VIVAT in the reporting period.
- Interviews – strategy/policies: Interviewing management (or relevant staff) at corporate level responsible for the sustainability strategy, policies, and management.
- Interviews – reported information and data: Interviews with relevant staff at corporate level responsible for carrying out internal control procedures on the data and consolidating the data in The Report.
- Underlying documentation: Evaluating internal and external documentation, based on sampling, to determine whether the information in the Report is supported by sufficient evidence.
- Work of internal audit: Reviewing relevant work of internal audit.

Amstelveen, 1 April 2016

KPMG Accountants N.V.

F.M. van den Wildenberg RA

# 2 Principles of **non-financial reporting**

## 2.1 **Organisation** of Corporate Responsibility

The management of VIVAT has delegated the task of implementing CR to the CR core team. The core team is responsible for developing and implementing an overarching CR policy for VIVAT and its brands. The members of the core team represent the main brands and have a variety of expertise. Where necessary, the core team is assisted by a 'knowledge circle', contributing specialist knowledge in cases where the nature of the projects calls for this (e.g. in relation to sustainable accommodation). Finally, the sounding board group includes representatives of business units that do not take part in the core team. The sounding board group assesses and fine-tunes the proposed policy and provides feedback which can then be used by the core team in when implementing it in the organisation. The sounding group is chaired by a managing director. The executive board has the final responsibility with regard to the activities described above. The supervisory board has an advisory and supervisory role.

In 2015 the core team made significant progress in further putting the CR policy on a formal footing (see also Section 4.3.1 CR Policy). The business units responsible for each of the fields covered by CR have been identified. These are, first of all, our brands and, second, our corporate staff such as Risk, Finance, Facility Management and Personnel & Organisation. Within the business units, VIVAT and the brands have established a network of experts. Together, they decide on how the key CR strategies are to be approached. These experts support and monitor the process and use their best endeavours to achieve the objectives. The responsibilities of the core team, the sounding board group and the knowledge circle include the following:

- framing VIVAT's overarching CR policy and key strategies;
- developing objectives for the key strategies;
- supporting the brands in identifying and implementing their own key CR strategies;
- coordinating the annual reporting process within CR;
- maintaining contacts with stakeholders;
- answering substantive questions about CR.

## 2.2 **Determination** of materiality and stakeholder engagement

In the 2014 materiality survey, the material topics to be included in VIVAT’s overarching CR policy were identified. The 2015 materiality analysis build on this previous analysis and focused primarily on distinguishing between the topics by prioritizing them, as well as validating their relevance. With the prioritization, conducted for internal and external stakeholders, a materiality matrix has been drafted. The results of the 2014 analysis provided input for further reification of the existing CR themes into a complete CR framework. The defined themes and focus areas were translated to GRI G4 aspects.

By conducting desk research and document analyses, using documents and inputs from different stakeholder groups, the relevance for each of the 24 topics was tested for the external stakeholder perspective. Following this analysis, a prioritization was made based on the scores for each topic. The internal scores per topic were determined during a workshop with the VIVAT CR core team, which was then presented to the CR sounding board for validation.

Based on the analysis the conclusion was drawn that all focus areas within the CR framework are still current. Consequently, a materiality matrix was built as depicted below. The horizontal axis shows the internal prioritization whereas the vertical axis represents the perspective of external stakeholders. The topics in the upper right corner are most material as they are highly relevant both to VIVAT and its stakeholders.

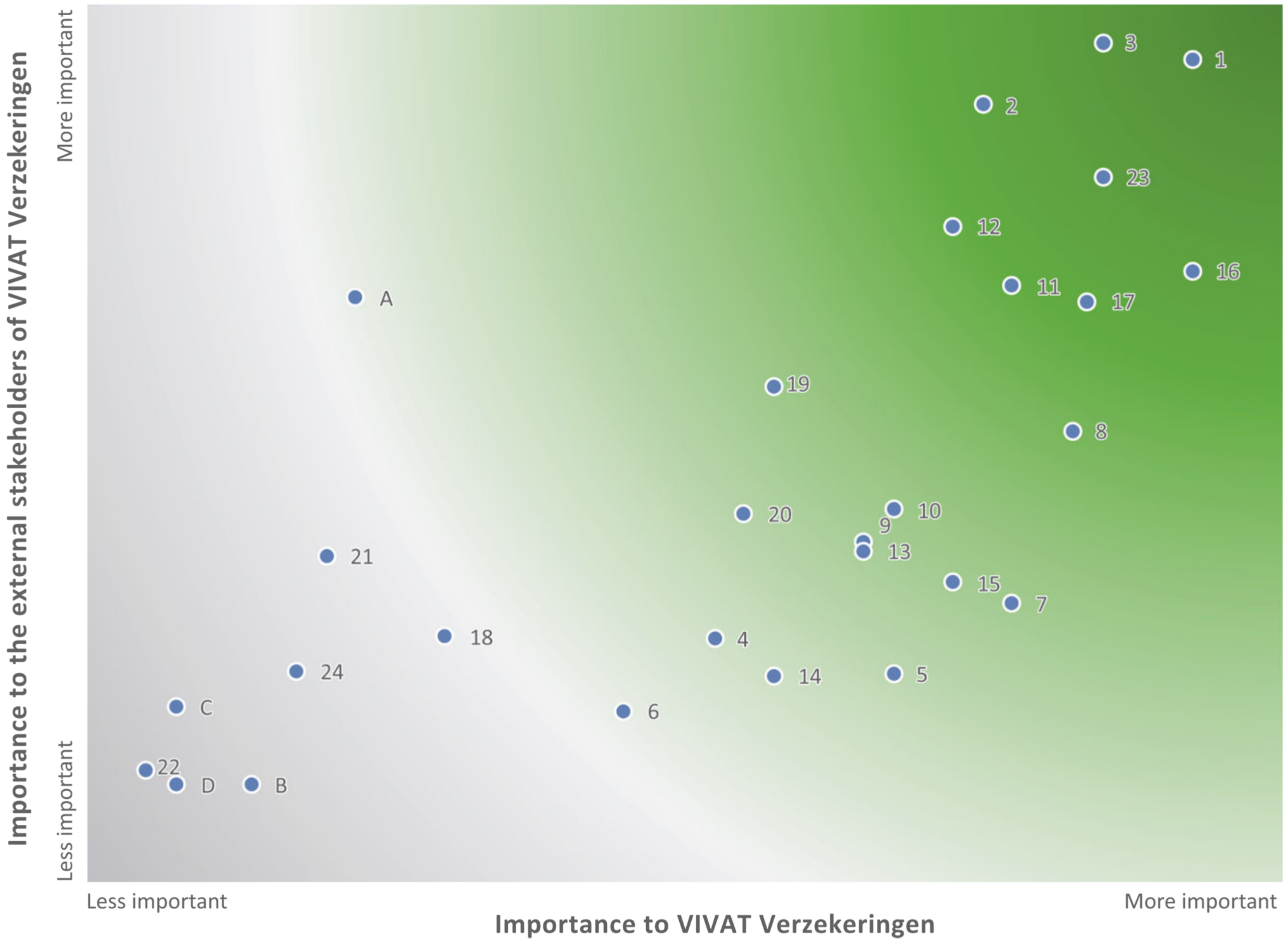


*Figure 11: Determination of materiality and stakeholder engagement*

| | |
|---|---|
| 1. TCF | 14. Financial aid |
| 2. Simplicity | 15. Diversity and inclusivity |
| 3. Customer relations | 16. Solvability |
| 4. Energy & $CO_2$ reduction | 17. Pricing |
| 5. Paper | 18. Sustainable purchasing |
| 6. Waste | 19. Pension |
| 7. Vitality | 20. Financial self-sufficiency |
| 8. Personal development | 21. Financial resilience |
| 9. Mobility | 22. Thought leader mobility |
| 10. Integrity | 23. Responsible investment |
| 11. Insight in risks | 24. Animal welfare |
| 12. Risk profile | A. Digitization & big data |
| 13. Durable terms and conditions of employment | B. Cybercrime |

| |
|---|
| C. Anti-corruption |
| D. Innovation |

### 2.2.1 Boundaries of material aspects

All information about the policy, strategy and related indicators concerns our own organisation, unless indicated otherwise in the report. However, VIVAT and its brands and activities cannot be viewed separately from its environment and the impact on third parties. For example, VIVAT reports at length on the CR theme social debate. This centres on our role in society: we consider it important to employ our knowledge and expertise for Dutch society. This concerns aspects about which we are well-informed, such as pensions, socially responsible investment, animal welfare, etc.

## 2.3 Stakeholder engagement

Stakeholders are essential for VIVAT, for the continued existence of the business and for the course we are following. We consider our stakeholders to include customers, suppliers, civil society organisations, financial authorities and government bodies.

Stakeholders are selected on the basis of an informal estimate of the reciprocal interest which the stakeholder and VIVAT have in each other.

VIVAT is in regular contact with its main stakeholders. This enables us to keep abreast of their expectations and relevant developments. In dialogue with our stakeholders, we are working to create a basis of trust and developing an understanding of the aspects of importance to the different parties. It helps us to set the right priorities and take decisions. In addition, stakeholder dialogues enables us to adjust our strategy where needed, set the rights priorities and take decisions. As such, our Executive Board is involved in these dialogues.

We keep in contact with our main stakeholders, albeit more intensively with some than with others. In the different Sections we indicate what aspects we have discussed with them and what the outcome was. The following table summarises the main aspects discussed in 2015.

| Group | Type of engagement | Main aspects discussed in 2015 | Actions and reactions of VIVAT |
|---|---|---|---|
| **Employees** | Yearly | Joining the Anbang Family and consequences for our employees | Measure employee satisfaction |
| | Yearly health checks | Sustainable employability of our employees | Provide health checks and close cooperation with company medical officers and occupational health and safety services, including an appropriate range of interventions |
| | Yearly performance updates<br><br>Regular training updates | Personal development | Employees are encouraged to develop and grow. Managers and employees agree long-term performance targets for personal development and career progression.<br><br>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<br><br>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. |
| **Suppliers** | | Sustainability declaration | Submit sustainability statement to suppliers with an annual turnover of € 500,000 or more, which have not done business with VIVAT prior to 1 January 2014. VIVAT expects to further update its sustainability declaration in 2016 |
| | | Sustainable purchasing | We buy green energy for our buildings (electricity and natural gas). |
| | | General purchasing conditions and pricing | |
| **Financial authorities, government bodies** | | Sale process | Ensure transparency and availability of (financial) data and understandable products |
| | | Financial results | Provide omni-channel possibilities |
| **Customers** | | Omni-channel approach<br><br>Unit-linked insurance file<br><br>Customer satisfaction<br><br>Net Promoter Score | Adopt active approach to target groups and payment of compensation<br><br>Improve scores for TCF<br><br>Provide training for employees in the principles of 'TCF' and 'Cost Efficiency, Usefulness, Safety and Comprehensibility' |
| **Civil society organisations** | | (Sustainable) investment policy | Almost all investments are socially sustainable and in line with our Fundamental Investment Principles<br><br>Reaal and Zwitserleven are assessed as most sustainable insurers |
| | | Unit-linked insurance file | 29 dialogues with businesses and 47 businesses excluded |

### 2.3.1 Dilemmas

A frequently discussed topic with various stakeholder groups are pensions. Given the market for financial services has been turbulent for a number of years now, this is a major challenge. The continued low interest rates set by the ECB, due to the still fragile economic recovery in the Eurozone, poses a problem for people trying to save. This consequently also influences the insurance sector. Solvency requirements are becoming stricter, consumer behaviour is changing and the Witteveen pension legislation is shrinking the pension market. This creates capital challenges in the short term due to limited returns on our investments. It also impacts our ability to help our customers to create a prosperous future.

Another theme that has been frequently discussed within the sector is digitization. Digital innovations (such as mobile, social, cloud and big data) not only provide input for product innovation, but also contain affect our insurance products. For example, initiatives are being developed concerning car insurance, where premiums can be lowered if driving styles are deemed less risky. The Internet of Things allows more intensive monitoring of both factual states of 'things', but also the behaviour of the owners. It is expected that this trend will grow, allowing for more individualised premiums to be calculated for a variety of insurance products. This is a development that provides many business opportunities. However, besides privacy law- and legislation, ethical aspects around data and customer privacy are inherent to these digital developments. Certain consumers may be concerned with the level of knowledge companies possess. As such, we need to carefully handle digital and big data technology in our products and services.

## 2.4 Coherence & **Connectivity** CR Strategy

Our CR activities are aligned and integrated with the mission and core strategy of the company and organized 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

The table provided below visualizes the way in which these strategic pillars (the basis of our business model) is translated into CR focus areas and their link with our material topics. Additionally, it shows the indicators that are used to steer and monitor progress, targets on these KPIs and the achieved results in 2015. Finally, risks related to these indicators. A more elaborate explanation of our CR strategy, including our value creation model, is provided in Section 4.3.2.

| Strategic pillars | Focus areas | Material topic | Indicator & subtopic | Target 2015 | Result 2015 | Related Risks |
|---|---|---|---|---|---|---|
| **Our brands & clients** | Sustainable customer relations | Information about products and services | Treating Customers Fairly (TCF) | TCF > 3.5 | 3.0 | Reputational Risk |
| | | Product responsibility | Simplicity | Products are clear and understandable: 80% | Zwitserleven: 72%<br>Reaal: 76%<br>Proteq: 92% | Insufficient customer understanding of product conditions and risks |
| | Customer relations enhancement themes | Customer privacy | Risk profile | No complaints about breaches of customer privacy and losses of customer data | 0 | Cyber crime and data leaks<br>Privacy regulation |
| | | Socially responsible investment | Responsible investment | VBDO nummer 1 position | Nr. 1:. Zwitserleven<br>Nr. 2: Reaal | Limited return on investment<br>Reputational Risk |
| **Our people** | Sustainable employability | Training & education | Personal development | > 10 internal coaches ID community | 15 | Under performance and limited chances for career development |
| | Sustainable employment | Employment practices | Vitality | Sickness absence < 4% | 4.4% | Costs related to sickness absenteeism |
| **Our environment** | Sustainable world | Emissions | Energy & $CO_2$ reduction | Energy reduction: 3% | 3.3% | Increased insurance payouts due climate change consequences, such as extreme weather events |
| | Public debate | Marketing communication | Customer enhancing themes | n/a | n/a | Reputational risk |
| **Our result** | Responsible risk-taking | Compliance with laws and regulations | Integrity | 0 fines and number of non-monetary sanctions | 0 | Increasing laws and regulations, decreasing interest rates |
| | Sustainable results | Economic performance | Solvability | SI > 175% | SI: 240% | Market risk, credit risk, liquidity risk, solvability risk |

## 2.5 About this report

The 2015 Annual Report of VIVAT NV provides a combined account of our performance in the financial and CR fields. We regard CR not as a secondary activity performed alongside our core task but as a subject that forms an integral part of our entire business operations. This report reflects this approach. Drafts of this report were extensively reviewed by internal reading groups and subject matter experts. Our aim is to further integrate our financial & non-financial reporting.

### Scope & boundary

The target group of this report are stakeholders of VIVAT NV and other interested parties. The scope of this report concerns all entities for which VIVAT NV has management responsibility. The report covers the entire 2015 calendar year. In our CR reporting new acquisitions are included as of the first full year of ownership. Any divestments that may occur during the reporting year are excluded for the full year.

In order to report the information and data most relevant to our stakeholders, we have selected the aspects by means of a materiality analysis. We have compared the degree of importance attached to them by us as VIVAT and by our external stakeholders. Our analysis and its results are explained in the Additional Information under Section 2.3. The selection of disclosures in this report and relies on the outcomes of the materiality analysis and on the availability of quantitative data. As such we aim to meet the needs of our stakeholders.

## Reporting guidelines

The reporting criteria for reporting CR information of VIVAT NV are based on the guidelines of the Global Reporting Initiative (GRI) version 4 (G4). The GRI guidelines are worldwide the most accepted guidelines for drawing up annual (social) reports and can be found at www.globalreporting.org. In its 2015 Annual Report, VIVAT NV reports on the basis of G4 at 'core' application level. The full GRI table has been included in this report in the Additional Information under Section 1.1. In addition, we have developed a value creation model, including the main capitals that is input to our business, in line with the <IR> framework. This model and the explanation “How we create value” is included under Section 4.3.2.

## Definitions and measuring method

The data are delivered by the various brands and staff departments concerned. The CR core team and the CR sounding board group are responsible for collecting and validating the reported data. Data is validated by performing, amongst others, trend analyses. All data have been measured, unless otherwise stated. No uncertainties and inherent limitations have been found in the data as a consequence of their measurement, estimation and calculation. Data have not been estimated, unless otherwise stated. Any changes to definitions measuring methods are explained with the data. Data are requested by the core team and the sounding board group once a year by means of a questionnaire.

## External verification

For this report we have asked KPMG Accountants NV to provide a limited degree of assurance about the information presented in Section 4. A summary of the activities and conclusions of KPMG Accountants NV can be read in the assurance statement issued with this report in the Additional Information under Section 1.2.

## Feedback

VIVAT NV welcomes feedback from the readers and other interested stakeholders. We would be glad to receive any comments at info@vivatverzekeringen.nl.

## 2.6 Glossary

| | |
|---|---|
| **$CO_2$ footprint** | is a calculation that makes it clear how much $CO_2$ emissions a company creates and which business activities created which quantities. This makes it easier to see where $CO_2$ emissions can be reduced. |
| **Scope 1** | All direct GHG emissions. |
| **Scope 2** | Indirect GHG emissions from consumption of purchased electricity, heat or steam. |
| **Scope 3** | Other indirect emissions, such as the extraction and production of purchased materials and fuels, transport-related activities in vehicles not owned or controlled by the reporting entity, electricity-related activities (e.g. T&D losses) not covered in Scope 2, outsourced activities, waste disposal, etc. |
| **Global Reporting Initiative** | is a leading organization in the sustainability field. GRI promotes the use of sustainability reporting as a way for organizations to become more sustainable and contribute to sustainable development. |
| **Insurance contract** | a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder in exchange of a premium. |
| **Responsible investment** | is an approach to investment that explicitly acknowledges the relevance to the investor of environmental, social and governance (ESG) factors, and the long-term health and stability of the market as a whole. |
| **Solvency** | is the ability to meet our long-term financial obligations. |
| **Solvency II** | is an EU Directive that collects and harmonises the EU insurance regulation. Its primary concern is the amount of capital that insurance companies must hold to reduce the risk of insolvency |
| **TCF** | Treating Customers Fairly is a principle that intents to raise the standards in the way company's carry on their business. The aim is to induce changes that will benefit consumers and increase their confidence in the financial services industry. |
| **Transparency benchmark** | annual recurring research on the content and quality of sustainability reporting by Dutch companies. This is an initiative of the Ministry of Economic Affairs. |

# 3 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 /<br>Chief Executive Officer (Acting until 14 March 2016) | 26 July 2015 /<br>14 September 2015 |
| F. (Feng) Zhang | Chinese | Chief of Staff | 26 July 2015 |
| L. (Lan) Tang | British | Chief Risk Officer | 26 July 2015 |
| X.W. (Xiao) Wu | Chinese | Chief Transformation Officer | 26 July 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 VIVAT 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 26 July 2015 and serves as Chief Operating Officer. He was appointed as Acting CEO on 14 September 2015. Albert Bakker also serves as acting CEO of SRLEV. 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 26 July 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 26 July 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 has held 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 26 July 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 of VIVAT NV 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

## 4 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

# Colophon

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