Annual Report SRLEV NV 2017

Zwitserleven

Reaal

SRLEV

Table of Content

Board report

1. Key Figures

In € millions	2017	2016	2015	2014	2013
Result					
Net premium income	2,233	1,818	1,769	2,176	2,231
Investment income	1,411	2,761	1,283	1,383	1,304
Investment income for account of policyholders	435	902	648	2,159	628
Total income	3,773	5,289	3,643	5,704	4,286
Total expenses	3,865	4,953	3,382	6,394	4,844
Result before tax	**-92**	**336**	**261**	**-690**	**-558**
Tax expense	-37	84	67	-172	-142
Net result	**-55**	**252**	**194**	**-518**	**-416**
Statement of financial position					
Total assets	**53,503**	**55,005**	**57,651**	**58,259**	**53,350**
Investments	35,868	35,897	34,424	33,963	30,267
Investments for account of policyholders	13,202	14,251	14,377	14,559	13,491
Loans and advances to banks	1,799	960	999	1,127	1,172
Total equity	**3,217**	**3,035**	**2,755**	**2,134**	**2,688**
Insurance liabilities	45,509	46,274	45,138	44,943	39,727
Amounts due to banks	1,627	1,330	1,376	1,504	2,753

> Ratios					
Regulatory solvency II SRLEV NV	157[1]	149	140[2]	-	-

1 Regulatory solvency II ratio is not final until filed with the regulator.
2 Regulatory solvency II ratio is based on Day 1 figures.

SRLEV and SRLEV NV

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

The SRLEV Report of the Executive Board, as referred to in section 2:391 of the Dutch Civil Code includes the following chapters: Key figures, Message from the Executive Board (chapter 2), Strategy and Developments (chapter 3), the Executive Board (chapter 4.1) and Remuneration (chapter 4.4).

2. Message from the Executive Board of SRLEV NV

Dear stakeholders,

2017 was an important year for SRLEV. In the first full year after an extensive transformation in which we reduced staff costs, we were able to shift the focus to growth. The success of this transformation is reflected in our financial performance and in the positive developments in our product lines. We closed 2017 with a negative IFRS result of € 55 million. SRLEV's Solvency II ratio of 157%, impacted by a decrease of the Volatility Adjustment, remained above its internal target.

Over the past year, we made a lot of progress in creating a leading, customer-focused, digital and innovation-driven insurance company. We have optimised our processes, resulting in cost reductions and improvements to service levels. We started the implementation of an unified customer relationship management system, we created one SRLEV marketing database and introduced customer journeys. SRLEV's main brands Zwitserleven and Reaal, have launched new propositions and new campaigns.

Our employees have shown their commitment to SRLEV in the past year after the significant change of the organisation. After the transformation, the customer satisfaction levels of our main brands remained stable, thanks to the contribution of our employees.

In order to become the most innovative insurer in the Netherlands, we will continue to cooperate with start-ups and accelerators in search for new business opportunities for SRLEV. To accelerate innovation within our company, we opened our own innovation centre, VINCE, in a dedicated start-up environment in Amsterdam. In addition, we invested in data science by cooperating with five universities to start up data programmes for our employees and we started sponsoring several PhD-programmes. Just before year's end, VIVAT received two European awards for its collaborations with start-ups.

Our growth ambition in 2017 was supported by a buy-out of a pension fund of € 375 million single premium, that increased gross written premiums of Life Corporate. Within Individual Life gross written premiums remained stable. The Individual Life portfolio is shrinking in line with the long-term contraction of the individual life market. This was compensated by the successful sale of immediate annuities.

We saw positive developments in each of our product lines in 2017. Life Corporate increased its retention and reduced the number of administration systems from five to two systems. Individual Life reaped the benefits of the new organisational structure by further reducing its costs, made good progress on redesigning and automating its customer processes and won a price for best annuities (DIL) offered by an insurer.

Our asset manager ACTIAM remained a frontrunner in responsible investment and achieved top scores in the annual responsible investment research, conducted by the Principles for Responsible Investment (PRI). Sustainability is key for SRLEV. Therefore we are proud that, for the fifth consecutive year, the VBDO (the Association of Investors for Sustainable Development) elected Zwitserleven as No. 1 out of thirty Dutch insurance companies for having the most sustainable investment policy. All these efforts have also resulted in sound returns.

In the fourth quarter of 2017, we have sharpened our strategy for the coming years. We defined the following key themes for the business: Customer Centricity, Digitalisation, Data and Innovation. By focussing on these themes we will be able to serve our customers optimally and further reduce our cost base. In addition, we will continue our efforts in optimising our investment portfolio while maintaining a sound balance sheet management. Furthermore, we will complete the rationalisation of our IT landscape. SRLEV is still interested in value accretive add-on acquisition if opportunities arise.

I would like to take this opportunity to give sincere thanks to our customers, business partners, investors, employees and all other stakeholders.

Amstelveen, the Netherlands, 26 April 2018

On behalf of the Executive Board of SRLEV NV,
Ron van Oijen, Chief Executive Officer

VIVAT MILESTONES 2017

January

Innovation

VIVAT 4 kids

The year started with a bootcamp for children of VIVAT employees who were given the opportunity to act as real start-ups for one weekend. In small teams they experienced how to explore and develop new ideas and 'pitch' these for a real audience: their own parents! Startup Kids 4VIVAT resulted from the strategic partnership with Startupbootcamp to boost innovation within VIVAT.

February

Innovation

Innovation Accelerator Programs

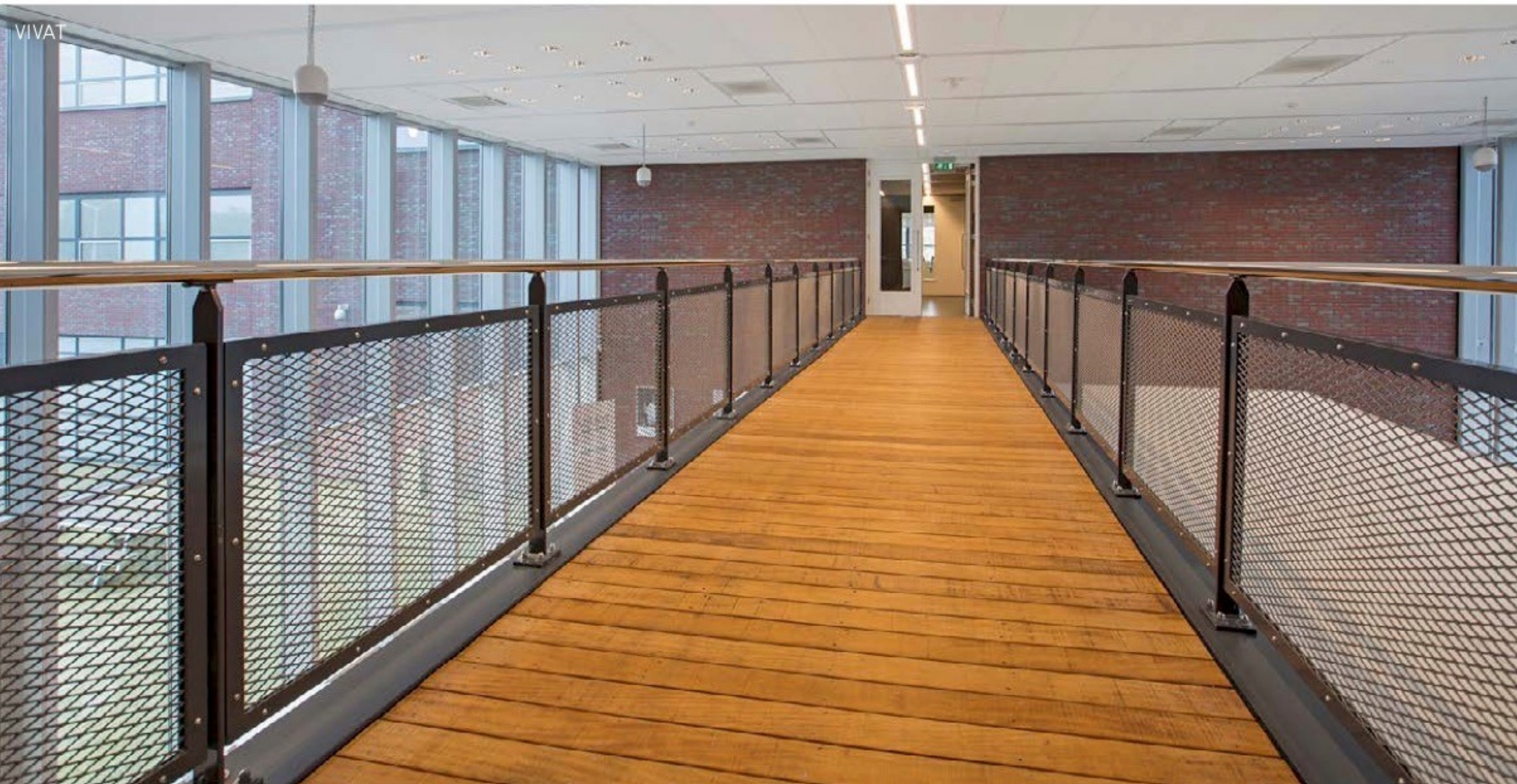
After the children it was time for VIVAT employees to immerse themselves in Innovation Accelerator Programmes at an external location. In three months' time and guided by our partners Innoleaps (Startupbootcamp), OneUp en UtrechtInc., seven VIVAT start-up teams developed and validated their ideas, using the lean start-up method. In order to create an internal innovation ecosystem another group of forty employees from various staff departments completed a Masterclass Innovation.

March

New brand

Reaal Dier & Zorg biggest panda insurer in The Netherlands

The final preparations were made for the arrival of two giant pandas to The Netherlands. Xing Ya and Wu Wen were expected to arrive to Pandasia in April. Their coming coincided with the rebranding of Proteq Dier & Zorg into Reaal Dier & Zorg, that will take care of the animals' life insurance during their stay in Pandasia for the coming years. The 'new' brand gained much media attention for being the biggest panda insurer in the Netherlands.



3. Strategy and Developments

3.1. About SRLEV

SRLEV

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

SRLEV generated € 2,245 million in gross written premiums (GWP) in 2017 which makes SRLEV one of the top 5 insurance companies in the Netherlands.

SRLEV's main offices are located in Amstelveen and Alkmaar. SRLEV also has smaller offices in Utrecht, Rotterdam and Assen.

Structure

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

Anbang Group Holdings Co. Limited, an indirect subsidiary of Anbang Insurance Group Co., Ltd., is the sole shareholder of VIVAT NV.

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

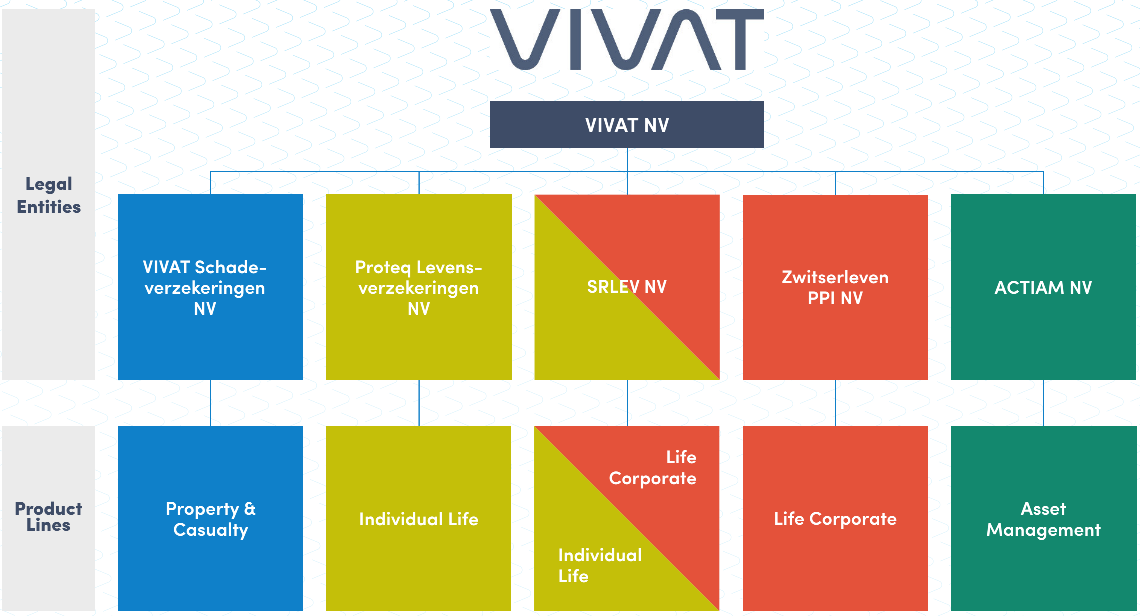


Figure 1: Structure SRLEV

3.1.1. Vision, Mission and Core Behaviors

Our Vision

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

Our Mission

Our mission is twofold:

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

Our Core Behaviors

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

- **Client Focus**
  We think outside-in and use common sense. We always ask ourselves if our decisions are in the best interest of our customers.

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

- **Immediate Execution**
  Our employees do what they can do today to reach our goals. We break down our plans into specific actions.

- **Take Responsibility**
  We know our company goals and our role in achieving these. Employees do what they have to do. They give feedback to others and help everyone in taking their responsibility.

- **Result Driven**
  We focus on things that clearly help us towards our targets. We finish what we start.

3.1.2. SRLEV's Strategy

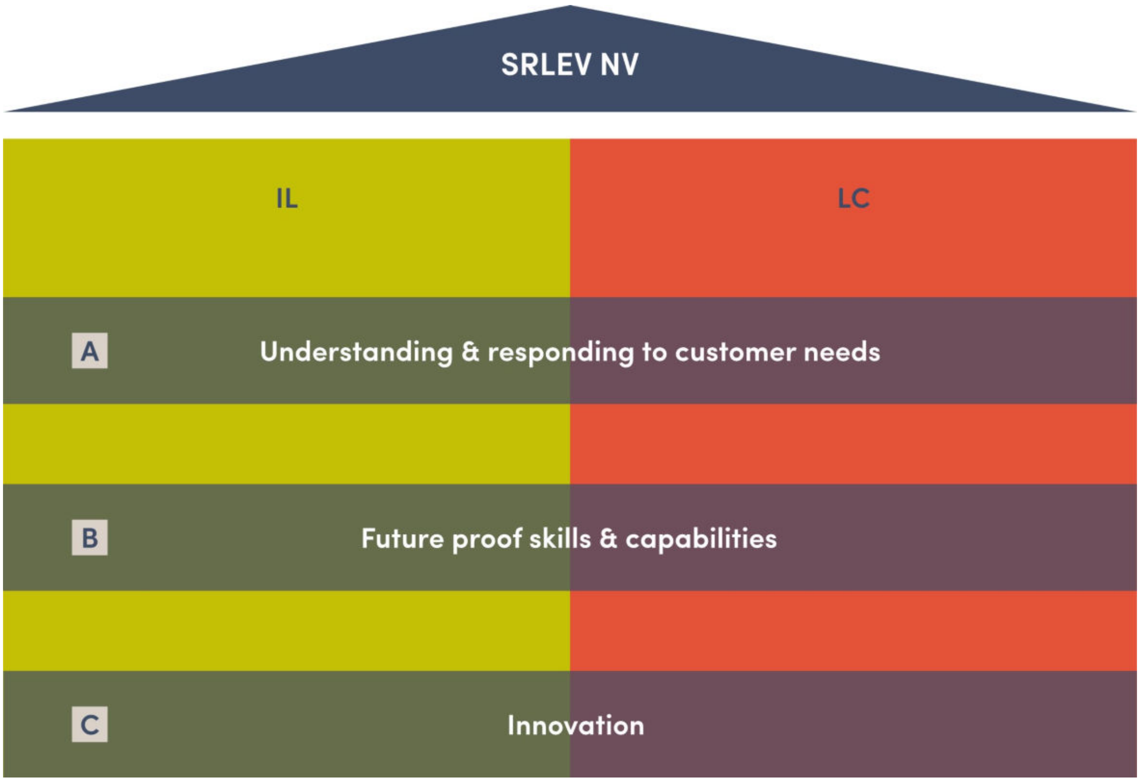


Figure 2: SRLEV Strategy

SRLEV's strategy is built around the following three focus areas: A. understanding & responding to customer needs, B. making SRLEV future proof, and C. smart application of innovation. These focus areas are tailored to both product lines as outlined above.

Understanding & Responding to Customer Needs

SRLEV offers its customers transparent and easy to understand products that are developed to fulfil their needs. The employees of SRLEV put client interests first, and communicate with them in clear and easy-to-understand language. SRLEV focuses on retail customers, self-employed individuals, small and medium-sized enterprises (SMEs) and corporates (within the pension business). SRLEV puts a lot of effort to improve its services to customers and the intermediaries that advise them continuously. Within SRLEV, customer and intermediary satisfaction levels are closely monitored through a comprehensive dashboard including customer service, intermediary satisfaction and the Net Promoter Score (NPS). The NPS is an important measure in the performance management cycle of SRLEV.

Future Proof Skills & Capabilities

Acting in the best interest of the customers requires skilled and motivated staff. As SRLEV operates in a fast changing environment, we are continuously investing in our people when it comes to knowledge and capabilities. In addition, investing in big data is of great importance. Therefore SRLEV started cooperating with several universities to develop data programmes that will offer SRLEV opportunities to improve our business and processes.

Innovation

Innovation is key for SRLEV. A lot of effort is put in collaborations with start-ups and accelerators in search for new business opportunities. Also SRLEV started organising innovation days for its employees and for intermediaries, to further innovate and create the right mindset. Through SRLEV's own innovation centre VINCE new ideas can be transformed in new products or services.

Four Key Strategic Themes

To steer the company in the right direction, SRLEV has defined four key themes for the whole company. These themes are embedded in the execution and change of SRLEV:

- Customer centricity
- Digitalisation
- Data
- Innovation

Each product line has specific activities that will help SRLEV move forward.

Life Corporate

Life Corporate wants to further grow the business in collaboration with its important business partners. Furthermore, SRLEV believes it should play an active role in the ongoing pension reform debate. This results in the following key activities:

- Focussing on retention and business partner relationships
- Pursuing opportunities following market consolidation
- Increasing B2B2C-sales (through employers) by a further roll-out of Financieel Vitaal (See section 3.4.1 'New Products')

Individual Life

In the shrinking individual life market SRLEV focuses on the following three activities:

- Changes in rules and regulation and compliancy
- Cost efficiency and operational excellence
- Retention of the customer and portfolio

In order to fulfil our strategy for SRLEV as a whole, continuous cost reductions are necessary. Applying Robotic Process Automation (RPA) and finalising the rationalisation of our IT landscape will help to achieve this. Further efforts will be made in optimising our investment portfolio to increase our income in the coming years. Inorganic growth will be considered at the right conditions (adding to the bottom line) and when it fits within the business profile, risk profile and strategy.

2017 has shown that SRLEV is delivering on its strategy, helped by the efforts of our employees who are committed to the renewed organisation. SRLEV is confident that it will continue to do so in the future.

3.2. Corporate Responsibility

Corporate Responsibility (CR) follows from SRLEV's mission and vision and forms an integral part of our strategy and business operations. Our core activity is to provide insurance to our customers, this is why we take our role in society very seriously. We started implementing CR in the organisation in 2015. In 2017 we updated our CR strategy and aligned it even closer to our corporate strategy.

3.2.1. Updated CR Strategy

Last year we decided to take our CR strategy to a next level and ensure optimal alignment between SRLEV's corporate strategy and CR strategy. As we launched the updated CR framework end of 2017, some KPIs will need to be finalised in the first quarter of 2018. The reported year reflects this transition, that is why we still report on 'old' CR strategy and KPIs. We will briefly describe the foundation of our 'new' CR strategy that the Board approved late 2017. We provide a comprehensive CR framework that enforces customer-centricity, innovation, digitalisation, efficiency and sustainability within SRLEV. Our CR strategy will guide SRLEV employees in upholding and effectuating our values in the way they work. Our customers are at the heart of everything we do, but we realise that with our brands we also have an impact on and are impacted by society and our environment.

Our updated CR strategy consists of the following four main pillars:

- Responsible investments
- Customer centricity
- Sustainable operations
- Sustainable results

	Our Corporate Responsibility Strategy			
Strategic CR Pillars	Responsible Investments	Customer Centricity	Sustainable Operations	Sustainable Results
CR Focus Areas	Impact of our Assets on Climate Change	Customer Perception	Carbon Emission Own Organisation	Sustainable Cost Levels
	Impact of our Assets on Land and Water	Customer Service	Employee Satisfaction and HR	Moderate Risk Profile
	Fair Insurance Guide	Customer Quality	Sustainable Procurement & Digitalisation	Solvency

Figure 3: Updated Corporate Responsibility framework

Responsible Investments

As SRLEV we combine our investment expertise with a clear view of the environmental, social and governance (ESG) aspects. We invest responsibly by making sure that our assets meet specific ESG criteria. With a focus on climate, land and water our brands encourage companies to use natural resources in a responsible way. For example, ACTIAM actively engages with companies on issues including deforestation and land grabbing.

We have different tools to influence investor behaviour including impact investing, engagement (dialogues), exerting shareholder voting rights, and exclusion as last resort. For example, ACTIAM has actively engaged with companies on issues such as deforestation and land grabbing. Tobacco, gambling and adult entertainment have been excluded in 2017. Animal welfare has been added to the Fundamental Investment Principles of ACTIAM. Through this approach SRLEV seeks to contribute to the United Nations Sustainable Development Goals (SDGs).

Customer Centricity

In our contact with customers we always want to be relevant and add value. Understanding and responding to customers' needs is of great importance to SRLEV. We ensure transparent pricing, fair conditions and understandable products through our customer centricity programme. Per brand, specific customer centricity themes have been defined. Our ambition is to develop innovative customised portals and apps for all brands to respond even better to our customer needs. We will do this through customer journey based processes, systems and tools.

Sustainable Operations

Besides making sure our investments and customer relations are sustainable, we also want to make sure our own operations are responsibly managed. Our efforts include reducing our carbon emissions, efficient use of paper and waste reduction. It also means SRLEV acts as a responsible employer by promoting vitality, personnel development and sustainable employment relations. We also engage our employees with the latest strategic developments, e.g. by organising Innovation Days.

Sustainable Results

For SRLEV to be future proof it is key to achieve healthy and sustainable long-term results. Within this pillar we focus on activities that impact our customers, shareholders and business including a robust capital position, adequate risk management and achieving sustainable cost levels.

Human Rights Risks

Being a responsible investor, we want to ensure that we do everything we can to safeguard human rights in accordance to international norms and principles. ACTIAM uses its Responsible Investment policies and social criteria to critically assess and if necessary, adapt our investments. In our ESG criteria we have clear policies on responsible land use and related protection of human rights, labour management and supply chain labour standards. ACTIAM supports the UN Guiding Principles on Business and Human Rights and Principles 1 and 2 of the UN Global Compact. ACTIAM is also guided by international norms on fundamental labour rights such as Principles 3 to 6 of the UN Global Compact. This way we want to ensure that we avoid any risks related to human rights in our investments.

3.2.2. Sustainable Development Goals (SDGs)

Performing an update in our CR strategy in 2017, we also analysed to which Sustainable Development Goals (SDG) SRLEV contributes. The SDGs are a collection of seventeen goals aimed at social, economic and environmental development set by the United Nations. The SDGs are interrelated but each goal has its own targets to achieve. The three SDGs to which SRLEV can make the most impact (Goal #8, Goal #12 and Goal #15) are pictured in figure 4, below.

	Relevancy of SDG to SRLEV	Contribution of SRLEV
8 DECENT WORK AND ECONOMIC GROWTH	• SRLEV provides meaningful and decent work to around 1,400 employees. • SRLEV supports customers with sound insurance products that give (financial) security. • SRLEV offers financial services to micro-enterprises and SMEs.	• SRLEV offers rewarding jobs to its employees and supports them in areas like vitality, work-life balance and career development. • Through innovation and digitisation SRLEV aims to achieve higher economic productivity and greater market share.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	• SRLEV can encourage its customers to adopt responsible consumption and production practices.	• SRLEV combines investment expertise with a clear view of the environmental, social and governance (ESG) aspects. • With its focus on climate, land and water ACTIAM encourages companies to use natural resources in a responsible way.
15 LIFE ON LAND	• Through responsible investments SRLEV can contribute to the protection, restoration and sustainable use of ecosystems, forests and biodiversity.	• ACTIAM uses its vote in shareholder meetings for sustainable resolutions on e.g. deforestation. • We intensify our engagement with companies on deforestation and land grabbing issues.

Figure 4: SRLEV and Sustainable Development Goals

3.2.3. Value Creation

Creating value for our stakeholders and society is at the heart of our operations and brands. The supply chain forms the basis of the value creation model. In figure 5 we have depicted our supply chain in detail.

Figure 5: Our Supply Chain for VIVAT as a whole

Our visualised model of our value creation process (see figure 6) shows the areas in which we create the most value; in the form of both direct and indirect positive impact and by reducing negative impacts. SRLEV's value creation model also provides an insight into the inputs that are required to make our business model work. In the model external developments and trends are incorporated as they show the larger context in which SRLEV operates and impact on SRLEV's customers.

SRLEV is a Dutch financial service-provider, mainly comprising of insurances and pensions, under various brand names to both businesses and individuals. Different forms of capital (i.e. human, intellectual and financial capital) go into our business model. Our workforce is situated in the Netherlands. Our customers provide the majority of our financial capital by means of insurance policy premiums. This is a precondition for SRLEV to be able to carry out our two core activities: Insurance and Pensions Insurance.

A responsible and sustainable business conduct is of utmost importance to SRLEV. This is reflected in our CR policy framework and our initiatives related to customer centricity, being a sustainable employer, investing in society, adequate risk management and solid financial results. The middle column of the value creation model (see figure 6) show the key figures/KPI's that we used in 2017 to assess the degree to which we achieve these KPI's and other business objectives. It gives a good overview to what extent our strategy is implemented effectively and if it yields the desired output including benefits for our customers and profits for our shareholders.

Looking at impacts, it becomes clear that our asset management activities have an even greater impact compared to our own business operations. We generate more returns by investing the assets that are entrusted to us. This gives financial stability and the means to pay for insurance claims, benefits and pensions in the long run. We want to deliver sustainable performance, therefore our investments must meet specific ESG criteria.

Lastly, SRLEV's products also have an impact because they contribute to the current and future financial security of our customers and, on a higher level, to financial solidarity and economic growth.

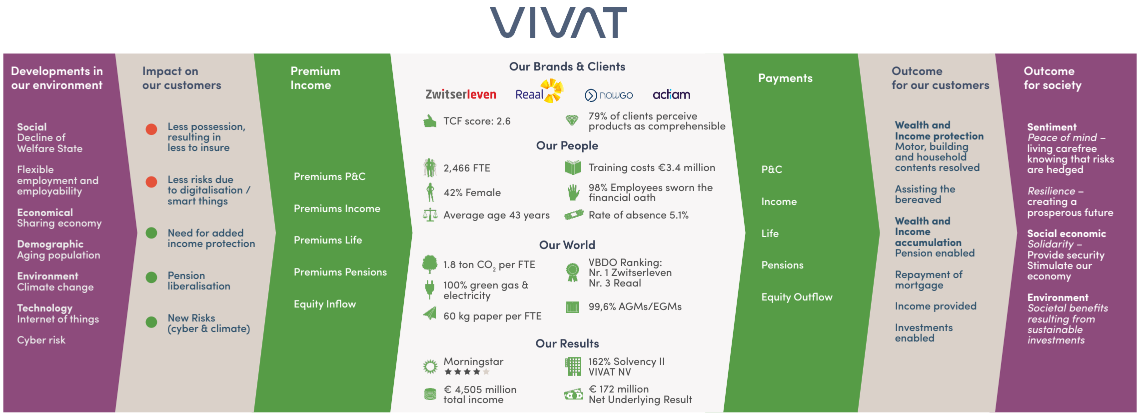


Figure 6: Our Value Creation Model for VIVAT as a whole

As SRLEV we want to contribute to the transition to a low-carbon economy through our own operations and investments and mitigate the environmental risks such as climate change. We critically look at the carbon intensity of our investments by using the different instruments we have in place as an investor.

At the same time we work towards mitigating the carbon emissions of our own operations through amongst others upkeeping our high standards on sustainable buildings, efficient use of resources and environmental management systems.

3.2.4. Transparent Service

Customer centricity is essential for SRLEV's success. We strive to earn and maintain the trust of our customers by being fair and transparent in our approach towards them. This way of thinking and working is embedded in our business.

In doing so, we apply the criteria of cost efficiency, usefulness, reliability and comprehensibility as prescribed by the regulator, the Dutch Authority for the Financial Markets (AFM). This is reflected in so called TCF scores.

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

Treating Customers Fairly (TCF)

TCF covers themes that are relevant for customers, such as understandable products, the availability and accessibility of our call centres, and fair pricing. The figures below reflect the score of VIVAT as a whole. On a scale of 1 (low) to 5 (high), VIVAT has an overall score of 2.6, which is lower than the market average of 3.2. (In 2016 we achieved a score of 3.7 against a market average of 3.8.)

TCF scores obtained in subcategories

(Sub)categories	VIVAT score	Average market score
Claims handling	3.2	3.3
Aftercare unit-linked policies	2.0	3.3
Payment delayed mortgages	2.2	2.8
Customer contact insurers	3.5	3.6
Dashboard mortgages	2.0	2.9

Customer Loyalty and Customer Satisfaction at Brand Level

We monitor customer loyalty and customer satisfaction by measuring various aspects of our service at brand level.
For Customer loyalty we use the Net Promotor Score (NPS), by asking customers one simple question: “Would you recommend us to a friend or colleague?” The score can result in both positive (yes, I recommend this firm) as well as negative percentage scores (no, I do not recommend this firm). Our goal is to improve our service levels in such a way customer loyalty will show positive outcomes in the years ahead. Both Zwitserleven and Reaal managed to improve their NPS in 2017.

The customer satisfaction score reflects our customers’ satisfaction again on a scale from 1 to 10 (1 = extremely dissatisfied, 10 = extremely satisfied). In 2017 the overall customer satisfaction scores of Zwitserleven show a slight increase, although subscores (simplicity and comprehensibility) show a slightly mixed result. The customer satisfaction level of Reaal in 2017 also shows a slight increase while subscores give mixed results.

Simplicity

‘Simplicity for the future’ is the focus, the *raison d’être* of the Zwitserleven brand. Over the years, pensions in the Netherlands have become very complicated. Therefore SRLEV puts a lot of effort in making sure that customers are well informed. We measure the extent to which our customers feel our communications are transparent and clear.

For Zwitserleven we saw a fair increase in our customer feedback. According to 73% of the Zwitserleven customers we are succeeding in transparent and clear communication.

Customer Scores of Zwitserleven

Zwitserleven	2017	2016
Net Promotor Score	-39%	-44%
Customer satisfaction score	7.2	7.0
Percentage of customers who think communication is transparent and clear	73%	68%
Percentage of customers that perceive products as comprehensible	76%	69%

SRLEV also aims to improve the financial resilience of customers, by helping them to make conscious choices about their financial situation. Simplicity in finance is therefore an important principle for our brand Reaal. This means that Reaal aims to offer products that are clear, understandable and accessible to all, that have no small print and come with friendly service. 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. In 2017 we saw a fair increase in the customer satisfaction in this area. According to 74% of the Reaal customers we are succeeding in communicating clear and transparent.

Customer Scores of Reaal

Reaal[1]	2017	2016
Net Promotor Score	-37%	-42%
Customer satisfaction score	7.1	7
Percentage of customers who think communication is transparent and clear	74%	67%
Percentage of customers that perceive products as comprehensible	82%	77%

[1] These percentages refer to the brand Reaal at VIVAT level.

Customer Privacy and Data Protection

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

3.3. Our Main Brands

3.3.1. Zwitserleven

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

For the fifth consecutive year, Zwitserleven has been awarded for having the most sustainable investment policy in the Netherlands.

3.3.2. Reaal

Reaal offers Life and Non-life insurance products. SRLEV does not sell Non-life insurance products. Reaal improves the financial resilience of customers by helping them make well-considered choices about their financial situation.

3.4. Our Product Lines

3.4.1. Life Corporate

SRLEV's Life Corporate product line offers pension solutions for business customers. A range of products provides the employees of our customers freedom in making the right decisions to secure their financial future. The brand of the pension product range is Zwitserleven.

Objectives for 2017

The primary goal for 2017 was to build on and reap the first benefits from the newly established organisation in order to respond adequately to the needs of customers. The priorities therefore remained to further improve business processes and further strengthen the long-term relationships with intermediaries and customers.

The focus points continued to be optimisation of existing products and the development of new propositions, including defined contribution solutions. In addition, Life Corporate aimed to increase the cash-inflow through the buy-out of a pension portfolio (pension fund).

Achievements in 2017

A More Flexible and Effective Organisation

The number of administration systems was successfully downsized from five systems in 2016 to two systems in 2017, allowing more flexibility and efficiency in servicing customers. A sound example is the implementation time of new pension contracts that has been reduced from several months to just six weeks. Moreover, the deployment of fully authorised and responsible account teams provides customers with a single point of entry. This had a positive effect on customer satisfaction that improved for both employers and their employees, and intermediaries. With only two systems in place quick access to clear and uniform management information, enables the self-directed teams to focus on further service improvement.

Buy-out

In March 2017, we acquired a pension fund that gave a boost to our cash-inflow and growth ambition. But even without the acquisition, Life Corporate managed to realise growth in 2017. Customer retention rate was 67% as opposed to 57% last year and the market share new business increased to 18% (10% last year).

Relationship Management Events

In the first half year, regional 'Now for Later' sessions were organised. Intermediaries were informed about the SRLEV and Life Corporate strategy, innovation and new product propositions. They learned about our defined contribution solutions and which choices pension members can or must make in the future. This being an important step towards 'defined ambition', where the required pension is the starting point of pension accrual. The sessions were highly appreciated and valued with an average score of 8.0.

Last year's successful webinar was followed up by three webinars this year, aiming at different target groups and elaborating on subjects such as product changes and sustainable investments.

In October 2017, approximately 250 guests attended the Zwitserleven Pension Event which focused on the theme 'Customer Insight'. Customers and intermediaries were updated with the developments in the field of pensions, innovation and legislative amendments such as the Privacy laws and big data. The audience valued the event with an average score of 8.5

New Products

To offer customers relevant products and services and to speed up the process, product development was done in cooperation with start-ups, in a lean start-up way of working. As a result, two new products were launched in October. 'Financieel Vitaal' provides pension members insight in their expected income and estimated expenses at retirement, and gives solutions to resolve the difference if required. This online tool enables pension members to be in charge of their financial situation at retirement. Retired customers are offered the benefits of 'Zwitserleven Zelect'. This new and unique platform provides exclusive arrangements and activities, such as wine/cheese tastings, an introduction day to play golf or hiring a student to accompany or help out in daily activities. It demonstrates the 'Zwitserleven Gevoel' and ensures a high level of customer satisfaction.

5x Most Sustainable Investment Policy

For the fifth consecutive year, Zwitserleven was elected number 1 out of 30 Dutch insurance companies with the most sustainable investment policy. The detailed benchmark made by VBDO, the Association of Investors for Sustainable Development, compares the way Dutch insurance companies organise, implement and report about sustainable investments. Life Corporate takes great pride in this award, as it is inextricably linked to its mission: taking care of customers to realise their dreams in a sustainable and responsible way, now and later.

3.4.2. Individual Life

The portfolio of the Individual Life product line mainly consists of life annuity insurance policies, mortgage-related endowment policies, term-life policies and unit-linked insurance policies. Individual Life operates in the retail and SME markets.

Objectives for 2017

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

The objective for the Individual Life product line for 2017 was to initiate structural and sustainable improvements to the business processes, create more efficiency into our client service and product range to enable it to meet these customer needs. Other aims for 2017 were to increase revenue by strengthening the position of current products, capturing growth opportunities, developing innovative products and transform the Customer Service organisation into client teams to meet the customer needs.

Achievements in 2017

Organisational Aspects

In line with the restructurings in other parts of the organisation at the end of 2016, the number of management layers at the Individual Life product line was reduced and more responsibility was assigned to employees at the operational level. To increase this employee responsibility the Customer Service organisation was transformed into client teams by October 1st 2017. At the same time new customer journeys were embedded, resulting in a significantly higher efficiency and a better first-time-right performance. Furthermore we focused on Operational Excellence by starting the Pega Project, this will redesign and fully automate our customer processes and replace our current workflow. All the preparations for implementing the first process ('New Customers') into Pega have been made in 2017. Implementation is expected in the first half of 2018.

Term-life Insurance

The market share of life insurance products was 17.8% in August 2017 (YTD). A nationwide campaign 'Do the Check' was launched in 2017 in the form of a 'surviving dependants check'. Potential and current customers could do an online check to see if - in the event of their death - their dependants are still well-cared for. This online check enables individuals to calculate the total insured amount and monthly premium required to ensure that their partner and children will be able to continue their lives without having to worry about their income. The check offered the possibility to take out the calculated insurance directly online, or to request further assistance from SRLEV or an intermediary. Unique selling points for this product are the low non-recurring closing costs and rapid acceptance procedure. The customer rating for this product on the independent insurance comparison website Independer was 8.2 in 2017.

Products

In 2017, Individual Life has been working on the development of innovative new products. In 2017 Individual Life launched a new mortgage product. It is a simple and flexible mortgage for consumers offered via the brand Reaal and sold through intermediaries. Mid 2017, the Reaal Vermogens Verzekering (RVV) was introduced. It concerns insurance, based on investments. This product meets the needs of customers who want to combine insurance and capital growth through investing. Also in 2017, the contra insurance (product that can be linked to the annuity insurance, payment on death) has been improved.

Unit-linked Policies

In 2017 and before, a lot of effort was put into fulfilling the company's obligations in connection with unit-linked policies. In addition to the compensation scheme, complementary measures were agreed in consultation with the Dutch Minister of Finance that would enable all customers with a unit-linked policy to make changes to their policy or switch to another provider.

Furthermore, in 2014, the AFM provided guidelines to activate customers with a non accruing policy. In 2015, these policies have been incapsulated in law, NRGFO ('Nadere Regeling gedragstoezicht financiële ondernemingen'). In accordance with these measures, SRLEV has encouraged customers with unit-linked policies to assess their policy. The nature of the encouragement depended on the characteristics of the policies. A targeted approach was used to contact customers by email, by phone, or by other methods where necessary, directly or through their intermediaries, to inform them about their policies and offer them an alternative.

First focus was on the so called ‘non-accumulating policies’ (Dutch: niet opbouwende polissen, ‘NOPs’). Policies qualify as NOP if, based on the status on 1 January 2013 and a projected return of 4%, the increase in value at expiration date is lower than the total of the paid premiums over the same period. In 2016 the customers with a pension or mortgage related policy have been approached. In 2017, our aim was to encourage the remaining group of customers (Activation Category “Other”) to take action.

In December 2017, AFM published the results of its investigation of the activation by insurers of pension or mortgage related policies. AFM’s assessment of VIVAT’s activations of these policies revealed shortcomings. VIVAT has executed a recovery plan and expects to resolve the shortcomings within the near future. The final outcome of the assessment by the AFM is uncertain at this moment.

3.5. Our People

Our employees are the people who are key for putting our mission and vision into practice. We are a business that serves the financial interests of others, and therefore we require 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).

Customer centricity and a high performance culture are central aspects of our company strategy. SRLEV has also an ambitious task to achieve more for our customers at lower costs. This will ask for a different way of working and changing our behavior. For that reason, we have defined five core behaviors (Client focus, Change attitude, Immediate execution, Take responsibility and Result driven) for our employees, as described in paragraph 3.1.1.

SRLEV NV is a full subsidiary of VIVAT NV. SRLEV's employees are employed by VIVAT. The costs of employees appointed to SRLEV are charged to SRLEV by VIVAT. The information of Our People is presented on VIVAT level.

Key Figures Human Resources

	2017	2016
Number of employees	2,542	3,222
- of which internal	2,060	2,790
- of which external	482	432
Number of employees excluding redundancies related to the reorganisation in 2016	2,473	2,580
Number of FTEs	2,466	3,098
- of which internal	2,022	2,697
- of which external	444	401
Number of FTEs excluding redundancies related to the reorganisation in 2016	2,408	2,498
Ratio male-female	58% / 42%	58% / 42%
Female managers	25%	23%
Female members of senior management	23%	24%
Average length of service (years)	12.7	13.9
Average age (years)	43	44
Full-time/part-time ratio	70% / 30%	73% / 27%
Male / female ratio full-time	72% / 28%	72% / 28%
Male / female ratio part-time	25% / 75%	24% / 76%
Ratio permanent/temporary contract	92% / 8%	95% / 5%
Male / female ratio permanent	60% / 40%	58% / 42%
Male / female ratio temporary	61% / 39%	60% / 40%
Training costs (million)	€ 3.4	€ 4.6
Sickness absence	5.1%	5.1%
Percentage of employees that have sworn the bankers oath	98%	97%

SRLEV's number of employees is 1,430 at the end of 2017 (2016: 1,923). Due to outsourcing and reorganisation in 2016 and 2017, our workforce was reduced in 2017.

3.5.1. Employability

At the start of 2017 all reorganisations within VIVAT were finished or were being finished. Several employees who were redundant in 2016 were still listed in Career Plaza where they were supported by offering them career advice and outplacement consultancy. In the course of 2017 almost all of them have left VIVAT. As a result of the reorganisations and people leaving the company voluntarily, there were still many vacancies within VIVAT and SRLEV in 2017. We aim to find people who have an open mindset for contributing to VIVAT's and SRLEV's goals and are change willing and able to move within the company in the future. In this way we will be able to have more mobility within VIVAT in the future.

Personal Development

Due to regulations all employees who advise clients need to have a Wft diploma (Wft stands for: Wet op het financieel toezicht) and need to continuously update their knowledge. Besides that, we challenge our employees with short articles and surveys with questionnaires about relevant topics within their scope, like compliance, life, insurance, etcetera.

Personal development is supported by a learning portal that provides a range of training courses and tools, including 360 degree feedback and a network of coaches.

In VIVAT's Collective Labour Agreement 2017, agreements have been made on applying an annual budget for every employee in VIVAT to spend on his/her own personal development plan. In this way employees are in charge of their own career and development. The annual budget can be spent on an education, course or workshop that adds value to one's employability. Employees can also reserve their budget for three years to save up for a more expensive education.

Training and Education

Training and education continue to be important. Employees are offered the possibility to further develop their skills and knowledge in their own area of expertise as well as their ability to communicate and collaborate with colleagues in other departments.

In our performance management cycle, we address personal development, and managers and employees have career development meetings. Furthermore, ongoing training is provided to keep employees up-to-date in accordance with the requirements of the Dutch Financial Supervision Act. The HR information system informs managers of the status of the necessary diplomas or qualifications of their staff.

SRLEV also invests in training aimed at innovation via the 'VIVAT Academy'. There are two internal data training courses; Basic and Professional. Examples include the state of the art Data Scientist programme at YADS .

Knowledge in the area of innovation is also obtained by means of partnerships and collaboration with start-ups and universities. VIVAT, and therefore SRLEV, partners with startup Bootcamp at B. Amsterdam in the innovation field. Partnership with Rotterdam School of Management Talented students of the Rotterdam School of Management have to opportunity to study and research data analytics as well as digital business development.

Succession Planning

SRLEV uses Career Development Meetings, the Talent Grid and a Mid-Year Review to ensure that critical positions within the company are always filled with competent employees. Succession planning helps SRLEV to ensure our continued success and it helps employees to be prepared for the next steps. On a yearly basis we identify the critical positions and see to it that we have employees on hand ready and waiting to fill the new positions (now, 1–2 years and 3-5 years).

Career Development Meeting

In the Career Development meeting manager and employee discuss the professional, personal development and career options of the employee. All employees have a yearly grow-budget to use for further development.

Talent grid

Based on the Career Development meeting and a Mid-Year Review the manager draws up a Talent Grid of his department. This grid gives insight in how much potential there is in the departments, the business lines and VIVAT as a whole. Based on the Talent Grid, training and development plans are made at VIVAT level and new potentials are being recruited and Succession Planning is made.

Final Planning

Based on the previous steps, the manager makes a Succession Planning for critical positions in his department. He names successors for certain positions and determines if they are ready for the next step or need to develop. The final planning for the entire VIVAT organisation is used to make training and development plans and again for recruiting and retaining talent for VIVAT and SRLEV.

Employment Mobility

Mobility within the company is encouraged and supported. More frequent, employees are being nominated for fulfilling internal vacancies. Furthermore, as part of the restructuring in 2016, tools and support are still provided by VIVAT's Career Plaza for helping employees to find new positions inside or outside the VIVAT and SRLEV organisation.

Vitality

To ensure the health of our employees and keep absences due to illness to a minimum, SRLEV works intensively together with external company doctors and counsellors. VIVAT has changed to GOED as our health and safety service provider. We also offer sports facilities and encourage employees to adopt a healthy lifestyle. The illness figure remained at the same level as in 2016 (5.1%). This figure has increased focus among all managers and Human Resources.

In November SRLEV participated in the national 'Week of work stress'. But at SRLEV we renamed it in the 'Week of job satisfaction' (Dutch: 'Week van het werkplezier'). To emphasise that work should be fun, all employees were invited to participate and learn how to deal with modern day work live: often rushed, full of deadlines, agreements and time pressure. Because work-related stress is national disease number one, recognising stress symptoms is very important. With workshops, information and other activities we raised awareness and gave tools to be more relaxed, energetic, fit and active during work.

Corruption, Money Laundering and Bribery

It is SRLEV's policy to conduct all business in an honest and ethical manner. SRLEV takes a zero-tolerance approach to corruption, money laundering and bribery. SRLEV will uphold all laws relevant to counter these forms of illegal activities in all the jurisdictions in which we operate. SRLEV has an anti-corruption policy in place. This policy describes the principles to counter corruption, money laundering and bribery on which SRLEV must takes adequate measures. A number of measures are (also) taken into account in the code of conduct, pre-employment screening policy, incident policy, whistleblower policy, conflicts of interest policy and procurement policy. The described measures aim to mitigate the corruption risks for SRLEV and its subsidiaries. Any form of corruption that might be detected within SRLEV will be treated as an exceptional report to the EB, SB and regulators.

Although VIVAT has an anti-corruption policy in place, no SMART KPIs have been set yet. With the new CR policies being currently under development, VIVAT is intending to set an anti-corruption key performance indicator in the future in order to better monitor its performance.

3.5.2. Terms and Conditions of Employment

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

Diversity and Inclusivity

SRLEV's employees can be described as experienced, high educated, loyal to the company and diverse.

It is SRLEV's aim to have a workforce that reflects the composition of its customer base. This includes a good balance between male and female. However, for each vacancy we look at the best candidate for the position, regardless of gender, origin or age. Our management systems provide insight into the male-female ratio on a daily basis.

Diversity in %

Female in %, by function group	2017	2016
Board	28.6%	28.6%
General Managers, Managing Directors, Directors	16.0%	15.4%
Unitmanagers, managers	27.6%	24.3%
Other staff	42.9%	43.8%

3.5.3. Recruitment

In October 2017 we launched a new website, vivat.jobs, to attract new, well educated and motivated personnel. The site contains stories that reflect our main organisational goals, and interviews with a range of colleagues who tell about their work and the challenges they face in their specific position at VIVAT. At the same time we began using a new applicant tracking system to improve the transparency of our recruitment process as well as the implementation of a metric of vacancies. We also started a pilot with the implementation of an Artificial Intelligence (AI) job marketing solution to improve job marketing return on investment.

3.6. Our World

SRLEV NV is a full subsidiary of VIVAT NV. For information regarding Our World we refer to the VIVAT Annual Report 2017.

3.7. Financial Results

The net IFRS result decreased from a profit of € 252 million in 2016 to a loss of € 55 million in 2017. The result was negatively impacted by accounting differences between the market and book value of assets and liabilities, resulting in an addition to the technical provisions from the LAT-shortfall.

Premium income increased 23% from € 1,818 million to € 2,233 million. This increase was mainly attributable to a single premium pension contract of € 375 million. Excluding this one-off, the premium increased, predominantly in Life Corporate.

Operating expenses have decreased following the restructuring in 2016. Following the significant FTE reduction in 2016, the number of FTEs has decreased by 493 FTEs in 2017 to 1,430 FTEs at year end 2017 (31 December 2016: 1,923 FTEs) contributing to lower staff costs.

The addition of € 304 million to the LAT shortfall in 2017 compared to a LAT release of € 75 million in 2016. For a more detailed explanation of the development in the IFRS LAT, we refer to Note 13 in the Notes to the Consolidated Financial Statements.

Other realised and unrealised changes in the fair value of assets and liabilities that effect IFRS result were lower in 2017 compared to 2016, mainly due to lower realised gains on equity investments.

Financial Result per Segment

Life Corporate

In € millions	2017	2016
> Result		
Gross written Premium Income	1,366	954
Operating expenses	111	118
Restructuring costs	–	47
Total costs	111	165
Net Result IFRS	-239	79

Gross written premium income increased by 43% compared to 2016, predominantly as a result of a pension fund buy-out of € 375 million single premium. Excluding the buy-out, premiums of direct pension products increased by € 37 million.

The net result IFRS decreased to -/- € 239 million, mainly driven by negative changes in the position of LAT shortfall, partly mitigated by lower cost, the absence of restructuring costs and a provision release for a legal claim. This year € 304 million net was added to the provisions due to a LAT shortfall in 2017, while € 59 million net was released in 2016. The full LAT shortfall is allocated to Life Corporate.

Individual Life

In € millions	2017	2016
> Result		
Gross written Premium Income	879	880
Operating expenses	89	117
Restructuring costs	–	37
Total costs	89	154
Net Result IFRS	159	177

Gross written premium income remained stable, notwithstanding the shrinking individual life market. The decrease in regular premium income is compensated by income from single premium products.

The net result IFRS decreased by € 18 million to € 159 million compared to 2016. The decrease in operating expenses, mostly as a result of the restructuring program, were largely offset by a lower cost coverage. The lower cost coverage was related to the shrinking portfolio and competitive market circumstances.

Balance sheet

Total assets of SRLEV decreased by € 1.5 billion to € 53.5 billion. The decrease in 2017 mainly consists of a decrease of investments for account of policyholders and third parties of € 1.9 billion and an increase of loans and advances to banks of € 0.8 billion.

Both investments and Liabilities investments for the account of third parties decreased by € 0.9 billion, mainly caused by movements of third parties to investment funds which are not consolidated in the balance sheet of SRLEV. The increase of loans and advances to banks is mainly a result of additional repo transactions and paid cash collateral.

Total liabilities of SRLEV decreased by € 1.7 billion to € 50.3 billion. This is mainly due to the above mentioned decrease of Liabilities investments for the account of third parties of € 0.9 billion and the decrease of the total amount of insurance liabilities of € 0.8 billion caused by a lower fair value of technical provisions for Life Insurance, as a result of increased market interest rate movements. The decline in the Individual Life portfolio in 2017 as a result of surrenders was largely offset by an increase of the Life Corporate portfolio.

3.8. Risk and Capital Management

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

Risk Management System

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

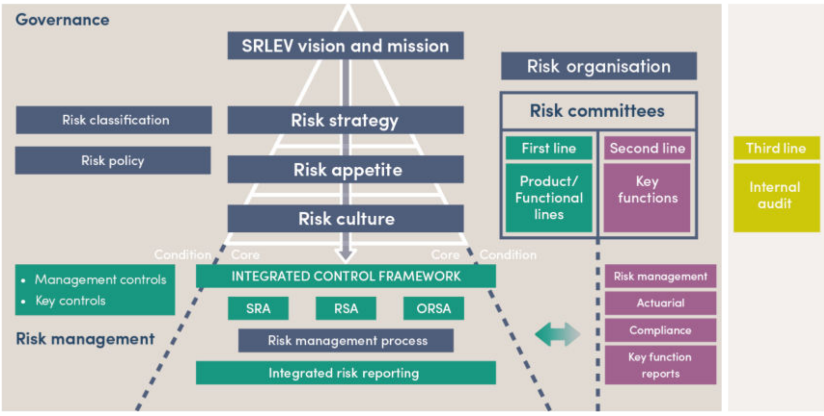


Figure 7: Risk management

The core of the Risk Management System consists of a governance part at which, starting from the vision and mission and business strategy, the risk strategy and risk appetite are derived. The components risk policy, risk classification and risk organisation are necessary conditions to enable these strategic risk processes. To ensure an integrated approach the second line key functions and the business use the same risk classification, operations are covered by the risk appetite and are aligned by a policy structure. Decision making is in line with the risk policy and risk appetite of SRLEV.

Risk Strategy

SRLEV has derived a risk strategy, a supporting set of objectives following from the VIVAT vision and mission to achieve the strategic goals. The risk strategy is expressed in the risk appetite. As main principles SRLEV has defined a robust capital position, stable profitability, prudent and consistent risk policy, regulatory compliancy, social responsibility and effective and efficient customer solutions. As insurance company, SRLEV provides guarantees for future payments to its customers and therefore SRLEV needs a strong capital position. The Executive Board would like to hold a buffer above regulatory capital requirement to absorb temporary volatility and provide more certainty to its customers.

Risk Appetite

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

Risk Culture

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

Risk Organisation

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

Integrated Control Framework

The Integrated Control Framework (ICF) contains a set of (management & process) controls and an analysis on operating effectiveness enabling management to adequately manage risks, following (strategic) objectives and SRLEV's risk appetite. During 2017 SRLEV finalised implementation of the Integrated Control Framework consisting of process and management controls. The controls enable the identification of gaps in the control framework and monitoring on follow-up using a standardized approach. Key control testing, retesting by second line risk and reporting on key control results is now supported by tooling in which the management key controls are also incorporated. Further improvements to the Integrated Control Framework will be made.

Underwriting and ALM

SRLEV assesses underwriting risks by following the Product Approval and Review Process (PARP) for new or adjusted products and management of the existing portfolio. SRLEV mitigates underwriting risks primarily by means of diversification and reinsurance. The reinsurance programme is determined on the basis of risk assessments of the various portfolios, the size of the portfolios, the nature of the underwriting risks, the profit or loss, the risk appetite and the financial strength of the company.

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

Developments

In 2017, SRLEV has focused on new opportunities and sustainability towards our clients. The strategic ambition to become an innovative insurer has led to several initiatives in products, services, methodologies and processes. The continued focus on cost reduction and revenue models could influence operational and compliance risks. These risks are addressed, managed and monitored within the VIVAT risk framework to maintain a sound and controlled organisation.

In order to realise more efficiency, SRLEV has defined the target IT landscape and has made non-target systems redundant – this rationalisation will continue in 2018. In addition, SRLEV has reduced its number of models in 2017, lowering model risk. This contributes to a more efficient and reliable valuation of underwriting and market risks and the determination of the solvency ratio. By following a risk based model validation calendar, we have been able to confirm that model improvements led to further reduction of model risk. Uncertainty arising from the remaining conversion projects was mitigated by continuous monitoring, applying workarounds and adopting a process for early provisioning in the accounts.

SRLEV continues to invest in the development of the control environment by the strategic programmes such as Data management and Risk Model Landscape. By doing so we are aiming to improve process controls, management information, risk management policies and first line risk maturity.

Due to new legislation both in the Netherlands and in the EU (General Data Protection Regulation - further: GDPR) privacy risks have become more relevant. Therefore ITC has set up a broad privacy programme to make SRLEV compliant with current privacy regulations. SRLEV is aware of the increasing strategic importance of collecting, managing and using data. Currently we are implementing a sustainable design for Data Governance to manage and monitor the diverse data related initiatives, taking into account all the relevant legislation, e.g. GDPR.

Capital Management

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

The objective of the capital policy is to ensure that there is sufficient capital to fulfill obligations towards policyholders and meet legal requirements. The second objective of the capital policy is to ensure capital is used as efficiently and flexibly as possible to facilitate the implementation of VIVAT's strategy. In addition to the capital policy, a recovery plan exists which describes the procedure that applies in a contingency situation. In this context, a contingency situation is defined as a situation in which a capital deficit arises, or threatens to arise, which poses a direct threat to the going concern of VIVAT in its current form. In its risk appetite statements, SRLEV has defined specific triggers that determine whether a contingency situation exists. The ORSA is an integral part of SRLEV's management control cycle. It is input for the operational plan and capital management and is used in determining the risk appetite. In 2017 SRLEV concluded that the Solvency Capital Requirement (SCR) was appropriate and that the solvency was sufficient.

Solvency II

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

SRLEV discloses its solvency position and financial condition on a Solvency II basis by means of public reports as required by law. Solvency II applies to SRLEV as an independent authorisation holder.

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

Solvency II position

In € millions/percentage	2017[1]	2016
Total eligible own funds	3,238	3,424
SCR	2,061	2,295
Solvency II ratio	157%	149%

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

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

The classification of the hybrid capital of SRLEV NV (outstanding on 31 December 2017) into Tier 1 and Tier 2 capital is based on the transitional measures contained in the level 1 regulations, and aligned with DNB.

SRLEV is focusing on improving capital generation by re-risking, improving its value of new business, and further optimising its risk profile taking into account its risk appetite. Optimising will also decrease the spread risk which originates from differences between the SRLEV asset portfolio and the reference portfolio of the Volatility Adjustment (VA).

The process of reducing the spread mismatch between assets (mainly German and Dutch government bonds) and liabilities (mainly swap plus Solvency II Volatility Adjustment) started in 2016. The basis risk was further mitigated during 2017 by replacing long duration German and Dutch government bonds by swaps combined with short duration government bonds.

Managing Sensitivities of Regulatory Solvency

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

The Ultimate Forward Rate (UFR) of 4.2% prescribed by the European Insurance and Occupational Pensions Authority (EIOPA) also introduces a risk. Over the course of time, the positive valuation effect of the UFR reduces, which puts downward pressure on the trend in solvency in the future. EIOPA decided to yearly decrease the UFR starting in 2018 with 0.15% per year. This will have a negative impact on solvency and IFRS results .

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

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

April | May | June

Innovation

Demo Day

At Demo Day the seven VIVAT start-up teams came back to VIVAT headquarters to pitch their ideas to an audience of VIVAT employees and the VIVAT Innovation Board. They could all choose their top 3 ideas. The pitches with the most votes were given the green light to further develop their ideas. Demo Day eventually led to the successful launch of several products and brands, such as 'Vigi', 'Financieel Vitaal' and 'nowGo'.

New campaign

A new campaign for Zwitserleven

Zwitserleven launched a new campaign called *Roadtrip,* in which well-known Zwitserleven ambassador Chris Zegers makes real journeys and discovers new places. During his road trip, Chris's path regularly crosses that of actress and Emmy Award winner Maryam Hassouni.

Award

5xVBDO

For the fifth year in a row Zwitserleven was awarded the most socially responsible pension insurance company in the Netherlands. The Dutch Association of Investors for Sustainable Development (VBDO) each year compares and evaluates the sustainability of the investment policy of the thirty biggest Dutch insurance companies. Zwitserleven already held the highest scores in 2012, 2013, 2014 and 2015. (VBDO didn't give out any awards in 2016.)

VIVAT Alkmaar

4. Corporate Governance

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

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

4.1. The Executive Board

The Executive Board is responsible for the strategy and management of the company. The Executive Board as of 31 December 2017 consists of the following:

Composition, Appointment and Role

Name	Nationality	Position	Date of appointment
J.J.T. (Ron) van Oijen	Dutch	Chief Executive Officer	14 March 2016
Y. (Yinhua) Cao	Chinese	Chief Financial Officer	23 October 2015
L. (Lan) Tang	British	Chief Risk Officer	26 July 2015
W.M.A. (Wendy) de Ruiter-Lörx	Dutch	Chief Commercial Officer	24 May 2016
X.W. (Xiao Wei) Wu	Chinese	Chief Transformation Officer	26 July 2015
J.C.A. (Jeroen) Potjes	Dutch	Chief Operating Officer	24 May 2016
F. (Feng) Zhang[1]	Chinese	Chief of Staff	26 July 2015

[1] Mr Zhang resigned as per 11 April, 2018.

J.J.T. (Ron) van Oijen (1961) is chief executive officer. He obtained a master's degree in actuarial science at the University of Amsterdam, followed by an advanced management programme at the Wharton Business School. Van Oijen started his career at Aegon and ING in the Netherlands. He subsequently worked as chief executive officer of ING Life and ING Bank in the Czech Republic and Slovakia for four years. In Seoul and Hong Kong he lead the large ING Life branches in India, Thailand and South Korea as regional chief executive officer, after which he was appointed as chief executive officer of AIA Thailand. Van Oijen is also a member of the board of the Association of Insurers and president of the Royal Actuarial Association of the Netherlands. In 2017 he was appointed as chairman of the supervisory board of football club NEC.

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

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

W.M.A. (Wendy) de Ruiter-Lörx (1973) is chief commercial officer of the Executive Board. She holds a master's degree in business economics from Erasmus University Rotterdam. She also completed a master's in management & organisation at TIAS Business School in Tilburg. She started her career at ING and Nationale Nederlanden, where she worked for 15 years, fulfilling various managerial roles in operations and product and process management at both Nationale Nederlanden and ING Bank. Her most recent position at Nationale Nederlanden was that of director of retail clients. De Ruiter-Lörx joined Reaal Life as a unit manager in 2012. Two years later, she was appointed director of Reaal's life business in charge of life policies and mortgages. De Ruiter-Lörx is a member of the distribution committee of the Association of Insurers.

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

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

F. (Feng) Zhang (1979) is chief of staff of the Executive Board. He has a master's degree in business administration from the University of Northumbria at Newcastle and a bachelor's degree in literature from Wuhan University, China. Zhang joined Anbang in 2005, worked as director of claims, underwriting, sale and marketing and human resources. In 2011 he commenced as deputy general manager of Anbang Property and Casualty Insurance. His last positions were general manager of Anbang Property and Casualty Insurance, director of Anbang Life Insurance, director of Anbang Annuity Insurance and chairman of the board at Anbang Property and Casualty Insurance. Mr Zhang resigned as per 11 April 2018.

Governing Rules

SRLEV adheres to the Code of Conduct of Insurers 2015.

SRLEV aims to have gender balance of having at least 30% men or 30% women on the board of directors. In case of a vacancy, we will always aim to find the best candidate for the position. When more candidates show equal qualities, we will give preference to a woman or a man, if that means we can reach our intended gender balance. Currently SRLEV has close to 30% females on the board.

The governing rules of SRLEV are set out in the articles of association and regulations of the Executive Board of SRLEV. Under the articles of association and regulations, certain decisions of the Executive Board are subject to the approval of its shareholder and/or the Supervisory Board of the relevant company or companies. The members of the Executive Board of VIVAT NV are the same as the management board members of SRLEV NV, VIVAT Schadeverzekeringen NV and Proteq Levensverzekeringen NV. This means that the shared management principle has been implemented at all management levels.

As part of the continuing education programme of SRLEV, the Executive Board members participate in various education sessions. These sessions are sometimes attended together with the Supervisory board members or with senior management of SRLEV and are provided by internal and external speakers. The continuing education programme this year included sessions such as PRIIPS, GDPR, inducements, Data analytics and cybercrime.

SRLEV NV is a public limited company. Anbang Group Holdings Co. Limited holds 100% of the shares in VIVAT NV, which holds 100% of the shares in SRLEV NV. The Chinese regulator China Insurance Regulatory Committee (CIRC) announced on 23 February 2018 that it is temporarily taking over the management of Anbang. VIVAT has taken notice of this.

4.2. The Supervisory Board

Composition, Appointment and Role

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

M.W. (Maarten) Dijkshoorn was appointed as chairman of the Supervisory Board on 23 December 2016. He is a member of the remuneration and nomination committee, a member of the risk committee and a member of the audit committee. Dijkshoorn has worked in the financial services industry for more than 40 years. From 2002 to 2009, Dijkshoorn was chief executive officer and chief operational officer of Eureko BV (Achmea). Prior to that, Dijkshoorn held various management functions within Nationale-Nederlanden for 25 years. He was, until recently, supervisory board member of Monuta and MediRisk and chairman of the supervisory board of de Goudse Verzekeringen NV.

M.R. (Miriam) van Dongen was appointed as member of the Supervisory Board on 26 July 2015. She is chair of the audit committee and member of the risk committee and member of the remuneration and nomination committee. She has over 20 years of experience in corporate finance, business strategy and in the financial services industry. In 2007, Van Dongen joined Achmea BV/Eureko BV as chief financial officer of the health division. She holds various supervisory board positions and is the chair of the audit committees of these supervisory boards. Van Dongen currently serves as supervisory board member and the chair of the audit committee of CB Logistics and PGGM NV. She is also member of the supervisory board and the chair of the audit committee of Optiver. Recently, she has been appointed member of the Supervisory Council and chair of audit committee of The Netherlands' Kadaster (Land Registry) and board member of Stichting Administratiekantoor Aandelen KAS BANK.

M. (Ming) He was appointed as member of the Supervisory Board on 26 July 2015. He is member of the audit committee. He went to Chengdu University of technology in China for his college education and completed a bachelor degree in 1982. He obtained a master's degree at Bowling Green State University in 1992 and a MBA at the American Graduate School of International Management in 1998. He started his career at the Superior Environment Corporation in 1992 as an environmental engineer. In 2009, he joined Anbang Insurance Group Co., Ltd. as chief investment director of Anbang Property & Casualty Insurance Co., Ltd. In 2012 he was appointed as director and general manager of Anbang Asset Management. He is chief executive officer of AB Win Win II [LP].

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

K.C.K. (Kevin) Shum was appointed as member of the Supervisory Board on 26 July 2015. He is chair of the remuneration and nomination committee and member of the risk committee. Shum joined Anbang Insurance Group Co., Ltd. in March 2014. With over 20 years' experience in the financial industry, Shum is a qualified solicitor of England & Wales, a solicitor of Hong Kong, a member of the Chartered Institute of Arbitrators in the U.K. and is a Chartered Financial Analyst in the U.S. Prior to joining Anbang, Shum worked as a private practitioner at Coudert Brothers LLP and Jun He Law Offices, as counsel for private equity firm Alliance Capital Asia Limited and a hedge fund of CCIB Asset Management Co. Limited. He currently serves as Executive Director, Legal and Compliance, for Anbang Overseas Holdings Co. Limited, is a non-executive director of Fidea NV (chair of governance, nomination and remuneration committee) as well as a member of the supervisory boards of ACTIAM Beleggingsfondsen NV, RZL Beleggingsfondsen NV and Zwitserleven Beleggingsfondsen.

Meetings of the Supervisory Board

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

4.3. Report of the Supervisory Board

Functioning of the Supervisory Board

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

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

Self-assessment

The Supervisory Board carries out a self-assessment once every three years facilitated by an external consultant. This was done in 2016. The Chairman of the Supervisory Board will, regarding the year 2017, conduct individual interviews with Supervisory Board and Executive Board members to evaluate the functioning of the Supervisory Board as a whole, the functioning of the individual committees, the individual supervisory directors and the relationship with the Executive Board during 2017.

Continuing Education

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

These continuing education sessions included – amongst others – topics on Cyber Security, IFRS 9, Risk Appetite Statement, Deep dive financials and pensions.

Important Topics and Key Discussions

The formal meetings of the Supervisory Board were every six weeks and several additional meetings and conference calls were held. The attendance rate at meetings and committees is high, demonstrating the strength of the Supervisory Board's commitment. None of the Supervisory Board members were frequently absent at these meetings and meaning that there was always a valid quorum.

During the formal meetings the Supervisory Board was updated on strategic activities and topical issues. Furthermore, the Supervisory Board was briefed on the discussions and resulting recommendations from Supervisory Board committee meetings. Twice a year the Supervisory Board had business reviews with all product lines to discuss their business activities and key initiatives.

In 2017 the Supervisory Board discussed and approved several items, such as:

- Debt issuance
- Re-risking program
- Strategy update
- Risk Appetite
- General Data Protection Regulation
- Investment insurance policies
- Operational Plan

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

Cooperation with Committees

The Supervisory Board has three committees: the Audit Committee, the Risk Committee and the Remuneration and Nomination Committee. Each member of the Supervisory Board has sufficient knowledge and experience to assess the main aspects of SRLEV's policy and to form an independent opinion of the basic risks. Decisions regarding risk management and risk control are prepared and recommended by the Risk Committee (RC) and the Audit Committee (AC), respectively. These committees are carefully composed where at least two members of these committees have knowledge of risk management / risk control and internal control / reporting respectively. The Audit Committee discussed the audit scope, key audit matters, the external auditor's report and the management letter of the external auditor. The independence of the external auditor and fees were also reviewed by the Audit Committee. The Audit Committee maintains regular contact with the external auditor by meetings between the chair of the Audit Committee and the external auditor.

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

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

The Supervisory Board wants to thank the Executive Board and all employees for their efforts in 2017. Special word of thanks to Mr. Feng Zhang. During his period as member of the Executive Board Mr. Feng Zhang supervised certain staff functions of the company. The Supervisory Board thanks Mr. Feng Zhang for his dedication and contribution to setting up an efficient, customer-oriented organisation and his contribution to the substantial cost reductions

Amstelveen, the Netherlands, 26 April 2018
On behalf of the Supervisory Board,

Maarten Dijkshoorn, Chairman

4.4. Remuneration

SRLEV NV is a full subsidiary of VIVAT NV. SRLEV's employees are employed by VIVAT. The costs of employees appointed to SRLEV are charged to SRLEV by VIVAT. The remuneration information in this paragraph is presented on VIVAT level.

Remuneration Policy

The remuneration policy of VIVAT also applies to all employees of SRLEV NV. The remuneration policy consists of several remuneration policies for different groups within VIVAT and SRLEV, such as CLA employees and above-CLA employees .

Principles

The different remuneration policies:

- reflect the interests of all the company's stakeholders: customers, employees, shareholders and society at large;
- are in line with, and contribute to, robust and effective risk management whilst not encouraging the taking of inappropriate risks than acceptable for the company's risk appetite;
- support the ability to attract and retain qualified people.

Governance

The members of the Executive Board and the members of the Supervisory Board of VIVAT NV are also the members of the Executive Board and the members of the Supervisory Board of SRLEV NV. The Supervisory Board is responsible for approving the remuneration policy for above-CLA employees and also approves the principles of the remuneration policy for other employees. The general meeting is responsible for adopting the remuneration policy for the members of the Executive Board after consultation with the Supervisory Board. The remuneration policies are based on and in line with the Regulation on sound remuneration policies Wft 2014 (Regeling beheerst beloningsbeleid Wft 2014) and the Act on Remuneration Policies of Financial Enterprises (wet Beloningsbeleid Financiële Ondernemingen, WBFO) as included in the Dutch Financial Markets Supervision Act (Wet op het Financieel Toezicht, Wft).

The Supervisory Board's Remuneration and Nomination Committee (ReNomCo) prepares decisions on remuneration regarding Identified Staff and employees in control functions as mentioned hereafter. This includes decisions that may have consequences for the risks and risk control of the company which the Supervisory Board takes, as proposed by the Working Group Identified Staff. The Working Group Identified Staff (WGIS) comprises three members of the Executive Board, the heads of Financial Risk, Non Financial Risk/Compliance, Audit, Human Resources and Legal. Where necessary, the ReNomCo is assisted by independent remuneration experts. The Executive Board is responsible for the implementation of the remuneration policies.

Identified Staff

Every year, VIVAT designates members of staff (also for SRLEV) who are Identified Staff on the basis of applicable laws, rules and regulations (the open-book-criteria of DNB). VIVAT has implemented the specific rules regarding variable remuneration for such Identified Staff. Employees who are Identified Staff are determined once a year and approved by the Supervisory Board.

Composition of Remuneration

Remuneration of all employees is made up of fixed and variable pay.

Level of Fixed Remuneration

Fixed pay is generally made up of 12 times an employee's fixed monthly salary, plus 8% holiday allowance and a 13th-month payment. The fixed monthly salary depends on the employee's role, knowledge and experience. A decision as to whether to increase the fixed monthly salary is made once a year, on the basis of a competence assessment. The fixed monthly salary is based on applicable salary scales.

Level of Variable Remuneration

The maximum levels of variable compensation as defined by WBFO are applicable for all employees. Pursuant to the WBFO, the variable remuneration of an employee of a financial undertaking may not exceed 20% of the fixed remuneration.

For all employees, the performance management cycle started with setting the performance targets in the first quarter of 2017. These targets are in line with the company targets and the company's mission and vision. For all employees two general targets were set: One regarding customer satisfaction (the Net Promoter Score) and one financial target. The financial target for the Product lines was: commercial success and, for the Functional lines: cost management. At least 50% of the KPIs set were non-financial related KPIs. For employees in control functions such as Risk, Audit and Compliance departments, no financial KPIs were set.

The extent to which the performance targets have been achieved by an employee is used as the basis for determining if an employee is eligible for variable remuneration and to which level.

A downward adjustment will be made if the employee has not met relevant standards in respect of competence and appropriate conduct, or was responsible for behavior that led to a material deterioration in VIVAT's and/or SRLEV's financial position (Wft Section 1:127, Subsection 2).

In addition to the above, in 2017 two knock out criteria applies for the awarding of variable remuneration: Solvency II ratio and IFRS Result.

For CLA employees, variable remuneration is paid in cash. Variable remuneration for Identified Staff is split in two portions: an immediate/

unconditional portion (60%) and a deferred/conditional portion (40%). 50% of the variable remuneration of Identified Staff is paid in cash and 50% in share based instruments.

Number of Employees with Total Remuneration Exceeding € 1 million

In 2017, one employee received a total remuneration exceeding € 1 million.

Variable Remuneration for the Year 2017

In 2017, no variable remuneration is paid for 2017.

Claw Back on Variable Remuneration

VIVAT has the power to claw back all or part of any variable pay awarded (Section 135(8), Book 2 of the Dutch Civil Code in connection with Wft Section 1:127 Subsection 3). Whole or partial claw back will take place if the employee has not met relevant competence standards and standards for appropriate conduct, or was responsible for behavior that led to a material deterioration in the financial position of VIVAT and/or SRLEV. This claw back may relate to both the immediately payable portion and the deferred portion of the variable remuneration.

Pension

Nearly all employees are members of the same pension scheme. The scheme qualifies as a defined contribution scheme for IAS 19 purposes. The contributions are paid by SRLEV and employees respectively as employer and employee contributions. Due to the changes in the tax law on pension accruals for salaries above the pensionable salary an allowance of 16.35% on an employee's pensionable salary in excess of € 103,317 has been paid.

Other Benefits

The majority of above-CLA employees are eligible for a lease car or a lease car allowance. In 2017, VIVAT NV changed its lease policy which limited leasing of cars to those with less than 106 gram CO2 emissions. In addition, the group eligible for a lease car has diminished. As part of VIVAT's commitment to impact investment principles, certain types of cars and certain brands are no longer included in this policy.

Special Arrangements on Employee Benefits

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

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

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

July | August | September

Innovation

Innovation Days

Innovation is important to VIVAT as it will help us make a difference for our customers. Therefore it is crucial that all VIVAT employees acquire at least basic knowledge about innovation. During the VIVAT Innovation Days employees were brought up to speed with innovation trends and its impact, and aligned with VIVAT's innovation strategy. A separate day was organised for intermediary.

Durability

BREEAM durability certificate

After the summer we started the final sprint to make our Torenburg office in Alkmaar ready for the BREEAM durability certificate. With a score of three stars for assets, four stars for maintenance and three stars for usages this office reaches the highest durability score in the city of Alkmaar. Since our headquarters in Amstelveen had already met the durability standards, VIVAT now has two BREEAM certified offices, keeping us on track with our goal of bringing down our carbon footprint and being a company that takes on its environmental responsibility.

New campaign

'Lekker geregeld'

Well-known Dutch biologist Freek Vonk appeared in a new commercial for insurer Reaal, aside a giant panda. The real star in the commercial however is Freek's mother. She is the driving force behind her son, the person who takes care of Freeks insurances, so he can go off to explore wildlife. With this new campaign Reaal is putting the spotlight on the people who arrange things, to doers, the ones that one can always depend upon. Reaal and the intermediary claim that role in people's lives, so they can do the things they enjoy, knowing that things are well taking care of.

VIVAT Alkmaar

Financial Statements

5. Consolidated Financial Statements

5.1. Consolidated Statement of Financial Position

Before result appropriation and in € millions	Notes[1]	31 December 2017	31 December 2016
> Assets			
Property and equipment	1	53	57
Investment property	2	380	274
Investments	3	35,868	35,897
Investments for account of policyholders	4	13,202	14,251
Investments for account of third parties	5	455	1,320
Derivatives	6	741	1,061
Deferred tax	7	459	439
Reinsurance contracts	13	91	106
Loans and advances to banks	8	1,799	960
Corporate income tax		43	17
Other assets	9	265	352
Cash and cash equivalents	10	147	271
Total assets		**53,503**	**55,005**
> Equity and liabilities			
Share capital[2]		0	0
Reserves		3,272	2,783
Retained earnings		-55	252
Shareholders' equity	11	**3,217**	**3,035**
Subordinated debts	12	775	798
Insurance liabilities	13	45,509	46,274
Liabilities investments for account of third parties	5	455	1,320
Provision for employee benefits	14	184	182
Other provisions	15	35	40
Derivatives	6	606	471
Amounts due to banks	16	1,627	1,330
Other liabilities	17	1,095	1,555
Total equity and liabilities		**53,503**	**55,005**

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

5.2. Consolidated Statement of Profit or Loss

In € millions	Notes[1]	2017	2016
> Income			
Premium income		2,245	1,834
Less: Reinsurance premiums		12	16
Net premium income	22	**2,233**	**1,818**
Fee and commission income		26	38
Fee and commission expense		8	5
Net fee and commission income	23	**18**	**33**
Investment income	24	1,411	2,761
Investment income for account of policyholders	25	435	902
Result on investments for account of third parties	26	49	39
Result on derivatives	27	-388	-265
Other operating income	28	15	1
Total income		**3,773**	**5,289**
> Expenses			
Technical claims and benefits	29	3,389	3,119
Charges for account of policyholders	30	87	1,349
Acquisition costs for insurance activities	31	23	24
Result on liabilities from investments for account of third parties	26	49	39
Staff costs	32	155	265
Depreciation and amortisation of non-current assets	1	3	7
Other operating expenses	33	42	47
Impairment losses	34	7	-1
Other interest expenses	35	110	103
Other expenses		-	1
Total expenses		**3,865**	**4,953**
Result before tax		**-92**	**336**
Tax expense	36	-37	84
Net result continued operations for the period		**-55**	**252**

> Attribution:			
Net result continued operations attributable to shareholders		-55	252
Net result continued operations for the period		**-55**	**252**

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

5.3. Consolidated Statement of Total Comprehensive Income

Consolidated Statement of Other Comprehensive Income

In € millions	2017	2016
> Items that will not be reclassified subsequently to profit or loss		
Changes in valuation of defined benefit pension plan	-5	25
Total items never reclassified to profit or loss	**-5**	**25**
> Items that may be reclassified subsequently to profit or loss		
Unrealised revaluations from cash flow hedges	-27	28
Unrealised revaluations investments available for sale	-373	1,182
Impairments fair value reserve	-4	-4
Realised gains and losses fair value reserve through profit or loss	-294	-1,217
Results on allocated investments and interest derivatives	687	14
Total items that may be reclassified to profit or loss subsequently	**-11**	**3**
Other comprehensive income (after tax)	**-16**	**28**

Statement of Total Comprehensive Income

In € millions	2017	2016
Net result for the period	-55	252
Other comprehensive income (after tax)	-16	28
Total comprehensive income	**-71**	**280**
> Attribution:		
Comprehensive income attributable to shareholder	-71	280
Total comprehensive income	**-71**	**280**

5.4. Consolidated Statement of Changes in Equity

Consolidated Statement of Changes in Shareholders’ Equity 2017

In € millions	Issued share capital[1]	Share premium reserve	Sum revaluation reserves	Other reserves	Capital Tier 1 Subordinated Loan	Sum reserves	Retained earnings	Shareholders' equity
Balance as at 1 January 2017	**-**	**2,064**	**32**	**687**	**-**	**2,783**	**252**	**3,035**
Transfer of net result 2016	**-**	**-**	**-**	252	-	**252**	-252	**-**
Transfers 2017	**-**	**-**	**-**	**252**	**-**	**252**	**-252**	**-**
Other comprehensive income	-	-	-11	-5	-	**-16**	-	**-16**
Net result 2017	-	-	-	-	-	**-**	-55	**-55**
Total comprehensive income 2017	**-**	**-**	**-11**	**-5**	**-**	**-16**	**-55**	**-71**
Capital Subordinated Loan - Principal	-	-	-	-	250	**250**	-	**250**
Capital Subordinated Loan - Interest	-	-	-	-7	10	**3**	-	**3**
Total changes in equity 2017	**-**	**-**	**-11**	**-12**	**260**	**237**	**-55**	**182**
Balance as at 31 December 2017	**-**	**2,064**	**21**	**927**	**260**	**3,272**	**-55**	**3,217**

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

The Executive Board proposes to the General Meeting of Shareholders to distribute, similar to 2016, no dividends for 2017.

Statement of Revaluation Reserves 2017

In € millions	Revaluation property and equipment	Cash flow hedge reserve	Fair value reserve	Sum revaluation reserves
Balance as at 1 January 2017	**4**	**-**	**28**	**32**
Unrealised revaluations from cashflow hedges	-	-27	-	**-27**
Unrealised revaluations	-	-	-373	**-373**
Impairments	-	-	-4	**-4**
Realised gains and losses through profit or loss	-1	-	-293	**-294**
Results on allocated investments and interest derivatives	-	27	660	**687**
Amounts charged directly to total equity	**-1**	**-**	**-10**	**-11**
Total changes in equity 2017	**-1**	**-**	**-10**	**-11**
Balance as at 31 December 2017	**3**	**-**	**18**	**21**

Consolidated Statement of Changes in Shareholders' Equity 2016

In € millions	Issued share capital[1]	Share premium reserve	Sum revaluation reserves	Other reserves	Capital Tier 1 Subordinated Loan	Sum reserves	Retained earnings	Shareholders' equity
Balance as at 1 January 2016	**-**	**2,064**	**29**	**468**	**-**	**2,561**	**194**	**2,755**
Transfer of net result 2015	-	-	-	194	-	**194**	-194	-
Transfers 2016	**-**	**-**	**-**	**194**	**-**	**194**	**-194**	**-**
Other comprehensive income	-	-	3	25	-	**28**	-	**28**
Net result 2016	-	-	-	-	-	**-**	252	**252**
Total comprehensive income 2016	**-**	**-**	**3**	**25**	**-**	**28**	**252**	**280**
Total changes in equity 2016	**-**	**-**	**3**	**25**	**-**	**28**	**252**	**280**
Balance as at 31 December 2016	**-**	**2,064**	**32**	**687**	**-**	**2,783**	**252**	**3,035**

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

Statement of Revaluation Reserves 2016

In € millions	Revaluation property and equipment	Cash flow hedge reserve	Fair value reserve	Sum revaluation reserves
Balance as at 1 January 2016	**4**	**-**	**25**	**29**
Unrealised revaluations from cashflow hedges	-	28	-	**28**
Unrealised revaluations	-	-	1,182	**1,182**
Impairments	-	-	-4	**-4**
Realised gains and losses through profit or loss	-	-	-1,217	**-1,217**
Results on allocated investments and interest derivatives	-	-28	42	**14**
Amounts charged directly to total equity	**-**	**-**	**3**	**3**
Total changes in equity 2016	**-**	**-**	**3**	**3**
Balance as at 31 December 2016	**4**	**-**	**28**	**32**

5.5. Consolidated Cash Flow Statement

In € millions	2017	2016
> Cash flow from operating activities		
Operating profit before tax	-92	336
> Adjustments for:		
Revaluation through profit or loss	2	2
Depreciation and amortisation of non-current assets	3	7
Amortisation of investments	193	92
Changes in insurance liabilities for own risk	-1,601	1,030
Changes in provisions	2	13
Impairment charges / (reversals)	7	-1
Unrealised results on investments through profit or loss	461	-
Taxes paid / received	-	-72
> Change in operating assets and liabilities:		
Change in advances and liabilities to banks	-542	-7
Change in other operating activities	439	-2,228
Net cash flow from operating activities	**-1,128**	**-828**
> Cash flow from investment activities		
Sale of investment property	15	4
Sale and redemption of investments and derivatives	25,323	23,901
Purchase of investment property	-108	-4
Purchase of investments and derivatives	-24,476	-22,955
Net cash flow from investment activities	**754**	**946**
> Cash flow from finance activities		
Issue of subordinated loans	95	95
Redemption of subordinated loans	-95	-95
Receipt of Capital Tier 1 Subordinated Loan	250	-
Net cash flow from financing activities	**250**	**-**
Net increase in cash and cash equivalents	**-124**	**118**
Cash and cash equivalents 1 January	271	153
Cash and cash equivalents as at 31 December	**147**	**271**
> Additional disclosure with regard to cash flows from operating activities:		
Interest income received	1,554	1,250
Dividends received	149	151
Interest paid	70	85

6. Notes to the Consolidated Financial Statements

6.1. Accounting Policies for the Consolidated Financial Statements

6.1.1. General Information

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

SRLEV NV has its registered office located in Alkmaar, the Netherlands and has its principal place of business located at Kruseman van Eltenweg 1, 1817 BC Alkmaar, the Netherlands. The registration number at the Dutch Chamber of Commerce Trade is no. 34297413. The principal activities of SRLEV and its subsidiaries are described in Section 6.4, note 40.

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

The consolidated financial statement combines the financial statements of SRLEV NV (the parent company) and its subsidiaries (see Section 6.3, note 39 List of principal subsidiaries).

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

Adoption of the Financial Statements

The consolidated financial statements of SRLEV for the year ended on 31 December 2017 were authorised for publication by the Executive Board following the approval by the Supervisory Board on 26 April 2018. The financial statements will be submitted to the General Meeting of Shareholders for adoption.

6.1.2. Basis of Preparation

Statement of IFRS Compliance

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

Relevant New standards, Amended Standards and Interpretations of Existing Standards Effective as of 2017

New or amended standards become effective on the date specified in the relevant IFRS, but may allow early adoption. The amendments to IAS 7 'Statement of cash flows': Disclosure Initiative were issued by IASB in January 2016 and became effective from 1 January 2017. The purpose of the amendments was to address investors' need to better understand the entities' debt by providing extra information about financing cash flows. As a result the amendments require additional disclosures for liabilities for which cash flows are classified as financing activities in the statement of cash flows.

SRLEV addressed these new requirements by presenting additional disclosures for subordinated loans.

Relevant New Standards, Amended Standards and Interpretations of Existing Standards Effective Date on or after January 2018

Relevant new standards, amendments to existing standards and interpretations, published prior to 1 January 2017 and effective for reporting periods beginning on or after 1 January 2018, were not early adopted by SRLEV. New or amended standards that become effective on or after 1 January 2018 and that are relevant to SRLEV are disclosed below.

Amended IFRS 4 on Insurance Contracts

This standard is effective as of 1 January 2018 and permits an insurer to apply the temporary exemption from applying IFRS 9 for entities whose business model is predominantly to issue insurance contracts. An entity that applies this exemption is allowed to postpone the implementation of IFRS 9 until 1 January 2021, the effective date of IFRS 17 the new standard on insurance contracts.

Predominance is assessed based on a ratio calculated as the quotient of insurance related liabilities (i.e. insurance contracts, investment contracts issued in combination with insurance contracts, tax liabilities relating to insurance activities, funding and other related liabilities) and total liabilities. If the predominance ratio is 90% or more, the entity qualifies for the 'temporary exemption' which offers the qualifying entity for the possibility to postpone the implementation of IFRS 9. SRLEV's predominance ratio is well above 90%.

SRLEV meets these criteria and has decided to postpone the implementation of IFRS 9 until 1 January 2021.

IFRS 9 Financial Instruments

IFRS 9, the new standard on financial instruments has an effective date of 1 January 2018. IFRS 9 replaces most of the current IAS 39 'Financial Instruments: Recognition and Measurement' and includes new requirements for the recognition and measurement of financial assets and liabilities, a new forward looking model for the recognition of impairment losses and a new regulation in order to better align hedge accounting with economic reality and risk management. However, since SRLEV has decided to apply the temporary exemption from applying IFRS 9, the implementation of IFRS 9 is postponed by SRLEV until 1 January 2021, the effective date of IFRS 17.

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

IFRS 15 Revenue from Contracts with Customers

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

IFRS 16 Leases

This standard has an effective date of 1 January 2019. According to this new standard, lessees (the users of the assets) no longer make a distinction between finance and operational lease. Lessees have to recognise all assets in scope of IFRS 16 'Leases' in their statement of financial position. The main change involves the accounting of operational leases; a lessee has to recognise a right-of-use asset representing the right to use the underlying asset and a lease liability representing the obligation to make lease payments. In statement of profit or loss a lessee recognises a depreciation charge regarding their assets in use and interest rate expense on their lease liabilities for all these leases.

The introduction of IFRS 16 is expected to only have minor impact on SRLEV's consolidated financial statement - the total of assets and liabilities will increase as a result of right-of-use assets and lease liabilities being recognised. No significant impact on equity is expected.

IFRS 17 Insurance contracts

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

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

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2021. Retrospective application of the standard is required. Early adoption is permitted. SRLEV plans to adopt IFRS 17 per 1 January 2021. The adoption of IFRS 17 will have a significant effect on SRLEV's consolidated financial statements, systems and data requirements.

Changes in Policies, Estimates and Presentation

Changes in policies

In 2017 there were no significant changes in accounting policies.

Changes in estimates

The effects of significant changes in estimates are disclosed in the notes to the consolidated financial statement relating to the item concerned. The most significant changes in estimates concern the insurance liabilities (refer to section 6.1.5).

Changes in presentation

Adjustment in presentation of results on investments for account of third parties and results on liabilities from investments for account of third parties

The results on investments for account of third parties and the results on liabilities from investments for account of third parties are no longer offset as of 2017. The results on investments for account of third parties € 49 million (2016: € 39 million) and the results on liabilities from investments for account of third parties € 49 million (2016: € 39 million) are presented on a gross basis in the statement of profit or loss. Impact of this change on profit or loss in 2017 is nil.

Adjustment in presentation of deferred tax assets and deferred tax liabilities

The deferred tax assets and deferred tax liabilities were presented separately in the statement of financial position at 31 December 2016. However, deferred tax assets and deferred tax liabilities relate to corporate income tax levied by the same Dutch Tax Authorities and therefore have to be offset under IAS 12 'Income Taxes'. This has been adjusted in 2017. The amount of deferred tax assets and deferred tax liabilities offset at the end of 2016 was € 1.370 million and € 931 million respectively. Impact of this change on profit or loss and equity in 2017 and in 2016 is nil.

Adjustment in presentation of discount on asset management fee

In 2016 in the statement of profit or loss the discount on the asset management fee granted by ACTIAM to SRLEV amounting to € 24 million was presented as fee and commission income. This has been adjusted in 2017 and presented as investment income. Impact of this change on profit or loss and on equity in 2017 and in 2016 is nil.

6.1.3. General Accounting Policies

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

Functional Currency and Reporting Currency

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

Foreign Currencies

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

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

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

Accounting Based on Transaction Date and Settlement Date

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

Offsetting Financial Instruments

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

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

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

Estimates and Assumptions

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

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

Fair Value of Assets and Liabilities

Fair Value

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

Fair Value Hierarchy

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

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

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

6.1.4. Basis for Consolidation

Subsidiaries

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

- SRLEV has power over a company or entity by means of existing rights that give SRLEV the current ability to direct the relevant activities of the company or entity;

- SRLEV has exposure or rights to variable returns from its involvement with the investee; and
- SRLEV has the ability to use its power over the investee to affect the amount of the investor's returns.

Subsidiaries are fully consolidated from the date on which control is transferred to SRLEV until the date this control ceases. The financial statements of these group companies are fully consolidated and aligned with the accounting policies applied by SRLEV. Non-controlling interests and their results are presented separately in the consolidated statement of financial position and the statement of profit or loss.

Elimination of Group Transactions

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

Segment Information

For the segment information refer to 6.4 Segmentation.

6.1.5. Accounting Policies for the Statement of Financial Position

Property and Equipment

Owner-occupied Property

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

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

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

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

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

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

IT Equipment and other Property and Equipment

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

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

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

Investment Property

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

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

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

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

Financial Assets

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

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

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

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

Investments
Fair Value Through Profit or Loss

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

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

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

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

Available for Sale (Fair Value Through Other Comprehensive Income)

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

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

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

Loans and Receivables (Amortised Cost)

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

Impairment of Financial Assets

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

Investments in debt securities

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

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

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

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

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

Investments in Equity Instruments

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

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

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

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

Reversal of Impairments

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

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

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

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

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

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

Derivatives

General

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

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

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

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

Hedge Accounting

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

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

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

Fair Value Hedge Accounting

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

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

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

Cash Flow Hedge Accounting

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

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

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

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

Loans and Advances to Banks

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

Cash and Cash Equivalents

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

Taxes

Income tax expense

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

Deferred tax assets and liabilities

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

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

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

Tax group

VIVAT NV and its subsidiaries, including SRLEV NV, form a tax group and are jointly and individually liable for the fiscal unity's corporate income tax and VAT debts.

Other Assets

Reinsurance contracts

Inbound reinsurance contracts

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

Outbound reinsurance contracts

By virtue of these contracts, SRLEV is compensated for losses incurred on its own insurance contracts. Because of the transfer of significant insurance risks, the entire contract qualifies as an outbound (re)insurance contract. The liabilities from insurance risks and the deposit components are recognised as insurance liabilities in accordance with IFRS 4. The share of reinsurance companies in the insurance liabilities and the benefits to which SRLEV is entitled by virtue of its reinsurance contracts are accounted for as reinsurance assets, after deduction of reinsurers' share in technical claims and benefits expenses. These assets comprise short-term receivables from reinsurance companies (presented under other assets) and long-term receivables (presented under reinsurance contracts). These receivables depend on the expected claims and benefits arising from the insurance contracts that SRLEV has reinsured.

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

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

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

Reserves

Revaluation reserve

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

Cash flow hedge reserve

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

Fair value reserve

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

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

Tier 1 Capital

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

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

Subordinated Debt

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

Insurance Liabilities

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

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

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

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

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

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

Life insurance

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

General account life insurance policies

General

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

Measurement of life insurance liabilities is in principle based on historical tariff rates set at the inception date of the underlying contracts. A periodic IFRS liability adequacy test is performed on these liabilities. Since there is a deficit in the liability adequacy test (LAT) at the end of 2016 and 2017, the insurance liabilities are currently measured at the probability weighted best estimate of future cash flows based on current assumptions discounted by the swap curve including Ultimate Forward Rate (UFR). Both measurement principles are explained below.

Measurement at tariff rates

Locked-in interest rate

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

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

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

Embedded options and guarantees in insurance contracts

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

Provisions for longevity risk

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

Cost surcharges

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

Interest rate surcharge or discount

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

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

Provisions for disability risk

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

Profit-sharing and bonuses

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

Profit-sharing

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

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

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

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

Shadow accounting

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

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

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

- Unrealised fair value changes of Available for Sale fixed income financial assets, which are initially recognised in other comprehensive income, are transferred to the insurance liabilities without affecting profit or loss.
- Fair value changes of interest rate derivatives used to hedge interest rate risks, which are initially recognised in the cash flow hedge reserve, are transferred to the insurance liabilities without affecting profit or loss.

Fair value changes of interest rate derivatives, to which no cash flow hedge accounting is applied, are recognised in profit or loss.

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

Measurement based on current IFRS LAT assumptions.

IFRS LAT methodology

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

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

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

Recognition of a deficit

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

Test level and frequency

The IFRS liability adequacy test is performed at least quarterly for the entire portfolio of life insurance contracts.

Assumptions IFRS LAT

The following assumptions were used in performing the IFRS liability adequacy test as at 31 December 2017:

- Discount rate: swap curve including an Ultimate Forward Rate which after the 20 years point (last liquid point) converges to 4,2% in 40 years.
- Profit allocation in accordance with the applicable profit-sharing arrangements and the company's decisions regarding discretionary profit sharing.
- Cost allocation and distribution of efficiency gains based on internal assessment.
- Projected mortality probability data for the entire population based on Prognose Model AG 2016 adjusted for experience on each portfolio based on both external and internal research.
- Lapse and early surrender data based on internal research.
- Inflation rate: derived from market data.
- Cost inflation consists for around 80% out of expected salary increases, taking into account the agreements in the Collective Labour Agreements (CAO) and for 20% the inflation of other costs.
- Cost of capital rate: 4% (2016: 4%).

Life insurance contracts for account of policyholders

General

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

Unit-linked life insurance contracts

Liabilities linked to the investments related component

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

Interest rate guarantees

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

Insurance component

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

Separate accounts

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

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

Liabilities from Investments for Account of Third Parties

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

Provision for Employee Benefits

Short-term employee benefits

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

Pension benefits

General

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

Defined contribution schemes

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

Defined benefit schemes

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

A net asset due to a surplus is recognised only if SRLEV has the ability to use the surplus to generate future economic benefits (asset ceiling). The excess amount above the asset ceiling will be deducted from the surplus through other comprehensive income. This can be caused by actuarial gains and losses, gains and losses on plan assets, or by employers' contributions stipulated in the financial agreement with the pension fund. This agreement is based on the pension liability calculated by the pension fund according to the specific parameters prescribed by DNB, among other aspects.

Gross pension entitlements from defined benefit schemes

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

Self-administered defined pension schemes

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

Recognition of costs in the statement of profit or loss

Costs of defined contribution schemes

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

Income and expense associated with defined benefit schemes

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

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

Net interest on defined benefit schemes

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

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

Recognition in other comprehensive income

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

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

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

Other long term employee benefits

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

Termination benefits

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

Other Provisions

General

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

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

Restructuring Provision

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

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

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

Legal Provisions

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

Financial Liabilities

Derivatives

See the previous section entitled 'Derivatives'.

Amounts Due to Banks

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

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

Other Liabilities

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

6.1.6. Accounting Policies for the Statement of Profit or Loss

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

Income

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

Premium income

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

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

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

Fee and commission income
Fee and commission income includes income from asset management, commissions from the insurance operations and other related services offered by SRLEV. These are recognised in the reporting period in which the services are performed. Commission related to transactions in general account financial instruments is included in the amortised cost of this instrument, unless the instrument is measured at fair value through profit or loss, in which case the commission is included in the result.

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

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

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

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

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

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

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

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

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

Investment income for account of policyholders

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

Results on investments for account of third parties

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

Result on derivatives

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

Expenses

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

Technical claims and benefits

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

Charges for account of policyholders

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

Acquisition costs for insurance activities

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

Results on liabilities from investments for account of third parties

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

Staff costs

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

Depreciation and amortisation of non-current assets

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

Other operating expenses

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

Impairment charges

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

Other interest expenses

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

Other expenses

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

6.1.7. Contingent Liabilities and Commitments

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

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

6.1.8. Cash Flow Statement

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

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

6.2. Acquisitions and Disposals

There were no acquisitions or disposals in the financial year 2017. There were no acquisitions or disposals in 2016 either.

6.3. Notes to the Consolidated Financial Statements

1. Property and Equipment

Breakdown of Property and Equipment

In € millions	2017	2016
Land and buildings for own use	52	56
Other assets	1	1
Total	**53**	**57**

Statement of Changes in Property and Equipment 2017

In € millions	Land and buildings	IT equipment	Other assets	Total
Accumulated acquisition costs	114	1	3	**118**
Accumulated revaluations	-6	-	-	**-6**
Accumulated depreciation and impairments	-56	-1	-2	**-59**
Balance as at 31 December	**52**	**-**	**1**	**53**
Balance as at 1 January	**56**	**-**	**1**	**57**
Depreciation	-1	-	-	**-1**
Impairments	-3	-	-	**-3**
Balance as at 31 December	**52**	**-**	**1**	**53**

Statement of Changes in Property and Equipment 2016

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

Rental Income

Land and buildings for own use includes two offices that have been partially let. The expiration dates of these agreements are 2020 and 2021.

Appraisal of Land and Buildings for Own Use

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

Valuation of Land and Buildings for Own Use

In € millions	Assessed	Carrying amount	Appraised value as % of total carrying amount
2017	52	52	100%
2016	56	56	100%

2. Investment Property

Statement of Changes in Investment Property

In € millions	2017	2016
Balance as at 1 January	**274**	**259**
Investments	108	4
Divestments	-15	-4
Revaluations	13	15
Balance as at 31 December	**380**	**274**

Investment property mainly consists of offices and retail properties.

3. Investments

Investments

Breakdown of Investments

In € millions	2017	2016
Fair value through profit or loss: Designated	203	69
Available for sale	27,191	26,923
Loans and receivables	8,474	8,905
Balance as at 31 December	**35,868**	**35,897**

Fair Value Through Profit or Loss: Listed and Unlisted

	Designated Fixed-income	
In € millions	**2017**	2016
Listed	202	-
Unlisted	1	69
Total	**203**	**69**

Fair Value Through Profit or Loss: Statement of Changes

	Designated Fixed-income	
In € millions	**2017**	2016
Balance as at 1 January	**69**	**161**
Purchases and advances	332	-
Disposals and redemptions	-199	-90
Revaluations	-2	-2
Other	3	-
Balance as at 31 December	**203**	**69**

Available for Sale: Listed and Unlisted

	Shares and similar investments		Fixed-income investments		Total	
In € millions	**2017**	2016	**2017**	2016	**2017**	**2016**
Listed	–	–	23,884	24,373	**23,884**	**24,373**
Unlisted	2,847	1,689	460	861	**3,307**	**2,550**
Total	**2,847**	**1,689**	**24,344**	**25,234**	**27,191**	**26,923**

The increase of shares and similar investments in 2017 was primarily caused by the acquisition of shares in money market funds.

Available for Sale: Statement of Changes

	Shares and similar investments		Fixed-income investments		Total	
In € millions	**2017**	2016	**2017**	2016	**2017**	**2016**
Balance as at 1 January	**1,689**	**1,680**	**25,234**	**24,702**	**26,923**	**26,382**
Purchases and advances	9,521	7,107	9,327	10,492	**18,848**	**17,599**
Disposals and redemptions	-8,350	-7,158	-9,442	-11,340	**-17,792**	**-18,498**
Revaluations	-8	65	-526	1,508	**-534**	**1,573**
Impairments	-5	-5	–	–	**-5**	**-5**
Amortisation	–	–	-193	-92	**-193**	**-92**
Other	–	–	-56	-36	**-56**	**-36**
Balance as at 31 December	**2,847**	**1,689**	**24,344**	**25,234**	**27,191**	**26,923**

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

In 2017 the next steps have been made into re-risking the portfolio by divesting fixed-income investments primarily German and Dutch government bonds. Investments mainly increased in bonds from European and other international institutions and government bonds of Japan and France. In 2017 there was a net inflow of € 1,056 million due to the inflow from Separate Accounts, new capital funding and pension fund.

The other movements under Fixed-income investments involves the change in accrued interest (€ -34 million) and currency revaluation (€ -22 million).

Available for Sale: Measurement

	Shares and similar investments		Fixed-income investments		Total	
In € millions	**2017**	2016	**2017**	2016	**2017**	**2016**
(Amortised) cost	2,823	1,635	21,129	21,105	**23,952**	**22,740**
Revaluation	24	54	2,840	3,720	**2,864**	**3,774**
Accrued interest	–	–	375	409	**375**	**409**
Balance as at 31 December	**2,847**	**1,689**	**24,344**	**25,234**	**27,191**	**26,923**

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

SRLEV has lent some of its investments for the purpose of additional income. The carrying amount of lent investments at 31 December 2017 was € 104 million (2016: € 1,843 million), the decrease was primarily caused by the termination of the securities lending programme. The lending periods are open-ended and can be terminated on request.

Some investments have been pledged as collateral for amounts due to banks (repos). The carrying amount (market value) of investments pledged as collateral at 31 December 2017 was € 1,699 million (2016: € 915 million). The movement in collateral pledged was caused by an increase in repo-funding € 373 million and an increase in collateral pledged for derivatives € 411 million. The collateral received for derivatives are reported in Note 37 Financial Instruments.

Loans and Receivables: Investments

In € millions	2017	2016
Mortgages	2,343	2,648
Private loans linked to savings mortgages	5,054	5,294
Other private loans	1,081	976
Total	**8,478**	**8,918**
Provision for bad debts	-4	-13
Total	**8,474**	**8,905**

The decrease in mortgages by € 305 million was mainly caused by regular mortgage repayments within the portfolio.

The increase of other private loans in 2017 was primarily caused by the settlement of new loans as part of the re-risking strategy.

Loans and Receivables: Statement of Changes

In € millions	2017	2016
Balance as at 1 January	**8,918**	**7,899**
Reclassifications	-6	-
Purchases and advances	642	1,812
Disposals and redemptions	-1,325	-1,054
Interest addition	258	252
Amortisation	-8	9
Other	-1	-
Balance as at 31 December	**8,478**	**8,918**
Balance provisions as at 1 January	-13	-18
Release	9	5
Balance provisions as at 31 December	**-4**	**-13**
Total	**8,474**	**8,905**

Investment Portfolio

Fixed-income Investment Portfolio
Investments of Insurance Business

In € millions	2017	2016
Investments		
- Fair value through profit or loss: Designated	203	69
- Available for sale	24,345	25,234
- Loans and receivables	1,081	976
Interest-bearing investment portfolio	**25,629**	**26,279**
Mortgages	2,338	2,635
Total	**27,967**	**28,914**

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

Breakdown of Interest-bearing Investment Portfolio (sector)

In € millions	2017		2016	
Sovereign	18,582	73%	20,354	77%
Corporate bonds - financial sector	3,660	14%	2,630	10%
Corporate bonds - non-financial sector	1,732	7%	1,511	6%
Mortgage backed securities	547	2%	780	3%
Loans	1,052	4%	779	3%
Other	56	0%	225	1%
Total	**25,629**	**100%**	**26,279**	**100%**

The following overview provides a breakdown of the interest-bearing investments by rating category.

Breakdown of Interest-bearing Investment Profile (rating)

In € millions	2017		2016	
AAA	15,676	61%	18,257	70%
AA	3,931	16%	3,356	13%
A	3,129	12%	1,863	7%
BBB	2,312	9%	2,188	8%
< BBB	33	0%	50	0%
Not rated	548	2%	565	2%
Total	**25,629**	**100%**	**26,279**	**100%**

Of the interest-bearing investment portfolio, 89% of investments had an A rating or higher (year-end 2016: 90%).

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

The table below contains the breakdown of the interest bearing investment portfolio by geographic area. The interest-bearing investment portfolios of SRLEV have predominantly European debtors. The German

Government and Dutch Government represent, as single debtors, an interest of more than 5% each in the interest-bearing investment portfolio.

Breakdown of Interest-bearing Investment Profile (geographic)

In € millions	2017		2016	
Netherlands	7,383	29%	8,523	32%
Germany	7,461	29%	9,708	37%
France	1,775	7%	1,479	6%
Austria	992	4%	901	3%
Ireland	955	4%	802	3%
Belgium	831	3%	497	2%
Spain	671	3%	672	3%
United States of America	644	2%	672	3%
United Kingdom	616	2%	614	2%
Italy	598	2%	611	2%
Japan	482	2%	–	0%
Other	3,221	13%	1,800	7%
Total	**25,629**	**100%**	**26,279**	**100%**

The category "others" also consists of European and other international institutions that cannot be allocated to a single country (2017: € 1,843 million / 2016: € 834 million).

Investment of Mortgage Business per Risk Category

In € millions[1]	2017	2016
Mortgages < 75% of foreclosure value	547	569
Mortgages 75% < > 100% of foreclosure value	421	492
Mortgages > 100% of foreclosure value	354	430
Mortgages with National Mortgage Guarantee	1,020	1,157
Residential property in the Netherlands	**2,342**	**2,648**
Specific provision for bad debts	-4	-13
Total	**2,338**	**2,635**

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

4. Investments for Account of Policyholders

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

Investments for Account of Policyholders: Listed and Unlisted

In € millions	2017	2016
Shares and similar investments:		
- Listed	12,029	12,924
- Unlisted	230	298
Fixed-income investments		
- Listed	598	659
- Unlisted	345	370
Total	**13,202**	**14,251**

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

Investments for Account of Policyholders: Statement of Changes

In € millions	2017	2016
Balance as at 1 January	**14,251**	**14,377**
Reclassifications	6	-
Purchases and advances	4,694	3,428
Disposals and redemptions	-6,023	-4,322
Changes in fair value	274	768
Balance as at 31 December	**13,202**	**14,251**

5. Investments for Account of Third Parties

The third party investments amount to € 455 million (2016: € 1,320 million) and consist of different SNS investment funds, ACTIAM Responsible Index Funds and SNS Profile Funds.

The decrease of investments for account of third parties is primarily caused by redemption of SNS funds.

6. Derivatives

Breakdown of Derivatives

	Positive value		Negative value		Balance	
In € millions	**2017**	2016	**2017**	2016	**2017**	2016
Derivatives for which cash flow hedge accounting is applied	-	180	3	2	**-3**	**178**
Derivatives held for fair value hedge accounting	72	86	11	1	**61**	**85**
Derivatives held in the context of asset and liability management that do not qualify for hedge accounting	669	795	592	468	**77**	**327**
Total	**741**	**1,061**	**606**	**471**	**135**	**590**

Statement of Changes in Derivatives

In € millions	2017	2016
Balance as at 1 January	**590**	**476**
Purchases	-40	245
Realised gains and losses	27	-
Disposals	16	63
Revaluations	-449	-200
Exchange rate differences	-28	6
Other	19	-
Balance as at 31 December	**135**	**590**

The other movements involves the change in accrued interest.

For more information about derivatives see Note 27 Results on derivatives and Note 38 Hedging and hedge accounting.

7. Deferred Tax

Origin of Deferred Tax 2017

In € millions	1 January	Change through profit or loss	Change through equity	Other movements	31 December
Value of business acquired	**1**	-1	-	-	**-**
Capitalised acquisition costs insurance activities	**23**	-6	-	-	**17**
(Investment) property and equipment	**-34**	-8	-	-	**-42**
Investments	**-824**	21	222	-1	**-582**
Derivatives	**-53**	102	9	-	**58**
Insurance contracts	**1,188**	33	-229	-	**992**
Provision for employee benefits	**47**	-39	2	-	**10**
Carry forward losses	**82**	-	1	-81	**2**
Other	**9**	-5	-	-	**4**
Total	**439**	**97**	**5**	**-82**	**459**

Origin of Deferred Tax 2016

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

The corporate income taxes are irrevocable for the years up to and including 2015.

8. Loans and Advances to Banks

In € millions	2017	2016
Loans relating to saving components of mortgages	702	725
Collateral	326	-
Repo (Repurchase agreements)	460	-
Other	311	235
Balance as at 31 December	**1,799**	**960**

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 € 1,799 million (2016: € 960 million), € 249 million has a remaining term to maturity of less than three months (2016: € 5 million). The increase of this remaining term to maturity of less than three months is mainly caused by the reverse repos.

9. Other Assets

Breakdown of other assets

In € millions	2017	2016
Policyholders	42	118
Intermediaries	81	135
Amounts due from direct insurance	**123**	**253**
Accrued interest	6	24
Accrued assets	**6**	**24**
Other advances	136	75
Total	**265**	**352**

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

10. Cash and Cash Equivalents

Breakdown of Cash and Cash Equivalents

In € millions	2017	2016
Short-term bank balances	147	271
Total	**147**	**271**

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

11. Equity

Breakdown of Equity

In € millions	2017	2016
Equity attributable to shareholders	3,217	3,035
Total	**3,217**	**3,035**

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

The change in Equity attributable to shareholders in 2017 was caused by net result 2017 (€ -55 million), the change in Other Comprehensive Income (€ -24 million) and the change due to the Capital Subordinated Loan (€ 253 million), which is issued in June 2017. The Capital Subordinated Loan, agreed for an amount of € 250 million, is a tier 1 perpetual loan issued by VIVAT NV with a fixed interest rate of 7.75%.

For further details on group equity see Section 5.4, Consolidated statement of changes in equity.

12. Subordinated Debt

Breakdown of Subordinated Debt

In € millions	2017	2016
Bonds	540	563
Private loans	235	235
Total	**775**	**798**

Subordinated Debt: Statement of Changes

In € millions	2017	2016
Balance as at 1 January	**798**	**805**
Issue of subordinated debts	95	95
Disposals and redemptions	-95	-95
Currency gains and losses	-8	1
Changes market value due to hedging	-15	-8
Balance as at 31 December	**775**	**798**

Subordinated Bonds

				Carrying amount		Nominal value	
In € millions	Coupon	Maturity	First call date	**2017**	2016	**2017**	2016
SRLEV	9.000%	April 2011– April 2041	April - 2021	398	398	400	400
SRLEV (CHF)	mid-swap 5.625%	July 2011 - perpetual	December - 2018	90	98	87	87
Total				**488**	**496**	**487**	**487**
Change in fair value as a result of hedge accounting				52	67	-	-
Total				**540**	**563**	**487**	**487**

In April 2011, SRLEV NV issued € 400 million in subordinated bonds maturing in 2041.

In July 2011, SRLEV NV issued CHF 105 million in perpetual subordinated bonds. The CHF bond had a first redemption date on 19 December 2016. SRLEV decided not to exercise its redemption option to redeem the CHF bond in December 2016 and 2017. Under the Solvency II transitional measures the CHF bond qualifies in full as Restricted Tier 1 own funds in the calculation of Solvency II own funds for ten years after 1 January 2016. At this specific time, it has been determined that it is currently in the interests of SRLEV not to exercise the redemption option to redeem the CHF Bond. The interest rate on the CHF bond has been reset to 5-year CHF mid-swap plus 5.625%.

Subordinated Private Loans

In € millions	Coupon	Maturity	First call date	2017	2016
Anbang Group Holdings Co. Limited	7.750%	2016 - 2026	February - 2021	-	95
VIVAT NV	7.750%	2016 - 2026	December - 2025	140	140
VIVAT NV	3.780%	2017 - 2027	November - 2022	95	-
Total				**235**	**235**

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

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

In 2017, the subordinated private loan of € 95 million issued by Anbang Group Holdings Co. Limited has been fully repaid. Instead of this loan a new subordinated private loan of € 95 million was granted by VIVAT NV. On 15 November 2017, VIVAT NV granted a loan to SRLEV NV in the amount of € 95 million. The loan is a 10-years Solvency II Tier 2 capital subordinated loan, first callable after 5 years, with the possibility of interest deferral, early repayment and variation. The loan bears an interest fixed rate of 3.78% annually.

13. Insurance Liabilities and Reinsurance Share

As per 31 December, 2017 the total amount of insurance liabilities is € 45,509 million (2016: € 46,274 million). The reinsurers' share is € 91 million (2016: € 106 million).

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

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

	Gross		Reinsurance	
In € millions	**2017**	2016	**2017**	2016
Provision for Life insurance obligations (13.1)	26,384	25,410	91	106
Results on allocated investments and interest derivatives	4,302	5,458	-	-
Cumulative LAT deficit	1,202	798	-	-
Unamortised interest rate discounts	-14	-124	-	-
Provision for profit-sharing, bonuses and discounts	58	90	-	-
Life, for own risk	**31,932**	**31,632**	**91**	**106**
Technical provisions for insurance on behalf of policyholders	13,577	14,642	-	-
Life, for account of policyholders (13.2)	**13,577**	**14,642**	**-**	**-**
Total	**45,509**	**46,274**	**91**	**106**

Measurement of life insurance liabilities is in principle based on historical tariff rates set at the inception date of the underlying contracts. A periodic IFRS liability adequacy test is performed on these liabilities. Since there is a deficit in the liability adequacy test (LAT) at the end of 2016 and 2017, the insurance liabilities are currently measured at the probability weighted best estimate of future cash flows based on current assumptions discounted by the swap curve including Ultimate Forward Rate (UFR).

In 2016, there was a significant realisation of gains on the sale of sovereign bonds. The reinvested cash flows in fixed income investments have a shorter duration with an effect on the revaluation reserve causing the results on allocated investments and interest derivatives to decrease in 2017.

The increase of the cumulative LAT deficit amounts to € 404 million (2016: release € 97 million) which is charged through the income statement. The development of the LAT deficit was a result of changes in economic and non-economic assumptions mainly in changes in expense and other underwriting risk parameters. The assumption changes caused an increase of insurance liabilities amounting to € 108 million.

When determining the IFRS LAT reserve the surplus value of the investments measured at amortised cost (2017: € 408 million; 2016: € 503 million) is taken into account.

Statement of Changes in Unamortised Interest Rate Discounts

	Life own risk	
In € millions	**2017**	2016
Balance as at 1 January	**-124**	**-210**
Discounts granted in the financial year	13	53
Amortisation	97	33
Balance as at 31 December	**-14**	**-124**

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

	Life own risk	
In € millions	**2017**	2016
Balance as at 1 January	**90**	**95**
Profit-sharing, bonuses and discounts granted in the financial year	-32	-5
Balance as at 31 December	**58**	**90**

13.1. Life, for Own Risk

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

	Gross		Reinsurance	
In € millions	**2017**	2016	**2017**	2016
Balance as at 1 January	**25,410**	**25,325**	**106**	**3,310**
Portfolio reclassification	976	255	-	-
Reinsurance contracts	-	-	-	-3,191
Benefits paid	-2,252	-1,848	-24	-21
Premiums received	1,552	1,090	12	16
Interest added	902	898	6	7
Technical result	-82	-178	-5	-5
Release of expense loading	-110	-128	-4	-10
Other movements	-12	-4	-	-
Balance as at 31 December	**26,384**	**25,410**	**91**	**106**

The reinsurance share decreased in 2016 due to the termination of the quota share reinsurance contracts as per 1 January 2016.

The Life portfolio contains individual and group insurance policies. In 2017, an amount of € 976 million was transferred from life insurance on behalf of policyholders to life insurance liabilities (2016: € 255 million). This concerned group pension contracts. At the end of the contract terms, these contracts were converted into other contract forms for account of SRLEV. This transfer took place in dialogue with the customers.

Traditional Insurance Policies

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

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

Breakdown of Traditional Insurance Policies

In € millions	2017	2016
With profit-sharing (operational or surplus interest)	9,960	10,003
With interest rate discounts (or surcharges)	4,130	4,116
Without profit-sharing	7,302	6,133
Savings-based mortgages	4,992	5,158
Total traditional insurance policies	**26,384**	**25,410**

13.2. Life, for Account of Policyholders

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

In € millions	2017	2016
Balance as at 1 January	**14,642**	**14,774**
Portfolio reclassification	-976	-255
Premiums received	694	746
Benefits paid	-1,069	-1,346
Interest added	176	426
Exchange rate / valuation differences	211	370
Technical result	-42	-2
Release of expense loading	-68	-77
Other movements	9	6
Balance as at 31 December	**13,577**	**14,642**

Insurance Policies in Investment Units

Policyholders usually bear the investment risk for insurance policies in investment units (unit-linked investment units). SRLEV is in principle, not exposed to interest rate risk, price risk, exchange rate risk or counterparty default risk. For part of the portfolio however, SRLEV has issued minimum guarantees, as a result of which the interest rate risk, price risk and exchange rate risk for these contracts are for the account and risk of SRLEV. The value of the guarantees within the portfolio is measured periodically.

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

Breakdown of Insurance Policies in Investment Units

In € millions	2017	2016
Without guarantee	9,395	9,224
With guarantee	4,182	5,418
Total	**13,577**	**14,642**

13.3. Liability Adequacy Test results

Reconciliation of the IFRS insurance liabilities and the LAT Results

In € millions	Life insurance LAT 2017	2016
Insurance liabilities before LAT	41,857	42,231
IFRS LAT reserve	45,825	46,677
Deficit	**-3,968**	**-4,446**

The deficit is covered by the revaluation reserve of the fixed income investment portfolio (2017: € 2,358 million; 2016: € 3,145 million) and by the surplus value of the investments measured at amortised cost (2017: € 408 million; 2016: € 503 million). The remaining cumulative LAT deficit at 31 December 2017 amounts to € 1,202 million (2016: € 798 million) and is added to the insurance liabilities before LAT.

14. Provision for Employee Benefits

Breakdown of Provision for Employee Benefits

In € millions	2017	2016
Pension commitments	184	182
Total	**184**	**182**

Pension Commitments

Defined Contribution Scheme

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

Defined Benefit Schemes

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

Investments relating to pension schemes that are included in a separate investment account are offset against the present value of defined benefit obligations. Non-separated investments are recognised within investments in the statement of financial position.

SRLEV's total contribution to these defined benefit schemes is expected to be approximately € 3 million in 2018 (2017: € 3 million). Obligations for additional indexation rights are included in the provision and will be released after payment to the insurer.

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

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 participants are unconditionally indexed based on the salary index. Active participants are here defined as employees of SRLEV that actively accrue pension benefits in the Stichting Pensioenfonds SNS REAAL.

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

After offsetting the fair value of the investments, € 62 million has been included in the provision for pensions for these pension schemes (2016: € 62 million). In 2018, SRLEV's contribution to these defined benefit schemes is expected to amount to € 1 million (2017: € 1 million).

Pension Scheme Zwitserleven (Defined Benefit Scheme)

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

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

The pension scheme of Zwitserleven is self-administered. For this pension scheme, the present value of the pension obligations of € 95 million (2016: € 92 million) has been included in the provision for employee benefits. There is no separate investment account. SRLEV contribution to the defined benefit scheme of Zwitserleven is expected to amount to € 1 million in 2018 (2017: € 1 million).

Other Pension Schemes

The accrual of new pension rights of former employees of Zürich, NHL, Helvetia and DBV has been transferred to Stichting Pensioenfonds SNS REAAL. The pension rights of former employees built up in the past are insured internally by SRLEV. In all of these pension schemes no more pension rights, other than indexation, are accrued.

After offsetting the fair value of the investments, € 27 million (2016: € 28 million) has been included in the provision for pensions for these pension schemes. In 2018, SRLEVs contribution to the other defined benefit schemes is expected to amount to € 1 million (2017: € 1 million).

Overview Pension Commitments
Breakdown of Pension Commitments

In € millions	2017	2016
Present value of defined benefit obligations	207	203
Less: Fair value of plan assets	-24	-21
Effect of asset ceiling	1	-
Present value of the net liabilities	**184**	**182**

Change in Present Value of Defined Benefit Obligations

In € millions	2017	2016
Fair value as at 1 January	**203**	**188**
Transfer from SRH NV	-	10
Increase and interest accrual through profit and loss	4	2
Actuarial gains or losses due to changes in financial assumptions through Other Comprehensive Income	6	16
Actuarial gains or losses due to changes in demographic assumptions through Other Comprehensive Income	-	1
Actuarial gains or losses due to experience adjustments through Other Comprehensive Income	-1	-8
Benefits paid	-5	-6
Present value as at 31 December	**207**	**203**

Change in Fair Value of the Plan Assets

In € millions	2017	2016
Fair value as at 1 January	**21**	**19**
Transfer from SRH NV	-	1
Actuarial gains or losses due to changes in financial assumptions through Other Comprehensive Income	-	1
Actuarial gains or losses due to experience adjustments through Other Comprehensive Income	3	-
Investment income	**3**	**1**
Premiums	5	5
Benefits paid	-5	-5
Fair value as at 31 December	**24**	**21**

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

Breakdown of Investments

In € millions	2017	2016
Equity instruments	-	3
Debt instruments	-	14
Insurance contract	24	4
Balance as at 31 December	**24**	**21**

In 2017 the investments fully include the non-contributory value, based on the actuarial principles.

Statement of Other Comprehensive Income

In € millions	2017	2016
Balance as at 1 January	**12**	**2**
Actuarial gains or losses directly taken to Other Comprehensive Income pension commitments	-5	-9
Investment income for the benefit or at the expense of Other Comprehensive Income	3	1
Additional transfer from technical provision	2	21
Deferred taxes	1	-3
Other	9	-
Balance as at 31 December	**22**	**12**

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	2017	2016
Experience adjustments as a % of defined benefit obligation	-1%	-4%
Experience adjustments as a % of investments	14%	-3%

The Main Actuarial Parameters at Year-end

In percentages	2017	2016
Discount rate	1.8%	1.7%
Expected salary increase	2.3%	1.8%
Price inflation	2.2%	1.8%

Sensitivity Present Value of Pension Obligations 2017

	31 December 2017	
In € millions	Change	Change
Discount rate 1.25% (-0.5%)	21	10%
Discount rate 2.25% (+0.5%)	-18	-9%

Sensitivity Present Value of Pension Obligations 2016

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

15. Other Provisions

Breakdown of Other Provisions

In € millions	2017	2016
Other provisions	35	40
Total	**35**	**40**

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

Statement of Changes in Restructuring and Other Provisions

	Restructuring provision		Other provision		Total	
In € millions	**2017**	2016	**2017**	2016	**2017**	2016
Balance as at 1 January	**-**	**1**	**40**	**39**	**40**	**40**
Reclassifications	–	-22	–	–	**-**	**-22**
Additions / release	–	27	16	7	**16**	**34**
Withdrawal	–	-6	-7	-3	**-7**	**-9**
Released to results	–	–	-14	-3	**-14**	**-3**
Balance as at 31 December	**-**	**-**	**35**	**40**	**35**	**40**

16. Amounts due to Banks

Breakdown of Amounts Due to Banks

In € millions	2017	2016
Due on demand	399	456
Deposits and certificates	526	149
Private loans	702	725
Total	**1,627**	**1,330**

The amount of € 399 million (2016: € 456 million) due on demand relates to cash collateral. Deposits and certificates are comprised of liabilities under repo agreements.

The private loans relates to the saving components of mortgages.

17. Other Liabilities

Breakdown of Other Liabilities

In € millions	2017	2016
Debts in relation to direct insurance	300	452
Debts to reinsurers	123	325
Other taxes	8	24
Other liabilities	290	335
Benefits to be paid	348	386
Accrued interest	26	33
Total	**1,095**	**1,555**

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

18. Guarantees and Commitments

Contingent Liabilities

At year-end 2017, SRLEV NV had assumed commitments to invest € 599 million in investment funds (2016: € 273 million). These funds may in due course call these commitments (capital calls). Ahead of these capital calls, securities have been identified that can be sold as soon as there is a capital call. This exposure had no immediate effect on the capital as of 31 December 2017.

Guarantee Schemes

SRLEV NV has guaranteed obligations arising under an insurance contract between NV Pensioen ESC, a subsidiary of SRLEV NV, and a third party related to the defined benefit plan of that party for the term of the contract. The financial position of NV Pensioen ESC, including the indexation reserves, which – as stipulated in the contract with the third party – will be guaranteed by VIVAT NV if the SII ratio of SRLEV NV should fall below 100%. SRLEV NV's solvency ratio was higher than 100% at year-end 2017. Given that the fair value of the separated assets exceeds the technical claims and benefits, this contract does not give rise to any additional technical claims and benefits in the statement of financial position.

DNB can impose a levy on SRLEV as part of a so-called relief scheme, which stipulates that a Life insurer falling short of the minimum capital requirement can be transferred to a relief institution through reinsurance or portfolio transfer. The additional capital required is apportioned among Life insurers, taking into account their own solvency requirements, with a maximum of approximately € 214 million (2017: € 302 million) in total and approximately € 107 million (2017: € 151 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 2017, a liability of € 3 million exists relating to this separate accounts restructuring (2016: € 6 million). The customers' liability in respect of this restructuring was € 6 million at year-end 2017 (2016: € 10 million).

Guarantees Received and Given

The market value of guarantees received under the National Mortgage Guarantee Fund (in Dutch: NHG) by VIVAT amounted to € 928 million at year-end 2017 (2016: € 1,157 million).

The market value of the collateral of the mortgages of SRLEV was € 4,598 million at year-end 2017 (2016: € 4,433 million). The amortised cost of the mortgages was € 2,343 million at year-end 2017 (2016: € 2,647 million).

For saving mortgage arrangements made between SRLEV and several credit institutions the credit risk concerning saving premiums was covered by received cession warranties amounting to € 4,586 million(2016: € 4,666 million), deeds of assignment amounting to € 264 million (2016: € 259 million) or clearence amounting to € 356 million (2016: € nihil). At year-end 2017 an amount of € 157 mln was unsecured (2016: € 626 million).

Under the so-called 'Fortuinplan' arrangement mortgage receivables have been pledged to policyholders for the equivalent value of insurance contract liabilities. The value of these insurance contract liabilities at year-end 2017 was € 56.1 million (2016: € 58.2 million).

Netherlands Reinsurance Company for Losses from Terrorism

In 2018, SRLEV will take a 13.72% share in the Life cluster (2017: 13.86%) of the Netherlands Reinsurance company for Losses from Terrorism (Nederlandse Herverzekeringsmaatschappij voor Terrorismeschaden NV). In 2018, the guarantee will be € 9.1 million (one third of total guarantee of € 27.4 million) for the Life cluster and total premiums will amount to € 0.7 million (2017: € 0.8 million).

Legal Proceedings

General

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

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

Investment Insurance Policies

SRLEV NV has a portfolio of investment insurance policies (including and also referred to as: unit-linked policies) which consists of a variety of products with distinct characteristics and different versions of contractual documentation. SRLEV NV has concluded approximately 1.2 million investment-linked insurance policies, of which about 270,000 were still outstanding at 31 December 2017.

Since 2006, there has been widespread public attention for costs and risks related to investment insurance policies and the question whether insurance companies provided adequate information to their current and prospective unit-linked policyholders. In response to this, insurers, SRLEV being one of them, agreed on compensation schemes with consumer organisations. In 2009, SRLEV reached an outline agreement followed by an Agreement ('Vaststellingsovereenkomst') in 2010 to offer compensation to its unit linked policyholders where individual unit-linked policies had a cost charge in excess of an agreed maximum. In 2014, SRLEV has concluded its implementation of the compensation scheme. An audit of this implementation in 2015 has uncovered a small number of deviations. When applicable additional payments have been made to a small group of customers to rectify these deviations.

Later on, much of the attention of the public, politicians and regulators has shifted from the costs of investment-linked insurances to the efforts undertaken by the insurers to mobilise customers with an active investment-linked insurance to review their position (Flankerend Beleid: 'complementary policy'). SRLEV complies with the "Best in class criteria" as formulated by the Minister of Finance in a letter to Parliament in November 2011.

As from 2013 clients have been approached and activated to review their position and take adequate measures. The nature of the encouragement depended on the characteristics of the policies. First focus was on the so called ‘non-accumulating policies’ (Dutch: niet opbouwende polissen, “NOPs”). Policies qualify as NOP if, based on the status on 1 January 2013 and a projected return of 4%, the increase in value at expiration date is lower than the total of the paid premiums over the same period.
In 2016 the customers with a pension or mortgage related policy have been approached. In 2017, the remaining group of customers (Activation Category “Other”) have been encouraged to take action.

In December 2017, AFM published the results of its investigation of the activation by insurers of pension or mortgage related policies. AFM’s assessment of VIVAT’s activations of these policies revealed shortcomings. VIVAT has executed a recovery plan and expects to resolve the shortcomings within the near future. The final outcome of the assessment by the AFM is uncertain at this moment.

SRLEV uses various tools to communicate with customers and encourages them to check whether their policies still meet the purposes for which they were originally entered into and to consider revising their products or switch to other forms or products for capital accumulation. Compensation has been implemented. The costs of the compensation scheme and complementary policy are substantial and have been recognised in the financial statements.

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

The number of legal proceedings against SRLEV NV that involve unit linked policies is, compared to the portfolio of active policies, relatively limited. Approximately 60 of those proceedings were still pending on 31 December 2017, including a class action before the District Court in Alkmaar brought by Vereniging-Woekerpolis.nl regarding Swiss Life Spaarbeleg and AXA Verzekerd Hypotheekfonds.

By judgement of 20 December 2017 of the District Court Noord Holland almost all requested declaratory decisions have been denied, except for two. The Court rules SRLEV has not met its obligation to provide information on increasing life premiums as the accrued capital diminishes (‘hefboom en inteereffect) and nullifies the condition regarding cost indexation. The Court rules the indexation increase is therefore (in part) unduly paid by clients. It should be noted the costs itself are not affected by this decision. The judgement does not have immediate effect. The judgement does not have substantial influence on the assessment of the investment insurances risk profile. Both Woekerpolis.nl and SRLEV filed appeal against the judgement.

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.

Relevant proceedings against peers as well as the Vereniging Woekerpolis.nl proceeding against SRLEV are, in general, still at an early stage. There are no relevant judgements of the Supreme Court so far. As recent case law shows the judgement of the European Court of Justice in 2015 mainly broadened the legal debate, instead of placing parties in a substantial adverse or improved legal position. Given the wide variety of legal grounds, product characteristics, different applying regulations over time etc. the case law is to a large extend extremely casuistic.

Individual claims have operational impact. However, there are no material adverse changes in the over all risk profile, regarding the portfolio of investment insurance policies compared to Annual Report 2016. The political, regulatory and public focus on investment-linked insurances remains. Elements of investment-linked insurances are being challenged or may be challenged on multiple legal grounds in current and possible future legal proceedings against SRLEV and peers. There is a risk that one or more of those legal challenges will succeed. The financial consequences of any of the aforementioned factors or a combination thereof may affect SRLEV, both financially and reputational. However, the consequences cannot be estimated reliably or quantified at this point. The probability and financial impact of additional compensation and/or successful claims still cannot be determined in a meaningful way.

19. Related Parties

Identity of Related Parties

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

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

	Anbang		VIVAT		Affiliates		Total	
In € millions	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
> Positions								
Loans and receivables	-	-	-	183	-	-	**-**	**183**
Other assets (receivables from group companies)	-	-	38	2	13	17	**51**	**19**
Insurance liabilities (reimbursement right)	-	-	320	338	21	25	**341**	**363**
Subordinated private loans	-	95	235	140	-	-	**235**	**235**
Other liabilities (liabilities to group companies)	-	-	28	212	-	-	**28**	**212**
> Transactions								
Obtain loans (Loans and receivables)	-	-	-	183	-	-	**-**	**183**
Obtain loans (Subordinated debt and Other liabilities)	-	95	95	180	-	-	**95**	**275**
Redemption loans (Loans and receivables)	-	-	183	-	-	-	**183**	**-**
Redemption loans (Subordinated debt and Other liabilities)	95	-	180	-	-	-	**275**	**-**
Fee and commission income	-	-	-	-	18	18	**18**	**18**
Interest income	-	-	9	-	-	-	**9**	**-**
Interest expense	7	7	23	11	-	-	**30**	**18**
Service fees expenses	-	-	-	-	12	8	**12**	**8**
Staff costs	-	-	98	185	-	-	**98**	**185**
Other operating expenses	-	-	38	51	-	-	**38**	**51**

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

The following intra-group balances still exist at the end of year 2017:

- 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 € 320 million (2016: € 338 million) and of VIVAT Schadeverzekeringen NV at SRLEV NV in the amount of € 21 million (2016: € 25 million), as a result of VIVAT's and VIVAT Schadeverzekeringen NV's defined benefit pension liabilities, largely reinsured at SRLEV NV.

New Intra-group Balances

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

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

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

The Executive Board comprised seven employees as at 31 December 2017 (31 December 2016: 7). The Supervisory Board comprised five members as at 31 December 2017 (31 December 2016: 5).

Actual Remuneration (former) Members of the Executive Board

The following table provides an breakdown of the total remuneration of the Executive Board for the year 2016 and 2017, including former and existing key management.

Breakdown of Remuneration (former) Members of the Executive Board

In € thousands	2017	2016
Short-term employee benefits	4,691	4,419
Post-employment benefits	150	125
Termination benefits	-	695
Total	**4,841**	**5,239**

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

Loans, Advances and Guarantees

There are no loans, advances and guarantees outstanding on 31 December 2017 (and 2016) and/or granted to members of the Excecutive Board during 2017.

Actual Remuneration (former) Members of the Supervisory Board

The following table provides an overview of the total remuneration of the Supervisory Board members in 2016 and 2017 (excluding 21% VAT).

Breakdown of Remuneration (former) Members of the Supervisory Board

In € thousands	2017	2016
Total fixed actual remuneration of Supervisory Board members	610	543
Total remuneration for delegated Supervisory Board members	-	188
Total remuneration for the members of the Supervisory Board's Committees	25	25
Total	**635**	**756**

Loans, Advances and Guarantees

There are no loans, advances and guarantees outstanding on 31 December 2017 (and 2016) and/or granted to members of the Supervisory Board during 2017.

20. Interests in Non-consolidated Structured Entities

SRLEV invests in non-consolidated structured entities, such as investment funds, in the form of investments, credit guarantees or liquidity obligations.

The table below breaks down the carrying amount of the assets and liabilities relating to SRLEV with its involvement classified by type of transaction and the maximum exposure to losses of the non-consolidated structured entities and the relative size of those entities.

Non-consolidated Structured Entities 2017

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	17	-	**17**	1,239	1,239
Total	**17**	**-**	**17**	**1,239**	**1,239**

Non-consolidated Structured Entities 2016

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

The maximum exposure to losses with respect to equity interests (including loans and participating interests) is the carrying amount of those interests. The maximum exposure to losses with respect to commitments and guarantees is the notional amount. The nominal amount does not represent the expected losses or reflect unrealised losses (if applicable). These commitments and guarantees are conditional and present the maximum losses that SRLEV could suffer on its involvement in non-consolidated structured entities, without considering the impact of any mitigating action or compensating influence of other financial instruments.

SRLEV had not offered financial or non-financial support to any non-consolidated structured entities at 31 December 2017.

21. Events after the Reporting Date

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

22. Net Premium Income

Premium income consists of insurance premiums net of reinsurance premiums.

Breakdown of net premium income

	Own account		For account of policyholders		Total	
In € millions	**2017**	2016	**2017**	2016	**2017**	2016
Regular premiums Individual Life	543	577	233	270	**776**	**847**
Regular premiums Life Corporate	206	227	401	421	**607**	**648**
Total gross regular premiums Life	**749**	**804**	**634**	**691**	**1,383**	**1,495**
Single premiums Individual Life	96	30	7	3	**103**	**33**
Single premiums Life Corporate	706	254	53	52	**759**	**306**
Total gross single premiums	**802**	**284**	**60**	**55**	**862**	**339**
Total gross premium income	**1,551**	**1,088**	**694**	**746**	**2,245**	**1,834**
Total reinsurance premiums Life	12	16	-	-	**12**	**16**
Total net premium income Life	**1,539**	**1,072**	**694**	**746**	**2,233**	**1,818**

Gross premium income of product line Life Corporate has increased in 2017 predominantly as a result of a pension fund buy-out in 2017.

Breakdown of regular premiums Life

	Own account		For account of policyholders		Total	
In € millions	**2017**	2016	**2017**	2016	**2017**	2016
Individual						
Without profit-sharing	502	509	233	270	**735**	**779**
With profit-sharing	60	85	-	-	**60**	**85**
Total individual	**562**	**594**	**233**	**270**	**795**	**864**
Group						
Without profit-sharing	119	78	401	421	**520**	**499**
With profit-sharing	68	132	-	-	**68**	**132**
Total group	**187**	**210**	**401**	**421**	**588**	**631**
Total gross regular premiums Life	**749**	**804**	**634**	**691**	**1,383**	**1,495**

Breakdown of single premiums Life

	Own account		For account of policyholders		Total	
In € millions	**2017**	2016	**2017**	2016	**2017**	2016
Individual						
Without profit-sharing	398	195	7	3	**405**	**198**
Total individual	**398**	**195**	**7**	**3**	**405**	**198**
Group						
Without profit-sharing	390	33	53	52	**443**	**85**
With profit-sharing	14	56	–	–	**14**	**56**
Total group	**404**	**89**	**53**	**52**	**457**	**141**
Total gross single premiums Life	**802**	**284**	**60**	**55**	**862**	**339**

23. Net Fee and Commission Income

Breakdown of net fee and commission income

In € millions	2017	2016
Fee and commission income:		
– Insurance agency activities	–1	–1
– Management fees	22	34
– Other activities	5	5
Total fee and commission income:	**26**	**38**
Fee and commission expense	8	5
Total	**18**	**33**

24. Investment Income

Breakdown of investment income

In € millions	2017	2016
Fair value through profit or loss: Designated	155	92
Available for sale	782	2,196
Loans and receivables	437	441
Investment property	37	32
Total	**1,411**	**2,761**

Breakdown of investment income 2017

In € millions	Fair value through profit or loss: Designated	Available for sale	Loans and receivables	Investment property	Total
Interest	158	410	436	–	**1,004**
Dividend	–	31	–	–	**31**
Rental income	–	–	–	25	**25**
Rental expense	–	–	–	-5	**-5**
Total interest dividend and rental income	**158**	**441**	**436**	**19**	**1,054**
Realised revaluations	2	384	1	4	391
Unrealised revaluations	-5	-43	–	13	-35
Total revaluations	**-3**	**341**	**1**	**17**	**356**
Total	**155**	**782**	**437**	**37**	**1,411**

Interest income from Fair value through profit or loss includes € 149 million interest income from derivatives (2016: € 84 million). Unrealised revaluation from Available for sale consists of currency differences on bonds.

Breakdown of investment income 2016

In € millions	Fair value through profit or loss: Designated	Available for sale	Loans and receivables	Investment property	Total
Interest	95	534	441	–	**1,070**
Dividend	–	39	–	–	**39**
Rental income	–	–	–	22	**22**
Rental expense	–	–	–	-5	**-5**
Total interest dividend and rental income	**95**	**573**	**441**	**17**	**1,126**
Realised revaluations	–	1,623	–	–	1,623
Unrealised revaluations	-3	–	–	15	12
Total revaluations	**-3**	**1,623**	**-**	**15**	**1,635**
Total	**92**	**2,196**	**441**	**32**	**2,761**

The decrease in investment income in 2017 is caused by the high level of sales in 2016. The sales of bonds decreased in 2017 compared to 2016, which leads to lower realised gains and losses. Because of these sales the interest income on the available for sale portfolio decreases.

Investment income includes a net loss on currency differences of € 48.2 million in 2017 (2016: € 7.9 million loss). This amount is hedged within the result on derivatives.

25. Investment Income for Account of Policyholders

Breakdown of investment income for account of policyholders

In € millions	2017	2016
Interest	38	40
Dividend	118	112
Total interest and dividend	**156**	**152**
Revaluations	279	750
Total	**435**	**902**

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

26. Result on (Liabilities from) Investments for Account of Third Parties

The amount of € 49 million (2016: € 39 million) consists of results of the third party investments. We refer to Note 5 Investments for Account of Third Parties for information about the third party investments.

27. Result on Derivatives

Breakdown of Result on Derivatives

In € millions	2017	2016
Revaluations transferred from OCI	-10	-
Interest income transferred from OCI	7	1
Result on derivatives held for cash flow hedge accounting	**-3**	**1**
Market value movements in hedged item attributable to hedged risks	16	-5
Market value movements in derivatives held for fair value hedge accounting	**16**	**-5**
Market value movements of derivatives maintained for ALM not classified for hedge accounting	-401	-261
Total	**-388**	**-265**

28. Other Operating Income

The amount of € 15 million (2016: €1 million) mainly consists of a release for a legal claim.

29. Technical Claims and Benefits

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

Breakdown of Technical Claims and Benefits

	Gross		Reinsurance		Total	
In € millions	**2017**	2016	**2017**	2016	**2017**	2016
General account benefits and surrenders	2,252	1,862	-24	-21	**2,228**	**1,841**
Change in general account insurance liabilities	945	90	15	13	**960**	**103**
Profit-sharing and discounts	36	48	-	-	**36**	**48**
Realised and unrealised result transferred to insurance liabilities	-239	1,224	-	-	**-239**	**1,224**
Change in LAT shortfall	404	-97	-	-	**404**	**-97**
Life insurance	**3,398**	**3,127**	**-9**	**-8**	**3,389**	**3,119**

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

30. Charges for Account of Policyholders

Charges for account of policyholders include benefits paid, surrenders and changes in insurance contracts. This item also includes profit-sharing and discounts relating to these policyholders.

Breakdown of Charges for Account of Policyholders

In € millions	2017	2016
Benefits paid and surrenders for Life insurance contracts for account of policyholders	1,069	1,346
Change in technical provisions for Life insurance contracts for account of policyholders	-982	3
Total	**87**	**1,349**

31. Acquisition Costs for Insurance Activities

Breakdown of Acquisition Costs for Insurance Activities

In € millions	2017	2016
Individual Life	21	21
Life Corporate	2	3
Total	**23**	**24**

32. Staff Costs

Breakdown of Staff Costs

In € millions	2017	2016
Salaries	27	30
Pension costs	15	11
Social security contributions	4	4
Other staff costs	109	220
Total	**155**	**265**

Breakdown of Pension Costs

In € millions	2017	2016
Pension contributions based on defined contribution	6	7
Employee contributions	-1	-1
Total based on defined contributions	**5**	**6**
Increase of present value defined benefit plans	10	5
Total	**15**	**11**

Other Staff Costs

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

Number of Internal FTE's

In numbers	2017	2016
Number of FTEs	1,430	1,923

Share-based Remuneration

Variable remuneration for Identified Staff is split in two portions: an immediate/unconditional portion (60%) and a deferred/conditional portion (40%). 50% of the variable remuneration of Identified Staff is paid in cash and 50% in share based instruments. The unconditional portion of variable remuneration in share based instruments has a retention period of one year, after which it will be paid in cash. The share-based component of the deferred portion of the variable remuneration vests four years after the year of award and will be paid in cash at that moment. For further details on remuneration see Section 4.4 Remuneration.

33. Other Operating Expenses

Breakdown of Other Operating Expenses

In € millions	2017	2016
IT systems	27	42
Housing	1	1
External advisors	1	1
Other costs	13	3
Total	**42**	**47**

The other costs mainly relate to outsourced services and contributions.

34. Impairment Losses (Reversals)

Breakdown of Impairment Losses / Reversals by Class of Asset

	Impairments		Reversals		Total	
In € millions	**2017**	2016	**2017**	2016	**2017**	2016
> Through profit or loss						
Property and equipment	4	–	1	–	**3**	**–**
Investments	5	5	–	–	**5**	**5**
Other debts	–	–	1	6	**-1**	**-6**
Total through profit or loss	**9**	**5**	**2**	**6**	**7**	**-1**
> Through equity						
Investments	–	–	4	4	**-4**	**-4**
Total through equity	**–**	**–**	**4**	**4**	**-4**	**-4**

35. Other Interest Expenses

Breakdown of Other Interest Expenses

In € millions	2017	2016
Bonds	41	44
Private loans	62	55
Interest on reinsurance deposits	6	-1
Other interest and investment expenses	1	5
Total	**110**	**103**

36. Income Tax

Breakdown of Tax Expense

In € millions	2017	2016
In financial year	66	-71
Prior year adjustments	-6	1
Corporate income tax due	**60**	**-70**
Due to temporary differences	-97	154
Deferred tax	**-97**	**154**
Total	**-37**	**84**

Reconciliation Between the Statutory and Effective Tax Rate

In € millions	2017	2016
Statutory income tax rate	25.0%	25.0%
Result before tax	-92	336
Statutory corporate income tax amount	**-23**	**84**
Effect of participation exemption	-8	-1
Prior year adjustments *(including tax provision release)*	-6	1
Total	**-37**	**84**
Effective tax rate	40.2%	25.0%

The effective tax rate of 40.2% is caused by the relatively high effect of the participation exemption.

The Dutch government announced, following a verdict from the European Court of Justice of 22 February 2018, that it intends to publish a proposal of law affecting the tax position of consolidated tax groups in the second quarter of 2018. The proposed legislation is expected to have retroactive force until 25 October 2017 and may therefore, when enacted, have a financial impact on the tax year 2017.

37. Financial Instruments

Fair Value of Financial Assets and Liabilities

The table below shows the fair value of SRLEV's financial assets and liabilities. It only shows the financial assets and financial liabilities and does not include items that do not meet the definition of a financial asset or liability. The total fair value shown below does not represent the value of the company as a whole.

Fair Value of Financial Assets and Liabilities

In € millions	Fair value 2017	Carrying amount 2017	Fair value 2016	Carrying amount 2016
Financial assets				
Land and buildings for own use	52	52	56	56
Investment property	380	380	274	274
Investments				
- Fair value through profit or loss: designated	203	203	69	69
- Available for sale	27,191	27,191	26,923	26,923
- Loans and receivables	6,334	6,135	6,496	6,270
- Mortgages	2,504	2,338	2,864	2,635
Investments for account of policyholders	13,202	13,202	14,251	14,251
Derivatives	741	741	1,061	1,061
Loans and advances to banks	1,848	1,799	1,008	960
Other assets	265	265	352	352
Cash and cash equivalents	146	146	271	271
Total financial assets	**52,866**	**52,452**	**53,625**	**53,122**
Financial liabilities				
Subordinated debts	778	775	801	798
Derivatives	606	606	471	471
Amounts due to banks	1,627	1,627	1,330	1,330
Other liabilities	1,095	1,095	1,555	1,555
Total financial liabilities	**4,106**	**4,103**	**4,154**	**4,154**

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

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

Notes to the Measurement of Financial Assets and Liabilities

The following methods and assumptions are used to determine the fair value of financial instruments.

Land and Buildings for Own Use

The fair value of land and buildings for own use is measured on the basis of annual appraisals. The main parameters for these appraisals are rentable market value and expected yield.

Investment Property

The fair value of investment property is measured on the basis of annual appraisals. The main parameters for these appraisals are rentable market value and expected yield.

Investments

The fair value of equities is based on quoted prices in an active market or other available market data. The fair value of interest-bearing securities, exclusive of mortgage loans, is also based on quoted market prices or if actively quoted market prices are not available, on the discounted value of expected future cash flows. These discounted values are based on the relevant market interest rate, taking into consideration the liquidity, creditworthiness and maturity of the investment.

Mortgages

The market value of mortgages is determined using a discounted value method. The yield curve used to discount cash flows of mortgage loans is the swap rate plus a risk premium that can vary between sub-portfolios. Expected future early redemptions, losses and the corresponding consumer rates are taken into account in determining the expected cash flows.

Derivatives

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

Loans and Advances to Banks

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

Other Assets

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

Cash and Cash Equivalents

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

Subordinated Debts

The fair value of subordinated debts has been estimated based on the discounted value of future cash flows, using the prevailing interest rate plus a risk premium. The risk premium is based on the credit risk assumed by the market at years' end for holding subordinated debt issued by SRLEV, differentiated by maturity and type of instrument.

Amounts Due to Banks

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

Other Liabilities

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

Hierarchy in Determining The Fair Value of Financial Instruments

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

Level 1 – Fair Value Based on Quoted Prices in an Active Market

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

Fair value hierarchy 2017

In € millions	Carrying amount	Fair value Level 1	Level 2	Level 3	Total
> Financial assets measured at fair value					
Land and buildings for own use	52	–	–	52	**52**
Investment property	380	–	–	380	**380**
Investments at fair value through profit or loss: designated	203	191	11	1	**203**
Investments available for sale	27,191	25,575	479	1,137	**27,191**
Investments for account of policyholders	13,202	12,776	40	386	**13,202**
Derivatives	741	–	741	–	**741**
	41,769	**38,542**	**1,271**	**1,956**	**41,769**
> Financial assets not measured at fair value					
Mortgages	2,338	–	–	2,504	**2,504**
Investments loans and receivables	6,136	–	6,334	–	**6,334**
Loans and advances to banks	1,799	–	1,848	–	**1,848**
Other assets	265	265	–	–	**265**
Cash and cash equivalents	146	146	–	–	**146**
> Financial liabilities measured at fair value					
Derivatives	606	–	541	65	**606**
> Financial liabilities not measured at fair value					
Subordinated debts	775	533	245	–	**778**
Amounts due to shareholder	1,627	–	1,627	–	**1,627**
Other liabilities	1,095	1,095	–	–	**1,095**

Fair value hierarchy 2016

In € millions	Carrying amount	Fair value Level 1	Level 2	Level 3	Total
> Financial assets measured at fair value					
Land and buildings for own use	56	-	-	56	**56**
Investment property	274	-	-	274	**274**
Investments at fair value through profit or loss: designated	69	-	63	6	**69**
Investments available for sale	26,923	25,089	807	1,027	**26,923**
Investments for account of policyholders	14,251	13,782	57	412	**14,251**
Derivatives	1,061	-	1,061	-	**1,061**
	42,634	**38,871**	**1,988**	**1,775**	**42,634**
> Financial assets not measured at fair value					
Mortgages	2,635	-	-	2,864	**2,864**
Investments loans and receivables	6,270	-	6,338	158	**6,496**
Loans and advances to banks	960	-	1,008	-	**1,008**
Other assets	352	352	-	-	**352**
Cash and cash equivalents	271	271	-	-	**271**
> Financial liabilities measured at fair value					
Derivatives	471	-	404	67	**471**
> Financial liabilities not measured at fair value					
Subordinated debts	798	553	248	-	**801**
Amounts due to banks	1,330	-	1,330	-	**1,330**
Other liabilities	1,555	1,555	-	-	**1,555**

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 2017

In € millions	Land and buildings for own use	Investment property	Derivatives	Investments for account of policyholders	Fair value through profit and loss: designated	Available for sale	Total
Balance as at 1 January	**56**	**274**	**-67**	**412**	**6**	**1,027**	**1,708**
Transfer to level 3	-	-	-	-	11	301	**312**
Realised gains or losses recognised in profit or loss	-	-	-4	5	-	15	**16**
Unrealised gains or losses recognised in profit or loss	-	-	6	-	-1	-	**5**
Unrealised gains or losses recognised in other comprehensive income	-	-	-	-	-	-26	**-26**
Purchase/acquisition	-	108	-39	15	-	389	**473**
Sale/settlements	-	-15	39	-64	-15	-442	**-497**
Other	-4	13	-	18	-	-5	**22**
Transfer from level 3	-	-	-	-	-	-122	**-122**
Balance as at 31 December	**52**	**380**	**-65**	**386**	**1**	**1,137**	**1,891**
Total gains and losses included in profit or loss	-	-	2	5	-1	15	**21**

Change in Level 3 Financial Instruments in 2016

In € millions	Land and buildings for own use	Investment property	Derivatives	Investments for account of policyholders	Fair value through profit and loss: designated	Available for sale	Total
Balance as at 1 January	**58**	**259**	**-58**	**367**	**22**	**667**	**1,315**
Transfer to level 3	-	-	-	40	8	27	**75**
Realised gains or losses recognised in profit or loss	-	-	-	-	-	5	**5**
Unrealised gains or losses recognised in profit or loss	-	-	-4	11	-2	-	**5**
Unrealised gains or losses recognised in other comprehensive income			-5	-	-	9	**4**
Purchase/acquisition	2	4	-	19	-	556	**581**
Sale/settlements	-	-4	-	-38	-22	-243	**-307**
Other	-4	15	-	13	-	7	**31**
Transfer from level 3			-	-	-	-1	**-1**
Balance as at 31 December	**56**	**274**	**-67**	**412**	**6**	**1,027**	**1,708**
Total gains and losses included in profit or loss	-	-	-4	11	-2	5	**10**

Breakdown of Level 3 Financial Instruments

In € millions	2017	2016
Land and buildings for own use	52	56
Investment property	380	274
Bonds issued by financial institutions	702	187
Collateralised debt obligation	-	460
Collateralised loan obligation	18	25
Equities	417	362
Derivatives	-65	-67
Investments for account of policyholders	386	411
Total	**1,890**	**1,708**

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	2017	2016	2017	2016	2017	2016	2017	2016
Equities	-	5	-	-	5	-	**5**	**5**
Total	**-**	**5**	**-**	**-**	**5**	**0**	**5**	**5**

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

Reclassification Between Categories 2017

In € millions	to Level 1	to Level 2	to Level 3	Total
From:				
Based on published stock prices in an active market (Level 1)	-	-	15	**15**
Based on observable market data (Level 2)	-	-	297	**297**
Not based on observable market data (Level 3)	-	122	-	**122**

Reclassification Between Levels 1, 2 and 3

Shift Between Levels 2 and 3

At year-end 2017, € 297 million (2016 € 75 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.

At year-end 2017, € 122 million (2016: € 1 million) was transferred from level 3 to level 2 for investments that were significantly more traded. These investments mainly consist of collateralised securities for which no quoted prices are available but whose fair value is determined using models.

Shift Between Levels 1 and 3

At year-end 2017, € 15 million (2016 € nil) was transferred from level 1 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 2017

In € millions	Gross carrying amount	Offsetting carrying amount	Netted carrying amount	Related amounts not netted in the carrying amount: Financial instruments	Cash collateral	Other financial collateral	Netted value
Financial assets							
Derivatives	741	–	**741**	286	437	–	**18**
Loans and advances to banks	1,799	–	**1,799**	445	13	–	**1,341**
Total financial assets	**2,540**	**-**	**2,540**	**731**	**450**	**-**	**1,359**
Financial liabilities							
Derivatives	606	–	**606**	538	68	–	**-**
Amounts due to banks	1,627	–	**1,627**	521	–	–	**1,106**
Total financial liabilities	**2,233**	**-**	**2,233**	**1,059**	**68**	**-**	**1,106**

At year-end 2017, SRLEV received collateral from third parties by virtue of derivative exposures. An amount of € 375 million (2016: € 485 million) of this collateral has been reinvested in a money-market fund.

Financial Assets and Liabilities 2016

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

Management of Past Due and Impaired Assets

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

Financial Instruments - Impairments 2017

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	27,352	-	90	-48	**27,394**
Loans and receivables	8,462	-	16	-4	**8,474**
Other financial assets	244	23	-	-2	**265**
Total	**36,058**	**23**	**106**	**-54**	**36,133**

Financial Instruments - Impairments 2016

In € millions	Not in arrears nor impaired	Financial assets that are past due but not impaired	Financial assets that have been impaired	Provision for bad debt	Total
Investments	27,041	-	-49	-	**26,992**
Loans and receivables	8,863	54	-	-12	**8,905**
Other financial assets	324	31	-	-3	**352**
Total	**36,228**	**85**	**-49**	**-15**	**36,249**

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

SRLEV recognises impairments on fixed-income financial instruments if there is a loss event related to the financial instrument. To identify such events, the financial instruments are periodically assessed on the basis of a number of criteria set by the Financial Committee. Financial instruments meeting one or more of these criteria are analysed and assessed individually to determine whether there is a loss event.

38. Hedging and Hedge Accounting

SRLEV uses various strategies for its insurance business to hedge its interest rate, market and currency risks. Under IFRS, derivatives are recognised at fair value in the statement of financial position, while changes in their fair value are recognised through profit or loss. An accounting mismatch arises if changes in the fair value of hedged risks are not recognised through profit or loss, causing volatility in the results. In these cases, hedge accounting is applied in principle to mitigate the accounting mismatch and volatility.

The nominal amounts of the derivatives used for hedging purposes shown in the table below reflect the degree to which SRLEV is active in the relevant markets.

Derivatives for Hedging Purposes 2017

	Nominal amounts				Fair value	
In € millions	< 1 year	1 - 5 years	> 5 years	Total	Positive	Negative
> Interest rate contracts						
- Swaps and FRAs	2,452	2,547	21,552	**26,551**	502	-570
- Options	25	1,271	4,650	**5,946**	211	-24
> Currency contracts						
- Swaps	55	179	-	**234**	10	-11
- Forwards	702	-	-	**702**	18	-1
Total	**3,234**	**3,997**	**26,202**	**33,433**	**741**	**-606**

Derivatives for Hedging Purposes 2016

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

The notionals of the derivatives are not disclosed netted (positive and negative).

The nominal amounts are the units of account relating to the derivatives, specifying the relationship with the underlying values of the primary financial instruments. These nominal amounts are not an indication of the size of the cash flows or market and credit risks relating to the transactions.

Hedging

SRLEV uses derivatives to protect the market value of own funds and regulatory solvency against undesired market developments. Examples include:

- hedging interest rate risks arising from return guarantees made to policyholders;
- hedging interest rate risks arising from obligations to share surplus interest with policyholders;
- hedging interest rate risks arising from the difference in maturities between investments and liabilities; and
- hedging currency risks on investments and liabilities denominated in foreign currencies.

Hedge Accounting

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

Fair Value Hedges

Hedging Currency Risk in Equity Portfolio

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

Hedging Interest Rate Risk on Subordinated Debt

SRLEV hedges the interest rate risk in the subordinated debt using interest rate swaps.

Cashflow Hedges

Hedging Interest Rate Risk in Future Reinvestments

SRLEV has extended the effective maturity of the investment portfolio using interest rate swaps. As a result, the interest rate risk has been hedged by fixing the interest rates at the time of reinvestment, making the interest income constant over a longer period.

Currently interest rate risk is managed from a top down perspective, rather than hedged on an individual basis which was applicable when these swaps were acquired. As a result of this change it is no longer highly probable that the forecasted reinvestment, as defined in the hedge documentation, will occur.

The cash flow hedge reserve in shareholders' equity, before application of shadow loss accounting, related to the aforementioned swaps is € 142 million (2016: € 169 million).

Hedging Inflation Risk on Government Bonds

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

39. List of Principal Subsidiaries

Overview of Principal Subsidiaries

Name	Place of business	Nature of business or industry	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares directly held by the group (%)
Empresa BV	Zeist	Property management	100	100
GVR500 Building BV	Utrecht	Property management	100	100
GVR 500 Parking BV	Utrecht	Property management	100	100
NV Pensioen ESC	Curaçao	Pension fund	100	100
Princenhof Staete Driebergen BV	Zeist	Property management	100	100
REAAL De Ruyterkade BV	Utrecht	Property management	100	100
REAAL Kantoren I BV	Utrecht	Property management	100	100
REAAL Landbouw I BV	Utrecht	Property management	100	100
REAAL Landbouw II BV	Utrecht	Property management	100	100
REAAL Landbouw III BV	Utrecht	Property management	100	100
REAAL Winkels I BV	Utrecht	Property management	100	100
REAAL Winkels II BV	Utrecht	Property management	100	100
REAAL Wognumsebuurt BV	Utrecht	Property management	100	100
REAAL Woningen I BV	Utrecht	Property management	100	100
RZL Investment Funds	Utrecht	Investment management	range	range
ACTIAM Index Funds	Utrecht	Investment management	range	range

6.4. Segmentation

40. Segment Information

In 2017 the operating segments of SRLEV are:
- Individual life insurance services are allocated to the segment Individual Life;
- Collective life insurance services are allocated to the segment Life Corporate;

Individual Life

This segment mainly consists of life annuity insurance policies, mortgage-related endowment policies and unit-linked insurance policies. These products are targeted at the retail and SME markets.

Life Corporate

This segment offers pension solutions for business customers. A range of products provide the employees of our customers freedom in making the right decisions to secure their financial future. The main brand of this product line is Zwitserleven.

Accounting basis between reportable segments

Costs are allocated within SRLEV Group on an accrual basis. The prices of other transactions between group companies are in principal based on arms' length conditions.

41. Statement of Financial Position by Segment

Statement of financial position by segment 31 December 2017

In € millions	Life Corporate	Individual Life	Elimination	Total
> Assets				
Property and equipment	24	29	-	**53**
Investment properties	52	328	-	**380**
Investments	21,581	14,287	-	**35,868**
Investments for account of policyholders	8,281	4,921	-	**13,202**
Investments for account of third parties	-	455	-	**455**
Derivatives	447	294	-	**741**
Deferred tax assets	544	-	-85	**459**
Reinsurance contracts	-	91	-	**91**
Loans and advances to banks	685	1,114	-	**1,799**
Corporate income tax	61	-	-18	**43**
Other assets	-327	263	329	**265**
Cash and cash equivalents	89	58	-	**147**
Total assets	**31,437**	**21,840**	**226**	**53,503**
> Equity and liabilities				
Share capital	0	0	0	**0**
Reserves	1,794	1,505	-27	**3,272**
Retained earnings	-238	157	26	**-55**
Shareholders' equity	**1,556**	**1,662**	**-1**	**3,217**
Subordinated debt	397	378	-	**775**
Insurance liabilities	28,255	16,912	342	**45,509**
Liabilities investments for account of third parties	-	455	-	**455**
Provision for employee benefits	184	-	-	**184**
Other provisions	1	34	-	**35**
Derivatives	576	30	-	**606**
Deferred tax liabilities	-	85	-85	**-**
Amounts due to banks	36	1,591	-	**1,627**
Corporate income tax	-	18	-18	**-**
Other liabilities	432	675	-12	**1,095**
Total equity and liabilities	**31,437**	**21,840**	**226**	**53,503**

Statement of financial position by segment 31 December 2016

In € millions	Life Corporate	Individual Life	Elimination	Total
> Assets				
Property and equipment	23	34	–	**57**
Investment property	45	229	–	**274**
Investments	20,924	14,973	–	**35,897**
Investments for account of policyholders	9,035	5,216	–	**14,251**
Investments for account of third parties	–	1,320	–	**1,320**
Derivatives	605	456	–	**1,061**
Deferred tax assets	593	-154	–	**439**
Reinsurance contracts	1	105	–	**106**
Loans and advances to banks	37	923	–	**960**
Corporate income tax	–	56	-39	**17**
Other assets	353	11	-12	**352**
Cash and cash equivalents	172	99	–	**271**
Total assets	**31,788**	**23,268**	**-51**	**55,005**

In € millions	Life Corporate	Individual Life	Elimination	Total
> Equity and liabilities				
Share capital	–	–	–	**-**
Reserves	1,594	1,206	-17	**2,783**
Retained earnings	77	158	17	**252**
Shareholders' equity	**1,671**	**1,364**	**-**	**3,035**
Subordinated debt	405	393	–	**798**
Insurance liabilities	28,326	17,948	–	**46,274**
Liabilities investments for account of third parties	–	1,320	–	**1,320**
Provision for employee benefits	182	–	–	**182**
Other provisions	11	29	–	**40**
Derivatives	429	42	–	**471**
Deferred tax liabilities	–	–	–	**-**
Amounts due to banks	217	1,113	–	**1,330**
Corporate income tax	44	-5	-39	**-**
Other liabilities	503	1,064	-12	**1,555**
Total equity and liabilities	**31,788**	**23,268**	**-51**	**55,005**

42. Statement of Profit or Loss by Segment

Statement of profit or loss by segment 2017

In € millions	Life Corporate	Individual Life	Elimination	Total
> Income				
Premium income	1,366	879	-	**2,245**
Less: Reinsurance premiums	3	9	-	**12**
Net premium income	**1,363**	**870**	**-**	**2,233**
Fee and commission income	3	23		**26**
Fee and commission expense	5	2	1	**8**
Net fee and commission income	**-2**	**21**	**-1**	**18**
Investment income	699	703	9	**1,411**
Investment income for account of policyholders	200	235	-	**435**
Result on investments for account of third parties	-	49	-	**49**
Result on derivatives	-327	-60	-1	**-388**
Other operating income	15	-		**15**
Total income	**1,948**	**1,818**	**7**	**3,773**
Inter-segment revenues	-	-		
> Expenses				
Technical claims and benefits	2,481	934	-26	**3,389**
Charges for account of policyholders	-351	438	-	**87**
Acquisition costs for insurance activities	2	21	-	**23**
Result on liabilities from investments for account of third parties	-	49	-	**49**
Staff costs	88	67	-	**155**
Depreciation and amortisation of non-current assets	1	2	-	**3**
Other operating expenses	22	20		**42**
Impairment losses	3	4	-	**7**
Other interest expenses	32	78	-	**110**
Total expenses	**2,278**	**1,613**	**-26**	**3,865**
Result before tax	**-330**	**205**	**33**	**-92**
Tax expense	-91	46	8	**-37**
Net result continued operations	**-239**	**159**	**25**	**-55**

Statement of profit or loss by segment 2016

In € millions	Life Corporate	Individual Life	Elimination	Total
> Income				
Premium income	954	880	-	**1,834**
Reinsurance premiums	2	14	-	**16**
Net premium income	**952**	**866**	**-**	**1,818**
Fee and commission income	4	34		**38**
Fee and commission expense	4	1	-	**5**
Net fee and commission income	**17**	**40**	**-**	**33**
Investment income	2,000	771	-10	**2,761**
Investment income for account of policyholders	733	169	-	**902**
Result on investments for account of third parties	-	39	-	**39**
Result on derivatives	-317	52	-	**-265**
Other operating income	-	1	-	**1**
Total income	**3,368**	**1,892**	**-10**	**5,289**
Inter-segment revenues	-	-		
> Expenses				
Technical claims and benefits	2,133	986	-	**3,119**
Charges for account of policyholders	931	418	-	**1,349**
Acquisition costs for insurance activities	3	21		**24**
Result on liabilities from investments for account of third parties	-	39	-	**39**
Staff costs	142	123	-	**265**
Depreciation and amortisation of non-current assets	1	6	-	**7**
Other operating expenses	22	25	-	**47**
Impairment losses	-1	-	-	**-1**
Other interest expenses	32	82	-11	**103**
Other expenses	-	1	-	**1**
Total expenses	**3,263**	**1,662**	**-11**	**4,953**
Result before tax	**105**	**230**	**1**	**336**
Tax expense	26	53	5	**84**
Net result continued operations	**79**	**177**	**-4**	**252**

7. Managing Risks

7.1. Risk Management System

7.1.1. General

SRLEV has established a Risk Management System that is aimed at a controlled and effective achievement of the strategic objectives. It relates risks to the strategic, financial and operational objectives as well as to the objectives in the areas of sustainability and reputation. The framework consists of organizational, control and culture components. The management of SRLEV recognises that transparency is a vital element in effective risk management. The Executive Board and the VIVAT Risk Committee (VRC), which is responsible for setting the Risk Management System, monitor that the desired culture and level of risk awareness are translated into identifiable aspects, such as desirable behaviour, details of the risk appetite or criteria for evaluation of employees.

The Executive Board of VIVAT has set guidelines in the areas of strategy, culture and risk governance in order to enable risk assessments to be performed properly and efficiently. These guidelines apply to the entire organisation. SRLEV seeks to have an open culture in which risks can be discussed, employees feel a responsibility to share information on risks and (pro)active risk management is appreciated.

The established Integrated Control Framework (ICF) provides the basis for the internal control system on risk maturity of process key controls and management controls within SRLEV. The management of Product or Functional Lines is responsible for day-to-day operations within the Risk Management System, schedules the testing of operating effectiveness of key controls and prepares operational plans on a yearly basis. These plans are subject to the approval of the Executive Board of VIVAT.

For all components within the ICF, standards include applicable minimum requirements. All components of SRLEV are scored for each Product Line and Functional Line by a yearly assessment of all Management Controls, in which both first line and second line of defence are involved.

7.1.2. Overview

In the Risk Management System, specific Solvency II requirements such as the Key Functions and the Own Risk and Solvency Assessment (ORSA) are incorporated. The Risk Management System of SRLEV operates an integrated approach for risks that the organisation is or could be exposed to, with Risk Management being an integral part of the decision making process. Major decisions of the Executive Board have to be accompanied by a Key Function opinion.

The core of the Risk Management System consists of a Governance part at which, starting from the Vision and Mission and business strategy, the Risk Strategy and Risk Appetite are derived. The components Risk Policy, Risk Classification and Risk Organisation are necessary conditions to enable these strategic risk processes. To ensure an integrated approach the second line Key Functions and the business use the same risk classification, operations are covered by the Risk Appetite and are aligned by a policy structure.

Governance including an adequate Risk Culture, is conditional for performing risk management on tactical and operational level, with as the core a control cycle of risk identification-measurement- mitigation and continuous monitoring and reporting. The Risk Management Process is supported by the ICF, build up from several components that together form the basis for sound and controlled business operations and hence for visibly being in control of SRLEV and its Product and Functional lines. The ICF measures maturity of risk management and ensures steering on correct and complete risk reports.

The internal reports are a part of (the operation of) the Risk Management Process. The reports on recognized types of risks are input for the integrated risk reports, enabling Key Risk Indicator (KRI) monitoring and drawing management attention to deviations of the risk tolerance limits.

SRLEV performs Risk Self Assessments (RSA) and Strategic Risk Assessments (SRA). An ORSA is incorporated in the Risk Management System of SRLEV and is performed at least annually.

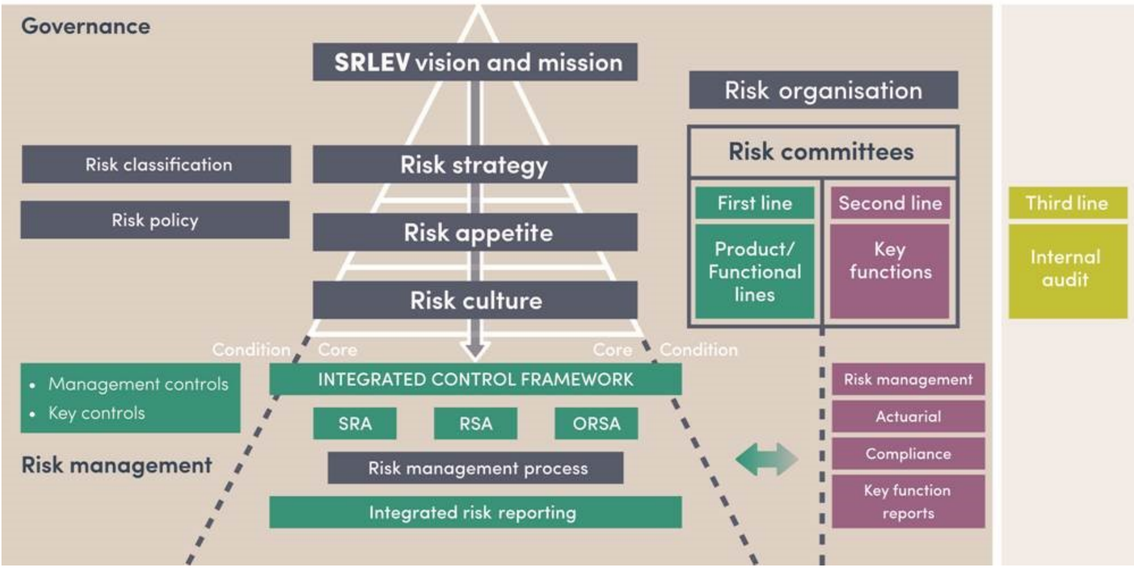


Figure 8: Risk management

7.2. Risk Management Governance

7.2.1. Mission and Vision

The vision of SRLEV to be a leading financial service provider results in a mission, focusing on comprehensive products and services leveraging state of the art technologies. From this starting point, the Risk Strategy contributes to a sustainable profitable growth of VIVAT, for the benefit of all its stakeholders.

SRLEV takes its role in society seriously. Corporate responsibilitiy (CR) forms an integral part of the strategy and business operations. SRLEV wishes to offer competitively priced products in efficient business processes, using a central back office in addition. SRLEV pursues a customer-centric strategy, with both Zwitserleven and Reaal positioned clearly and appealing to different segments. The focus on these flagship brands allows for a more agile and lean operation bringing costs to a lower required level.

7.2.2. Risk Strategy

VIVAT has derived a Risk Strategy, a supporting set of objectives following from the VIVAT vision and mission to achieve the strategic goals. VIVAT aims for a robust and strong capital position, which contributes to both the confidence that customers have in the institution and the access to financial markets. VIVAT offers competitively priced products by utilising economies of scale in its organisation. The Risk Strategy is expressed in the Risk Appetite.

As main principles VIVAT has defined a robust capital position, stable profitability, a prudent and consistent risk policy, regulatory compliance, social responsibility and effective and efficient customer solutions.

VIVAT provides guarantees for future payments to its customer and therefore VIVAT needs a strong capital position. The Executive Board would like to hold a buffer above regulatory requirement to absorb temporary volatility and provide more certainty to its customers.

7.2.3. Risk Appetite

The Risk Appetite is set yearly by the Executive Board and confirmed by the Risk Committee (RC) of the Supervisory Board. This is limited by the risk capacity, which indicates the maximum amount of risk SRLEV can accept at consolidated level, in view of its capital and liquidity position and any restrictions due to funding agreements or requirements imposed by regulators. The Risk Appetite is subsequently translated into practical risk objectives.

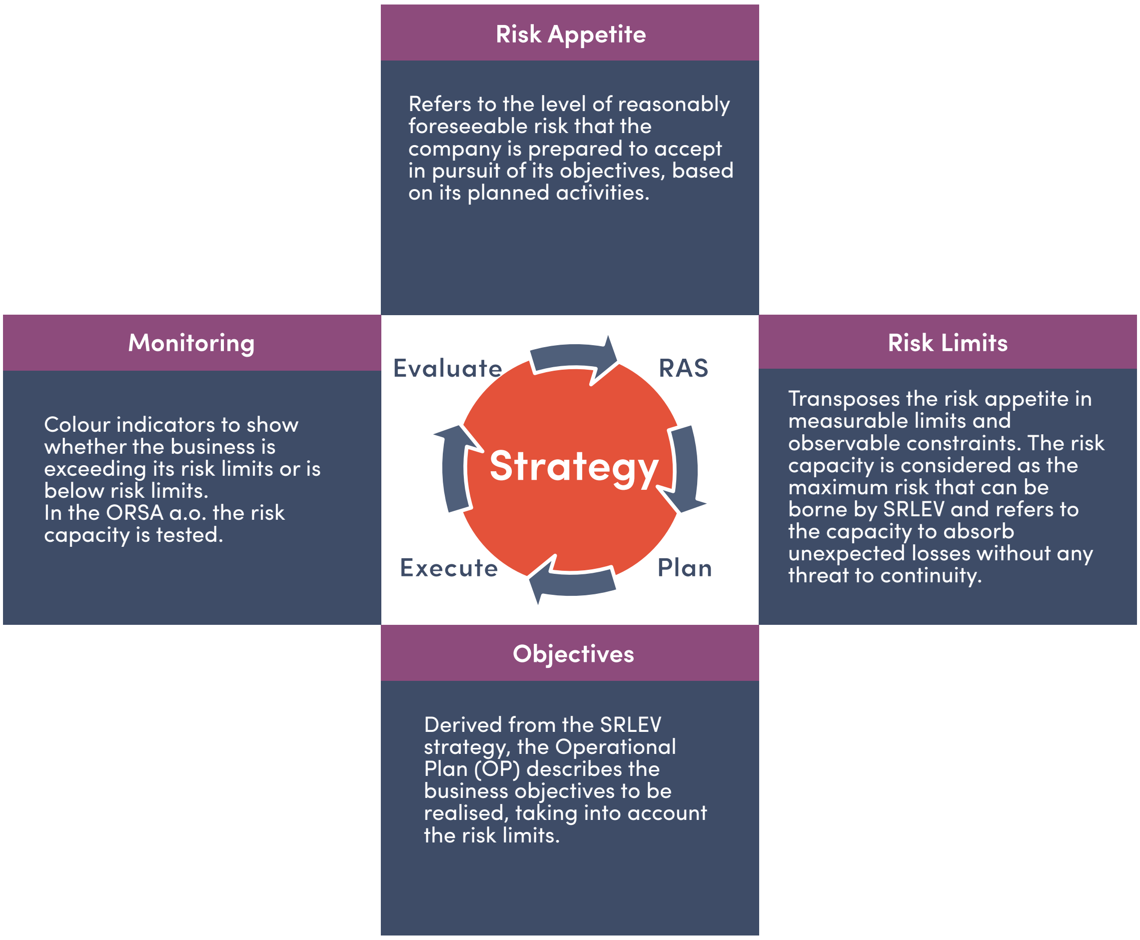


Figure 9: Risk Appetite Framework

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

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

7.2.4. Risk Culture

Culture and conduct in general play a vital role in steering a company, and specifically in adequate risk management. Both are considered standard elements in performance evaluation meetings and in annual performance objectives. SRLEV has awareness programs in place that focus on how employees hold each other accountable for their conduct and how they can escalate matters if necessary. SRLEV has five core behaviours: Client Focus, Result Driven, Immediate Execution, Take Responsibility and Change Attitude.

SRLEV realises that the tone at the top is defining for Risk Culture, which makes communication and exemplary behaviour determinant. SRLEV encourages an open corporate culture in which risks are to be discussed, employees feel responsible to share knowledge on risks and where (pro) active risk management is appreciated. Exemplary behaviour, the openness for discussion of dilemmas, practicability of policy and transparency are inseparably linked to an open corporate culture.

Risk Culture is also embedded in the organisation by risk management being an integral part of the organizational processes and decision making of SRLEV. Decision making is clear, explicit, and in line with the Risk Policy and Risk Appetite of SRLEV. The management teams of the Product Lines and Functional Lines promote awareness of risks and are supported by the second line departments of the Risk organisation. The management teams are responsible for ensuring that risk decisions are made in accordance with the delegated authorities, in consultation with all second line Solvency II key functions.

Furthermore, SRLEV ensures that senior management and employees on key functions are fit and proper to fulfill their job. Finally, VIVATs Remuneration Policy discourages taking undesired and irresponsible risks focused on short-term profit and personal gain.

7.2.5. Risk Organisation

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

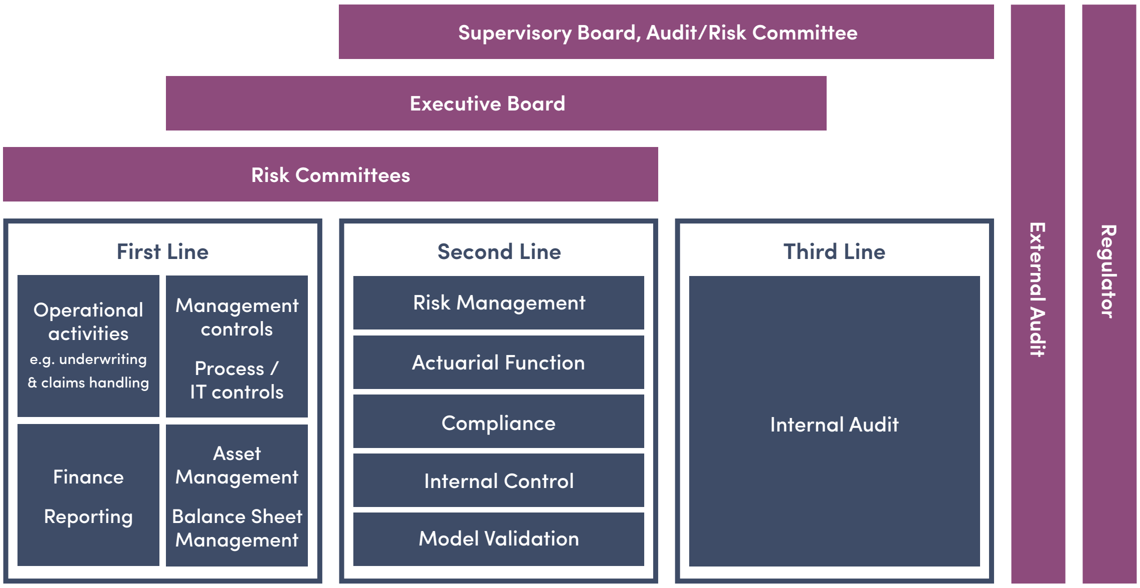


Figure 10: Three Lines of Defence

First line: risk taker

Business plans are prepared in the first line. With this preparation, the first line operationalises the (risk) strategy, focusing on the primary process (i.e. underwriting, claims handling, preparing financial accounts) of the business and investment activities.

Within the policy framework and subject to internal procedures and risk limits, it is the objective of the risk taker to achieve an optimum risk/return. Consequently risks are managed by identifying, measuring, mitigating and monitoring them and report whether the risks remain within the risk appetite of VIVAT and its underlying entities, including SRLEV.

Risk Self Assessments are carried out and in combination with the ORSA, these assessments could lead to changes in the (risk) strategy. For all these activities the first line has an active role in various risk committees including the ability to demonstrate management and process controls according to the standards as set by the ICF.

Second line: risk management

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

The second line is also responsible for formulating the Risk Management System and setting Risk Policies. The first line is responsible for the execution of these policies. The second line assesses policy compliance on a regular basis, using risk reports, reports on management and process key controls and own observations. Furthermore, the second line sets the mandates in line with the risk appetite. It also defines basic principles and preconditions for risk models and the control framework and supports central decision-making bodies. The data used, including models, assumptions and techniques, are validated periodically.

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

Third line: internal audit

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

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

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

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

Risk Committees

In addition to the risk management organisation, VIVAT has established Risk Committees to manage risks effectively. VIVAT has established at Group level the following Risk Committees: VIVAT Risk Committee (VRC), Asset Liability Committee (ALCO), Policies Models and Assumptions Committee (PMAC), Investment Committee (IC) and Product Committee (PC). The latter is leading for the underlying PMP MT's (Product, Marketing, Pricing) in the Product Lines. In the ORC MT's, the issues regarding Operational Risk and Compliance are discussed.

Key Functions

In accordance with Solvency II VIVAT recognizes four Key Functions. A function as intended in Solvency II is not a person or a department but an internal capacity to perform certain tasks and responsibilities. The Functions are established on Group level and carry out activities on behalf of all insurance entities of VIVAT. including SRLEV. The CRO is the Risk Management Function Holder, the Director Financial Risk is the Actuarial Function Holder and the Director Non-financial Risk is the Compliance Function Holder. The Director Audit VIVAT is the Audit Function Holder.

The Enterprise Risk Management Report (ERM Report) is an integrated comprehensive report on the major financial and non-financial risks within VIVAT. It consists of reports from the three second line Key Functions (Risk Management Function, Actuarial Function and Compliance Function) and shows both the development and the outlook with regard to actuarial, financial, model and non-financial risks, and in addition strategic developments. The ERM Report presents both new and progress on existing high risk findings and/or issues compiled on the basis of the information obtained from monitoring reports, risk dashboards, RAS, Internal Control Statements, reports by internal and external regulators, incidents and issues reported, and own assessments & perceptions. It contains a second line opinion on the development of the various risks, the dependency, and the impact on OP, solvency and strategy. The Risk opinion is discussed in the risk committees and in EB, VRC and the Risk Committee of the SB.

The Actuarial Function opines on the adequacy of the Technical Provision used for IFRS-LAT and Solvency II purposes. It furthermore assesses the reliability and adequacy of Underwriting and Reinsurance programs. The Actuarial Function Report (AFR) is submitted to the VRC and the Audit Committee of the Supervisory Board. Regularly the AF submits an update based on the findings in the AFR, supplemented with recent findings and advices. This update is part of the ERM Report.

The main purpose of the Compliance Function is to support management in conducting its business operations in a controlled, honest and sound manner, and with regard to the risks which in this context are a threat to achieving the strategic objectives, obligations arising from laws and regulations, insights from social discussions and guidelines imposed by regulators. The Compliance Function provides regularly, as part of the ERM Report, a report on the most important Compliance Risks of SRLEV to the VRC and the Risk Committee of the Supervisory Board.

7.2.6. Risk Policy

SRLEV has an integrated risk management policy structure incorporated in that of VIVAT. The entire policy structure is accessible to employees through the internal policy site. The policy structure ensures the timely identification and assessment of risks and adequate monitoring and reporting of the material risks, both on board and workplace level. The Risk Policy is structured in levels, the aim is to give insight in the cascading from (Solvency II-) legislation, (second line) risk policy, corresponding processes and (first line) implementation. At least once a year the Risk Policies are assessed, adjusted if necessary and approved following regular governance.

7.2.7. Risk Classification

SRLEV provides insight into the risks for the business itself and for its stakeholders to manage these risks within the indicated tolerance levels. This includes both behaviour related and financial aspects of Risk Management. To provide clarity in the communication and management of risks, the risk classification incorporates a comprehensive list of mutually exclusive risk types to which SRLEV is exposed or could be exposed to.

SRLEV has defined and structured different risk types, partly on the basis of applicable laws and regulations (such as Solvency II Standard Formula), and partly on own assessment of risks given VIVAT's risk profile. As part of its strategy, VIVAT deliberately takes Underwriting risks and Market risks aiming for returns. As a consequence, taking Counterparty risk and Liquidity risk may contribute to those returns. Compliance risk and Operational risks are inherent risks that do not provide more returns when taking more risk and have to be controlled and managed at a minimal level.

Strategic developments (governance, positioning, external developments) relate to future business developments and may eventually emerge as one of the main or sub risk types and are monitored in the ERM Report. In the risk assessment on the Operational Plans several internal and external strategic development scenarios are taken into account.

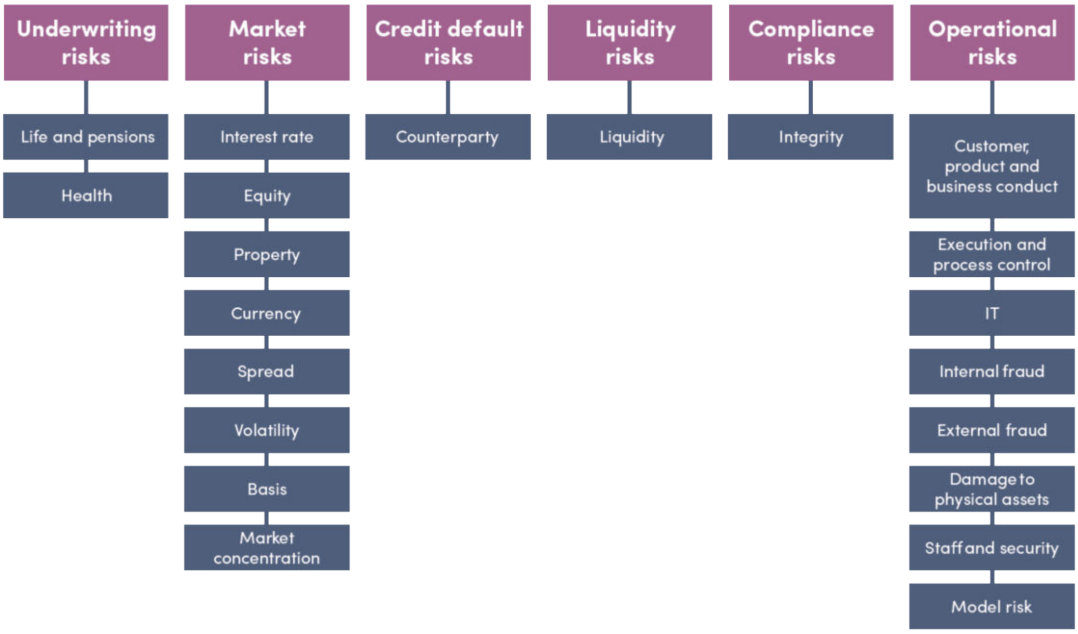


Figure 11: Risk classification

Not all of the risk categories are part of the Solvency Capital Requirement (SCR) calculation. The SCR calculation does not contain Liquidity and Compliance Risk.

The risk categories will be explained in the more detail in the next paragraphs.

To give more insight in the risks the company is exposed to, sensitivities are determined on best effort basis for different underwriting and market risks in paragraph 7.5 and further. For underwriting risks and spread risks the sensitivities shown are the estimated impact on own funds without recalculating the SCR after shock. For the other market risks the sensitivities shown are the estimated impact on own funds including the estimated impact on the SCR market and life underwriting risk after shock.

7.3. Risk Control

Risk Management is a continuous process of identifying and assessing risks and establishing controls. Risk management is an inextricable part of the strategy, policy, processes, procedures, operational embedding, allocation of capacity and responsibilities, and independent testing of control effectiveness. The first and second line departments have been assigned a responsibility in this process, which is supported by the Integrated Control Framework (ICF).

7.3.1. Integrated Control Framework

The Integrated Control Framework (ICF) contains a set of (management and process) controls and an analysis on operating effectiveness enabling management to adequately manage risks, following (strategic) objectives and SRLEV's risk appetite. This enables the identification of gaps in the control framework and monitoring on follow-up using an standardized approach.

The ICF forms the basis for sound and controlled operations within SRLEV and monitors Process Controls and Management Controls.

7.3.2. Process Controls and Management Controls

The effectiveness of Process (key) Controls within SRLEV is scheduled each quarter for independent testing by first line management. The second line (internal control) subsequently performs reviews or reperformance.

Management Controls (or Entity level Controls) give insight in the maturity of risk management and mitigation in the individual product- and functional lines. The standards and control objectives used relate to relevant legislation (e.g. WFT, Solvency II) and internal policies.

In 2017 Integrated Risk Management was further optimized by implementation of special tooling and further alignment / development of policies and procedures regarding Process Management, Action monitoring and the Loss Database. Reports from the tooling will be used to further analyse and improve the completeness and quality of design for both management and process controls based on all risk categories as described in the risk classification.

During 2017 SRLEV has performed a self-assessment on management controls (or Entity level Controls). Based on this assessment it was found that the overall maturity level improved significantly in comparison to last year due to:

- Formalised Strategy setting & embedding in performance management
- Reinforcement first line Risk Management
- Expansion of Integrated Risk Management

The self-assessment also identified improvements that will be implemented in 2018.

7.4. Capital Management

7.4.1. Definition

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

7.4.2. Capital Policy

The objective of the Capital Policy is to ensure that there is sufficient capital to fulfill obligations towards policyholders and meet legal requirements. The second objective of the Capital Policy is to ensure capital is used as efficiently and flexibly as possible to facilitate the implementation of SRLEV's strategy.

In addition to the Capital Policy, a Recovery Plan exists which describes the procedure that applies in a contingency situation. In this context, a contingency situation is defined as a situation in which a capital deficit arises, or threatens to arise, which poses a direct threat to the going concern of SRLEV in its current form. In its Risk Appetite Statements, SRLEV has defined specific triggers that determine whether a contingency situation exists. The emphasis of these triggers is on capital metrics and these are linked to governance and management measures. SRLEV's Capital Policy forms the basis for lower level policies, process descriptions and procedures.

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

7.4.3. Regulatory Framework

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

Capitalisation is covered in all three pillars of 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 the ORSA, the process under which SRLEV has to evaluate its capitalisation periodically. A mandatory part of the ORSA involves determining whether the SCR is an appropriate measure for SRLEV's risk profile.

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

7.4.4. ORSA

As part of its risk-management system SRLEV conducts its own risk and solvency assessment (ORSA). That assessment includes:

> the overall assessment of solvency taking into account the specific risk profile, approved risk tolerance limits and the business strategy of SRLEV;
> the significance in which the risk profile of VIVAT deviates from the assumptions underlying the SCR calculated with the standard formula.

The ORSA is an integral part of SRLEV's management control cycle and is filed with the regulator. VIVAT has performed a 'single' ORSA for VIVAT and its underlying legal entities, including SRLEV, as approved by the regulator.

7.4.4.1. ORSA Process

The ORSA considers external factors, the business strategy, future developments, the risk profile and risk appetite to assess the amount and quality of capital. An overview is shown in the figure below.

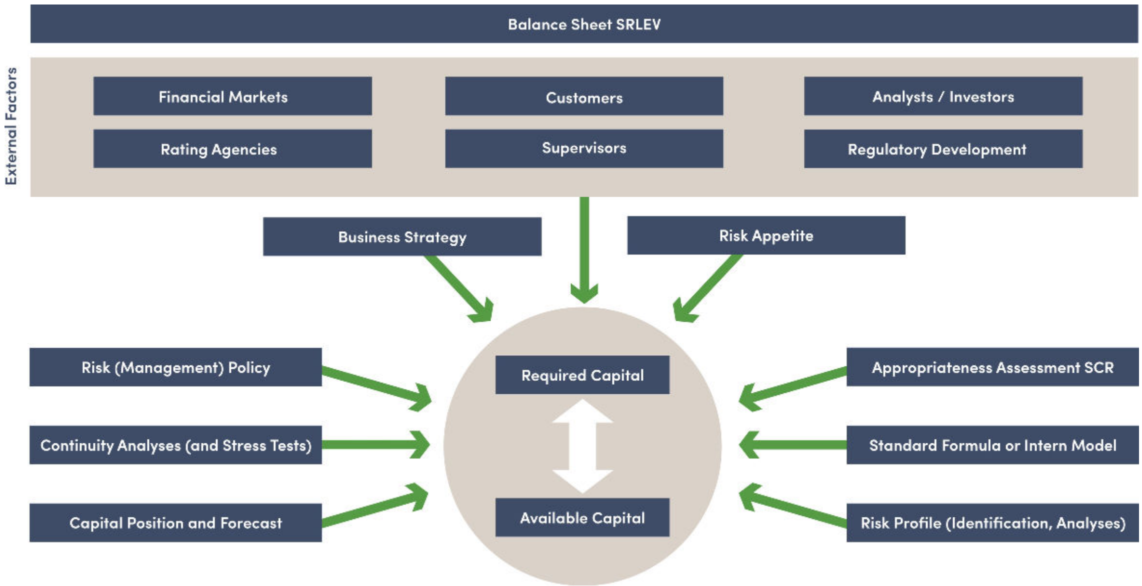


Figure 12: ORSA Process

The ORSA is performed annually for all entities of VIVAT including SRLEV and if any significant change in its risk profile occurs. The Executive Board is owner of the ORSA and actively involved. Adequacy of capital is tested against a range of stressed scenarios thereby considering the possible effect of management actions.

7.4.4.2. Scenario Tests and Mitigating Action

Every year an extensive risk identification process takes place. The identified risks are subject to a wide range of stress scenarios. The selected stress scenarios are severe but possible and used to test the financial position of SRLEV in case the risk occurs. This is in contrast to the Recovery Plan, where the scenarios should be severe enough to create a direct threat to the going concern of SRLEV in its current form.

For all scenarios in the ORSA mitigating management actions have been assessed.

7.4.4.3. Main Conclusions

The ORSA concludes that for SRLEV:

> the Solvency Capital Requirement (SCR) as calculated with the standard formula is appropriate;
> the Solvency is adequate on a forward looking medium term given the risk tolerance and the business strategy.

Based on the standard formula after diversification, the top 3 single risks of SRLEV are Longevity Risk, Expense Risk and Spread Risk. SRLEV is especially sensitive for longevity risk. When taking into account mitigation actions SRLEV's solvency is adequate for all evaluated stresses, including stress scenarios related to aforementioned risks.

7.4.5. Recovery Plan

VIVAT is required to establish a recovery plan, which describes the procedures in a contingency situation. In this context, a contingency situation is defined as a situation in which a capital deficit arises, or threatens to arise, which poses a direct threat to the going concern of VIVAT or SRLEV in its current form. The Recovery Plan is updated on an annual basis. The Recovery Plan includes early warning indicators for emerging crises, a crisis management governance framework and the management actions SRLEV has at its disposal in a crisis situation to maintain its core businesses viable for the future. The management actions are evaluated in a scenario analysis. The annual update of the Recovery Plan is performed in conjunction with the ORSA process and its results are shared with the regulator.

7.4.6. Capital Position

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

For internal purposes, SRLEV calculates the Solvency II position on a monthly basis. SRLEV calculates its position under Solvency II using the standard formula, applying the Volatility Adjustment (VA) and thus making use of the possibility of applying long-term guarantee measures. SRLEV does not apply the Matching Adjustment. The required and available capital (own funds) under Solvency II are determined on the basis of information at year-end 2017. The yield curve used as at 31 December 2017, including the Ultimate Forward Rate (UFR), Credit Risk Adjustment (CRA) and VA, is published by EIOPA.

When determining the Solvency II capital ratio, the loss absorbing capacity of deferred tax assets may be set off against the Solvency Capital Requirement (SCR). SRLEV has examined whether, following a loss of the same scale as the (pre-tax) SCR shock, future fiscal profits will be sufficient to be able to recover, partially or fully, the change in deferred tax asset created by that loss. The Loss Absorbing Capacity of Deferred Taxes in the SCR is set at 0% for SRLEV. The net Deferred Tax Asset on the balance sheet of SRLEV as at 31 December 2017 is valued at 100% under IFRS.

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

The classification of the hybrid capital of VIVAT NV and SRLEV NV (outstanding on 31 December 2017) into Tier 1 and Tier 2 capital is based on the transitional measures contained in the level 1 regulations, and aligned with DNB.

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

Breakdown Own Funds

In € millions	2017	2016
Shareholders' equity	3,217	3,035
Reconciliation IFRS-Solvency II	-467	-254
Capital Subordinated Loan	-263	834
Subordinated liabilities	1,068	-
Total available own funds	**3,555**	**3,615**
Tiering restriction	-317	-191
Total eligible own funds	**3,238**	**3,424**

The following items result in differences between IFRS shareholders' equity and Solvency II own funds.

Reconciliation IFRS-Solvency II

The reconciliation encompasses the following significant differences in measurement under Solvency II and under IFRS:

- Technical provisions - Under Solvency II the technical provisions (including provisions for saving mortgages) are measured using Solvency II parameters, taking into account current market estimates. Under IFRS a liability adequacy test on the technical provison is performed, if the carrying amount of the technical provision is inadequate, the provision is increased. With respect to economic parameters used, there are differences regarding the interest rate curve and the cost of capital.
- Deferred Tax Assets - Due to differences in the valuation of the technical provisions the resulting DTA position is different.

Subordinated Liabilities

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

Tiering Restriction

The use of own funds of different tiers is subject to certain limits under Solvency II. These limits are related to the required capital or Tier 1 capital, and is applied to define the Eligible Own Funds. These limits cause a difference between the Available Own Funds and the Eligible Own Funds.

Breakdown tiering

	Tier 1		Tier 2	Tier 3	Total
In € millions	Unrestricted	Restricted			
Eligible own funds to meet the SCR 2017	1,862	354	713	309	**3,238**
Eligible own funds to meet the SCR 2016	2,246	100	734	344	**3,424**

The main changes in 2017 in respect to reconciliation and tiering restrictions relate to changes in the VA and the impact of the decreased SCR on the tiering restrictions.

Solvency Capital Requirement

In € millions	2017	2016
Life underwriting risk	1,501	1,616
Market risk	742	924
Counterparty default risk	136	263
Diversification	-499	-655
Basic Solvency Capital Requirement	**1,880**	**2,148**
Operational risk	181	170
Loss-absorbing capacity of technical provisions	-	-23
Loss-absorbing capacity of deferred taxes	-	-
Net Solvency Capital Requirement	**2,061**	**2,295**

The main risk profile changes in 2017 relate to changes in life underwriting risk (lapse risk), market risk (currency risk) and counterparty default risk.

Changes in the item "Diversification" is the result of changes in the underlying risk modules. Not all risks will materialise at the same time and at their full magnitude resulting in diversification between different risk types. Interest rate shocks can also have an impact on the Loss-absorbing capacity of technical provisions (LAC TP). Article 83 of the Delegated Regulations requires to report this impact separately from the SCR Interest rate scenario. Therefore the SCR Interest rate scenario does not change the value.

The Loss Absorbing Capacity of Deferred Taxes in the SCR is 0%.

Solvency II Ratio

In € millions/percentage	2017[1]	2016
Total eligible own funds	3,238	3,424
SCR	2,061	2,295
Solvency II ratio	157%	149%

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

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

7.4.7. Risk Profile

VIVAT is focusing on improving capital generation by re-risking, improving its combined ratio and value of new business, and further optimizing its risk profile taking into account its Risk Appetite. Optimizing will also decrease the spread risk which originates from differences between the VIVAT asset portfolio and the reference portfolio of the Volatility Adjustment (VA).

The process of reducing the spread mismatch between assets (mainly German and Dutch government bonds) and liabilities (mainly swap plus Volatility Adjustment) started in 2016. The basis risk was further mitigated during 2017 by replacing long duration German and Dutch government bonds by swaps combined with short duration government bonds.

The main risk profile changes in 2017 relate to changes in currency risk, lapse risk and counterparty default risk. The main drivers for the SCR market risk decrease is an increase of diversification benefits.

VIVAT successfully issued € 650 million senior notes to institutional investors. € 250 million of the proceeds were provided to SRLEV NV as restricted Tier 1 loan in June 2017.

SRLEV manages its interest rate risk by stabilising the Solvency II ratio after an up or down interest rate shock. The interest rate sensitivity shifted from an interest rate down scenario towards an interest rate up scenario. This results in a different prescribed correlation matrix with more diversification benefits.

The capital charge for underwriting risk decreased due to the successful implementation of the mass lapse reinsurance contract. The contract was signed and in force as of December 31, 2016 and included in the SCR calculations as of June 30, 2017.

Counterparty Default Risk decreased mainly due to ending the security lending program, a substantial drop in receivables older than 3 months from intermediaries and policyholders and from contractually securing the savings amount of Savings Mortgages.

Development Solvency Ratio

The development in 2017 of the solvency ratio is explained by the analysis of change as presented in the graph below. The movement consists of the categories Capital Generation, Market Impacts, One-off items and Other.

The methodology for deriving the analysis of change is still under investigation and may be subject to change in 2018 and onward.

Capital Generation is the change of eligible own funds caused by realised organic capital generation due to expected asset return, release of risk margin, unwinding of the UFR and insurance results.

In market impacts the impact of economic variance to the asset return is taken into account (i.e. spread and interest rate movement). Next to these movements, also the change caused by volatility and symmetric adjustments is taken into account.

One-time items show the impact of events like mass lapse reinsurance contract, tier 1 and tier 2 capital changes and the corresponding impact on currency risk, ending of the security lending program and re-balancing the interest rate risk.

Other consists mainly of changes in models, insurance parameters, impact of tiering restrictions, as well as other business developments.

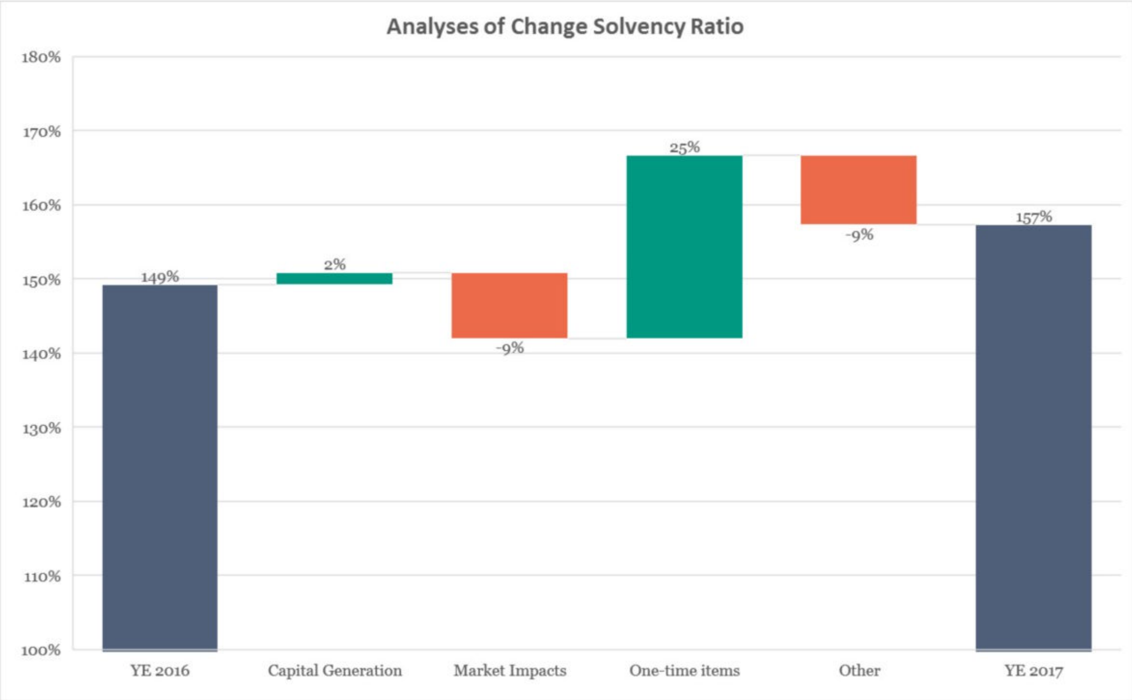


Figure 13: Analysis of Change Solvency Ratio

The Solvency II ratio from SRLEV NV increased from 149% to 157%. The main drivers of this movement are:

Capital Generation (+/+2%)

The increase of the Solvency II ratio of 2% is explained by an increase in eligible own funds due to expected asset returns and release of risk margin. This movement is partly offset by the unwinding of the UFR.

Market Impacts (-/-9%)

The decrease in Solvency II ratio of 9% is mainly due to the change in VA. Under the Solvency II regime the swap curve with a prescribed Ultimate Forward Rate (UFR) is used when discounting insurance liabilities, adjusted for credit risk (CRA) and a Volatility Adjustment (VA). The VA moves along with the credit spreads, but still substantial basis risk remains because the VA is based on a reference portfolio instead of SRLEV's own asset portfolio, and also a 65% scaling factor is applied to determine the VA. SRLEV is overweight in AAA rated European government bonds compared to the VA reference portfolio. The decrease of the Volatility Adjustment from 13 bp to 4 bp led to an increase of the value of the Liabilities that's only partly offset by an increase of the value of the spread sensitive assets, leading to a decrease of the Solvency II ratio.

One-time Items (+/+25%)

One-time Items increased the Solvency II ratio with 25%, mainly driven by:

- The Own Funds of SRLEV NV increased due to the restricted tier 1 loan of € 250 million provided by VIVAT in June 2017, leading to an increase in the Solvency II ratio of 11%.
- The mass lapse re-insurance contract improved our risk profile and is the main driver for the decrease in life underwriting risk, leading to a reduction in the Solvency Capital Requirement for underwriting risk, which in turn leads to an increase of the Solvency II ratio of 6%.
- The decrease of the counterparty default risk due to ending the security lending program and contractually securing the savings amount of Savings Mortgages leads to an increase of the Solvency II ratio of 7%.

Other (-/-9%)

The most important drivers for the decrease in Solvency II ratio of 9% in this category, consist of changes in tiering restrictions and updating the underwriting risk parameters.

- The loss of eligible own funds due to the increase of the tiering restriction, caused by the decrease of the SCR, led to a decrease of the Solvency II ratio of approximate 2%.
- Updated expense- and other underwriting risk parameters for calculating the future expected cashflows for insurance liabilities account for an approximate 8% reduction of the Solvency II ratio.

7.5. Underwriting Risk

7.5.1. Risks - General

The underwriting risk is the risk that the own funds, earnings or solvency will be threatened as a result of the inability to make payments (either now or in the future) from premium and/or investment income owing to incorrect and/or incomplete assumptions (mortality, longevity, disability, claims, policy holders' behaviour, catastrophes, interest and expenses) used in the development of the product and the determination of its premium. A distinction is made between Life (including Pensions) and Disability. The interest rate risk related to insurance products forms part of the market risk.

7.5.2. Risk Management Process

SRLEV assesses new underwriting risks continuously and manages existing underwriting risks, for both new business and for the existing portfolio.

Operational Plan

Derived from the VIVAT strategy, the Operational Plan (OP) describes the planned development of the insurance portfolio together with the related capital requirement for the next three years, based on expected new business and the existing portfolio. The OP sets out in broad terms whether SRLEV wants to enter new markets, which forms of distribution will be used, whether new (forms of) insurance products will be developed, and which products will be adjusted or terminated. It also lays down possible measures relating to acceptance and the mitigation of claims.

Product Development, Pricing and Acceptance

In accordance with the OP, new or adjusted products are developed which follow the Product Approval and Review Process (PARP). Starting from the customer's interests the target group, coverage and terms and conditions are determined. This is the basis for the best estimate risk premium, taking into account options and guarantees, capital requirements and the internal pricing curve. Furthermore, criteria related to profitability and risk control measures (acceptance criteria, clauses, any reinsurance) have to be met.

The Product Committee (PC), in which the Solvency II second line Key Functions are represented, is responsible for approval of new products, including the pricing. A selling product review is performed regularly, existing products follow a risk based product review calendar.

Technical Provisions

The provision is calculated monthly. A liability adequacy test on the (IFRS) premium and claims reserves is performed once a quarter at the Life and Pensions businesses, or more frequently if this is deemed necessary. Any reserves that are inadequate are increased. The most recent insight with respect to parameters are involved here. The Actuarial Function assesses the Solvency II Technical Provision and expresses an opinion on its reliability and adequacy at least once a year.

Parameter Study

For long-term policies (Life, Disability) evaluation of the underwriting parameters (e.g. mortality, lapses, disability, recovery) takes place by a parameter study. The aim of this study is to value the existing insurance portfolio and set the cost price of new Life insurance policies. Thereby relevant information on portfolio developments is taken into account.

Portfolio Analysis

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

7.5.3. Life

Life is similar to SRLEV.

7.5.3.1. Risk Categories

The underwriting risk in the Life business includes the significant sub-risk categories of mortality risk, longevity risk, lapse risk, catastrophe risk and expense risk. It can also include disability and recovery risk to a limited degree. SRLEV is also exposed to interest rate risk in the context of guarantees for both IFRS and Solvency II.

Mortality Risk and Longevity Risk

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

To forecast the survival probabilities of the entire population, SRLEV uses the model published by the Netherlands Actuarial Association (AG2016) which combines mortality rates of several European countries with those of The Netherlands. The probabilities are reviewed at least once a year and updated if necessary to include the most recent observations. Once a year SRLEV also reviews and if required updates the empirical figures for portfolio mortality on the basis of research into observed mortality within the Life portfolio. The use of the existing AG2016 table was confirmed for 2017.

Disability-morbidity Risk

Other underwriting risks that affect the Life insurance portfolio is the risk of being (partly) incapacitated for work for a period or on a permanent basis. The financial impact is mostly dependent on the age, the sum insured and the disability percentage of the policy holder.

Lapse Risk

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

Life Expense Risk

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

SRLEV uses a 'moderate going concern' assumption in its models. This means that it 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. This assumption is reflected in the projection parameters for the technical provision.

Life Catastrophe Risk

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

Interest Rate Guarantee Risk

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

In the case of Group insurance policies with separate accounts, it is the policyholder that, in principle, bears the market risk. The policyholder is the institution that concluded the contract to insure the pension commitments for its employees with SRLEV. SRLEV guarantees the payment of the insured pension rights. The value of the investments has to be at least sufficient to cover the provision for accrued pension rights that are guaranteed. Additional measures may also have been agreed contractually to compensate for investment losses up to a certain amount (e.g. the creation of an additional provision/buffer in the investment account). SRLEV is entitled to reduce the market risk if the additional provisions/buffers are insufficient. If the value of the investments (including any contractually agreed additional measures) turns out to be insufficient, the remaining deficit is for the risk of SRLEV.

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

Products in the Life insurance portfolio (Solvency II)

Product	Product features		Risks per product					
	Guarantee	Profit-Sharing	Mortality	Longevity	Cata-strophe	Lapse	Expense	Disability
Savings-based mortgage	Mortgage interest		√		√	√	√	
Life annuity	Regular payment			√			√	
Term insurance	Insured capital	[1]	√		√	√	√	
Traditional savings	Insured capital	√	√	√	√	√	√	
Funeral insurance	Insured capital	√	√		√	√	√	
Individual insurance policies in investment units	[2]		√	√	√	√	√	
Group insurance policies in cash	Regular payment / Insured capital	√	√	√	√	√	√	√
Group insurance policies in investment units	[3]			√	√	√	√	√
Group insurance policies with separate accounts	Regular payment / Insured capital[4]			√		√	√	√

[1] Partly company profit-sharing
[2] In some insurance guaranteed minumum yield applies at maturity
[3] In some insurance guaranteed minimum yield applies at maturity
[4] End of contract date contract contributory is not mandatory

7.5.3.2. Life Insurance Portfolio

The Life insurance portfolio contains individual (Individual Life) and Group insurance (Life Corporate) policies.

Individual policies are sold as policies with a fixed sum insured and policies with a benefit in units (unit-linked and universal life insurance). The traditional products were sold without or with profit sharing. The unit linked policies are without or with guarantees.

The Individual Life insurance portfolio mainly consists of unit-linked insurance policies, savings mortgage policies, endowments and other savings policies, term life policies, funeral policies and Life annuity insurance policies providing regular payments for a fixed period or for the remainder of the holder's life.

The Life Corporate portfolio consists of both traditional contracts where the investment risk is borne by the insurer, investment insurance (unit linked and universal life) and separate accounts, where the investment risk is borne by the customer. The separate accounts have an interest guarantee whereby at the current low interest rates this option has value for the customer.

The total portfolio is spread over policies with mortality risk and policies with longevity risk.

SRLEV sells individual Life insurance policies and annuities in the retail and SME markets in the Netherlands. With respect to new business, the focus is primarily on term Life insurance. These are sold via the labels Reaal and Zwitserleven by intermediaries and through direct channels. Furthermore, mortgage-related capital insurance is sold. The individual life insurance is aimed at private households.

SRLEV's corporate Life insurance portfolio focuses on the entire corporate market in the Netherlands.

The next table provides an overview of the product portfolio.

Scope of various insurance categories

	Gross premium income		Sum insured		Technical provision for insurance contracts[1]	
In € millions	**2017**	2016	**2017**	2016	**2017**	2016
Traditional insurance policies	639	607	70,386	72,976	11,425	11,996
Individual insurance policies in investment units	240	273	84,522	89,412	4,937	5,223
Total Individual Life	**879**	**880**	**154,908**	**162,388**	**16,362**	**17,219**
Traditional insurance policies	321	183	2,582	2,539	3,356	3,294
Group insurance policies	591	298	15,987	19,244	11,603	10,120
Group insurance policies in investment units	454	473	38,968	37,969	8,640	9,419
Total Life Corporate	**1,366**	**954**	**57,537**	**59,752**	**23,599**	**22,833**
Total	**2,245**	**1,834**	**212,445**	**222,140**	**39,961**	**40,052**

1 The technical provision for insurance contracts is exclusive Results on allocated investments and interest derivatives, Profit-sharing and LAT deficit.

Breakdown of various insurance policies

	Gross premium income		Sum insured		Technical provision for insurance contracts[1]	
In € millions	**2017**	2016	**2017**	2016	**2017**	2016
Term insurance	184	189	65,758	69,052	563	539
Pure endowment	80	53	2,567	2,817	1,495	1,733
Endowment	437	443	19,058	21,283	9,429	10,004
Funeral insurance	21	23	1,563	1,601	793	783
Deferred annuities and survivor annuities	502	205	9	6	6,891	5,386
Annuity payments	304	153	–	–	7,073	6,816
Supplementary coverage	23	22	–	–	140	149
Traditional insurance policies	**1,551**	**1,088**	**88,955**	**94,759**	**26,384**	**25,410**
Individual insurance policies in investment units	240	273	84,521	89,413	4,937	5,223
Group pure endowments	355	340	5,677	5,159	5,724	5,172
Group endowments	5	15	1,944	2,927	553	680
Group deferred annuities and survivor annuities	41	65	–	–	1,579	2,586
Group annuity payments	5	5	–	–	703	888
Other group insurance policies	48	48	31,348	29,882	81	93
Insurance policies in investment units	**694**	**746**	**123,490**	**127,381**	**13,577**	**14,642**
Total	**2,245**	**1,834**	**212,445**	**222,140**	**39,961**	**40,052**

[1] The technical provision for insurance contracts is exclusive Results on allocated investments and interest derivatives, Profit-sharing and LAT deficit.

Co-insurance Life

SRLEV has concluded a number of co-insurance contracts with one or more other insurers. In general, risk assessments are based on the information provided by the administrating company. In the case of co-insurance, each co-insurer is liable for its own part of the insurance. Every year, the leader of the contract draws up a report that SRLEV uses to monitor the development of the portfolio and determine the provisions.

7.5.3.3. Life Reinsurance

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

In 2017, the retention of life and disability for individual risks corresponded to € 1.5 million sum at risk per insured, for group risks the retention corresponded to € 1.0 million sum at risk per insured. The retention of the catastrophe cover amounts from € 15 million up to € 90 million. For 2018, the appropriateness of the current structure of the reinsurance program will be assessed with the aim to align this conservative structure with the risk management principles as described in the Reinsurance Policy.

To protect SRLEV for the risk of a mass lapse event, SRLEV has placed a non-proportional mass lapse stop loss reinsurance contract (indemnity based) with an effective date of December 31, 2016. The impact has been reflected in the 2017 SCR calculations.

7.5.3.4. Sensitivities and SCR

The value of the Life insurance portfolio is sensitive to changes in the underwriting parameters used for calculating the market value of liabilities. In order to obtain information on these sensitivities, the effects of changes in mortality rates, surrender rates (including conversions to non-contributory policies) and expense assumptions, including inflation, are calculated separately. The most material items have been disclosed.

The key sensitivities of IFRS equity to changes in the underwriting parameters are the sensitivities to longevity risk and expenses. Due to the long term nature of the Life insurance portfolio these sensitivities are very sensitive for interest rate movements.

The important sensitivities of Solvency II ratio to changes in the underwriting parameters are the sensitivities to longevity risk and expenses.

The Solvency II ratio sensitivities for underwriting parameters are based on the estimated impact on own funds without recalculating the SCR after shock.

Sensitivity as a result of changes in underwriting parameters

	IFRS net result		IFRS shareholders' equity		Solvency II ratio	
In € millions	**2017**	2016	**2017**	2016	**2017**	2016
10% increase in surrender rates (including non-contributory continuation)	4	-12	4	-12	1%	0%
10% lower mortality rates for all policies (longevity risk)	-254	-260	-254	-260	-17%	-15%
10% increase in expenses assumptions + 1% increase in inflation	-417	-456	-417	-456	-27%	-26%

Mortality risk

The capital requirement for life mortality risk is equal to the loss in basic own funds resulting from an instantaneous permanent increase of 15% in the mortality rates used for the calculation of the technical provisions. The increase in mortality rates will apply only to insurance policies for which the increase in mortality rates leads to an increase in technical provisions, without risk margin, being the best estimate provision.

Longevity Risk

The capital requirement for life longevity risk is equal to the loss in basic own funds resulting from an instantaneous permanent decrease of 20% in the mortality rates used for the calculation of the technical provisions. The conditions for the calculation are exactly the same as those specified in relation to life mortality risk, although in this case it concerns an increase in the best estimate provision in the event of a falling mortality rate. The groups whom this concerns will generally be those that are not affected by the life mortality risk.

Disability-morbidity risk

The capital requirement for morbidity risk (or incapacity for work risk) is equal to the loss in basic own funds that would result from the following combination of instantaneous permanent changes:

- an increase of 35% in the disability rates which are used in the calculation of technical provisions in the following 12 months;
- an increase of 25% in the disability rates which are used in the calculation of technical provisions in all months thereafter;
- a decrease of 20% in the rehabilitation rates for the calculation of the technical provision for all years.

The shock on disability applies to both the first year as well as risk after the first year and has limited impact on the Life portfolio.

Lapse risk

The capital requirement for life lapse risk is equal to the largest of the following capital requirements:

- The capital requirement for the risk of a permanent increase in lapse rates.
  This is equal to the loss in basic own funds of insurance and reinsurance undertakings that would result from an instantaneous permanent increase of 50%.
- The capital requirement for the risk of a permanent decrease in lapse rates.
  This is equal to the loss in basic own funds of insurers and re-insurers that would result from an instantaneous permanent decrease of 50%.
- The capital requirement for mass lapse risk.
  This is equal to the loss in basic own funds that would result from a discontinuance of 40% of the policies.
- The mass lapse shock is the dominant shock for SRLEV and its subsidiaries

Life expense risk

The capital requirement for life-expense risk is equal to the loss in basic own funds that would result from the following combination of instantaneous changes:

- an increase of 10% in the amount of expenses taken into account in the calculation of the technical provisions;
- an increase of 1 percentage point in the cost-push inflation rate (expressed as a percentage) used for the calculation of the technical provision.

The above shock is applied to all SRLEV's continuing operating expenses. Only the 10% increase is applied on the management fee of the investment portfolio, because these expenses are not sensitive to inflation.

Revision risk

This risk is not present in the portfolio, the effect of the shock is set to 0.

Life catastrophe risk

The capital requirement for life catastrophe risk is equal to the loss in basic own funds resulting from an instantaneous permanent increase of 0.15 percentage points to the mortality rates in the following 12 months.

The increase in mortality rates will apply only to insurance policies for which the increase in mortality rates leads to an increase in technical provisions, without risk margin, being the best estimate provision.

Diversification

Not all risks will materialise at the same time and at their full magnitude resulting in diversification between different risk types.

The table below shows the SCR of the underwriting risk Life. In these calculations only the policies which are negatively affected by these sensitivities are taken into account.

SCR Life underwriting risk

In € millions	2017	2016
Mortality risk	256	243
Longevity risk	1,071	1,023
Disability-morbidity risk	22	13
Lapse risk	222	399
Life expense risk	581	640
Life catastrophe risk	193	214
Diversification	-844	-916
SCR Life underwriting risk	**1,501**	**1,616**

The Solvency Capital Requirement for life underwriting risk decreased mainly due to a decrease of the lapse risk due to the implementation of the mass lapse reinsurance contract. Other relevant drivers are an increase of interest rates, updated parameters and portfolio development. Portfolio developments are taken into account for the calculation, but also in the future parameters for calculating the risks by insurance parameter studies. The updated parameters lead to an increase of longevity risk (and decrease of mortality risk and life catastrophe risk) and a decrease of expense risk. Disability/ Morbidity risk has increased.

7.6. Market Risk

7.6.1. Risks - General

Market risks can potentially have a substantial financial impact on the value of the assets and liabilities of the insurance business. Unfavourable changes in market conditions have an impact on SRLEV's earnings and/or own funds. To manage the mismatch between the assets and liabilities an ALM (Asset and Liability Management)-framework is in place. This framework is designed to bring about an investment strategy that optimizes the relationship between risks and returns. The framework also ensures that SRLEV's operations remain within the boundaries of its risk appetite.

The market risk is the risk arising from the level or volatility of market prices of financial instruments which have an impact of the value of the assets and liabilities of SRLEV. The ALM-framework aims to properly reflect the structural mismatch between assets and liabilities, with respect to the duration thereof.

The following eight sub-market risks have been defined: interest rate risk, equity risk, property risk, spread risk, basis risk, market risk concentrations, currency risk and volatility risk. SRLEV can achieve its financial objectives by managing these risks adequately. It does this by reducing losses due to movements in the level and/or volatility of market prices of financial assets.

SRLEV monitors and mitigates market risk in close cooperation with ACTIAM, the asset manager of VIVAT. For mitigation, instruments such as interest rate swaps, futures, FX forwards, interest rate swaptions and fixed income investments are used.

7.6.2. Risk Management Process ALM

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

The starting point for the ALM policy is the ALM study, which is drawn up annually. The ALM study seeks to find an optimum between risk and return within the preconditions that apply with regards to solvency, and laws and regulations. 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 ratio, the tax position and the long-term risk exposure. In order to spread the risk, the risk is spread across a range of risk drivers, asset classes and sectors. When finalising the SAA, specific attention is paid to the availability of sufficient expertise in the segments in which investments are held. All investments are monitored by means of reports on performance and capital.

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

Sensitivity analyses and stress tests

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

For interest rate risk several parallel and non-parallel shocks are defined. For market risk a number of combined scenarios is determined with (different) simultaneous shocks to the various sub-market risks.

These market risk scenarios are monitored and reported on a regular basis, and if deemed necessary adjustments are made to existing risk exposures based on overlay hedging tools. This evaluation is supported by metrics for yield curve risk and non-linear interest rate risk. In this manner, SRLEV manages market risk from a holistic balance sheet perspective.

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

7.6.3. SCR Market Risk

Exposure to market risk is measured under the Solvency II regime using adverse movements in financial variables. The main driver of market risk is the Solvency Capital Requirement for spread risk and to lesser extent the Solvency Capital Requirements for Equity and interest rate risk.

The relevant types of market risk in Solvency II are displayed in the table below:

SCR Market risk

In € millions	2017	2016
Interest rate risk	239	247
Equity risk	204	248
Property risk	82	67
Spread risk	471	515
Currency risk	31	10
Diversification	-285	-163
SCR market risk	**742**	**924**

The main drivers for the SCR market risk decrease are a decrease of the equity and spread risk. The SCR for equity risk decreased mainly due to a tactical adjustment in the asset portfolio. The SCR for spread risk decreased mainly due to altering the capital structure.

7.6.3.1. Interest Rate Risk

Interest rate risk is a key component of SRLEV's market risk profile. Interest rate risk arises when the interest rate sensitivities of the assets and liabilities are not equal and it is expressed as movements in the capital position if market rates change. Moreover, the expected fixed cash flows from technical provisions are matched with fixed-income investments as much as possible. The profit-sharing and return guarantees to policyholders are an additional source of interest rate risk. Due to the long term nature of the Life and Pension insurance portfolio it is very sensitive to interest rate movements. This sensitivity is partly mitigated by the use of interest rate derivatives to hedge the guarantees and profit-sharing in the Life insurance portfolio.

SRLEV uses a scenario based approach to control the sensitivity of solvency to market conditions, such as interest rates and spreads. The key solvency metric to express the risk is based on the regulatory solvency reported to the Dutch Central Bank (DNB). This method is chosen because SRLEV has decided to use regulatory solvency as the principle factor in managing market risks.

From this perspective also the UFR of 4.2% prescribed by EIOPA introduces a risk. Over the course of time, the positive valuation effect of the UFR reduces, which puts downward pressure on the trend in solvency in the future. EIOPA decided to yearly decrease the UFR starting in 2018 with 0.15% per year. This will have a negative impact on solvency.

The tables below show the sensitivity of the IFRS result, IFRS equity and Solvency II ratio to changes in interest rates as a result of a decrease or an increase by 0.5% of the interest rates (maintaining the UFR at 4.2%), decreases in the UFR of 0.15% and 0.5% and the impact of the VA on the Solvency II ratio.

Under IFRS the impact of different UFR is slightly different than under Solvency II due to tiering and the VA (not applicable under IFRS).

Sensitivity

In € millions	IFRS net result		IFRS shareholders' equity		Solvency II ratio	
	2017	2016	**2017**	2016	**2017**	2016
Interest +50 bps	-51	-104	-51	-104	5%	1%
Interest -50 bps	68	137	68	137	-10%	-2%
UFR -15 bps	-56	-71	-56	-71	-4%	-4%
UFR -50 bps	-190	-238	-190	-238	-18%	-14%
Excluding VA	-	-	-	-	-12%	-24%

Nominal Insurance Liabilities 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 2017

In € millions	< 1 year	1 - 5 years	5 - 10 years	10 - 15 years	15 - 20 years	> 20 years	Total
Insurance liabilities - Life	1,247	4,385	5,401	4,913	4,358	13,675	33,979
Total	**1,247**	**4,385**	**5,401**	**4,913**	**4,358**	**13,675**	**33,979**

Cash flows from insurance business 2016

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

The table excludes the portfolio on account of policyholders. The portfolio on account of policyholders is not relevant in this context, since the value accumulated in the investment funds is paid to policyholders on the policy's maturity date. The accrued balances of savings policies and savings-based mortgages are neither taken into account as these are offset. The cash flows from the underwriting provisions concern cash flows with a nominal guarantee. This does not include cash flows driven by options and guarantees and the risk margin. The cash flows arising from the underwriting provisions are estimated on a best estimate basis. Assumptions are made of mortality, disability, surrender and costs. A change in assumptions can alter the view of the cash flows in the table. The cash flow projections do not include future profit-sharing. Also the Ultimate Forward Rate of 4.2% (UFR) prescribed by EIOPA also introduces a risk. It limits the interest rate sensitivity of value of the cash flows of the liabilities included in the table above. Over the course of time, this downward pressure of the UFR on the interest rate sensitivity of the in-force liabilities will disappear.

SRLEV's interest rate hedging policy aims to ensure that obligations towards policyholders are fulfilled in both the short term and the long term. In addition, it aims to enable its providers of capital to receive a reasonable return (in terms of market value) that is in line with SRLEV's risk exposure and to stabilise the solvency capital. SRLEV manages its interest rate risk by stabilising the Solvency II ratio after an up or down interest rate shock, taking the UFR of 4.2% into account. This generally results in a negative own funds impact for interest rate up movements and a positive own funds impact for interest down movements.

The capital requirement for interest rate risk is determined on the basis of two scenarios in which the risk free yield curve is exposed to shocks affecting both assets and liabilities. The first scenario is ‘interest rate up' and the second 'interest rate down'. The capital requirement for interest rate risk is defined by the scenario which has the most negative impact on basic own funds. The interest rate scenario used for the up and down Solvency II shocks are prescribed; being in effect a parallel up shock of 100 bps and a non-parallel down shock increasing from 0 to minus 71 bps, both without re-applying the UFR. For SRLEV the up shock is leading.

The tables below present the gross SCR interest rate risk for SRLEV. The sign of the SCR interest rate shock (up or down) has to be determined based on the net SCR interest rate risk in accordance with SII legislation. However, the gross SCR interest rate risk determines the size of SCR interest rate risk. Per year end 2017, the up shock was leading.

SCR Interest rate risk

In € millions	2017	2016
SCR interest up shock	-239	-183
SCR interest down shock	-232	-247
SCR interest rate risk	**239**	**247**

The interest rate risk for SRLEV mainly changed due to market and portfolio developments.

7.6.3.2. Equity Risk

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

The tables below show the results of this analysis at the reporting date net of taxes. Upward effects on equity are processed in the revaluation reserve and do not impact earnings. A downward effect on equity does impact the net result in case of an impairment (for the accounting policies on impairments see Section 6.1.5 in the Annual Report for Accounting policies regarding the statement of financial position).

Sensitivity

In € millions	IFRS net result		IFRS shareholders' equity		Solvency II ratio	
	2017	2016	**2017**	2016	**2017**	2016
Equities +10%	21	23	33	52	1%	2%
Equities -10%	-32	-31	-33	-52	-1%	-2%

The SCR for equity risk is equal to the loss in market value of the basic own funds in the event of a sudden shock to equities including a so-called symmetric adjustment. This adjustment corrects the equity shock for the difference between the current level of global equity prices and a long-term average and can vary between a minus 10% adjustment and a plus 10% adjustment.

SCR for equity risk consists of type 1 and type 2 equities. Type 1 equities are equities listed in regulated markets which are members of the EEA or OECD. Type 2 equities are equities listed in countries other than members of the EEA and/or OECD, non-listed equities, private equities, hedge funds, commodities and other alternative investments.

The SCR for equity risk is defined as the aggregation of the capital requirement for type 1 equities and the capital requirement for type 2 equities, allowing a correlation of 0.75 between types 1 and 2.

A transitional arrangement can be applied to type 1 equities in order to reduce the standard capital charge. SRLEV does not apply this transitional arrangement.

The table below shows the SCR for equity risk.

SCR Equity risk

In € millions	2017	2016
Type 1 equities	161	136
Type 2 equities	53	129
Diversification	-10	-17
Equity risk	**204**	**248**

The equity risk of SRLEV decreased mainly due to a tactical adjustment in the asset portfolio.

The SCR for type 1 originates for a great part from contracts where the investment risk is born by the policyholder (unit linked and collective investment undertakings).

7.6.3.3. Property Risk

Property risk is defined as the sensitivity of the value of assets and liabilities to changes in the level or volatility of the market prices of real estate.

The IFRS-based equities classification also includes participations in funds that invest in other types of securities. The ALM policy and the market sensitivities are adjusted to reflect the underlying risk under Solvency II and IFRS based on an economic approach (“look through”). SRLEV periodically examines the potential impact of changes in the property markets on the net result and on shareholders' equity based on scenario analysis in line with the situation applying in the case of interest rate risk. The table below shows the indicative results of this analysis at the reporting date net of taxes.

Sensitivity

In € millions	IFRS net result		IFRS shareholders' equity		Solvency II ratio	
	2017	2016	**2017**	2016	**2017**	2016
Property +10%	33	28	35	31	2%	2%
Property -10%	-33	-29	-35	-31	-2%	-2%

The SCR for property risk is equal to the loss in the basic own funds that would result from an instantaneous decrease of 25% in the value of property. Property consists of direct property (e.g. buildings and investments in owner-occupied properties) and indirect interests in property (through investment funds). SRLEV applies the look-through approach in determining the SCR for property risk also taking the effect of any leverage on the Net Asset Value of property funds into account.

The table below shows the SCR for property risk:

SCR Property risk

In € millions	2017	2016
Property risk SRLEV	82	67

Property risk of SRLEV increased due to the acquisition of property which increased our rental income.

7.6.3.4. 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, which includes securitizations, loans, corporate and government bonds that are sensitive to changes in credit risk surcharges. Increasing credit risk surcharges have a negative effect on the market value of underlying bonds.

Credit risk surcharges are also a source of basis risk in the valuation of insurance liabilities. The basis risk relates to the risk of a mismatch between the interest rate used in the valuation of the liabilities and the interest rate used for the asset portfolio. This basis risk mainly emanates from the risk that movements in the interest rate on the EU government bonds held in portfolio will not be in line with movements in the swap rate.

The swap curve (including UFR) is currently used when discounting insurance liabilities under IFRS. A change in the swap curve has a direct impact on the value of the insurance liabilities. This leads to volatility in the available capital, as the interest rate used for the valuation of the investment portfolio differs from the relevant swap curve for the insurance liabilities.

Under the Solvency II regime the swap curve with a prescribed Ultimate Forward Rate (UFR) is used when discounting insurance liabilities, adjusted for credit risk (CRA) and a Volatility Adjustment (VA). The VA moves along with the credit spreads, but still substantial basis risk exists because the VA is based on a reference portfolio instead of SRLEV's own asset portfolio, and also a 65% scaling factor is applied to determine the VA. For managing market risks a number of combined scenarios is determined with (different) simultaneous shocks to risk categories. In this scenario based approach among others credit spreads, volatility (interest rate volatility and equity volatility) and best estimates for the VA are taken into account.

While interest rate risk regarding the Solvency II ratio sheet is well matched, there remains significant volatility as the credit risk profile of SRLEV differs from the profile implied by the Volatility Adjustment (VA). The basis risk was further mitigated during 2017 by replacing long German and Dutch government bonds by swaps combined with short government bonds. The basis risk is still material, in case of higher rates (spreads) for bonds, IFRS equity is affected.

An increase of credit spreads will directly have a negative short-term effect on IFRS equity and net result, in the long run, spreads are expected to be realised, mitigating this short term negative effect. Under Solvency II an increase of credit spreads also leads to an increase of the Volatility Adjustment impacting the value of the liabilities. SRLEV assumes that an increase of all credit spreads of 50 bps leads to an increase of the VA of 23 bps, an increase of 50 bps on corporates to an increase of the VA of 14 bps and an increase of 50 bps on government bonds to an increase of the VA of 9 bps. The change of the VA has no impact on the value of the liabilities under IFRS.

Sensitivity

In € millions	IFRS net result		IFRS shareholders' equity		Solvency II ratio	
	2017	2016	**2017**	2016	**2017**	2016
Credit spreads Government Bonds +50 bps	-473	-711	-473	-711	-15%	-29%
Credit spreads Corporates/Mortgages +50 bps	-109	-104	-109	-104	18%	12%
All Credit spreads +50 bps	-582	-815	-582	-815	3%	-17%

The replacement of the long term government bonds by swaps combined with short term government bonds led to a lower IFRS sensitivity for credit spreads (especially for government bonds). This also led to a lower sensitivity of the Solvency II ratio for credit spreads (especially for government bonds).

Solvency Capital Requirement for spread risk

The SCR for spread risk is determined by calculating the impact on the eligible own funds due to the volatility of credit spreads over the term structure of the risk-free rate. The required capital for spread risk is equal to the sum of the capital requirements for bonds, loans and structured products. The capital requirement takes into account the market value, the modified duration and the credit quality category.

SCR Spread risk

In € millions	2017	2016
Bonds and loans	424	454
Securitisation positions	47	61
Spread risk	**471**	**515**

The SCR for spread risk of SRLEV decreased mainly due to altering the capital structure.

7.6.3.5. Concentration Risk

Concentration risk is defined as all risk exposures associated with a potential loss that is significant to endanger the solvency or financial position of insurance and reinsurance undertakings.

A concentration risk charge is prescribed under Solvency II when the issuer exposure exceeds a certain percentage threshold of the asset base depending on the credit rating of the issuer and the type of investment. The SCR for concentration risk is calculated on the basis of single name exposure. This means that under-takings which belong to the same corporate Group are treated as a single name exposure.

SRLEV still holds substantial investments in German and Dutch government bonds and supranational issuers which are excluded from (the Solvency II scope of) concentration risk. As of 31 December 2017, the applicable Solvency II thresholds have not been exceeded and as a result no concentration risk charge was applicable to SRLEV.

7.6.3.6. Currency Risk

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

With respect to fixed-income investments, SRLEV's policy is to permit only a very limited currency risk. Given this, the currency risk on fixed-income investments denominated in foreign currency is, in principle, hedged with currency swaps.

Currency risk also arises in relation to the equity investments of SRLEV. This currency risk, after netting the currency risk in other non-fixed-income investments and liabilities, is structurally hedged using forward currency contracts or currency swaps if the net exposure without applying look through principle exceeds € 10 million.

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

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

Currency exposure excluding loans (net exposure)

	Balance		Hedge derivatives	
In € millions	2017	2016	2017	2016
US dollar	149	131	-142	-134
Pound Sterling	61	64	-46	-64
Japanese yen	482	-	-482	-
Australian dollar	1	2	-	-
Total	**693**	**197**	**-670**	**-198**

The table below provides an indication of SRLEV's foreign exposure on subordinated loans (nominal value).

Currency exposure loans (net exposure)

	Nominal balance		Hedge derivatives	
In € millions	2017	2016	2017	2016
US Dollar	-	-180	-	180
Swiss Franc	9	-98	-	98
Total	**9**	**-278**	**-**	**278**

The SCR for currency risk is equal to the loss in the basic own funds that would result from an instantaneous change in the value of the foreign currency against the local currency. For each foreign currency this involves taking the maximum of the impact on the basic own funds of a 25% increase or 25% decrease in the value of the currency. The total SCR for currency risk is then obtained by the sum of the ‘individual’ currencies.

SCR Currency risk

In € millions	2017	2016
Currency risk SRLEV	31	10

The increase is mainly due to a different treatment of subordinated loans in foreign currency.

7.6.3.7. Volatility Risk

The volatility risk is the risk of losses due to changes in volatility (parameters) and is measured and presented separately. It is addressed in the market sub risks as described before. SRLEV is sensitive to volatility on both sides of the balance sheet. Embedded options on the liability side and swaptions as hedges on the asset side. Because of the hedges, the residual volatility risk is not material.

7.6.3.8. Diversification

Not all risks will materialise at the same time and at their full magnitude, resulting in diversification between different risk types. Solvency II prescribes a correlation matrix for the diversification effect in the SCR Market Risk module in order to aggregate the results of the types of market risks. This leads to a lower amount of total Market Risk compared to the sum of the individual market risk types. Solvency II furthermore prescribes that a downward SCR interest rate shock will be more correlated with an equity, spread and property shock compared to an upward interest rate shock. At 31 December 2017, SRLEV had a net balance sheet exposure to an upward interest rate shock.

7.7. Counterparty Default Risk

7.7.1. Risks - General

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

The SCR Counterparty Default Risk covers risk-mitigating contracts, such as reinsurance arrangements, insurance securitisations, repos, (unsecured) savings parts, derivatives, retail mortgages and receivables from intermediaries, as well as any other credit exposures not covered by the definition of SCR Spread Risk.

For each counterparty, the overall credit default risk exposure of the insurance or reinsurance undertaking concerned to that counterparty is measured, irrespective of the legal form of its contractual obligations to that undertaking. Its calculation also takes into account collateral or other security held by or for the account of the insurance or reinsurance undertaking and the risks associated therewith.

Besides the calculation of SCR Counterparty Default Risk, VIVAT, including SRLEV, has developed a complementary Counterparty Risk Policy for internal use. This risk is measured as Loss At Default (LAD) and Stress Loss (SL) and combines instruments/exposures that are in scope for both SCR Concentration Risk and SCR Counterparty Default Risk. Appropriate internal LAD and SL limits have been incorporated in the ALM policy and must be adhered to.

SRLEV uses this methodology to aggregate and monitor all types of exposures to various types of individual counterparties, such as (sub)sovereigns, financials and corporates. The periodic Counterparty Risk reports are discussed by the Investment Committee, and appropriate measures are taken when limits are exceeded.

7.7.2. Risk Management Process

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

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

Derivatives exposure

The counterparty default risk related to the market value of the derivatives held by SRLEV with a counterparty is managed by means of a Credit Support Annex (CSA) agreement in accordance with standard industry practice. These agreements provide that the underlying value of the derivatives must be posted as collateral in liquid instruments, such as cash and government bonds, to cover the counterparty default risk.

Reinsurance

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

Mortgage portfolio

SRLEV is exposed to counterparty default risk on its mortgage portfolio. Part of this portfolio is guaranteed by the National Mortgage Guarantee Fund (NHG). The average Loan to Value ratio has improved due to amortisation of the outstanding mortgage balance and an increase in Dutch housing prices in 2014-2017. The market value of the portfolio has decreased due to scheduled amortisation and prepayments. In the course of 2017, SRLEV started the origination of new mortgages.

Overview Mortgages

In € millions[1]	2017	2016
Mortgages < 75% of foreclosure value	547	569
Mortgages 75% < > 100% of foreclosure value	421	492
Mortgages > 100% of foreclosure value	354	430
Mortgages with National Mortgage Guarantee	1,020	1,157
Residential property in the Netherlands	**2,342**	**2,648**
Specific provision for bad debts	-4	-13
Total (carrying amount)	**2,338**	**2,635**
Fair value adjustment	166	229
Total	**2,504**	**2,864**

[1] Mortgages are recognised in the statement of financial position under Investments.

7.7.3. SCR Counterparty Default Risk

The counterparty default risk module reflects the possible loss as a consequence of bankruptcies or a reduction in the credit standing of counterparties over a 12-month period. The SCR for the counterparty default risk is determined by aggregating the capital requirements related to type 1 and type 2 exposures.

Counterparty default risk

In € millions	2017	2016
Type 1 exposures	33	87
Type 2 exposures	109	192
Diversification	-6	-16
SCR counterparty default risk	**136**	**263**

In 2017 Counterparty Default Risk decreased mainly due to ending the security lending program, a substantial drop in receivables older than 3 months from intermediaries and policyholders and from contractually securing the saving amount of Savings Mortgages.

Type 1 exposures are exposures that are expected to involve low diversification effects and for which the counterparty is likely to have an external rating. Solvency II treats the following as type 1 exposures:

- risk-mitigation contracts, including reinsurance arrangements, special purpose vehicles (SPVs), insurance securitisations and derivatives;
- cash at bank;
- deposits with ceding undertakings;
- commitments received by an insurance or reinsurance undertaking which have been called up but are unpaid;
- legally binding commitments which the insurer has provided or arranged and which may create payment obligations depending on the credit standing of a counterparty.

The capital requirement for counterparty default risk on type 1 exposures is a percentage of the total losses given-default on all type 1 exposures, the percentage is dependent on the variance between the type 1 exposures, the higher the variance the lower the percentage.

The loss-given default (LGD) on a single-name exposure is equal to the sum of the LGDs on each of the underlying exposures to counterparties belonging to the relevant single-name exposure.

Type 2 exposures consist of all exposures to which the capital requirement for spread risk is not applicable and which are not of type 1. In general, these are diversified exposures which do not have an external rating. Solvency II explicitly mentions the following exposures in the context of type 2:

- receivables from intermediaries;
- policyholder debtors;
- mortgage loans which meet a set of requirements

The capital requirement for credit risk on type 2 exposures is equal to the loss in the basic own fund as defined by EIOPA.

Diversification

Not all risks will materialise at the same time and at their full magnitude resulting in diversification between different risk types.

7.8. Liquidity Risk

7.8.1. Risks - General

Liquidity risk is defined as the risk that SRLEV would have insufficient liquid assets to meet its financial liabilities in the short term, in a going concern situation or in times of a stress situation, or if obtaining the necessary liquidity would mean incurring unacceptable costs or losses.

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

7.8.2. Risk Management Process

The policy of SRLEV is to have more liquidity available than it is required to hold based on internal risk management minimum levels. The objective of the internal risk management minimum levels is to ensure that SRLEV is able to fulfill its obligations towards policyholders and all legal obligations.

The liquidity risk policy uses three sources of liquidity:

1. the cash position
2. the liquidity buffer
3. the liquidity contingency policy.

Cash position

The first source of liquidity concerns the cash position. This position is built up from the cash management process from investments (managed by ACTIAM) and cash management process from underwriting and operating activities. In the investments cash management process all cash flows from investments are managed by our Asset Manager (ACTIAM).

SRLEV has taken into account that all obligations to policyholders must be respected and that these obligations will be paid throughout the underwriting and other operating cash management process. If at any time these obligations exceed the premium income additional cash will be transferred from the investment cash management process. Otherwise, when premiums exceed the payments in the operational cash management process, cash will be transferred to the investments cash management process, for the purpose of the investing excess cash (temporarily).

Liquidity buffer

The second source is the liquidity buffer. Together with the cash position, the liquidity buffer forms the overall liquidity position of the entity. The liquidity buffer is a good indicator for the overall liquidity position of SRLEV and takes into account all available assets and the impact of prescribed shocks in a stress situation. Monitoring of this buffer accounts for an important part of the daily activities of SRLEV.

Liquidity contingency policy

The last source of liquidity relates to a situation in which the normal liquidity and buffers turn out to be insufficient. In case of such a contingency, SRLEV has implemented a Crisis Management Team (CMT) structure and a predefined set of potential management actions. The CMT must take timely action in rapidly deteriorating liquidity circumstances in order to avoid a bankruptcy that could occur in the worst case and/or to settle all of the obligations under the insurance portfolio in an orderly manner.

7.8.3. Exposure

The required liquidity is determined based on absorbing shocks in a stress situation. The shocks are applied on prescribed risk categories. These risk categories are mass lapse (Life insurance) and interest rate movements. In total, the liquidity buffer is sufficient to cover a severe liquidity stress scenario.

7.8.4. Maturity schedule for financial liabilities

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

Liquidity calendar financial liabilities 2017

In € millions	< 1 month	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Total
Subordinated debts	-	-	-	-52	-723	**-775**
Liabilities investments for account of third parties	-455	-	-	-	-	**-455**
Loans due to customers	-	-	-	-12	-108	**-120**
Amounts due to banks	-617	-307	-	-	-703	**-1,627**
Total	**-1,072**	**-307**	**-**	**-64**	**-1,534**	**-2,977**

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 2017, this amounted to € 455 million. The share of non-controlling interests in investment funds in 2016 has also been included in the table below (€ 1,320 million).

Liquidity calendar financial liabilities 2016

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

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

Liquidity calendar derivatives 2017

In € millions	< 1 month	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Total
Interest rate derivatives	–	–	–	-22	-573	**-595**
Currency contracts	–	–	–	-11	–	**-11**
Total	**-**	**-**	**-**	**-33**	**-573**	**-606**

Liquidity calendar derivatives 2016

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

7.9. Non-financial Risk

7.9.1. Risks - General

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

Compliance risk

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

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

Laws and regulations within scope consist among others of those laws and regulations under which the supervisory authorities (Authority for the Financial Markets (AFM), Dutch Central bank (DNB), Authority for Consumers and Markets (ACM) and Data Protection Authority (AP) supervise aspects related to non-financial risks, such as the Dutch Financial Supervision Act (Wft), the Dutch Money Laundering and Terrorist Financing (Prevention) Act (*Wwft*), the Dutch Sanctions Act, as well as relevant European laws such as Solvency II, AIFMD and guidance from the Dutch Association of Insurers and other relevant bodies.

Operational risk

Operational Risk is the risk of unexpected direct or indirect losses due to inadequate or failed internal processes and systems, caused by inadequate setup or actions being taken, (deliberate) human error or external events. Operational Risk is overarching in nature and linked to all of VIVAT's activities. VIVAT recognises the following types of operational risk: Customer, Products and Business Conduct risk, Execution & Process Control risk, Model risk, IT risk, Fraud risk, Damage to physical assets risk and Staff & security risk.

7.9.2. Risk Management Process

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

Risk identification

SRLEV systematically analyses Compliance and Operational Risks based on risk assessment and risk analysis, and gives insights to and reports on them.

Risk measurement

In addition SRLEV initiates integrity-investigations, risk self-assessments and incident analysis. In cooperation with the business, NFR measures the level of risk maturity of the first line management of Non-Financial Risk by assessing the structure and effectiveness of management and process controls.

Risk mitigation

NFR supports and challenges the first line in the recognition and mitigation of Non-Financial Risks. For this, it carries out research, monitors control measures and informs management. This includes an integrated incident overview, the Non-Financial Risk Appetite KRI scores, and the effectiveness of management and process controls to draw attention to relevant issues in the field of internal control. NFR facilitates the business in training & awareness on Compliance and Operational Risks.

Risk monitoring and reporting

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

In line with the VRC frequency NFR draws up a Non-Financial Risk report, which provides a comprehensive overview of the major Non- Financial Risks and incidents within VIVAT, including SRLEV. The Non-Financial Risk report is combined with the Financial Risk, Model Risk and Actuarial Function reports into the Enterprise Risk Management Key Take Aways.

7.9.3. Developments

In 2017 SRLEV has focused on new opportunities and sustainability towards our clients. The strategic ambition to become an innovative insurer has led to several initiatives in products, services, methodologies and processes. The continued focus on cost reduction and revenue models could influence operational and compliance risks. These risks are addressed, managed and monitored within the SRLEV risk framework to maintain a sound and controlled organisation.

7.9.4. Exposure to Non-financial Risks

During 2017 SRLEV finalised implementation of the Integrated Control Framework consisting of process and management controls. This enables the organisation to manage and monitor Compliance and Operational Risks in an efficient and effective manner. In this paragraph the main developments and risks are described. SRLEV's management is of the opinion that action plans and programs are in place to sufficiently address and mitigate these risks.

Compliance Risk

Risks (including reputational risk) are still evident in the non-accruing investment-linked policy file, owing to the combined effects of continuing media exposure, political opinion, court judgements, inaction on the part of customers, required recording and activation efforts and approaching deadlines. SRLEV still has some repair activities scheduled and expects to achieve, in line with instructions from the AFM, the set target dates for activation.

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

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

Operational Risk

Execution and process control risk

After the impactful reorganisation of 2016, including organisational changes and experienced staff leaving, there was an increased risk of operational incidents occurring in 2017. Although the number of incidents increased, the overall impact remained on the same scale as in 2016 and all incidents were addressed.

Process Key Control testing was transferred from the ICF program to the business, enhancing the control environment. Key Control testing, retesting by second line Risk and reporting on Key Control results is now supported by tooling in which the Management Key Controls are also incorporated.

A focused approach contributed to lowering the number of high risk issues reported in the Non-Financial Risk report. Nonetheless the remaining high risks, especially GDPR and Unit Linked Policies are receiving SRLEV's continued attention so they will be solved in 2018.

Model risk

In 2017 SRLEV has further reduced its number of models, as part of a strategic program that aims to rationalise the model landscape. This leads to reduction of model risk and contributes to a more efficient and reliable valuation of underwriting and market risks and the determination of the solvency ratio. By following a risk based model validation calendar, the validation of models in several segments confirmed that model improvements led to further reduction of model risk. Uncertainty resulting from remaining conversion projects has been mitigated by continuous monitoring, applying workarounds and a process for early provisioning in the accounts.

Information Technology risk

In order to realise more efficiency, SRLEV defined the IT landscape and non-target systems are made redundant. This rationalisation will continue in 2018. Besides, the IT focus is on innovations like new and modern apps. The IT organisation has implemented the Agile way of working and Continuous Delivery, to improve on efficiency and to decrease time-to-market. The first synergy benefits of the IT cooperation of SRLEV with the other European Anbang companies like Fidea and Nagelmackers have been achieved. SRLEV is aware that these developments require high standards of change management within the IT department to maintain an IT landscape that is in control and is managing IT risks.

SRLEV is aware of the increasing strategic importance of collecting, managing and use of data, taking into account relevant legislation, e.g. GDPR. VIVAT is currently implementing a sustainable design for Data Governance to manage and monitor the diverse data related initiatives.

Outsourcing / Cloud computing

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

Cybercrime risk

Fighting cybercrime is a key priority for a financial organisation like VIVAT. Cyber criminals are always trying to compromise financial companies, for example with ransomware. In 2017 no major incidents related to cybercrime occurred within SRLEV. Cybercrime will remain high on the agenda of the SRLEV management. Appropriate organisational and technological measures have been taken in order to be able to tackle the cybercrime risks, like the cooperation with the National Cyber Security Center and other major Dutch insurance companies. Also in 2018 new measures will be implemented to stay in control over the cybercrime risk.

Staff and security risk

After the organisational changes and relatively high staff turnover in 2016, SRLEV still has been well aware of the associated risks (such as sick leave) and has continued the closely monitoring in 2017.

7.9.5. SCR Operational Risk

Operational risk is the risk of losses caused by weak or failing internal procedures, weaknesses in the action taken by personnel, weaknesses in systems or because of external events. This takes into account legal risks, but risks that are a consequence of strategic decisions or reputational risks are disregarded. The technical provision for own risk is part of the calculation of the SCR operational risk.

The basic capital requirement for operational risk is calculated by taking the maximum of (a) the capital requirement for operational risks on the basis of earned premiums and (b) the capital requirement for operational risks on the basis of technical provisions and adding 25% of the expenses incurred in respect of unit linked business.

SCR Operational risk

In € millions	2017	2016
SRLEV	181	170

The SCR operational risk increased due to the reclassification of Unit Linked policies with guarantees. These policies are now taken into account similar to traditional products.

8. Company Financial Statements

8.1. Company Statement of Financial Position

Before result appropriation and in € millions	Notes[1]	31 December 2017	31 December 2016
> Assets			
Intangible assets		-	-
Property and equipment	1	44	44
Subsidiaries	2	95	86
Receivables from subsidiaries	3	978	1,062
Investment property	4	245	142
Investments	5	34,961	34,904
Investments for account of policyholders	6	12,932	13,923
Derivatives		741	1,061
Deferred tax assets		475	455
Reinsurance contracts	10	91	106
Loans and advances to banks		1,799	960
Corporate income tax		43	17
Other assets	7	234	325
Cash and cash equivalents	8	145	270
Total assets		**52,783**	**53,355**
> Equity and liabilities			
Issued share capital[2]		0	0
Share premium reserve		2,064	2,064
Revaluation reserves and other legal reserves		86	97
Other reserves		862	622
Capital Tier 1 Subordinated Loan		260	-
Retained earnings		-55	252
Shareholders' equity	9	**3,217**	**3,035**
Subordinated debt		775	798
Capital base		**3,992**	**3,833**
Insurance liabilities	10	45,302	46,023
Provision for employee benefits		184	182
Other provisions		35	40
Derivatives		606	471
Amounts due to banks		1,627	1,329
Other liabilities	11	1,037	1,477
Total equity and liabilities		**52,783**	**53,355**

1 The references next to the balance sheet items relate to the notes to the company statement of financial position in Section 9.2.
2 The issued and paid up share capital of SRLEV NV is € 45,000.

8.2. Company Statement of Profit or Loss

In € millions	Notes[1]	2017	2016
> Income			
Premium income		2,241	1,830
Reinsurance premiums		12	16
Net premium income		**2,229**	**1,814**
Fee and commission income		26	62
Fee and commission expense		8	1
Net fee and commission income		**18**	**61**
Share in result of subsidiaries	14	9	9
Investment income		1,395	2,720
Investment income for account of policyholders		428	895
Result on investments for account of third parties		49	39
Result on derivatives		-388	-265
Other operating income		15	1
Total income		**3,755**	**5,274**
> Expenses			
Technical claims and benefits		3,389	3,119
Charges for account of policyholders		77	1,339
Acquisition costs for insurance activities		23	24
Result on liabilities from investments for account of third parties		49	39
Staff costs		154	265
Depreciation and amortisation of non-current assets		3	6
Other operating expenses		41	48
Impairment losses		4	-2
Other interest expenses		110	103
Other expenses		-	1
Total expenses		**3,850**	**4,942**
Result before tax		**-95**	**332**
Tax expense		-40	80
Net result continued operations for the period		**-55**	**252**

> Attribution:			
Net result continued operations attributable to shareholders		-55	252
Net result continued operations for the period		**-55**	**252**

1 The references next to the income statement items relate to the notes to the company statement of profit or loss in Section 9.2.

8.3. Company Statement of Total Comprehensive Income

Company statement of other comprehensive income

In € millions	2017	2016
> Items that will not be reclassified subsequently to profit or loss		
Changes in valuation of defined benefit pension plan	-5	25
Total items never reclassified to profit or loss	**-5**	**25**
> Items that may be reclassified subsequently to profit or loss		
Unrealised revaluations from cash flow hedges	-27	28
Unrealised revaluations investments available for sale	-373	1,182
Impairments fair value reserve	-4	-4
Realised gains and losses fair value reserve through profit or loss	-294	-1,217
Results on allocated investments and interest derivatives	687	14
Total items that may be reclassified to profit or loss subsequently	**-11**	**3**
Other comprehensive income (after tax)	**-16**	**28**

Company statement of total comprehensive income

In € millions	2017	2016
Net result for the period	-55	252
Other comprehensive income (after tax)	-16	28
Total comprehensive income	**-71**	**280**
> Attribution:		
Comprehensive income attributable to shareholder	-71	280
Total comprehensive income	**-71**	**280**

8.4. Company Statement of Changes in Equity

Company statement of changes in equity 2017

In € millions	Issued share capital[1]	Share premium reserve	Revaluation reserves and other legal reserves	Other reserves	Capital Tier 1 Subordinated Loan	Sum reserves	Retained earnings	Shareholders' equity
Balance as at 1 January 2017	**-**	**2,064**	**97**	**622**	**-**	**2,783**	**252**	**3,035**
Transfer of net result 2016	-	-	-	252	-	**252**	-252	**-**
Transfers 2017	**-**	**-**	**-**	**252**	**-**	**252**	**-252**	**-**
Other comprehensive income	-	-	-11	-5	-	**-16**	-	**-16**
Net result 2017	-	-	-	-	-	**-**	-55	**-55**
Total comprehensive income 2017	**-**	**-**	**-11**	**-5**	**-**	**-16**	**-55**	**-71**
Capital Subordinated Loan - Principal	-	-	-	-	250	**250**	-	**250**
Capital Subordinated Loan - Interest	-	-	-	-7	10	**3**	-	**3**
Transactions with shareholders	**-**	**-**	**-**	**-7**	**260**	**253**	**-**	**253**
Unrealised revaluations	-	-	13	-13	-	**-**	-	**-**
Realised gains and losses	-	-	-13	13	-	**-**	-	**-**
Other movements	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total changes in equity 2017	**-**	**-**	**-11**	**-12**	**260**	**237**	**-55**	**182**
Balance as at 31 December 2017	**-**	**2,064**	**86**	**862**	**260**	**3,272**	**-55**	**3,217**

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

The Executive Board proposes to the General Meeting of Shareholders to distribute, similar to 2016, no dividends for 2017.

Statement of revaluation reserves and other legal reserves 2017

In € millions	Revaluation reserve	Cash flow hedge reserve	Fair value reserve	Revaluation reserves and other legal reserves
Balance as at 1 January 2017	**69**	**-**	**28**	**97**
Unrealised revaluations from cashflow hedges	-	-27	-	**-27**
Unrealised revaluations	13	-	-373	**-360**
Impairments	-	-	-4	**-4**
Realised gains and losses through profit or loss	-14	-	-293	**-307**
Results on allocated investments and interest derivatives	-	27	660	**687**
Amounts charged directly to total equity	**-1**	**-**	**-10**	**-11**
Total changes in equity 2017	**-1**	**-**	**-10**	**-11**
Balance as at 31 December 2017	**68**	**-**	**18**	**86**

Company statement of changes in equity 2016

In € millions	Issued share capital[1]	Share premium reserve	Revaluation reserves and other legal reserves	Other reserves	Capital Tier 1 Subordinated Loan	Sum reserves	Retained earnings	Shareholders' equity
Balance as at 1 January 2016	**-**	**2,064**	**29**	**468**	**-**	**2,561**	**194**	**2,755**
Adjustment presentation revaluation reserve investment property	-	-	59	-59	-	**-**	-	**-**
Adjusted balance as at 1 January 2016	**-**	**2,064**	**88**	**409**	**-**	**2,561**	**194**	**2,755**
Transfer of net result 2015	**-**	**-**	**-**	194	-	**194**	-194	**-**
Transfers 2016	**-**	**-**	**-**	**194**	**-**	**194**	**-194**	**-**
Other comprehensive income	-	-	3	25	-	**28**	-	**28**
Net result 2016	-	-	-	-	-	**-**	252	**252**
Total comprehensive income 2016	**-**	**-**	**3**	**25**	**-**	**28**	**252**	**280**
Unrealised revaluations	-	-	8	-8	-	**-**	-	**-**
Realised gains and losses	-	-	-2	2	-	**-**	-	**-**
Other movements	**-**	**-**	**6**	**-6**	**-**	**-**	**-**	**-**
Total changes in equity 2016	**-**	**-**	**9**	**19**	**-**	**28**	**252**	**280**
Balance as at 31 December 2016	**-**	**2,064**	**97**	**622**	**-**	**2,783**	**252**	**3,035**

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

Statement of revaluation reserves and other legal reserves 2016

In € millions	Revaluation reserves	Cash flow hedge reserve	Fair value reserve	Revaluation reserves and other legal reserves
Balance as at 1 January 2016	**4**	**-**	**25**	**29**
Adjustment presentation revaluation reserve investment property	59	-		**59**
Adjusted balances at 1 January 2015	**63**	**-**	**25**	**88**
Unrealised revaluations from cashflow hedges	-	28	-	**28**
Unrealised revaluations	8	-	1,182	**1,190**
Impairments	-	-	-4	**-4**
Realised gains and losses through profit or loss	-2	-	-1,217	**-1,219**
Results on allocated investments and interest derivatives	-	-28	42	**14**
Amounts charged directly to total equity	**6**	**-**	**3**	**9**
Total changes in equity 2016	**6**	**-**	**3**	**9**
Balance as at 31 December 2016	**69**	**-**	**28**	**97**

8.5. Company Cash Flow Statement

In € millions	2017	2016
> Cash flow from operating activities		
Operating profit before tax	-95	332
> Adjustments for:		
Depreciation and amortisation of non-current assets	3	6
Amortisation of investments	192	92
Changes in insurance liabilities for own risk	-1,601	1,039
Changes in provisions	2	13
Impairment charges / (reversals)	4	-2
Unrealised results on investments through profit or loss	465	-
Retained share in the result of associates	-9	-9
Taxes paid / received	14	-66
> Change in operating assets and liabilities:		
Change in liabilities related to collateral and receivables	-326	-
Change in advances and liabilities to banks	-215	-7
Change in other operating activities	447	-3,211
Net cash flow from operating activities	**-1,119**	**-1,813**
> Cash flow from investment activities		
Sale of investment property	10	1
Sale and redemption of investments and derivatives	25,209	23,794
Purchase of investment property	-108	-
Purchase of investments and derivatives	-24,454	-21,863
Net cash flow from investment activities	**657**	**1,932**
> Cash flow from finance activities		
Issue of subordinated loans and borrowings	95	95
Issue of Capital Tier 1 Subordinated Loan	250	-
Redemption of subordinated loans and borrowings	-95	-95
Redemption of debt certificates	87	-
Net cash flow from financing activities	**337**	**-**
Net increase/(decrease) in cash and cash equivalents	**-125**	**119**
Cash and cash equivalents 1 January	270	151
Cash and cash equivalents as at 31 December	**145**	**270**
> Additional disclosure with regard to cash flows from operating activities:		
Interest income received	1,527	1,233
Dividends received	149	151
Interest paid	70	68

9. Notes to the Company Financial Statements

9.1. Accounting Policies to the Company Financial Statements

Basis of Preperation

Pursuant to the option offered in article 2:362(8) of the Dutch Civil Code, SRLEV prepares its company financial statements in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union. These are the same accounting policies as those used for the consolidated financial statements (refer to Section 6.1 Principles for the preparation of the consolidated financial statements).

Adjustment Revaluation reserve

In accordance with Book 2 of the Dutch Civil Code, as of 2017 VIVAT has recognised, as part of the revaluation reserve, an amount that reflects the unrealised fair value changes on investment property after deduction of deferred taxes. This amount was transferred from the Other reserves and consequently the impact on shareholders' equity is nil. The comparative figures have been adjusted accordingly leading to a transfer of € 59 million per 1 January 2016 (31 December 2016: € 65 million) within shareholders' equity.

Applicable Accounting Policies

Where applicable, for items not described in this section, the accounting policies applied for the company financial statements are the same as those described in the section 6.1 Accounting policies for the consolidated financial statement. For the items not separately disclosed in the notes to the company financial statement, reference is made to the notes in the section 6.3 Notes to the consolidated financial statements.

Subsidiaries

Subsidiaries are companies and other entities in which SRLEV NV has the power, directly or indirectly, to govern the financial and operating policies and that are controlled by SRLEV NV. Subsidiaries are recognised using the equity method of accounting.

Movements in the carrying amounts of subsidiaries due to changes in their revaluation, cash flow, fair value and profit-sharing reserves are recognised in shareholders' equity.

Movements in the carrying amounts arising from the share of result of subsidiaries are recognised in accordance with the accounting policies of SRLEV NV in profit or loss. The distributable reserves of subsidiaries are recognised in other reserves.

Receivables from and Debts to Group Companies

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

Revaluation Reserve

The revaluation reserve comprises the cumulative revaluations on investment property and revaluations of owner-occupied property of SRLEV's subsidiaries net of income tax. A cumulative loss on an investment property and owner-occupied property (acquisition costs exceed the fair value) is not recognised as part of the revaluation reserve.

9.2. Notes to the Company Financial Statements

1. Property and Equipment

Breakdown of Property and Equipment

In € millions	2017	2016
Land and buildings for own use	43	43
Other assets	1	1
Total	**44**	**44**

Statement of Changes in Property and Equipment 2017

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

Statement of Changes in Property and Equipment 2016

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

Appraisal of Land and Buildings for Own Use

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

2. Subsidiaries

Statement of Changes in Subsidiaries

In € millions	2017	2016
Balance as at 1 January	**86**	**149**
Disposals and divestments	-	-72
Result	9	9
Balance as at 31 December	**95**	**86**

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

3. Receivables from Subsidiaries

Breakdown of Receivables from Subsidiaries

In € millions	2017	2016
Collateralised securities	907	994
Loans	46	46
Receivables	25	22
Balance as at 31 December	**978**	**1,062**

4. Investment Property

Statement of Changes in Investment Property

In € millions	2017	2016
Balance as at 1 January	**142**	**130**
Investments	108	3
Divestments	-10	-1
Revaluations	5	10
Balance as at 31 December	**245**	**142**

The sum of the revaluations of investment property at 31 December 2017 amounts to € 46 million (2016: € 30 million).

5. Investments

Breakdown of Investments

In € millions	2017	2016
Fair value through profit or loss: Designated	202	69
Investments available for sale	27,192	26,923
Loans and receivables	7,567	7,912
Total	**34,961**	**34,904**

Fair Value Through Profit or Loss: Statement of Changes

In € millions	2017	2016
Balance as at 1 January	**69**	**161**
Purchases and advances	332	–
Disposals and redemptions	-199	-90
Revaluations	-2	-2
Other	2	–
Balance as at 31 December	**202**	**69**

Fair Value Through Profit or Loss: Listed and Unlisted

In € millions	2017	2016
Listed	201	–
Unlisted	1	69
Total	**202**	**69**

Available for Sale: Statement of Changes

	Shares and similar investments		Fixed-income investments		Total	
In € millions	**2017**	2016	**2017**	2016[1]	**2017**	**2016**
Balance as at 1 January	**1,689**	**1,680**	**25,234**	**24,702**	**26,923**	**26,382**
Purchases and advances	9,521	7,107	9,327	10,492	18,848	17,599
Disposals and redemptions	-8,350	-7,158	-9,442	-11,340	-17,792	-18,498
Revaluations	-8	65	-526	1,508	-534	1,573
Impairments	-5	-5	–	–	-5	-5
Amortisation	–	–	-192	-92	-192	-92
Other	–	–	-56	-36	-56	-36
Balance as at 31 December	**2,847**	**1,689**	**24,345**	**25,234**	**27,192**	**26,923**

1 An adjustment of € 414 million has been made in the comparative figures from the category unlisted to the category listed.

The investments available for sale concern investments in unlisted shares and similar investments and listed fixed-income investments.

Available for Sale: Listed and Unlisted

	Shares and similar investments		Fixed-income investments		Total	
In € millions	**2017**	2016	**2017**	2016[1]	**2017**	**2016**
Listed	–	–	23,884	24,775	**23,884**	**24,775**
Unlisted	2,847	1,689	461	459	**3,308**	**2,147**
Total	**2,847**	**1,689**	**24,344**	**25,233**	**27,192**	**26,923**

1 An adjustment of € 414 million has been made in the comparative figures from the category unlisted to the category listed.

Breakdown of Loans and Receivables

In € millions	2017	2016
Mortgages	1,436	1,655
Private loans linked to savings mortgages	5,054	5,294
Other private loans	1,081	976
Total	**7,571**	**7,925**
Provision for bad debts	-4	-13
Total	**7,567**	**7,912**

Loans and Receivables: Statement of Changes

In € millions	2017	2016
Balance as at 1 January	**7,925**	**7,615**
Reclassifications	-6	-
Purchases and advances	641	819
Changes in the composition of group companies	-	284
Disposals and redemptions	-1,245	-1,054
Interest addition	258	252
Amortisation	-1	9
Other	-1	-
Balance as at 31 December	**7,571**	**7,925**
Balance provisions as at 1 January	-13	-18
Addition	-	-
Release	9	5
Balance provisions as at 31 December	**-4**	-13
Total	**7,567**	**7,912**

6. Investments for Account of Policyholders

Breakdown of Investments for Account of Policyholders

In € millions	2017	2016
Shares and similar investments:		
- Listed	12,029	12,924
- Unlisted	228	295
Fixed-income investments		
- Listed	332	339
- Unlisted	343	365
Total	**12,932**	**13,923**

Investments for Account of Policyholders: Statement of Changes

In € millions	2017	2016
Balance as at 1 January	**13,923**	**14,020**
Reclassifications	6	-
Purchases and advances	4,673	3,415
Disposals and redemptions	-5,989	-4,293
Revaluations through profit or loss	312	753
Other movements	7	28
Balance as at 31 December	**12,932**	**13,923**

7. Other Assets

Breakdown of Other Assets

In € millions	2017	2016
Policyholders	41	116
Intermediaries	81	135
Amounts due from direct insurance	**122**	**251**
Accrued interest from group companies	6	24
Accrued assets	**6**	**24**
Receivables from group companies	1	13
Other	105	37
Total	**234**	**325**

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

8. Cash and Cash Equivalents

Breakdown of Cash and Cash Equivalents

In € millions	2017	2016
Short-term bank balances	145	270
Total	**145**	**270**

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

9. Equity

Issued Share Capital

The issued share capital has been fully paid-up and consists of ordinary shares with a nominal value of € 500 each. 90 ordinary shares had been issued at 31 December 2017 (2016: 90).

Breakdown of Issued Share Capital

	Number of ordinary shares		Amount of ordinary shares (in € thousands)	
	2017	2016	**2017**	2016
Authorised share capital	450	450	225	225
Share capital in portfolio	360	360	180	180
Issued share capital as at 31 December	**90**	**90**	**45**	**45**

10. Insurance Liabilities and Reinsurance Share

Breakdown of Insurance Liabilities and Reinsurance Share

	Gross		Reinsurance	
In € millions	**2017**	2016	**2017**	2016
Provision for Life insurance obligations	26,384	25,410	91	106
Results on allocated investments and interest derivatives	4,302	5,458	-	-
Cumulative LAT deficit	1,202	798	-	-
Unamortised interest rate discounts	-14	-124	-	-
Provision for profit-sharing, bonuses and discounts	58	90	-	-
Life, for own risk	**31,932**	**31,632**	**91**	**106**
Insurance liabilities for insurance on behalf of policyholders	13,370	14,391	-	-
Life, for account of policyholders	**13,370**	**14,391**	**-**	**-**
Total	**45,302**	**46,023**	**91**	**106**

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

Provision for Life Insurance Obligations: Statement of Changes

	Gross		Reinsurance	
In € millions	**2017**	2016	**2017**	2016
Balance as at 1 January	**25,410**	**25,325**	**106**	**3,310**
Portfolio reclassification	976	255	-	-
Reinsurance contracts	-	-	-	-3,191
Benefits paid	-2,252	-1,848	-24	-21
Premiums received	1,552	1,090	12	16
Interest added	902	898	6	7
Technical result	-82	-178	-5	-5
Release of expense loading	-110	-128	-4	-10
Realised and unrealised result transferred to insurance liabilities	-	-	-	-
Other movements	-12	-4	-	-
Balance as at 31 December	**26,384**	**25,410**	**91**	**106**

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

Unamortised Interest Rate Discounts (or surcharges): Statement of Changes

In € millions	2017	2016
Balance as at 1 January	**-124**	**-210**
Discounts granted in the financial year	13	53
Amortisation	97	33
Balance as at 31 December	**-14**	**-124**

Provision for Profit-sharing, Bonusses and Discounts: Statement of Changes

In € millions	2017	2016
Balance as at 1 January	**90**	**95**
Profit-sharing, bonuses and discounts granted in the financial year	-32	-5
Balance as at 31 December	**58**	**90**

Insurance Liabilities for Insurance on behalf of Policyholders: Statement of Changes

In € millions	2017	2016
Balance as at 1 January	**14,391**	**14,514**
Portfolio reclassification	-976	-255
Premiums received	690	746
Benefits paid	-1,038	-1,346
Interest added	168	426
Exchange rate / valuation differences	239	370
Technical result	-40	-2
Release of expense loading	-67	-68
Other movements	3	6
Balance as at 31 December	**13,370**	**14,391**

11. Other Liabilities

Breakdown of Other Liabilities

In € millions	2017	2016
Debts to group companies	42	222
Debts in relation to direct insurance	237	375
Debts to reinsurers	123	142
Other taxes	7	23
Other liabilities	602	682
Accrued interest	26	33
Total	**1,037**	**1,477**

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

12. Guarantees and Commitments

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

13. Related Parties

Intra-group Balances and Transactions between SRLEV NV and Subsidiaries

In € millions	2017	2016
> Positions		
Collateralised securities	907	994
Loans and advances	46	46
Receivables	20	21
Other liabilities	19	12
> Transactions		
Movements collateralised securities	-87	994
Movements loans and advances	-	-200
Movements receivables	-1	-
Movements accrued interest	-	-1
Movements other liabilities	7	-37
Interest Available for sale	20	17
Interest Loans and receivables	1	1
Other operating expenses	1	1

The significant intra-group balances between SRLEV NV and its subsidiaries in 2017 were:

- SRLEV NV has collateralised securities notes which have been issued by Share Debt Programme 1 BV relating to saving components of mortgages;
- SRLEV NV has granted two loans in a total amount of € 6 million to Empresa BV as part of financing the real estate which is owned by Empresa BV. The loans have a remaining maturity until 1 September 2020 and 1 November 2020 and bear a fixed interest rate of 7.50% annually;
- SRLEV NV has granted a loan in amount of € 40 million to GVR500 Building BV as part of financing the real estate which is owned by GVR500 Building BV. The loan has a remaining maturity until 31 December 2032 and bears a floating interest rate;
- Receivables and Other liabilities consist of current account positions between SRLEV NV and its subsidiaries.

For details on the intra-group balances and transactions between SRLEV, VIVAT, Anbang and Affiliates, see Note19 Related parties of the consolidated financial statements.

14. Share in Result of Subsidiaries

Breakdown of Share in Result of Subsidiaries

In € millions	2017	2016
REAAL Wognumsebuurt BV	-1	-
REAAL de Ruijterkade BV	2	5
REAAL Kantoren I BV	1	1
REAAL Winkels I BV	-	-1
REAAL Woningen I BV	1	1
GVR 500 Building BV	6	3
Total	**9**	**9**

15. Audit Fees

Pursuant to Section 382a(3) of Book 2 of the Dutch Civil Code, the company has availed itself of the exemption from disclosing the audit fees in the annual report. These disclosures have been included in the Annual Report 2017 of VIVAT NV.

16. Result Appropriation

For the provisions of the articles of association governing the appropriation of profit or loss reference is made to Section Additional information.

The Executive Board proposes to the General Meeting of Shareholders to deduct the negative result for 2017 of € 55 million from the other reserves of SRLEV NV.

In accordance with the resolution of the General Meeting of Shareholders held on 18 May 2017, the result for 2016 of € 252 million has been added to the other reserves of SRLEV NV.

Amstelveen, the Netherlands, 26 April 2018

The Supervisory Board

M.W. Dijkshoorn (Chairman)

M.R. van Dongen

M. He

K.C.K. Shum

P.P.J.L.M. Lefèvre

The Executive Board

J.J.T. van Oijen (Chairman)

L. Tang

X.W. Wu

Y. Cao

W.M.A. de Ruiter-Lörx

J.C.A. Potjes

October

Innovation

VINCE

To drive and accelerate innovation continuously within the company VIVAT opened a new VIVAT Innovation Centre – simply VINCE. VINCE will facilitate VIVAT employees to develop new ideas and stimulate teams to work together with start-ups by means of co-creation. VINCE is deliberately based outside of the main offices of VIVAT, in start-up community B. Amsterdam. This allows our innovation teams to work full focus on their ideas in a stimulating and inspiring environment of start-ups.

November

New brand

nowGo

VIVAT launched a new digital brand: nowGo. A remarkable video for car insurance was the first in a series of online commercials that are all played in reverse. By choosing this effect nowGo emphasises that one can only enjoy something —a trip, a new car, a new home— if you have properly insured it. Closing an insurance however is not always as easy as it should be. With the wellbeing of the consumer in mind, nowGo wants to change this by giving all the information that will help you decide what suits you best. People can close their insurance instantly and always at a sharp premium.

December

Awards

International awards for collaboration in start-ups

Before year's end the Startup Europe Partnership (SEP) awarded VIVAT with two awards for its collaboration in start-ups. VIVAT has been recognised as an Open Innovation Challenger and as an Open Innovation Fast Mover. The prizes were presented to CEO Ron van Oijen in Brussels. VIVAT is the only Dutch insurer to receive an award. Ron van Oijen: "We are very proud of these awards. This is the professional, independent proof that VIVAT is making great strides in its ambition to become one of the most innovative insurers in the Netherlands."

VIVAT Amstelveen

Additional Information

1. Provisions in Articles of Association Governing the Appropriation of Profit or Loss

Article 41 Profit and Loss; general

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

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

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

Article 42 Profit and Loss; Distributions

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

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

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

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

Independent auditor’s report

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

Report on the audit of the financial statements 2017 included in the annual report

Our opinion

We have audited the financial statements of SRLEV N.V. (‘SRLEV’ or the ‘Company’), based in Alkmaar. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of SRLEV N.V. as at 31 December 2017, and of its result and its cash flows for 2017 in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and with Part 9 of Book 2 of the Dutch Civil Code.
- The accompanying company financial statements give a true and fair view of the financial position of SRLEV N.V. as at 31 December 2017, and of its result for 2017 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

- The consolidated statement of financial position as at 31 December 2017
- The following statements for 2017: the consolidated statement of profit or loss, the consolidated statements of total comprehensive income, changes in equity and cash flows
- The notes comprising a summary of the significant accounting policies and other explanatory information

The company financial statements comprise:

- The company statement of financial position as at 31 December 2017
- The company statement of profit or loss for 2017
- The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

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

We are independent of SRLEV N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Materiality	EUR 60 million (2016: EUR 60 million)
Benchmark applied	2% of SRLEV's shareholder's equity
Explanation	SRLEV's equity and solvency, and the ability to meet policyholder liabilities, are key indicators for the users of its financial statements. As such, we have based materiality on SRLEV's shareholder's equity.

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

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

Scope of the group audit

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

We are responsible for directing, supervising and performing the group audit. In this respect, we have determined the nature and extent of the audit procedures to be carried out for the reporting units based on their size and/or the risk profile. We only included SRLEV N.V. in the audit scope for consolidation purposes, resulting in a coverage of 100% of total assets, 100% of shareholder's equity and 99% of profit before tax. Further, we performed, amongst others, analytical procedures to corroborate our assessment that there are no significant risks of material misstatement for the remaining entities.

By performing the procedures mentioned above we have been able to obtain sufficient and appropriate audit evidence about SRLEV's financial information to provide an opinion on the consolidated financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Fair value measurement of investments and related disclosures	
Risk	SRLEV invests in various asset types, of which 80% is carried at fair value in the balance sheet. Of the total assets, 6% is related to investments for which no published prices in active markets are available. Fair value measurement can be subjective, and more so for areas of the market reliant on model based valuation or with weak liquidity. Valuation techniques for mortgages, real estate, private equity investments and for non-listed bonds, equities and derivatives involve setting various assumptions regarding pricing factors. The use of different valuation techniques and assumptions could produce significantly different estimates of fair value. Associated risk management disclosure is complex and dependent on high quality data. Specific areas of audit focus include the valuation of Level 3 assets where valuation techniques are applied in which significant unobservable inputs are used.
Our audit approach	We assessed and tested the design and operating effectiveness of the controls over valuation, independent price verification and model validation and approval. We performed additional procedures, supported by our valuation specialists where necessary. This included, where relevant, comparison of judgments made to current and emerging market practice and re-performance of valuations on a sample basis. We also assessed the impact of other sources of fair value information including gains or losses on disposal and fair value information based on the Company's own purchase transactions. Finally, we assessed and tested the design and operating effectiveness of the controls over related disclosures including the disclosure of valuation sensitivity and fair value hierarchy in note 37.
Key observations	Based on our procedures performed we consider the fair value of financial instruments to be within a reasonable range. The fair value disclosures of investments meet the requirements of IFRS-EU.

Estimates used in calculation of insurance contract liabilities and Liability Adequacy Test (LAT)	
Risk	SRLEV has insurance contract liabilities of EUR 45.5 billion representing 91% of the Company's total liabilities. The measurement of insurance contract liabilities involves judgment over uncertain future outcomes, mainly the ultimate total settlement value of long-term liabilities, including any guarantees provided to policyholders. The Company's IFRS liability adequacy test (LAT) is performed in order to confirm that insurance contract liabilities are adequate in the context of expected future cash outflows. In the LAT, the excess of fair value over the carrying value of mortgages at amortized cost is taken into account. As at 31 December 2017, the LAT of SRLEV shows a significant deficit. As a consequence, insurance liabilities are primarily measured on the basis of the LAT. Changes in estimates and assumptions used in the LAT therefore directly impact SRLEV's profit or loss. The setting of mortality, longevity, expense and lapse assumptions in the LAT, including the assumptions to determine the fair value of mortgages, require application of significant judgment.

Our audit approach	We involved our actuarial specialists to assist us in performing audit procedures in this area. This included among others consideration of the appropriateness of the mortality, longevity, expense and lapse assumptions used in the valuation of life insurance contract liabilities. Further, we considered the validity of the Company's IFRS LAT results which is a key test performed in order to ensure that insurance contract liabilities are adequate in the context of expected future cash flows based on best estimate assumptions plus a risk margin. Our work on the LAT includes assessing the reasonableness of the projected cash flows and challenging the assumptions adopted, including mortality, longevity, expenses and lapses, and determination of fair value of the mortgage portfolio, based on Company's and industry experience data, expected market developments and trends. Other key audit procedures included assessing the Company's methodology for calculating the insurance contract liabilities and an assessment of internal controls in this respect, including the analysis of the movements in insurance contract liabilities during the year. We assessed whether the movements are in line with the changes in assumptions adopted by the Company, our understanding of developments in the business and our expectations derived from market experience. We considered whether SRLEV's disclosures in note 13 to the financial statements in relation to insurance contract liabilities and liability adequacy test results are compliant with IFRS-EU.
Key observations	We consider the estimates used to be within a reasonable range. The disclosures of insurance contract liabilities and liability adequacy test results meet the requirements of IFRS-EU.
Unit-Linked Exposure	
Risk	Holders of unit-linked products (where the customer bears all or part of the investment risk), or consumer protection organizations on their behalf, have filed claims or initiated proceedings against the Company and may continue to do so. A negative outcome of such claims and proceedings in respect of unit-linked products, settlements or any other actions for the benefit of customers by other insurers and sector-wide measures could have a significant impact for SRLEV relating to compensation. The financial consequences of these legal proceedings cannot be reliably estimated at this point. Refer to note 18 to the financial statements.

Our audit approach	We performed audit procedures in this area, which included: • assessment of SRLEV's governance, processes and internal controls with respect to unit-linked exposures • review of the documentation and discussing the unit-linked exposures with management and the Company's internal legal advisors • obtaining a legal letter from SRLEV's external legal advisor • involvement of our own legal specialist in the review of the related documentation • consideration of the recognition and measurement requirements for establishing provisions under IFRS-EU. We also considered whether the Company's disclosures in respect of this legal exposure is compliant with the relevant accounting requirements. We focused on the adequacy of disclosure of the related risks and assumptions in note 18 to the financial statements.
Key observations	Management's assessment that the financial consequences of the unit-linked exposure cannot be reliably estimated at this time and therefore no provision is recognized in the 2017 balance sheet, is adequately substantiated. The related disclosure meets the requirements of IFRS-EU.
Reliability and continuity of the information technology and systems	
Risk	SRLEV is highly dependent on its IT systems and IT infrastructure for the continuity of the operations. SRLEV continues to invest in its IT systems and IT infrastructure and processes to meet clients' needs and business requirements. SRLEV is continuously improving the efficiency and effectiveness of its IT systems and IT infrastructure and the reliability and continuity of the electronic data processing, including its defense against cyber-attacks.
Our audit approach	As part of our audit procedures we have assessed the changes in the IT systems and IT infrastructure and have tested the reliability and continuity of electronic data processing within the scope of the audit of the annual accounts. For that purpose we have included IT auditors in our team. Our procedures included testing of controls with regards to IT systems and processes relevant for financial reporting. A particular area of attention related to logical access management, including access rights and segregation of duties within a system of SRLEV's investment manager ACTIAM. We tested logical access rights to the extent relied upon for the audit of the consolidated financial statements. This resulted in the identification of certain control deficiencies with respect to access rights and segregation of duties. To mitigate the audit risk, we performed additional procedures over management's remediation activities and performed additional substantive procedures.
Key observations	The combination of the tests of controls and the substantive tests performed provided sufficient appropriate evidence for the purposes of our audit.

In the 2016 auditor's report, Appropriateness of models and input data used in the measurement of technical provisions and 'LAT' and 'Solvency' were identified as key audit matters. Since we consider the risks around these matters lower compared to prior year, we have no longer included these items as key audit matter.

Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- The Executive Board's report
- Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the Executive Board's report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the supervisory board as auditor of SRLEV N.V. on 29 October 2015, as of the audit for the year 2016 and have operated as statutory auditor since that date.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Other non-prohibited services provided

In addition to the statutory audit of the financial statements of SRLEV, we provided the following services to SRLEV:

- We issued auditor's reports on selected regulatory reporting templates of SRLEV to the Dutch Central Bank (DNB).
- We issued a comfort letter in relation to the prospectus prepared in connection with a security offering by SRLEV.
- We issued an assurance report in respect of Zwitserleven's ISAE 3402 statement.
- We issued assurance reports on cost price models for financial products of SRLEV.
- We issued an assurance report on statements of premium income.
- We issued agreed upon procedures reports and auditor's reports on statements prepared by SRLEV to meet contractual obligations with its customers.

Description of responsibilities for the financial statements

Responsibilities of management and the supervisory board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS-EU and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

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

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

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

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.,:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern.

If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, 26 April 2018

Ernst & Young Accountants LLP

signed by J.G. Kolsters