



ASR Nederland improves solvency and realises net profit of EUR 77 million in first half of 2009

Utrecht, the Netherlands, 3 September 2009

ASR Nederland realised a net result of EUR 77 million in the first half of 2009. The company has reduced its balance sheet risks further by carrying out financial restructuring. Its financial buffers have grown by 54 percentage points to 287%. The key objective of ASR Nederland's policy for the second half of the year is to lower its operating costs. This will include reducing the number of offices and merging business lines. ASR Nederland will not give a forecast for the second half of the year.

Highlights

- Buffer capital rises to 287% (year-end 2008: 233%)
- Net result: EUR 77 million
- Gross written premiums 19% lower, mainly because of lower sales of single-premium policies
- Claims ratio increases from 61.3% to 68.8%
- Total costs are EUR 18 million higher mainly because of disentanglement
- Initial result of cost savings operation: EUR 8 million

Comments by Jos Baeten, Chairman of the Board of Directors of ASR Nederland

"After the loss we incurred in 2008, we are satisfied with the net result of 77 million euros we realised in the first half of 2009 – particularly when we realise that the financial markets have still a negative effect on it. Together with our improved solvency and significantly reduced interest rate risks, this demonstrates for us the underlying strength of ASR Nederland."

Results

ASR Nederland closed the first half of 2009 with a net result of EUR 77 million. This positive result marks a turnaround from the dramatic second half of 2008. Financial markets recovered and solvency improved considerably. This occurred despite an increase in the claims ratio of 7.5 percentage points compared with the first half of 2008 with a negative impact of EUR 58 million. The impact of the financial markets was EUR 85 million negative, whereas in the first half of 2008 the impact was EUR 26 million positive. Regular investment revenues fell by EUR 62 million because of lower dividend and interest revenues.

Market-wide the demand for insurance products was under pressure, resulting in intensified competition on price. This is reflected in the gross premium and new production figures.

Turnover of Individual Life premiums decreased by 4%, mainly because of the stagnating house and mortgage markets. Opting for a responsible return caused a 37% decline in single-premium policy turnover.

The economic conditions across the business community and the resulting rationalisations affected the business market segments of our operations. There was an 57% decrease in gross written premiums for pension insurance policies. Single-premium policy turnover, notably from large group

pension contracts, fell by 88% because of lower single premiums compared with the high production that occurred in 2008, the setting aside of index-linking and the drying up of the pension transfer market. Premiums turnover increased by 6%, mainly as a result of the high production in 2008.

The Non-Life gross written premium remained almost unchanged at EUR 1,386 million. The claims ratio rose from 61.3% to 68.8%. A large number of claims were made under fire and household insurance in addition to those resulting from the May gales. The claims ratio for motor insurance also increased.

An indication of the exacerbated economic situation is the reduced growth in new insurances for disability compared to previous years, in tandem with higher cancellations due to non-payment and insolvency. Compared with the first half of 2008, the number of terminated individual disability insurance policies of self-employed persons increased by 135% because of insolvencies. The effects of the economic crisis are also visible on the Non-Life side. The number of notifications by self-employed persons of disability rose by 15% in the first six months compared with 2008.

Disentanglement

When ASR Nederland was taken over by the State of the Netherlands on 3 October 2008, it ceased being part of Fortis. As many activities were interwoven, the first half of 2009 was dominated by the unbundling of activities. This process included splitting, modifying and creating head office activities such as facilities management, automation, human resources, investor relations and legal affairs. The same applied to the joint ICT infrastructure and the employment contracts of employees who worked for other corporate units. Virtually all employees have now been transferred and ASR Nederland is operating independently.

Costs

Based on our vision of the development of the market and long-term prospects, ASR Nederland considers it important to achieve a substantial structural reduction of our costs/sales ratio. As an initial step in this direction we introduced in April 2009 a cost savings programme totalling EUR 100 million in relation to the 2009 budget for the period up to mid-2010. This includes downsizing the workforce by 700 jobs. The number of jobs has already been reduced by 230.

A number of incidental factors influenced costs (by EUR 26 million) in the first half of the year. Besides some accounting effects this concerned chiefly non-recurring disentanglement costs. This is counterbalanced by the initial effects of the cost savings programme (EUR 8 million).

A number of measures announced earlier to reduce costs structurally have now been taken, i.e.:

- the back offices of ASR Verzekeringen and De Amersfoortse Verzekeringen are now under the same control organisationally;
- Falcon Leven, the independent unit-linked insurer, will be integrated into ASR Verzekeringen by 1 November 2011 at the latest. This will result in the disappearance of the Falcon, Interlloyd Leven and VSB Leven labels;
- ASR's accommodation will be concentrated, except for the premises of De Europeesche in Amsterdam and Ardanta in Enschede. Not later than 2015 the various labels and corporate entities that are currently distributed across nine places in the Netherlands will be housed at a single central location in the Utrecht region.

The positive impact of these measures on our cost level will become increasingly noticeable during 2009.

Financial solidity

Using its own strength ASR Nederland has taken measures to improve its balance sheet positions and reduce its balance sheet risks (de-risking) in order to bring its investments more into line with its liabilities. This has been done by conducting swaptions and by replacing short-term bonds by long-term government bonds obtained on the market. These measures have significantly lowered our interest-rate risk to an acceptable level. Similarly, the sensitivity of ASR's solvency to share price risks has been reduced further and is now limited.

In 2008 the higher risk premiums (credit spreads) on fixed-interest investments of mainly financial institutions prompted the forming of sizeable provisions and caused negative results. A cautious recovery of confidence in the financial sector and the accompanying reduction of risk mark-ups on

interest rates (credit spread) made an important contribution to the recovery of solvency alongside the implemented measures. Our buffer capital increased from 233% at year-end 2008 to 287% at 30 June 2009.

Restructuring of Tier 1 capital

In the first six months of 2009 ASR Nederland took steps to restructure a number of Tier 1 loans with a principal of EUR 650 million. The loans, established using an American structure, were replaced by hybrid Tier 1 instruments issued directly by ASR Nederland and guaranteed by ASR Levensverzekering N.V.

Investors were asked to approve the restructuring and the discontinuation of the American structure. They were also offered an opportunity to exchange their investment for new hybrid Tier 1 instruments issued directly by ASR Nederland. A vast majority of the investors (91%) approved the proposed restructuring. This resulted in dissolution of the American structure on 10 August 2009. The positive results will be recognised and presented in the accounts in the second half of the year.

The external capital of ASR Nederland consists of hybrid Tier 1 instruments and ordinary shares. Following the restructuring, the hybrid Tier 1 instruments worth EUR 521 million are quoted on EURONEXT Amsterdam. The State of the Netherlands has held the ordinary share capital since 3 October 2008. No direct or indirect capital aid has been received from the State.

As stated earlier the State of the Netherlands is unlikely to maintain a long-term shareholding in ASR Nederland. Talks are being conducted with the Board of Directors and the Supervisory Board on how and when ASR Nederland can be returned to the private market.

Building a new identity

In parallel with the unbundling operation ASR has started building a new identity of its own. Our objective is to create a new balance in the value that ASR Nederland offers its various stakeholders, each with their own particular interests: customers, shareholder, employees and other stakeholders.

ASR Verzekeringen is a brand still unknown among the public at large. Therefore, we have launched a marketing campaign featuring the slogan: 'We are ASR. And who are you?' In the campaign ASR Verzekeringen explains that it is the most personal insurer in the Netherlands and, precisely for that reason, it cooperates with independent insurance advisers. 'They know our customers best so they can recommend the most suitable insurance – regardless of who provides it'.

As part of the brand awareness operation ASR has taken over the current sponsorship contract with the Feyenoord soccer club and ASR Verzekeringen is now the name on the players' shirts.

ASR Verzekeringen and De Amersfoortse Verzekeringen focus their services on customers who require high-quality independent advice. For customers who want direct insurance ASR Nederland introduced Ditzo in 2008. Captivating campaigns have quickly elevated Ditzo to a strong online insurance brand for self-service customers with a focus on highly personalised service and support.

By building a new identity, improving its capital position and returning to positive results, ASR Nederland has taken the first steps towards reconfirming its solid position in the Dutch insurance market.

LIFE/NON-LIFE RESULTS AND NOTES

KEY FIGURES

ASR Nederland (EUR millions)	30-Jun-09	30-Jun-08	%	31-Dec-08
Gross written premiums Life	1,426	2,089	-32%	3,491
Gross written premiums Non-Life	1,386	1,405	-1%	2,268
Gross written premiums	2,812	3,494	-19%	5,758
Result Life before taxation	50	266	-81%	-856
Result Non-Life before taxation	44	122	-64%	10
Result before taxation	95	388	-76%	-846
Taxation	-16	-88	--	212
Result after taxation	79	300	-74%	-633
Minority interest	-2	-9	--	-7
Net result	77	291	-74%	-640
Operating costs	290	272	6%	591
Cost-premium ratio (net)	14.1%	12.8%		14.7%

ASR Nederland (EUR millions)	30-Jun-09	31-Dec-08	%
Technical provision Life	26,388	26,124	1%
Technical provision Non-Life	3,648	3,289	11%
Total gross technical provision	30,037	29,413	2%
Total equity (including real estate revaluation) *	1,907	1,757	9%
Balance sheet total	36,666	36,714	0%
Buffer capital **	287%	233%	
Number of employees (FTE)	4,530	4,540	0%

* The presented equity is a combination of shareholder's equity and a revaluation of real estate. At 30 June 2009 the shareholder's equity totalled EUR 745 million and the real estate revaluation was EUR 1,162 million. At 31 December 2008 shareholder's equity stood at EUR 529 million and the real estate revaluation at EUR 1,228 million.

** Besides the real estate revaluation, various additions have been made to equity in order to calculate the buffer capital. The additions include the capital securities and the overvalue in the technical provisions established using the IFRS adequacy test.

Gross written premiums

Gross written premiums in the first half of 2009 came to EUR 2,812 million (-19%) against the backdrop of an organisation undergoing major change and with the financial markets significantly influencing insurance sales.

Life

Gross written premiums at Life totalled EUR 1,426 million, 32% down on the corresponding period of the previous year, mainly because of the significant fall in turnover of single-premium policies (-59%). There was only a slight 2% decrease in premium-paying policies.

Non-Life

Despite worsened market conditions and increasing competition on price, **gross written premiums at Non-Life** remained largely in line with the previous year at EUR 1,386 million. Sales at Accident & Health (including medical expenses insurance) decreased by 4%, while sales of Motor, Fire and Other Non-Life insurance increased by 2%.

The stagnating economy and increased competition were more clearly noticeable in **new production at Non-Life**. This was caused mainly by less new production for Health insurance and price pressure on disability insurance.

Net result

ASR Nederland made a net result of EUR 77 million in the first half of 2009, after making a loss in the second half of 2008. This is the result of a slight recovery in the financial markets compared with the second half of 2008. It was also due to a strong improvement of investment revenues and a significant reduction of impairments on investments.

Compared with the first half of 2008, net result decreased from EUR 291 million to EUR 77 million. The reduction was caused mainly by a significantly lower result from sales of investments. This was because in the first half of 2008 a substantial part of the share portfolio was dismantled in order to reduce the risk profile. Consequently, there was also less dividend income. In addition, there was a clear increase in non-life claims, particularly for motor, fire and disability insurance policies.

Equity and solvency

Total equity (shareholder's equity and real estate revaluation) increased from EUR 1,757 million at year-end 2008 to EUR 1,907 million in the first half of 2009. The main reasons for the increase are the revaluation of EUR 139 million on investments and the addition of the net result of EUR 77 million.

Solvency, i.e. buffer capital expressed as a percentage of the required minimum equity, rose at ASR Nederland to 287% at 30 June 2009 compared with 233% at year-end 2008.

The Dutch Central Bank (DNB) solvency rate for ASR Nederland N.V. came to 227% and for ASR Levensverzekering N.V. to 390% at 30 June 2009.

Over the past half year ASR Nederland has taken measures to reduce its sensitivity to interest rates. Among other things we purchased more than EUR 100 million in swaptions and replaced EUR 2.5 billion in short-term bonds by long-term government bonds. This has brought the durations of the investments more into line with those of the liabilities. Additionally, our share positions were hedged further and scaled down to EUR 1.2 billion and the required capital was reduced by means of modified reinsurance.

LIFE

(EUR millions)	30-Jun-09	30-Jun-08	%	31-Dec-08
Gross written premiums	1,426	2,089	-32%	3,491
Allocated technical investment revenues	735	-682	--	-2,622
Reinsurance premiums and other revenues	26	-13	--	-69
Total revenues	2,186	1,395	57%	800
Gross payments	-1,441	-1,292	12%	-2,538
Change in provision for insurance liabilities	-569	163	--	1,186
Other technical costs	121	-17	--	6
Total technical costs	-1,889	-1,146	65%	-1,346
Operating costs	-133	-120	11%	-263
Commissions, change in capitalised acquisition costs	-86	-105	-19%	-188
Total business costs	-219	-225	-3%	-451
Technical result Life before taxation	78	23	--	-998
Allocated capital gains	-15	64	--	54
Other non-technical results	-12	178	--	88
Result before taxation	50	266	--	-856
Taxation	-7	-58	-88%	216
Result after taxation	43	208	--	-640
Minority interest	-2	-9	-78%	-7
Net result	42	199	--	-647
Cost-premium ratio (net)	13.1%	10.9%		13.4%
New production (APE)	118	214	-45%	305

Gross written premiums

Gross written premiums at Life decreased by 32% due to a sharp fall in the volume of premiums for single-premium policies. ASR Nederland decided to adjust the tariffs for individual single-premium policies so as to achieve a responsible business return. Group single-premium policies decreased because the pensions market is now largely at a standstill, most index-linking of pension entitlements has been shelved, and sales of single-premium policies in 2008 were greatly affected by some large new contracts.

New production at Life, measured in APE, decreased in the first half of 2009 from EUR 214 million to EUR 118 million. This development was again caused principally by the reduced production of **single-premium policies** (-65%), predominantly in the Group segment due to the economic recession and the setting aside of index-linking of accrued pension entitlements. The decrease at **premium-paying policies** (-29%) was caused by the gloomier stock market sentiment,

resulting in lower sales of investment-related and mortgage-linked products.

The market share of premium-paying individual policies (18.4%) remained roughly the same (18.6% in the corresponding period of the previous year).

Technical result

The **technical result** increased from EUR 23 million to EUR 78 million compared with the corresponding period of 2008. The main reason for the rise is the increase in total revenues, which stemmed chiefly from higher investment revenues. A substantial portion of these investment revenues is for the account and risk of policyholders. The related addition to the technical provision can be seen in the item headed 'Change in provision for insurance liabilities'.

Business costs

On balance, **business costs** fell by 3% to EUR 219 million. Lower production and discontinuation of bonus commissions lowered

the commissions item. The 11% increase in operating costs to EUR 133 million stemmed from circumstances including unbundling from Fortis and investments in systems to meet transparency and legal requirements. Investments were also made in a new generation of life insurance products that among other things necessitated extra ICT costs. Our objective is to create a new product line to respond even better to developments in the market and the changing demands of consumers.

Net result

Net result in the first half fell from EUR 199 million in 2008 to EUR 42 million in 2009. The decrease is attributable mainly to a significantly lower 'Other non-technical' result, including results from sales of investments. In 2008 these had increased sharply following the start of the lowering of shares in the investment portfolio.

NON-LIFE

(EUR millions)	30-Jun-09	30-Jun-08	%	31-Dec-08
Gross written premiums Accident & Health, including medical expenses insurance	816	847	-4%	1,260
Gross written premiums Motor, Fire, Other	570	557	2%	1,007
Total gross written premiums	1,386	1,405	-1%	2,268
Allocated technical investment revenues	60	45	32%	-47
Change in provision for unearned premiums, reinsurance premiums	-359	-383	-6%	-205
Total revenues	1,087	1,067	2%	2,016
Gross payments	-696	-588	18%	-1,203
Change in provision for insurance liabilities	-115	-117	-2%	-185
Other technical costs (excluding claims processing)	101	76	33%	107
Total technical costs	-711	-629	13%	-1,281
Operating costs	-157	-152	3%	-328
Commissions, change in capitalised acquisition costs	-165	-161	2%	-334
Total business costs	-322	-314	3%	-662
Technical result Non-Life before taxation	54	126	-57%	74
Allocated capital gains	-8	4	--	-25
Other non-technical result	-3	-7	--	-39
Result before taxation	44	122	-64%	10
Taxation	-9	-30	-70%	-4
Result after taxation	35	92	-62%	6
Minority interest	0	0	--	0
Net result	35	92	-62%	6
Claims ratio	68.8%	61.3%		62.1%
Costs ratio	15.2%	14.8%		15.8%
Commissions ratio	16.0%	15.7%		16.2%
Combined ratio	99.9%	91.7%		94.1%

Gross written premiums

Despite the worsened market conditions and increasing (price) competition, the **gross written premiums** at **Non-Life** were roughly in line with the previous year's level and came to EUR 1,386 million. With the exception of disability insurance, all sectors exhibited an increase driven by a rise in the number of insured parties and the increase as a result of index-linking.

The **allocated technical investment revenues** rose by 32% to EUR 60 million because of a lower level of write-downs on the fixed-interest portfolio.

Business costs

Compared with the previous year, our business costs rose by 3% to reach EUR 322 million. Operating costs increased mainly because of expenses incurred for the de-merger of ASR

Nederland and the creation of a provision for the reorganisation. This caused the cost ratio to increase from 14.8% to 15.2%.

Technical result

The technical result at Non-Life fell from EUR 126 million to EUR 54 million. The reduction was due to circumstances including an increase in claims expenses because of a higher frequency of claims, an increase in the number of large claims and exceptionally bad weather in May. This caused the claims ratio to increase by 7.5 percentage points to 68.8%. The combined non-life ratio therefore rose to 99.9% compared with 91.7% in the corresponding period of 2008. Action has already been taken to reverse this development. Among other things ASR Verzekeringen has discontinued the no-claim protection for Motor insurance policies.

Net result

Net result fell by 62% to EUR 35 million. This was caused by the increased claims expenses and higher costs on the one hand and by lower investment revenues on the other.

Disclaimer

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