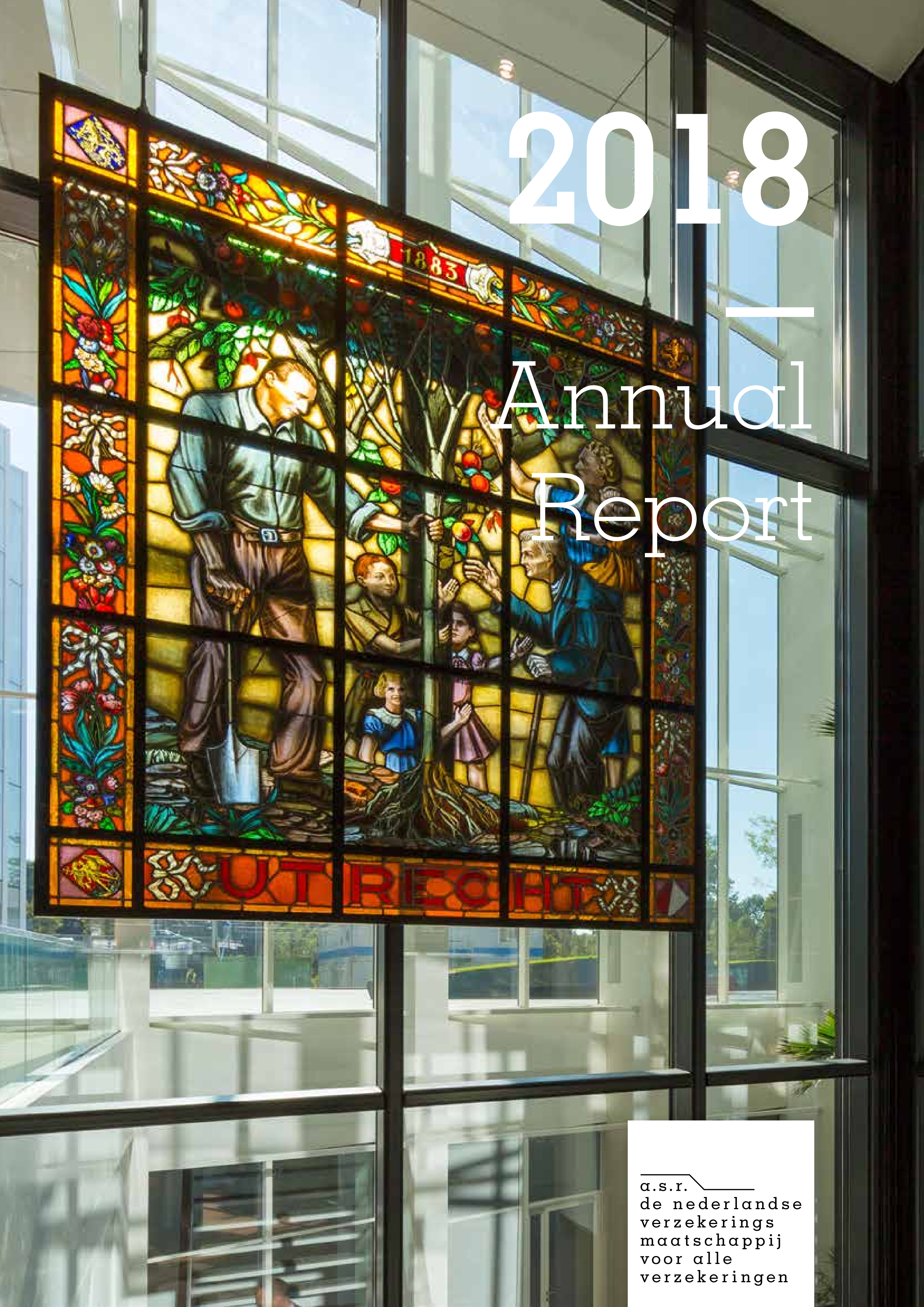
2018

Annual Report



a.s.r.
de nederlandse
verzekerings
maatschappij
voor alle
verzekeringen

Cover
Photo of a stained glass window which shows the image of the tree planter from the former office building of the Life Insurance Company Utrecht in Brussels. The young man with the spade is planting a tree. On the other side of the tree he's an old man and watches his children and grandchildren reap the fruits of his effort. This artwork was created by J. Vosch.

ASR Nederland N.V.

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The Netherlands

www.asrnl.com

2018

Annual Report

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Art

in the Annual Report

a.s.r.'s history goes back to 1720. It's a history we are proud of and of which we like to be reminded. Not only in the form of documents and historical objects, but also in the form of the art collection built up over the years which demonstrates our social involvement. Our art collection now boasts hundreds of objects representing the themes human, day-to-day life and nature.

The basic idea behind the creation of the art collection is to make the working environment as inspiring as possible for employees and visitors. Art is often seen as an interpretation of reality and therefore, in our opinion, creates a fitting link with the concrete contents of this Annual Report.

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Contents

Object

Room

Made by

Levi van Veluw

Chosen by

Maaike van de Laar,
HR development coach

‘This photograph intrigues me. What exactly is going on in this room? The furniture looks as though it’s being blown backwards by an enormous gust of wind. How on earth has it been photographed? And what is it saying? I like it when a work of art raises questions when you go on thinking about it. I often come across art in this building that surprises me. Which is an added bonus in what’s already a great working environment.’

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About a.s.r.

1.1 At a glance

Short introduction

ASR Nederland N.V., hereinafter 'a.s.r.', is the Dutch insurance company for all types of insurance. a.s.r. offers a broad range of insurance products in the areas of non-life and life insurance. a.s.r. offers investment products and mortgages and is also active as an investor and in offering asset management services to institutional clients. Furthermore, a.s.r. is a full-service provider for intermediaries. a.s.r. operates exclusively in the Dutch market.

Overview of brands

Multi-brand model

Brand	Products	Distribution
a.s.r. de nederlandse verzekerings maatschappij voor alle verzekeringen	Property & Casualty (P&C), Individual life, Pensions and Mortgages	Intermediaries and specialists
De Amersfoortse, een merk van a.s.r.	Disability and Health	Intermediaries and specialists
Ditzo, een merk van a.s.r.	P&C and Health	Online
europeesche verzekeringen, een merk van a.s.r.	Travel	Multi-channel
Ardanta uitvaartverzekeringen, een merk van a.s.r.	Funeral	Multi-channel
a.s.r. de nederlandse vermogens beheerders	Asset management	Specialised salesforce

Founded in 1720, deeply rooted in Dutch society

3,683 employees (FTEs)

Head office in Utrecht

#3

Leading market positions and #3 overall in Dutch market based on GWP (excl. Health)

Important dates in 2018

1 January

Start of first own Collective Labour Agreement (CLA) *De Andere cao*

5 February

Completion of acquisition Generali Nederland

19 March

a.s.r. included in AEX

13 June

Over € 1 billion raised for a.s.r.'s mortgage fund

26 June

a.s.r. signs the Spitsbergen Ambition for Climate Agreement

20 September

a.s.r. becomes supporter of the Task Force on Climate-related Financial Disclosures (TCFD)

10 October

Capital Markets Day a.s.r. presents strategy update and new medium-term targets

19 November

a.s.r. announces changes in management structure

4 December

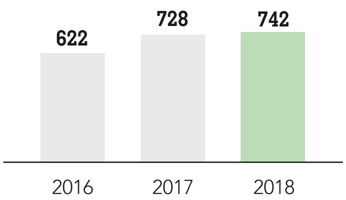
Announcement of acquisition of Loyalis

1.2 Key figures

Financial key figures

Operating result

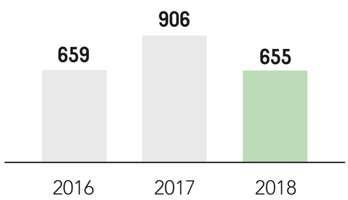
(€ million)



€ 742m

IFRS net result

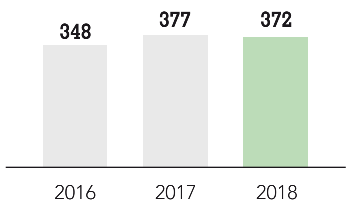
(€ million)



€ 655m

Organic capital creation

(€ million)

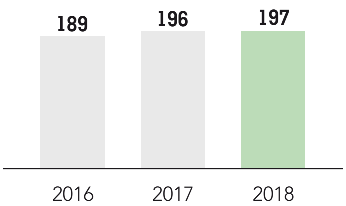


€ 372m

Solvency II

(Standard formula, %)

Target: safely above 160%

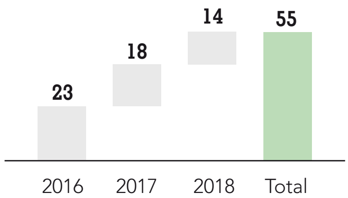


197%

Operating expense reduction

(€ million)

Target: € 50 million
Period 2016-2018

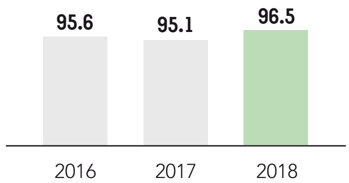


€ 55m

Combined ratio

(%)

Target: < 97%

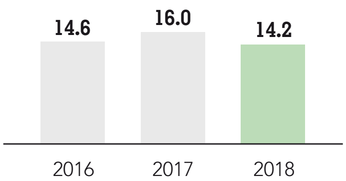


96.5%

Operating return on equity

(%)

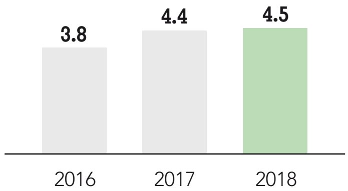
Target: up to 12%



14.2%

Total equity attributable to shareholders

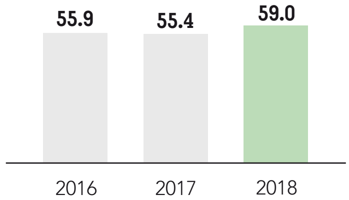
(€ billion)



€ 4.5bn

Total assets under management

(€ billion)

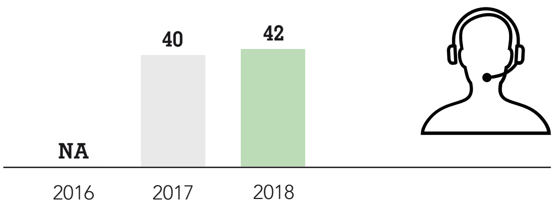


€ 59.0bn

Non-financial key figures

Net Promoter Score (NPS)

Target: > 40



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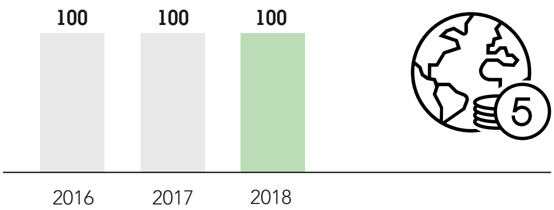
Asset Management

100% of the assets under management by Group Asset Management are compliant with a.s.r. SRI policy

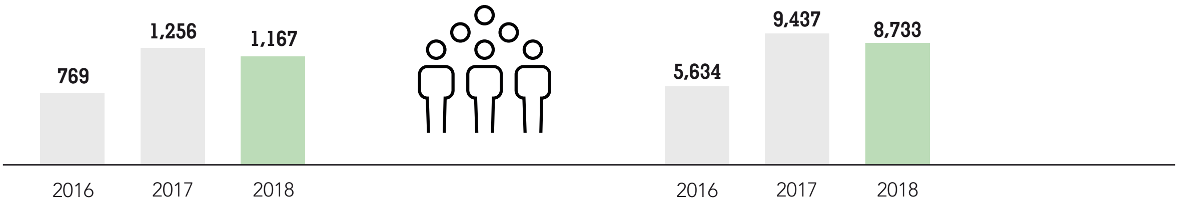


100%

Employee contribution to local society

Target: 975
Total voluntary contribution in number of times

Target: 7,312
Total voluntary contribution in number of hours



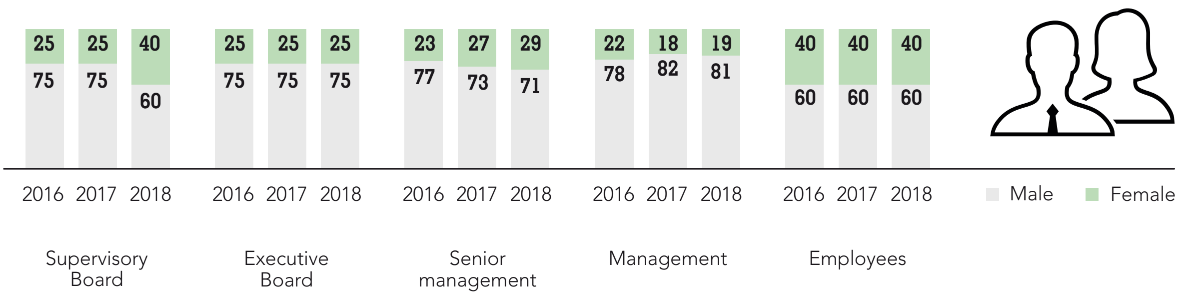
1,167

8,733

Gender diversity workforce

(%)

Target: at least 30% Female/30% Male



Object
Silver scale-model of De Oude Hoofdpoort (1879)
Made by
C. Koops

Chosen by
Jos Baeten, CEO

'For me, this silver model of the Hoofdpoort, which doubles as a salt and pepper cruet, symbolises the transition we've made at a.s.r. The Hoofdpoort was the first headquarters of the Maatschappij van Assurantie, Discontering en Beleening der Stad Rotterdam Anno 1720, and next year it will be 300 years since it was founded. De Oude Hoofdpoort has long since disappeared, having been demolished in 1856 to make way for a railway station. When we still had boardrooms at a.s.r., this silver model stood in the chairman's office - my office - until 2009. The decision to do away with separate boardrooms and offices, and the light and transparent layout of our building following its complete redesign in 2016, testify to the enormous changes we've gone through as a company.'

1.3 Message from the CEO

‘2018 was a good year for a.s.r., in which we either met or exceeded all the targets we set ourselves when the IPO was announced in 2016. It was our first full year of operating as an independent listed company and also the year in which we were included in the Euronext AEX index. In addition to posting sound financial results, we also performed well in non-financial terms, demonstrating that sustainable business and profitable growth can go well together.’

‘The key figures show that a.s.r. performed well in 2018. At € 742 million, our operating result was higher than it was in 2017, which at € 728 million was our best result to date. The gross written premiums (GWP) for Non-life and Life went up in 2018 and the combined ratio in Non-life came to 96.5%, ahead of our target of <97%. The operational return on equity was 14.2%, well above the target of ‘up to 12%’. While the net result for 2018 was below that in 2017, this can be explained by incidental windfalls in 2017. At 197%, our Solvency II ratio is robust. Not only the absolute level but also the quality of our solvency is high, with Tier 1 capital accounting for 85% of the capital present. Our capital base gives us considerable financial flexibility.

> ‘We show that sustainable business and profitable growth can go well together’

Improving our service and focusing on our customers, including through the offer of new innovative products, remained high on the agenda in 2018. We were the first in the Netherlands to successfully introduce a 40-year mortgage, for example. In Non-life, we saw an increase in customer interest for our ‘Vernieuwde Voordeel Pakket’. In 2018, sales of this successful non-life product rose by 25% to more than 70,000. Our ‘Doorgaan’ proposition, a combined disability and health insurance product, was also popular, with over 52,000 self employed and small business entrepreneurs having taken it out. Our disability and health insurance businesses are highly committed to the sustainable deployability of employees and self employed individuals and small business entrepreneurs. We have seen growing interest in our ‘Langer mee AOV’ scheme, which provides affordable and accessible cover for physically demanding professions that are difficult or expensive to insure. I am particularly proud to be able to announce an exclusive partnership with Discovery for our disability insurance and health insurance customers. Together, we will this year be launching a.s.r. vitality, a concept that can help our customers to live healthier and have more vital lives. We will also increase our focus on raising awareness and prevention, and we have developed integrated solutions as part of our disability and health care packages aimed at prevention, occupational reintegration and claims processing.

In Pensions the new ‘WerknemersPensioen’ premiums rose by 65% to more than € 85 million and the related assets rose to approximately € 675 million. a.s.r. WerknemersPensioen puts it comfortably in third place on the Dutch market for new DC pension transactions. Funeral insurance also had a good year. GWP rose by € 19 million and the entire funeral insurance portfolio of Generali Nederland was integrated into a.s.r. For individual life policies, this integration will be completed in 2019. Our ability to successfully complete acquisitions within the specified deadlines and budgets shows evidence of our effectiveness.

a.s.r. also posted good results for 2018 in the other segments. Third party assets under management (AuM) rose by € 1.7 billion to € 16.0 billion (2017: € 14.3 billion) for a.s.r. asset management and a.s.r. real estate jointly. The ‘ASR Mortgage fund’ grew by € 1.3 billion and now manages a total of € 2.3 billion in committed external assets. Our activities in the Distribution and Services segment, which generates fee-based income, also reported good progress. Asset Management and Distribution and Services together added € 41 million to the operating result, which represents approximately 1 %-point in organic capital growth in 2018.

Part of a.s.r.’s strategy is to grow, both organically and through targeted acquisitions. In 2017, we announced the acquisition of Generali Nederland. The transaction was closed in February 2018. As well as being able to welcome the Generali Nederland customers, the integration of Generali Nederland into the various lines of business is also proceeding successfully. Already in the first year, Generali Nederland contributed to the operating result. We expect to complete the full integration of Generali Nederland by 2020. At the end of 2018, we were also able to announce that we are acquiring Loyalis from pension provider Algemene Pensioen Groep N.V. (APG). The company, which is based in Heerlen, employs approximately 300 staff. Loyalis sells disability insurance and supplementary pension cover. Following the acquisition, Loyalis' disability insurance business will continue to trade under its own name from its offices in Heerlen, while the life and pension insurance businesses will be integrated into a.s.r. This process is due for completion in mid-2020.

In 2018, to further improve our service to our customers, we took additional measures in the form of a transformation programme in IT&C to respond more effectively to future developments. The Innovation & Digital (I&D) team, which was set up in 2017, will play a key role in this. The partnership between I&D and the lines of business have not yet generated the result we were hoping for. This will be an important focus for 2019. In 2018, we also revised our goals for a.s.r. bank. This ultimately led us to decide in the second half of the year to qualify a.s.r. bank as 'non-core' and to more explicitly consider what future scenarios there might be for the bank. In Non-life, we were confronted by higher than usual claims and the impact of a severe winter storm. These are events we cannot influence but whose effects we can significantly limit through risk acceptance, information to policyholders and prevention. In 2018, we gave considerable attention to the vitality of our employees. Here too, awareness and prevention were two of the instruments we used. Although absenteeism has decreased, we have not achieved our goal in this area. We will maintain our efforts on behalf of the health and vitality of our employees in 2019.

Throughout the year, a.s.r. was given recognition for its activities in many different areas. We consolidated our number 1 position as a sustainable investor in the Dutch Fair Insurance Guide. By conducting a sharper investment policy on labour laws, gender equility and transparency, a.s.r. improved its score compared with 2017 and ended the year above other insurers. Recently, investment company RobecoSAM announced that a.s.r. had been included in the 2019 Sustainability Yearbook as the biggest climber up in the DJSI ranking in the insurance industry worldwide. We received less positive recognition for the commercial related to the campaign we launched to reflect our social engagement, with viewers of a Dutch TV consumer programme voting our commercial as the 'most irritating' of the year. We will take this on board when preparing the campaign for 2019, in the knowledge that it will probably never be possible to win-over everyone with any single commercial.

The growth of our operating result and management's confidence in the year ahead means we will be proposing a higher dividend payout for our shareholders consisting of a cash dividend of € 1.74 per share: a 6.7% increase compared with the year before. In line with our dividend policy, we will strive to offer our shareholders a stable, modestly increasing ordinary dividend per share in the long term. The ongoing strong operational performance of the various segments, disciplined execution of our strategy and robust capital position make us confident that we can continue to realise the strong operating result of previous years in 2019.

I am delighted that we have reached a negotiating outcome with the trade unions on behalf of our employees, in which we have agreed to increase staff salaries by 3% in 2019 and another 3% in March 2020, and that we have also concluded numerous agreements to continue working with the unions on a future-proof package of working conditions for a.s.r.'s employees.

We are especially proud of the high scores awarded to us by our customers, measured through the NPS. Our NPS has risen steadily in recent years, leading in 2018 to an increase from +40 to +42. We will continue to make every effort to further improve our service to them and to match our products even more closely to their wishes throughout 2019.

To ensure that a.s.r. continues to operate decisively, including in a subsequent phase, we announced at the end of 2018 that we would change our management structure. This was effected on 1 February 2019 through the appointment of a Business Executive Committee (BEC) to encourage more direct involvement of the senior managers of the product lines. As a result of this decision, Michel Verwoest and Karin Bergstein relinquished their positions as Executive Board members with effect from 1 February. We are indebted to them for their hard work and dedication over the years and for their contribution in helping to make a.s.r. what it is today. The selection procedure for a new member of the Executive Board has begun and the nomination of the candidate will be notified as soon as possible.

The results we posted in 2018 could not have been achieved without the support of our investors and customers or the dedication and hard work of our employees. I would therefore like to take this opportunity to thank them all for the confidence they have placed in a.s.r. throughout the year.

Our strategy will continue to focus on selective profitable growth, and our strong financial discipline and value-over-volume principle will continue to guide all our activities, as before. At the same time, we will give considerable attention to social developments and to concern about the climate. The associated risks of climate change for our customers and for a.s.r. itself will be increasingly felt in the years to come. We are acutely aware of this and it is very much top of mind. This is also why a.s.r. has set itself a new medium-term goal of investing € 1.2 billion up to 2021 for impact investing and for carefully analysing the carbon footprint of our investments in order to evaluate its impact and ways to mitigate it. We will do all this in the full conviction that a.s.r. is a company with added value for society, to which it can and must make an active contribution. After all, it is our purpose to help people'.

Jos Baeten,
CEO and Chairman of the Executive Board

1.4 Value creation model

The value creation model shows how a.s.r.'s inputs are transformed within its businesses into value (outputs and outcomes) that benefits the company and its stakeholders.

Additionally, the value creation model shows which Sustainable Development Goals (SDGs) are most relevant for a.s.r.

Input

Financial capital
- Shareholders equity
- Eligable own funds
- Total debt
- Total assets

Manufactured capital
- Customers
- GWP
- Investment returns
- Organic Capital Creation

Human and intellectual capital
- Employees
- Average years of service
- Training employees
- Development of employees

Social and relationship capital
- Intermediaries
- Other business partners
- Memberships
- Trade unions
- Company alumni

Business model

- Non-life incl. Distribution & Services
- Life
- Life related fee business (Asset Management and Pension DC)

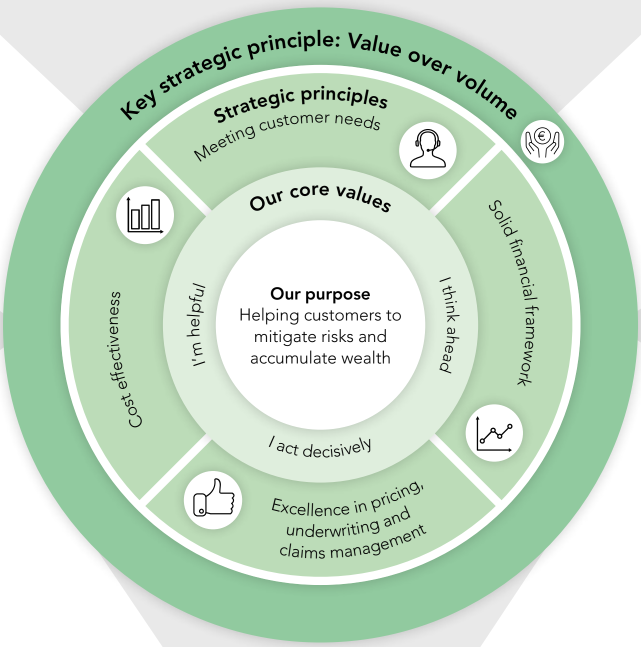
Key trends

Technological

Environmental and demographic

Economic and financial markets

Political and regulatory



Our skills

Service

Craftsmanship

Sober

Social responsible

Value created

4.1 Customers
- Customer satisfaction (NPS)
- Claims and benefits paid
- Customer trust and loyalty
- Transparant products and services
- Integrity
- Solvency

4.2 Investors
- Dividend
- Organic Capital Creation
- (Hybrid) coupons
- Shareholder return

4.3 Employees
- 30% women in senior positions
- Paid salaries and wages
- Top 30% in international Denison Scan
- Sustainable employability
- Highly skilled workforce
- Filling 30% of vacancies by internal candidates

4.4 Sustainable management
- Tax paid in NL
- Paid to suppliers
- % carbon neutral in 2020
- Human rights

4.5 Role in society
- Employee contribution to local society
- Financial self-reliance
- Foundations

4.6 Sustainable investor
- SRI funds and mandates
- Impact investing
- Carbon footprint: Measure investment portfolio

4.7 Contributing to the SDGs

1.5 Reporting segments

a.s.r.'s operations are divided into six operating segments. This chapter presents a short summary of these segments. More detailed information per segment can be found in chapter 5.1 Group and segment performance.

Non-life	Life	Banking and Asset Management
Consists of • Property and Casualty (P&C) • Disability • Health	**Consists of** • Pensions • Individual life • Funeral	**Consists of** • Mortgages • Asset Management • Real Estate • Bank (non-core) a.s.r. does not consider banking activities to be a part of its core business
Products and Services *P&C* • Motor • Fire • Liability • Travel and leisure • Other *Disability* • Disability self-employed individuals • Sickness Leave • Group Disability *Health* • Basic insurance • Supplementary insurance	**Products and Services** *Pensions* • Defined Contribution (DC) • Defined Benefit (DB) *Individual life* • Term life insurance • Immediate annuities *Funeral* • Funeral insurance	**Products and Services** *Mortgages* • Several types of mortgages *Asset Management* • Fixed income • Interest overlay • Liability Driven Investing (LDI), equities • Mandates • Portfolios *Real Estate* • Direct and indirect real estate investments on behalf of a.s.r.'s own account and for institutional investors • Portfolio of agricultural land in the Netherlands *Bank* • Bank annuities • Deferred annuities • Savings accounts • Retail investments
Customers • Retail customers • Small- and medium-sized enterprises (SMEs) • Large corporate clients and their employees • Self-employed individuals	**Customers** • Retail customers • Small- and medium-sized enterprises (SMEs) • Large corporate clients and their employees • Pensionfunds • Self-employed individuals • Het nederlandse pensioenfonds (Hnpf)	**Customers** • Institutional investors • Pension funds, insurance companies, local and regional authorities and parties in the social playing field • Retail customers (a.s.r. bank)

Non-life

Financial performance (€m)

Gross written premiums	€ 3,014
Operating expenses	€ -222
Operating result	€ 145
Profit/(loss) for the year attributable to holders of equity instruments	€ 132

Combined ratio

Non-life segment	96.5%
P&C	98.4%
Disability	90.8%
Health	99.2%

NPS

P&C	47
Disability	45
Health	39

FTEs (in- and external) 1,549

Detailed information in chapter 5.1.2

Life

Financial performance (€m)

Gross written premiums	€ 1,566
Operating expenses	€ -185
Operating result	€ 664
Profit/(loss) for the year attributable to holders of equity instruments	€ 569
Cost/premium ratio (APE)	11.1%
New business (APE)	€ 119

NPS

Pensions	47
Individual life	37
Funeral	41

FTEs (in- and external) 619

Detailed information in chapter 5.1.3

Banking and Asset Management

Financial performance (€m)

Assets under management for third parties	€ 16,000
Operating expenses	€ -78
Operating result	€ 16
Profit/(loss) for the year attributable to holders of equity instruments	€ -26

NPS

Bank	36

FTEs (in- and external) 381

Detailed information in chapter 5.1.4

Distribution and Services

Consists of
- Van Kampen Groep Holding B.V.
- Dutch ID B.V.
- Corins B.V.
- SuperGarant Verzekeringen B.V.
- Anac B.V.
- Stoutenburgh Adviesgroep B.V.
- PoliService B.V.

Services
- Distribution of insurance contracts
- Intermediary services

Customers
- Retail customers
- Intermediaries
- SMEs
- Corporate

Financial performance (€m)

Total income	€ 79
Operating expenses	€ -51
Operating result	€ 25
Profit/(loss) for the year attributable to holders of equity instruments	€ 19

FTEs (in- and external) 507

Detailed information in chapter 5.1.5

Holding and Other

Consists of
Primarily the holding activities of a.s.r. (including the Group-related activities), other holding and intermediate holding companies and the activities of ASR Deelnemingen N.V.

Financial performance (€m)

Operating expenses	€ -60
Operating result	€ -108
Profit/(loss) before tax	€ -127
Profit/(loss) for the year attributable to holders of equity instruments	€ -68

FTEs (in- and external) 1,241

Detailed information in chapter 5.1.6

Real Estate Development

Consists of
a.s.r. does not consider Real Estate Development activities to be a part of its core business

Financial performance (€m)

Operating expenses	€ -4
Operating result	-
Profit/(loss) for the year attributable to holders of equity instruments	€ 27

FTEs (in- and external) 17

Detailed information in chapter 5.1.7

Object

Portrait of Johan de Witt

Made by

Jan de Baen

Chosen by

Jordi van Baardewijk, communications consultant

'This portrait of Johan de Witt by Jan de Baen was painted in the second half of the 17th century. De Witt was councillor pensionary of the Dutch Republic, but what many people don't know is that he's also seen as the first actuary and laid the foundations for pension calculations. A clever man, in other words. This portrait hangs in our meeting room, next to that of his brother Cornelis. Every time I see them I realise how lucky we are to have these works of art. Sometimes you feel as if you're in a museum.'

2

Operating environment

2.1 Trends and developments

a.s.r. operates in a changing and highly regulated environment. It has to stay on top of trends that impact its business models. Therefore, a.s.r. aims to be adaptive to benefit from opportunities as well as to mitigate risks to its business models that originate from those trends.

a.s.r. classifies trends into four themes[1]

Technological

- Ease of use & internet of things
- Customer data & data analytics
- Robotics
- Artificial intelligence & machine learning
- Cyber

Environmental & demographic

- Increased workforce flexibility and more self-employed individuals
- Ageing population & increasing life expectancy
- Corporate social responsibility
- Climate change

Economic & financial markets

- Volatile financial markets
- Low(er) interest rates for longer
- Reduced risk premiums
- Value chain integration

Political & regulatory

- Withdrawing government
- From collective to individual arrangements
- Higher capital requirements
- Rising retirement age

1 It should be noted that this is not an exhaustive list, nor does the order in which the trends are presented indicate their relative importance.

Technological

Various technological developments will have an impact on the scope and position of insurers in society.

Big data generates a vast amount of information that can be used for a range of purposes such as customised solutions, risk pricing, improvement of retention rates, prevention, lead generation and fraud detection. In order for big data to have an impact it has to be transformed into big relevance. Health-related technology can contribute to a longer, healthier life. Predicting and determining factors influencing people's health are increasingly measurable as a result of wearables, which give customers and insurance companies, where possible and desired, more information that could help them move from cure to prevention.

The internet of things, where devices are constantly online and send or receive relevant information, could improve prevention of damage, resulting in a reduction of claims. Smartphones and tablets are increasingly used in customer interfaces to improve ease of use and require simple and straightforward digital services.

Technological developments in the area of artificial intelligence (AI), blockchain, quant computing, machine learning and robotics have a significant impact and have the potential to disrupt or to help re-invent the insurance industry. These technologies could change the nature, magnitude and types of risks that customers want to mitigate and which insurers may want to provide cover for. Insurers' role could be to cover residual risks and their role could therefore shift to helping customers prevent risks. Robotics could also strongly improve the efficiency as well as the quality of processes.

Opportunities and threats

- Customers are becoming comfortable with exploring opportunities with non-traditional 'start-up' companies in the financial sector;
- Technology can improve customer experience;
- Talent for digital work is required for developing solutions and is difficult to attract. In-house development of this kind of talent is key;
- Through technology, customers or alternative platforms can offer services themselves without, or with less, help from traditional parties;
- New technologies are creating new types of risk for which customers seek cover;
- Balance between advanced service opportunities and privacy of customers and employees;
- Technological developments could disrupt traditional insurance models.

a.s.r.'s answers

Technological developments change the lives of consumers. a.s.r. constantly scans the market for technological trends, emerging customer needs and new ways of interacting. a.s.r. has a specialised team I&D in place to support optimisation, transformation and disruption. I&D reports directly to the Executive Board. Disruptive initiatives are managed and organised separately from the a.s.r. organisation.

When needed, a.s.r. assists its customers in a 1:1 conversation. Increasingly however, technology allows a.s.r. to replace these conversations with 1:many dialogues. For customers this means that they can reach a.s.r. at any time with any question. For a.s.r., this means it can be relevant in an efficient and scalable manner.

To enable a high volume of parallel dialogues, a.s.r. has in-depth customer knowledge and is able to handle a lot of data. Changes to the digital infrastructure are vital in this process.

The a.s.r. website is an example where a.s.r. has shown that it can serve its customers, personally and fluently. Additionally, a.s.r. is developing more personalised chatbots to suit preferences of younger target groups, to take away any thresholds that might keep them from gathering information about insurance policies and assess what is relevant to them.

Examples

Chatbot

For more than 2 years, a.s.r. has been using a chatbot as a main conversational interface on its website. With the interface, a.s.r. was seen as a first mover in the Netherlands and is therefore often used as an example for other businesses. Many steps have been made to optimise the 'first time fix', which stands for helping a customer at once. Smart technology is used to 'scan and read' the current telephone conversations a.s.r. has and to analyse questions customers have. These data are very useful for improving the chatbot and the content a.s.r. has on its website. By using a conversation interface as the main contact point with customers, a.s.r. is flexible since it can adapt very fast. As a result, a.s.r. manages to enhance the value of its website every day.

Transformation
The Netherlands is a country with one of the highest adoption rates of voice interfaces and a.s.r. is developing technologies to incorporate voice in its operations. Voice is very different from the conversational interface that a.s.r. currently uses on its website, e.g. 'buttons' that are intuitive in a visual conversational interface are not as intuitive in 'voice'. Not only does a.s.r. learn about this 'new' technology, a.s.r. also applies these lessons in its current interface.

Disruption
The Netherlands has one of the highest self-employed labour ratios compared to other developed economies. This group, often young entrepreneurs, inherently take more risks and are less likely to take longer term decisions into consideration, such as financial planning. Beside this, the Dutch Government is stepping back in providing social security. As a result of both trends, a growing number of self employed individuals is uninsured. a.s.r. started several initiatives to experiment with ways to reach this group of self-employed individuals. By doing this, a.s.r. tries to raise awareness of the risks these people run and to enable them to take action, with financial planning and risk assessment tools.

Robotic Process Automation (RPA) within a.s.r.
In 2018, RPA pilots were carried out at the Life, Non-life, Health and Group departments to determine whether RPA provides added value for a.s.r. The conclusion is that the use of RPA indeed offers opportunities. With RPA, a.s.r. creates virtual employees who carry out certain tasks. These activities are often repetitive and are perceived by 'employees' as unpleasant. As a result, the use of RPA contributes to the quality of the execution as well as employee satisfaction. At the end of 2018, a.s.r. decided on RPA tooling across business units to optimise the deployment of RPA. a.s.r. sees this optimisation in knowledge sharing, deployment of virtual staff capacity and a re-use of solutions between the business units. The use of RPA now mainly focuses on processes with structured information. In 2019, its deployment will be expanded further, whereby a.s.r. will consider whether the use of AI can also process unstructured information via RPA.

Economic & financial markets

The insurance industry has been operating in a low interest rate environment for many years. Investment returns are an important source of income for insurers and its customers. The low interest rate environment has put significant challenges on insurers to achieve adequate returns.

2018 turned out to be a transitory year for the world economy. Overall, economic growth was quite similar to 2017, but growth prospects worsened towards the end of the year as the initial positive impact of fiscal stimuli in the United States (US) on economic growth dissipated gradually. At the same time, the focus on downside political risk (US-China trade war, 'Brexit') became ever prominent. Inflationary pressures remained relatively subdued, partly due to a sharp decrease in the oil price. Central banks continued reducing their monetary expansion of the past years, with the Federal Reserve in the US continuing on its path of raising interest rates at regular intervals and the European Central Bank (ECB) gradually winding down its programme of 'quantitative easing'.

With the relatively strong economic performance of the US and the Fed in tightening mode, US bond yields rose and US equities performed relatively well, especially during the first half of 2018. However, bond yields in the eurozone remained at historically low levels and European equities as well as emerging market equities registered negative returns, albeit to different degrees. As a consequence, conditions for insurers and other institutional investors remained challenging, with low interest rates and low risk premiums resulting in reduced investment returns, while margins on traditional, capital intensive spread-based products remained thin. Taking into account the background of a still positive, but decreasing economic growth, subdued inflationary pressures, and heightened political risk, a.s.r. recognises the possibility that the current environment of low investment returns and volatile financial markets may continue.

In addition, a.s.r. has identified a trend of value chain integration in economic sectors. Through controlling stakes and partnerships, insurance companies increasingly integrate the value chain. This can be seen in distribution channels, claims prevention and added services as well as claims handling. It enables insurers to become a full-service provider to customers.

Opportunities and threats

- Further development of fee business from the Distribution and Services segment;
- Sustainable fee income and business enhancement via asset management solutions for all asset classes for external clients;
- Prolonged low interest rate environment and/or financial markets volatility due to uncertainty, and reduced rewards for financial risks which may reduce future investment related profits and the attractiveness of spread-based businesses such as defined benefit plans;
- Further development of capital-light life products without guarantees that are funded through investment returns (e.g. defined contribution plan and asset management products).

a.s.r.'s answers

a.s.r. actively manages its interest rate hedging to be prepared for sudden fluctuations. While higher interest rates in general are positive for insurers, a sudden steep rise in interest rates usually is not. The increased volatility of financial markets poses an additional risk to future investment returns. In the course of 2018, a.s.r. reduced its market risk by stopping the re-risking process and refocused from equities to real estate.

a.s.r. has assessed the possible consequences of a 'no-deal' Brexit and found that these are relatively limited. The continuity of business operations and continuous service provision is guaranteed. The risk of non-compliance with data protection and privacy legislation has been classified as low. A number of additional (contractual) measures are in progress to further mitigate residual risks. Where possible, a.s.r. wants to limit the consequences of a reduced coverage area for its customers. Fewer than 400 customers have an address in the United Kingdom. With this group, a.s.r. will communicate in a personalised manner, even if there are no consequences (expected) for them. At a.s.r. asset management (AVB), Brexit will mainly impact flexibility with regard to the current portfolios in derivatives positions and new derivative transactions to be concluded in the future. Within AVB, a working group has been set up that is in contact with all relevant counterparties and contract adjustments are implemented.

In 2018, a.s.r. was successful, number 3 in the market, in the 'capital-light' DC market. The DC proposition offers attractive life cycle strategies, leveraging on the capabilities of AVB, with a.s.r.'s ESG policy integrated in the entire investment process.

a.s.r. has further strengthened its third party asset management proposition by offering several funds and mandates to institutional investors. a.s.r. offers specific niche product solutions e.g. the ASR Mortgage Fund, the ASR ESG IndexPlus fund range, tailored LDI Solutions, balanced mandates and several real estate funds (ASR Dutch Prime Retail Fund (DPRF), ASR Dutch Core Residential Fund (DCRF), ASR Dutch Mobility Office Fund (DMOF)).

Environmental & demographic

Developments in society encourages the development of new products and services and/or altering the work procedures of insurance companies. Different factors play a part in this context.

Corporate Social Responsibility (CSR) is becoming an essential aspect for organisations. Environmental, Social and Governance (ESG) policies are increasingly taken into account by investors and also customers consider sustainability an important criterion in their purchasing decisions. In addition, the millennials generation, in general, is expected to switch employers more often than former generations of employees. Millennials do display loyalty, particularly when employers demonstrate a strong sense of societal purpose in addition to financial success.

Fewer people spend their entire working life with the same employer. Jobs are continuously being created and evolve or disappear over time. This process also invokes many job switches, including from permanent contracts to flexible or fixed-term contracts, from having an employer to being a self-employed individual and vice versa. The trend is towards fewer permanent employees, more employees with flexible contracts and more self-employed individuals. Employees seem to attach greater value to a good work-life balance that suits them at any stage in their life.

Life expectancy continues to increase (although the speed with which it increases has slightly decreased). This makes the existing social welfare system in the Netherlands less affordable. Pensions are increasingly tailored to the individual. This affects the product portfolios offered by insurers and pension funds. Another consequence of the steady increase in life expectancy, combined with expensive technological innovations, is that health care is becoming more expensive year after year. This puts pressure on the existing medical insurance system.

Climate change poses financial challenges and opportunities. Organisations are impacted by the effects of climate change (such as storms, hail and flooding), climate policies and new technologies as well as the impact of the transition to a climate neutral economy. Climate change alters the risk profile of insurers as it becomes more difficult to predict how related events and claims patterns will potentially change over time. Preventive measures will become more relevant.

Opportunities and threats

- By supporting the health of customers and employees, they can live and work longer, while claims in Health and Disability will potentially be lower. This is in line with a.s.r.'s objective to contribute to society.
- A further reduction of the principle of collective solidarity and growing attention for individual solutions, possibly offset by mandatory solutions for uninsurable groups;
- An increasing number of self-employed individuals is seeking insurance and (retirement) savings solutions;
- Highly educated and experienced employees, who understand underwriting and risk-pricing are therefore important for insurers' future profitability;
- Customers need to prepare for a longer working life in order to sustain their lifestyle;
- A focus on sustainability enables a.s.r. to distinguish itself as an insurer and attract stakeholders such as investors, customers and new employees;
- Climate change will continue to impact risk analyses and pricing decisions and, if performed inadequately or incorrectly, this poses a risk to a.s.r.'s revenue model;
- Unforeseen elevations in life expectancy may have an impact on future profitability.

a.s.r.'s answers

Pensions responds by focusing on capital-light pension products that can support customers to build up capital/ savings for retirement, also when life expectancy continues to increase. a.s.r. closely monitors changes in legislation, such as the expected expansion of individual choices, which can already be discerned in current legislation. Pensions anticipates this change by facilitating communication and digitisation with a personal touch. Within Disability, a.s.r. provides (self-employed) customers with services pertaining to mental and physical fitness.

a.s.r. is well equipped to benefit from the macro trends that are driving demand for services pertaining to sustainable employability. a.s.r. is the owner of an evolving disability platform in which it leverages unique skills in distribution, in added services to assist employees and the increasing group of self-employed individuals, in claims prevention and in actual disability treatment and reintegration services. a.s.r. serves customers throughout the value chain and receives customer data from all of those angles. As a result, a.s.r. can use these data to improve customer services and grow profitably in each single part of the value chain and in disability underwriting performance and can introduce enhanced product solutions e.g. 'Langer mee AOV'.

a.s.r. intends to be a good steward of nature and the environment by reducing waste and limiting negative impacts of its activities. a.s.r. places special focus on its carbon footprint directly and indirectly through investment activities and is a leader in the Dutch market in ESG investing.

a.s.r. aims to be best-in-class in sustainable business practices in the financial sector and takes account of sustainability whenever possible. a.s.r. continues to work on making its insurance products and services more sustainable (see chapter 4.1 Customers).

a.s.r. is fully aware of the importance and the responsibility that is expected from its role as an investor; both as an asset manager at its own risk and as an asset manager for third parties. Therefore, sustainability is an essential part of a.s.r.'s investment beliefs. a.s.r. believes that the integration of ESG factors into the management of its investments contributes to a reduction of risks (both financial and reputational) and positively impacts its long-term performance and value creation.

The developments in and the impact of climate change is discussed and assessed periodically in the multi-disciplined climate committee of a.s.r. recommendations of this committee led to initiatives in 2018 such as:

- Climate maps to improve knowledge about what kind of climate risks are most likely to occur in which geographical areas;
- Supporting new prospects to prevent damage as a result of climate change through individual risk assessments: focus on preventing climate risks for new applications;
- Supporting policy holders to reduce the effects of climate change through individual claims assessments: focus on preventing climate claims to recur;
- Through social media, a.s.r. shares advice on how to prevent specific climate risks and in blogs, a.s.r. sends information on what to do in the event of weather warnings.

P&C is currently looking into possibilities to expand its product range with new climate covers in exchange for an appropriate premium increase. In addition, climate risk is incorporated in P&C's re-insurance arrangements. At the annual renewals, the latest developments, insights and knowledge on climate developments are taken into account. P&C also monitors the financial performance of its product portfolio continuously. As part of this monitoring, it assesses the impact of climate change on claims ratios, which may lead to an adjustment of premiums. For 2019, P&C will continue to take measures to adapt to climate change.

Additionally, a.s.r. explores opportunities to further reduce the carbon footprint of its investment portfolio in line with the Paris Agreement. a.s.r. measures and evaluates the results of its efforts, with the final goal of supporting the global energy transition. See chapter 4.6 Sustainable investor for details about measures taken by a.s.r. as a responsible investor with regard to the risks of climate change and the energy transition.

Politics & regulatory

In the financial sector, the ongoing trend is towards more regulation to better safeguard the interests of customers and making the financial sector more resilient to prevent future state intervention. Consumer protection (for example, regulations to increase the protection of personal information – the General Data Protection Regulation (GDPR)) has high priority and risk mitigation is broadly supported by politicians and regulatory bodies alike. Continuous effort is needed to comply with regulation, as illustrated by the emergence of Solvency II and the upcoming change in accounting standards (i.e. IFRS 17).

The Solvency II framework requires insurers to hold sufficient capital to ensure that policyholders' interests are safeguarded at all times. Products with guaranteed minimum returns have become increasingly expensive. This causes insurers to move from capital-intensive to capital-light products, such as DC pensions and asset management propositions.

On the other hand, government is withdrawing from certain markets, be it disability insurance and related services or building up sufficient capital for retirement. The individualisation of society has also reached the insurance sector. Analysing customer data allows for more individualised services and insurance products. Also, the solidarity principle within the pension framework in the Netherlands may be reformed to a more individualised approach.

Opportunities and threats

- Increased levels of regulation, forcing a shift from entrepreneurship to a 'de facto' implementation of publicly established regulations;
- Solvency II and an increased scrutiny of the capitalisation of insurance companies may speed up consolidation in the Netherlands and enhance the opportunity-set for possible acquisitions for a.s.r.;
- The introduction of IFRS 17 will impact the way in which long-term contracts are handled and lead to additional reporting costs;
- New and increased levels of regulation, for instance in the field of Pensions, Disability and Health, may impact existing business models;
- A juridification of society with specific political, regulatory and public attention to unit-linked life insurance policies. Current and/or future legal proceedings (e.g. of unit-linked life insurance products) brought upon a.s.r. could be applied to or be relevant for other insurance products;
- Privacy regulation that was implemented in 2018.

a.s.r.'s answers

a.s.r. recognises the need for clear and sound regulation, as this will help to build and maintain trust in the financial sector. a.s.r. seeks to keep a local level playing field between vested insurance companies and new entries like fintech and insuretech. Customers' ability to insure against the risks they face should ideally not be constraint by new regulations.

The business is primarily responsible for controlled and ethical business operations. This is supervised by both the Legal and Compliance departments while they invest in awareness and knowledge. A legislative and regulatory committee was set up to respond efficiently to changing legislation and regulations. The committee helps the various business units to identify and apply legislative changes in a timely manner. Products are also rationalised and the ICT system landscape of e.g. P&C, Individual life and Pensions is simplified. This will mitigate the impact of legislation and regulations.

2.2 Stakeholders

a.s.r.'s main stakeholders are its customers, investors, employees and society at large. a.s.r. is in permanent dialogue with these stakeholders concerning its priorities, objectives and policy. A context in which customers play a key role. Long-term relationships with its customers enables a.s.r. to create long-term value for all stakeholders.

Customers
Customers entrust their financial assets to a.s.r., they need to be confident that their funds are skillfully managed and that a.s.r. will fulfil its long-term commitments. They also want it to be done in a socially responsible, relevant and ethical way. Product requirements, perceptions and social standards are constantly evolving, and a.s.r. is committed to anticipating and create new solutions for customers in this changing context.

Investors
Shareholders rely on the execution of a.s.r.'s strategy to create value and are guided by the financial and non-financial targets. They expect management to seize the opportunities that arise and to monitor risks continuously. Dividends and share price developments should offer an attractive total return on their investment. Shareholders are also increasingly interested in the social relevance of the companies they invest in. It is in their interest that a.s.r. represents the interests of all stakeholders in order to achieve long-term value creation and return on capital.

Employees
Employees want a professional working environment which offers them control over their own career choices and to enhance their attractiveness on the labour market. They also want to be proud of the company they work for. Personal development, pride and sustainable employability (within and eventually after a.s.r.) translates into employee engagement. All this makes a positive contribution to the interests of a.s.r. and its stakeholders.

Society
a.s.r.'s stakeholders also include business partners (intermediaries, regulators, politicians, tax authorities, trade unions, the media and civil society organisations among others). They expect a.s.r. to create sustainable and responsible societal value.

Dialogue with stakeholders
a.s.r. is committed to maintaining a good relationship and clear communication with all its stakeholders. It therefore maintains an ongoing dialogue with a wide range of stakeholders at international, national and local level. In 2018, a.s.r.'s communication and engagement with stakeholders on the selection of material topics was reflected in an internal survey which was sent to all employees and in 18 in-depth interviews with internal and external stakeholders. These dialogues sought to gather information on the expectations of value creation by a.s.r. A more detailed description of this process and the outcomes of the stakeholder dialogue can be found in Annex E.

2.3 Material topics

The results of the dialogue with stakeholders were compiled with a view to determining reporting topics and mapping out stakeholders' interests and expectations, which serves in turn as relevant input for policy design and implementation.

The outcomes of the materiality analysis (described more fully in Annex E), including the stakeholder dialogue, were plotted in the materiality matrix on page 30. The topics are grouped into two categories:

- The first category (A) covers highly material topics. Most of these are required to run the business and to keep a.s.r.'s house in order on a daily basis. Each of the topics is measured for its importance in short and long-term value creation for both a.s.r. and its stakeholders. a.s.r.'s main objectives remain unchanged.
- The second category (B) comprises material topics that are important for employees and societal actors but are of a less strategic nature.

The materiality matrix has been validated by various internal stakeholders, including the CSR workforce and the Executive Board.

Sustainable insurer

Customers need to be able to rely on a.s.r. meeting its financial obligations because a.s.r. enters into long-term liabilities such as pension contracts. That is why sustainable financial robustness is essential and one of a.s.r.'s top priorities. a.s.r.'s sustainable commitment is reflected in the development of its products and services. a.s.r. offers solutions that address social issues and align with the needs of today's customers. For example, an affordable disability insurance was designed, the Langer mee AOV, for entrepreneurs with a (physically) demanding profession. Another example is the Starters Mortgage – which runs for 40 years instead of 30 – enabling starters to purchase a house with lower monthly payments. Furthermore, a.s.r. helps clients and insurance brokers by actively sharing relevant content and practical tips about damage prevention.

Sustainable investor

As an institutional investor, one way in which a.s.r. takes ownership of social responsibility is through the use of ethical and sustainability criteria in its investment policy. All investments are screened on the basis of the Socially Responsible Investment (SRI) policy, focusing on aspects such as social and environmental criteria. Countries and businesses that do not meet the criteria are excluded. These include producers of controversial or offensive weapons, nuclear energy, coal, tar sand and shale oil and tobacco and the gambling industry. a.s.r. also require that businesses comply with international conventions on environment, human rights and labour rights.

Sustainable employer

Having a talented, qualified and healthy workforce is key for a.s.r. in achieving its business targets. That is why a.s.r. is committed to attracting, retaining and inspiring the best people, offering them extensive scope for training and development, and facilitating a sound work/life balance.

Sustainable management

a.s.r. seeks to minimise its impact on nature and the environment. One aspect of this is the efficient use of resources, energy and water. a.s.r. is actively getting to grips with waste management, mobility, energy reduction and carbon emissions. a.s.r. has the ambition to reduce its emissions by 2% annually and to remain 'climate neutral' in terms of its direct footprint of the headquarters.

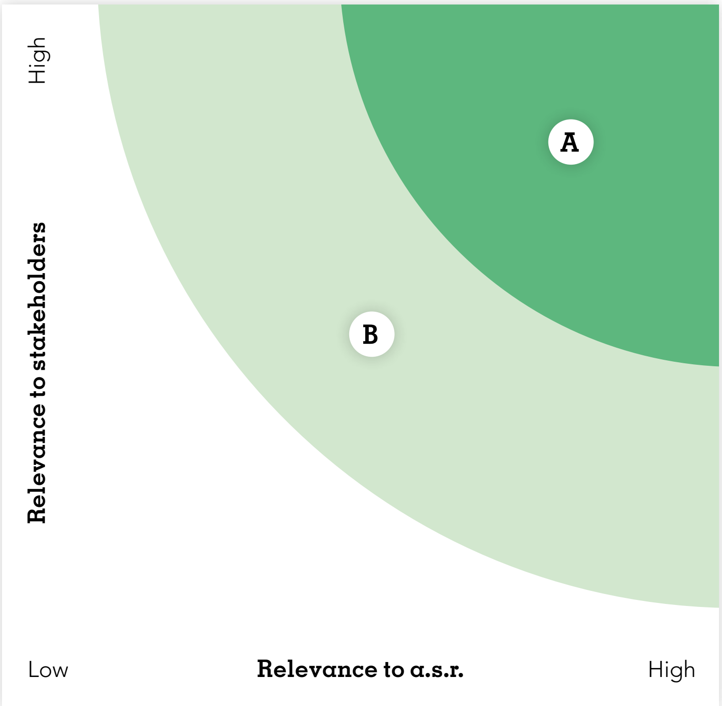
a.s.r. imposes additional requirements on its suppliers in the areas of the environment, human rights and working conditions. These requirements are part of the procurement contracts.

a.s.r. does not do business with partners involved in crime or other socially undesirable acts such as money laundering, fraud or the financing of terrorism. a.s.r. has a Customer Due Dilligence (CDD) policy that requires screening before a contract is signed. The contract management policy also stipulates that a screening is carried out periodically. If, in the opinion of a.s.r., there is reason to doubt the integrity of a supplier, appropriate measures are taken.

Society

a.s.r. foundation initiates projects on awareness and financial self-reliance. By teaching and supporting people in reading and arithmetic, being able to handle money and organising their financial administration. a.s.r. also adheres to and executes the ethics manifesto 'From Debts to Opportunities': customers who are behind on payments are approached in a timely and pro-active manner to resolve their payment problems. a.s.r.'s sponsorship and donation policy fits in with this and is always focused on those starting points. The purely financial support does not or hardly ever occur. It is often a combination of material and substantive support. a.s.r. is committed to preserving cultural and social heritage, which is why the company is involved in a number of nation-wide and local foundations.

Materiality matrix 2018



A	High material topics and descriptions	Ref. chapter
	Customer satisfaction Degree of customer satisfaction in terms of quality and availability of services, comprehensible communication and customer focus.	4.1
	Financial performance A financially reliable and stable institution which is strong enough to meet its financial targets and objectives.	3.2 and 7
	Integrity Complying with applicable laws and regulations, ethical standards and the internal standards to which they give rise. Meeting the (justified) expectations of stakeholders and putting the customer's interests first.	4.3 and 5.3
	IT security/Privacy a.s.r.'s protection against, and response to, attack, theft or damage to infrastructure, hardware, software or information (customer data), as well as the potential disruption or misdirection of the services it provides through managing people, processes and technology.	5.2
	Legal compliance Compliance with constantly evolving national and international laws and regulations and the resulting requirements imposed by regulators.	5.3
	Risk management Risk management is an integral part of a.s.r.'s daily business operations. a.s.r. adopts an integral approach to managing risks, thereby ensuring that strategic objectives are met.	5.2
	Socially responsible investments Investing with due regard for ethical standards, policies and procedures, in line with the interests of a.s.r. stakeholders, in which the integration of ESG criteria is key. This includes respect for fundamental human rights, employment rights, the environment and adequate corporate governance.	4.6

A High material topics and descriptions	Ref. chapter
Solvency The solvency position reflects the extent to which a.s.r. can fulfil its short- and long-term obligations and commitments to all its stakeholders.	3.2 and 5.1.1
Sustainable employment Encouraging employees to develop themselves with the aim of maintaining and/or increasing their opportunities on the internal and external labour market.	4.3
Sustainable products/services To develop sustainable products and services and encourage customers to positively and actively opt for them. The focus is on initiatives in the areas of safety (around the home, in traffic, at work, etc.), prevention (of care and disability) and sustainable asset-building.	4.1 and 4.6
Vitality Helping employees to remain mentally and physically fit and vital at work so that they can continue to add value to a.s.r. and its shareholders.	4.3

B Material topics and descriptions	Ref. chapter
Contributing to financial self-reliance Offering the knowledge and skills of its employees to help people avoid getting into debt or to get them out of debt.	4.5
Diversity A balanced workforce composition based on age, gender, cultural or social origin, skills, views and working styles.	4.3
Energy/Climate neutral operations a.s.r.'s own efforts to help mitigate the impact and risks of climate change.	4.4
Responsible procurement Encouraging environmental and social standards in a.s.r.'s supply chain as well as assessing the positive and negative impact of suppliers on society.	4.4

In addition to the material topics mentioned above, the following trends, which are identified and explained in chapter 2.1 Trends and development, are of great importance in determining, influencing and realising the strategy of a.s.r.

Trends and developments	Ref. chapter
Technological Various technological innovations will have a significant impact on the scope and position of insurers in the value chain.	2.1
Environmental & demographic • The impact and risks of climate change and energy transition on a.s.r.'s customers, intermediaries, products and services; • Trends in society are encouraging the development of new products and services and/or altering the procedures adopted by insurance companies, e.g. individualisation and rising life expectancy.	2.1
Economic & financial markets The insurance industry has operated in a low interest rate environment for many years. Institutional investors such as insurance companies are looking for assets that generate an adequate yield for their investment portfolios.	2.1
Politics & regulatory The trend is towards increased regulation and state intervention.	2.1

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Object

Demolished house, Piet Mondriaanstraat 1

Made by

Marjan Teeuwen

Chosen by

Ingeborg Mellaart, marketing and communications consultant

'I'd never especially noticed Marjan Teeuwen's work before. It wasn't until I went on a guided tour of the building and it was pointed out by our curator that I realised how unusual it was. In fact, I was so fascinated by it that I went in search of more information about the artist. In the end, I even bought one of her works. So it's no exaggeration to say I've been inspired by the art here at a.s.r.!'

3

Strategy

3.1 The story of a.s.r.

Helping by doing

a.s.r.'s purpose is to help people to ensure their financial stability. We help them by mitigating the financial risks they are unable or unwilling to bear themselves. And we help them to accumulate wealth for financial needs later on in life.

Our history goes back almost 300 years. a.s.r. is deeply rooted in Dutch society and we go to great lengths to understand the needs and wishes of our customers. We are committed to delivering our services clearly and transparently, to understanding and fulfilling our customers' needs and we will continue to innovate and develop new services. Using our expertise, we meet customers' needs in a service-oriented way. Customers' trust is essential to a.s.r., and we value independent third-party advice to customers, as reflected in our strong position in the intermediary channel.

We proactively offer innovative solutions for prevention and address our customers' risk-related issues. We are committed to handle claims competently and efficiently, which allows us to offer our customers attractively priced solutions. We also focus on developing asset management solutions to enable our customers to build up capital.

We are highly cost-conscious in our business operations. We make use of well-founded risk assessments and are financially sound, realising sustainable, attractive returns for our shareholders. We strive for organic growth, as well as for growth through the acquisition of small and medium-sized insurers and/or asset management or distribution companies.

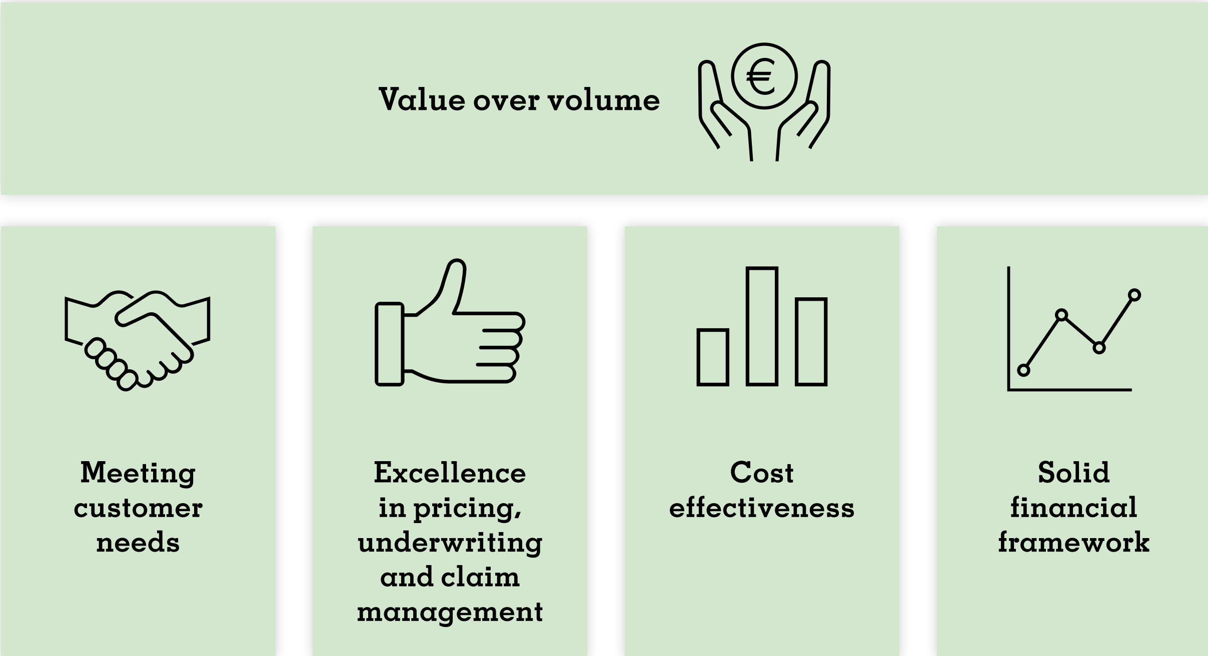
We seek to be a leader in sustainable business practices in the financial sector. We feel responsible for our environment and believe that consumers prefer to do business with sustainable companies.

All of this can only be achieved with motivated and engaged employees. Having a talented, qualified and healthy workforce is key for a.s.r. in achieving its business targets. Our work is guided by our core values: I'm helpful, I think ahead and I act decisively. These values underlie our day-to-day conduct.

We are only satisfied if:
- Our customers get value for the premiums they pay for and customers and their financial advisors believe that a.s.r. provides the right level of service and offers the right products and services at the right price;
- Our employees develop their skills continuously;
- Our shareholders are given attractive returns; and
- Sustainability is included in a.s.r.'s day-to-day business.

3.1.1 Strategic principles

a.s.r.'s overarching strategic principle is 'value over volume'. Value over volume continues to be a key principle when selling products and services. a.s.r. pursues volume growth, but will only do so if this is value accretive. Value over volume overarches the four principles which drive the value of the a.s.r. organisation.



- a.s.r. serves its customers' needs. As outlined in chapter 2.1 Trends and developments, there are many trends and developments affecting insurers, their business models and customer behaviour. a.s.r. must stay on top of these trends and developments, be flexible and continue to meet its customers' changing needs.
- To remain competitive in the Dutch market, a.s.r. must continue to build on its expertise, which a.s.r. refers to as 'craftsmanship'. a.s.r. reflects excellence in its disciplined pricing, underwriting and claims management. a.s.r. aims to be the Netherlands' leading insurance expert.
- a.s.r. is committed to a 'no waste' cost principle. Cost effectiveness is not something you do once every couple of years by announcing large one-off reduction processes, but something a.s.r. believes should be ever-present. Cost effectiveness lays the foundations for sustainable profitable business models.
- a.s.r. generates capital, a pursuit that derives from being a resilient and highly diversified insurer with solid solvency and value-generating businesses. The sound capital base allows a.s.r. to absorb shocks while also taking advantage of opportunities to grow through acquisitions as well as organically.

3.1.2 Portfolio and execution of strategy

The four strategic principles described in chapter 3.1.1 Strategic principles are the value drivers in a.s.r.'s business portfolio. On an ongoing basis, a.s.r. reviews its business portfolio for its contribution to profits, as well as its growth outlook.

Portfolio

Given the profit contribution and growth outlook of the businesses, a.s.r. divides its portfolio into four categories:

I Activities that provide stable cash flows and generate value with relatively strong growth potential;
II Activities that offer business enhancement opportunities, typically capital-light;
III Businesses that represent robust and predictable back books and contribute to profitability;
IV Non-core activities which will eventually be divested.

I – Business domains in Non-life with growth potential P&C Distribution and Services Disability Health	**II – Asset management related growth businesses** Asset Management Pensions DC
III – Robust and predictable service books Individual life Pensions DB Funeral	**IV – Non-core businesses** Bank Leidsche Rijn Centrum

In 2018 a.s.r. strengthened its position in several of the above categories by acquiring Generali Nederland (P&C, Disability, Individual life, Pensions, Funeral), ZZP Nederland (Distribution and Services) and PC Hooft (Funeral). At the end of 2018 a.s.r. announced the acquisition of Loyalis (Disability, Individual life, Pensions), which is expected to be finalised in 2019.

Business domains in Non-life with growth potential

This business domains focus on non-life insurance. Within the non-life domains, a.s.r. focusses on continued growth of P&C insurance and disability insurance, both organically and inorganically. Selected distribution and service companies have been acquired in recent years to facilitate this growth and to enable a.s.r. to become an even more service-orientated company. a.s.r.'s knowledge of the end-customer has increased as a result. a.s.r. believes this is key to adapt to all the trends that are stated above.

The basis for creating value and growing profitably in P&C lies in the following unique selling points:

- a.s.r.'s insurance craftsmanship, by which a.s.r. means its underwriting skills – risk selection and pricing, claims management and cost-effective operations;
- a.s.r.'s leading position in the intermediary channel and with in-house distributors;
- a.s.r.'s know-how in maintaining a superior combined ratio (COR) while growing organically;
- a.s.r.'s know-how in integrating and optimising the portfolios a.s.r. has acquired. a.s.r.'s IT systems and platforms can onboard more business.

Within P&C a.s.r. can continue to grow organically by gaining market share at the targeted COR and, where available, by adding books of business without increasing operational expenses, consequently benefiting from economies of scale. The marginal costs of new business are low. The distribution partners in the portfolio can facilitate this growth.

a.s.r. is well equipped to benefit from the macro trends in Disability that are driving demands for services surrounding sustainable employability. a.s.r. owns an evolving disability platform which comprises:
- Distributors;
- Added services to assist employees and a growing cohort of self-employed individuals;
- Claims prevention services;
- Disability treatment and reintegration services;
- Access to the APG portfolio via Loyalis.

The Disability growth opportunity is that a.s.r. serves customers throughout the value chain. a.s.r. is consequently able to use these data to improve customer services and grow profitably in every single part of this value chain and in its underwriting performance. The recent acquisition of Loyalis fits perfectly into this strategic position.

Robust and predictable service books
Life premiums account for less than 40% of total premiums. But the existing books contribute to the operating result and capital generation is expected to remain substantial in the medium-term/long-term. The robustly capitalised books that a.s.r. manages as service books are traditional DB pensions, individual life and a large funeral book. Those books are not closed for new business. However, production has reduced over time due to (amongst other things), the low interest rate environment and the ban on commissions.

a.s.r.'s profitability in this segment finds its origin in effective and simplified processes based on low and variable costs, an excellent migration and conversion of books of business and an optimisation of Solvency II capital and investment returns.

The growth opportunities within the life insurance services books include:
- a.s.r. has been and continues to be a consolidator of funeral books;
- a.s.r. has started to pursue individual life consolidation as seen in the acquisition of Loyalis.

Asset management related growth businesses
The growth of asset management and defined contribution pension business has been part of a.s.r.'s strategy. a.s.r. has been able to expand external assets under management efficiently and profitably.

The foundation of its operations lies in multiple aspects, given that a.s.r. has gained extensive experience and expertise in:
- Liability-driven investment management solutions based on its own insurance liabilities;
- Niche asset classes such as in Dutch mortgages;
- Unique proposition in real estate;
- ESG-related asset management solutions;
- And, more recently, capital light pension solutions which provide an opportunity to capture AuM.

a.s.r. sees clear opportunities to continue to expand this segment. a.s.r. pursues a 'buy and build' strategy to add scale and skills to a.s.r.'s asset management business for external investors. a.s.r. aims to capture assets in the changing pensions landscape in the Netherlands. a.s.r. continues to leverage on its expertise in mortgages, LDI solutions and ESG asset management services. And a.s.r. aims to continue to expand its real estate fund platform.

Non-core businesses
a.s.r. considers banking activities for consumers no longer a core activity and is held for sale. Real estate development has been classified as non-core since 2015 and has recently reduced in size substantially. A segment of Leidsche Rijn Centrum continues to be part of a.s.r.'s investment portfolio as the last part of real estate development.

Execution of strategy

Maintaining our financial discipline

Managing the value from existing businesses

Pursuing profitable growth in selective areas

The section above, about a.s.r.'s portfolio, describes how a.s.r. manages the value from existing business as well as its pursuit of profitable growth in selective areas. Importantly, a.s.r. will maintain its financial discipline. First and foremost, a.s.r.'s disciplined approach to manage the business is what defines it, and this has proven to be successful.

Maintaining its disciplined approach to cost efficiency is key to not return to past mistakes of the industry and to maintain profitable and sustainable business models.

Opportunities to consolidate in-market will be looked at and expansions of the product and services portfolio are to be considered. However, this will at all times be evaluated against strict financial criteria, such as an ambitious 'risk adjusted' minimum hurdle rate of 12% return on investment and various other financial and non-financial criteria to comply with the way in which a.s.r. does business and that are in line with its culture.

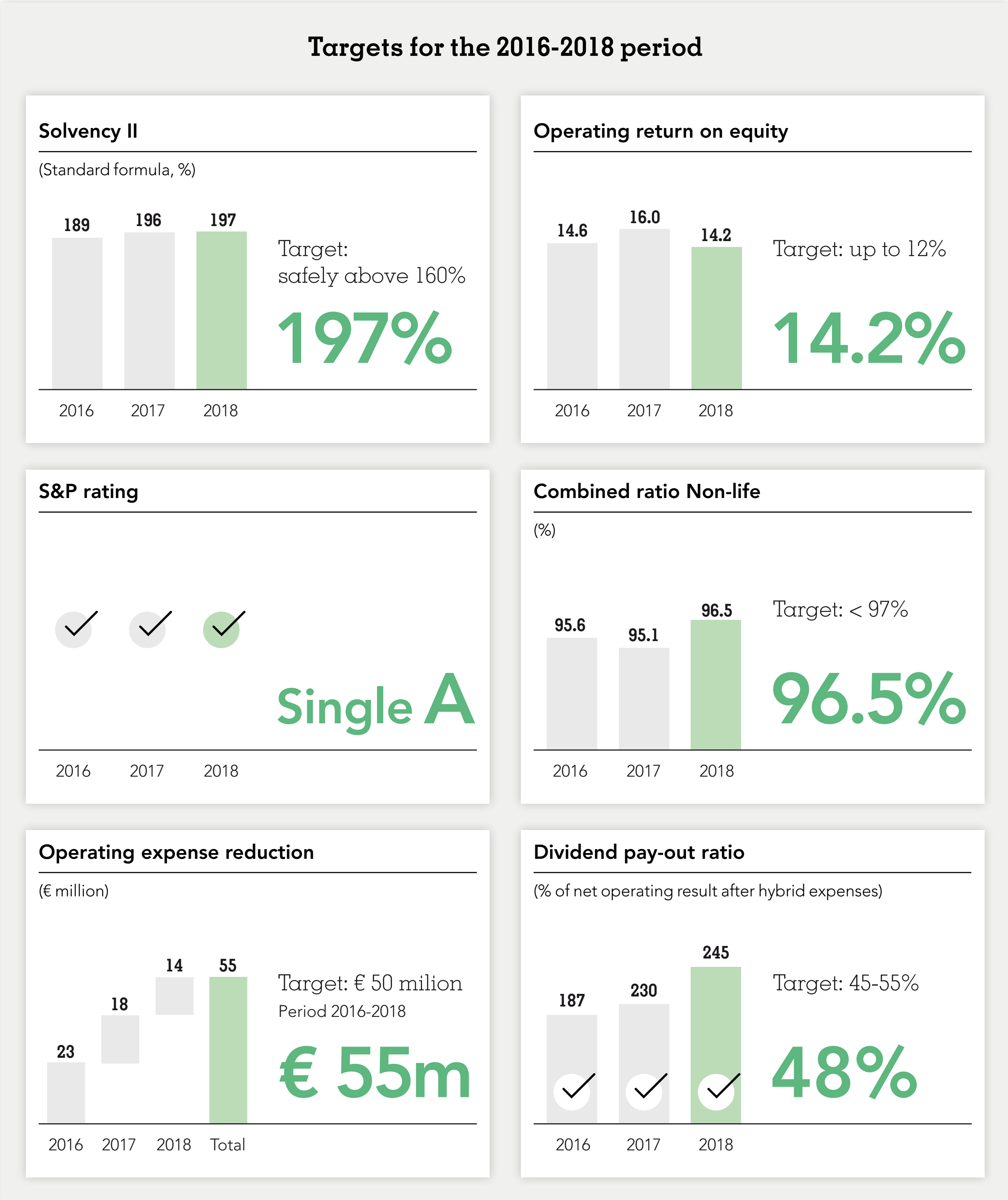
Maintaining a strong balance sheet with ample financial flexibility remains an important element going forward. A robust solvency and capital position is key to existing customers. They need to be able to rely on a.s.r. Robustness is also key to enable the pursuit of profitable growth, both organically and through acquisitions.

3.2 Strategic targets

As part of its IPO and listing on Euronext Amsterdam in 2016, a.s.r. communicated its targets for the medium-term (2016-2018). All targets were met or outperformed in 2018.

3.2.1 Group financial targets for 2016-2018

The financial results for 2018 reflect the continued strong performance and delivery on ambitious financial targets.



The Solvency II ratio (after proposed dividend) increased by 1% point to 197% (year-end 2017: 196%) and was well above the target of 'safely above 160%'. During the planned period (2016-2018), the Solvency II ratio remained well above the target of safely above 160%.

The operating return on equity stood at 14.2% and was well above the target of 'up to 12%'.

During the 2016-2018 period, a.s.r. maintained a single A Standard & Poor's (S&P) Insurer Financial Strength (IFS) rating and met the target of at least a Single A S&P IFS rating.

The COR amounted to 96.5% and was better than the target of '< 97%' for 2018. For each of the years during the planned period, the COR was better than the target of < 97%.

Operating expenses were reduced by € 55 million during the 2016-2018 period. The operating expenses were corrected for the absorbed cost bases of several acquisitions during the 2016-2018 period. The operating expenses increased due to investments in the growth segments of Banking and Asset Management and Distribution and Services, for which no correction was made. The outcome is in line with the realisation of the medium target owing to a strict cost discipline, which remained strong.

Dividend pay-out ratio

Management proposes a total dividend of € 245 million for the full year of 2018. This is a 6.7% increase compared to the cash dividend of 2017. The proposed annual dividend is in line with the dividend policy and based on a pay-out ratio of 48% of the net operating result distributable to shareholders (net of hybrid costs).

The proposed total dividend per share for 2018 amounts to € 1.74 per share, an increase of 6.7% compared to last year (2017: € 1.63). Taking into account the interim dividend of € 0.65 per share (paid in cash on 7 September 2018), the proposed final dividend amounts to € 1.09 per share.

Following the approval of the Annual General Meeting (AGM) on 22 May 2019, the final dividend will be payable with effect from 29 May 2019. The a.s.r. shares will trade ex-dividend on 24 May 2019.

3.2.2 Strategic targets for 2019-2021

At its first Capital Markets Day (CMD) on 10 October 2018, a.s.r. introduced targets for the 2019-2021 period. The targets can be divided into group financial targets, business financial targets and non-financial targets, the latter reflecting the position a.s.r. wants to take in society.

Group financial targets

a.s.r. has determined a set of ambitious group targets. Positioning itself for profitable growth. a.s.r. will continue to run the company with a strong capital position and a Solvency II ratio safely above 160% (standard formula). This enables a.s.r. to deploy capital for entrepreneurial purposes. The maximum level of financial leverage has been set at 35% to bring this ratio more in line with Dutch and international peers on an underlying basis. This adjustment also better reflects the IFRS methodology of shadow accounting that is applied by a.s.r. and is consistent with a.s.r.'s unchanged S&P A rating target. Given the strong performance in recent years and the confidence a.s.r. has in its business for the medium term, a.s.r. has raised the target for operating ROE to the range of 12%-14%.

Organic capital creation (OCC) is a recently introduced target. a.s.r. aims for OCC to rise from € 372 million in 2018 to at least € 430 million by 2021. This target is based on a.s.r.'s position as at 10 October 2018. As such, it excludes the impact from any future acquisition (including the acquisition of Loyalis, which was announced on 4 December 2018) and assumes the 2018 excess investment returns and increasing forward rates.

a.s.r. keeps its dividend policy unchanged as well as its target of a stable to slightly growing dividend per share.

Targets for the 2019-2021 period[1]

Solvency II

(Standard formula)

Safely above 160%

Substantial capital for entrepreneurship

Operating return on equity

(%)

12-14%

Per annum

Dividend pay-out ratio

(% of net operating result after hybrid expenses[2])

45-55%

Ambition to offer a stable to growing dividend per share

Organic capital creation

(€ million)

> € 430m

To be realised in 2021

Financial leverage

(%)

< 35%

Rating

(S&P)

Single A

At least

1 Targets are based on the assumption of normal market, environmental and economic conditions and no material regulatory changes and on a stand-alone basis.

2 In general, a.s.r. does not expect to pay cash dividends if the Solvency II ratio (calculated in accordance with the standard formula) falls below 140%.

Business financial targets

In P&C and Disability together, a.s.r. aims to achieve a COR of 94%-96%. This range reflects a.s.r.'s leadership to manage these businesses profitably while remaining competitive. The range also allows a.s.r. to absorb the normal level of calamities, such as major fires and heavy storms. a.s.r. expects that in a year with a normal level of storms and large claims, it can deliver a COR of 96%. a.s.r. decided to exclude Health from the target as the pricing and profitability of this product line is more prone to political scrutiny. At 99%, the target for Health stand-alone remains stable.

Importantly, the COR target goes hand in hand with a.s.r.'s non-life growth target. It is a.s.r.'s ambition to grow organically by 3%-5% per annum while remaining within the stated COR range. In pursuit of growth, a.s.r. will not forfeit its core discipline of value over volume.

a.s.r. aims to keep its operating result in Life stable compared to 2017 levels. Although a.s.r. expects to experience a decline in the reserves, particularly in Individual life, it remains confident that, in terms of earnings, it will be able to maintain its operating result at the level of 2017 for the next three years. In addition, a.s.r. aims to decrease the Life operation costs from 57 basis points (bps) on its reserves in 2017 to within the range of 45-55 bps on the insurance provision excluding shadow accounting and capital gain reserve.

a.s.r.'s fee generating businesses are growing in terms of absolute and relative contributions to operating results. a.s.r. aims to achieve more than € 40 million of operating result for the two segments of Distribution and Services and Asset Management, excluding banking activities. a.s.r. expects to increase this number by 5% thereafter.

Targets for the 2019-2021 period[1]

Combined ratio

94-96%

Non-life (excluding Health)

Life operating result

Stable

Compared to € 633m in 2017

GWP growth (organic) per annum

3-5%

Non-life (excluding Health)

Life operating expenses

45-55 bps

On basic life provision

Fee based businesses, operating result[2]

€ 40m

5% growth per annum thereafter

1 Targets are based on the assumption of normal market, environmental and economic conditions and no material regulatory changes and on a stand-alone basis.

2 Asset Management and Distribution and Services.

Group non-financial targets

a.s.r. aspires to become increasingly relevant to customers and society and as such has identified a set of non-financial targets which a.s.r. also presented at its CMD.

In the first place, a.s.r. measures how its customers experience its services via the NPS. In 2018, its customers gave a.s.r. a NPS of 42 points, which is a strong performance. The ambition is to grow from this level to achieve at least a NPS score of 44 points by 2021.

The second non-financial target relates to a.s.r.'s investment portfolio, specifically to measuring the carbon footprint and the level of impact investment a.s.r. commits to for the next three years. a.s.r. explores opportunities to further reduce the carbon footprint of its investment portfolio in line with the Paris Agreement on climate change. In addition, a.s.r. measures and evaluates the results of its efforts, with the final goal of supporting the global energy transition. a.s.r. already measures the carbon footprint for both sovereigns and corporates (equity and credits) for its own account. Real estate and mortgages are to be included. The objective is to regularly measure 95% of a.s.r.'s entire investment portfolio for own account and internally managed by 2021. In addition, a.s.r. aims for a total amount of € 1.2 billion in impact investing for own account by 2021. This can be done in line with a.s.r.'s return requirements. a.s.r. defines impact investing as a sustainable contribution to society, for instance, through waste recycling, renewable energy (solar and wind), social enterprises or contributing to health improvements.

To conclude, a.s.r. stimulates its employees to help local society and communities by allocating part of their time to offer help to individuals and/or groups with financial issues. a.s.r. provides financial courses to children, helps families to improve their financial planning and assists communities in more general terms.

a.s.r. aims for an annual growth of 5% compared to the base year 2018 by participating in activities of a.s.r. foundation.

Targets for the 2019-2021 period[1]

Meeting customer needs

(Net Promoter Score)

> 44

By 2021

Investments

95%

Carbon footprint: % measured of investment portfolio (for own account)

Employee contribution to local society

(in no. of hours)

+5%

Per annum

Sustainable investments

€ 1.2bn

Impact investments (for own account) by 2021

1 Targets are based on the assumption of normal market, environmental and economic conditions and no material regulatory changes and on stand-alone basis.

Object

Adding machine

Made by

Justin Wilhelm Bamberger (München)

Chosen by

Dmitriy Silov, portfolio manager fixed income Asset Management

‘The great thing about these old adding machines is that whenever I look at them I’m reminded how little has changed over the centuries. Whether it’s 2019 or the year zero, people have always been busy trying to make their future more manageable, calculating how much money they’ve got (or are owed) and communicating with their loved ones and business partners. Seeing this old calculating machine also makes me realise that our activities don’t essentially change over the centuries; only our methods and machinery become more efficient. Our tools go on improving, but we stay the same.’

4

Long term value creation

4.1 Customers

'Meeting customer needs' is one of a.s.r.'s strategic principles. In everything a.s.r. does, the focus is on its customers. a.s.r. continually seeks to improve its service to customers. Customers must experience that a.s.r.'s processes run smoothly and enable a logical customer journey.

a.s.r. seeks to improve its processes on an ongoing basis, to better help customers and develop sustainable insurance products with long-term value. One of the ways in which a.s.r. does this is by making information accessible and understandable. For example, by investing in new easy-to-acces IT platforms. Customers are increasingly asking for clear, comprehensible information so as to make a well-informed, and suitable choice when purchasing insurance products and services. In order to monitor and where necessary improve its performance, a.s.r. carries out various customer and intermediary surveys. Two of these are the NPS and the Customer Interest Central Dashboard of AFM (the Dutch Authority for the Financial Markets).

Sustainable products

'Langer mee AOV'

The 'Langer Mee AOV' disability insurance is an affordable product developed for self-employed persons with a (physically) demanding profession which runs until the retirement age. The 'Langer Mee AOV' is a sustainable solution in terms of being and staying healthy by making timely adjustments to the professional's tasks, training courses or the business which enable self-employed individuals to continue their profession until they retire.

Ditzo Pechvogelhulp and Pechvogelhulp Plus

Pechvogelhulp and Pechvogelhulp Plus are insurance products for medical expenses following a sudden, unforeseen event. Pechvogelhulp provides cover for extra medical expenses following an accident in the Netherlands that are not covered by the basic insurance. Pechvogelhulp is a standard package that is part of the Ditzo Basisverzekering and provides cover for medical expenses up to € 10,000, such as dental care or physiotherapy. No extra costs are charged for Pechvogelhulp. For a small extra amount Ditzo offers the more extensive Pechvogelhulp Plus. With this package, customers are insured up to € 12,500 for extra medical expenses following an accident. It also provides worldwide cover and includes a € 12,500 pay-out if the insured dies following an accident.

Financial scope and flexibility with the 40-year WelThuis Starters mortgage

On 24 May 2018, a.s.r. was the first in the mortgage market to introduce a mortgage with a term of up to 40 years. This mortgage is aimed at starters on the housing market. Due to increasing house prices, starters are borrowing more and more when buying their first home. But borrowing more means higher monthly costs, resulting in less financial room. This generation needs to work longer due to the increase of the pension age. Why, then, not take more time to repay the mortgage, thus significantly reducing the monthly costs? Instead of the regular term of 30 years, the WelThuis Starters mortgage can be repaid in a maximum of 40 years. This offers starters extra financial scope in the build-up phase of their life (marriage, children, start of career). This mortgage is subject to the same borrowing conditions that apply to other mortgages. Is the financial scope no longer needed? At a.s.r. you can repay 15% of the original loan each year free of charge. In this way, this mortgage offers both flexibility and financial scope.

NPS

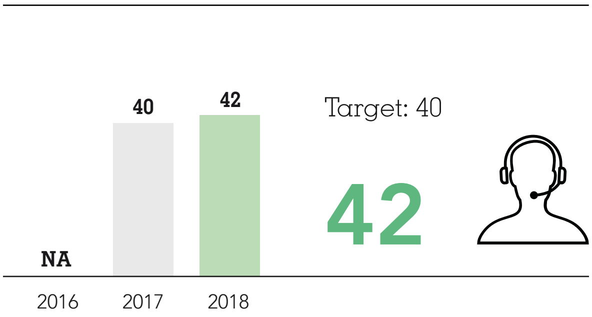
a.s.r. continuously measures the NPS[1] for a.s.r. and its business lines (the overall NPS score is based on the unweighted average of the business lines). The NPS is a management tool that can be used to gauge the customer satisfaction of an organisation's customers. In the questions put to the customer, emphasis is placed on the employee of a.s.r.: How likely is it that you will recommend a.s.r. to your family, friends and colleagues based on your experience with me? a.s.r. uses the NPS as the most important KPI to monitor its services. Customers indicate on an ongoing basis how they experience a.s.r.'s service. a.s.r. wants its customers to experience that it is continually improving its services and strives for an increase of its NPS.

In 2018, the NPS customer contact moment for customers increased by two points during the year, from 40 (2017) to 42 (2018). a.s.r. measures the NPS in all business lines. Many business lines themselves have also formulated specific

1 The NPS is calculated after customers had been in contact with one of the agents. Calculation of the NPS: With a score of 9 or 10, the customer is seen as a promoter (recommendation). With a score of 7 or 8, the customer gets the predicate passive. He or she will neither recommend nor discourage the brand. With a score of 0 to 6, the customer will discourage the brand. The NPS term for this is detractor (criticaster). The NPS is calculated by subtracting the percentage of detractors from the percentage of promoters. The NPS scores presented reflect the year end scores.

NPS targets. The NPS per business line is presented in chapter 1.5 Reporting segments.

NPS



Customer Interests Central Dashboard

The Customer Interests Central Dashboard (Dutch abbreviation: KBC) of AFM makes clear to what degree the sector puts customer interests first in its products and services. This is done on the basis of various research modules. The modules which in 2018 were part of the Customer Interests Central Dashboard concerned 'Risk premiums mortgages', 'Code of conduct professional insurance policies', and 'Claims handling'. The table below shows a.s.r.'s scores. The scores are compared to the average score of all businesses surveyed.

Risk premiums mortgages

During the term of a mortgage, mortgage providers may apply one fixed interest rate or separate interest rates per risk category. AFM assesses whether mortgage providers communicate in a transparent way about how they determine and apply the risk premium during the term of the mortgage. The assessment showed that many mortgage providers insufficiently acted in their customers' interest. The risk premium for each mortgage must be in line with the specific risk of the customer and in case of an equal risk profile, customers should pay the same risk premium. a.s.r. had a higher-than-average score (3.5, on average 1.9) in this research module.

Code of conduct professional insurance policies

In this module, AFM investigated to what extent insurers used a feasible planning in order to meet the new standards of the Insurance Distribution Directive (IDD). The picture that emerged showed how insurers meet the current applicable statutory standards, i.e. to what extent they have a feasible planning in place to meet the new standards of the IDD that came into force on 1 October 2018. a.s.r. had a score of 3.0, slightly below the average of 3.4.

Claims handling

In the investigation into claims handling at Non-life, a.s.r. scored 4.2 with an average score of 3.8. This score shows that orientation on the customer is recognised at a.s.r. The themes that were object of the investigation were: provision of information, claims handling and complaints and feedback management.

Customer Interest Central Dashboard

Scores on (sub)modules	a.s.r. score	Market average
Risk premiums mortgages	3.5	1.9
Code of conduct professional insurance policies	3.0	3.4
Claims handling	4.2	3.8

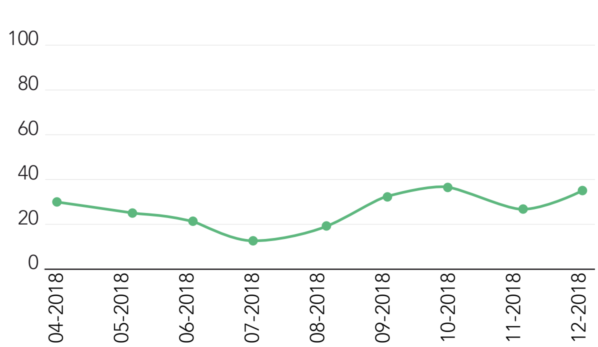
Consumer trust

a.s.r. has been measuring its media expenditure's effect on brand, media and creation on an ongoing basis, using the Reality Analytics model of DVJ Insights. In this model, all relevant brand and communication KPIs and media expenditure are brought together in an online, interactive platform. With the help of this platform, media investments can be better deployed over time.

One of the KPIs that is a constant factor in the Reality Analytics model is the consumer trust in a.s.r.

Consumer trust in a.s.r. showed a declining trend from April 2018 to July 2018, followed by a period of recovery while confidence has remained stable since October 2018.

Consumer trust in a.s.r.



The decrease between April and July is largely due to a market effect. This appears to relate to the associations people have with the various campaign subjects used in this period:

- Following the campaign flight in May (with as subject personal advice, in which the focus was on customised advice through intermediaries), people spontaneously associated a.s.r. in particular with the qualifications 'reliable', 'honest' and 'sustainable'. Specifically, 'reliable' and 'honest' are associated with trust.
- In the period from mid-May to mid-June, the subject of the campaign was 'Human effort', the message being that a.s.r. is always ready to help when you really need it. People considered this subject substantively somewhat less interesting, as expressed in the spontaneous associations such as 'insurance', 'household effects' and 'bank' that a.s.r. received as general feedback.
- Because the subject of 'Human effort' had less appeal, a.s.r. decided to replace this by its commercials from 2017 on SRI policy, resulting in consumers spontaneously associating a.s.r. again with the qualifications 'reliable' and 'sustainable'.

In sum, there has been a market effect that explains in particular the downward trend up until July. And the campaign subjects even enhanced this effect a little. Both the 'lowest point' of July and the 'peak' in October. After October, the trust remained relatively stable.

Reputation survey RepTrak

a.s.r.'s reputation was measured via the RepTrak model of the Reputation Institute. The survey was conducted among three target groups: the general public, SMEs, and intermediaries. In addition to the overall reputation, the model focuses on the drivers of reputation (including governance, products and services and social responsibility), as well as the consequences of reputation (for example recommendations, willingness to buy products and services, and readiness to work for the company). The Reputation Institute has developed a Traffic light Score System which can be used to interpret the scores of the RepTrak. The colour labels of the Traffic light Score System are based on the normative data collected by the Reputation Institute from more than 35 multi-market surveys for businesses over the last ten years.

In particular among the general public and intermediaries, 2018 showed a strong improvement of the score compared to previous measurements. The score among the general public rose to 66.4 (+5 compared to 2016[1]) and among advisors to 74.9 (+5.1 compared to 2016). An increase is also seen among SMEs (+1.7 compared to 2016) and arrives at a score of 67.7. Thus a.s.r.'s reputation moves between 'Average' and 'Strong'.

1 In 2017 there was no survey conducted.

Traffic light Score System

80+	Excellent
70-79	Strong
60-69	Average
40-59	Weak
< 40	Poor

Contributing to prevent payment problems for customers

In October 2016, a.s.r. joined a group of companies committed to helping customers with late payments in proactively finding a solution. These companies have united in a coalition which has laid down ten rules of conduct in an ethical manifesto. Through this coalition, a.s.r. remains in sync with market developments and the public debate surrounding the subject.

a.s.r. makes every effort to ensure that customers are financially self-sufficient. This ties in with 'the story of a.s.r.' and with its core values. Signing and complying with the ten rules of the ethical manifesto also fits in very well with this. In this way, a.s.r. wants to reduce the number of customer cancellations due to payment arrears and problems. It also wants to reduce situations in which customers are confronted with cost-increasing measures. In all cases, a.s.r. strives to avoid non-payment.

a.s.r.'s businesses have put ten rules of the ethical manifesto into effect in their own way. A number of activities in 2018:

1. a.s.r. actively engaged a job coach to help unemployed mortgage customers find a job. The job coach helps customers during a six-month period with drafting an application letter and CV. In addition, customers are coached in job application skills. In the past years, 24 customers found a new job in this way (a success rate of more than 85%). a.s.r. also engaged a budget planner. 19 customers were introduced to this budget planner, 15 of whom eventually followed a budget planning trajectory.

The above-mentioned positive development is also due to:
- Growth of the total portfolio;
- Adjustment of the reference date;
- Favourable economic conditions allowing for a speedier recovery;
- Successful handling of arrears, based on getting in touch with customers promptly, tracing the cause and offering suitable solutions.

2. In 2018, 150 insured were signed off at the CAK (the Central Administration Office) by Health for reasons of leniency because only their excess was still outstanding. All their premium arrears had been paid. Although, by law, all debts must have been settled before being eligible for signing off, for reasons of leniency Health has chosen to sign off these insured persons (with permission from the Ministry of Health, Welfare and Sport) so that they have more repayment capacity to recover the excess.

Product Approval & Review Process

The Product Approval & Review Process (PARP) is one of the internal tools for assessing the relevance of products and services. The focus is on customers and customer interests. The PARP is followed for new products and on a regular basis for existing products and applies continuous improvement on the basis of comments from customers and consultants and, for example, changes in legislation and regulations. The PARP applies to products that are actively offered while inactive products and services are also reviewed on a regular basis. The PARP tests, among other things, Cost Efficiency, Usefulness, Safety and Comprehensibility (Dutch abbreviation: KNVB). This KNVB test includes AFM issues and a.s.r.'s own policies. For example, the usefulness of a product and/or service for the customer is assessed: to what extent is the product a response to an actual need of the target group and does it have any added value? The comprehensibility test examines whether the target group can properly assess the usefulness of a product on the basis of the information the customer receives from a.s.r. This includes tests for comparability, completeness of the information provided, and whether the product characteristics are clearly defined.

In 2018, the PARP Committee approved 4 new propositions, 18 product adjustments and 11 reviews of existing products. Examples of the PARP Committee's approval include: Langer mee AOV, Direct Ingaand Pensioen, VVP Recreatiewoningverzekering and Pechvogelhulp Plus.

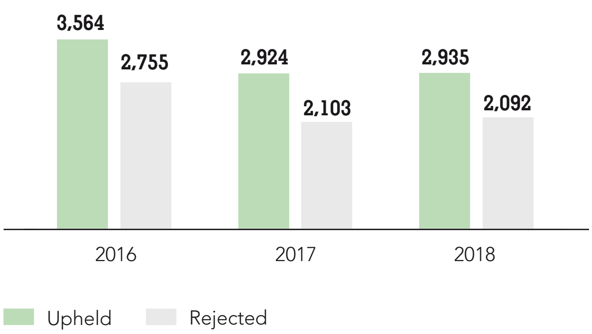
Complaints management

The Complaints Management team monitors the implementation of a.s.r.'s complaints policy and manages the complaints scheme. The complaints handling itself is decentralised within the organisation. Key principles and objectives of complaints management are:
- a.s.r. is open to complaints, making it easy for customers to lodge a complaint;
- a.s.r. communicates its views and the solution to the complaint in an understandable manner;
- a.s.r. wants to learn from its mistakes.

Therefore a.s.r. welcomes receiving any complaints customers may have.

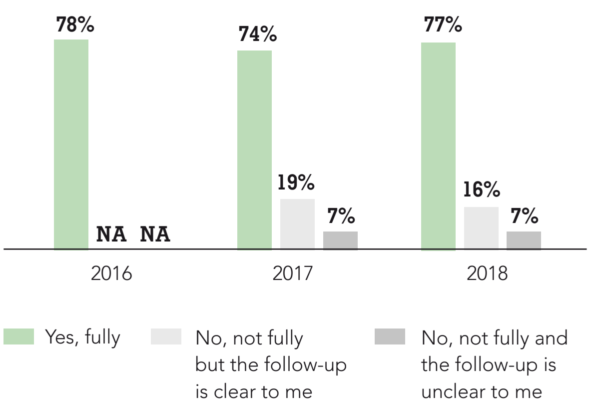
The figures below show the number of complaints settled and the percentage of the complaints handled which have been settled fully, partly or not fully and unclear to the complainer. Most complaints arise in relation to movements of a diverse nature (53%) and on the payment of claims (22%).

Complaints settled



Complaints handled

One of the questions is whether the complaint has been settled in the customer's opinion



Introduction of a new training plan

Building on the further professionalisation of complaints management, a.s.r. upgraded the training plan for complaints officers. Complaints officers were involved in this project in order to gain insight into their training needs. This resulted in the introduction of a new and varied training plan in September 2018.

Since the start of the new training plan, complaints officers have participated in new training courses, for example in the field of customer experience, but also in personal development. The aim is to bring the complaints handling to a higher level to increase customer satisfaction. With this new training plan, all complaints officers are continually up-to-date as far as customers' needs and how to address these is concerned.

Please find more detailed information about customers in Annex A Facts and figures.

4.2 Investors

a.s.r. attaches great value to a strong relationship with the investment community in the broadest sense and sets high standards with respect to transparent communication and fair disclosure. The aim of a.s.r.'s investor relations is to provide all relevant information which may help investors make well-informed investment decisions. a.s.r. does its utmost to ensure that the information it discloses is accurate, complete and timely.

a.s.r. provides relevant insight into its activities through selected financial and non-financial disclosures. To that end, it regularly updates the markets on its financial performance, the progress a.s.r. is making in the execution of its strategy and any other relevant developments by means of press releases, webcasts, conference calls and other forms of communication.

a.s.r. seeks active engagement with existing and potential shareholders, bondholders, research analysts and rating agencies in order to build enduring relationships based on a constructive dialogue. a.s.r.'s executive management team hosts one-on-one and group investor meetings during (international) roadshows or in-house, and attends broker-organised investor conferences. See www.asrnl.com for a.s.r.'s policy on fair disclosure and bilateral dialogue.

Dividend

a.s.r. strives to pay a dividend that supports sustainable long-term value for its shareholders. This year's annual dividend will be based on a pay-out ratio of 45% to 55% of net operating result distributable to shareholders (i.e. net of hybrid costs), while taking into account the aim to offer a stable to slowly growing dividend per share at least at the level of last year. a.s.r. strives to pay a dividend that supports sustainable long-term value for its shareholders. This year's annual dividend will be based on a pay-out ratio of 45% to 55% of net operating result distributable to shareholders (i.e. net of hybrid costs), while taking into account the aim to offer a stable to slowly growing dividend per share at least at the level of last year. For the 2018 financial year, a.s.r. proposes to pay a total dividend of € 1.74 per share, which is paid as an interim dividend of € 0.65 per share and a final dividend of € 1.09 per share. The total dividend represents an increase of 6.7% compared to last year (2017: € 1.63 per share). The dividend increase reflects a.s.r.'s continued strong operational and financial performance throughout 2018.

In 2018, a.s.r. introduced an interim dividend, set at 40% of total dividend for last year. The interim dividend falls within the dividend policy and is conditional on adequate results and solvency.

To support its ability to pay out cash dividends, a.s.r. holds cash at the holding to cover operating holding costs and hybrid expenses for the next 12 months, and cash to pay the definitive and interim dividends on its interim results and annual results.

Dividend history

	Dividend in € million	Dividend per share
2016	187	1.27
2017	230	1.63
2018 proposed	245	1.74

Since the IPO on 10 June 2016 a total cash amount of € 917 million has been returned to shareholders (including the proposed final dividend over 2018). This amount includes € 255 million of share buy-backs in 2017 during the sell down process by NLFI. The current number of shares outstanding is 141 million shares (31 December 2017: 141 million shares).

Shareholders

a.s.r.'s shares are held by an international and diversified shareholder base. As at year-end 2018 and based on public filings and company information, investors in the US and the UK represent the majority of a.s.r.'s shareholders, owning approximately 60% of the shares outstanding. The remainder is primarily held by investors in the Netherlands, Germany, Norway and the rest of Europe. Approximately 1% of the shares are held by retail shareholders in the Netherlands.

In 2018, a.s.r.'s management continued to actively seek dialogue with its investor base and potential investors. In addition to holding conference calls and in-house meetings with investors, management took part in international roadshows and conferences. The main topics, in addition to financial and operational business progress, were consolidations in the Dutch market, Solvency II and organic capital creation, capital allocation, investment returns, the composition of the investment portfolio and financial flexibility.

In February, a.s.r. organised a sell-side analysts' dinner, which was attended by 21 analysts. In June of the same year, a.s.r. held a conference call to give an update on the Generali Nederland integration. And in October 2018, it hosted a CMD at its office to update the market on its strategy and its financial and non-financial targets for 2019–2021.

Major shareholders

Dutch law requires shareholders to report their holdings

in Dutch listed companies to the AFM if the holdings exceed 3% of total outstanding share capital (and at certain higher thresholds). As per the AFM register, the following shareholders hold a position in a.s.r. of between 3 and 5% as at 31 December 2018:
Acadian Asset Management, BlackRock, JPMorgan, Norges Bank and Standard Life.

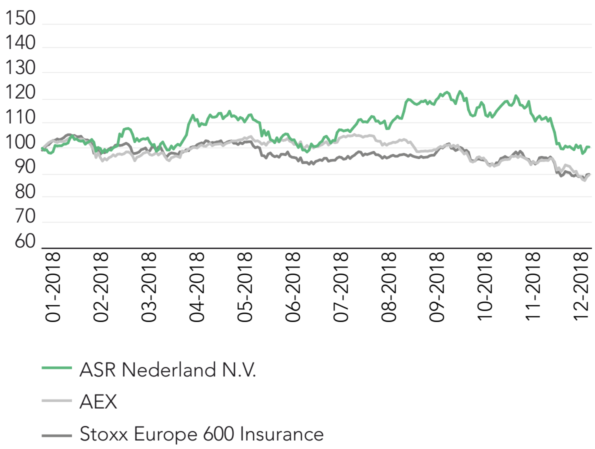
Shares and share price performance

a.s.r.'s shares are listed on Euronext Amsterdam (symbol: ASRNL, ISIN: NL0011872643). Following the IPO on 10 June 2016, a.s.r. was included in the AMX index (Amsterdam Midcap Index) on 19 September 2016. Since 19 March 2018, a.s.r. has been included in the AEX index (Amsterdam Exchange Index).

The share continued to deliver a strong performance in relative terms. In absolute terms, compared to the beginning of the year, the share price was more or less stable (increased with 0.8%) at the end of 2018.

The total shareholder return[1] amounted to 7.08% in 2018 (including dividend reinvestment in a.s.r. shares). The total return since IPO amounted to 96.9%. The Euronext AEX index and the Stoxx Insurance 600 Insurance Index were both outperformed by 11.2% and 10.8%, respectively.

Share price index development ASRNL



Share price performance

	2018	2017	2016
Introduction price as at 10 june 2016	NA	NA	€ 19.50
Starting price as at 1 January	€ 34.31	€ 22.60	NA
Highest closing price	€ 42.18	€ 35.74	€ 22.65
Lowest closing price	€ 33.70	€ 21.90	€ 17.14
Closing price as at 31 December	€ 34.58	€ 34.31	€ 22.60
Market cap as at 31 December (million)	€ 4,876	€ 5,043	€ 3,390
Average daily volume shares	474,054	602,768	223,479

a.s.r. is included in the following indexes:
- AEX since 19 March 2018;
- FTSE4Good Index Series, confirmed on 10 July 2018;
- Ethibel Sustainability Index (ESI) Excellence Europe since 21 September 2018;
- a.s.r. is also included in several indexes of the MSCI.

Ratings and bonds

a.s.r. has five listed bonds outstanding. On 31 December 2018, the total nominal amount was € 1,509 million. a.s.r. has ratings from S&P. In 2018, a.s.r. had several conference calls with the rating agency and a meeting at the a.s.r. offices to discuss both developments at a.s.r. and the Dutch insurance market. This resulted in a comprehensive S&P analysis report on a.s.r. on 20 August 2018, which confirmed the ratings and outlook. The single A rating of the insurance entities has applied since 29 September 2008, and the stable outlook since 23 August 2012.

More information on a.s.r.'s bonds and ratings can be found on the website: www.asrnl.com

Ratings

Standard & Poor's		Rating	Outlook	Rating & outlook since
ASR Nederland N.V.	CCR	BBB+	Stable	15 May 2014
ASR Levensverzekering N.V.	CCR	A	Stable	23 August 2012
ASR Levensverzekering N.V.	IFSR	A	Stable	23 August 2012
ASR Schadeverzekering N.V.	CCR	A	Stable	23 August 2012
ASR Schadeverzekering N.V.	IFSR	A	Stable	23 August 2012
10% Tier 1 hybrid bond		BBB+		17 July 2009
7.25% Tier 1 hybrid bond		BBB+		17 July 2009
5% Tier 2 hybrid bond		BBB-		16 September 2014
5.125% Tier 2 hybrid bond		BBB-		29 September 2015
4.625% Tier 1 hybrid bond		BB		5 October 2017

1 Source: Bloomberg

Financial calendar in 2019

20 February
Full year 2018 results

27 March
Publication Annual Report 2018

22 May
Annual General Meeting 2019

24 May
Ex-dividend (final dividend) date

27 May
Dividend record date

29 May
Payment 2018 final dividend

28 August
Interim results 2019

2 September
Ex-dividend (interim dividend) date

3 September
Dividend record date

6 September
Payment 2019 interim dividend

Please find more detailed information about investors in Annex A Facts and figures.

4.3 Employees

Employees are an important factor in successfully implementing a.s.r.'s strategy and creating long term value. As described in chapter 3.1 The story of a.s.r., customers and wider society benefit from the service, expertise, positive attitude and social commitment of its employees.

a.s.r. needs competent, agile and vital employees with an entrepreneurial and versatile attitude in order to realise 'the story of a.s.r.'. Employees who can and dare to take control of their day-to-day work, including their own careers, but also employees who can handle change, within a.s.r. as well as in the market in which it operates. Because a.s.r.'s environment is rapidly changing. Consider for example, developments such as robotisation, digitisation and artificial intelligence. But also the entry of new players onto the market and the fact that employees must work for longer due to the increase in the state pension age. This also changes the requirements made of employees. This is why a.s.r.'s HR policy focuses on personal leadership and personal agility, on supporting employees in their professional development and on boosting their continued employability and labour market appeal.

The a.s.r. culture

The story of a.s.r. was updated in early 2017. a.s.r.'s strategy, mission, vision and core values were also reformulated at this time (see also chapter 3.1.1 Strategic principles).

Everyone at a.s.r. abides by the organisation's core values, which set out the basic approach and are used as a behavioural compass. These core values are:

I. 'I'm helpful'. Employees are approachable, listen attentively, then help with solutions using their expertise, experience and commitment;
II. 'I think ahead'. Employees empathise and think ahead to proactively help customers, intermediaries and colleagues;
III. 'I act decisively'. Employees are alert and sharp to content and process, and come up with solutions. They coordinate, are persistent and stand by their commitments.

The story of a.s.r. is reflected in all HR instruments and tools and in the HR strategy.

Organisational success and employee engagement

In April 2018, a.s.r. conducted the yearly Denison organisational success survey, which measures the success of an organisation in several dimensions, e.g. engagement. The results are compared to a global benchmark of large organisations that use the Denison organisational success survey. This was the second time this survey was conducted.

The scan was completed by 70% (2017: 69%) of the employees. Overall a.s.r. scores were better than last year, with an improvement in almost all areas. The average scores show that employees know what a.s.r. strives to achieve. Scores for engagement were high, which means there is plenty of energy in the organisation. A clear increase was also visible in core values and conduct, with more people observing the code of conduct.

Each Management Team discussed the results for their business line and devised a follow-up.

Personal leadership and agility

Development and vitality

a.s.r. considers the promotion of personal leadership and agility of its employees to be crucial in order to cope with the changes taking place within a.s.r. and in its environment. a.s.r. consequently invests in development and vitality. In order to enhance professional knowledge and skills, employees are offered job-related education and training courses. Moreover, all employees can rely on career coaching and can choose from a wide range of workshops on sustainable employability. In 2018, several groups of employees were also offered tailor-made (development) programmes.

Employee development training

	2018	2017	2016
Employees have completed job-related training	1,512	1,729	1,506
Employees took part in one of the development programmes	719	819	661
Employees followed a workshop sustainable employability	792	589	948
Employees have completed an individual coaching programme	486	266	286
Employees were given guidance in the context of redundancy	154	182	112

During the annual employee review, the performance and potential of all a.s.r. employees is discussed. The review is carried out by the line manager, the HR advisor and at least one other manager in the same business line, based on the '4 eyes' principle. The results of the employee review are discussed individually with each employee and are used for strategic employee planning, succession planning, mobility and recruitment, as well as the targeted implementation of the development programmes.

The 'In Beweging' ('In Motion') initiative encourages employees to continuously develop themselves in order to improve their employability (inside or outside a.s.r.) and vitality, and avoid (future) redundancies. 'In Motion' is intended for all employees, with specific attention for those affected by a reorganisation. The resources used in this context are career guidance, workshops and 'In Motion' cafes on employability and a new vitality programme, which offers boxing lessons, workshops on mindfulness and stress reduction, lunch hikes, dietary advice, etc.

Health, safety and well-being initiatives

The health and wellbeing of its people directly impacts on a.s.r.'s business success. a.s.r. provides a range of initiatives that create a productive and health-promoting workplace and enable employees to prioritise health and avoid stress.

The a.s.r. head office building was voted Best Office Building in the Netherlands 2014 by Intermediair Magazine. The jury report said: 'The building is of a high quality due to its acoustics, distribution of daylight, indoor climate, workplace variation and connection with outdoor spaces. The philosophy of a.s.r. and the office also go together very well: transparency, sustainability and sobriety are reflected very strongly in the transformed office.'

To promote an optimal ergonomic workplace, a.s.r. has put in place instructions based on the Working Conditions Act in order to avoid workplace-related health complaints. Guidelines for installing desks, chairs and screens are available on a special intranet site. The site also includes instructions on the correct use of a mouse and keyboard. Lastly, advice is given on how to alternate work, adopt a relaxed working posture, and other tips relating to working conditions. If an employee develops complaints despite all the preventive measures taken, a workplace survey can be requested to identify any necessary workplace adjustments.

In 2018, Periodic Medical Examinations (PMEs) were carried out in several business lines. A PME identifies the vitality and health, work-life balance and potential health risks of employees. It was offered on a voluntary basis and aimed to make employees more aware of the interaction of work and health.

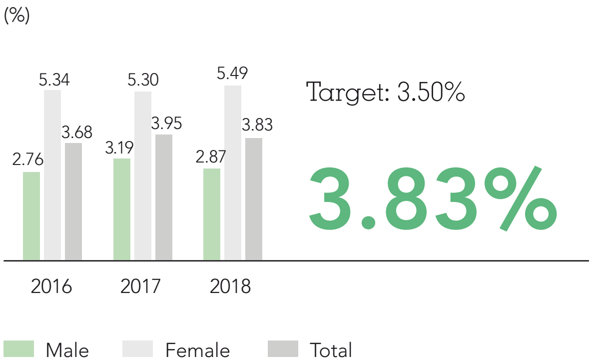
Flexi-work in terms of location and hours, including part-time jobs at all levels, is one of the ways a.s.r. helps employees to manage work-related stress and work-life balance. It also has programmes to reduce stress in the workplace, an important issue for office-based companies. a.s.r. also allows paid time off for voluntary work (see chapter 4.5 Role in society) because it believes its employees should continue to feel a strong connection with the local community. It also provides in-house fitness facilities and advice on healthy nutrition.

By paying attention to health, involvement and development, a.s.r. contributes to the physical and mental fitness of its employees. For employees who work at a location with no fitness facilities, external fitness facilities are made available. The company restaurant offers a wide range of products to the preparation of nutritious, healthy, well-balanced meals. Fresh fruit is also offered free of charge in all departments.

Absenteeism

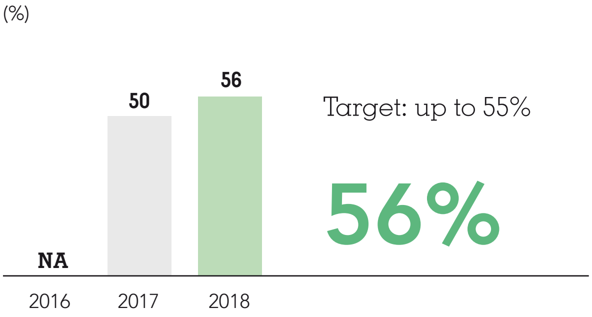
a.s.r. is committed to maintaining healthy employees and tries to reduce absenteeism wherever possible. This involves a role for the manager in the event of employee sickness. a.s.r.'s reintegration manual for managers describes the role and responsibilities of a manager during and after the absenteeism process and in preventing absenteeism. The manual was updated in 2018. The aim is to prevent and reduce absenteeism within a.s.r. The absenteeism rate for 2018 was 3.83% (2017: 3.95%). Although absenteeism has decreased, the target in this area is not achieved. a.s.r. will maintain its efforts on behalf of the health and vitality of its employees in 2019. In 2018, 56% of all employees were not absent due to illness.

Absenteeism rates[1]



1 Excluding maternity leave.

Nil absenteeism[1]

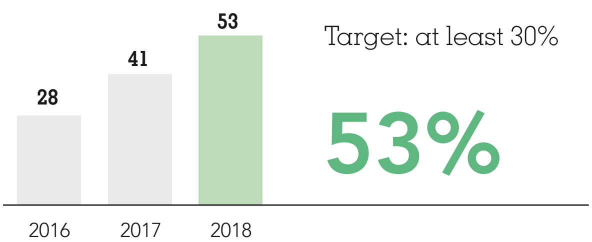


Recruitment

a.s.r. is regularly seeking new employees who have the capacity to learn and develop, are agile, have the right knowledge and skills and feel attracted to 'the story of a.s.r.'.

Due to the strengthening labour market, a.s.r. is investing in distinctive employer branding. Employer positioning has been tightened up to align more closely with corporate positioning. The recruitment site 'working at a.s.r.' has been updated and new recruitment methods, such as online advertising, search and talent pools, have been used. Use of social media has been intensified and higher name recognition is being pursued through online campaigns. Employees are also deployed as ambassadors through videos and interviews.

Vacancies filled internally



In order to attract young talent, a.s.r. has entered into partnerships with various students' associations and universities. In 2018, it was represented at various events at colleges and universities.

Trainee programme

a.s.r. has its own trainee programme in which young talented people carry out four different assignments in a single business line over an 18-month period. Trainees also follow a customised development programme which includes training courses, a buddy programme and various projects.

Diversity and inclusivity

a.s.r. is committed to achieving an inclusive culture in which difference is recognised, valued and used to the full. a.s.r. believes in the positive effect of a diverse workforce on its success and innovation – be it through differences in gender, ethnicity, age, religious beliefs, education, sexual orientation, disability or nationality.

a.s.r. promotes diversity and inclusion by empowering employees and allowing people to develop based on individual performance and demonstrated potential.

The fundamental principles of a.s.r.'s diversity policy are:
- A balanced workforce composition based on age, gender, cultural or ethnic origin, physical and mental capacity, beliefs and working styles;
- Promotion of a balanced composition of management through a policy of positive discrimination;
- Equal development opportunities for all employees;
- Participation of people with limited labour market potential.

Objectives of the diversity policy

At least 30% of the Supervisory Board, Executive Board and senior management to be male or female. In 2018, the Executive Board had three male members and one female member (25%), the Supervisory Board had three male and two female members (40%). On 31 December 2018, senior management consisted of 21 members, 6 of whom (29%) were women. In order to achieve the 30% target, application of the diversity policy has been explicitly included in the recruitment of Supervisory and Executive Board members. Diversity policy is part of the recruitment process and the employee review, in which succession planning, among other things, is discussed.

Breakdown gender diversity

	2018	2017	2016
Male/female Supervisory Board	60/40	75/25	75/25
Male/female Executive Board	75/25	75/25	75/25
Male/female Senior management	71/29	73/27	77/23
Male/female Management	81/19	82/18	78/22
Male/female Other employees	60/40	60/40	60/40

1 Nil absenteeism is the number of employees or percentage of employees who have not reported sick during the reporting period.

a.s.r. is committed to employing at least 70 people through the Participation Desk by 2026. These are individuals with an occupational impairment who are covered by the Labour Participation Act. In 2018, a.s.r. had 29 employees with an occupational disability.

Participation Desk

	Target 2026	2018	2017	2016
Number of employees through the Participation Desk	70	29	31	12

In 2018, a.s.r. was the first insurer to achieve the aspiring status on the Performance Ladder for Social Business (PSO). This measurement instrument and quality mark from TNO reflects the degree of social entrepreneurship achieved. Organisations are placed higher up the ladder (there are four performance levels) the more people they employ with a vulnerable employment status and through working with other PSO-certified organisations.

Working conditions

In summer 2018, a.s.r. began negotiations with the trade unions De Unie, CNV and FNV concerning the extension of 'De Andere Cao', a.s.r.'s own CLA, which took effect on 1 January 2018. At the same time, the parties started negotiations on the extension of 'Het Andere Plan', a.s.r.'s social plan. The third topic on the negotiating table was the a.s.r. pension scheme. This scheme expired at the end of 2017 but was 'frozen' with the introduction of 'De Andere Cao'.

'De Andere Cao'

In September and October 2018, employees gave their opinion on 'De Andere Cao' in writing and through participation in round table discussions. These evaluations were included in the discussions concerning the extension of 'De Andere Cao'.

In February 2019 a.s.r. and the trade unions reached an agreement on the continuation of 'De Andere Cao' which includes a structural salary rise of 3% at 1 march 2019 and 1 march 2020 and a continuing dialogue about a future-proof employment conditions package for the employees of a.s.r. Negotiations with the trade unions on the pension scheme will continue in 2019.

'Het Andere Plan'

a.s.r. operates 'Het Andere Plan' as a way of providing the best possible support and guidance for employees during a reorganisation. This centres on guidance from work to work with an emphasis on the development and sustainable employability of employees

In three phases, the aim is to encourage employees to work at an early stage on increasing their value on the job market and thus take more control of their own career opportunities. The sooner they start working on their development, the larger the training and development budget a.s.r. will provide them with.

Employees made use of 'Het Andere Plan'

	2018	2017	2016
Total employees made use of 'Het Andere Plan'	154	101	NA
Phase 1	237	243	NA
Phase 2	80	87	NA
Phase 3	83	54	NA
Guidance by 'In motion team'	486	261	NA
Total number of redundancies	83	54	NA

The continuation of 'Het Andere Plan' was agreed between a.s.r. and the unions in 2018. The training and development (sustainable employability) budgets and the financial safety net employees receive when they have to leave the company due to reorganisations will remain unchanged in 2019. After this, the financial safety net will decrease and the personal budget for sustainable employability will go up. The agreements are in force up to and including 2021.

Remuneration

Every three years, an independent consultant is hired to perform a market comparison (remuneration benchmark). The a.s.r. remuneration policy starts from the principle that the average level of total remuneration should be the median of the peer group. The relevant peer group for a.s.r. employees (excluding the Executive Board of ASR Nederland N.V. and Asset Management) is the general market.

In line with the remuneration policy, the remuneration of a.s.r. employees consists solely of a fixed payment. In 2018, a.s.r. also had two types of variable remuneration for specific groups of employees, a variable remuneration for ASR Vastgoed Vermogensbeheer and ASR Vastgoed Projecten and 'Boter-bij-de-vis', a variable remuneration scheme with a small remuneration linked to specific, additional performances.

a.s.r. also has several other special forms of variable remuneration, such as retention allowances, a welcome bonus and a buy-out, which occur only occasionally and are awarded in line with legislation and regulations. The same applies to severance pay.

At a.s.r., jobs are weighted regardless of gender. Men and women with comparable work experience, achievements and potential are given equal pay.

The differences in hourly wages between men and women shown in the table below are caused by the on average higher number of years of service of men. Because men have served for an average of 3.5 years more than women, they have reached on average a relatively higher position on the salary scale for a given job.

For the complete a.s.r. remuneration policy and the Remuneration Disclosure, see: www.asrnl.com.

Gross average wages split by gender (gross hourly wages)

	31 December 2018		31 December 2017		31 December 2016	
In €	Male	Female	Male	Female	Male	Female
Executive Board	223	191	172	93	89	85
Senior management	98	91	93	87	89	85
Management	56	54	55	54	55	53
Other employees	27	23	25	22	26	22

Note: The numbers of the Executive Board are including CEO's compensation. Excluding CEO's compensation Male average hourly wage of the Executive Board would be € 195.

The table below shows the difference in years of service between men and women. This difference has remained virtually constant over the past 3 years and varies between 3 and 3.5 years.

Average years of service

	2018	2017	2016
Male	16.6	16.5	16.7
Female	13.1	13.5	13.3
Difference	3.5	3.0	3.4

Integrity

Integrity and ethical conduct are prerequisites for a.s.r.'s reputation as a trustworthy insurer. In addition to the use of clear frameworks, sound and controlled business operations are above all driven by sound, intrinsically embedded core values and ethical behaviour.

The a.s.r. code of conduct sets out the required attitude and behaviour of a.s.r.'s employees. The aim of the code of conduct is to protect a.s.r.'s reputation through the integrity and professional conduct of all its employees. For more information about the a.s.r. code of conduct, see www.asrnl.com.

a.s.r. continuously emphasises the importance of the a.s.r. code of conduct and underlying policies and rules, and invests in awareness-raising. In 2018, a.s.r. took various initiatives to further improve knowledge on integrity-related subjects. a.s.r. employees keep their knowledge up to date through training, presentation and dialogue, but also, for example, through 'gamification'. By answering relevant questions each day, employees can refresh their knowledge of the code of conduct. Initiatives of this kind are being organised at employee, management, department and a.s.r. level.

a.s.r. has taken a number of control measures to prevent, recognise and defy unethical behaviour, including combating corruption. Examples of control measures include pre-employment screening and the screening of intermediaries and suppliers. An integrity screening is carried out by Investigations prior to hiring new employees. This also applies to everyone who regularly works for a.s.r., including suppliers and brokers. Anyone who carries out work at or for a.s.r. must take the professional oath or make a solemn affirmation within three months of taking up their duties. In this way, a.s.r. seeks to prevent the risk of physical, financial or reputational damage to the company, its customers and/or other business relations.

a.s.r. had a fraud policy at group level and division level. This policy provides in identifying and detecting fraud during the processes of acceptance and claims handling. a.s.r. investigates signals of unethical behaviour, including corruption and fraud, from employees, intermediaries and suppliers. Should integrity be compromised, including through corruption and/or fraud, a.s.r. will take appropriate measures, with due regard for the applicable laws, regulations and sector-based protocols. The risk of corruption has been discussed in more detail in various policy documents, including in relation to anti-corruption policy and an incentive policy. a.s.r. operates a zero tolerance policy, and uses the definition formulated by the DNB: 'The risk of corruption is the risk of financial companies in the Netherlands being involved in bribery and/or conflicts of interest which impair the integrity of, and trust in, that company or in the financial markets'.

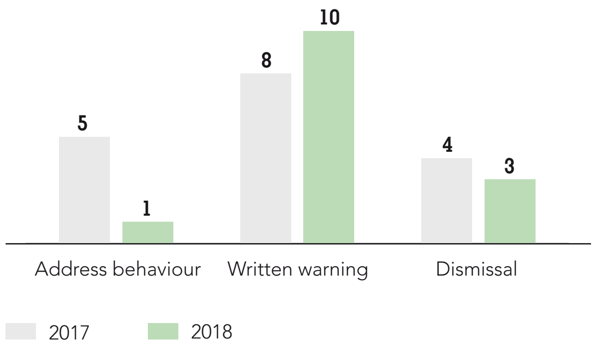
Under the whistleblower scheme, employees and third parties, including former employees, clients and other contracting parties, can report alleged malpractice anonymously, freely and without feeling threatened.

a.s.r. has a central Integrity department which monitors the sound and controlled business operations, including reputational risks, of a.s.r. The framework for monitoring and review is based on the rules, regulations and standards of a.s.r. itself, including the a.s.r. code of conduct. In the first half of 2018, the Compliance department monitored compliance with the CDD regulation. The Compliance department participates in a.s.r.'s CDD project (CD optimisation). In order to guarantee sound and controlled business operations, a.s.r. has taken a number of control measures in preventing, recognisind and defying unethical behaviour including combatting corruption.

In 2018, 85 cases of alleged lack of integrity were investigated. In 35 of these, there was a proven lack of integrity in the conduct of an employee, intermediary or supplier. With respect to the conduct of employees, in 2018 14 employees violated the a.s.r. code of conduct. After investigation a lack of integrity, e.g. fraud and inappropriate conduct or behaviour, was proven. These employees were disciplined for disobeying the principles. This resulted in addressing behaviour, written warning or dismissal. Investigations reports quarterly on the number of incidents and measures taken. This report is discussed with the Board of Directors and the Supervisory Board.

The measures taken in 2018 and 2017 are as follows:

Violations measures taken



Please find more detailed information about employees in Annex A Facts and figures.

4.4 Sustainable management

a.s.r. organises its business operations in a sustainable manner. This chapter describes the own CO_2 footprint and the social responsible procurement policy of a.s.r. Furthermore the way in which a.s.r. deals responsibly with its tax obligations and how a.s.r. takes into account human rights are explained.

Carbon footprint of a.s.r. head office

a.s.r. intends to be a good steward of nature and the environment by preventing waste and limiting negative impacts. a.s.r. places special focus on its carbon footprint, which comes in two varieties:

- Indirect footprint, as a result of investment activities (see chapter 4.6 Sustainable investor);
- Direct footprint, due to its own operations which will be explained in the text below.

a.s.r. seeks to minimise its impact by striving for an efficient use of energy. In addition, a.s.r. is actively getting to grips with carbon emissions, mobility and waste management.

a.s.r. has the ambition to reduce its emissions by 2% annually and to remain 'climate neutral' in terms of the direct footprint of its head office. To achieve this, a.s.r. constantly strives to reduce emissions. The remaining emissions are compensated with Gold Standard certificates.

The CO_2 footprint of a.s.r. is based on the principles of the Greenhouse Gas Protocol, which divides emissions into three scopes, as can be seen in the table below.

a.s.r.'s absolute CO_2 emissions are presented in the table below. It should be noted that the 2018 figures include around 150 additional employees compared to 2017 due to the acquisition of Generali Nederland.

a.s.r.'s own CO_2 emissions[1,2]

	2018		2017		2016	
Category of carbon emmissions	in %	tonnes of CO_2	in %	tonnes of CO_2	in %	tonnes of CO_2
Scope 1						
Fuel and heat	1.1	88	1.1	85	1.5	111
Cooling	0.7	56	0.7	54	0.7	52
Business travel as a result of lease car fleet	27.0	2,172	29.1	2,248	31.1	2,302
	28.8	**2,317**	**30.9**	**2,387**	**33.3**	**2,465**
Scope 2						
Electricity	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**
Scope 3						
Business travel ex-cluding lease car fleet	4.0	322	4.1	317	4.1	303
Commuter travel	65.0	5,229	62.8	4,851	60.0	4,441
Waste	2.2	177	2.2	170	2.6	192
	71.2	**5,727**	**69.1**	**5,338**	**66.7**	**4,936**
Total	**100**	**8,044**	**100**	**7,725**	**100**	**7,401**

1 Out of scope: Scopes 1 and 2 do not include the emission savings achieved by integrating the Generali Nederland accommodation into head office. The estimated reduction is 747 tonnes of CO_2 equivalent.

2 In addition, the figures are based on a.s.r.'s head office (91,912 m² of gross floor area). The establishments in Enschede (1,830 m² of gross floor area) and Rotterdam (approx. 1,000 m² of gross floor area for office space and 3,900 m² of gross floor area for archives) are not included (due to small sizes).

Scope 1: Emissions resulting from fuel consumption

a.s.r. achieved a Scope 1 reduction of (70) tonnes of CO_2 equivalent in 2018 compared to 2017:

- Fuel usage emissions increased slightly to 88 tonnes (2017: 85 tonnes);
- Cooling emissions increased slightly to 56 tonnes (2017: 54 tonnes);
- Business travel decreased to 2,172 tonnes (2017: 2,248 tonnes). The reduction was realised by reduced fuel consumption of lease cars.

In 2019, all central-heating boilers will be replaced by heat pumps, as a result of which no natural gas will be used for heating anymore.

Scope 2: Emissions resulting from electricity

As in previous years, part of the electricity used was self-generated by solar cells. The remaining part consisted of zero emission Swedish wind energy, resulting in zero Scope 2 emissions.

Scope 3: Emissions resulting from mobility

- In 2018, the Scope 3 emissions increased to 5,727 tonnes of CO_2 equivalent compared to 2017 (5,338 tonnes);
- Business travel (air) and business travel non-lease cars emissions stabilised at 322 tonnes (2017: 317 tonnes);
- Commuter travel emissions increased to 5,229 tonnes (2017: 4,851 tonnes). The total number of kilometres for commuting travel increased by 6% compared to 2017. The increase has three major causes:
  - A growing workforce (2018: 3,683 FTEs, 2017: 3,493 FTEs), mainly due to the acquisition of Generali Nederland, which resulted in more employees traveling between home and work;
  - An increase in commuter travel as a result of a decrease in the number of homeworkers (due to increased agile working);
  - On average, there was a slight increase in the commuter distances of employees. This was influenced by a centralisation of the accommodation of the acquired company Generali Nederland.

  Despite a.s.r.'s active policy of stimulating the use of alternatives, the majority of employees use their cars for commuter travel.

  Activities in 2018:
  - a.s.r. purchased 20 electric shared bicycles to discourage car use;
  - a.s.r. made available 4 electric shared cars as part of its participation in the Amber Mobility project.
- Waste emissions increased to 177 tonnes (2017: 170 tonnes) because of the growth of the workforce.

The numbers of charging points will be extended for E-bikes by 120 and for E-cars by 12 in 2019.

a.s.r. operates CO_2 neutrally

a.s.r. compensates for all CO_2 emissions caused by its business activities. By using solar panels and CO_2-free electricity, in combination with an active policy of reducing energy consumption, a.s.r.'s Scope 2 emissions are unchanged compared to previous years, i.e. zero. The compensation of the Scope 1 and Scope 3 emissions in 2018 was 8,044 tonnes of CO_2 (2017: 7,725 tonnes).

a.s.r. has instructed the foundation of 'Trees for All'[1] to compensate its remaining CO_2 emissions.

Energy efficiency

The energy consumption (Scopes 1 and 2) of a.s.r.'s head office decreased by nearly 270,000 kWh in 2018 compared to 2017. The largest positive impact was realised by replacing existing computer servers by fewer and more energy efficient servers.

In 2018, the head office energy usage was reduced by 4%, to 65.3 kWh per m² (2017: 68.2 per m²). a.s.r. aims to meet the Paris ambitions for its head office. This requires a.s.r. to further reduce its emissions to 50 kWh per m² by the year 2050 at the latest.

Socially Responsible Procurement policy

a.s.r. imposes additional requirements on its suppliers[2] in the areas of the environment, human rights and working conditions, when relevant within the scope of the sourcing matter. The requirements are part of all procurement contracts concluded between a.s.r. and its suppliers since 2017. As a result, awarding an assignment depends partly on the Socially Responsible Procurement document scoring. The main objective of the Socially Responsible Procurement policy is to be in dialogue with suppliers on these socially relevant themes. This subject is therefore a recurrent agenda item in the (board) meetings between a.s.r. and its most strategic suppliers.

Tax

As part of its mission, a.s.r. intends to fulfil the following roles within society: An insurer that customers can depend on; a stable financial institution; a people-focused employer; and a valuable member of society.

1 Gold Standard Project Bolivia: Compensation via Gold Standard certificates stands for the amount of CO_2 that the forest holds. Trees are planted if necessary, but compensation also takes place by the conservation of the forest through education, alternative income support for local president etc.

2 Most of a.s.r. (strategic) suppliers are Dutch service providers. Human rights and labour condition issues are therefore of less relevance.

Being a valuable participant in society is also reflected in a.s.r.'s tax policy, in which a.s.r. aims to be a socially responsible taxpayer based on professionally implemented tax compliance. a.s.r.'s position is that it acts in accordance with the spirit of the law and that no 'tax havens' and such like are used, while a.s.r. does not adopt any aggressive positions for tax purposes. In optimising the tax burden ('tax planning'), business considerations (including at arm's length considerations) are always leading.

The tax strategy has been established by the Executive Board. In compliance with the Dutch Corporate Governance Code, a.s.r.'s Audit & Risk Committee supervises and discusses the tax policy pursued. The tax policy and tax risks were discussed in the Audit and Risk Committee. Every quarter, the Tax department informs management on a.s.r.'s tax status.

The Tax department plays a central part in a.s.r.'s tax function and, therefore, plays an important part in embedding the tax strategy in the organisation's day-to-day activities. Tax is responsible for the establishment, maintenance and testing of the Tax Control Framework, which is part of a.s.r.'s overall Management In Control process. The Tax department is the 'single point of contact' for the Dutch tax authorities and it holds periodical and ad-hoc consultations with the Dutch tax authorities.

Relationship with the Dutch tax authorities

In January 2013, the Executive Board and the Dutch tax authority signed the Horizontal Monitoring covenant. The covenant sets out how a.s.r. and the Dutch tax authority engage with each other: with mutual trust and in an open and transparent manner. By signing the covenant, a.s.r. undertook to develop and maintain a system of internal management, together with internal and external controls with regard to taxation; the Tax Control Framework.

Tax burden and payment of taxes

In countries in which a.s.r. is active, a.s.r. pays taxes on profits realised by the economic activities in those countries, in accordance with the OECD guidelines for multinational companies.

a.s.r. operates almost exclusively in the Netherlands, which means that almost all tax payments are made to the Dutch tax authorities.

Tax payments

(in € million)	2018	2017
Profit before taxes	904	1,125
Corporate income tax in p&l	211	220
Nominal tax burden	25.0%	25.0%
Effective tax burden	23.3%	19.6%

The effective tax burden differs from the (nominal) statutory tax rate. This is caused, for example (in 2017 in particular) by applying the holding exemption. In addition, there was an effect of the reduction in the corporate income tax rate in 2018, with a tax rate of 22.55% in 2020 and 2021 a tax rate of 20.5%. For a reconciliation of the nominal tax burden to the effective tax rate, reference is made to chapter 7.6.12 of the financial statements.

Tax payments (continued)

	2018	2017
Tax payments		
The Netherlands		
Corporate income tax and withholding taxes	47	226
Domestic and foreign taxes levied at source, offset against Dutch corporate income tax	7	5
Dividend tax	50	29
Payroll taxes benefits	259	247
Employee payroll taxes	132	124
Insurance tax	142	134
Turnover tax		
- Turnover tax not offset	34	37
- Turnover tax paid	3	1
Total of tax payments in the Netherlands	**675**	**804**
Abroad		
Corporate income tax in France	-1	0
Foreign insurance tax	1	1
Total of tax payments abroad	**0**	**1**

A total of € 521 million in corporate income tax was paid in 2015. In 2017, € 238 million in corporate income tax paid in 2015 was refunded. For a balanced picture, the refund has not been included in this overview.

Deferred tax asset

	2018	2017
Deferred tax asset as at year-end	275	226
Number of employees		
Number of employees in FTEs, all of them employed in the Netherlands.	3,683	3,493

a.s.r. as an investor and taxes

Direct investments
For investments (equities and corporate bonds) in companies, a.s.r. makes use of ESG research conducted by research firm Vigeo Eiris. The assessments of companies also pertain to tax criteria, in particular on the basis of (inter)national guidelines, to mitigate any ESG risks in investment portfolios with regard to tax havens, offshore financial centres and such like. More information on this can be found on a.s.r.'s website: www.asrnl.com.

Investments via external funds
When making investments via external funds, tax considerations are not leading. Investments are assessed on a business case, which includes the investment fund's strategy and the asset manager's quality. The tax assessment from an a.s.r. perspective serves only to ensure the proper tax qualification of the investment.

a.s.r. has a preference for regulated funds in the EU because of the relevant expertise for institutional investors combined with a responsible and transparent tax policy. In addition, a.s.r. can invest in funds offered from other OECD countries, provided their legislation and regulations are comparable to those in the EU, and the fair-share principle is met. a.s.r. avoids investments in countries that have a reputational risk as far as tax is concerned, a legally weaker position or insufficient regulations and/or transparency. For more information on this topic: www.asrnl.com.

Human rights

In line with its status as a signatory to the United Nations Global Compact (UNGC), a.s.r. works to ensure that human rights are respected. Moreover, a.s.r. endorses the UN Guiding Principles on Business and Human Rights (UNGPs), setting out the global standards for companies to respect human rights via a 'protect, respect and remedy' framework, as well as other more detailed standards, such as the OECD Guidelines for Multinational Enterprises or the Equator Principles for the financial sector. As such, a.s.r. strives to integrate human rights risk management and due diligence into existing business processes across all operations.

The largest potential link with challenging human rights situations is considered to be found in asset management activities. In addition, causing or contributing to human rights violations may occur in a.s.r.'s own operations, through partners or intermediaries and in the supply chain.

- *Asset management*
  a.s.r. formalised an SRI policy in 2007. Human and labour rights are essential criteria for a.s.r. in its assessments of countries and companies, both to avoid controversial practices and risks and to identify best practices and opportunities. As a consequence, a.s.r. favours companies that perform well in their policies on and implementation of human rights, for example, conducting on-going human rights due diligence studies, setting targets to promote diversity, respecting the right to privacy or promoting collective bargaining. At the same time, a.s.r. excludes investments in companies if they are complicit in systematic and/or gross violations of human or labour rights, including child labour, forced labour or severe controversies in the supply chain. Countries that score low in the Freedom of the World Index (civil rights) are excluded.

  a.s.r. is an active member of Platform Living Wages Financials (PLWF). Together with other institutional investors, a.s.r. engages companies in the garment, retail and agri-food sector to address the (non-) payment of living wages in their supply chain. Members of the platform use a joint methodology to measure the investee companies' performance on living wages and their progress. More details on the criteria and the way in which a.s.r. pursues human and labour rights policies can be found on www.asrnl.com.

- *Own operations*
  Having a talented, qualified and healthy workforce is key for a.s.r. in achieving its business objectives. That is why a.s.r. is committed to attracting, retaining and inspiring the best people, offering them extensive scope for training and development, and facilitating a sound work/life balance. Potential issues that may provide risks or opportunities for employees include development/vitality and diversity/inclusivity. A new Works Council term was introduced in the summer of 2018, aiming to increase the Works Council's and the Business Unit Committees' visibility and thus increase accessibility for employees to mitigate potential risks.

  A specific risk relates to the privacy of a.s.r.'s customers, where relationships with and knowledge of intermediaries and other partners play vital parts. A potential risk relates to complaints regarding breaches of customer privacy or loss of customer data. On 25 May 2018, amended legislation on data protection, the GDPR became active. Owing to efforts that were initiated in 2017, policies, governance and a plan of approach were implemented across a.s.r.'s operations in order to comply with the stricter requirements. More details on the policies and approach to act as a sustainable employer can be found on www.asrnl.com.

- *Supply chain*
  a.s.r. does not do business with partners involved in crime or other socially undesirable acts, including money laundering, fraud or the financing of terrorism. a.s.r. has a CDD policy that requires screening before a contract is signed. The contract management policy also stipulates that screenings are to be carried out on a periodical basis. If, in the opinion of a.s.r., there is reason to doubt the integrity of a supplier, appropriate measures are taken. a.s.r. imposes additional requirements on its suppliers in the areas of the environment, human rights and working conditions. The requirements are part of the procurement contracts concluded between a.s.r. and its suppliers.

Ethical dilemmas

a.s.r. fulfils different roles, which sometimes makes it challenging to serve all stakeholder interests when making decisions. Giving proper weights to these challenges is a process wrought with uncertainty and ethical dilemmas. Therefore, a.s.r. is looking for new ways to stimulate open dialogue throughout the company, centred around dilemmas a.s.r. faces in its business. Practicing ethical reflection and discussion about dilemmas helps to involve a wider range of perspectives and interests from all relevant stakeholders.

To this end, a.s.r. develops different initiatives to create practical time and space for dialogue about dilemmas and to promote more ethical awareness of the moral dimensions of its business. By organising *Dilemma workshops* about corporate ethical issues, a.s.r. helps employees and decision-makers throughout the organisation to navigate the ethical playing field of their daily practice, employing insights from different ethical theories and methods, signalling and classifying stakeholders involved and carefully weighing the interests that may be affected by a.s.r.'s decisions. Dilemma sessions are also hosted for different business lines to reflect on and discuss typical (or more complex) dilemmas they face and to create practical ethical guidance tailored to these circumstances.

Through these initiatives, a.s.r. attempts to develop company-specific guidelines to help reflect on how a.s.r. deals with dilemmas in the different contexts of its various business activities, enabling a.s.r. to gauge its ethical culture and consider to what degree daily decisions express its core values and contribute to society in valuable ways. By creating opportunities for dialogue about dilemmas, a.s.r. hopes to be better equipped to deal with changing societal norms and circumstances as an organisation and stimulate the growth of ethical awareness in all of its employees.

Two examples of dilemmas that occur in a.s.r.'s business:

Healthcare innovation

Some of the dilemmas a.s.r. faces pose difficult questions about its policies and daily business in different areas. For example, should a.s.r. health focus on the best possible quality of healthcare by investing in innovative developments that may help prevent certain rare illnesses for a small future client base that may need such expensive treatments? Regarding this dilemma, the uncertainty about potential customers and their healthcare needs has prompted a.s.r. health to focus primarily on the solidarity between its current customers, to aim for swift and easy access to healthcare and to emphasise efficiency and cost-reduction measures by providing good service and good quality healthcare to customers who need healthcare at an affordable price.

Gas-drilling and farmland

In another context, a.s.r.'s investment policies in the area of real estate came into hot water when plans emerged to drill for gas in one of a.s.r.'s parcels of almost 40,000 hectares of farmland portfolio. This dilemma forced a.s.r. to decide whether to exercise its full ownership rights and thus allow the energy company to execute its assignment that was approved by a.s.r. and ultimately the Dutch government, or to dissolve the contract and try to disallow the drillings, which directly oppose a.s.r.'s mission to support the transition to sustainable energy sources. As a result of this dilemma, that was followed by an in-depth discussion with a group of stakeholders, senior management decided to change their policies moving forward, prohibiting any future parties from drilling for fossil fuels on the parcels in a.s.r.'s portfolio, while honouring its current contract as a direct expression of a.s.r.'s core value to be a reliable business partner.

Please find more detailed information about sustainable management in Annex A Facts and figures.

4.5 Role in society

As a financial service provider, a.s.r. believes it is important that people have financial continuity in their lives and that they are able to take sensible risks and make informed financial choices, in such a way that they have their finances in order in the short and long term – in other words, that they are financially self-reliant. Some people do not find this easy, and need help. a.s.r. has therefore initiated projects that help people make informed financial choices. Being able to read and being numerically literate, being able to manage money and keep proper financial records are all part of this. The aim is to prevent people from getting into debt, or to help them get out of debt.

a.s.r. foundation

a.s.r. foundation encourages employees to contribute to society, in a team or as an individual. On an annual basis, a.s.r. provides hours and financial resources in this context. a.s.r. foundation initiates projects with the help of the voluntary efforts of colleagues with regard to two themes:

- *Financial self-reliance*: providing help to prevent people from getting into debt or to get people out of debt again with the help of voluntary commitments of employees;
- *Helping by doing*: inspiring, motivating and mobilising a.s.r. employees to voluntarily engage in community activities in a broad sense.

Financial self-reliance

In the Netherlands, one in five households has high-risk or problematic debts. The debt burden of these high-risk households is on average € 40,000, spread across 14 different creditors[1]. The chance of someone ending up with a debt burden that is hard to resolve depends on a combination of factors. However, it does appear that a disorderly administration, a lack of proper financial upbringing and a low literacy level increase the risk of falling into debt. a.s.r. foundation provides support:

- In promoting the financial education of children and young people (reading and teaching);
- To households with (a risk of) problematic debts.

Helping by doing

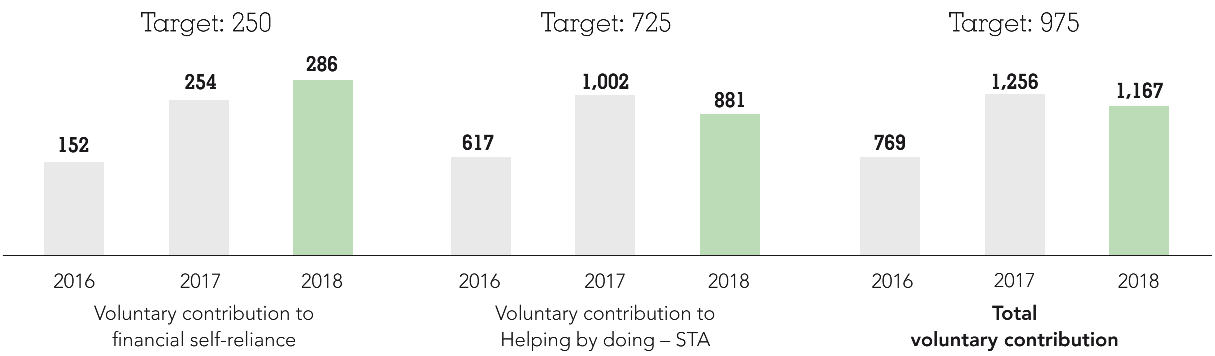
a.s.r. considers it important to play a broad social role in the community. This fits in well with the desire of many employees to be actively involved in the community in a meaningful way. Annually, a.s.r. makes time and funding available for this purpose.

- In a team context – Social Team Activity (STA)
  More and more departments within a.s.r. extend their help as a team in a social organisation. This creates a fine combination of team building and 'helping by doing', divided into two categories: 'Rolling up your sleeves' (active day-jobs or a day out) and Frisse Blikken (fresh looks). A Frisse Blikken team of a.s.r. employees helps an organisation with solving a strategic problem. In 2018, a team of a.s.r. employees developed a new promotion plan for the Prinses Maxima Manege. This riding school strives to enable people with disabilities to ride horses.
- At home – Encouragement Plan
  An individual Encouragement Plan has been put in place to encourage volunteering in colleagues' private environments. A financial contribution plan can receive up to € 500 from a.s.r. foundation. If an idea is only about receiving a financial contribution, the proposal will be rejected.

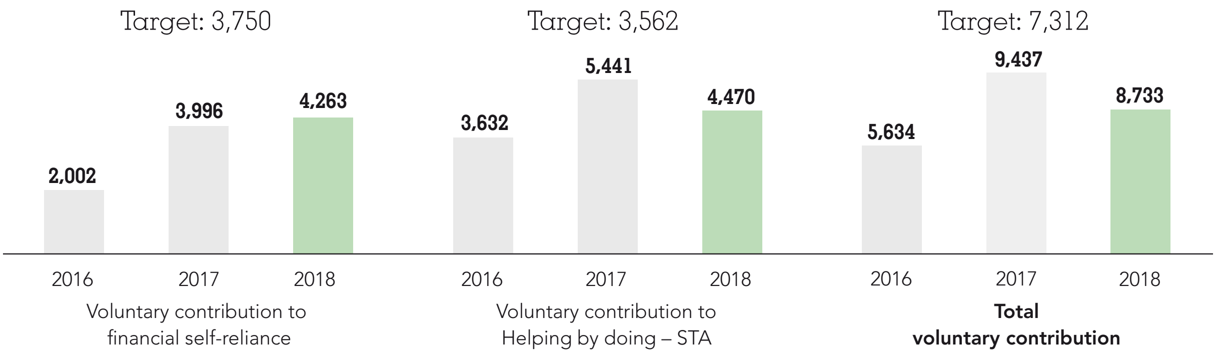
1 Households in debt, Panteia (2015).

Total contribution to a.s.r. foundation

(number of employees involved)



(number of hours)



In 2018, a.s.r. issued, as one of the first Dutch insurers, non-financial targets including one on contributing to society: from 2019 onwards, a.s.r. aims for an annual growth of 5% compared to the base year 2018 by participating in activities of a.s.r. foundation.

For additional information, please see the annual review of a.s.r. foundation on www.asrnl.com/foundation.

Foundations

a.s.r. is committed to conserving cultural and social heritage, which is why it is involved in a number of nation-wide and local foundations. Its local ties mostly stem from the past presence of an a.s.r. division in a city or town.

Foundation for Art & Historical Artefacts

The purpose of the Foundation for Art & Historical Property is twofold; in the first place, they want to retain a.s.r.'s rich company history. In the second place, the Foundation tries to make art accessible to employees and thus contribute to an inspiring work environment. Read more about the foundation on www.asrnl.com.

Social Cultural Foundation of De Amersfoortse

For years now, De Amersfoortse has had a social and cultural fund by the name of Stichting Sociaal Cultureel Fonds, which is referred to as the A Fund. The A Fund aims to promote social and cultural activities in general and in the greater Amersfoort area in particular. The fund, which was dubbed A Fund in 1982, has its roots in Stichting Het Wit-Blauwe Kruis, which was established in 1938. Applications for a financial contribution to a social or cultural activity are accepted only if they are submitted by a foundation, association or such like; in principle, individuals cannot apply. The A Fund allows De Amersfoortse, which operates nation-wide, to make a contribution to the local community in the greater Amersfoort area.

Stad Rotterdam anno 1720 Foundation

The Stad Rotterdam anno 1720 Foundation supports projects in the Rotterdam region with regard to education, socio-cultural development, social work and care. For more information: www.stsr1720.nl/.

Ambachtsheerlijkheid Cromstrijen Foundation

The country estate Ambachtsheerlijkheid Cromstrijen, located in the province of Zuid-Holland, dates back to the year 1492. The Foundation preserves the estate's social and cultural heritage, for example via a unique archive regarding the region. For more information: www.stichtingambachtsheerlijkheidcromstrijen.nl.

Carel Nengerman Foundation

The city and province of Utrecht are key for the Carel Nengerman Foundation. The fund supports cultural and nature-related projects that are organised in the city and in the province. For more information: www.carelnengermanfonds.nl.

4.6 Sustainable investor

As an institutional investor, one way in which a.s.r. takes ownership of social responsibility is through the use of ethical and sustainability criteria in its investment policy. All investments managed by AVB are screened on the basis of the SRI policy, focusing on aspects such as social and environmental criteria. Countries and businesses that do not meet the criteria are excluded. These include producers of controversial or offensive weapons, tobacco, coal, tar sand and shale oil, nuclear energy and the gambling industry. a.s.r. also assesses businesses on their compliance with international conventions such as the OECD guidelines and the UN Guiding Principles.

100% compliance with own SRI policy

a.s.r. safeguarded the full compliance of a.s.r.'s SRI policy following a three-step process: internal teams (investment departments), compliance process (Risk) and an independent assurance by an external party (Forum Ethibel). In 2018 a.s.r. took the necessary actions to align the recently acquired investment portfolio from Generali Nederland and make it fully compliant to the a.s.r. SRI policy.

SRI policy compliance

Target	2018	2017	2016
100% compliance with own SRI policy	☑	☑	☑

Active engagement dialogues: at least seven engagement projects per calendar year

In 2018, a.s.r. increased its engagement efforts significantly to promote higher sustainability practices in an active way. In total, a.s.r. engaged actively with 21 companies. The list of engaged companies is published on the a.s.r. website www.asrnl.com, including the reason and status of the engagement.

Active engagement dialogues

Target	2018	2017	2016
> 7 engagement projects per calendar year	a.s.r. participated in 21 engagement projects for influencing purposes	a.s.r. participated in 11 engagement projects for influencing purposes	a.s.r. participated in 12 engagement projects for influencing purposes

Increased transparency: publication of a.s.r. carbon footprint for the investment portfolio

In 2018, a.s.r. started publishing the carbon footprint of its investment portfolio in quarterly updates on the a.s.r. website www.asrnl.com.

Sustainable and responsible investing

a.s.r. is aware of the importance of and the responsibility expected from its role as investor; both as asset owner and as asset manager. Therefore sustainability is an essential part of a.s.r. investment beliefs. For a.s.r., the integration of ESG factors in the management of its investments contributes directly to the reduction of risks (both financial and reputational risks) and has a positive effect on its long-term performance.

The a.s.r. SRI policy has been integrated into the internal investment practice by:

Exclusion criteria for countries and companies

a.s.r. pursues a strict exclusion policy based on controversial activities that a.s.r. applies to internally managed portfolios, both for countries and companies. In 2018 this policy was expanded to strengthen the environmental criteria for countries related to SDG environmental performance as published by the Sustainable Development Solutions Network (SDSN) and the Bertelsmann Stiftung: exclusion of countries scoring less than 50 points on average for SDG7 (Affordable and Clean Energy), 13 (Climate Action), 14 (Life Below Water) and 15 (Life on Land). By using the SDG Index, which integrates the outcomes of the previously used Environmental Performance Index, the environmental assessment has been expanded and aligned with the SDGs. By the end of 2018, 232 of the screened companies had been excluded due to: involvement in human rights violations (6), labor rights violations (2), environmental violations (13), armaments (100), tobacco (15), gambling (44), coal (47), tar sands & shale oil (4) and nuclear energy-related activities (9). With regard to investments in sovereign debt, a.s.r. has excluded 81 countries that are poor performers in the annual Freedom in the World report, have a low ranking on the Corruption Perceptions Index or on the Environmental SDGs.

ESG integration for best-in-class investments
Best-in-class investing is part of the a.s.r. selection process for companies based on ESG best practices and products. a.s.r. favors companies that deliver an above-average performance in the area of ESG policy and implementation. Based on Vigeo Eiris research, which is certified by Arista standards, they are classified as pioneering, best-in-class and sustainable companies using a relative, sector-based ranking for six domains of analysis: Human Resources, Environment, Market Ethics, Good Governance, Social Impact and Human Rights. A detailed description of these criteria is published on www.asrnl.com.

For sovereign bonds, a.s.r. applies a best-in-class selection of countries based on their SDG performance, according to the SDG country ranking published by the SDG Index: the weighted average score of a.s.r. sovereign portfolio is positioned within the first quartile (Best in class) of the SDG Index.

Engagement

a.s.r. recognises three types of engagement

I. Engagement for the purpose of influencing: this type of engagement is used to move companies towards better sustainable practices. In 2018, the issues addressed included the following:
   - Global Compact breaches via a.s.r.'s partnership with Robeco: the updated list of companies under engagement and their status can be found on www.asrnl.com.
   - Living wages via the PLWF: the PLWF is a collaboration initiative among 8 financial institutions to engage listed companies in the garment, agri-food and retail sector on addressing living wage issues in their supply chain. In 2018, a.s.r. joined the platform, targeting 42 companies, and actively contributed to the engagement of 7 of the companies and developed a sound methodology for the newly added food-agri and retail sectors.
   - Methane in the oil and gas industry via the CIO dialogue platform: Methane is a greenhouse gas with an even higher effect on global warming than CO_2. Being the main component of natural gas, oil and gas companies are among the largest emitters of methane. A group of 11 Dutch institutional investors joined forces to engage the largest 7 oil and gas companies to request methane emission reduction targets and the integration of these targets into their incentive policies. a.s.r. took the lead in engaging Total and the first call took place in December 2018.
   - Fur and exotic leather via collaborative engagement: The use of real fur and exotic leather is getting increasingly negative attention and major luxury brands have declared to step out of the fur business. Together with 2 peer investors, a.s.r. has engaged with 4 luxury brands concerning their steps towards phasing out fur.

II. Engagement for the purpose of monitoring: Sustainability is a standard topic on a.s.r.'s agenda during its meetings with companies from its investment portfolio. Additionally, a.s.r. has been in dialogue with other players in the investment landscape, such as funds and index providers, to actively encourage a further ESG integration for their role in the investment chain.

III. Public engagement: In 2018, a.s.r. continued to participate actively in the dialogue to create an International Corporate Social Responsibility (ICSR) sector covenant, together with peers, the public sector and various NGOs. The covenant was signed in June 2018, with a.s.r. being active in 3 working groups. At the Platform Carbon Accounting Financials (PCAF), a.s.r. participated actively in 2 new working groups to develop a carbon accounting methodology for real estate, mortgages and indirect investments. Additionally, a.s.r. was committed to the Access to Medicine Index, promoting access to medicine to everyone (SDG3). In 2018, a.s.r. became a member of the Institutional Investors Group on Climate Change (IIGCC), a forum for investors to collaborate and engage on climate change risks (SDG 13). Also, a.s.r. participated in a number of UN PRI initiatives: the signing the UN PRI Tobacco Pledge (SDG 3), the UN PRI Investor letter to the Roundtable on Sustainable Palm Oil (SDG 12), and the UNPRI Investor statement for alignment of sustainability requirements in the textile sector (SDG 8). a.s.r. was a speaker on various ESG events, such as the Erasmus RSM Global Sustainability Forum, ESG roundtable from Financial Investigator or the BlackRock Mid-Year Outlook conference.

Voting policy

A shareholders' right to vote is essential for a proper functioning of a corporate governance system. a.s.r. exercises this right whenever relevant. a.s.r.'s voting policy (www.asrnl.com) has been developed in accordance with the Dutch Corporate Governance Code and a.s.r.'s SRI policy. This policy is applicable to all internally managed listed equities. In 2018, a.s.r. voted at nearly 98% of the shareholder meetings held by equity investments. Of the 817 shareholder's meetings, there were 287 that had at least one vote Against, Withhold or Abstain. Of these 287 meetings, there were 12 meetings with one or more votes against remuneration with regard to the Board of Directors or Supervisory Board and 114 meetings with one or more votes against appointments. The voting accountability report provides a quarterly review of how a.s.r. exercised its voting rights at shareholder meetings. The full report for 2018 is available on a.s.r.'s website www.asrnl.com.

Impact investing
In the investment process, a.s.r. pays special attention to impact investing to make a sustainable contribution to society, for instance, through waste recycling, renewable energy (solar and wind), social enterprises or contributing to health improvements. In 2018, a.s.r. set the target of increasing impact investments for its own account at € 300 million per year to € 1.2 billion of impact investments in 2021. By the end of 2018, a.s.r. exposure to listed and non-listed impact investments addressing specific environmental or societal needs stood at over € 300 million.

Externally managed assets
The external providers' SRI policy is a key decision criterion in the selection of external managers. To the extent possible, a.s.r. seeks managers with a SRI policy that is as comparable as possible to that of a.s.r. and, as a minimum norm, a.s.r. requires exclusion of controversial weapons as per the Sustainable Investing Code of the Dutch Insurance Association and the best possible effort to be a signatory to the UN PRI and the UN Global Compact principles.
In addition, a.s.r. engages with its external managers to enhance their SRI policy, implementation and transparency. In September 2018, a.s.r. engaged actively with new and existing managers such as BlackRock, with whom a.s.r. co-developed and seeded the first ESG EMD index tracker fund. a.s.r. receives frequent sustainability reporting from its external managers and, where possible, a.s.r. requests impact metrics in addition to the SDG reporting.

Climate change and energy transition
Since 2016 a.s.r. has integrated climate change and energy transition as an explicit theme/driver within its strategic asset allocation and has taken measures to implement its commitment across the investment portfolio. a.s.r. has analysed and identified risks for the investment portfolio both bottom-up: taking into account stranded assets and changing business models in the mining and energy sectors, as top-down in its strategic asset allocation.

Pilot with Ortec finance
In order to be prepared for future possible climate scenarios and related risks and to help a.s.r. work towards setting Science Based Targets in line with the Paris Agreement, AVB has engaged with Ortec Finance, other financial institutions and academia to integrate top down climate scenario analyses in its strategic asset allocation. The integration of these scenarios will enable a.s.r. to make better investment decisions for allocations to asset classes, regions and sectors, and therefore to construct a more climate resilient investment portfolio.

Current analyses focus mostly on bottom-up climate-related risk analyses and reporting and do not consider top-down integration via macro-economic (quantitative and qualitative) modelling. Considering a top-down analyses is important, however, because empirical research has shown that portfolio returns are determined to a large extent by investment decisions made at the strategic level.

Linking scientific climate data to ALM/SAA tooling is a novel approach to mapping potential climate impacts on investment performance. It will enable us to report forward-looking, scenario-based disclosure along the lines of the framework set out by the TCFD.

Sustainable real estate

As a real estate investment manager focusing on long-term value creation, the objective of making real estate more sustainable is important. a.s.r. real estate believes in long-term relationships with its stakeholders. Together with them, a.s.r. real estate wants to reduce its carbon footprint. But CSR goes further than just a sustainable management of real estate. a.s.r. real estate wants to contribute to both the environment and society by investing in neighbourhoods, among other things. The funds and business lines continuously strive to make the properties in their portfolios more sustainable. Their focus is on both sustainable acquisitions and making standing investments more sustainable with a keen eye on energy efficiency of the buildings, using sustainable materials & methods and greenery. a.s.r. real estate is continuously investigates and implements new developments and applications, such as solar parks, transforming vacant spaces and/or buildings, energy-neutral dwellings, charging points for electric cars and green rooftops.

Research of sustainable soil label
On 1 June 2018, coalition partners a.s.r. real estate, Vitens and Rabobank signed a letter of intent on the development of a dynamic soil index. The index has been designed to provide farmers with a better insight into the fertility of their soil. Across the Netherlands, numerous initiatives have been taken to improve soil condition. On 20 September 2018, many representatives of these initiatives met to exchange their views on sustainable soil management and, more specifically, how to exchange experiences and data regarding soil improvement measures.

In November 2018, the 'Nationale Bodemhack' took place. During the 'hackathon', data scientists, programmers, farmers and lots of other interested people worked on challenges whose outcomes will be beneficiary for sustainable soil management.

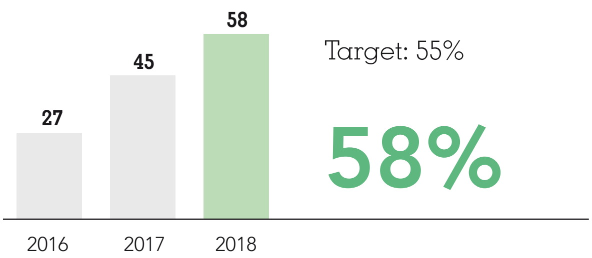
In the long run, a.s.r. real estate expects to have a positive impact on the soil fertility of Dutch agricultural land. a.s.r. rural real estate promotes sustainable soil management by intensifying the working relationship with partners in the 'sustainable soil management' charter coalition.

Rural real estate portfolio asbestos-safe
a.s.r. real estate seeks to minimize the presence of asbestos in its existing Dutch real estate investments. To achieve this, the entire portfolio of retail, office and residential properties has been made asbestos-safe. Some buildings in the rural real estate portfolio may still contain asbestos. In order to make its rural real estate portfolio fully

asbestos-safe by 2020, the goal for 2018 was to conduct an asbestos screening and perform asbestos abatement procedures at no less than 55% of at-risk holdings. This result includes the Jutte estate, which has been included in the population of buildings since 2018.

Rural portfolio asbestos-safe

(% of the holdings in the portfolio that were declared asbestos-safe)



Green Building Certificate

In addition to the portfolio's energy label certification, the Funds aim to improve the sustainability of their portfolios even further by focusing on achieving Green Building Certificates (GBC) including BREEAM, DGBC Woonmerk and Well for their buildings and complexes. This certification means that the properties, their surroundings and the development process as a whole are assessed on a broad range of sustainability criteria. The results of the first certifications will serve as a baseline for further improvement.

The ASR DCRF objective for the period up to 2018 was to obtain these certifications for at least 11% of its portfolio. At the end of 2018, a fourth complex was certified. Consequently 11.6% of ASR DCRF's portfolio was certified.

ASR DPRF objective is to obtain BREEAM-In Use certification for all wholly owned shopping centres. The objective for 2018 was to certify one wholly owned district shopping centre. Last year, shopping centre Terwijde Utrecht obtained a BREEAM-In Use certification.

About 70% of the ASR DMOF portfolio, including future projects in the pipeline, currently have a Green Building Certificate. In line with the objective for 2018, a BREEAM Quick Scan for Eempolis in Utrecht was completed.

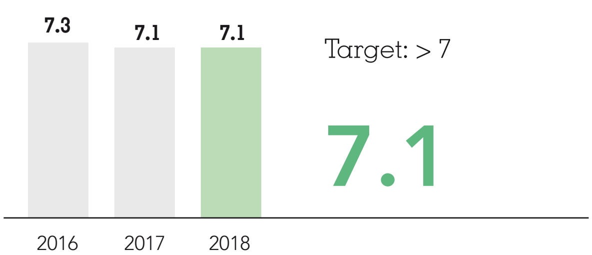
Green Building Certificates

ASR DCRF / residential fund	ASR DPRF / retail fund	ASR DMOF / office fund
Target: 11%	Target: 1 Green Building Certification shopping centre	Target: survey 1 Green Building Certification
Result 2018 ☑	Result 2018 ☑	Result 2018 ☑
11.6%	BREEAM-In Use 'very good' for Terwijde Utrecht	BREEAM Quickscan Eempolis Utrecht

Tenant satisfaction

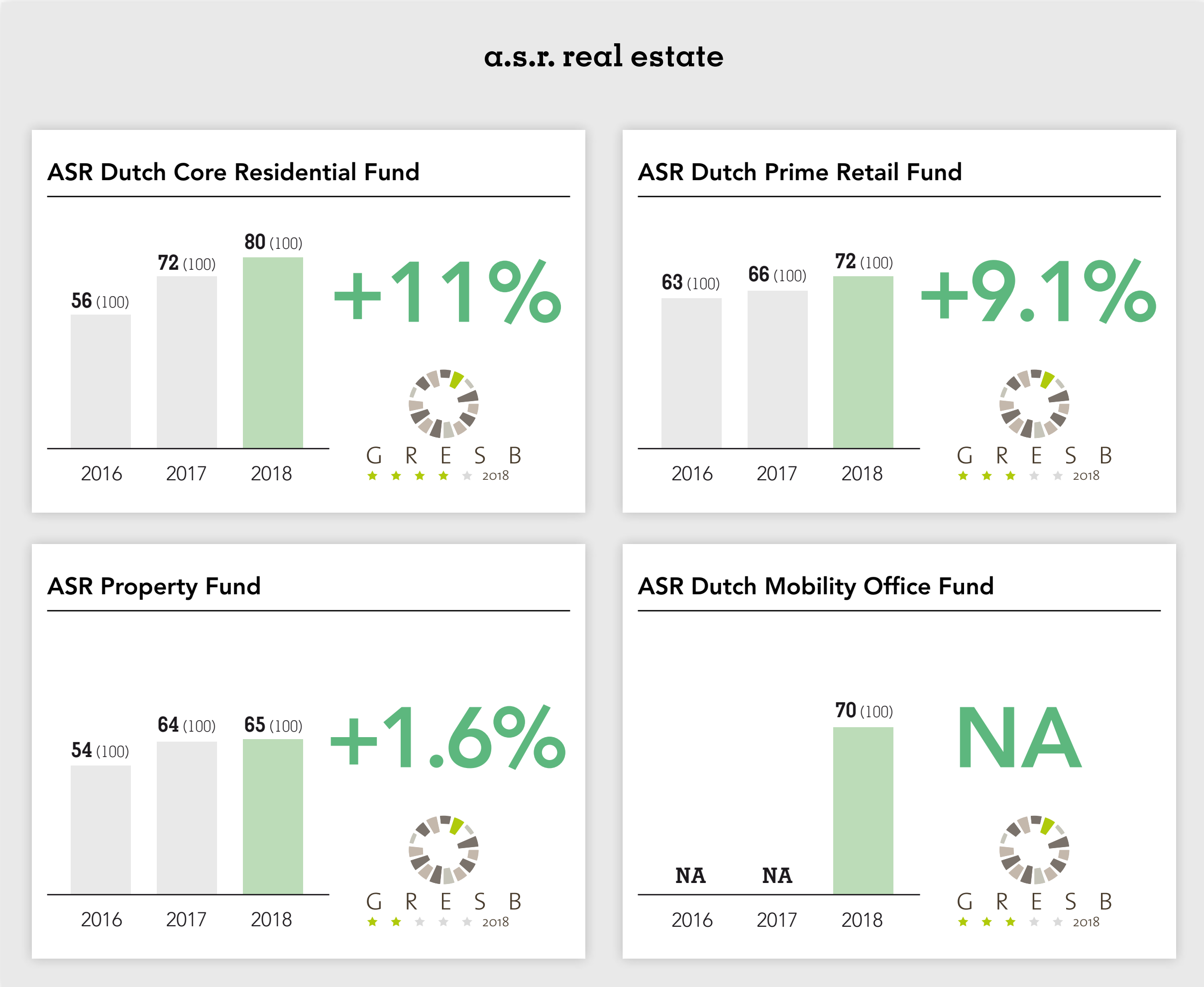
Real estate is not only an investment, a.s.r. real estate also aims for aware, involved and satisfied tenants. In this context, a.s.r. real estate conducts periodical tenant satisfaction surveys amongst tenants of residential, retail, office and rural real estate. The feedback shows how they rate the services, properties and their living and working environments. The outcomes are processed by Asset Management and, where applicable, discussed with internal or external property managers. a.s.r. real estate aims to achieve an average tenant satisfaction rating of at least 7 (out of 10).

Tenant satisfaction



Sustainable investing – GRESB benchmark

By participating annually in GRESB, an independent benchmark that assesses the sustainability of real estate investment funds around the world, a.s.r. real estate improves its transparency and awareness of sustainability. In 2018, all three funds which were participating in GRESB 2017 improved their scores. As a result, all of the funds now score above the average for their peer groups.



Please find more detailed information about responsible investments in Annex A Facts and figures.

About a.s.r.
Operating environment
Strategy
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Governance
Financial statements 2018
Other

4.7 Overview Sustainable Development Goals

- Sustainable investor
- Sustainable insurer
- Sustainable employer
- Sustainable management
- Role in society

SDG	Role	Impact and contribution
1 NO POVERTY		a.s.r. foundation provides support in the financial education of children and young people (reading and teaching) and for households with (a risk of) problematic debts. Employees spent 4,263 hours via the foundation (286 visits) on financial self-reliance projects and activities.
3 GOOD HEALTH AND WELL-BEING		• a.s.r. offers insurance to cover (the costs of) health care, available at one price (per label) for anyone who is eligible for this type of insurance under Dutch law. • a.s.r. plays an active social role in helping people recognise health risks, advising on possible interventions and increasing awareness of the importance of health.
5 GENDER EQUALITY		a.s.r. strives for an inclusive culture in which differences between employees are recognised, valued and exploited. With regard to gender: 25% of the Executive Board was female, while the Supervisory Board consisted of 40% female members. Senior management 29%, management 19% and employees 40% females.

SDG	Role	Impact and contribution
7 AFFORDABLE AND CLEAN ENERGY		a.s.r. has integrated climate change and energy transition as an explicit theme/driver within its strategic asset allocation. a.s.r. exposure to listed and non-listed impact investments addressing specific environmental or societal needs, including renewable energy (solar and wind power), stood at over € 300 million.
		a.s.r. pays attention to its own direct carbon footprint and has set itself the goal of remaining climate neutral in terms of the direct footprint of its headquarters.
8 DECENT WORK AND ECONOMIC GROWTH		One of the four principles of a.s.r.'s policy on diversity is 'Participation of people with limited labour market potential'. In 2018, a.s.r. had 29 employees with an occupational impairment.
		a.s.r. invests with a strict ESG policy aimed at stimulating sustainable economic growth. In 2018, a.s.r. joined the PLWF, in which it and other Dutch financial institutions launched 27 engagement trajectories with textile and footwear companies to pay living wages in their supply chain.
		a.s.r. complies with the 10 principles of the ethical manifesto to ensure that customers are financially self-sufficient and still gain access to insurance services in case payment arrears and problems arise. a.s.r. disability contributes to income and work by focusing on prevention of unemployment due to sickness or disability. a.s.r. offers the services of in-house medical advisors, occupational reintegration managers, vocational experts and external parties offering reintegration, health and safety services, combined with skilled claims handlers, for all policyholders, to assist with their occupational reintegration.
		a.s.r. strives to pay a dividend that supports sustainable long-term value for its shareholders. This year's annual dividend will be based on a pay-out ratio of 45% to 55% of net operating result distributable to shareholders (i.e. net of hybrid costs), while taking into account the aim to offer a stable to slowly growing dividend per share at least at the level of last year. For the 2018 financial year, a.s.r. proposes to pay a total dividend of € 1.74 per share, which is paid as an interim dividend of € 0.65 per share and a final dividend of € 1.09 per share.
11 SUSTAINABLE CITIES AND COMMUNITIES		As an investor in real estate, a.s.r. plays a role in working towards a more sustainable built environment based on the key goal of the Paris agreement for 2050, in which the built environment must be CO_2-neutral. a.s.r. real estate funds aim to further improve the sustainability of their portfolios by achieving Green Building Certificates (GBC) (including BREEAM, DGBC Woonmerk and Well). Green building certificates: 11.6% of ASR DCRF's portfolio is certified, shopping centre Terwijde Utrecht obtained BREEAM In Use certification in 2018 and about 70% of the ASR DMOF portfolio has a Green Building Certificate.
13 CLIMATE ACTION		The Climate Committee of P&C focuses on the impact and risks of climate change on customers, intermediaries and a.s.r. This is done by developing climate maps, improved risk and claims assessments and supporting intermediaries and customers with information to prevent climate risks.
		a.s.r. increased its transparency by means of quarterly updates on the carbon footprint of its investment portfolio on www.asrnl.com. Its strategic target is to measure 95% of the carbon footprint by 2021.
15 LIFE ON LAND		a.s.r. real estate aims to improve the soil for healthy agriculture. Research is conducted for the development of a label with which degree of soil fertility can be measured.

Object

Untitled

Made by

Reinoud van Vught

Chosen by

Mariëm Isiboukaren, complaints handler Ditzo

‘I love the colours in this painting. I tend to like art that’s colourful. If you look at this work from a distance, you’d almost think it was a photograph. It’s partly due to the play of light, which looks very natural. But if you move closer, you’ll see it’s built up from many layers. It’s very cleverly done.’

5

Business performance

5.1 Group and segment performance

5.1.1 Financial and business performance for 2018

Key figures

(in € million, unless stated otherwise)	2018[1]	2017[2]	Delta
Gross written premiums	**4,459**	**3,920**	**13.7%**
- Non-life	3,014	2,579	16.9%
- Life	1,566	1,453	7.8%
- Eliminations	-121	-112	8.4%
Operating expenses	**-601**	**-571**	**5.4%**
- Non-life	-222	-201	10.4%
- Life	-185	-184	0.8%
- Banking and Asset Management	-78	-80	-2.6%
- Distribution and Services	-51	-45	15.0%
- Holding and Other/Eliminations	-60	-57	6.6%
- Real Estate Development	-4	-4	-4.6%
Operating expenses associated with ordinary activities	**-567**	**-546**	**3.8%**
Provision for restructuring expenses	-25	-10	-
Operating result	**742**	**728**	**2.0%**
- Non-life	145	172	-15.6%
- Life	664	633	4.9%
- Banking and Asset Management	16	6	186.3%
- Distribution and Services	25	16	53.0%
- Holding and Other/Eliminations	-108	-99	-9.3%
Incidental items (not included in operating result)	**162**	**398**	**-59.3%**
- Investment income	163	338	-51.8%
- Underwriting incidentals	16	33	-52.3%
- Other incidentals	-17	27	-
Profit/(loss) before tax	**904**	**1,126**	**-19.7%**
- Non-life	159	241	-34.1%
- Life	805	931	-13.5%
- Banking and Asset Management	15	4	271.7%
- Distribution and Services	26	16	59.5%
- Holding and Other/Eliminations	-127	-84	-51.2%
- Real Estate Development	26	17	47.8%
Income tax expense	-211	-221	-4.4%
Profit/(loss) for the year from continuing operations	693	905	-23.4%
Profit/(loss) for the year from discontinued operations	-36	3	-
Non-controlling interest	-2	-2	-7.2%
Profit/(loss) for the year attributable to holders of equity instruments	**655**	**906**	**-27.7%**

1 Generali Nederland figures are indicative in connection with the ongoing integration and conversion of portfolios.

2 Comparative figures have been adjusted, mainly related to the discontinued classification of a.s.r. bank. The impact on profit before tax amounts € -2 million, on operating expenses € -14 million and on operating result € -1 million.

(in € millions, unless stated otherwise)	2018	2017	Delta
Earnings per share			
Operating result per share (€)	3.63	3.53	2.8%
Dividend per share (€)	1.74	1.63	6.7%
Basic earnings per share on IFRS basis (€)	4.33	6.03	-28.2%
New business, Life segment (APE)	119	89	33.7%
Combined ratio, Non-life segment	96.5%	95.1%	1.4%-p
Return on equity	13.7%	21.2%	-7.5%-p
Operating return on equity	14.2%	16.0%	-1.8%-p
Number of internal FTEs (as at 31 December)[1]	3,683	3,493	190

Equity and solvency

(in € millions, unless stated otherwise)	31 December 2018	31 December 2017	Delta
Total assets	59,009	55,405	6.5%
Equity attributable to shareholders	**4,478**	**4,432**	**1.0%**
Total equity (IFRS)	5,479	5,432	0.9%
Solvency II-ratio (standard formula, post proposed dividend)[2]	197%	196%	1.0%-p

Operating result increased € 14 million to € 742 million in 2018, this includes the impact from a heavy storm in January (€ -30 million). The acquired businesses from Generali Nederland contributed approximately € 40 million to the operating result, mostly in the Life segment of which approximately € 30 million is sustainable.

The result in Non-life segment decreased € 27 million to € 145 million, driven by the lower result from P&C business reflecting the effect of large claims from the storm in 2018 and the absence of calamities in the prior year. Outside these larger effects the business showed healthy underlying development. In Disability and Health the operating results remained fairly stable.

The Life segment increased € 31 million to € 664 million, mainly due to higher investment margin from the acquired Life business of Generali Nederland. Technical result remained stable, due to continuing cost awareness as well as additional cost coverage and synergies from the Generali Nederland portfolio.

The operating result of the Bank and Asset Management segment rose € 11 million to € 16 million. The increase of AuM resulted in higher fee income, especially as result of strong inflow in the ASR Hypotheekfonds (mortgage fund). Distribution and Services operating result increased € 8 million to € 25 million in 2018. Operating result of Holding and Other decreased € 9 million to € 108 million, driven by non-recurring items.

GWP increased € 538 million to € 4,459 million, including the contribution of Generali Nederland (€ 409 million). GWP in the Non-life segment increased (€ 435 million), which was mainly attributable to Generali Nederland Non-life (€ 314 million) and solid organic growth in each business line. Growth in P&C was driven by sales of 'Vernieuwd Voordeel Pakket' (up 25% from 2017). The increase in GWP in the Life segment (€ 113 million) was mostly due to the inclusion of Generali Nederland Life (€ 95 million). Sales in the Pension DC-product ('WerknemersPensioen') more than offset the decline in Individual life. Funeral remained stable, excluding one-time single premiums.

Operating expenses increased € 31 million to € 601 million as a result of the additional operating expenses of Generali Nederland (€ 48 million). Excluding the cost base from Generali Nederland operating expenses declined by € 17 million. The operating expenses associated with ordinary activities, which are part of the operating result, were € 567 million (2017: € 546 million), when excluding the addition of Generali Nederland (impact € 38 million) a decrease of € 17 million. This reduction is due to the completion of projects, efficiency improvements and rationalisation of IT- processes owing to migrations of portfolios to a single a.s.r. platform. In Asset Management, operating expenses increased € 1 million due to higher personnel and license fees, which supports the increasing third party asset base. The operating expenses of a.s.r. bank were excluded as these activities have been classified as discontinued operations.

1 Including 285 FTEs due to the acquisition of Generali Nederland.
2 Excluding a.s.r. bank and a.s.r. vermogensbeheer.

The number of **internal FTEs** (including redundancies) increased by 190 (or 5.4%) to 3,683 FTEs at 31 December 2018 (31 December 2017: 3,493 FTEs) due to the acquisition of Generali Nederland (285 internal FTEs). The number of Generali Nederland employees declined as a result of employees who opted for the social plan, staff reductions or internal vacancies fulfilled by former Generali Nederland employees. The largest decline in the number of internal employees was in the individual life business reflecting the decline of the portfolio.

Profit before tax was € 904 million (2017: € 1,126 million). Profit before tax in 2017 included an exceptional investment result from the sale of preference shares Unilever. In 2018, declines in financial markets resulted in an increase of impairments. The contribution of other incidental items decreased due to expenses related to the integration of Generali Nederland as well as higher regulatory costs for, amongst others, the implementation of IFRS17/9 legislation.

Operating return on equity amounted to 14.2% and was well above the target of up to 12% (2017: 16.0%). The decline reflects the effect of the increase in the average shareholders' equity (+13%) surpassing the increase of operating result (+2%). IFRS return on equity stood at 13.7% (2017: 21.2%).

The **solvency II-ratio** per 2018 is 197% (2017: 196%) and before the (proposed) dividend amounts 204%. Main factors impacting the SII ratio include the acquisition of Generali Nederland (-9%-point), lower interest rates, the decrease of the UFR to 4.05%, widening of credit spreads and the dividend. The forthcoming tax reduction has been fully incorporated (-6%-point in the LAC DT factor). These effects were more than compensated by, amongst others, organic capital creation, widening of the VA and reduction of market risk.

5.1.2 Non life

The Non-life segment consists of P&C, Disability and Health. The main legal entities of the Non-life segment are ASR Schadeverzekering N.V., ASR Basis Ziektekostenverzekeringen N.V. and ASR Aanvullende Ziektekostenverzekeringen N.V.

Financial Performance

Key figures, Non-life

(in € millions, unless stated otherwise)	2018	2017	Delta
Gross written premiums	3,014	2,579	16.9%
Operating expenses	-222	-201	10.4%
Operating result	**145**	**172**	**-15.6%**
Profit/(loss) for the year attributable to holders of equity instruments	**132**	190	**-30.6%**

Combined ratio, Non-life

	2018	2017	Delta
- Non-life segment	96.5%	95.1%	1.4%-p
- P&C	98.4%	95.5%	2.9%-p
- Disabilty	90.8%	90.9%	-0.1%-p
- Health	99.2%	99.2%	0.0%-p

Operating result decreased € 27 million from € 172 million to € 145 million. This decrease was primarily the result of the January storm (€ -30 million) while the first half year of 2017 was exceptionally strong with a favourable level of claims at P&C with no calamities. Disability showed overall a solid performance. For sickness leave, 2018 was a challenging year as claims rose considerably. Individual disability performed strongly thereby offsetting the impact from sickness leave. Pricing of sickness leave has been raised and will see further adjustments in 2019 in response to recent experience.

The COR of the Non-life segment was 96.5% and better than the target of 97%. The increase of 1.4%-point compared to the prior year is driven by the impact from the January storm (1.0%-point). The COR of P&C business rose by 2.9%-point to 98.4% (including 2.6%-point impact from the storm). Besides the impact from larger claims, the underlying regular performance of the portfolio improved slightly. Disability COR remained stable at 90.8%. The Health COR was stable at 99.2%, despite higher claims in the supplementary health insurances.

GWP rose € 435 million to € 3,014 million. This was driven by organic growth in all product lines: P&C up € 77 million, Health up € 24 million and Disability up € 20 million. Generali Nederland Non-life amounted to € 314 million (P&C € 277 million and Disability € 37 million). In the P&C business the number of 'Vernieuwd Voordeel Pakket' (a product that combines several insurance coverages) sold continued to increase to over 70,000, up 25% compared to 2017. The growth in the disability business mainly came through the distribution channel mandated agents, amongst which SuperGarant, for sickness leave and collective occupational disability insurance products. Growth in Health was driven by higher premium income per customer which more than compensated the decline in the number of policyholders in 2018.

Operating expenses for Non-life increased € 21 million to € 222 million. This increase was largely related to the addition of Generali Nederland Non-life (€ 17 million). The remaining part was caused by higher staffing costs and one-off transition costs for the migration of the Europeesche portfolio into the a.s.r. and Ditzo platforms. The migration will have a favourable impact on the future development of the cost ratio. In 2018 the cost ratio improved 0.3%-point to 7.3%.

Profit for the year for Non-life amounted € 159 million (2017: € 241 million). Last year was positively influenced by a higher level of realised capital gains (€ 33 million) and this year there were more impairments on equities (€ 31 million) due to a less favourable financial markets climate.

P&C

With a market share of 12.1% in 2017 (10.9% in 2016), a.s.r. was the third largest general provider of P&C insurance products in the Netherlands[1], as measured by GWP. a.s.r. offers a broad range of P&C insurance products under the brands a.s.r., Ditzo and Europeesche Verzekeringen.

Products

a.s.r.'s broad P&C insurance product range offering can be divided into the following categories:

- Motor: a.s.r.'s motor policies for retail and commercial customers provide third-party liability coverage for motor vehicles and commercial fleets, including property damage and bodily injury, as well as coverage for theft, fire and collision damage;
- Fire: a.s.r.'s fire policies for retail and commercial customers provide coverage for a variety of property risks, including fire, storm and burglary. Private coverage is provided on both a single-risk and a multi-risk basis, with multi-risk policies providing coverage both for loss or damage to dwellings and damage to personal goods;
- Travel and Leisure: a.s.r. offers travel insurance policies for retail customers and is a market leader in the travel and leisure market in the Netherlands;
- Other: a.s.r. also offers other non-life insurance products such as transport goods in transit only, liability, agricultural and construction motorised vehicles, construction all risk and assistance.

Market

Many insurers with similar products are active in the non-life market, especially in the retail non-life insurance market. The non-life market in general has been loss-making in recent years. Losses in the market led to premium increases and strict portfolio management by insurers. Consolidation by other insurers has also affected a.s.r.'s position in the Dutch market. Insurers distribute their insurance policies through intermediaries (approximately 80% of the market volume) and directly (approximately 20% of the market volume). In the retail market, online distribution has become more important. This mainly involves simple products such as car insurance. Consumers increasingly use the internet to orientate themselves and to compare and purchase products. Customers who buy insurance online usually switch insurers more frequently. The introduction of social media and WhatsApp have caused customers' service needs to change. In the SME market, intermediaries are maintaining their dominant position, especially due to the more complex products involved.

Strategy and achievements

On the P&C insurance front, a.s.r. endeavours to leverage its existing strengths and to achieve a COR of > 97%. The P&C business is expected to grow in line with gross domestic product (GDP) development. While leveraging existing strengths and distinctive profitability, a.s.r. aims to further develop its expertise in pricing, underwriting and claims handling and excellent service, which it believes are its key drivers for sustainable value creation.

The acquisition of Generali Nederland P&C and the agreement and right to acquire the Avéro Achmea portfolio into a.s.r. further strengthened a.s.r.'s position. In co-insurance in particular, its market position doubled after the acquisition of Generali Nederland. The Generali Nederland non-life organisation was integrated into the P&C organisation in 2018 and the conversion of the different Generali Nederland non-life portfolios has now started. P&C expects to complete the portfolio conversions in 2019.

Product development

P&C has added the product specifications of De Europeesche to its retail product proposition, Vernieuwd Voordeel Pakket (VVP). Its customers can now enjoy the best product specifications of a.s.r. and Europeesche through the VVP proposition. P&C will discontinue the stand-alone Europeesche products in the intermediary channel at the beginning of 2019. This is part of P&C's product rationalisation strategy. Various policy terms & conditions are also being rationalised. This makes the product range simple and clear for both customers and distribution partners.

Digitisation and innovation

Another important part of the a.s.r. strategy is to further simplify and modernise its infrastructure. The new non-life platform will lead to the improvement and digitisation of services to customers and intermediaries. It will also reduce costs, thereby further strengthening a.s.r.'s competitive position. The first retail portfolio has now been successfully converted to this new platform. In 2019, P&C will convert the remaining retail portfolios to the new platform. P&C has also begun to implement its SME products on the new platform.

In 2017, P&C began using Robotic Process Automation (RPA) to perform routine tasks and commercial portfolio migrations more efficiently. It is using RPA in the migration of the Avéro Achmea portfolio and the retail provincial Generali Nederland portfolio.

Sustainability

P&C has a number of CSR initiatives. These focus on three pillars: prevention, safety and sustainability. P&C's goals in this regard are to:

- Be recognised by customers, intermediaries and employees for its contribution to prevention and sustainability;
- Advise and communicate on how to prevent damage;
- Make the customer's environment more secure;
- Promote sustainable recovery and repair in the event of damage.

1 Source: DNB - The market share figures for 2018 will be published in August 2019.

All repair companies engaged by P&C in the event of fire damage have complied with the Sustainable Repairs quality mark since 2017. These companies work in construction, glass repair, reconditioning, electronics, interior restoration, flooring and painting. Repair companies that are entitled to display the quality mark are assessed for their sustainability and ability to satisfy strict requirements. P&C is one of the initiators of Sustainable Repairs and fulfils a chairmanship role on the Body of Experts.

Sustainability targets & results

	Target	Result 2018
1	Organise knowledge sessions for consultants on: - Vehicle crime; - Cyber; - Fire, climate & sustainability	☑
2	Placing prevention content on social media regarding: - Road safety; - Online security; - Worry-free travel; - Safety and sustainability in and around the home and office; - Personal protection Growing number of followers on social media to > 100,000 by year-end 2020 Target for 2018: 40,000 followers	39,227 Subdivided into: Instagram: 777 LinkedIn: 21,750 Facebook: 16,700

Outlook for 2019

In 2019, a.s.r. plans to go live with the SME product portfolio on the new platform. a.s.r. will convert the retail portfolios to the new platform, complete the Generali Nederland portfolio conversions and the De Europeesche portfolio conversion. It also plans to complete the integration of the De Europeesche organisation into P&C and Ditzo. This will help improve the service to customers and reduce operating costs.

Ditzo

Ditzo is an independent business within the P&C segment. Its aim is to empower consumers to make their own decisions when insuring their goods and lives through the provision of insurance products, services, decision support tools, excellent customer service and direct online distribution.

Key themes in Ditzo's strategy are:

- A focus on customer satisfaction through Ditzo's customer service;
- Continuous optimisation of customer acquisition costs through online channels;
- Increasing the share of bundled proposition for existing customers with regard to both health and non-life insurance policies;
- To diversify the portfolio through more non care-related sales.

In 2018 Ditzo successfully implemented a revised product portfolio and migrated the portfolio to the administration platform with a non-automated conversion ratio of almost nil. To increase the share of the portfolio, the Ditzo Voordeelpakket was introduced, which combines a discount with more value-added services. The discount is based on the number of products (health and non-life) per customer.

In 2018, Ditzo also migrated to a single platform. This will result in cost savings at P&C level, simplification and a shorter time-to-market. In early 2019, the Generali Nederland Direct non-life portfolio will be migrated to the Ditzo system using robotics. In 2019, De Europeesche will be migrated to the Ditzo platform and the Ditzo and Europeesche organisations will be merged to form a single organisation.

Disability

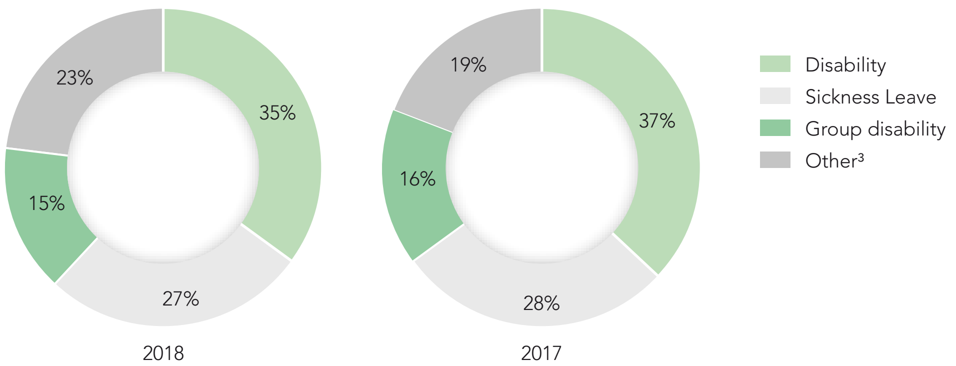
a.s.r. has been a traditional leader in this market, with a market share of 23.9%[1] in 2017[2] (2016: 24.0%), measured by GWP. The total Dutch disability insurance market measured by GWP totalled € 3.65 billion in 2017.

Under the De Amersfoortse brand, a.s.r. offers a broad range of disability insurance products as well as the services of in-house experts and external parties in the context of prevention and reintegration for SMEs (employers and employees) and self-employed persons.

Products

- Disability self-employed:
  - Products for self-employed persons to protect against loss of income in the event of sickness or disability;
  - Products for employees to protect the payment of fixed expenses in the event of sickness or disability and to cover loss of income above the wage limit (WIA - Dutch Work and Income (Capacity for Work Act) supplementary insurance) in the event of disability.
- Sickness leave:
  - Products for employers to cover the costs associated with the employers' obligation to continue to pay wages in the event of employee sickness.
- Group disability:
  - Products for employers to cover their own WGA risk carrier status;
  - Products for the benefit of employees (taken out by employers) to cover loss of income due to the inability to (fully) perform work as a result of disability as defined by the WIA.

Product share Disability



Market

The disability market is subdivided into:

- Disability self-employed: the entrepreneur has no social security concerning loss of income caused by sickness or occupational disability and is able to insure disability risk up to retirement age.
- Group disability (employer and its employees):
  - Sickness leave (short term, 2 years): Employers are - in the event of sickness leave of the employee - responsible for continued payment of salary to the employee for up to two years. The employer can insure this risk on the private market which is done by most SMEs in practice.
  - Disability (long-term, up to retirement age): After two years of sickness, the employee may appeal to the WIA. WIA is a public act covering all employees in the Netherlands and is administered by UWV (the Employee Insurance Agency). The employee can use this to cover a possible significant loss of income.

Strategy and achievements

a.s.r. has a strong position in the disability insurance market and through its brand De Amersfoortse, is well positioned to capture profitable growth opportunities. In December 2018, it announced that it had concluded an agreement with APG to acquire insurer Loyalis from APG. The acquisition will increase a.s.r.'s market share in disability to over 28%. a.s.r. also has a significant position in the intermediary distribution channel. Through its disability product line, it aims to meet the targeted COR of < 93%. a.s.r. believes that enhancing its offering on pricing and underwriting, and the deployment of dedicated multidisciplinary teams, are key to sustainable value creation.

Product development

a.s.r. continues to provide high quality products and services to its customers by reducing the complexity of those products and by keeping product offerings up to

1 Including De Europeesche accidents and Generali.

2 Source: DNB - At the moment of writing, the market share figures for 2018 are unknown.

3 a.s.r. also offers products relating to sickness leave and group disability via authorised agents and mandated brokers. Due to the importance of this distribution channel, a.s.r. presents these sales as part of a separate product category ('Other').

date. Recently planned/introduced products and services include:
- 'Langer mee AOV': an affordable product devised for blue collar workers up to retirement age;
- Linking the disability payroll system and insurance administration means that personnel transactions are processed directly in the administration;
- Linking the disability health services administration and insurance administration means that sickness leave transactions are processed directly in the administration.

Digitisation and innovation
- a.s.r. assists the intermediary channel with e-based underwriting systems and online channels to provide online product offerings;
- Disability has begun a pilot project to enhance visibility and potential relevance, especially for young customers. The 'Always On' project focuses primarily on digital communication via a mobile device;
- a.s.r. claims the domain of sustainable employability by stimulating cooperation of its participations in the sphere of prevention, claims management and reintegration.

Sustainability
De Amersfoortse's 'Doorgaan' policy is an integrated disability and health insurance scheme whose customer benefits include lower premiums and supplementary services in the form of early preventive care, reducing the chance of (long-term) disability and encouraging sustainable employability. This is carried out by dedicated 'doorgaanexperts' through an efficient and effective approach (one stop shop for disability and health) aimed at minimising the length of absence.

Sustainability target & result

Target	Result 2018	Result 2017
At the end of 2018, 11,000 customers signed a 'doorgaangarantie' (continuation guarantee)	almost 14,000	5,053

Outlook for 2019
a.s.r. is not expecting any major changes in the social system. The emphasis will continue to be on improving accessibility and increasing insurance levels of the self-employed, focusing on young self-employed people and further improving service reintegration. a.s.r. needs to be vigilant on sickness leave levels. The acquisition of Loyalis is expected to take place in the first half of 2019. Loyalis will be an excellent addition to a.s.r.'s portfolio and is expected to strengthen its market position and provide an excellent basis for further growth.

Health

With a market share of 2.0% (2017: 2.1%), a.s.r. was the eighth largest provider of health insurance products on the Dutch market in 2018, as measured by customer numbers. a.s.r. offers health insurance products under the Ditzo and De Amersfoortse brands.

Products
Health markets two product types: basic insurance and supplementary insurance. Basic insurance provides cover in accordance with legal guidelines. Supplementary insurance covers specific risks that are not covered by basic insurance, such as the costs of dentistry, physiotherapy, orthodontics and medical support abroad.

Market
The health insurance market is a highly regulated market. The Dutch health care system distinguishes two types of insurance product: basic health insurance coverage and supplementary coverage. All Dutch residents are obliged to have basic health insurance coverage. Basic coverage is the same across all insurers, since it is a statutory requirement. The number of customers who switch care providers per calendar year has been relatively stable over the past four years just under 7%. In 2018 the number of customers that switched amounted to 6.7%.

Insurers are obliged to accept all Dutch residents for basic coverage. A government-run system of risk equalisation makes this possible and provides insurers with compensation for excessive costs resulting from their customer base. The government is constantly seeking to improve the system of risk equalisation in order to give every insurer the same starting position.

Gross written premiums for basic coverage are increasing across the board due to rising health care costs. These expenses account for more than 96% of health insurers' overall costs. Between 2016 and 2018, the GWP of the market as a whole rose by more than 11%[1].

Strategy and achievements
In line with a.s.r.'s mission statement of 'helping by doing', its health strategy to help customers get better and healthier has been underpinned by the introduction of relevant products and services. a.s.r. health is also run as an 'independent' division within the Group, and supports other business lines and brands with opportunities for cross-selling and brand appreciation. Health is aiming for further digitisation and innovation.

Making an impact on the personal health of customers
a.s.r. aims to help customers improve their health whenever possible. It therefore provides information, services

1 Source: NZA Monitor Zorgverzekeringen 2018

and products to customers that may help them improve their health. In 2018, it ran a pilot project consisting of an online platform giving customers insight into their health and supporting their efforts to improve their own health (such as through more exercise, less alcohol, better sleep patterns). Based on the lessons learned, a.s.r. is looking to incorporate this kind of service into its daily customer-servicing business.

Given that it considers the health of its customers as one of its core focus areas, a.s.r. ended the outsourcing of health care procurement in 2017 and in 2018 brought the contracting of health care providers in-house. In this way, a.s.r. health aims to strengthen its relationship with health care providers for the benefit of its customers, while at the same time facilitating declaration processes in order to benefit customers and healthcare providers alike.

Customer satisfaction

As well as introducing products and services to help make customers more healthy, a.s.r. health strives to increase customer satisfaction by organising an efficient and client-focused customer service process. a.s.r. health puts considerable effort into streamlining and digitising the process of paying declarations, customer onboarding and other services, thereby leading to faster and more accurate payments to customers, customer satisfaction, lower operating costs and efficient processes. a.s.r. health also constantly updated the practical information it provided to its employees so that they can in turn improve the quality, accuracy and speed of information they give customers.

Product development and innovation

a.s.r. continues to provide high quality products and services to its customers. Last year, it further automated its claims payment process, leading to faster payments to customers and less re-working. A knock-on effect is increased efficiency, which in turn enhances the affordability of the products.

Together with Ditzo, a.s.r. introduced 'Pechvogel Plus', a product that adds accident insurance to the a.s.r. health product range. a.s.r. can thus now give its customers the full range of health care insurance products. Another product that was introduced was the 'Ditzo Voordeelpakket', which gives customers a discount if they buy more than one Ditzo insurance product, such as health care insurance and car insurance. Customers can thus profit from the economies of scale that a.s.r. generates when a customer takes out more than one Ditzo product.

For De Amersfoortse, a.s.r. experimented with a digital health platform. This is an app to help improve customers' health by providing a single platform for all their health trackers. a.s.r. also added challenges and goals to encourage customers to adopt an active lifestyle. It is now looking to implement this service and the lessons gained from the pilot project in its regular product range.

Sustainability targets & results

Target	Result 2018	Result 2017
Offer of expertise to see if and how a.s.r. health can help health care institutions improve their sustainability (e.g. a major challenge to bring the sustainability of buildings into line with government targets).	a.s.r. health devised a plan to help health care institutions reduce their CO_2 emissions by increasing the sustainability of their real estate. To do so, a third party sustainability scan was carried out to provide insight into possible improvements in a multi-year planning schedule. a.s.r. health has been working with a.s.r. asset management as a possible partner to fund the necessary building improvements in a cost-neutral way. This is currently in the pre-pilot phase.	NA

Target	Result 2018	Result 2017
The Green Deals set four goals for the health sector: reduce CO_2 emissions, circular production and labour, clean water, and a healthy environment for employees and patients. a.s.r. health encourages sustainability and CO_2 reduction initiatives from its health care suppliers. a.s.r. health is opening face-to-face discussions with the top 25 health suppliers a.s.r. contracts directly. At the end of 2018, a.s.r. health set a target to host a ‘sustainability congress’ in mid-2019 for its top 150 health care suppliers. a.s.r. health wants to open up discussions on how it can help and inspire these suppliers to take the next steps. It is now setting up a partnership with advisor CFP green building and investigating possibilities for financing via AVB/Triodos bank.	a.s.r. health recently signed the Green Deal ‘op weg naar duurzame zorg’ (towards sustainable healthcare). Overall sustainability and CO_2 reduction initiatives are standard subjects on the agenda of a.s.r. health’s quarterly meetings with its top 25 suppliers. A sustainability conference is being planned for mid-2019. There are approximately 150 registrations of interest from the real estate managers of health care suppliers.	NA
Further development of the GoedBezig health promotion app (pilot project and beyond).	Phase 3 of the pilot has been successfully completed. Lessons are being implemented in further projects and used to develop a health-based customer organisation.	NA
Provision of support to three health care institutions through approximately 150 colleagues from a.s.r. health (helping by doing).	Successfully assisted three institutions for mentally and/or physically ill or challenged people.	Successfully assisted several institutions for mentally and/or physically ill or challenged people.

Outlook for 2019

For De Amersfoortse, a.s.r. is looking into possibilities for further improving the unique proposition of Doorgaan (combination of health care insurance and disability insurance). In particular, a.s.r. wants to provide a more attractive proposition for employees when employers contract Doorgaan for them. a.s.r. also wishes to introduce a digital service to improve the health of its customers.

5.1.3 Life

The Life segment comprises the life insurance entities Pensions, Individual life and Funeral. The segment offers insurance policies that involve asset-building, immediate (pension) annuities, asset protection, term life insurance and funeral expenses for consumers and business owners.

The operations are conducted by life legal entity ASR Levensverzekering N.V. With a 12% share of the market in 2017[1] (2016: 14.8%), a.s.r. occupies fifth place in the Dutch life market, based on GWP.

Financial Performance

Key figures, Life

(in € millions, unless stated otherwise)	2018	2017	Delta
Gross written premiums, of which:	1,566	1,453	7.8%
Recurring premiums	1,295	1,243	4.2%
Single premiums	271	210	28.8%
Operating expenses	-185	-184	0.8%
Operating result	**664**	**633**	**4.9%**
Profit/(loss) for the year attributable to holders of equity instruments	**569**	**731**	**-22.0%**
Cost/premium ratio (APE)	11.1%	11.0%	0.1%-p
New business (APE)	119	89	33.7%

Operating result rose € 31 million to € 664 million (up 4.9%) mostly due to a higher investment margin (€ +37 million) from the acquired Generali Nederland business. Excluding Generali Nederland, direct investment returns remained stable, while required interest decreased (€ 6 million), mostly in the individual life book. This was offset by a decrease of the release from the capital gains reserve (€ -8 million).

T**echnical result** (including costs) declined slightly (€ -7 million). The lower cost coverage in individual life as a consequence of declining portfolio were compensated by the cost coverage of Generali Nederland and by regular cost savings.

The funeral portfolio of Generali Nederland has already been converted to the a.s.r. platform, The individual life and pension portfolios are scheduled for 2019 and 2020 respectively.

GWP amounted to € 1,566 million (2017: € 1,453 million). Excluding the Generali Nederland's contribution of € 95 million the Life segment increased by € 18 million. The decrease in individual life premiums (€ 70 million) was more than compensated by new business in Pensions (€ 68 million) and Funeral (€ 19 million).
The growth of Pensions is driven by the 'Werknemers-Pensioen', which increased by € 85 million to € 216 million (+65%). There are circa 55,000 active participants (2017: approximately 36,000) with a DC pension product. In addition to new customers, this growth is also due to transfers from the existing DB/DC-portfolio. The share of capital light DC pension products in new pension business remained fairly stable at 73% (2017: 77%). The level of surrenders of nominal policies at Individual life was stable at 0.8% but is still above long-term average. This mainly concerns savings mortgages that are surrendered or transferred because of the persistently low interest rates.

The increase in GWP at Funeral is mainly related to the acquisition of the PC Hooft Uitvaart portfolio, which was transferred to Funeral on 1 October 2018. Underlying the Funeral portfolio decreased slightly due to (un-)natural surrenders.

Operating expenses increased € 1 million to € 185 million. Excluding Generali Nederland (€ 15 million) the operating expenses decreased with € 14 million as a result of the continued execution of migration programs and the phasing out of IT-systems ('product- and system-rationalisation'). In addition, project- and integration related costs decreased this year.

The size of operating expenses related to the premiums (measured in APE) remained relatively unchanged resulting in a fairly stable cost-premium ratio of 11.1% (2017: 11.0%). Life operating expenses expressed in basis points of the basic life provision amounted to 56 bps (2017: 58bps).

Profit before tax was € 569 million (2017: € 731 million). Last year's profit before tax included a higher level of realised capital gains in indirect (incidental) investment

1 DNB – at the moment of writing, the market share figures for 2018 are unknown.

results. The decline in the stock market in 2018 resulted in higher level of equity impairments.

Pensions

a.s.r. is a major provider of pension insurance products in the Netherlands under the brand a.s.r. Pensions has a joint venture with Brand New Day for an IORP (Institution of Occupational Retirement Provision). The current customer base of the pensions business comprises approximately 25,000 companies and 645,000 participants.

Products

- DC: a.s.r. provides pension products based on defined contributions with recurring premiums where benefits are based on investment returns on specified funds, in some cases with guarantees. The Employee Pension proposition also offers the accumulation and benefits phase as a single product.
- DB: a.s.r.'s DB pension products are traditional insurance products based on lifelong guaranteed pension payments with recurring premiums with or without profit-sharing. These products also provide an option for additional single premiums for indexation and back services.
- Immediate annuities: in addition to the fixed annuities product, a.s.r. planned to offer a new product for post-retirement annuities (De variabele pensioenuitkering) in 2019. This product is based on single premiums and has the option of postponing benefits in response to the low interest rate environment.

Market

There is a clear shift in the pensions market towards capital-light products, and this is expected to continue. a.s.r. believes it is well positioned to increase market share with its DC and IORP proposition, through high-level service, cost-effectiveness and capacity for execution, while still meeting its pricing policy. a.s.r.'s modern DC proposition ('WerknemersPensioen') has been further developed to strengthen its competitive position and accelerate growth in the DC market. Through this proposition, a.s.r. believes it is well positioned for further individualisation in the future which may result from the current pension debate in the Netherlands.

a.s.r. is also active in the pension market through Het nederlandse pensioenfonds (Hnpf), for which it delivers pension administration and asset management. Hnpf was established by a.s.r. in 2016 to offer new and existing customers an alternative DB product. The first customers were welcomed in 2017 and in 2018 Stichting Pensioenfonds Arcadis Nederland (Arcadis Netherlands Pension Fund) transferred its pension scheme to Hnpf. Hnpf is one of the four major general pension funds in the Netherlands and currently has € 1.3 billion in committed assets. a.s.r. is the pension administrator for the 14,000 Hnpf customers.

Strategy and achievements

Optimise customer satisfaction

a.s.r. focuses on clear, simple, cost-conscious pension products. a.s.r.'s DC proposition (WerknemersPensioen) aims to be competitively priced (top 3), rewarded for its fund selection (SRI funds) by independent intermediaries and digital in its communications to participants. In 2018, a.s.r. strengthened the position of the WerknemersPensioen in the market by improving customer portals and optimising sales & customer service. The results of these efforts are reflected in the progress a.s.r. has made in the IG&H pension survey (climbing from the lowest place in 2016 to 4th place in 2018). The goal is to rank in the top 3.

a.s.r. continued to reduce complexity in the existing portfolio by offering more standardised products. The renewal of DB contracts is considered if customers are intending to shift to DC in the near future and meet strict financial criteria consistent with the year before. a.s.r.'s strategy for its existing DB book is to maintain its value, reduce capital requirements, enhance cost coverage and minimise risks. The DB book will gradually become a service book as more employers opt for other pension solutions.

Cost control

The programme to migrate and integrate the Generali Nederland book to the existing a.s.r. platform is on track (completion scheduled for 2020) while the same services will be offered to customers and the market position improved. Pensions has already brought these plans forward from Q4 2020 to Q1 2020. The migration of inactive participants from the old legacy system of 'De Amersfoortse' was completed in 2018, contributing to further cost reduction and variabilisation.

Digitisation and innovation

In 2018,Pensions improved its digital customer service by investing in more user-friendly client portals and a more fully integrated online environment for its existing portfolio and the WerknemersPensioen portfolio and by taking further steps to introduce robotics into its day-to-day operations.

Sustainability

Social initiatives were introduced to improve financial awareness among consumers through the 'www.Ikdenkvooruit.nl' platform. In line with its core values, Pensions involved its employees in interactive sessions in order to enhance levels of engagement. Employees also took part in panels to improve communication with participants.

Pensions implemented the legal uniform calculation method (URM) to make it easier for participants to understand their pensions and the terms of the GDPR.

Outlook for 2019

The main outlook for 2019 is further growth in the DC proposition and Hnpf, enhancing online and personal customer services and developing client portals. Attention will also continue to be focused on cost variabilisation through planned migrations and by simplifying and automating operational processes.

Individual life

a.s.r. is one of the largest providers of individual life insurance products in the Netherlands, measured by GWP.

Products

Term life insurance, the sole selling proposition, consists of traditional life insurance policies that pay out death benefits without a savings or investment feature. a.s.r.'s term life insurance products are mainly sold in combination with mortgage loans or investment accounts and generally require recurring premium payments. The number of unit linked policies is declining year on year.

Market

The premium volume in the individual life market has declined in recent years due to low interest rates and tax reforms. This decline is expected to continue over the coming years. With effect from 1 January 2018, a.s.r. has only offered term life insurance products, all other products having become a closed service book.

a.s.r. is well positioned to become the consolidator in the Dutch service books market. With the acquisition of Generali Nederland, a.s.r. added an 'external block of business' for the first time. The book will be migrated to the Software as a Service (SaaS) platform in the same way as the other individual life service book.

Strategy and achievements

The strategy of Individual life is to maximise and maintain the current value of the individual life book. To achieve this, a.s.r. focuses on optimising customer satisfaction and on reducing and variabilising costs.

Optimise customer satisfaction

To increase the value of the individual life book, a.s.r.'s strategy is to optimise customer satisfaction. It believes that maintaining customer satisfaction is crucial for efficiently managing the way in which customers behave and in order to limit unnatural lapses. While focusing on customer satisfaction, a.s.r. is also striving to further digitise and robotise its services and to make these services easier for customers to use.

Lower cost base and shift to variable costs

In order to preserve the value of the individual life book, a.s.r. aims to simplify its organisation and shift its cost base from fixed costs to more variable costs. In order to reduce costs and introduce variabilisation, a.s.r. is simplifying processes and rationalising and migrating the service book to a SaaS platform. a.s.r. intends to maintain this strategy, analysing books on an individual basis to find the most appropriate and value-enhancing solution while minimising operational costs and complexity. The migration programme is on track. Six books containing 515,000 policies have now been successfully migrated (three in 2018) and two books are planned for 2019, including the recently acquired Generali Nederland life book which will be migrated to the same cost-efficient SaaS platform.

Digitisation and innovation

In 2018, processes were improved through automation and partly through robotics. The quality of the processes improved and a small reduction in FTEs was achieved.

Sustainability

During 2018, Individual life concentrated on digitising its communication. Individual life planted a forest in the Netherlands and Bolivia to mark the fact that many of its customers decided to communicate with us digitally as a way of offsetting CO_2 emissions.

Rationalisation of the individual life book also led to sustainability and to a significant decrease in product features and investment funds.

Outlook for 2019

The main perspective for maintaining the value of the robust and predictable life book is to complete the planned migrations from the Generali Nederland platform and the remaining a.s.r. legacy platform to the SaaS platform. The focus will also be on further improving and digitising the surrender processes, data management and operational excellence.

Funeral

As at 31 December 2018, the funeral portfolio consisted of 6.6 million policies and 3.9 million customers. Based on the volume of premiums, Ardanta is the second biggest funeral insurer in the Netherlands.

Products

Ardanta's primary objective is to insure funeral expenses, for which it offers capital and in-kind insurance products. Ardanta also offers practical guidance to survivors and dependants on overcoming their personal loss and advises policyholders and their relatives on practical matters relating to bereavement. This is done through initiatives such as the 'www.doodgaanendoorgaan.nl' portal and the services of a 'funeral coach', who assists relatives in the days immediately following a death.

Market

The market is characterised by consolidation. Due to the low interest rate environment, funeral insurance premiums have gone up in recent years. The distinctive selling point of Ardanta is its 'free choice' with regard to the delivery of funeral services, and as a result it has a unique and cherished market position.

Strategy and achievements

Ardanta's strategy is on growth through acquisitions, developing customer-focused initiatives and simultaneously maintaining its low-cost operating platform. In 2018, the portfolios of Generali Nederland and PC Uitvaart were integrated into Ardanta. A total of 360,000 Generali Nederland policies and PC Uitvaart customers were thus transferred to the Ardanta platform.

Digitisation and innovation

Ardanta is committed to increasing digital process support. Thanks to improved customer portals and service & contact pages, customers and intermediaries experience an increasing digital ease of use. Printed output has also significantly reduced.

In 2018, 25% (€ 0.7 million) of new business came from the online channel. The accessibility of the website for users with an audio-visual disability was also improved, and work to further enhance digital ease of use will continue.

Outlook for 2019

With regard to new consolidation opportunities, Ardanta will continue to be alert to new developments that could arise. But always with a clear eye on the risk versus reward trade-off. Developments are also under way to facilitate an increase of approximately 25% of claims to be handled digitally in 2019. Finally, Ardanta launched a new initiative in 2018 to actively try to contact relatives of deceased policyholders who had not yet filed a claim: it will continue to make endeavours with this project. In 2018, Ardanta approached approximately 5,500 individuals in this context.

5.1.4 Banking and Asset Management

The Banking and Asset Management segment involves all banking activities and activities related to asset management, including investment property management. The related entities include ASR Bank N.V. (held for sale and discontinued operations), ASR Hypotheken B.V., ASR Vastgoed Vermogensbeheer B.V., ASR Vermogensbeheer N.V. and ASR Financieringen B.V.

Key figures, Banking and Asset Management segment

(in € millions, unless stated otherwise)	2018	2017 restated	Delta
Assets under management for third parties (€ bn)	16.0	14.3	9.1%
Operating expenses	-78	-80	-2.6%
Provision for restructuring expenses	-1	-2	-24.2%
Operating result	**16**	**6**	**186.3%**
Incidental items (not included in operating result)	-1	-2	23.4%
- Investment income	-	-	-
- Underwriting incidentals	-	-	-
- Other incidentals	-1	-2	23.4%
Profit/(loss) before tax	15	4	-
Tax	-4	-1	-
Profit/(loss) for the year from continuing operations	11	3	-
Profit/(loss) for the year from discontinued operations	-37	3	-
Profit/(loss) for the year attributable to holders of equity instruments	**-26**	**5**	**-**

Operating result of the Banking and Asset Management segment increased by € 11 million to € 16 million (2017: € 6 million). The increase is mainly explained by higher external fee income from the ASR Mortgage Fund due to strong inflow of third party assets, and higher assets in the ESG-funds. The real estate funds benefited from higher fee income (€ 4 million) and lower operating expenses (€ 2 million) relative to the prior year caused by costs for setting up the funds.

The share of **AuM** for third parties increased by € 1.7 billion to € 16.0 billion. The increase is driven by inflow in ASR Mortgage Fund (€ 1.3 billion), the ESG-Funds (€ 0.3 billion) and external inflow at real estate funds (€ 0.2 billion).The ESG-Funds, with strict sustainability criteria, were introduced in 2018 in addition to the existing real estate funds.

Payment arrears of more than 90 days on the WelThuis portfolio amount to as little as 0.10% (2017: 0.21%). Credit losses amount to 0.80 basis points (2017: 0.44 basis points). The arrears and credit losses remain well below our limits and are supported this year by favourable economic conditions.

In October 2018, the Executive Board of a.s.r. decided to look for a strategic buyer for ASR Bank N.V. (hereinafter a.s.r. bank) and enter into a programme to sell a.s.r. bank because it was no longer a core activity. a.s.r. bank has consequently been classified as 'held for sale' and a.s.r. subsequently presented the assets of a.s.r. bank on the balance sheet under the item 'assets held for sale', and its liabilities under the item 'Liabilities relating to assets held for sale'. These assets and liabilities have not been offset. a.s.r. has not retrospectively adjusted the prior period figures.
a.s.r. bank is measured at the lower end of its carrying amount and fair value less costs to sell. Any excess in the (total) carrying amount of a.s.r. bank over the fair value, less (total) costs to sell is classified as an impairment. a.s.r. presented the profit or loss from discontinued operations (including the impairment) in relation to a.s.r. bank as a single amount (after tax). The profit or loss from a.s.r. bank in relation to the 2017 income statement has been re-presented. The financial result from this business is no longer included in a.s.r.'s operating result.

On 20 March 2019, a.s.r. bank and Achmea Bank N.V. (Achmea Bank) agreed that Achmea Bank will acquire the savings and mortgage portfolios of a.s.r. bank in an asset/liability transaction. For more information, please see chapter 7.4.6 Discontinued operations and assets held for sale and related liabilities.

a.s.r. mortgages

ASR Levensverzekering N.V. provides mortgage loan services such as acceptance, arrears management and recovery, and reporting for mortgages recognised on a.s.r.'s balance sheet. It also provides these services for a.s.r. mortgage fund management activities.

Products

a.s.r. is active in the residential mortgage market. Mortgage loans are issued by Life, which is a component of the Life segment. Part of the mortgages originated by Life were subsequently acquired by a.s.r. bank and ASR's Mortgage Fund. Mortgages are distributed via the intermediary channel only. a.s.r.'s residential mortgage portfolio includes annuity mortgages, linear mortgages, interest-only mortgages and bank annuity mortgages.

All other operations with respect to the mortgage portfolio are conducted by Stater N.V., a mortgage service provider and wholly-owned subsidiary of ABN AMRO Group N.V., based on a contract concluded between Stater N.V. and Life.

Market
The Dutch housing market continued its strong recovery from the 22% fall in prices between 2008 and 2013. In 2018, house prices increased by an average of 8.4% compared with 2016 and now average 33% above the 2013 trough. In fact, the market is now showing signs of overheating in terms of affordability and supply, especially in the four largest cities and their suburbs.

Lending by institutional investors and insurers to consumers and businesses continues to increase. Since 2010, these lenders have increased their investments in mortgages and are now funding 25-30% of new mortgage production. This rise in the market share of pension funds and insurers has been mainly at the expense of the four major banks in the Netherlands.

Strategy
a.s.r.'s strategy with regard to mortgage loan services is to have lean and reliable processes and to achieve economies of scale by servicing growing mortgage loan portfolios. The growth of loan assets under administration was partly due to the organic growth of the mortgage loan portfolio in Life and a.s.r. bank, but chiefly to the introduction of the ASR Mortgage Fund. a.s.r. considers mortgage loans to be an attractive asset class in which to invest insurance premiums, and offers institutional clients the opportunity to invest in a.s.r. mortgages through the ASR Mortgage Fund. a.s.r. aspires to be a front-runner in supporting mortgage customers in the energy transition of their homes.

Outlook for 2019
Further growth of the mortgage business is expected in 2019. The mortgage market appears to be consolidating to some extent, but demand for mortgages to finance investments continues to increase within a.s.r. Further growth will result in ever higher cost efficiency. a.s.r. Hypotheken also wants to continue to play a prominent role in the financing of the energy transition.

Asset Management

ASR Vermogensbeheer N.V. (AVB) has been conducting all of a.s.r.'s asset management activities, with the exception of direct real estate, and is active in the market as a.s.r. the Dutch asset manager.

Products
a.s.r. offers asset management services for pension funds, insurance companies, guarantee and donor-advised funds, charities, local and regional authorities, health care and education institutions and other parties in the social sphere. The product array consists of euro corporate bonds, interest rate overlay, euro government bonds, euro equities, balanced mandates, tailor-made bond portfolios, interloans, fixed-income index investments, real estate and a mortgage fund proposition. a.s.r. offers tailor-made solutions with a sound return on investment. In addition, a.s.r. also offers institutional investment funds and integrated/comprehensive management with modular elements such as ALM advice or reports for regulators.

Market
As well as complying with growing and more complex legislation and regulations and achieving economies of scale, the asset management market is also progressively consolidating. The number of independent Dutch asset managers is decreasing while at the same time there is a need for specific knowledge of the Dutch market. This provides opportunities for AVB as a practical, no-frills Dutch asset manager.

Strategy and achievements
a.s.r.'s investments are aimed at long-term value creation: in its investment activities, AVB takes into account the fact that the present generation has inherited the earth and hopes to pass it on to the next. Sustainable investment is of crucial importance. AVB applies the same strict criteria when investing on behalf of its customers as it does when investing for itself.

AVB invests in fixed-income securities such as government bonds (rates) and corporate bonds (credits), including overlay/LDI, European and US equities, real estate and mortgages. These products are offered both as individual building blocks and as part of an integrated solution. AVB believes that selective, risk-controlled deviations from the index can generate higher returns. This approach to investment is referred to as Index Plus investing. Selective deviations from the index can be based on quality criteria and sustainability aspects, for example.

Product development
In 2018, the asset base grew, both for internal and third-party clients. AVB has been highly successful with the ASR Mortgage Fund, which was launched in 2017. Total commitments for this fund grew to € 2.3 billion in 2018. Moreover, the recently developed ESG Index Plus funds (rates, credits, European and US equities) received substantial inflows during the year and the LDI proposition was further developed.

AVB is also offering asset management solutions for the successful ASR-defined contribution pension proposition, based on the same Index Plus approach to investment.

Digitisation and innovation
AVB is continuously looking for possibilities to further streamline its processes. This is done, for example, by automating repetitive tasks. In 2018, a pilot project was launched to robotise part of the back office activities. Another example of innovation is the integration of ESG factors into the entire investment process, which has given AVB a leading position in ESG investing.

Outlook for 2019
In 2019, AVB will continue to serve its clients through a combination of integrated solutions and individual asset classes such as fixed income, equities, mortgages and LDI (LDI is a more integrated proposition).
As part of a.s.r.'s ESG strategy, the focus will be on impact investing and measuring the carbon footprint of the investment portfolio.

At the beginning of 2019, AVB introduced a marketing campaign stressing the importance of long-term investments ('LANG'). The aim of this campaign is to increase brand awareness of AVB and underline the ESG profile.

a.s.r. real estate

a.s.r. real estate has been investing in property for more than 125 years, through investing in direct and indirect real estate and by managing real estate funds. Its substantial retail, residential and offices portfolios are open to institutional investors who are looking for stable capital growth, enabling them to participate in its funds (ASR DPRF: € 1.6 billion, ASR DCRF: € 1.3 billion and ASR DMOF: € 0.3 billion) or outsource their national and international real estate investment management to a.s.r. a.s.r. real estate manages the Netherlands' largest private portfolio of rural real estate (€ 1.5 billion) on behalf of a.s.r.

At year-end, the real estate portfolio totalled € 5.0 billion (2017: € 5 billion): a.s.r. € 4.1 billion and institutional investors € 1.7 billion.

The total inflow of new capital amounted to € 0.3 billion. The total value of acquisitions in several non-listed real estate funds came to € 0.25 billion. During the year under review, several rural real estates were acquired for over € 0.1 billion.

Market
The Dutch economy and real estate markets underwent substantial growth last year, in particular as regards capital growth. User demands and occupancy are broadly increasing. This is pushing up rents and market valuations, and growing interest in Dutch real estate investments by (inter)national investors is resulting in declining yields. Competition for good investment products in prime locations is fierce, which is why other investors are shifting their focus slightly from traditional core areas to non-core regions. The Dutch real estate market had a very good year in 2018, with a high volume in both domestic and foreign investments. The total investment volume was more than € 20.3 billion, breaking the previous record of € 19 billion in 2017.

Strategy and achievements
The strategy in the Netherlands and on international markets is to create long-term value for investors. To this end, agreements are made to generate returns at acceptable risk levels. In the longer term, it is important for real estate to make a substantial contribution to the (economic) objectives of tenants and leaseholders. a.s.r. real estate also has a strong focus on quality, believing that quality retains its value. It therefore invests continuously in maintenance, good-quality materials, sustainability of buildings and sustainable land use. Sustainability is an integral part of a.s.r. real estate's investment and management practice.

The strategy of a.s.r. real estate in the agricultural sector is to enable farmers to achieve their entrepreneurial goals within the framework of a.s.r. real estate's financial and sustainable investment objectives. The objective of a.s.r. real estate is to manage a rural real estate portfolio with long-term value.

Product development
In partnership with a national organisation representing the interests of entrepreneurs working in the green sector, a.s.r. real estate has developed a product for ambitious young farmers as a response to the overall succession challenge caused by the ageing agricultural population. The key to this scheme is for farmers to gradually increase their equity stake. At the start, a much smaller equity is required to invest in the land, leaving farmers with more working capital to grow their businesses.

Digitisation and innovation
a.s.r. real estate has launched the Digital Business Programme, which aims to digitise communication with its customers and business partners. An example is the Digital Rental Process project, in which new rental housing is automatically allocated using an allocation module, lease contracts are digitally signed and the initial rent is paid online. An associated app was introduced in 2018, which allows a.s.r. real estate to record, sign and forward the inspection of objects on-site. A large number of Business Intelligence dashboards have also been operationalised.

Outlook for 2019
The macroeconomic prospects for the years ahead are good. GDP growth amounted to 2.5% in 2018 (Statistics Netherlands, 2019). The economy is expected to grow further by 1.9% during the forthcoming year, so the pace will slow down slightly (Consensus Forecast, 2018). Unemployment has fallen below 4% this year and is expected to reach 3.6% in 2019 (CPB, 2018). The positive economic climate is favourable for both the occupier and investor real estate markets. a.s.r. real estate is predicting positive market dynamics, increasing rents and decreasing vacancy levels on average. The availability of supply will determine the final level of investment volumes. Geographical differences will nonetheless remain substantial. a.s.r. real estate will therefore continue to focus on key regions, towns and locations. However, acquiring high quality products will continue to be a challenge in view of current investor demand and the low supply levels on good locations.

5.1.5 Distribution and Services

The Distribution and Services segment includes the activities related to the distribution of insurance contracts and includes the financial intermediary businesses of PoliService B.V., Van Kampen Groep Holding B.V., Dutch ID B.V., SuperGarant Verzekeringen B.V. (amongst which ZZP Nederland and ZZP Verzekeringen as at 1 July 2018), Corins B.V. and, as at 5 February 2018, ANAC Verzekeringen B.V., ANAC, All-Finance Nederland Advies-Combinatie B.V. and Stoutenburgh Adviesgroep B.V.

Financial Performance

Key figures, Distribution and Services

(in € millions, unless stated otherwise)	2018	2017	Delta
Total income	79	62	26.9%
Operating expenses	-51	-45	15.0%
Operating result	**25**	**16**	**53.0%**
Profit/(loss) for the year attributable to holders of equity instruments	**19**	**12**	**60.3%**

During 2018 the Distribution and Services segment incorporated the distribution and service activities of Generali Nederland. As at 1 May 2018, Generali Nederland's co-insurance activities were transferred to Corins. SuperGarant expanded its activities in the second half of 2018 (as from 1 July) with the acquisition of ZZP Nederland and ZZP Verzekeringen. a.s.r. strengthened its footprint in the distribution landscape by adding these distribution and services activities, as well as due to the growth in the distribution businesses acquired in earlier years.

Operating result of the Distribution and Services segment increased by € 8 million to € 25 million, reflecting the growth of activities in this fee-based segment. The growth of fee income exceeded higher operating expenses (€ 7 million). SuperGarant and especially Dutch ID showed an higher result due to growth of services portfolio, transfers and premium increases. In addition, the acquisitions (Generali Nederland distribution activities and ZZP), contributed to the growth of operating result.

Market

Developments during 2018 in the aforementioned distribution business show that the distribution landscape remains fluid. Developments that were previously observed, such as the growth of service providers and mandated broker businesses and the ongoing consolidation of intermediaries, are still prevalent in the distribution landscape.

The overall trend is for larger distribution businesses to gain market share on the strength of both organic and inorganic growth; the top 50 companies in the distribution field are increasing their power within the overall distribution landscape. Hybrid distribution models of insurance products also remain in place and the independent advisory channel gained some market share in one or two subsidiary markets last year.

With its own distribution businesses, a.s.r. is well positioned for these developments as well as for supporting the independent advisory channel.

Strategy and achievements

Following the acquisition of Generali Nederland in 2018, the distribution and services activities of Generali Nederland have now been added to a.s.r.'s distribution and services segment. These activities consist of ANAC and Stoutenburgh Adviesgroep and, from 1 May of 2018, Generali Nederland's co-insurance activities were transferred to Corins. SuperGarant acquired ZZP Nederland in 2018.

These extra distribution and services activities, combined with the growth in the distribution businesses acquired in previous years, strengthened a.s.r.'s footprint in the distribution landscape. The portfolio of activities of financial service provider Dutch ID, SuperGarant and Corins in particular showed steady growth compared with the corresponding period the year before.

a.s.r.'s footprint in the distribution landscape gives it forward integration in the insurance chain and improved insights into intermediary and customer needs, which it believes will enable it to adjust its product portfolio and/or distribution mix and hence align its product range more closely with customer needs.

a.s.r. also believes that these acquisitions provide learning and innovation opportunities by giving it the ability to develop and test new product ideas with direct input from the distribution and customer sides. The integrated chain approach enables a.s.r. to accelerate the implementation and marketing of innovations and new products, allowing it to innovate quickly and implement its learning throughout the rest of the organisation.

VKG

VKG is a full-service provider and a mandated broker to a number of Dutch insurance companies, including a.s.r.'s P&C insurance business. As at 31 December 2018, VKG acted as service provider and mandated broker to 21 financial institutions, and distributes products from 110 insurers, banks and other credit institutions through VKG's relationships with intermediaries. VKG also provides access to the insurance exchange and mortgages. Based on these associations, VKG offers administration and consulting services to intermediaries for their commercial and back-office operations. As at 31 December 2018, VKG had agreements with approximately 3,000 intermediaries in the Netherlands, 500 of whom have fully outsourced their administrative process to VKG.

Dutch ID (Boval and Felison)

Dutch ID is an intermediary, service provider and mandated broker to a.s.r.'s disability and P&C insurance businesses, as well as to other insurance companies operating in the Dutch non-life insurance market.

As at 31 December 2018, Dutch ID acted as an intermediary for insurance products and provided mandated brokerage services for some of the products and business lines offered by insurance companies. Based on these associations, Dutch ID provides administration services as a service provider to other intermediaries in the field of their commercial and back-office operations. It also offers these services to insurers, as well as consulting and other services, such as claims management, risk management, prevention, reintegration and leasing. Dutch ID focuses primarily on the agricultural, transport, overhaul and civil construction sectors. It has ties with business associations in the agricultural (LTO) and transport (EVO) sectors.

Corins

Corins has been a successful and reputed high-quality underwriting agency in the Dutch co-insurance market since 2003. The addition of the co-insurance activities of Generali Nederland more than doubled those of Corins. The company services over 60 brokers and will continue to represent the multiple insurers it currently does business with. Inclusion of Corins into a.s.r. contributes to a.s.r.'s expansion in the Dutch commercial P&C insurance market. For example, a.s.r. participates in the co-insurance pool of Corins, which enables a.s.r. to grow in the Dutch co-insurance market within the terms of its own risk appetite.

SuperGarant

SuperGarant operates as an intermediary and underwriting agent. As an ISO-9001 and Arbo-certified service provider, it constitutes a unique advisory centre offering integrated disability propositions consisting of prevention, reintegration and disability insurance products aimed at the retail sector. SuperGarant also sells P&C products to its customers. SuperGarant works in close collaboration with SME trade associations and has a direct line of contact with franchise and purchasing organisations.

Following the acquisition of ZZP Nederland, SuperGarant also acts as one of the biggest independent service organisations for freelancers, and also represents their interest in the Netherlands.

Stoutenburgh

Stoutenburgh is a small independent intermediary which sells, advises on and manages different types of insurance for retail and SME clients. Stoutenburgh's focus is on P&C retail products and on pension and disability products for SME clients.

Poliservice

Poliservice is an intermediary for a.s.r. and its business which sells, advises on and manages different types of insurance, giving direct mortgage and pension advice to its customers and managing the portfolios of intermediaries that have ceased to operate. It acts as a tied agent and is also an insurance intermediary for a.s.r.'s own employees.

Outlook for 2019

For the coming year, it is also important to note that the market anticipates decreasing commission levels for distribution companies. a.s.r.'s aim remains to continue to grow organically with its Distribution and Services segment, as well as to unlock the earnings potential of last year's acquisitions. In terms of the development of the result for this segment, the growth plans that are being pursued may compensate for the downward pressure on commission levels.

5.1.6 Holding and Other (including eliminations)

The segment Holding and Other consists primarily of the holding activities of a.s.r. (including the Group-related activities), other holding and intermediate holding companies and the activities of ASR Deelnemingen N.V.

This segment includes the pension contract of the Group with ASR Levensverzekering N.V. on behalf of a.s.r. for a.s.r.'s employees.

Financial performance

Key figures, Holding and Other

(in € millions, unless stated otherwise)	2018	2017	Delta
Operating expenses	-60	-57	6.6%
Provision for restructuring expenses	-	-	-
Operating result	**-108**	**-99**	**-9.3%**
Profit/(loss) before tax	-127	-84	-51.2%
Profit/(loss) for the year attributable to holders of equity instruments	**-68**	**-44**	**-53.5%**

The **operating result** decreased with € 9 million to € -108 million (2017: € -99 million). The decrease is mainly due to the alignment of employee benefit schemes and other one-time items. This was partly compensated by lower Current Net Service Costs for a.s.r.'s own pension scheme (€ 2 million) due to increased discount rates ultimo 2017.

Operating expenses increased € 4 million to € -60 million.

Incidental items amounted to € -19 million compared to € 15 million in the previous year. The decrease is mainly due to prior year's provision releases and higher incidental costs this year. These relate amongst others to restructuring costs, implementation regulatory costs for project IFRS 17/9 and Generali Nederland integration costs.

These items also impact the development of the **profit before tax**, which decreased from € -84 million to € -127 million.

5.1.7 Real Estate Development

Financial performance

Key figures, Real Estate Development

(in € millions, unless stated otherwise)	2018	2017	Delta
Profit/(loss) for the year from continuing operations	29	14	108.0%
Profit/(loss) attributable to non-controlling interests	2	2	1.8%
Profit/(loss) for the year attributable to holders of equity instruments	**27**	**12**	**126.7%**

a.s.r. does not regard Real Estate Development activities as part of its core business and its result is excluded from the operating result.

In the fourth quarter, a real estate entity (LRC city center in Utrecht), which consists of a shopping center and a parking garage, was transferred to the investment portfolio of the Life segment. A previously formed loss provision was therefore released into the result. With this transaction all properties in LRC were sold from ASR Vastgoed Projecten B.V. perspective. As a result the **profit for the year** increased € 15 million to € 27 million (2017: € 12 million).

The remaining total exposure on the balance sheet has been further reduced and amounts to € 28 million (2017: € 65 million).

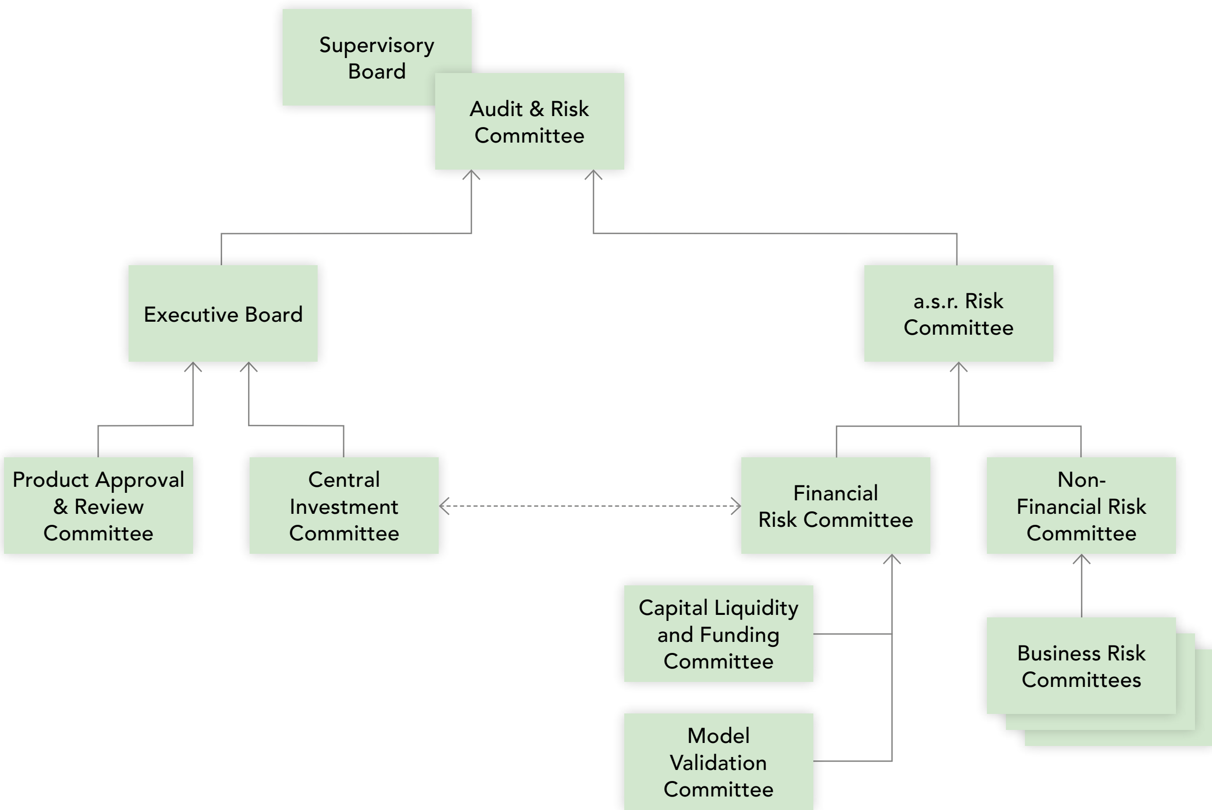
5.2 Risk management

Risk management is an integral part of a.s.r.'s day-to-day business operations. a.s.r. applies an integrated approach to managing risks, ensuring that strategic objectives are met. Value is created by striking the right balance between risk, return and capital, whilst ensuring that obligations to stakeholders are met. The Risk Management Function (RMF) supports and advises a.s.r. in identifying, measuring and managing risks, and ensures that adequate and immediate action is taken in the event of developments in the risk profile.

Risk Committee Structure

a.s.r. has established a structure of risk committees with the objective of monitoring the risk profile for a.s.r. group, its legal entities and its business lines in order to ensure that it remains within the risk appetite and the underlying risk tolerances and risk limits. When triggers are hit or likely to be hit, risk committees make decisions regarding measures to be taken, i.e. risk-mitigating measures or measures regarding governance, such as the frequency of their meetings. For each of the risk committees, a statute is drawn up in which the tasks, composition and responsibilities of the committee are defined.

Risk Committee Structure



Risk appetite

a.s.r. is exposed to a number of risks, including strategic risks, market risks, counterparty default risks, liquidity risks, underwriting risks (Life and Non-life) and operational risks. The RMF monitors a.s.r.'s risk profile and its legal entities in order to ensure that it stays within the risk appetite.

The risk appetite is defined as the level and type of risk a.s.r. is willing to bear in order to meet its strategic, tactical and operational objectives. The risk appetite is formulated to give direction to the management of the (strategic) risks. The risk appetite contains a number of qualitative and quantitative risk appetite statements and is defined for both financial risks (FR) and non-financial risks (NFR). The statements highlight the organisation's risk preferences and limits and are viewed as key elements for the realisation of a.s.r.'s strategy.

In 2018, to ensure alignment with the a.s.r. strategy, the risk appetite statements and limits were evaluated and updated by the Executive Board and approved by the Supervisory Board.

Risk appetite statement ASR Nederland N.V. 2018

1	ASR Nederland N.V. places long-term value creation at the forefront of its (strategic) operations. ASR Nederland N.V. is a socially responsible organisation which ensures that all stakeholders' interests are met in a balanced and sustainable way.	NFR
2	ASR Nederland N.V. ensures that operational risks are controlled efficiently and effectively: a. ASR Nederland N.V. has efficient and effective business processes; b. ASR Nederland N.V. has reliable financial reports; c. ASR Nederland N.V. has controlled internal and external outsourcing; d. ASR Nederland N.V. has IT that processes information reliably.	NFR
3	ASR Nederland N.V. complies with current laws, regulations and ethical (and inherently internal) norms. ASR Nederland N.V. meets the (reasonable) expectations of stakeholders and offers solid and reliable products which are cost-efficient, useful, safe and comprehensible to customers, intermediaries and a.s.r.'s internal organisation. Conducting honest business ensures that a.s.r.'s reputation is protected.	NFR
4	ASR Nederland N.V. has a minimum SCR ratio of 120%.	FR
5	ASR Nederland N.V. remains within the bandwidth of periodically reassessed market risk budgets.	FR
6	ASR Nederland N.V. has at least a single A rating and hereto it adheres to the AA level criteria under the S&P Capital Model. ASR Nederland N.V. assesses the amount of dividend payments against the current and expected solvency ratio and economic outlook. Dividend payments are in line with the conditions laid down in the capital and dividend policy of ASR Nederland N.V.	FR
7	ASR Nederland N.V. has a maximum financial leverage ratio of 40%. Financial leverage ratio = Debt/(Debt + Equity).	FR
8	ASR Nederland N.V. has a maximum double leverage ratio of 135%. Double leverage ratio = Total value of associates/(equity attributable to shareholders + hybrids and subordinated liabilities).	FR
9	ASR Nederland N.V. has a minimum interest coverage ratio of between 4 and 8. Interest coverage ratio = EBIT operational/interest expense	FR
10	ASR Nederland N.V. is capable of releasing liquidities worth up to € 1 billion over a one-month period following stress and remains capable of meeting its collateral requirements in the event of a 3% interest increase.	FR
11	ASR Nederland N.V. generates a robust and high-quality operational ROE, i.e. pursues an overall ROE > 10% and seeks a ROE > 8% for individual investment decisions.	FR
12	ASR Nederland N.V. has a maximum COR of 99%.	FR

The performance against the statements (risk profile) is monitored by the risk committees. The risk profiles of the departments are periodically discussed in Business Risk Committees (BRC). After being discussed in a BRC, the non-financial risk profiles are reported to the Non-Financial Risk Committee (NFRC) and the financial risk profiles are reported to the Financial Risk Committee (FRC). The integrated risk profile is reported to the a.s.r. Risk Committee. In the event of infringements, the committees are authorised to decide on corrective actions. The risk governance structure ensures that the risk profile is monitored effectively and that action is taken at the correct and appropriate time.

Strategic risk management

Strategic risk management aims to identify and manage the key risks that could affect a.s.r.'s strategic objectives. Key elements of strategic risk management are Strategic Risk Analysis (SRA) and Own Risk and Solvency Assessment (ORSA).

a.s.r. has adopted a combined top-down and bottom-up approach (SRA) to identify major risks to which it may be exposed. Output from the SRA, in combination with the risk appetite statements, provides an insight into the overall risk profile of a.s.r. and the risk profiles of the underlying legal entities. The main risks are translated into 'risk priorities' (including emerging risks) at group level and are monitored throughout the year by the a.s.r. Risk Committee.

As part of the regular ORSA process, a.s.r. assesses the accuracy of the Solvency II standard formula on an annual basis, taking into account the identified risks and the risks that are not part of the standard formula (such as inflation risk, strategic and reputational risk, model risk, contagion risk and liquidity risk).

Based on the output of the ORSA, a.s.r. draws conclusions regarding its capital adequacy. Risk-mitigating measures are also identified as part of the ORSA process and are integrated into the relevant risk management cycles. Risk management cycles are embedded in day-to-day business in order to structurally measure, analyse, monitor and evaluate the identified risks that are at odds with the risk appetite.

In 2018, a.s.r. took various steps to support the assurance given by the Actuarial Function (AF) and the RMF regarding the reliability of the Solvency II calculations and reports. In this context, a.s.r. continued to pay attention to improving data quality to information management systems. To gain a reasonable assurance regarding the accuracy of model outcomes in accordance with the Solvency II regulation, a.s.r. applies model validation and other mitigating measures. The primary scope of model validation consists of determining best-estimate liabilities and solvency capital requirement models.

Management of financial risks

a.s.r. strives for an optimum trade-off between capital, risk and return. Steering on capital, risk and return is done by decision-making throughout the entire product cycle from PARP (Product Approval & Review Process) to the payment of benefits and claims. At a more strategic level, decision-making takes place through balance sheet management. A robust solvency position takes precedence over profit, premium income and direct investment income. Risk tolerance levels and limits are disclosed in the financial risk appetite statements (financial RAS) and are monitored by the FRC. The FRC evaluates financial risk positions against the RAS on a monthly basis. Where appropriate, a.s.r. takes additional mitigating measures.

In 2018, the AF performed its regulatory tasks by assessing the adequacy of the Solvency II technical provisions, giving an opinion on reinsurance and underwriting, and contributing to the Risk Management RMF. The AF report on these topics was discussed by the Executive Board, Risk Committee and Audit & Risk Committee. See the Financial Statements (chapter 7.8 Risk management) for further information on a.s.r.'s management of financial risks.

Management of non-financial risks

Non-financial risk appetite statements are in place to manage the risk profile within the limits determined by the Executive Board and approved by the Supervisory Board. The Non-Financial Risk Committee (NFRC) monitors and discusses on a quarterly basis whether non-financial risks are adequately managed. Should the risk profile exceed the risk appetite, the NFRC will decide on steps to be taken. On a quarterly basis, the risk profile and internal control performance of each business is discussed with senior management in the business risk committees and the NFRC.

In 2018, a.s.r. took steps to further improve the effectiveness of the RMF. The Operational Risk Management (ORM) policy including underlying procedures was updated towards a more risk-based approach. Tasks and responsibilities of the first and second line of defense (including the role of assessor by the RMF) were tightened in the ORM policy and underlying procedures.

In order to enhance the uniformity, efficiency and effectiveness of the risk and control cycle, a.s.r. additionally purchased and rolled out the Governance and Risk Compliance (GRC) tool ('Cerrix'). In 2019, a.s.r. will improve the functionality of the tool continuously with new modules to strengthen the alignment with the ORM policies. a.s.r. will continue to look for opportunities to improve the management of its operational risks in 2019.

In 2018, a.s.r. took various steps to enhance the measurement and reporting of data quality for financial reporting purposes and to mitigate end-user computing risks. A project to address these items started at the beginning of 2018 and is expected to be completed in 2019.

Risk priorities

a.s.r.'s risk priorities and emerging risks are defined annually by the Executive Board, based on the Strategic Risk Analysis (top-down and bottom-up approach). The latest status of the risk priorities and progress on the steps defined are reported to the a.s.r. Risk Committee on a quarterly basis.

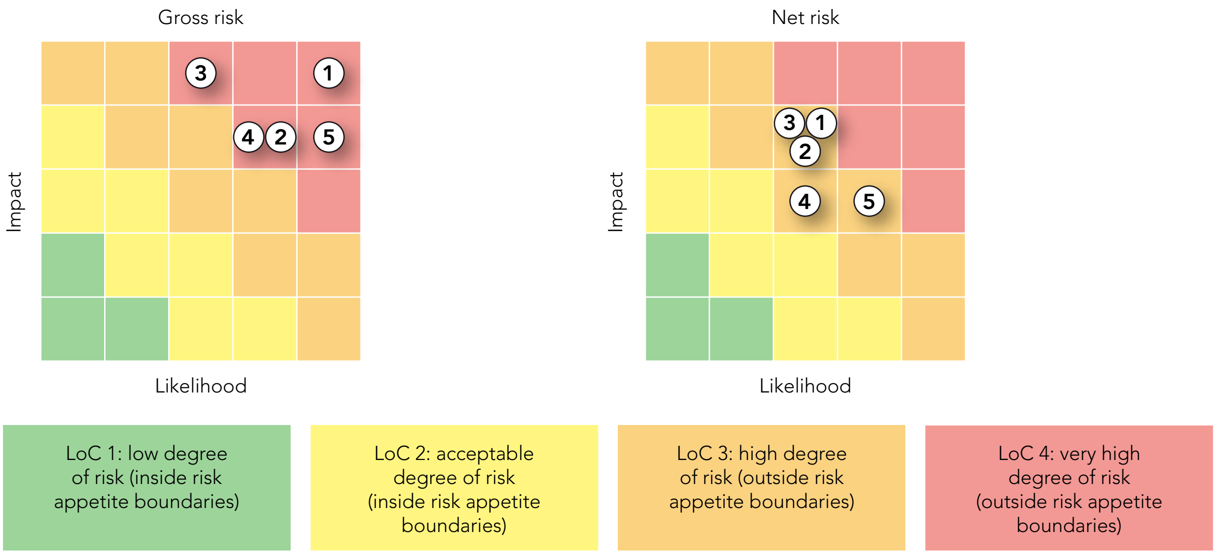
The risk priorities are as follows:
1. Pressure on the cash-generating business model;
2. Juridification of society;
3. Pressure on investment returns;
4. Impact of supervision, laws and regulations;
5. Information (cyber) security risks.

In addition to the risk priorities, a.s.r. also identified emerging risks. Emerging risks are defined by a.s.r. as new or existing risks with a potentially major impact, the level of which is hard to define.

Emerging risks in 2018 are as follows:
- Climate change;
- Climate transition (2019);
- Longevity risk.

To determine the risk degrees , a.s.r. uses a risk scale based on likelihood and impact (Level of Concern). For the risk priorities, the risk degree is determined on a quarterly basis by the a.s.r. Risk Committee. The table below shows the risk degree as at Q4 2018.

Degree of risk per 2018Q4



Gross risk: the risk that exists if there are no control measures in place.
Net risk: risk when taking into account a.s.r.'s mitigating measures.

a.s.r. takes further measures to mitigate net risks outside the risk appetite boundaries so they fall within the risk boundaries. The measures for each risk priority are described in the text below.

Pressure on result and renewal of cash-generating business model

The insurance market is changing and the (current) cash-generating business model is being squeezed due to the scale and speed of (technological) developments in the insurance market. These developments change customer demand, bring new entrants onto the insurance market and intensify competition, cybercrime and technological developments.

It is important to meet customers' needs, taking into account changing customer demand. New generations buy (insurance) products more frequently through digital, direct distribution channels. The societal role of companies is becoming increasingly important. CSR is a growing criterion that customers take into account when buying a service or product.

a.s.r. continually monitors and assesses its product portfolio and distribution channels for relevant alterations in order to meet the changing needs of customers and achieve planned cost reductions as premiums fall. For example, it actively monitors the market to examine potential acquisitions or mergers. Other mitigating measures include the (further) roll-out of capital-light initiatives (such as third party asset management, distribution businesses and a focus on pension DC).

Juridification of society

Risk description

Political, regulatory and public attention has focused on unit-linked life insurance policies for some time now. Elements of a.s.r.'s unit-linked life insurance policies are challenged on multiple legal grounds in current legal proceedings, and may continue to be challenged in the future. There is a risk that one or more of the current and/or future claims and/or allegations will be upheld. To date, a number of rulings relating to unit-linked life insurance products have been issued by the Financial Services Complaints Board (FSCB) and (appeal) courts in the Netherlands against a.s.r. and other insurers in specific cases. In these proceedings, different (legal) approaches have been taken to arrive at a ruling. The outcomes of these rulings are diverse. As the record of (a.s.r.'s) policies dates back many years, it contains a wide variety of products with different features and conditions and, since rulings are so diverse, no reliable estimate can be made of the timings and outcomes of these current and future legal proceedings.

Although the financial consequences of these developments could be substantial, a.s.r.'s exposure cannot be reliably estimated or quantified at this point. If one or more of these legal proceedings succeed, there is a risk that a ruling, though only legally binding for the parties involved in the proceedings, could be applied to, or be relevant for, other unit-linked life insurance policies sold by a.s.r. Consequently, the financial consequences of any current and/or future legal proceedings brought upon a.s.r. could be substantial for a.s.r.'s life insurance business and may have a material adverse effect on a.s.r.'s financial position, business, reputation, revenues, operating results, solvency, financial condition and/or prospects.

Compensation scheme for unit-linked products

In 2008, Life concluded an outline agreement with two leading consumer protection organisations to offer compensation to unit-linked policyholders if the cost and/or risk premium exceeded a specified maximum. A full agreement on the implementation of the compensation scheme was reached in 2012. The total recognised cumulative financial costs relating to the compensation scheme for Individual life in a.s.r.'s income statement up to 2018 was € 1,030 million. This includes, amongst other things, compensation paid, amortisation of surrender penalties and costs relating to improved product offerings. The remaining provision in the balance sheet as at 31 December 2018 amounted to € 44 million and is available only to cover potential additional compensation (for distressing cases and costs relating to the compensation scheme). Individual cases have a limited impact on the risk profile.

Legal proceedings

a.s.r. is the subject of a number of legal proceedings initiated by individual unit-linked policyholders, represented in most cases by claims organisations. Future legal proceedings regarding unit-linked life insurance policies could be brought against a.s.r. by consumers individually, by consumer organisations acting on their behalf or in the form of a class action. There is also ongoing lobbying by consumer protection organisations to gain sustained media attention for unit-linked life insurance policies. These organisations argue, amongst other things, that consumers were not paid sufficient compensation under the compensation scheme.

a.s.r. is currently subject to two collective actions. In June 2016, Woekerpolis.nl initiated a collective action, requesting the district court Midden-Nederland to declare that a.s.r. has sold products in the market which are defective in various respects (e.g. on transparency regarding cost charges and other product characteristics, and included risks for which the insurer failed to warn, such as considerable stock depreciations, the inability to realise the projected final policy value, unrealistic capital projections due to difference in geometric versus arithmetic returns and on general terms and conditions regarding costs that Woekerpolis.nl considers unfair). Also, in March 2017, the Consumentenbond started a collective action against a.s.r. This collective action is based on grounds similar to the collective procedure that was initiated by Woekerpolis.nl. In both collective procedures, a.s.r. has rejected all the claims. The collective procedure of Consumentenbond is currently pending at the district court Midden-Nederland. In a decision of 6 February 2019 the district court Midden-Nederland rejected all claims of Woekerpolis.nl and concluded that the products sold by a.s.r. cannot be considered as defective. Only with regard to the claim on administrative costs that are calculated under specific circumstances in a specific Spaarplan product, the district court decided this to be unlawful as no defence was put forward.

Pressure on investment returns

It is becoming more and more challenging to generate sufficient returns on investments and to be able to reinvest on attractive terms. The pressure to generate investment returns (search for yield) creates a considerable tension between risk and return.

Unforeseen political developments and/or macroeconomic trends could weaken a.s.r.'s solvency position. a.s.r. will remain permanently alert to the risk of a scenario developing in Europe with a major impact on capital and solvability. It therefore continuously monitors its interest rate position and reports the findings to the FRC. The Interest Rate Risk Committee then holds preparatory discussions to decide whether or not to adjust the interest rate hedge. The consequences of possibly low investment returns or interest rate fluctuations are also examined more fully in the Strategic Asset Allocation (SAA), an annual ALM study which a.s.r. conducts at its own expense, and, to some extent, also in the ORSA.

Impact of supervision, laws and regulations

Due to growing political and regulatory pressure, there is the risk that:

- a.s.r.'s reputation will suffer if new requirements are not complied with in time;
- Available resources will largely be utilised to align the organisation with new legislation, leaving fewer resources to spend on core customer processes;
- Processes will become less efficient and pressure on the workforce will increase;
- a.s.r. will have administrative fines or sanctions imposed on it for failure to comply with requirements (on time).

a.s.r. constantly monitors changing laws and regulations and assesses their impact and the corresponding actions required (in conjunction with Compliance and Legal). The availability of capacity is also continuously monitored to ensure that there are sufficient resources to process all regulations in a timely manner. a.s.r. has a multidisciplinary legislation and regulation committee to help the various businesses signal and adopt legislative amendments in good time. The committee reports to the NFRC.

In 2018, a.s.r. set up an internal centralised project group to implement the IDD (Insurance Distribution Directive, effective from 01 October 2018). The project group managed and supported processes, policy guidelines and the interpretation of the Directive throughout a.s.r. In addition, knowledge sessions were organised again in 2018 for the decentralised project organisations, a fit-gap analysis was conducted and policy guidelines were formulated. The same approach was used for the implementation of legislation on data protection, the GDPR, in order to be compliant by 25 May 2018.

In May 2017, the International Accounting Standards Board (IASB) published IFRS 17, the new IFRS standard for insurance contracts that will replace the existing IFRS 4 standard. IFRS 17 is expected to be effective from 1 January 2022, subject to endorsement by the EU, given the decision taken by the IASB in November 2018 to postpone the implementation of IFRS 17 and IFRS 9 by one year. IFRS 17 is designed to facilitate comparability between insurers and to increase transparency in relation to risks, contingencies, losses and embedded options in insurance contracts. IFRS 9 Financial Instruments was published in July 2014 and has had a major impact on the processing of financial instruments (investments). Like IFRS 17, IFRS 9 is expected to be applied by a.s.r. Group from 1 January 2022 in order to maintain cohesion between the two standards and guard against IFRS 9 being implemented twice. The postponement is not available to ASR Bank N.V., which therefore began applying IFRS 9 as from 1 January 2018. In 2017, a.s.r. launched an internal programme to prepare for the implementation of IFRS 17 and IFRS 9 throughout the Group. The IFRS 17 and IFRS 9 programmes will have a major impact on the Group's primary financial processing and reporting and could have a significant effect on its capital, financial statements and related KPIs. Finance, risk, audit and the business have all been given attention in the programmes due to the need to develop an integrated vision. For more information, see chapter 7.3.3 New standards, interpretations of existing standards or amendments to standards not yet effective in 2018.

Information (cyber) security risk

Information (cyber) security risks continued to increase in the wake of progressive digitisation. In order to prevent cybercrime attacks and information security breaches, a.s.r. is fully aware of the potential threats posed to the organisation. a.s.r. is at risk from new technological developments requiring different and increased expertise and other mitigating measures. The risk of confidential information becoming available to third parties, intentionally or unintentionally, is a risk that both a.s.r. and its customers face, and is a risk that could ultimately lead to significant reputational damage. All of a.s.r.'s employees are therefore expected to be fully aware of the risks associated with handling confidential information regarding a.s.r.'s customers, employees, financial information and strategy, and are asked to do their utmost to protect a.s.r.'s assets.

The use of, and dependence on, IT systems is substantial for both a.s.r. and its customers. Cybercrime could therefore have a major impact on a.s.r.'s security and continuity. The attempted cybercrime attacks a.s.r. experienced in 2018, which included phishing, malware and ransomware attacks, have become well-known and widespread phenomenons.

a.s.r. made ongoing investments throughout 2018 to further strengthen its defences against cybercrime and to enhance the expertise of its teams. a.s.r.'s cybercrime experts closely monitor and evaluate developments in cybercrime and take appropriate measures where necessary. a.s.r. regularly tests the organisation's ability to detect and respond to cyber incidents ('red team test'). An awareness programme to improve the ability of employees and management to recognise phishing and other cyber threats was offered and followed throughout 2018 and, due to the importance of the different outsourcing initiatives, a.s.r. also screened the cyber controls of its own suppliers. As a result, a.s.r. succeeded in keeping obstacles to a minimum. Partnerships with other financial institutions and public agents, such as the Dutch National Cyber Security Centre (NCSC) and i-CERT (a cybersecurity partnership between insurance companies), are crucial to mounting an effective defence against cybercrime. a.s.r. is actively involved in these partnerships.

Climate change (emerging risk)
Insurers need to increasingly take climate change risks into account. Due to climate change, claims ratios might increase. Currently, it is a challenge to estimate the likelihood of extreme weather. In the long term, it is a challenge to estimate the effects of climate change whereby climate change risks may be underestimated. For details about climate change risk and a.s.r.'s measures see chapter 2.1 Trends and developments.

Climate transition (emerging risk 2019)
The transition to a climate-neutral economy is part of a.s.r.'s risk priorities for 2019. The transition entails uncertainties, changes and risks. The extent and impact of the risks depend on, amongst other things, the pace of the climate transition, government policies, technological developments and changing consumer behaviour.
An abrupt climate transition may have a major impact on the economy, business models and financial stability.
For details about a.s.r.'s measures relating to this risk, see chapter 2.1 Trends and developments.

Longevity risk (emerging risk)
Recent mortality tables (2018) of the Dutch Association of Actuaries (AG) indicate that the life expectancy of the Dutch population has not improved significantly. Nevertheless, it should not be ruled out that the life expectancy of a.s.r.'s policyholders could improve significantly compared to current mortality tables due to relatively sudden (medical and/or technological) developments in health care. Certain improvements could ultimately result in a lower solvability for a.s.r. For details about a.s.r.'s measures relating to this risk, see chapter 2.1 Trends and developments.

5.3 Compliance

The mission of the Compliance Function is to enhance and ensure a controlled and sound business operation in which impeccable, professional conduct is self-evident.

Positioning and structure of the Compliance Function

The Compliance Function is a centralised function which is headed by the a.s.r. Compliance Officer for both a.s.r. and the supervised entities. The Compliance Function, the second line of defence, is considered a key function in line with the Solvency II regulation. The CEO bears ultimate responsibility for the Compliance Function and the a.s.r. Compliance Officer has direct access to him. The a.s.r. Compliance Officer also has an escalation line to the Chairman of the a.s.r. Audit & Risk Committee and/or the Chairman of the Supervisory Board in order to safeguard the independent position of the Compliance Function and enables it to operate autonomously. The a.s.r. Compliance Officer is entitled to upscale critical compliance matters to the highest organisational level or to the Supervisory Board.

Responsibilities and duties

The Compliance Function, as part of the second line of defence, is responsible for:

- Encouraging compliance with relevant rules and regulations, ethical standards and the internal standards derived from them ('rules') by providing advice and formulating policies;
- Monitoring compliance with rules;
- Monitoring the management of compliance risks by developing adequate compliance risk management, including monitoring and, where necessary, making arrangements relating to proposed management actions;
- Creating awareness of the need to comply with rules and of social and ethical issues, in which context ethical behaviour within a.s.r. is self-evident;
- Coordinating contacts with regulators in order to maintain effective and transparent relationships with them.

Annual compliance plan

Developments in rules and the management of high compliance risks and action plans provide the basis for the annual compliance plans and the compliance monitoring activities. a.s.r. continuously monitors changing legislation and regulations and assesses the impact and corresponding actions to be taken. In 2018, a.s.r. paid specific attention to:

- General Data Protection Regulation (GDPR): The Privacy Officer falls under Compliance and was a member of the GDPR central project group. Compliance advises on privacy issues and monitors compliance with relevant legislation and regulations as a second line of defence;
- Insurance Distribution Directive (IDD): Compliance was part of both centralised and decentralised projects to implement IDD as from 1 October 2018.

Based on the annual plan, Compliance monitors every year the compliancy of rules. In 2018, Compliance conducted a.s.r.-wide monitoring surveys on compliance with the sanction regulations and CDD policy, privacy and the quality of customer contacts and underlying procedures. The findings have been reported to and discussed with responsible management, the a.s.r. Risk Committee and the Audit & Risk Committee. Actions have been taken with regard to unify processes and training of employees.

Reporting

The Compliance Function reports on compliance matters and progress made on the relevant actions at Group level, supervised entity level and division level on a quarterly basis. The quarterly report at division level is discussed with the responsible management and scheduled for discussion by the Business Risk Committee.

The quarterly report at Group level and supervised entity level is presented to and discussed with the a.s.r. Risk Committee and submitted to the Audit & Risk Committee. The report is shared and discussed with the DNB, the AFM and the external auditor.

5.4 Statements Executive Board

a.s.r.'s consolidated and company financial statements for 2018, as well as chapters 1 - 5 of the Annual Report, have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and with Part 9, Book 2 of the Dutch Civil Code.

As required by Section 5:25c paragraph 2(c) of the Dutch Financial Supervision Act, the Executive Board declares that, to the best of its knowledge:

I. The financial statements provide a true and fair view of the assets, liabilities, financial positions and earnings of a.s.r. and the enterprises included in the consolidation taken as a whole;
II. The management report provides a fair view of the position at the balance sheet date and developments during the year under review and the enterprises included in the consolidation taken as a whole, together with a description of the principal risks confronting a.s.r.

In accordance with best practice 1.4.3 of the Dutch Corporate Governance Code of December 2016 and based on the evaluation carried out, the Executive Board declares that, to the best of its knowledge:

I. The report provides sufficient insight into any failings in the effectiveness of the internal risk management and control systems (see chapter 5.2 Risk management);
II. The aforementioned systems provide reasonable assurance that the financial reporting does not contain any material inaccuracies (see chapter 5.2 Risk management, 5.3 Compliance and 7.8 Risk management);
III. Based on the current state of affairs, the preparation of the financial reports on a going concern basis is justified (see chapter 3. Strategy and 7. Financial statements); and
IV. The report states those material risks and uncertainties that are relevant to the expectation of the company's continuity for the period of twelve months after the preparation of the report (see chapter 2.1 Trends and developments, 3. Strategy and 7. Financial statements).

Utrecht, the Netherlands, 26 March 2019

Jos Baeten (Chairman)
Chris Figee

5.5 Assurance report of the independent auditor

To: the Shareholders and the Supervisory Board of ASR Nederland N.V.

Our conclusion

We have reviewed the sustainability information in the accompanying annual report for the year 2018 of ASR Nederland N.V. (hereafter referred to as a.s.r.) based in Utrecht. A review is aimed at obtaining a limited level of assurance.

Based on our procedures performed nothing has come to our attention that causes us to believe that the sustainability information does not present, in all material respects, a reliable and adequate view of:

- The policy and business operations with regard to sustainability
- The thereto related events and achievements for the year 2018

in accordance with the reporting criteria as included in the section Reporting criteria.

The sustainability information consists of the following chapters and annexes of the annual report:

- 1. About a.s.r.
- 2. Operating environment
- 3. Strategy
- 4. Long term value creation
- 5.1 Group and segment information
- Annex A – Facts and figures
- Annex B – About this report
- Annex C – Glossary
- Annex F – GRI content index

Basis for our conclusion

We have performed our review of the sustainability information in accordance with Dutch law, including Dutch Standard 3810N, 'Assurance-opdrachten inzake maatschappelijke verslagen' (Assurance engagements relating to sustainability reports), which is a specific Dutch Standard that is based on the International Standard on Assurance Engagements (ISAE) 3000, 'Assurance Engagements other than Audits or Reviews of Historical Financial Information'. Our responsibilities under this standard are further described in the section Our responsibilities for the review of the sustainability information of our report.

We are independent of a.s.r. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. This includes that we do not perform any activities that could result in a conflict of interest with our independent assurance engagement. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

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

Reporting criteria

The sustainability information needs to be read and understood together with the reporting criteria. a.s.r. is solely responsible for selecting and applying these reporting criteria, taking into account applicable law and regulations related to reporting.

The reporting criteria used for the preparation of the sustainability information are the Sustainability Reporting Standards (option core) of the Global Reporting Initiative (GRI) and the applied supplemental reporting criteria as disclosed in Annex B. 'About this report' of the annual report.

Limitations to the scope of our review

The sustainability information includes prospective information such as ambitions, strategy, plans, expectations and estimates and risk assessments. Inherent to prospective information, the actual future results are uncertain. We do not provide any assurance on the assumptions and achievability of prospective information in the sustainability information.

The references to external sources or websites in the sustainability information are not part of the sustainability information as reviewed by us. We therefore do not provide assurance on this information.

Responsibilities of the Executive Board and the Supervisory Board for the sustainability information

The Executive Board is responsible for the preparation of reliable and adequate sustainability information in accordance with the reporting criteria as included in the section Reporting criteria, including the identification of stakeholders and the definition of material matters. The choices made by the Executive Board regarding the scope of the sustainability information and the reporting policy are summarised in Annex B 'About this Report' of the annual report.

The Executive Board is also responsible for such internal control as the management board determines is necessary to enable the preparation of the sustainability information that is free from material misstatement, whether due to fraud or errors.

The Supervisory Board is responsible for overseeing the reporting process of a.s.r.

Our responsibilities for the review of the sustainability information

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

Procedures performed to obtain a limited level of assurance are aimed to determine the plausibility of information and vary in nature and timing from, and are less in extent, than for a reasonable assurance engagement. The level of assurance obtained in a review is therefore substantially less than the assurance obtained in an audit.

We apply the 'Nadere voorschriften kwaliteitssystemen' (NVKS, Regulations for Quality management systems) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and other applicable legal and regulatory requirements.

We have exercised professional judgement and have maintained professional skepticism throughout the review performed by a multi-disciplinary team, in accordance with the Dutch assurance standards, ethical requirements and independence requirements.

Our review included amongst others:

- Performing an analysis of the external environment and obtaining an understanding of relevant social themes and issues, and the characteristics of the company;
- Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures in the sustainability information. This includes the evaluation of the results of the stakeholders' dialogue and the reasonableness of estimates made by the management board;
- Obtaining an understanding of the reporting processes for the sustainability information, including obtaining a general understanding of internal control relevant to our review;
- Identifying areas of the sustainability information with a higher risk of misleading or unbalanced information or material misstatements, whether due to fraud or errors. Designing and performing further assurance procedures aimed at determining the plausibility of the sustainability information responsive to this risk analysis. These further review procedures consisted amongst others of:
  - Interviewing relevant staff at corporate and business level responsible for the sustainability strategy, policy and results;
  - Interviewing relevant staff responsible for providing the information for, carrying out internal control procedures on, and consolidating the data in the sustainability information;
  - Obtaining assurance information that the sustainability information reconciles with underlying records of the company;
  - Reviewing, on a limited test basis, relevant internal and external documentation;
  - Performing an analytical review of the data and trends;
- Reconciling the relevant financial information with the financial statements.
- Evaluating the consistency of the sustainability information with the information in the annual report which is not included in the scope of our review;
- Evaluating the overall presentation, structure and content of the sustainability information;
- Considering whether the sustainability information as a whole, including the disclosures, reflects the purpose of the reporting criteria used.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the review and significant findings that we identify during our review.

The Hague, 26 March 2019

Ernst & Young Accountants LLP

Signed by R.J. Bleijs

Object

Adding machine

Made by

Felt & Tarrant Mfg. Co, Chicago USA

Chosen by

Brayan Mangra, content manager

‘My work in the Innovation & Digital department regularly brings me into contact with innovations and improvements. This ‘ancestor’ of the calculator dates from the end of the 19th century but was still being used up to the mid-20th century. They nicknamed it the ‘plusje’. It’s an intriguing object, with all those buttons. Looking at it makes me realise just how fast technology is moving right now. I wonder how much of our own existing technology we’ll still be using 50 years from now.’

6

Governance

6.1 Corporate governance

6.1.1 General

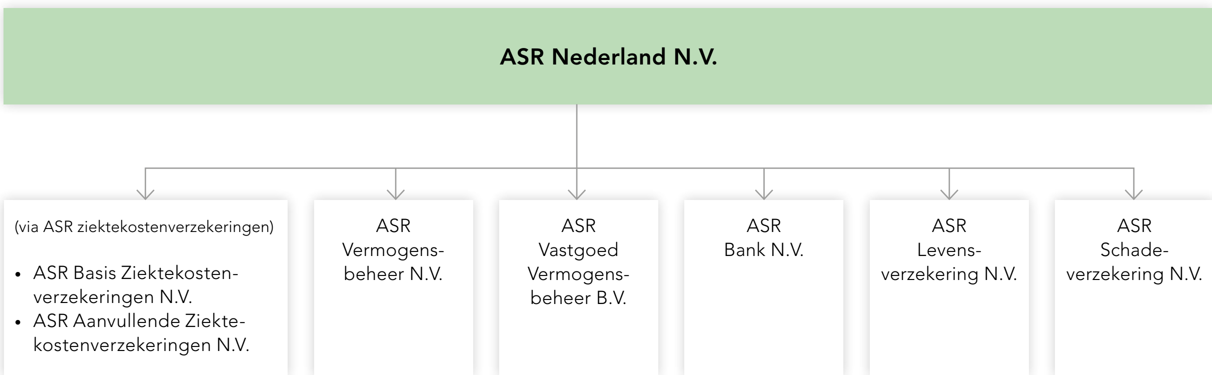
a.s.r. is a public limited company which is listed on Euronext Amsterdam and governed by Dutch corporate law. It has a two-tier board governance structure consisting of an Executive Board and a Supervisory Board. The Executive Board is responsible for the realisation of corporate objectives, the strategy with its associated risks and the delivery of the results. The Supervisory Board is responsible for advising the Executive Board, supervising its policies and the general state of affairs relating to a.s.r. and its group entities. On 19 November 2018, a.s.r. announced that its management structure would change as of 1 February 2019. From then on, the Executive Board would consist of the CEO, CFO and a new member to be appointed, plus the establishment of a Business Executive Committee (BEC) alongside the Executive Board. The BEC will work in unison with the Executive Board and will share responsibility for the implementation of the business strategy. Information on the BEC can be found in chapter 6.1.2 Executive Board.

Legal structure

ASR Nederland N.V. is the Group's holding company. The supervised entities (OTSOs) within the Group are ASR Levensverzekering N.V., ASR Schadeverzekering N.V., ASR Basis Ziektekostenverzekeringen N.V., ASR Aanvullende Ziektekostenverzekeringen N.V. and ASR Bank N.V. On 5 February 2018, ASR Nederland N.V. completed the acquisition of Generali Nederland N.V. by acquiring all issued and outstanding shares. Generali Nederland N.V. was legally merged into ASR Nederland N.V. on 7 May 2018. The operating companies Generali levensverzekering maatschappij N.V. and Generali schadeverzekering maatschappij N.V. legally merged with ASR Levensverzekering N.V. and ASR Schadeverzekering N.V. on 29 June 2018.

A personal union exists between ASR Nederland N.V., ASR Levensverzekering N.V. and ASR Schadeverzekering N.V. through cross-membership of the Executive Board and the Supervisory Board. ASR Basis Ziektekostenverzekeringen N.V., ASR Aanvullende Ziektekostenverzekeringen N.V. and ASR Bank N.V. have their own Executive Boards. The Supervisory Boards of these entities consist of a combination of members of the Executive Board and members of the Supervisory Board of ASR Nederland N.V. ASR Vermogensbeheer N.V. and ASR Vastgoed Vermogensbeheer B.V. are two AIFMD-licensed AIFMs. These entities have their own Executive Boards.

Group structure



General Meeting of Shareholders and consultation with Shareholders

At least one general meeting of shareholders is held per annum (the AGM), no later than 30 June. The main purpose of the AGM is to decide on matters as specified in a.s.r.'s articles of association and under Dutch law, such as the adoption of the financial statements. The articles of association also outline the procedures for convening and holding general meetings and the decision-making process. The draft minutes of the AGM must be published on the corporate website (www.asrnl.com) no later than three months following the AGM. Shareholders are given three months to respond to the draft minutes. The minutes of the AGM are subsequently adopted and signed by the Chairman and Company Secretary.

The AGM in 2018 was held on Thursday 31 May. A total of 70,78% of the total issued share capital with voting rights was present in person or represented by proxy or voting instructions. The agenda of the AGM included the adoption of the annual financial statements, the approval of the proposed dividend payments for the financial year 2017, the discharge of the Executive and Supervisory Board members holding office in the 2017 financial year, the reappointment of Chris Figee (CFO) as a member of the Executive Board, the appointment of Sonja Barendregt as a new member of the Supervisory Board, and the approval of the proposed extended authority of the Executive Board and the cancellation of shares held by a.s.r. All agenda items were approved by the AGM. The next AGM will be held on Wednesday 22 May 2019.

Contacts with shareholders are currently conducted entirely in line with the Policy on fair disclosure and on the basis of bilateral dialogue with shareholders (with the exception of the Relationship Agreement). The Policy on fair disclosure and bilateral dialogue with shareholders is published on www.asrnl.com. The Group's Disclosure Committee supervises compliance with laws and regulations in relation to the disclosure of price-sensitive information.

Anti-takeover measures

Stichting Continuïteit ASR Nederland (the 'Foundation') was established on 26 May 2016 under Dutch law in connection with a.s.r.'s listing on Euronext Amsterdam. The Foundation has an independent board consisting of three members. The role of the Foundation is to promote and protect the interests of a.s.r., its business and stakeholders, and to work against possible influences that could threaten the continuity, independence, strategy and/or identity of a.s.r. or its associated business to the extent that they could conflict with the aforementioned interests. If the interests of a.s.r., its business, stakeholders or continuity were to be undermined, the Foundation would be entitled – provided certain conditions under the call option agreement were to be met – to exercise a call option right on preference shares such that the number of preference shares acquired under the call option would never exceed the total number of shares forming the issued capital of a.s.r. at the time the call option was exercised, minus the number of preference shares already held by the Foundation (if any) at the time and minus one. For more information, see chapter 9 Report of Stichting Continuïteit ASR Nederland.

Sustainability governance

a.s.r. seeks to be a leader in sustainable business practices in the financial sector and takes account of sustainability wherever possible. It does so in line with five CSR-related themes: 'Sustainable insurer', Sustainable investor, 'Sustainable employer', 'Sustainable management' and the 'Role in society'.

a.s.r. engages in dialogue with all stakeholders on the principles and objectives of its sustainability policy. To this end, it maintains close contact with internal stakeholders and a broad group of external stakeholders, including customers, regulators, politicians and government ministers, as well as trade bodies. In order to continue to drive and monitor sustainability in all its aspects within a.s.r., sustainability has been earmarked as a separate topic. Within the Executive Board, the CEO is ultimately responsible for a.s.r.'s CSR themes. Each year, the Supervisory Board discusses and approves the CSR objectives and the progress made in these specific areas. The Director of Corporate Communications coordinates the implementation together with the CSR Task Force. The Task Force consists of a secretary, the directors of the Services, Human Resources, Asset Management, Real Estate, Integrity, Group Risk Management, Non-life, Pensions and Bank & Mortgages departments, and the Company Secretary. The Task Force meets regularly to formulate an integrated CSR vision and to set objectives. All Task Force members subsequently promote this vision and objectives within their own focus areas. The Task Force also sets CSR Key Performance Indicators (KPIs).

A CSR Work Force operates under the Task Force, with delegates from the directors mentioned above. It reports quarterly on the set CSR KPIs to the Task Force, which evaluates the results achieved or takes action where necessary. Each focus has a CSR Work Force for substantive discussions and to work out (subsidiary) activities. Five sessions on specific CSR themes were organised for the Task Force throughout the year.

6.1.2 Executive Board

The Executive Board is collectively responsible for the day-to-day conduct of business at a.s.r. and for its strategy, structure and performance. In carrying out its duties, the Executive Board is guided by a.s.r.'s interests, which include the interests of the businesses connected with it, which in turn include the interests of customers, shareholders, employees and society at large. The Executive Board is accountable to the Supervisory Board and the AGM with regard to the performance of its duties.

Certain resolutions of the Executive Board require the approval of the Supervisory Board and/or the AGM. These resolutions are outlined in the a.s.r. articles of association and the Rules of Procedure of the Executive Board. Both can be viewed at www.asrnl.com.

Composition of the Executive Board

The articles of association specify that the Executive Board must consist of a minimum of two members, including at least a CEO and CFO. Only candidates found to meet the 'fit and proper test' under the Dutch Financial Supervision Act are eligible for appointment. The Supervisory Board appoints the members of the Executive Board and may suspend or dismiss any Executive Board member at any time. The Supervisory Board notifies the AGM of proposed appointments. At the AGM in 2018, the Supervisory Board discussed the reappointment of Chris Figee as CFO; the Supervisory Board subsequently reappointed Chris Figee for an additional four-year term. During 2018, the composition of the Executive Board remained unchanged, consisting of four members under the chairmanship of Jos Baeten. Following the change in the management structure, Karin Bergstein and Michel Verwoest resigned as Executive Board members with effect from 1 February 2019. The selection procedure for a new member of the Executive Board has begun and the nomination of the candidate will be notified as soon as possible. In anticipation of this candidate, the portfolio is temporarily divided between Jos Baeten and Chris Figee.

Executive Board

Name	Current term of office	Appointed until
Jos Baeten	26 January 2017	General Meeting 2020
Chris Figee	31 May 2018	General Meeting 2022
Karin Bergstein	1 September 2015	1 February 2019
Michel Verwoest	1 December 2016	1 February 2019

Appointment of the members of the Executive Board

Karin Bergstein and Michel Verwoest stood down from the Executive Board on 1 February 2019.

Diversity

a.s.r. is committed to an inclusive culture. In 2017, the Supervisory Board adopted a formal diversity policy. a.s.r. uses the following definition for diversity: a balanced composition of the workforce, based on age, gender, cultural or social origin, competences, views and working styles. In 2018, the Executive Board consisted of one woman and three men. The current composition of the Executive Board does not meet the gender target of having at least 30% women amongst the members of the Executive Board. a.s.r. will continue to strive for an adequate and balanced composition of the Executive Board in future appointments, by taking into account its diversity policy and all relevant selection criteria such as executive experience, experience in finance and experience in the political and social environment.
A female candidate is being sought to fill the vacancy within the Executive Board.

Permanent education and evaluation

A self-evaluation session was held after the results of a 360° feedback questionnaire had been received. This gave the Executive Board feedback from members of the Supervisory Board, senior management, members of the Works Council and each other. The questionnaire specifically focused on leadership themes from 'the story of a.s.r.': dilemmas, dialogue, clear frameworks and actions. The outcome of the questionnaire was discussed within the Executive Board under the guidance of an expert/consultant representing the supplier of the 360° tooling, to further interpret the results. The overall impression that emerged from this self-assessment was positive. Positive points included the open and interested attitude of the Executive Board, its complementarity on tactical and strategic level and its decisiveness/execution power. Recommendations include openly discussing dilemmas with senior management and providing more feedback on attitudes and behaviour.

The performance of the members of the Executive Board was also assessed by the Supervisory Board as part of the scope of the annual assessment process. In this context, interviews are held twice a year with the individual members of the Executive Board (by two Supervisory Board members each time) in which the results of the aforementioned 360-feedback were included.

In 2018, specific sessions were also organised jointly with the Supervisory Board for the benefit of further education. The first session was a follow-up on the explanation of IFRS 17, the new accounting standard for insurance contracts, led by Group Accounting, Reporting & Control. The new regulations will impact the external reporting on insurance contracts in future. The implementation of IFRS 17 within a.s.r. is a major project. The second session focused on increasing digitisation in the insurance industry. A knowledge session was also led by an external expert on governance and board leadership took place at the beginning of the year. During this session, the Supervisory and Executive Boards were given an update on long-term value creation based on the Dutch Corporate Governance Code and discussed this in relation to a.s.r.

Individual Executive Board members attended knowledge sessions on various topics in their capacity as board members and supervisory directorships in other organisations.

Remuneration
Information on the remuneration policy for Executive Board members and their individual remunerations can be found in the Remuneration report, see chapter 6.3.

The Business Executive Committee
In 2018, a new management structure was created in close consultation between the CEO and the Supervisory Board in order to deliver on the next steps in implementing the recently announced strategy and objectives. On 19 November 2018, a.s.r. announced that as of 1 February 2019, it would change its management structure. Effective from this date, a.s.r.'s Executive Board will consist of three members: the CEO, the CFO, and a member to be appointed. A Business Executive Committee (BEC) will also be established. The BEC consists of the members of the Executive Board, the Chief Risk Officer (CRO) and senior managers representing certain business areas. The following business areas are represented in the BEC: Service Books (Individual life & Funeral), Disability, Health, P&C, Mortgages, Pensions, Asset Management and Innovation & Digital. Through the creation of the BEC, a.s.r. wishes to increase direct involvement of the senior managers of the product lines in further strengthening a.s.r.'s innovative power. It will also enable a.s.r. to act decisively with respect to potential inorganic opportunities.

The BEC will work as a unison with the Executive Board, and is co-responsible for the implementation of the business strategy. Only the members of the Executive Board have voting rights in the meeting of the BEC. The new BEC will ensure the direct involvement, knowledge and skills of a.s.r.'s senior management responsible for specific business areas in the decision-making process at board level. With part of industry in motion, it is vital that a.s.r. can respond quickly to opportunities that arise and efficiently anticipate constantly changing customer needs.

The Supervisory Board will continue to maintain contact with the members of the Executive Board as its primary role. As is already common practice, relevant senior managers will join Supervisory Board meetings depending on what is on the agenda. The Supervisory Board supervises the functioning of the BEC as a whole and the relationship between the Executive Board and the BEC. The performance of the senior managers is also discussed between the Executive and Supervisory Boards in the context of the review of senior management and succession planning.

Biographies of Executive Board members

Current members

J.P.M. (Jos) Baeten
(Dutch, 1958)

Chairman of the Executive Board and Chief Executive Officer (CEO)

In 2018, Jos Baeten was responsible for Human Resources, Corporate Communications, Strategy, Risk management of the investment funds managed by ASR Vermogensbeheer N.V., Corporate Social Responsibility, Audit, Legal Affairs & Integrity.

On 1 February 2019, he became responsible for Human Resources, Corporate Communications, Legal Affairs & Integrity, Group Risk Management, Audit and Innovation & Digital.

Jos Baeten studied law at Erasmus University Rotterdam and began his career in 1980 when he joined Stad Rotterdam Verzekeringen N.V., one of a.s.r.'s main predecessors. In 2005, Jos Baeten was appointed Chairman of the Board of Directors of Fortis ASR Verzekeringsgroep N.V.

Additional positions
Jos Baeten is currently a member of the Executive Board of the Dutch Association of Insurers (Verbond van Verzekeraars). During 2018 Jos Baeten was the Chairman of the Supervisory Board of Stichting Theater Rotterdam until March 2019. He is member of the Supervisory Board of De Efteling B.V. And he is also a member of the General Administrative Board of VNO-NCW and a Board Member of Stichting Grote Ogen and Stichting Fietshelm is Hoofdzaak.

H.C. (Chris) Figee
(Dutch, 1972)

Chief Financial Officer (CFO)

In 2018, Chris Figee was responsible for Group Accounting, Reporting & Control, Business Finance & Risk, Group Asset Management, Real Estate Investment Management, Real Estate Projects, Group Balance Sheet Management and Group Risk Management.

As of 1 February 2019, Chris Figee is responsible for Finance, Group Accounting, Reporting & Control, Group Balance Sheet Management, Group Asset Management and a.s.r. real estate.

Chris Figee has a degree in Financial Economics from the University of Groningen and is an EFFAS Certified Investment Analyst. He also studied Risk Management at Stanford University. Chris Figee began his career at Aegon N.V., where he held various positions, including that of Senior Portfolio Manager Fixed Income Aegon Life Insurance. Chris Figee's last position at Achmea Holding B.V. was Director of Group Finance.

Additional positions
Chris Figee is a member of the Board of Stichting DSI and a member of the Supervisory Board of Stichting Nederland Comité UNICEF. As of 31 January 2019, he is also a member of the Supervisory Board of Human Total Care.

Former members (resigned per 1 February 2019)

K.T.V. (Karin) Bergstein
(Dutch, 1967)

Chief Operating Officer (COO)

Karin Bergstein has been responsible for Innovation & Digital, Information Technology and Change, and the product lines Pensions, Individual life, Banking and Mortgages and Funeral.

M.H. (Michel) Verwoest
(Dutch, 1968)

Chief Operating Officer (COO)

Michel Verwoest has been responsible for the product lines P&C, Disability, Health and Services and for a.s.r.'s distribution companies.

6.1.3 Supervisory Board

The Supervisory Board has three roles: the supervisory role, the advisory role and the employer's role for the Executive Board. The Supervisory Board supervises the policy pursued by the Executive Board and the general course of affairs at a.s.r. and its group entities. Specific powers are vested in the Supervisory Board, including approving certain Executive Board decisions.

Composition of the Supervisory Board

In line with a.s.r.'s articles of association, the Supervisory Board should consist of at least three members.
In 2018, there was one change in the composition of the Supervisory Board. The proposed Board member Sonja Barendregt was appointed as a new member of the Supervisory Board at the General Meeting of Shareholders on 31 May 2018. The Supervisory Board currently consists of five members: Kick van der Pol (Chairman), Annet Aris, Cor van den Bos, Herman Hintzen and Sonja Barendregt. The composition of the Supervisory Board of ASR Levensverzekering N.V. and ASR Schadeverzekering N.V. is the same as that of ASR Nederland N.V.

Diversity

The Supervisory Board has drawn up a projected profile for its size and composition, taking into account the nature of a.s.r.'s business, its activities and the desired expertise and background of its members. The Supervisory Board profile can be viewed on the a.s.r. website : www.asrnl.com.
In 2017, the Supervisory Board adopted a formal diversity policy. One of the objectives of the policy is to achieve a Supervisory Board consisting of at least 30% women and at least 30% men. In 2018, the composition of the Supervisory Board met this gender balance, with 40% women and 60% men.

The composition of the Supervisory Board is such that each member has the skills to assess the main aspects of overall policy and that the Board as a whole matches the desired profile due to a combination of experience, expertise and the independence of the individual members. The diversity of its members ensures the complementary profile of the Supervisory Board. a.s.r. will continue to strive for an adequate and balanced composition of the Board in any future appointments by taking into account the diversity policy and all relevant selection criteria such as executive experience, experience in finance and experience in the political and social environment.

Supervisory Board

Name	Date of initial appointment	Date of reappointment	End of current term of appointment[1]	End of the term of appointment at AGM[2]
Kick van der Pol	15 December 2008	15 June 2014	15 June 2018	2019
Annet Aris	7 December 2010	7 December 2014	7 December 2018	2023
Cor van den Bos	15 December 2008	15 June 2015	15 June 2019	2020
Herman Hintzen	1 January 2016	-	1 January 2020	2028
Sonja Barendregt	31 May 2018	-	AGM2022	2030

In line with the Dutch Corporate Governance Code, Supervisory Board members are appointed by shareholders for a four-year term. Supervisory Board members can be reappointed for one additional four-year term and then subsequently reappointed for a period of two years. Reappointments following an eight-year period must be justified in the Supervisory Board report. Supervisory Board members retire no later than by the AGM of Shareholders immediately following the end of their term of appointment.

The Supervisory Board is looking for a suitable successor for Kick van der Pol. Someone with the right expertise and experience, who fits well with the culture of the company and who embraces the strategy of a.s.r. The right candidate has not yet been found.

Annet Aris will step down from the Supervisory Board at the forthcoming AGM in 2019.

In accordance with Section 2:158 of the Dutch Civil Code, the Works Council started their search for a candidate in 2018. An announcement will be made once there is clarity about the outcome.

Independence and conflicts of interest

All the Supervisory Board members passed the 'fit and proper test' required under the Dutch Financial Supervision Act. In 2018, there were no reports of potential conflicts of interest relating to members of the Supervisory Board. The Supervisory Board was also able to carry out its tasks independently pursuant to principles 2.1.7 to 2.1.9 of the Dutch Corporate Governance Code.

1. Supervisory Board members are reappointed or must resign no later than the next AGM held after this date.
2. Based on the possibility of an appointment for a maximum of twelve years (2 x four years and 2 x two years in accordance with principle 2.2.2. of the Dutch Corporate Governance Code).

Supervisory Board profile

Name	Date of initial appointment	Years in Board	Year of birth	Gender	General business management Strategy	Finance (balance, solvency & reporting)	Financial markets/disclosure, communication	Audit, risk, compliance, legal & governance	Insurance (life, non-life, asset management & banking)	M&A	IT/Digital & innovation	Social/employment	Sustainability/ politics
Kick van der Pol	12-2008	9	1949	M	•	•			•			•	•
Annet Aris	12-2010	7	1958	F	•			•			•	•	•
Cor van den Bos	12-2008	9	1952	M	•	•	•	•	•	•			
Herman Hintzen	01-2016	2	1955	M	•	•	•	•	•	•			
Sonja Barendregt	05-2018	1	1957	F	•	•	•	•	•			•	

Permanent education and evaluation

The Supervisory Board is responsible for assessing the quality of its own performance. It therefore performs an annual self-assessment and discussion of its own performance and that of its committees and members. A self-assessment with external supervision is carried out every three years. The self-assessment for 2018 was carried out with internal guidance. The assessment was based on written and oral input from the Supervisory Board, the Executive Board, the Company Secretary and several senior managers. The following aspects were assessed:

- Composition and functioning of the Supervisory Board (strengths and points for improvement);
- Effectiveness of processes (information-gathering and decision-making);
- Advisory role;
- Role as an employer.

The outcome of the assessment was discussed by the members of the Supervisory Board and the Company Secretary. They concluded that interrelationships were good, interaction was sufficient and there was an open dialogue (including in difficult cases). The quality of the Supervisory Board was also seen as good, and must, it was felt, continue to be safeguarded following the forthcoming changes in the composition of the Supervisory Board. Time must then be taken to get to know each other well on a personal level. Attention must also be paid to the design of the relationship with the BEC. It was recommended that certain reports be linked and that more time be devoted to succession management and planning.

In 2018, two continuing education (CE) sessions were organised for Supervisory Board members, members of the Executive Board and senior managers. The first session was a follow-up to the explanation of IFRS 17, the new accounting standard for insurance contracts, led by Group Accounting, Reporting & Control. The new regulations will impact the external reporting on insurance contracts in the future. The implementation of IFRS 17 within a.s.r. is a major project. The second session focused on increasing digitisation in the insurance industry. Furthermore, a knowledge session led by an external expert on governance and board leadership was held. At this session, the Supervisory and Executive Boards were given an update on long-term value creation in line with the Dutch Corporate Governance Code and discussed this in relation to a.s.r. The Supervisory Board of ASR Bank N.V. took part in various sessions on cyber risks and IFRS 9. Individual members were given updates and presentations on various topics in view of their supervisory directorships at several Dutch and foreign enterprises and institutions.

Biographies of Supervisory Board members

C. (Kick) van der Pol
(Dutch, 1949)

Chairman of the Supervisory Board and member of the Selection & Appointment Committee and the Remuneration Committee

Kick van der Pol serves as Chairman of the Board of Directors of Ortec Finance. He is also a member of the Supervisory Board of the Holding Nationale Goede Doelen Loterijen N.V. In the past, he served as Chairman of the Board of the Federation of Dutch Pension Funds, as Vice-Chairman of the Executive Board of Eureko/Achmea and as Chairman of the Executive Board of Interpolis.

A.P. (Annet) Aris
(Dutch, 1958)

Chair of the Selection & Appointment Committee and the Remuneration Committee

Annet Aris had a 17-year career at McKinsey as a management consultant, including 9 years as a partner in the firm. She currently holds supervisory directorships at several Dutch and foreign enterprises and institutions. She is a member of the Supervisory Board of ASML N.V., Randstad Holding N.V. and Coöperatieve Rabobank U.A. (from 12 December 2018) in the Netherlands, She is also a member of the Supervisory Board of Jungheinrich AG in Germany and Thomas Cook PLC in London (until 2 February 2019). Annet Aris is Senior Affiliate of (digital) strategy at INSEAD international business school (Fontainebleau, France). Annet Aris is a Supervisory Board member recommended by the Works Council.

C.H. (Cor) van den Bos
(Dutch, 1952)

Vice-Chairman of the Supervisory Board and chairman of the Audit & Risk Committee

Cor van den Bos served on the Executive Board of SNS REAAL N.V. until August 2008, where he was responsible for all insurance operations. He is Vice-Chairman and a non-executive member of the Board at the investment firm Kardan N.V.

H.C. (Herman) Hintzen

(Dutch, 1955)

Member of the Audit & Risk Committee

Herman Hintzen was Chairman Insurance EMEA at UBS Investment Bank, until January 2016. In the past, Herman Hintzen also acted as an adviser to the Executive Board at APG Asset Management and served as Managing Director in the Financial Institutions investment banking groups of Morgan Stanley, Credit Suisse and JP Morgan.
Until 31 December 2018, he served as Chairman of the Board of Amlin International SE. Herman Hintzen is currently a non-executive Board member of VCM Holdings Ltd. and a non-executive Board member of TSC Power Ltd.

S. (Sonja) Barendregt

(Dutch, 1957)

Member of the Audit & Risk Committee

Sonja Barendregt was a partner at PwC, specialising in the financial services sector, until 1 July 2017. She was also chair of PwC's International Pension Group, a member of PwC's European Strategic Diversity Council, chair of the Pension Funds Industry Group, chair of the Investment Management Industry Group and a member of the European Investment Management Leadership Team.
Sonja Barendregt has been a member of the Supervisory Board of Volksbank since 2017 and chair of the Audit Committee. She is also an accountancy examinations expert at the Erasmus School of Accounting & Assurance.
In April 2018, Sonja Barendregt was appointed as a member of the Supervisory Board and chairperson of the Audit & Risk Committee of Robeco Institutional Asset Management B.V.

6.1.4 Corporate Governance Codes and regulations

Articles of Association and rules of procedure

The current Articles of Association (dated 9 June 2016) have been published on a.s.r.'s corporate website: www.asrnl.com. The Supervisory and Executive Board rules are also available on a.s.r.'s corporate website. These rules were most recently amended and adopted in 2017 in response to the revised Dutch Corporate Governance Code.

Dutch Corporate Governance Code

Since being listed on Euronext Amsterdam, a.s.r. has been required to abide by the Dutch Corporate Governance Code. a.s.r. has complied with all the principles and best practices of the Dutch Corporate Governance Code, apart from those that do not apply to it. In the Corporate Governance section of its website, a.s.r. also publishes a detailed 'comply or explain' list which states which principles and best practices do not apply to it.

Dutch Banking Code

ASR Bank N.V. is subject to the Dutch Banking Code (latest version 1 January 2015). This Code, which was drafted by the Dutch Banking Association, contains principles for governance and governance oversight, risk management, audit and remuneration policy. ASR Bank N.V. is governed by this Code. Details on how ASR Bank N.V. complies with the Dutch Banking Code can be found in its Annual Report, which is available at www.asrnl.com.

Professional oath

On 1 January 2013, the Dutch financial sector introduced a mandatory oath for Executive and Supervisory Board members of financial institutions licensed in the Netherlands. With regard to insurance companies, in addition to the Executive and Supervisory Board members, individuals holding a management position immediately below the Executive Board who are responsible for staff who may have a significant influence on the risk profile of the insurance company, are also required to take the oath, as are certain other employees. This includes individuals who may (independently) significantly influence the risk profile of the undertaking as well as those persons who are or may be involved in the provision of financial services.

For banks based in the Netherlands, such as ASR Bank N.V., all persons working under the responsibility of the bank are required to take a similar bankers' oath with effect from 2015. Individuals who have taken the bankers' oath are subject to disciplinary rules.

Regardless of the above, a.s.r. has decided that all employees and other individuals carrying out activities under its responsibility must take the oath. New employees must take the oath within three months of joining the company.

Decision on disclosure of non-financial information and Decision on disclosure of diversity policy

a.s.r. also wants to be transparent about non-financial information in its Management Report. Since the reporting year 2017, the relevant legal requirements have been tightened up for large companies of public interest. Such organisations, which include a.s.r., are now expected to clarify how they deal with environmental, social and personnel issues, respect for human rights and the fight against corruption and bribery in their business operations and value chain. Large listed companies must also provide insight into their policy on diversity in relation to the Executive and Supervisory Boards. Annex G states where the information requirements specified by the new legislation can be found in the annual report.

6.2 Report of the Supervisory Board

6.2.1 Report of the Supervisory Board

Meetings of the Supervisory Board

The Supervisory Board convened 7 routine meetings, 5 extra meetings and 1 off-site meeting with the Executive Board. The availability of Supervisory Board Members for consultation in-between scheduled meetings was good. Several ad-hoc meetings were held to discuss issues relating to specific topics such as remuneration, the change in the management structure and M&A. Periodic operational meetings were also held in the absence of the Executive Board. During these meetings, issues such as the (self) evaluation of the Supervisory Board and the evaluation of the Executive Board members were discussed.

Attendance record of the members of the Supervisory Board (plenary sessions and committee meetings)

	Kick van der Pol	Annet Aris[1]	Cor van den Bos	Herman Hintzen	Sonja Barendregt[1]
Supervisory Board	13/13	12/13	13/13	13/13	10/10
Audit & Risk Committee	-	3/3	6/6	6/6	3/3
Selection & Appointment Committee	6/6	6/6	-	-	-
Remuneration Committee	8/8	8/8	-	-	-

The Supervisory Board has a good working relationship with the Executive Board. The Chairman of the Supervisory Board has regular contact with the CEO, and one or more Supervisory Board members are regularly approached outside meetings for advice on various files. The Supervisory Board as a whole also receives periodic updates, outside meetings, from the Executive Board on various developments within the company, including product development, (potential) M&A transactions and personnel matters.

Highlights

a.s.r. began 2018 with the closing of Generali Nederland. This acquisition is in line with a.s.r.'s strategy of combining organic growth and growth through targeted acquisitions and its commitment to deploy capital for sustainable value creation. Following the completion of this acquisition, a.s.r. began integrating the activities of Generali Nederland into its own operations which is likely to be completed by 2020 at the latest. The Supervisory Board wishes to express its appreciation for the way in which the Executive Board and all the employees involved have shown great commitment and confidence in effecting this process.

As mentioned in chapter 6.1.2 Executive Board, a.s.r. decided to change its management structure. There has been ongoing discussion in recent years concerning the strategic direction of the company, and it was eventually concluded that in order to successfully implement the strategy and achieve the goals a.s.r. has set itself in the future, the management structure had to be adjusted. Several meetings were held with the Supervisory Board, members of the Executive Board and the regulator, DNB, to discuss the design of this new management structure. This has resulted in a change of the composition and size of the Executive Board and the creation of a BEC as from 1 February 2019. The creation of the BEC, guarantees more direct involvement by the senior managers of the product lines in further strengthening a.s.r.'s innovative power. It will also enable a.s.r. to act decisively with regard to potential inorganic opportunities. The COO positions disappeared as a result, and Karin Bergstein and Michel Verwoest have agreed to stand down from the Executive Board as from 1 February 2019. The Supervisory Board wishes to express its appreciation to them both for their key role in a.s.r.'s recent transition, since which a number of successful acquisitions have been made, a.s.r. has become more agile and efficient, and it has improved its cost control. Customer and employee satisfaction have also both risen. a.s.r. has consequently become an organisation which serves as an example to many. Karin Bergstein and Michel Verwoest both made very important contributions to this development. The Supervisory Board has begun the search for a new Executive Board member. The nominee will be announced as soon as there is full clarity on this.

1 Where a Supervisory Board member stood down from a Committee or was appointed during the year, only meetings held during his/her tenure are taken into account.

At the end of the year, a.s.r. announced its intention to acquire insurer Loyalis N.V. from APG. At the beginning of 2019, an application for a declaration of no-objection (DNO) was submitted to the DNB. With this acquisition, a.s.r. will broaden and strengthen its market position in the field of disability insurance and enhance its leading role as a provider of overall solutions for sustainable employability. The Supervisory Board supports the management in continuing the commercial cooperation with APG in the field of disability insurance and sustainable employability for many years to come. After a broad consideration of interests, it was decided to do so with the Loyalis brand and from Heerlen. The life and pensions activities of Loyalis are expected to be integrated into a.s.r. in 2020. The Supervisory Board has every confidence in the successful outcome of this acquisition.

Strategy based on long-term value creation

Each year, the Executive Board presents various matters to the Supervisory Board for approval, such as the (quarterly) figures, multi-year budget, the investment plan and the risk appetite. These matters were all discussed and approved by the Supervisory Board in 2018. Throughout the year, the Executive Board discussed a.s.r.'s strategy in detail with the Supervisory Board and obtained the support of the Supervisory Board for its value creation model. For a.s.r. as a multiline insurer, this involves the portfolio strategy (as described in chapter 3.1.2 Portfolio and execution of strategy) and the strategy for small and medium-sized acquisitions. Acquisition opportunities and possible divestments were discussed in the context of the execution of the strategy. The Supervisory Board supported the management with add-on acquisitions. Following a comprehensive process, it was decided to define a.s.r. bank as a non-core activity while its strategic fit was considered insufficient.

In 2018, considerable attention was also paid to the publication of the strategic priorities and the revised medium term targets which were announced at the Capital Markets Day on 10 October 2018. Organic growth was achieved in line with the strategy. Costs were also generally further reduced (excluding acquisitions), customer service was improved and brand awareness of a.s.r. grew. a.s.r. is also increasingly appreciated for the role it plays in society.

In 2018, Supervisory Board discussions included the following topics:

- Strategy, including a.s.r.'s long-term value creation in various areas of business, such as Asset Management, Disability, P&C, Individual Life, Mortgages, Funeral and Distribution;
- Several M&A files;
- Executive Board and senior management succession planning;
- Executive Board remuneration including the evaluation of the remuneration policy;
- Corporate governance, composition of the Executive and Supervisory Boards and the management structure;
- HR & culture; reports on employee surveys, sustainable employability and compliance with the a.s.r. code of conduct ;
- Innovation and technology developments;
- NPS reports;
- Financial and enterprise risk management, including cybersecurity, the Risk Appetite Statement and the Own Risk Self-Assessment;
- Annual and quarterly results, dividends, capital generation and Solvency II capital position;
- Investor relations;
- Multi-year budget, capital & dividend policy, interest risk policy and funding plan;
- Medium-term targets, as announced during the Capital Markets Day;
- Legal, regulatory and compliance issues, including the relationship with the Dutch regulators;
- Tax policy and developments.

IT and innovation

In 2018 almost all the business lines opted for an IT system that was well suited to the future in terms of both customer expectations and cost flexibility. The Supervisory Board was periodically informed of developments in the field of innovation. Innovation at a.s.r. is organised along three lines: optimisation, transformation and disruption. Various initiatives and projects have been started, with a clear distance being taken from the existing organisation in order to be able to test and grow. In 2018, the Executive Board explored a possible future cooperation to enhance innovation in the vitality domain. The Supervisory Board supports the progress that has been made in this area in 2018. Finally, attention was paid to the various developments in the area of cyber risk, on which the Supervisory Board is regularly informed via the Audit & Risk Committee.

Financial performance

The Supervisory Board discussed the financial performance each quarter, covering standing issues such as developments in the combined ratios, long-term cost development and premium developments. The Supervisory Board was satisfied with a.s.r.'s financial performance in 2018.

As part of their audit process, EY issued a management letter in November 2018 and a 2018 Audit report in March 2019 to the Executive and Supervisory Boards. In the management letter, EY recognises the continuous focus a.s.r. places on preparing the company for the future. EY also states that in general, the internal control processes (three lines of defense) work well. The Supervisory Board was pleased with these conclusions. There are a few items which require further attention, and the Supervisory Board will monitor this.

The main items are:

1. The internal control measures for the Generali non-life portfolio must be strengthened up to the moment before this portfolio is converted to the a.s.r. systems and becoming part of a.s.r.'s established control environment.
   This is recognised by the management and is being given the highest priority. The internal controls in the Generali non-life environment were not up to a.s.r.'s standard, as EY's findings during their interim audit procedures in the second half of 2018 showed.

2. Improvement of the risk control framework for the WerknemersPensioen (WnP) platform.
   When introducing the WnP platform, the primary focus was on creating volume and optimising client experience. Now that the WnP platform is more mature, these remaining items will be given the highest priority.

3. Timely performance of back-testing of estimation processes with regard to the financial reporting of separate account pension contracts.
   The financial processes surrounding separate accounts are complex and time-consuming. From a strategic perspective, a.s.r. has decided to pursue the closing of all separate account contracts. a.s.r. recognises that until now, all separate accounts have been closed and extra attention must be given to the relevant financial processes.

Moreover, EY asked attention going forward for an increased capacity pressure on parts of the organisation due to in- and external developments resulting in concurrence of various projects. In addition to these topics, EY has also provided suggestions with a more medium to low priority. a.s.r. welcomes all suggestions and is committed to implementing these suggestions promptly.

At year-end, the Supervisory Board approved the 2019-2021 multi-year budget following the recommendation of the Audit & Risk Committee.

Risk management and solvency

At the end of the year, the Supervisory Board approved the risk appetite for both a.s.r. and its supervised entities. a.s.r.'s risk appetite is based on the Solvency II regime and a prudent approach to risk management translated into standards for solvency, liquidity, efficient processes and achievable returns. The Supervisory Board was satisfied with the execution of the risk management framework. The level of solvency remains acceptable and adequate thanks to the organisation's prompt and adequate response to external developments based on the chosen risk appetite and associated risk-mitigating measures. The risk appetite is an important criterion for the Supervisory Board in making tactical and strategic decisions. The Supervisory Board appreciates the prudent approach taken to comply with Solvency II and other regulations and regularly engages in dialogue with the Executive Board concerning its views of the targets and intervention level relating to Solvency II ratios.

Culture and customer interest

Every six months, the Supervisory Board considers the theme of customer interest based on reports, including the Net Promoter Score report and the complaints report. These reports provide insight into levels of customer satisfaction. In 2018, the NPS was further improved compared to the previous year. The Supervisory Board was satisfied that a.s.r. goes to great lengths to deliver a good NPS performance.

Throughout the year, the Supervisory Board regularly discussed the organisation and culture of a.s.r. with the Executive Board. a.s.r.'s new in-house CLA became effective on 1 January 2018. In 2017, a.s.r. had redefined its core values and competencies in chapter 3.1 The story of a.s.r.' This was given a prominent place in the new CLA. The Supervisory Board hereby compliments the Executive Board on the enormous progress that has been made in this area, which has clearly contributed to employees' understanding of the strategic direction a.s.r. is moving in.

Contacts with the Works Council

All the Supervisory Board members attended one or more routine consultative meetings of the Works Council. In addition to these routine meetings, the Works Council maintains regular contact with Annet Aris, the Works Council-appointed Supervisory Board member. The Supervisory Board also greatly appreciates its bilateral dialogues with the Works Council, on several occasions together with one or more members of the Executive Board.

The Supervisory Board has great appreciation for the approach taken by the Works Council to developments impacting a.s.r., such as the integration of Generali Nederland, the acquisition of Loyalis and the new management structure and evaluation of the remuneration policy for the Executive Board of a.s.r. Taking into account the interests of both a.s.r. as a whole and its employees, the Works Council makes thorough preparations when addressing the wide range of issues it is presented with, discusses them in a constructive dialogue with the Executive Board, and issues balanced, well-considered opinions and recommendations.

Contacts with external regulators and auditors

The Supervisory Board periodically consulted with the DNB and the AFM. The independent external auditor, EY, attended the Supervisory Board meetings at which the annual and interim financial results were discussed. During these meetings, the auditor elaborated on the audit reports and answered specific questions.

6.2.2 Supervisory Board Committees

The Supervisory Board has three committees that discuss specific issues and prepare items on which the full Supervisory Board takes decisions. The chairperson of each committee reports on the main points of discussion and the resulting recommendations are discussed in the subsequent Supervisory Board meeting. The minutes of the committee meetings are available to the members of the Supervisory Board.

The three committees are:
- The Audit & Risk Committee;
- The Remuneration Committee;
- The Selection & Appointment Committee.

Audit & Risk Committee
- Cor van den Bos (Chairman)
- Sonja Barendregt
- Herman Hintzen

The Audit & Risk Committee comprises three Supervisory Board members. The composition of the Committee is such as to represent the specific business know-how, financial, accounting and actuarial expertise relating to the activities of a.s.r. Sonja Barendregt succeeded Annet Aris, who stepped down as a member of the Audit & Risk Committee. The Audit & Risk Committee is grateful for the many valuable contributions made by Ms Aris to the committee's discussions.

The Committee held six regular meetings in 2018. In accordance with the Audit & Risk Committee Rules, committee meetings are also attended by the CFO, the Director of Group Risk Management, the Director of Group Accounting, Reporting & Control, the Director of Finance & Risk, the Director of Compliance, the Director of Audit and the independent external auditor.

During the year, outside the regular meetings, the Committee met on two occasions with the Audit, Compliance, Risk Management and Actuarial Functions in their roles as countervailing powers. The Committee Chairman also had two one-to-one meetings with each of the directors of Audit, Compliance and Group Risk Management, and two meetings with the external auditor EY.

After each financial quarter, the Committee discussed the financial results based on detailed financial, risk, compliance and internal and external audit reports and analyses. Progress on the recommendations of the internal and external auditor was monitored. The full 2018 reporting year was discussed in the first quarter of 2019 based on the (quarterly) internal finance report, the press release, the Annual Report, the financial statements, the Board Report and the actuarial report. The discussion of the actuarial report was also attended by the Actuarial Function. The Committee issued positive opinions on the Annual Report and on the financial statements to the Supervisory Board.

The Committee discussed and adopted the external auditor's letter of engagement and the audit plan for 2018. The external auditors' independence and additional fees were also reviewed each quarter. The management letter of the external auditor highlighting key internal control observations was discussed (see chapter 6.2.1). Also, the exernal auditors audit results report was discussed. Special attention was given to the reported key audit matters: fair value measurement of non-listed investments, valuation and adequacy of insurance contract liabilities including shadow accounting, unit-linked exposure, Solvency II, the Generali Nederland acquisition, classification of a.s.r. bank as held for sale and discontinued operation, and reliability and continuity of electronic data processing. In addition, the Committee discussed with the external auditor their assessment report regarding the Solvency II and IFRS LAT key non-economic assumptions. Following the creation of the BEC in early 2019, the Audit & Risk Committee approved the updated charters of the Actuarial and Risk Management Function and the Compliance Function. It advised the Supervisory Board to approve the updated charter of the internal Audit Function; this advice was followed. The 2019 annual plans for the countervailing powers were also discussed and approved. Following positive advice from the Committee, the Supervisory Board approved the 2019 annual plan of the Audit department.

Following the completion of the acquisition in early 2018, the progress of the integration of Generali Nederland, its contribution to the financial results and its (limited) impact on a.s.r.'s risk profile was discussed. The effect of the acquisition on the audit plan was also discussed and the audit plan was amended accordingly.

Specific topics discussed in the Committee included cyber risks and IT security. a.s.r. researched the risk of business discontinuity and concluded that cyber threats and requests for continuous improvements were increasing but that at this point the organisation was relatively well-protected against external cyber risks. At the same time, cyber risk is a business opportunity for the non-life insurance business, and the potential for this was also discussed. a.s.r. adopts a prudent stance in this emerging market. Fraud issues (both from external clients – e.g. inappropriate claims behaviour - or from employees) are investigated and appropriate actions are undertaken by the Compliance department. Part of the quarterly Compliance report is an overview of all known fraud issues, When deemed necessary, the fraud is reported to the police for further action.

New business in the Dutch life insurance market is very limited. Cost control and the future development of costs are therefore key for future profitability. The Committee discussed cost developments, not just at its regular quarterly meetings, but also in the context of a.s.r.'s long-term costs. In the last couple of years, a.s.r. has been successful in managing its costs in line with the lower cost coverage from the life business.

a.s.r.'s solvency position was reviewed and discussed each quarter. Specific attention was paid to the UFR effect within the Solvency II framework and to a.s.r.'s view on a more economic UFR scenario. The Audit & Risk Committee discussed the risk scenarios and the outcomes of the ORSA.

In all risk scenarios, the solvency ratio remained – sometimes after specific management actions – within the boundaries set by a.s.r., demonstrating the robustness of a.s.r.'s solvency and the effectiveness of certain management actions. The future solvency ratio projections include the gradual decrease of the UFR as prescribed by EIOPA.

The a.s.r. risk appetite is based on a prudent approach to risk management and translates the risk appetite into qualitative business guidelines for non-financial risk matters and into requirements for solvency, liquidity and returns for the financial risks matters; solvency takes priority over profit and profit takes priority over premium income. Moreover, a.s.r.'s updated capital and dividend policy was discussed, after which the Supervisory Board approved the updated policy.

The Audit & Risk Committee periodically monitored the status of the risk appetite during the year through a.s.r.'s Integrated Risk Dashboard and the status report on the management of risk priorities. The Committee was informed of the outlines of the reinsurance programme.

At the end of 2018, the multi-year budget for 2019-2021, the investment plan for 2019 and the balance sheet plan for 2018 and subsequent years were discussed. The multi-year budget was subsequently approved by the Supervisory Board. Finally, the Audit & Risk Committee prepared a rotation of the external auditor, in order to safeguard stability during the transition fase of the implementation of IFRS 9 and 17. It is expected that a proposal for this will be made at the upcoming AGM on 22 May 2019.

Remuneration Committee

In 2018, the composition of the Remuneration Committee was as follows:

- Annet Aris (Chair)
- Kick van der Pol

The Remuneration Committee advises the Supervisory Board on, among other things, remuneration policy for the Executive Board and the terms and conditions of employment of the Executive Board, and reviews the remuneration of senior management.

The Remuneration Committee met eight times in 2018. Its meetings were also attended by the CEO (except when issues relating to the Executive Board were discussed) and the Human Resources Director, who also acts as Secretary. The Committee solicits support and advice from departments such as Group Risk Management, Compliance, Audit and Human Resources. Where needed, it calls in the expertise of independent legal and pay & benefit experts.

In line with policy, the Committee advised the Supervisory Board on target-setting, performance appraisals and the ex-post assessments of variable payments awarded to identified staff. At the beginning of 2018, the remuneration policy was updated in line with new regulations and the Remuneration Committee discussed the implementation of the remuneration policy for a.s.r.'s subsidiaries and participations. The results of the internal audit report on the application of a.s.r.'s remuneration policy were discussed.

In 2018, the Remuneration Committee devoted considerable time and attention to the evaluation of the remuneration policy for the Executive Board. The Committee was assisted by an internal committee and a pay & benefits expert. In its evaluation of the remuneration policy, the Committee carefully took into account the opinions of all stakeholders, since there was a risk of in order not damaging trust in a.s.r. and to put its market position as a socially responsible insurer at risk. This produced an integrated approach for the evaluation, based on four perspectives:

1. Organisational perspective;
2. Internal perspective: consistency with and fairness with regard to the internal wage;
3. External perspective: competitiveness with the external market;
4. Stakeholder perspective: taking into account the views of various stakeholder groups with regard to remuneration (level and structure): customers, employees, society and shareholders.

The remuneration policy aims to strike a fair balance between the views and interests of these various stakeholder groups.

Extensive analyses have been made and all stakeholder groups have been consulted on possible amendments of the remuneration policy for the Executive Board. In evaluating the remuneration policy, the Committee carefully took into account the opinions of all stakeholders, confidence in and the market position of a.s.r., and a.s.r.'s ability to attract and retain high-performing employees. The Committee proposed a revised remuneration policy to the Supervisory Board. The Supervisory Board will ask the shareholders to vote on the proposed remuneration policy as from 1 January 2020 for the Executive Board at the AGM in May 2019. The Supervisory Board is aware of the different opinions of the various stakeholders on remuneration. The Supervisory Board believes that the proposal strongly supports the long-term interest of a.s.r. and strikes a good balance between the different interests of stakeholders and offers an effective remuneration to the Executive Board.

The fees for Supervisory Board members were also evaluated. These fees have remained unchanged since 2009. The Dutch Corporate Governance Code states that the remuneration of the Supervisory Board should reflect the time spent on and the responsibility of each function. In recent years, the responsibilities of the Supervisory Board have increased due to changes in governance and legislation and regulations. A benchmark study was conducted as part of the periodical evaluation. The peer group is the same as the one used for the remuneration of Executive Board members. The benchmark showed that the remuneration paid was well below the benchmark median. Based on this, the Supervisory Board will propose an adjustment of the remuneration of the Supervisory Board to the shareholders at the AGM in May 2019, given that it does not currently accurately reflect the time spent on, and the increased responsibility of, their duties.

Selection & Appointment Committee

In 2018, the composition of the Selection & Appointment Committee was as follows:

- Annet Aris (Chair)
- Kick van der Pol

The Selection & Appointment Committee advises the Supervisory Board on selection and appointment procedures and the composition of the Boards; it also prepares the (re)appointment of members. The Selection & Appointment Committee met six times in 2018. Its meetings are also attended by the CEO and the Human Resources Director, who also acts as Secretary.

At the 2018 AGM, Sonja Barendregt was appointed to the Supervisory Board. A selection process for the appointment of a new chairperson was begun in 2018 with the help of an external agency. The Works Council also began their search for a candidate under the terms of Article 2:268 of the Dutch Civil Code. An announcement will be made as soon as there is clarity about the outcome.

The Committee was heavily involved in the discussion and preparation of the new management structure. As described earlier, as a result of these discussions the Supervisory Board decided on the recommandation of the Selection & Appointment Commitee to change the composition and size of the Executive Board from four to three members and to appoint a BEC. The COO positions superfluous and Karin Bergstein and Michel Verwoest agreed to step down as Executive Board members as from 1 February 2019. A search was begun for a new Executive Board member and an announcement will be made once this search has produced a candidate and the DNB procedure is finished.
Lastly, the Committee discussed the annual appraisals of senior management. A nine-box grid was used to evaluate senior managers and to discuss their individual development and possible successors. The Committee was also informed of the results of the Denison scan, a tool used to measure the success of the organisation.

Financial statements and dividend

The Executive Board prepared the 2018 Annual Report and discussed it with the Supervisory Board in the presence of the external auditor. The 2018 financial statements will be submitted for adoption by the AGM on 22 May 2019. a.s.r. will propose a dividend of € 1.74 per ordinary share, or € 245 million in total, including the interim dividend paid.

Appreciation

The Supervisory Board wishes to thank all the employees of a.s.r. (both permanent and contract staff) for their dedication to a.s.r., especially for their efforts with regard to all aspects of 'the story of a.s.r'. All our employees have worked collectively to achieve a.s.r.'s mission by helping customers to share risks and build up capital for the future. Together, we are building an insurance company that is both valuable and sustainable. The Supervisory Board also wishes to express its gratitude to the members of the Executive Board and the senior management for their impressive leadership of a.s.r. which has given a.s.r. a good position in the market. The Supervisory Board greatly appreciated the ongoing and constructive open dialogue and cooperation with the Executive Board.

Utrecht, the Netherlands, 26 March 2019

Kick van der Pol (Chairman)
Annet Aris
Sonja Barendregt
Cor van den Bos
Herman Hintzen

6.3 Remuneration report

Introduction
a.s.r. was nationalised in 2008 and from then on, the Dutch State was sole owner of all a.s.r. shares. As a state-owned financial institution, a.s.r. placed considerable constraints on the remuneration of the Executive Board. This was formalised in 2011 by a special act governing state-owned financial institutions which prohibited variable payments and increased fixed payments (Articles 1:128 and 1:129 of the Dutch Financial Supervision Act (Wft) and the corresponding transitional provisions). a.s.r.'s remuneration policy was therefore effectively put on hold and the remuneration of the Executive Board was fixed for many years. In 2016, a.s.r. was re-listed on the stock exchange and on 14 September 2017 became fully independent from the Dutch State. As a result, the freeze of the Executive Board's remuneration by act no longer applied. The Supervisory Board has responded by deciding to reinstate and apply the existing remuneration policy, which includes a periodic benchmark comparison.

Every three years, an independent consultant performs a market comparison (remuneration benchmark). The 2017 benchmark analysis showed that the salaries of the Executive Board were substantially below the median of the relevant benchmarks. In line with the remuneration policy, which takes into account the principles of the Dutch Corporate Governance Code, a.s.r.'s Supervisory Board decided to gradually increase the individual remuneration of the members of the Executive Board and reduce the gap with the peer group. Since this decision falls within the scope of the current remuneration policy, it was decided to act and implement the first level of the increase as of 1 January 2018. The increase will be effected in multiple stages over time, but no later than by 1 January 2020. The resulting level for 2020 is still significantly below the benchmark median.

The Executive Board has additionally committed itself to taking a percentage of its remuneration in the form of a.s.r. shares. Each member has signed an individual agreement committing themselves to purchase these shares. The cumulative investment in a.s.r. shares will reach a minimum of 50% of the annual gross salary for the CEO and a minimum of 25% of the annual gross salary for the CFO.

Prioritising caution over speed, the Supervisory Board announced at the beginning of 2018 that it would assess and evaluate the remuneration policy for the Executive Board during the course of the year. This included holding extensive consultations with various stakeholders including shareholders, clients and staff. These consultations took place in 2018, as mentioned in the report of from the Remuneration Committee. The Supervisory Board will submit the revised remuneration policy for the Executive Board to the 2019 AGM for a shareholder vote.

Executive Board

Principles and governance of remuneration policy
The a.s.r. Group remuneration policy applies to all a.s.r. employees, including the Executive Board. a.s.r.'s remuneration policy is controlled and sustainable and aims to improve and maintain the integrity and robustness of a.s.r. It supports the strategy, objectives, values, culture and long-term interests of a.s.r. and all its stakeholders. It enables a.s.r. to retain employees and attract the right people. An organisation-wide variable remuneration is not a part of the remuneration policy. The full remuneration policy can be consulted at www.asrnl.com.

Remuneration in 2018
In line with a.s.r.'s remuneration policy, the remuneration of the Executive Board structurally consists of a fixed remuneration and does not include a variable component. This comprises a fixed monthly amount, including holiday allowance. Pay is indexed in accordance with the a.s.r. CLA.

The remuneration policy is based on the principle that the average level of total remuneration is just below the median of the benchmark group that is relevant to the company. In accordance with the policy, a comparison with a peer group is periodically made and was last conducted in 2017 to gauge the competitiveness of the total remuneration. The relevant peer group for the Executive Board is a mix of Dutch financial institutions and medium-sized listed Dutch businesses outside the financial sector. The Remuneration Committee periodically checks whether that the choice of peer group is still adequate or if it should be revised. Every three years, an independent consultant makes a market comparison (remuneration benchmark).

The performance of each Executive Board member is reviewed annually, based on a set of financial and non-financial targets determined by the Supervisory Board. The targets for 2018 can be summarised as follows:
- Financial: realisation of the multi-year budget within the established risk appetite;
- Customer: creating a recognisable positioning of a.s.r. for its customers and increasing the NPS;
- CSR: traction on realising CSR objectives for 2020 (among others, a CO_2 neutral a.s.r. and distinctive capacity for socially responsible investment) and further development of a distinctive ESG position in asset management;
- Craftsmanship: further development of a.s.r. as a listed company and to manage the interests of all stakeholders in a balanced manner.

These goals are supplemented with specific strategic priorities for each board member, such as the integration of Generali Nederland, preparations for the implementation of IFRS 17 and a sustainable strategy for the distribution companies.

Severance pay

The following conditions apply to severance pay for policymakers (including members of the Executive Board).

- The maximum severance pay is 100% of the fixed annual remuneration;
- Severance pay is not awarded in the event of failure on the part of the company;
- Severance pay that can be classified as variable is not awarded to a.s.r.'s policymakers or to banks and insurers that are part of the Group.

Neither fixed nor variable severance pay may be awarded in the following cases:

- If an employment relationship is terminated early at the employee's own initiative, except where this is due to serious culpable conduct or neglect on the part of the company;
- In the event of serious culpable conduct or gross negligence on the part of the employee in the performance of his or her role.

Remuneration of current and former Executive Board members

The remuneration of Executive Board members is in line with the remuneration policy.

In accordance with the remuneration law 'Wet aansprakelijkheidsbeperking DNB en AFM en bonusverbod staatsgesteunde ondernemingen', issued by the Dutch government, no variable remuneration has been paid to the Executive Board members for the period from the 2011 a.s.r. financial year to the 2016 a.s.r. financial year. In 2017, the rise in short-term variable employee benefits was due to the one-off variable payment in December to all employees. In 2017, the fixed employee benefits of board members only increased with the annual CLA index. In 2018, the fixed employee benefits of board members increased as a result of the first step towards the target salaries announced at the beginning of 2018.

Highest pay ratio and the median salary

a.s.r. is transparent about the remuneration of the Executive Board. Not only in terms of actual amounts, but in accordance with the Corporate Governance Code also in comparison with the median of the remuneration of all staff.

When the remuneration of the Executive Board is compared to the remuneration of all executive directors of all AEX-listed companies, two conclusions can be drawn:

1. The remuneration of a.s.r.'s CEO is among the lowest compared with the CEO remuneration of all AEX companies.
2. The pay ratio at a.s.r. is among the lowest compared with the pay ratio of all AEX companies.

Pay ratio

	2018	2017	2016
Annual total compensation for the highest-paid individual	652,000	543,000	540,000
Median annual total compensation for all employees	61,000	60,000	59,000
Pay ratio	10.69	9.05	9.15

Annual remuneration for members of the Executive Board

Amounts for 2018 in € thousands

Executive Board member	Fixed employee benefits[1]	Short-term variable employee benefits[2]	Pension benefits[3]	Expense allowance	Termination benefits	Long-term variable remuneration	Total
Jos Baeten	652	-	301	3	-	-	956
Chris Figee	529	-	95	3	-	-	627
Karin Bergstein	509	-	148	3	-	-	660
Michel Verwoest	512	-	126	3	-	-	641
Total	**2,202**	**-**	**670**	**12**	**-**	**-**	**2,884**

Annual remuneration for members of the Executive Board

Amounts for 2017 in € thousands

Executive Board member	Fixed employee benefits[1]	Short-term variable employee benefits[2]	Pension benefits[3]	Expense allowance	Termination benefits	Long-term variable remuneration	Total
Jos Baeten	543	23	307	3	-	-	876
Chris Figee	428	15	82	3	-	-	528
Karin Bergstein	424	15	134	3	-	-	576
Michel Verwoest	430	15	123	3	-	-	571
Total	**1,825**	**68**	**646**	**12**	**-**	**-**	**2,551**

Pensions

The calculation of annual pension expenses is based on the total pension rights granted during a term of service at a.s.r. pension costs include:

- Pensions based on a maximum pensionable salary cap (€ 105,075 - 2018, fiscal maximum);
- Compensation for the maximum pensionable salary cap (to be used for pensions at the employee's discretion);
- Pension benefits related to historically awarded pension rights;
- VPL (early retirement and life cycle; 'VUT, Prepensioen en Levensloop').

All components of the remuneration of the Executive Board are included in the base used for calculating the pension benefits.

Participation in a.s.r. shares

In addition to the remuneration policy, Executive Board members have committed themselves to taking a percentage of their remuneration in a.s.r. shares, at their discretion. Each member has signed an individual agreement for the commitment to purchase these shares. The cumulative investment in a.s.r. shares will reach a minimum of 50% of annual gross salary for the CEO and a minimum of 25% of annual gross salary for the other members. At year-end 2018, the (former) members of the Executive Board hold the following number of shares:

- Jos Baeten 1,037
- Chris Figee 253
- Karin Bergstein 1,037
- Michel Verwoest 338

1 The fixed employee salary of the two ordinary board members is similar and amounts to € 498,000 in 2018. Variations arise as a result of the fiscal treatment of lease cars depending on the price and private use of the car and personnel interest rate discount related to mortgages. The fixed employee salary for the CEO amount to € 642,000 and for the CFO amount to € 505,000 in 2018.

2 The increase in 2017 was due to the aforementioned one-off payment in December 2017, which was equal to a monthly salary granted by the Supervisory Board. This payment concerned 60% of the gross monthly salary of December 2017. The remaining 40% will be paid in 2020. It has been agreed with DNB to qualify this payment as a one-off variable payment.

3 The commitment on pensions did not change in 2018. The increase in annual pension expenses is caused by a decrease in the interest rates. The calculation of annual pension expenditure is based on the total pension rights granted during the term of service at a.s.r. Further changes in the cost of pension benefits are mainly due to the impact of age, terms of service, gender and age differentiated disability, mortality and other actuarial assumptions. The pension costs include pensions based on maximum pensionable salary cap, compensation for the maximum pensionable salary cap (to be used for pensions at the employees' discretion) amounting to € 259,000 (2017: € 206,000) in total, and VPL. The pension benefits, excluding compensation for the maximum pensionable salary cap, represent post-employment benefits.

Supervisory Board

The remuneration policy for Supervisory Board members, including fees, expense allowances and other benefits, was adopted by the AGM of Shareholders. The remuneration paid to the members of the Supervisory Board does not depend on the financial performance of a.s.r. and none of the Supervisory Board members own a.s.r. shares.

The members of the Supervisory Board are entitled to:
- A base fee for membership of the Supervisory Board;
- A committee fee for members on each of the Supervisory Board's Committees.

The annual fee paid to each member of the Supervisory Board is € 30,000; that paid to the Chairman of the Supervisory Board is € 45,000. In addition, the annual fee paid to each member of the Audit & Risk Committee is € 10,000; that paid to each member of the Selection & Appointment Committee is € 2,500; and that paid to each member of the Remuneration Committee is also € 2,500. Supervisory Board members who also serve on the Supervisory Board of ASR Bank N.V. receive € 4,000 per annum and those on the Supervisory Board of ASR Basis/Aanvullende Ziektekostenverzekeringen N.V. also receive € 4,000 per annum. Annual fees are not paid to members of the Executive Board who are also members of the Supervisory Board of one of the Group entities, such as ASR Bank N.V.

Remuneration of the Supervisory Board

The annual remuneration for members of the Supervisory Board has been calculated as follows:

Annual remuneration for members of the Supervisory Board

Amounts in € thousands	2018			2017		
Supervisory Board member	As a Supervisory Board member	As a committee member	Total	As a Supervisory Board member	As a committee member	Total
Kick van der Pol[1]	45	9	54	45	5	50
Annet Aris[2]	30	14	44	30	15	45
Cor van den Bos[3]	30	14	44	30	14	44
Herman Hintzen[3]	30	14	44	30	14	44
Sonja Barendregt[4]	23	8	30	0	0	0
Total	**158**	**59**	**216**	**135**	**48**	**183**

1 The amount received as a committee member of the Selection & Appointment Committee and the Remuneration Committee and as a member of the Supervisory Board of ASR Basis/Aanvullende Ziektekostenverzekeringen N.V.

2 The amount received as a committee member of the Selection & Appointment Committee and the Remuneration Committee and as a member of the Supervisory Board of ASR Basis/Aanvullende Ziektekostenverzekeringen N.V. During 2018 Annet Aris stepped down as a member of the Audit & Risk Committee.

3 The amount received as a committee member of the Audit & Risk Committee and as a member of the Supervisory Board of ASR Bank N.V.

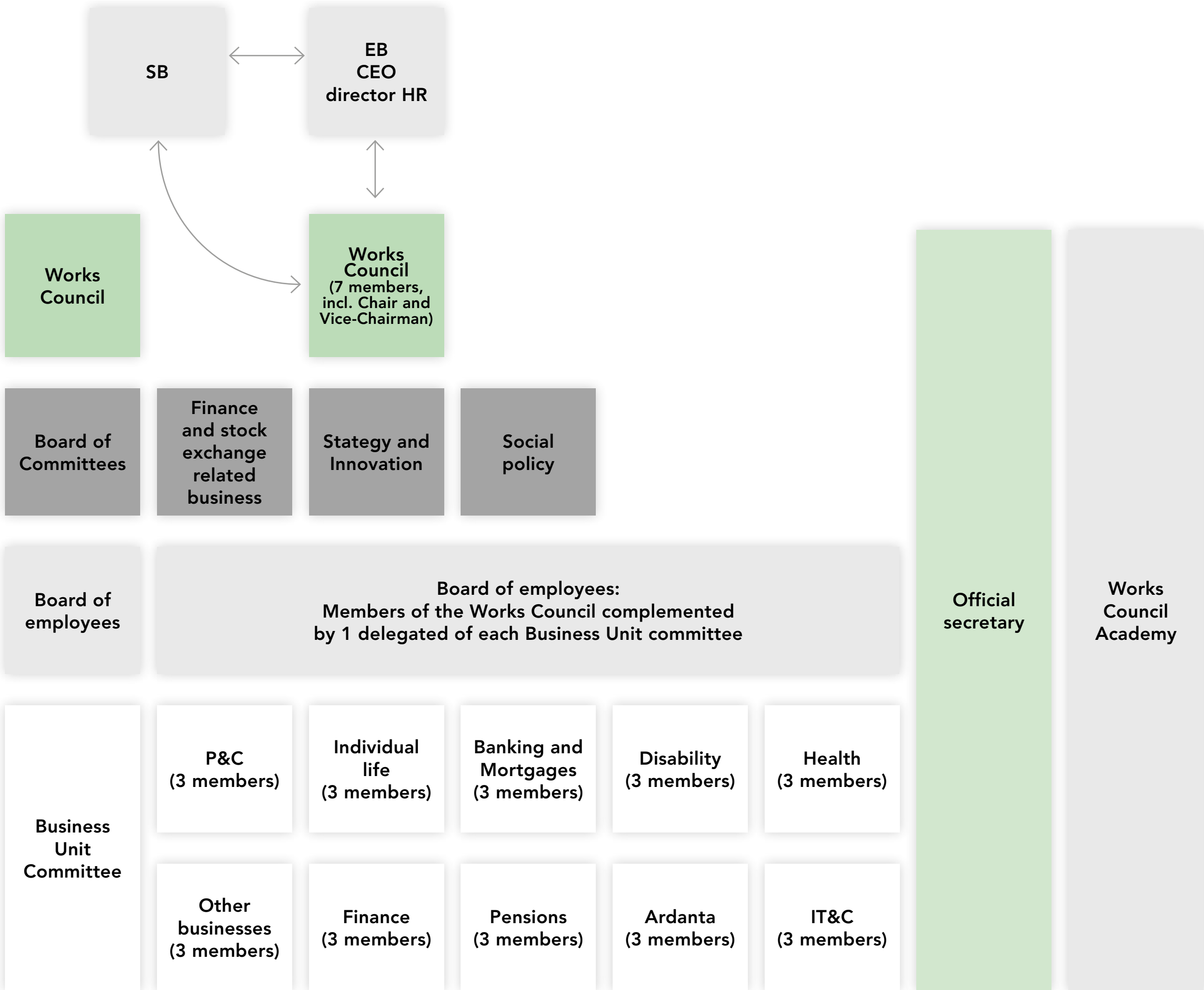
4 The amount received as a member of the Audit & Risk Committee since May 2018.

6.4 Employee participation

The Board of employees (Raad van medewerkers; RvM) is new in a.s.r.'s employee representation structure. This council is made up of representatives from the various Business Unit Committees plus the entire Works Council. Members of the Executive Board also took part in the meetings of the Employee Council so as to keep in touch with matters considered relevant by employees. It shows that the cooperation between the Business Unit Committees, the Works Council and directors takes place in an accessible and transparent manner.

There was much interest among the employees of a.s.r. for the elections, which is reflected in the high turnout; more than 60% of the electorate voted. The current Works Council consists of three women and four men, varying in age from 29 to 63 years. This diversity ensures excellent dynamics and energy within the Group.

Employee participation as of 1 March 2018 - The Other Works Council



Consultations with the Executive Board and the Supervisory Board are held in an open atmosphere. The topics covered by the Works Council are highly diverse. Examples include:

- The introduction of the newly appointed Supervisory Board member, Ms Sonja Barendregt;
- The change as of 1 February 2019 of the management structure of a.s.r.;
- Talks with representatives of the trade unions;
- The integration of the corporate services departments of Generali Nederland. From June 2018, the Generali Nederland employees will be working in Utrecht and will also be represented by the Works Council;
- Evaluation of the remuneration policy of the Executive Board;
- Evaluation meetings on the new CLA, which came into force on 1 January 2018, with employees, also attended by representatives of the unions and the Works Council.

The full Works Council was invited to and present at the AGM in May 2018. Below follows an overview of the formal consultations of the Works Council and a member of the Executive Board and the Supervisory Board in 2018. The Works Council also held informal meetings with a member of the Executive Board or one of the Supervisory Board members.

Meetings Works Council

Meeting	Participants	Number of meetings
Regular Works Council meetings with a member of the Executive board	Chairman of Executive Board, secretary of the Executive Board, HR Director, and Works Council	6
Ad hoc meetings Works Council with a member of the Executive board		1
Regular Works Council meetings with a member of the Executive board and members of the Supervisory Board	Chairman of Executive Board, member(s) of the Supervisory Board, secretary of the Executive Board, HR Director, and Works Council	2
Works Council meetings without a member of the Executive Board	Works Council	12

The Works Council dealt with seven requests for advice. The number of applications for consent was three. More requests for advice were handled this year. In accordance with the new employee participation structure, these have been dealt with by the various Business Unit Committees.

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Object

Poster

Made by

Kon. Ned. Drukkerij J. Vürtheim & Zoon

Chosen by

Chris Figee, CFO

‘I love this poster, which was made for the Maatschappij van Assurantie Discontering en Beleening der Stad Rotterdam. I enjoy looking at all these old official documents with their curlicues and majestic fonts. Walking through the a.s.r. building, you keep coming across unusual objects from the company’s past. Our history stretches back nearly 300 years, and it defines who we are.’

7

Financial statements 2018

7 Financial statements

7.1 Introduction

7.1.1 General information

ASR Nederland N.V. (a.s.r.) is one of the top three insurance companies in the Netherlands. a.s.r. offers insurance, pension and mortgages to consumers and SMEs. a.s.r. is also active as a fiduciary asset manager.

a.s.r. is listed on Euronext Amsterdam and is included in the AEX index. a.s.r. has a total of 3,683 internal FTE's (31 December 2017: 3,493).

a.s.r. is a public limited company under Dutch law having its registered office located at Archimedeslaan 10, 3584 BA in Utrecht, the Netherlands. a.s.r. has chosen the Netherlands as 'country of origin' (land van herkomst) for the issued share capital and corporate bonds which are listed on Euronext Amsterdam and the Irish Stock Exchange. (Ticker: ASRNL).

The consolidated financial statements are presented in euros (€), being the functional currency of a.s.r. and all its group entities. All amounts quoted in these financial statements are in euros and rounded to the nearest million, unless otherwise indicated. Calculations are made using unrounded figures. As a result rounding differences can occur.

The financial statements for 2018 were approved by the Supervisory Board on 26 March 2019 and will be presented to the Annual General Meeting of Shareholders for adoption on 22 May 2019. The Executive Board released the financial statements for publication on 27 March 2019.

7.1.2 Statement of compliance

The consolidated financial statements of a.s.r. have been prepared in accordance with the International Financial Reporting Standards (IFRS) – including the International Accounting Standards (IAS) and Interpretations – as adopted by the European Union (EU), and with the financial reporting requirements included in Title 9, Book 2 of the Dutch Civil Code, where applicable.

Pursuant to the options offered by Section 362, Book 2 of the Dutch Civil Code, a.s.r. has prepared its company financial statements in accordance with the same principles as those used for the consolidated financial statements.

7.2 Consolidated financial statements

7.2.1 Consolidated balance sheet

Consolidated balance sheet

(in € millions) (Before profit appropriation)	Note	31 December 2018	31 December 2017
Intangible assets	7.5.1	366	333
Property and equipment	7.5.2	172	171
Investment property	7.5.3	1,889	1,597
Associates and joint ventures at equity method	7.5.4	67	45
Investments	7.5.5	27,660	25,681
Investments on behalf of policyholders	7.5.6	7,771	7,684
Loans and receivables	7.5.7	11,083	12,174
Derivatives	7.5.8	2,867	2,527
Deferred tax assets	7.5.9	275	226
Reinsurance contracts	7.5.14	589	546
Other assets	7.5.10	636	672
Cash and cash equivalents	7.5.11	3,782	3,749
Assets held for sale	7.4.6	1,852	-
Total assets		**59,009**	**55,405**
Share capital	7.5.12	23	24
Share premium reserve		976	1,018
Unrealised gains and losses	7.5.12	586	869
Actuarial gains and losses	7.5.12	-635	-674
Retained earnings		3,528	3,383
Treasury shares	7.5.12	-	-188
Equity attributable to shareholders		**4,478**	**4,432**
Other equity instruments	7.5.12	1,001	1,001
Equity attributable to holders of equity instruments		**5,479**	**5,433**
Non-controlling interests	7.5.12	-	-1
Total equity		**5,479**	**5,432**
Subordinated liabilities	7.5.13	497	497
Liabilities arising from insurance contracts	7.5.14	33,244	31,057
Liabilities arising from insurance contracts on behalf of policyholders	7.5.14	10,222	9,804
Employee benefits	7.5.15	3,327	3,161
Provisions	7.5.16	22	33
Borrowings	7.5.17	39	39
Derivatives	7.5.8	435	403
Due to customers	7.5.18	625	2,184
Due to banks	7.5.19	2,686	2,254
Other liabilities	7.5.20	630	541
Liabilities relating to assets held for sale	7.4.6	1,803	-
Total liabilities		**53,530**	**49,973**
Total equity and liabilities		**59,009**	**55,405**

The numbers following the line items refer to the relevant chapters in the notes.

7.2.2 Consolidated income statement

Consolidated income statement for the year ended 31 December

(in € millions)	Note	2018	2017 (restated)[1]
Continuing operations			
Gross written premiums		4,459	3,920
Change in provision for unearned premiums		34	43
Gross insurance premiums	7.6.1	**4,493**	**3,963**
Reinsurance premiums		-107	-60
Net insurance premiums		**4,386**	**3,903**
Investment income	7.6.2	1,283	1,231
Realised gains and losses	7.6.3	222	416
Fair value gains and losses	7.6.4	60	13
Result on investments on behalf of policyholders		-302	462
Fee and commission income	7.6.5	117	119
Other income	7.6.6	137	182
Share of profit/(loss) of associates and joint ventures		-7	14
Total income		**1,510**	**2,437**
Insurance claims and benefits		-3,576	-3,861
Insurance claims and benefits recovered from reinsurers		42	26
Net insurance claims and benefits	7.6.7	**-3,534**	**-3,835**
Operating expenses	7.6.8	-601	-570
Restructuring provision expenses		-25	-10
Commission expenses		-484	-390
Impairments	7.6.9	-40	25
Interest expense	7.6.10	-203	-177
Other expenses	7.6.11	-105	-257
Total expenses		**-1,458**	**-1,379**
Profit before tax		**904**	**1,126**
Income tax (expense) / gain	7.6.12	-211	-221
Profit after tax from continuing operations		**693**	**905**
Discontinued operations			
Profit / (loss) from discontinued operations, after tax	7.4.6	-36	3
Profit for the year		**657**	**908**
Attributable to:			
Profit attributable to non-controlling interests		2	2
- Shareholders of the parent		610	872
- Holders of other equity instruments		59	45
- Tax on interest of other equity instruments		-15	-11
Profit attributable to holders of equity instruments		**655**	**906**

The numbers following the line items refer to the relevant chapters in the notes.

1 Comparative figures for 2017 have been restated, mainly related to the discontinued classification of a.s.r. bank (see chapter 7.3.1).

Earnings per share

(in €)	Note	2018	2017 (restated)[1]
Basic earnings per share			
Basic earnings per share from continuing operations	7.5.12	4.59	6.01
Basic earnings per share from discontinued operations	7.5.12	-0.26	0.02
Basic earnings per share		**4.33**	**6.03**
Diluted earnings per share			
Diluted earnings per share from continuing operations	7.5.12	4.27	5.90
Diluted earnings per share from discontinued operations	7.5.12	-0.24	0.02
Diluted earnings per share		**4.03**	**5.92**

1 Comparative figures for 2017 have been restated, related to the discontinued classification of a.s.r. bank (see chapter 7.3.1).

7.2.3 Consolidated statement of comprehensive income

Consolidated statement of comprehensive income for the year ended 31 December

(in € millions)	Note	2018	2017
Profit for the year		**657**	**908**
Remeasurements of post-employment benefit obligation	7.5.15	53	108
Unrealised change in value of property for own use	7.5.2	8	3
Income tax on items that will not be reclassified to profit or loss		-15	-28
Total items that will not be reclassified to profit or loss		**46**	**83**
Unrealised change in value of available for sale assets		-429	126
Realised gains/(losses) on available for sale assets reclassified to profit or loss		-235	-395
Shadow accounting	7.5.14	248	443
Segregated investment pools		65	-15
Income tax on items that may be reclassified subsequently to profit or loss		61	-18
Total items that may be reclassified subsequently to profit or loss		**-290**	**141**
Total other comprehensive income for the year, after tax		**-244**	**224**
Total comprehensive income		**413**	**1,132**
Attributable to:			
- Attributable to non-controlling interests		2	2
- Shareholders of the parent		**367**	**1,096**
- Holders of other equity instruments		59	45
- Tax on interest of other equity instruments		-15	-11
Total comprehensive income attributable to holders of equity instruments		**411**	**1,130**

The numbers following the line items refer to the relevant chapters in the notes.

Shadow accounting allows a recognised but unrealised gain or loss on an asset to be transferred to liabilities arising from insurance contracts (see accounting policy I, chapter 7.3.4).

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7.2.4 Consolidated statement of changes in equity

Consolidated statement of changes in equity

(in € millions)	Share capital	Share premium reserve	Unrealised gains and losses	Unrealised actuarial gains and losses (Pension obligations))	Retained earnings	Treasury shares	Equity attributable to shareholders	Other equity instruments	Non-controlling interest	Total equity
At 1 January 2017	**24**	**1,038**	**726**	**-755**	**2,747**	**-**	**3,780**	**701**	**-10**	**4,471**
Profit for the year	-	-	-	-	906	-	906	-	2	908
Total other comprehensive income	-	-	143	81	-	-	224	-	-	224
Total comprehensive income	**-**	**-**	**143**	**81**	**906**	**-**	**1,130**	**-**	**2**	**1,132**
Dividend paid	-	-	-	-	-187	-	-187	-	-	-187
Discretionary interest on other equity instruments	-	-	-	-	-45	-	-45	-	-	-45
Tax relating to interest on other equity instruments	-	-	-	-	11	-	11	-	-	11
Issue of other equity instruments	-	-	-	-	-	-	-	300		300
Increase (decrease) in capital	-	-20	-	-	-47	67	-	-	7	7
Cost of issue of other equity instruments	-	-	-	-	-2	-	-2	-	-	-2
Treasury shares acquired	-	-	-	-	-	-255	-255	-	-	-255
At 31 December 2017	**24**	**1,018**	**869**	**-674**	**3,383**	**-188**	**4,432**	**1,001**	**-1**	**5,432**
	-	-	-	-	-	-	-	-	-	
At 1 January 2018	**24**	**1,018**	**869**	**-674**	**3,383**	**-188**	**4,432**	**1,001**	**-1**	**5,432**
Profit for the year	-	-	-	-	655	-	655	-	2	657
Total other comprehensive income	-	-	-283	39	-	-	-244	-	-	-244
Total comprehensive income	**-**	**-**	**-283**	**39**	**655**	**-**	**411**	**-**	**2**	**413**
Dividend paid	-	-	-	-	-321	-	-321	-	-	-321
Discretionary interest on other equity instruments	-	-	-	-	-59	-	-59	-	-	-59
Tax relating to interest on other equity instruments	-	-	-	-	15	-	15	-	-	15
Increase (decrease) in capital	-1	-42	-	-	-145	188	-	-	-	-
Other movements	-	-	-	-	-	-	-	-	-1	-1
At 31 December 2018	**23**	**976**	**586**	**-635**	**3,528**	**-**	**4,478**	**1,001**	**-**	**5,479**

Unrealised gains and losses include shadow accounting adjustments (see accounting policy I, chapter 7.3.4). For more detailed information on the unrealised gains and losses, please see chapter 7.5.12.2.

The actuarial gains and losses related to the pension obligation increased in 2018 by € 39 million after tax and € 53 million before tax (2017: increased by € 81 million after tax and € 108 million before tax). The increase is mainly due to a decrease in the indexation rates (see chapter 7.5.15).

In June 2017 a.s.r. repurchased 3,000,000 of its own shares offered by NLFI (at a price of € 29.00 and in September 2017 a.s.r. repurchased another 3,000,000 of its own shares offered by NLFI at a price of € 33.75.

In the Annual General Meeting of Shareholders held on 31 May 2018 the resolution was adopted to cancel these 6,000,000 own shares offered by NLFI. The repurchased shares were canceled in August 2018 leading to a decrease of € 1 million in share capital, a decrease of € 42 million in share premium reserve and a decrease of € 145 million in retained earnings.

7.2.5 Consolidated statement of cash flows

The table below represents the cash flows from continuing and discontinued operations combined. Cash flows related to discontinued operations are included in chapter 7.4.6. if applicable.

Consolidated statement of cash flows

(in € millions)	2018	2017
Cash and cash equivalents as at 1 January	**3,749**	**3,581**
Cash generated from operating activities		
Profit before tax[1]	904	1,128
Adjustments on non-cash items included in profit:		
Revaluation through profit or loss	-159	-184
Retained share of profit of associates and joint ventures	9	-14
Amortisation of intangible assets	14	13
Depreciation of property and equipment	12	11
Amortisation of investments	133	106
Impairments	40	-25
Changes in operating assets and liabilities:		
Net (increase) / decrease in investment property	-225	60
Net (increase) / decrease in investments	-144	990
Net (increase) / decrease in investments on behalf of policyholders	573	61
Net (increase) / decrease in derivatives	-300	359
Net (increase) / decrease in amounts due from and to customers	-269	-266
Net (increase) / decrease in amounts due from and to credit institutions	542	-619
Net (increase) / decrease in trade and other receivables	76	-126
Net (increase) / decrease in reinsurance contracts	38	89
Net increase / (decrease) in liabilities arising from insurance contracts	-528	-984
Net increase / (decrease) in liabilities arising from insurance contracts on behalf of policyholders	-256	-124
Net (increase) / decrease in other operating assets and liabilities	157	-70
Income tax received (paid)	-63	-4
Net (increase) / decrease in assets and liabilities relating to held for sale	186	-
Cash flows from operating activities	**740**	**401**
Cash flows from investing activities:		
Investments in associates and joint ventures	-	-5
Proceeds from sales of associates and joint ventures	6	5
Purchases of property and equipment	-6	-6
Purchases of group companies (less acquired cash positions)	-90	-7
Proceeds from sales of property and equipment	1	-
Purchase of intangible assets	-	-13
Cash flows from investing activities	**-89**	**-26**

1 Profit before tax includes results from continuing operations of € 953 million (2017: € 1,128 million). For 2018, results from discontinued operations amounted to € -49 million (after tax € -36 million).

	2018	2017
Cash flows from financing activities:		
Proceeds from issues of borrowings	2	30
Repayment of borrowings	-4	-57
Dividend paid	-321	-187
Discretionary interest to holders of equity instruments	-59	-45
Non-controlling interests	-	7
Issue of other equity instruments	-	300
Repurchase of treasury shares	-	-255
Cash flows from financing activities	**-382**	**-207**
Cash and cash equivalents as at 31 December	**4,018**	**3,749**
Further details on cash flows from operating activities:		
Interest received	1,247	1,180
Interest paid	-223	-197
Dividend received	81	69

Cash and cash equivalents

	2018	2017
Total cash and cash equivalents		
Cash and cash equivalents from continuing operations	3,782	3,749
Cash and cash equivalents classified as assets held for sale	236	-
Total cash and cash equivalents	**4,018**	**3,749**

7.3 Accounting policies

7.3.1 Changes in comparative figure

The changes in the comparative figures concern the representation of continued operations to discontinued operations, impact of € -3 million on profit before tax, in the consolidated income statement. Please see chapter 7.4.6.

In line with IFRS accounting requirements the comparative figures in the consolidated balance sheet have not been restated.

Changes in comparative figures

(in € millions)	FY 2017 before restatements	Restatements	Restated
Continuing operations			
Gross written premiums	3,920	-	3,920
Change in provision for unearned premiums	43	-	43
Gross insurance premiums	**3,963**	**-**	**3,963**
Reinsurance premiums	-60	-	-60
Net insurance premiums	**3,903**	**-**	**3,903**
Investment income	1,266	-35	1,231
Realised gains and losses	417	-1	416
Fair value gains and losses	14	-1	13
Result on investments on behalf of policyholders	462	-	462
Fee and commission income	121	-2	119
Other income	181	-	181
Share of profit/(loss) of associates and joint ventures	14	-	14
Total income	**2,475**	**-39**	**2,436**
Insurance claims and benefits	-3,861	-	-3,861
Insurance claims and benefits recovered from reinsurers	26	-	26
Net insurance claims and benefits	**-3,835**	**-**	**-3,835**
Operating expenses	-584	14	-570
Restructuring provision expenses	-11	-	-11
Commission expenses	-390	-	-390
Impairments	26	-	26
Interest expense	-197	20	-177
Other expenses	-259	2	-257
Total expenses	**-1,415**	**36**	**-1,379**
Profit before tax	**1,128**	**-3**	**1,125**
Income tax (expense) / gain	-220	-	-220
Profit after tax from continuing operations	**908**	**-3**	**905**
Discontinued operations			
Profit/(loss) from discontinued operations, after tax	-	3	3
Profit for the year	908	-	908
Attributable to:			
Profit attributable to non-controlling interests	2	-	2
- Shareholders of the parent	872	-	872
- Holders of other equity instruments	45	-	45
- Tax on interest of other equity instruments	-11	-	-11
Profit attributable to holders of equity instruments	**906**	**-**	**906**

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7.3.2 Changes in EU endorsed published IFRS standards and interpretations effective in 2018

The following changes relevant to a.s.r. in the EU-endorsed IFRS standards and IFRIC interpretations are effective from 1 January 2018:
- IFRS 15: Revenue from Contracts with Customers;
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 became effective as of 1 January 2018 and is EU endorsed. IFRS 15 provides more specific guidance on recognising revenue other than insurance contracts and financial instruments. The implementation of IFRS 15 had no impact on the consolidated financial statements of a.s.r.

Amendments to IFRS 4 Insurance Contracts
This amendment became effective as of 1 January 2018. The IFRS 4 amendments permit insurers to apply a temporary exemption from applying IFRS 9 for predominant insurance entities or to use overlay approach, until the implementation of IFRS 17 (new accounting standard for insurance contracts) or at the latest 1 January 2021.

Based on the amended IFRS 4 a.s.r. meets the criteria of a predominant insurer as of 31 December 2015 as the percentage of the total carrying amount of its liabilities connected with insurance related activities to the total carrying amount of all its liabilities exceeded 90% at that date. The liabilities connected with insurance, that are not liabilities directly arising from contracts within the scope of IFRS 4, have a carrying amount of € 3.3 billion and primarily relate to the derivative liabilities and due to banks as included in the Non-life and Life segments and the subordinated liabilities. As a result a.s.r. decided to apply the temporary exemption from applying IFRS 9 by deferral until IFRS 17 (new accounting standard for insurance contracts) is implemented. The implementation of amended IFRS 4 had no significant impact on the consolidated financial statements of a.s.r.; but it does introduce additional disclosure requirements.

7.3.3 New standards, interpretations of existing standards or amendments to standards, not yet effective in 2018

The following new standards, amendments to existing standards and interpretations, relevant to a.s.r. and published prior to 1 January 2019 and effective for accounting periods beginning on or after 1 January 2019, were not early adopted by a.s.r.:
- IFRS 16: Leases (2019);
- IFRS 9: Financial instruments (2022);
- IFRS 17: Insurance Contracts (2022).

IFRS 16 Leases
IFRS 16 is effective for annual periods beginning on or after 1 January 2019. IFRS 16 replaces IAS 17, the existing standard on leases. Under the new lease standards the current operating lease accounting (where a.s.r. is the lessee) will change, introducing a right-of-use asset and lease liability. The main items a.s.r. leases, under operating lease agreements, are cars and buildings. a.s.r. will implement IFRS 16 by applying the modified retrospective method, meaning that the 2018 comparative figures in the 2019 financial statements will not be restated to show the impact of IFRS 16. The standard will result in an increase in balance total of € 19 million per 1 January 2019 and does not have an impact on equity of the consolidated financial statements of a.s.r. per that date.

IFRS 17 Insurance Contracts
IFRS 17 Insurance Contracts was issued by the IASB in May 2017 and will replace IFRS 4 Insurance Contracts. The standard is expected to be effective from 1 January 2022, subject to endorsement by the EU, given the decision taken by the IASB in November 2018 to delay the implementation of IFRS 17 and IFRS 9 by one year. IFRS 17 is expected to increase comparability by requiring all insurance contracts to be accounted for in a consistent manner. Insurance obligations will be accounted for using current values – instead of using tariff rates ('tariefgrondslagen') as is currently the a.s.r. accounting policy (see accounting policy I and J).

This standard represents the most significant change to European insurance accounting requirements in decennia, and will have a significant impact on the information presented in the financial statements (the primary statements as well as the disclosures). The standard introduces three models for the measurement of the insurance contracts. The general model, the variable fee approach for contracts with a direct participating feature and the premium allocation approach which is a simplified version of the general model and can be used mainly for short-duration contracts.

The general model measures insurance liabilities by taking the present value of future cash flows adding a risk adjustment (RA) (fulfilment value or PVFCF) and then a contractual service margin (CSM). The CSM represents the unearned profits of insurance contracts and will change the recognition of revenue in each reporting period for insurance companies. Under current a.s.r.'s accounting policy, revenue for insurance contracts is recognised when premiums are earned or received. Under IFRS 17, the Insurance contract revenue depicts the insurance coverage and other services provided arising from the group of insurance contracts at an amount that reflects the consideration to which a.s.r. expects to be entitled in exchange for those services. Revenue includes the release of the CSM and RA in profit or loss over the coverage period. Insurance service result is a new income statement line item which is effectively a net result on non-financial risks of all Insurance contracts. Current economic and non-economic (e.g. actuarial) assumptions are used in remeasuring the fulfilment value at each reporting period.

IFRS 17 must be implemented retrospectively with amendment of comparative figures. However, simplifications may be used on transition when the full retrospective approach is impracticable.

Programme
In 2017, a.s.r. started a combined IFRS 17 and IFRS 9 programme to implement IFRS 17 and IFRS 9 Financial Instruments and has performed a high-level impact assessment. In 2018, the programme has focused on the following activities:
- Updating Technical Implementation Documents taking into account available information and interpretation (i.e. IASB Board papers and IASB Transition Resource Group papers);
- The identified workstreams have continued to implement their projects focusing on the requirements to implement IFRS 17 in the operations for the period till the effective date of IFRS 17;
- Gained a better understanding of the impact through performing an impact assessment based on various scenarios using 2017 data;
- Evaluating and analysing the potential use of the disaggregation accounting policy choice for the insurance finance income or expense or OCI-option in combination with hedge accounting;
- Developing and implementation of a CSM engine;
- Preparation of the IT architecture including implementation of the general ledger, accounting hub and reporting infrastructure;
- Defining the level of aggregation of contracts and decisions regarding the use of different accounting models;
- Preparation of transition plan for IFRS 17;
- Preparation of transition plan for IFRS 9 including if and how to implement hedge accounting due to the strong interaction between the insurance liabilities and the underlying assets;
- Provided feedback and input for the EU endorsement process where possible;
- Further training of staff participating in the programme.

At this moment, given the complexity and options available in IFRS 17, it is too early to quantify the actual impact on IFRS equity and profit for the year. However, a.s.r. expects IFRS 17 to have significant changes to its accounting policies and impact on shareholders' equity, net result, presentation and disclosure.

IFRS 9 Financial Instruments
IFRS 9 is effective from 1 January 2018 and EU endorsed. a.s.r. applied the temporary exemption from applying IFRS 9 for predominant insurance entities as permitted by the amendments to IFRS 4. The IFRS 4 amendments postpone the implementation of IFRS 9 until the effective date of the new insurance contracts standard IFRS 17, which is expected to be 1 January 2022. Due to this exemption there is no impact of IFRS 9 on the consolidated financial statements 2018 of a.s.r. but may have a significant impact on Shareholders' equity, Net result and/or Other comprehensive income and on the consolidated financial statements of a.s.r. in 2022. The required disclosures as a result of the temporary exemption from applying IFRS 9 a.s.r. have been provided in chapter 7.7.3 Fair value of financial assets based on SPPI test results.

IFRS 9 replaces most of the current IAS 39 'Financial Instruments: Recognition and Measurement', and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Classification and measurement
The classification and measurement of financial assets under IFRS 9 will depend on a.s.r.'s business model and the instrument's contractual cash flow characteristics. These may result in financial assets being recognised at amortised cost, at fair value through other comprehensive income (equity) or at fair value through profit or loss. In many instances, the classification and measurement under IFRS 9 will be similar to IAS 39, although certain differences will arise. The

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classification of financial liabilities remains unchanged. The final outcome of the classification and measurement will be highly dependent on the interaction between IFRS 17 insurance contract accounting and IFRS 9 accounting for financial assets and liabilities taking into account decisions and guidance prepared in the IFRS 17 and IFRS 9 implementation project. Identifying potential accounting mismatches and addressing volatility / predictability in the income statement will be a.s.r.'s major priority.

Impairment
The recognition and measurement of impairment under IFRS 9 is intended to be more forward-looking than under IAS 39. The new impairment requirements will apply to all financial assets measured at amortised cost and at fair value through other comprehensive income with the exception of equity instruments. Initially, a provision is required for expected credit losses resulting from default events that are expected within the next twelve months. In the event of a significant increase in credit risk, a provision is required for expected credit losses resulting from all possible default events over the expected life of the financial asset.

Hedge accounting
The hedge accounting requirements of IFRS 9 aim to simplify the application of hedge accounting.

Programme IFRS 9
a.s.r. is currently assessing the impact of the new requirements including:
- Investigation into the classification and measurement of the financial instruments.
- Implementing the new expected loss impairment requirements and models.
- Performing business model evaluation and solely payment of principle and interest (SPPI) testing related to the financial assets and liabilities held by the insurance activities, as part of the overall IFRS 17 and IFRS 9 programme.

a.s.r. has concluded the implementation of IFRS 9 for ASR Bank N.V. including the classification and measurement of the financial instruments. The impact of the implementation of IFRS 9 for ASR Bank N.V. related to a.s.r. as a whole is marginal.

The implementation of IFRS 9, in combination with IFRS 17, for the insurance activities may have a significant impact on Shareholders' equity, Net result and/or Other comprehensive income and on the consolidated financial statements of a.s.r.

7.3.4 Key accounting policies

A. Estimates and assumptions
The preparation of the financial statements requires a.s.r. to make estimates, assumptions and judgements in applying accounting policies that have an effect on the reported amounts in the financial statements.
These relate primarily to the following:
- The fair value and impairments of unlisted financial instruments (see accounting policy B and E);
- The estimated useful life, residual value and fair value of property and equipment, investment property, and intangible assets (see accounting policy C, D and T);
- The measurement of liabilities arising from insurance contracts (see accounting policy I);
- Actuarial assumptions used for measuring employee benefit obligations (see chapter 7.5.15);
- When forming provisions, the required estimate of existing obligations arising from past events;
- The recoverable amount of impaired assets (see accounting policy B, E and G).

The estimates and assumptions are based on management's best knowledge of current facts, actions and events. The actual outcomes may ultimately differ from the results reported earlier on the basis of estimates and assumptions. A detailed explanation of the estimates and assumptions are given in the relevant notes to the consolidated financial statements.

B. Fair value of assets and liabilities
The fair value is the price that a.s.r. would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants on the transaction date or reporting date in the principal market for the asset or liability, or in the most advantageous market for the asset or liability and assuming the highest and best use for non-financial assets. Where possible, a.s.r. determines the fair value of assets and liabilities on the basis of quoted prices in an active market. In the absence of an active market for a financial instrument, the fair value is determined using valuation techniques. Although valuation techniques are based on observable market data where possible, results are affected by the assumptions used, such as discount rates and estimates of future cash flows. In the unlikely event that the fair value of a financial instrument cannot be measured, it is carried at cost.

Fair value hierarchy
The following three hierarchical levels are used to determine the fair value of financial instruments and non-financial instruments when accounting for assets and liabilities at fair value and disclosing the comparative fair value of assets and liabilities:

Level 1. Fair value based on quoted prices in an active market
Level 1 includes assets and liabilities whose value is determined by quoted (unadjusted) prices in the primary active market for identical assets or liabilities.

A financial instrument is quoted in an active market if:
- Quoted prices are readily and regularly available (from an exchange, dealer, broker, sector organisation, third party pricing service, or a regulatory body); and
- These prices represent actual and regularly occurring transactions on an arm's length basis.

Financial instruments in this category primarily consist of bonds and equities listed in active markets. Cash and cash equivalents are also included as level 1.

Level 2. Fair value based on observable market data
Determining fair value on the basis of Level 2 involves the use of valuation techniques that use inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is derived from prices of identical or similar assets and liabilities). These observable inputs are obtained from a broker or third party pricing service and include:
- Quoted prices in active markets for similar (not identical) assets or liabilities;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Input variables other than quoted prices observable for the asset or liability. These include interest rates and yield curves observable at commonly quoted intervals, volatility, loss ratio, credit risks and default percentages.

This category primarily includes:
I. Financial instruments: unlisted fixed-interest preference shares and interest rate contracts;
II. Financial instruments: loans and receivables (excluding mortgage loans)[1];
III. Other financial assets and liabilities[1].

I. Financial instruments: unlisted fixed-interest preference shares and interest rate contracts
This category includes unlisted fixed-interest preference shares and interest rate contracts. The valuation techniques for financial instruments use present value calculations and in the case of derivatives, include forward pricing and swap models. The observable market data contains yield curves based on company ratings and characteristics of the unlisted fixed-interest preference shares.

II. Financial instruments: Loans and receivables (excluding mortgage loans)
The fair value of the loans and receivables is based on the discounted cash flow method. It is obtained by calculating the present value based on expected future cash flows and assuming an interest rate curve used in the market that includes an additional spread based on the risk profile of the counterparty.

III. Other financial assets and liabilities
For other financial assets and liabilities where the fair value is disclosed these fair values are based on observable market inputs, primarily being the price paid to acquire the asset or received to assume the liability on initial recognition, assuming that the transactions have taken place on an arm's length basis. Valuation techniques using present value calculations are applied using current interest rates where the payment terms are longer than one year.

Level 3. Fair value not based on observable market data
The fair value of the level 3 assets and liabilities are determined in whole or in part using a valuation technique based on assumptions that are not supported by prices from observable current market transactions in the same instrument and for which any significant inputs are not based on available observable market data. The financial assets and liabilities in this category are assessed individually.

Valuation techniques are used to the extent that observable inputs are not available. The basic principle of fair value measurement is still to determine a fair, arm's length price. Unobservable inputs therefore reflect management's

1 Not measured at fair value on the balance sheet and for which the fair value is disclosed.

own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are generally based on the available observable data (adjusted for factors that contribute towards the value of the asset) and own source information.

This category primarily includes:
I. Financial instruments: private equity investments (or private equity partners) and real estate equity funds third parties;
II. Financial instruments: loans and receivables – mortgage loans, and mortgage equity funds;
III. Investment property, real estate equity funds associates and buildings for own use.

I. Financial instruments: private equity investments and real estate equity funds third parties
The main non-observable market input for private equity investments and real estate equity funds third parties is the net asset value of the investment as published by the private equity company (or partner) and real estate equity funds respectively.

II. Financial instruments: loans and receivables – mortgage loans, and mortgage equity funds
The fair value of the mortgage loan portfolio is based on the discounted cash flow method. It is obtained by calculating the present value based on expected future cash flows and assuming an interest rate curve used in the market that includes an additional spread based on the risk profile of the counterparty. The valuation method used to determine the fair value of the mortgage loan portfolio bases the spread on the interest rate curve for discounting the mortgage portfolio cash flows on consumer rates and includes assumptions for originating cost, proposal risk, and the options related to early redemption and moving.

The method of determining the fair value of the mortgage equity funds is similar to that of mortgage loans, however it excludes assumptions for originating cost and is determined within the funds structure.

III. Investment property, real estate equity funds associates and buildings for own use
The following categories of investment properties and buildings for own use is recognised and methods of calculating fair value are distinguished:
- Residential – based on reference transaction and discounted cash flow method;
- Retail – based on reference transaction and income capitalisation method;
- Rural – based on reference transaction and discounted cash flow method;
- Offices – based on reference transaction and discounted cash flow method (including buildings for own use);
- Other – based on reference transaction and discounted cash flow method;
- Under construction – based on both discounted cash flow and income capitalisation method.

The following valuation methods are available for the calculation of fair value by the external professional appraisers for investment property, including real estate equity funds associates, and buildings for own use:

Reference transactions
Independent professional appraisers use transactions in comparable properties as a reference for determining the fair value of the property. The reference transactions of comparable objects are generally based on observable data consisting of the land register 'Kadaster' and the rural land price monitor as published by the Dutch government 'grondprijsmonitor' in an active property market and in some instances accompanied by own use information.

The external professional appraisers valuate the property using the reference transaction in combination with the following valuation methods to ensure the appropriate valuation of the property:
- Discounted cash flow method;
- Income capitalisation method.

Discounted cash flow method
Under the discounted cash flow method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on the investment property dependent on the duration of the lease contracts.

A market-derived discount rate is applied to these projected cash flow series in order to establish the present value of the cash flows associated with the asset. The exit yield is normally determined separately, and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behavior, which depends on the class of investment property. Periodic cash flow is typically estimated as gross rental income less vacancy (apart from the rural category), non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

For the categories residential, offices and other in applying the discounted cash flow method, the significant inputs are the discount rate and market rental value. These inputs are verified with the following market observable data (that are adjusted to reflect the state and condition, location, development potential etc. of the specific property):
- Market rent per square meter for renewals and their respective re-letting rates;
- Reviewed rent per square meter;
- Investment transactions of comparable objects;
- 10 Year Dutch Government Bond Yield (%) as published by the Dutch Central Bank.

When applying the discounted cash flow method for rural valuations, the significant inputs are the discount rate and market lease values. These inputs are verified with the following market observable data (that are adjusted to reflect the state and condition, location, development potential etc. of the specific property):
- Market value per acre per region in accordance with the 'rural land price monitor';
- 10 Year Dutch Government Bond Yield (%) as published by the Dutch Central Bank.

Income capitalisation method
Under the income capitalisation method, a property's fair value is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation rate (the investor's rate of return). The difference between gross and net rental income includes the same expense categories as those for the discounted cash flow method with the exception that certain expenses are not measured over time, but included on the basis of a time weighted average, such as the average lease up costs. Under the income capitalisation method, rents above or below the market rent are capitalised separately.

The significant inputs for retail valuations are the reversionary yield and the market or reviewed rental value. These inputs are generally verified with the following observable data (that are adjusted to reflect the state and condition, location, development potential etc. of the specific property):
- Market rent per square meter for renewals;
- Reviewed rent per square meter (based on the rent reviews performed in accordance with Section 303, Book 7 of the Dutch Civil Code).

The fair value of investment properties and buildings for own use, are appraised annually. Valuations are conducted by independent professional appraisers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the property being valued. Market value property valuations were prepared in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation Standards, 7th Edition (the 'Red Book'). a.s.r. provides adequate information to the professional appraisers, in order to conduct a comprehensive valuation. The professional appraisers are changed or rotated at least once every three years.

Transfers between levels
The hierarchical level per individual instrument, or group of instruments, is reassessed at every reporting period. If the instrument, or group of instruments, no longer complies with the criteria of the level in question, it is transferred to the hierarchical level that does meet the criteria. A transfer can for instance be when the market becomes less liquid or when quoted market prices for the instrument are no longer available.

C. Intangible assets
Intangible assets are carried at cost, less any accumulated amortisation and impairment losses. The residual value and the estimated useful life of intangible assets are assessed on each balance sheet date and adjusted where applicable.

Goodwill
Acquisitions by a.s.r. are accounted for using the acquisition method. Goodwill represents the excess of the cost of an acquisition over the fair value of a.s.r.'s share of the net identifiable assets and liabilities and contingent liabilities of the acquired company at acquisition date. If there is no excess (negative goodwill), the carrying amount is directly recognised through the income statement. At the acquisition date, goodwill is allocated to the cash-generating units (CGU's) that are expected to benefit from the business combination.

Goodwill has an indefinite useful life and is not amortised. a.s.r. performs an impairment test annually, or more frequently if events or circumstances warrant so, to ascertain whether goodwill has been subject to impairment. As part of this, the carrying amount of the cash-generating unit to which the goodwill has been allocated is compared with its recoverable amount. The recoverable amount is the higher of a cash-generating unit's fair value less costs to sell and value in use. The carrying value is determined as the net asset value including goodwill. The methodologies applied to arrive at the best estimate of the recoverable amount involves two steps.

In the first step of the impairment test, the best estimate of the recoverable amount of the CGU to which goodwill is allocated is determined separately based on Price to Earnings or Price to EBITDA ratios. The ratio(s) used per CGU depends on the characteristics of the entity in question. The main assumptions in this valuation are the multiples for the aforementioned ratios. These are developed internally but are either derived from or corroborated against market information that is related to observable transactions in the market for comparable businesses.

If the outcome of the first step indicates that the difference between the recoverable amount and the carrying value may not be sufficient to support the amount of goodwill allocated to the CGU, step two is performed. In step two an additional analysis is performed in order to determine a recoverable amount in a manner that better addresses the specific characteristics of the relevant CGU.

The additional analysis is based on an internal model, wherein managements assumptions in relation to cash flow projections for budget periods up to and including five years are used and, if deemed justified, expanded to a longer period given the nature of the insurance activities.

If the recoverable amount is lower than its carrying amount, the difference is directly charged to the income statement as an impairment loss.

In the event of impairment, a.s.r. first reduces the carrying amount of the goodwill allocated to the cash-generating unit. After that, the carrying amount of the other assets included in the unit is reduced pro rata to the carrying amount of all the assets in the unit.

Value of Business Acquired

The Value of Business Acquired (VOBA) represents the difference between the fair value and the carrying amount of insurance portfolios that have been acquired, either directly from another insurer or through the acquisition of a subsidiary. VOBA is recognised as an intangible asset with a finite useful life and amortised over the term of the current insurance contracts at acquisition date, in conjunction with the corresponding obligations. With regard to VOBA, allowance is made for the outcome of the annual compulsory Liability Adequacy Test (LAT) for insurance contracts (see accounting policy I). Amortisation charges related to VOBA are included in net claims and benefits. The negative VOBA is amortised based on the weighted average term of the acquired insurance contracts at acquisition date Negative VOBA, or an additional provision, is recognised and presented under the Liabilities arising from insurance contracts.

Should VOBA's carrying amount exceed the difference between the carrying amount of the liabilities arising from insurance contracts and the liabilities identified as part of the LAT and no other adjustment is made to the liabilities as a result of the LAT outcomes, VOBA is impaired to a level where the values are equal. This is charged to the income statement as an impairment loss.

D. Investment property

Investment property is property held to earn rent or for capital appreciation or both. Property interests held under operating leases are classified and accounted for as investment property. In some cases, a.s.r. is the owner-occupier of investment properties. If owner-occupied properties cannot be sold separately, they are treated as investment property only if a.s.r. holds an insignificant portion for use in the supply of services or for administrative purposes. Property held for own uses (owner-occupied) is recognised within property and equipment.

Investment property is primarily recognised using the fair value model. After initial recognition, a.s.r. remeasures all of its investment property (see accounting policy B) whereby any gain or loss arising from a change in the fair value of the specific investment property is recognised in the income statement under fair value gains and losses.

Residential property is generally let for an indefinite period. Other investment property is let for defined periods under leases that cannot be terminated early. Some contracts contain renewal options. Rentals are accounted for as investment income in the period to which they relate.

If there is a change in the designation of property, it can lead to:
- Reclassification from property and equipment to investment property: at the end of the period of owner-occupation or at inception of an operating lease with a third party; or
- Reclassification from investment property to property and equipment: at the commencement of owner-occupation or at the start of developments initiated with a view to selling the property to a third party.

The following categories of investment property are recognised by a.s.r. based primarily on the techniques used in determining the fair value of the investment property:
- Retail;
- Residential;
- Rural;
- Offices;
- Other (consisting primarily of parking);
- Investment property under development.

Property under development for future use as investment property is recognised as investment property.
The valuation of investment property takes (expected) vacancies into account.

Borrowing costs directly attributable to the acquisition or development of an asset are capitalised and are part of the cost of that asset. Borrowing costs are capitalised when the following conditions are met:
- Expenditures for the asset and borrowing costs are incurred; and
- Activities are undertaken that are necessary to prepare an asset for its intended use.

Borrowing costs are no longer capitalised when the asset is ready for use or sale. If the development of assets is interrupted for a longer period, capitalisation of borrowing costs is suspended. If the construction is completed in stages and each part of an asset can be used separately, the borrowing costs for each part that reaches completion are no longer capitalised.

E. Investments

When a.s.r. becomes party to a financial asset contract, the related assets are classified into one of the following categories:
- Financial assets at fair value through profit or loss;
- Loans and receivables (see accounting policy G);
- Financial assets available for sale.

The classification of the financial assets is determined at initial recognition. The classification depends on the purpose for which the investments were acquired. For detailed information on the fair value of the financial assets please see accounting policy B.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include:
- Derivatives that do not qualify for hedge accounting (see accounting policy B and H); and
- Financial assets, designated by a.s.r. as carried at fair value through profit or loss. This option is available whenever:
  - It eliminates or significantly reduces a measurement inconsistency that would otherwise arise from measuring assets or liabilities on different bases (accounting mismatch); or
  - a.s.r. manages a group of financial instruments (assets, liabilities or both) on the basis of fair value in accordance with a documented risk management or investment strategy;
  - The financial assets contain one or more embedded derivatives and a.s.r. does not separate the derivative from the host contract;
- Associates for which a.s.r. uses the fair value option under IAS 28.

Financial assets at fair value through profit or loss are stated at fair value. At initial recognition, transaction costs are recognised in the income statement. Realised and unrealised gains and losses in the fair value are also recognised in the income statement.

Financial assets available for sale

Financial assets available for sale are financial assets that are not accounted for as financial assets at fair value through profit or loss, or as loans and receivables. On initial recognition, financial assets available for sale are measured at fair value (including transaction costs). They are subsequently measured at fair value, including any unrealised fair value changes in equity and impairments, taking into account any deferred tax liabilities. Financial assets available for sale include equities (ordinary and preference shares), bonds, other fixed-income securities, unit trusts, variable-income securities and interests in investment pools.

Impairment of financial assets

At each balance sheet date, a.s.r. assesses whether objective evidence exists of financial assets are impaired. Financial assets at fair value through profit or loss are not subject to impairment testing, because the fair value of these assets reflects any impairment losses.

In the case of equity investments available for sale, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment. a.s.r. considers as a significant or prolonged decline to have occurred if the fair value:
- Has fallen 25% or more below cost; or
- Has fallen below cost for an uninterrupted period of twelve months or longer.

Fixed-income financial assets available for sale are tested for impairment if objective evidence exists that the counterparty will default. Objective evidence includes: bankruptcy, financial reorganisation or delinquency in payments for more than 30 days. The assessment may also involve circumstances requiring a more detailed estimate, such as in the event of an equity deficit, recurring financial difficulties, downgrading of the credit rating or other creditors reverting to legal action. This assessment is made at each reporting date by the Level of Concern Committee, where the portfolio managers and analysts assign a level of concern from 'Nil' to 'Three' to each of the fixed-income assets. A level of concern 'Nil' means that there is no reason for concern, while a level of concern 'Three' indicates that the situation is critical and that an impairment is highly recommended. The final decision to recognise an impairment loss on a financial asset or to reverse a prior impairment loss is taken in the quarterly Impairment Committee, chaired by the Group Asset Management director.

Impairment losses are recognised directly in the income statement and represent the difference between amortised cost and the fair value at the balance sheet date, net of any previously recognised impairments.

If, at a later stage, the fair value of the financial assets available for sale should increase and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement. Impairment losses on equities available for sale are not reversed, and any increases in fair value are recorded in equity.

F. Investments on behalf of policyholders

Investments made for the account and risk of policyholders mainly concern unit-linked insurance contracts and group contracts with segregated pools. These investments are carried at fair value. Any realised and unrealised value changes of the investments are recognised in the income statement as gains or losses on investments on behalf of policyholders.

G. Loans and receivables

Loans and receivables are measured at fair value plus transaction costs on initial recognition. They are subsequently measured at amortised cost based on the effective interest rate method, less impairment losses if deemed necessary.

Receivables from customers

Receivables from customers are primarily comprised of business loans and mortgage loans.

Receivables from credit institutions

Receivables from credit institutions concern business loans, deposits and the savings portion of savings mortgages concluded by a.s.r.

Trade and other receivables

Trade and other receivables are receivables arising from a.s.r.'s normal business operations.

Impairment of loans and receivables

At each balance sheet date, a.s.r. assesses whether objective evidence of impairment exists of the loans and receivables.

An individually assessed asset is considered impaired if objective evidence exists that a.s.r. is unable to collect all the amounts due by the counterparty in accordance with the contractual terms and conditions. The amount of the impairment loss is equal to the difference between the asset's carrying amount and its recoverable amount. The recoverable amount equals the present value of estimated future cash flows, including amounts realised from guarantees and securities provided, discounted at the financial asset's original effective interest rate.

Loans and receivables that are not individually significant are grouped on the basis of similar credit risk characteristics.

Impairment based on the collective approach is determined by applying risk models for similar financial assets, taking account of historical information and regularly updated parameters for default.

Incurred but not reported (IBNR) losses are also taken into account. IBNR is estimated by reference to historical loss patterns. The current economic climate is reflected, and account is taken of potentially higher credit risk based on an analysis of the economic situation.

Impairment losses are charged to the income statement. If, at a later stage, the impairment losses should decrease and the decrease can be related objectively to an event occurring after the impairment was recognised, the decrease in the impairment loss is recognised in the income statement.

H. Derivatives and hedge accounting

Derivatives are primarily used by a.s.r. for hedging interest rate and exchange rate risks, for hedging future transactions and the exposure to market risks.

Cash flow hedge accounting was primarily used for property development activities and ended in 2016.

At the inception of the hedge, a.s.r. documents the risk management objective and strategy for undertaking the hedge, as well as the relationship between the hedging instrument, the hedged item and the method for assessing the effectiveness of the hedging transaction. It is also confirmed that the hedge is expected to be highly effective throughout the hedging period.

The effectiveness of the hedge is assessed on an on-going basis throughout the financial reporting periods for which the hedge was designated. A hedge is considered highly effective if the change in the fair value or the cash flows of the hedged item is offset by changes in the fair value or the cash flows of the hedging instrument.

Only assets, liabilities, firm commitments or highly probable forecast transactions involving a party external to a.s.r. can be designated as hedged items.

Changes in the fair value of the effective portion of derivatives that have been designated and qualify as cash flow hedges are recognised as unrealised gains or losses in a separate component of equity. Fair value changes in the ineffective portion are recognised in the income statement. The amounts recorded in equity are reclassified to profit or loss in the same period or periods during which the hedged firm commitment or highly probable forecast transaction affects results.

If a hedge no longer meets the criteria for hedge accounting or is otherwise discontinued, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction or the firm commitment is settled. If the forecast transaction or the firm commitment is no longer expected to take place, any related cumulative gain or loss on the hedging instrument that was reported in equity is recognised in the income statement.

I. Liabilities arising from insurance contracts

General

This includes liabilities arising from insurance contracts issued by a.s.r. that transfer significant insurance risks, and in some cases also financial risk, from the policyholder to a.s.r.

Liabilities arising from non-life insurance contracts

These liabilities comprise a provision for claims, a provision for current risks, and a provision for unearned premiums. The provision for claims is based on estimates of claims payable. Claims payable relate to unpaid claims and claims handling costs, as well as claims incurred but not reported.

The estimates are based on individual assessments of the reported claims, on past experiences and estimates of trends (expert judgement) in claims behaviour, (national) social factors and economic factors and relevant court decisions. In the process of determining the liabilities, allowance is made for amounts recoverable from third parties and expected subrogation reimbursements.

Loss obligations in respect of occupational disability are discounted. The recognised provisions are sufficient to cover the cost of claims and claims handling fees. a.s.r. discounts obligations for losses only for claims with determinable and fixed payment terms.

Additional provisions are generally recognised for realised gains or losses on financial assets allocated to insurance contracts if and to the extent that the current interest rate is lower than the interest rate that was used in the pricing principles at inception of the insurance contract.

The provision for current risks is based on the estimate of future claims taking into account future premiums.

The provision for unearned premiums is equal to gross unearned premium income less commissions paid. The provision is determined on a time proportional basis.

Liabilities arising from life insurance contracts

Future obligations in respect of policy benefits for life insurance contracts are calculated based on a net premium method (the present value of future obligations less the present value of future net premiums) using the same principles as for calculating the premium at inception of the insurance contract. A provision for future administrative expenses is recognised for contracts whose future premium payment period is shorter than the future maturity of the insurance policy, or for which no more premiums are paid. A provision is recognised for part of longevity risk associated with life insurance contracts (e.g. group life and annuity contracts), a.s.r. manages the longevity risk exposure in combination with the mortality risk exposure. No addition to the provision for longevity risk is recognised if the outcome of the LAT (see section 'IFRS Liability Adequacy Test Life' later in this chapter) indicates that the total amount of the provision is adequate.

Additional provisions are generally recognised for realised gains or losses on financial assets allocated to:
- Insurance contracts with participation features;
- Non-participating insurance contracts if and to the extent that the current interest rate is lower than the interest rate that was used in the pricing principles at inception of the insurance contract.

These financial assets include fixed-income financial assets available for sale, specific financial assets designated at fair value through profit or loss, and specific derivatives (i.e. swaptions, interest rate swaps and inflation rate swaps). The realised gains or losses are amortised based on the remaining maturity period of the disposed financial assets. The realised gains or losses and the amortisation thereof are included in net insurance claims and benefits.

Participating contracts include additional obligations relating to contractual dividends or profit-sharing and are stated net of capitalised interest rate rebates. These interest rate rebates are amortised in accordance with actuarial principles to the extent that the expected surplus interest is realised.

Reinsurance liabilities

Reinsurance liabilities, with a.s.r. qualifying as the reinsurer and with significant insurance risk being transferred to a.s.r., are accounted for in the same way as regular directly written insurance contracts. They are included under liabilities arising from insurance contracts.

Obligations to insurers where a.s.r. qualifies as the reinsurer, and with no significant insurance risk being transferred to a.s.r., are recognised as debts to policyholders.

Life insurance contracts with a discretionary participation features (DPF)

Under DPF life insurance contracts, policyholders are assigned, in addition to their entitlement to a guaranteed element, an entitlement to potentially significant additional benefits whose amount or timing is contractually at the discretion of a.s.r. These additional benefits are based on the performance of a specified pool of investment contracts, specific investments held by a.s.r. or on the issuer's operational result.

Expected entitlements to discretionary benefits are recorded in equity. Once a decision has been taken for discretionary participation features, any related benefits are recognised as liabilities.

Shadow accounting

The Group's insurance accounting policies include the application of shadow accounting which is a specialised accounting treatment commonly utilised in insurance accounting and is permitted under IFRS.
The purpose of shadow accounting is to help reduce potential accounting mismatches which can occur when related assets and liabilities:
- Are measured on a different basis; or
- Have changes in their measurements recorded in different IFRS performance statements (Income Statement or OCI).

Under shadow accounting, adjustments are made to the insurance liability to reflect the unrealised gains or losses from the financial instruments backing these insurance liabilities. For non-participating features only adjustments are made to the insurance liability to reflect the unrealised gains from the financial instruments backing these insurance liabilities.

The shadow accounting policy is applied to certain types of insurance liabilities:
- Insurance contracts with participation features;
- Non-participating insurance contracts if and to the extent that the IFRS LAT would be triggered. This would be the case when current interest rates are lower than the interest rates that were used in the pricing principles at inception of the insurance contract.

Shadow accounting allows a recognised but unrealised gain or loss on an asset to affect the measurement of its insurance liabilities in the same way that a realised gain or loss does.

Shadow accounting is applied to unrealised value changes in fixed-income financial assets available for sale, specific financial assets designated at fair value through profit or loss, and specific derivatives (i.e. swaptions and interest rate and inflation rate swaps) that are backing the liabilities arising from insurance contracts.

The related adjustment to the insurance liability is recognised in OCI if, and only if, the unrealised gains or losses are recognised in other comprehensive income. Unrealised gains and losses on assets at fair value through profit or loss are recognised in the income statement with a corresponding adjustment for shadow accounting in the income statement under 'Net insurance claims and benefits'.

No shadow accounting is applied to:
- Impairments;
- Revaluations of debt instrument that have been subject to impairment.

IFRS Liability Adequacy Test Non-life

The Liability Adequacy Test (LAT) is performed at each reporting date to assess the adequacy of insurance liabilities for Non-life. The insurance liabilities for the LAT are calculated in accordance with Solvency II, using the UFR rate prevailing at the reporting date.

Where the Property & Casualty (motor, fire and liability) and Health liabilities business is concerned, the LAT is performed using statistical analyses. Any identified losses are used as a basis for estimating future claims arising from an insurance contract from the portfolio on the balance sheet date. This is the best estimate. An appropriate risk margin is added. The risk margin is determined for each homogeneous risk group using the Cost of Capital (CoC) method that is also used for Life. With effect from 2016 the Non-life CoC rate of 6% is used for all Non-life business, including Disability. The total of best estimate and risk margin is compared to the technical provision recorded in the balance sheet.

The LAT for the disability portfolio is based on cash flow projections using realistic assumptions comparable to the LAT for the life portfolio (see below).

The total of best estimate and risk margin for Non-life segment as a whole, is compared to the technical provision recorded in the balance sheet. If there is a deficiency, the Non-life insurance liabilities are increased to adequate levels through a charge to the income statement.

IFRS Liability Adequacy Test Life

The LAT is performed at each reporting date to assess the adequacy of insurance liabilities. The insurance liabilities for the LAT are calculated in accordance with Solvency II, using the UFR rate prevailing at the reporting date.

Liabilities are adequate if the technical provision recognised in a.s.r.'s balance sheet for the Life segment as a whole at least equals the best estimate of the life insurance liabilities including an appropriate risk margin. If there is a deficiency in the life insurance liabilities, those liabilities are increased to adequate levels through a charge to the income statement.

Also unrecognised gains and losses from relevant assets that are not carried at fair value in the balance sheet are taken into account to the extent these assets are allocated to cover the insurance liabilities. The various elements of the Liability Adequacy Test are further discussed below.

Best estimate

The best estimate of an insurance contract is the net present value of the projected cash flows of benefits and expenses, less the net present value of premiums. These cash flows are estimated using realistic, 'best estimate', assumptions in relation to mortality, longevity, lapse rate, expense and inflation. The best estimate assumptions regarding mortality and longevity include recent trend assumptions for life expectancy in the Netherlands, as provided by the Dutch Actuarial Association. The best estimate includes the intrinsic value and the time value of options and guarantees (TVOG: Time Value of Financial Options and Guarantees) and is calculated using stochastic techniques.

Where applicable, the participating features of the insurance contracts, such as profit sharing, are taken into account in the future cash flows. The cash flows are discounted using the Euro swap curve including a credit risk adjustment (CRA), with Ultimate Forward Rate (UFR) and volatility adjustment (VA).

In unit-linked contracts, the best estimate equals the fund value of the contract less the net present value of future margins on mortality and expense. Where unit-linked contracts with a guaranteed minimum benefit on expiration are concerned, the best estimate is increased by a TVOG, i.e. the value of that guarantee in accordance with the Black-Scholes model.

Risk margin
The risk margin is determined for each homogeneous risk group using the CoC method. For life a CoC rate of 6% (2016: 6%) is used. a.s.r. uses the latest standard Solvency II model, to quantify the risks. The risks that are incorporated in the risk margin are: mortality, longevity, disability, lapse, catastrophe, expense and operational risk. A projection of expected future risks is made and all these risks are projected into the future. The total risk for every future year is determined based on correlations between the risks described in the Solvency II standard model. The projected total risk for every year is multiplied by a cost of capital charge and discounted at the balance sheet date.

Options embedded in insurance contracts
Options embedded in insurance contracts are not stated separately. They are treated in the same way as the host contract. These options are recognised in the adequacy test, taking into consideration both the intrinsic and the time value.

J. Liabilities arising from insurance contracts on behalf of policyholders
Liabilities arising from insurance contracts for the account and risk of policyholders mainly concern unit-linked contracts. An investment unit is a share in an investment fund that a.s.r. acquires on behalf of the policyholders using net premiums paid by the policyholders. The gain upon maturity of the contract is equal to the current value of the investment units of the fund in question. The current value of an investment unit (unit value) reflects the fair value of the financial assets held by a.s.r.'s investment funds divided by the number of units.

The fair value of the financial liabilities is obtained by multiplying the number of units attributed to each contract holder at the end of the reporting period by the unit value on the same date. Allowance is also made for liabilities arising from technical insurance risks (death, occupational disability).

Some unit-linked contracts include guaranteed benefits at maturity. To cover these guarantees, an additional obligation is recognised in the balance sheet that depends on the current fund value and the level of the guarantee. Actuarial assumptions about future fund developments and mortality are taken into account in the determination this obligation.

Liabilities arising from insurance contracts on behalf of policyholders also include obligations in connection with savings pools and group pension contracts, with policyholders bearing the investment risk. These liabilities also include a provision for compensation of possible high cost of the unit linked insurance contracts, as agreed in 2008 with the consumer organisations. The additional compensation related to the unit linked insurance contracts for the past has been included in the insurance liability and is therefore included in the investment portfolio. In addition, there is still a provision for compensation for claimants and compassionate and supportive policy 'flankerend beleid'.

For the LAT relating to the liabilities arising from insurance contracts on behalf of policyholders see accounting policy I.

K. Employee benefits (IAS 19)
Pension obligations
A number of defined benefit plans for own staff exist. These are schemes under which staff are awarded pension benefits upon retirement, usually dependent on one or more factors, such as years of service and compensation. The defined benefit obligation is calculated at each reporting date by independent actuaries. The majority of employees are formally employed by ASR Nederland N.V. A limited amount of employees are employed by other group companies.

The liability in respect of defined benefit plans is the present value of the defined benefit obligation at the balance sheet date, less the fair value of the plan assets where the pension plans are insured by third parties.

ASR Levensverzekering N.V. administers most of the post-employment benefit plans and hold the investments that are intended to cover the employee benefit obligation. These investments do not qualify as plan assets in the consolidated financial statements under IFRS.

Pension obligations are calculated using the projected unit credit method. Inherent to this method is the application of actuarial assumptions for discount rates, future salary increases and bonuses, mortality rates and consumer price indices. The assumptions are updated and checked at each reporting date, based on available market data. The assumptions and reports were reviewed by Risk Management.

Actuarial assumptions may differ from actual results due to changes in market conditions, economic trends, mortality trends and other assumptions. Any change in these assumptions can have a significant impact on the defined benefit obligation and future pension costs.

Changes in the expected actuarial assumptions and differences with the actual actuarial outcomes are recognised in the actuarial gains and losses included in other comprehensive income (component of total equity).

When employee benefit plans are modified and when no further obligations exist, a gain or loss, resulting from the changes are recognised directly in the income statement.

The financing cost related to employee benefits is recognised in interest expense. The current service costs are included in operating expenses.

a.s.r. also has a defined contribution plan for a limited number of employees due to acquisitions in the past. For defined contribution plans, a.s.r. pays contributions to privately administered pension insurance plans on a contractual basis. a.s.r. has no further payment obligations once the contributions have been paid. The contributions are recognised as operating expenses in the profit or loss account during the period the services are rendered. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Other long-term employee benefits
Plans that offer benefits for long-service leave, but do not qualify as a post-employment benefit plan, such as jubilee benefits, are measured at present value using the projected unit credit method and changes are recognised directly in the income statement.

Other post-retirements obligations
a.s.r. offers post-employment benefit plans, such as arrangement for mortgage loans at a discount (fixed amount, reference date December 2017). The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology that is similar to that for defined benefit plans.

Vacation entitlements
A liability is formed for the vacation days which have not been taken at year end.

L. Discontinued operations and assets and liabilities held for sale

Classification as held for sale occurs when the carrying amount will be recovered principally through a sale transaction rather than through continuing use. This is only the case when the sale is highly probable:

- The disposal group or group of assets is available for immediate sale in its present condition;
- a.s.r. is committed to a plan to sell these assets and has an active programme to locate a buyer;
- The sale is expected to occur within one year from the date of classification as held for sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale. When a group of assets classified as held for sale represents a major line of business or geographical area the disposal group classifies as discontinued operations. Assets classified as held for sale (including assets of operations which are discontinued) are recorded at the lower of their carrying amount and their fair value, less the expected cost to sell the assets.

Any impairment is restricted to the carrying amount of the non-current assets within the scope of IFRS 5 measurement requirements. The comparative consolidated income statement and consolidated statement of comprehensive income are restated to show the discontinued operations separately from the continuing operations.

Where applicable in the notes to the financial statements the reclassification to assets held for sale and liabilities relating to assets held for sale are recognised in the changes in the composition of the group.

Should the impairment exceed the carrying value of the non-current assets within the scope of IFRS 5 measurement, any remaining impairment amount will be presented as a separate provision.

M. Acquisitions (Business combinations)

Acquisitions are accounted for according to the acquisition method, with the cost of the acquisitions being allocated to the fair value of the acquired identifiable assets, liabilities and contingent liabilities. Goodwill, being the difference between the cost of the acquisition and a.s.r.'s interest in the fair value of the acquired identifiable assets, liabilities and contingent liabilities on the acquisition date, is capitalised as an intangible asset. Any gain on bargain purchase (negative goodwill) is recognised directly in the statement of profit or loss. Any change, in the fair value of acquired assets and liabilities at the acquisition date, determined within one year after acquisition, is recognised as an adjustment charged to goodwill in case of a preliminary valuation. Adjustments that occur after a period of one year are recognised in the income statement. Adjustments to the purchase price that are contingent on future events, and to the extent that these are not already included in the purchase price, are included in the purchase price of the acquisition at the time the adjustment is likely and can be measured reliably.

Where applicable in the notes to the financial statements the acquisitions are recognised in the changes in the composition of the group.

Should the impairment exceed the carrying value of the non-current assets within the scope of IFRS 5 measurement, any remaining impairment amount will be presented as a separate provision.

7.3.5 Other accounting policies

N. Basis for consolidation - subsidiaries

The consolidated financial statements include the financial statements of ASR Nederland N.V. and its subsidiaries. Subsidiaries are those entities over which a.s.r. has control. Control exists when a.s.r. is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. This is the case if more than half of the voting rights may be exercised or if a.s.r. has control in any other manner. Subsidiaries are fully consolidated from the date on which control is acquired by a.s.r. and are deconsolidated when control ceases to exist.

A subsidiary's assets, liabilities and contingent liabilities are measured at fair value on the acquisition date and are subsequently accounted for in accordance with a.s.r.'s accounting policies, which are consistent with IFRS.

Non-controlling interests are initially stated at their proportionate share in the fair value of the net assets on the acquisition date and are subsequently adjusted for the non-controlling interest in changes in the subsidiary's equity.

Common control transactions and mergers

If and when common control transactions or legal mergers between entities under common control occur, the pooling of interest method is applied from the acquisition date. Goodwill and intangible asset identified in an initial business combination continue to be presented and recognised by the acquirer.

Intragroup transactions

Intragroup balances and transactions between consolidated group companies are eliminated. Gains and losses on transactions between a.s.r. and associates and joint ventures are eliminated to the extent of a.s.r.'s interest in these entities.

O. Product classification

Insurance contracts are defined as contracts under which a.s.r. accepts significant insurance risk from policyholders by agreeing to compensate policyholders if a specified uncertain future event adversely affects the policyholder. These contracts are considered insurance contracts throughout the remaining term to maturity, irrespective of when the insured event occurs. In addition, these contracts can also transfer financial risk.

a.s.r. offers non-life insurance contracts and life insurance contracts.

Non-life insurance contracts

Non-life insurance contracts are contracts that provide cover that is not related to the life or death of insured persons. These insurance contracts are classified into the following categories: Disability, Health, Property & Casualty (motor, fire and liability) and Other.

Life insurance contracts
Life insurance contracts (in cash) include savings-linked mortgages, annuities, term insurance policies, savings contracts and funeral insurance contracts. In addition to non-participating life insurance contracts, the insurance portfolio also includes:

- Individual and group participating contracts;
- Individual contracts with discretionary participation features (see accounting policy I);
- Group contracts with segregated pools with return on investment guarantees.

Life insurance contracts on behalf of policyholders
Claims from these life insurance contracts are directly linked to the underlying investments. The investment risk and return are borne fully for policyholders (see accounting policy J). Life insurance contracts for the account and risk of policyholders generally consist of contracts where premiums, after deduction of costs and risk premium, are invested in unit-linked funds. For some individual contracts, a.s.r. guarantees returns on unit-linked investment funds. In addition, group contracts with segregated pools are classified as life insurance contracts on behalf of policyholders.

P. Segment information
At organisational level, a.s.r.'s operations have been divided into six operating segments. The main segments are the Non-life segment and Life segment that include all insurance activities. The non-insurance activities are presented as four separate segments being the Banking and Asset Management, Distribution and Services, Holding and Other and Real Estate Development segment. There is a clear difference between the risk and return profiles of these six segments.

Intersegment transactions or transfers are conducted at arm's length conditions. For detailed information per segment, please see chapter 7.4, 'Group structure and segment information'.

Q. Transaction date and settlement date
All purchases and sales of financial instruments, which have to be settled in accordance with standard market conventions, are recognised at the transaction date, which is the date on which a.s.r. becomes party to the contractual stipulations of the instrument. Any purchases and sales other than those requiring delivery within the time frame established by regulations or market conventions are accounted for as forward transactions until the time of settlement. For details on these transactions, see accounting policy H 'Derivatives and hedge accounting'.

R. Securities lending
a.s.r. participates in securities lending transactions, whereby collateral is received in the form of securities or cash. Cash received as collateral is recognised on the balance sheet and a corresponding liability is recognised as liabilities arising from securities lending in 'Due to banks'. Securities lent remain on the balance sheet. Securities received as collateral are not recognised in the balance sheet.

S. Statement of cash flows
The statement of cash flows classifies cash flows by operating activities, investing activities and financing activities. Cash flows denominated in foreign currencies are converted at the exchange rates applicable on the transaction date.

Cash flows from operating activities are reported using the indirect method. Cash flows from operating activities include operating profit before taxation, adjustments for gains and losses that did not result in income and payments in the same financial year, adjustments for movements in provisions, and accrued and deferred items.

The statement of cash flows recognises interest received and paid, and dividends received within cash flows from operating activities. Cash flows from purchasing and selling investments and investment property are included in cash flows from operating activities on a net basis. Dividends paid are recognised within cash flows from financing activities.

T. Property and equipment
Property held for own use
Property held for own use comprises of land and office buildings and is measured at fair value (revaluation model) based on annual valuations, conducted by external, independent valuators with adequate professional expertise and experience in the specific location and categories of properties.

They are subsequently measured at fair value, including any unrealised fair value changes in equity, taking into account any deferred tax liabilities. For the method of determining the fair value reference is made to accounting policy B for investment property.

Increase in the fair value exceeding the cost price is added to the revaluation reserve in shareholders' equity, less deferred taxes. Decreases in the fair value that offset previous increases of the same asset, are charged against the revaluation reserve. The revaluation reserve cannot be negative. All other decreases in fair value are accounted for in the income statement. Increases that reverse a revaluation decrease on the same asset previously recognised in net result are recognised in the income statement.

Buildings are depreciated using the straight-line method based on expected useful life, taking into account their fair value amount, the residual value from the time when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The useful life of buildings is assessed annually for every individual component (component approach).

Property classified into components and their maximum life

Components (expressed in years)	
Land	Not applicable
Shell	50
Outer layer	30
Systems	20
Fittings and fixtures	15

Repair and maintenance costs are charged to the income statement in the period in which they are incurred. Expenses incurred after the acquisition of an asset are capitalised if it is probable that the future economic benefits will flow to a.s.r. and the cost of the asset can be measured reliably.

Upon the sale of a property, the part of the revaluation reserve related to the sold property, within equity, is transferred to 'other reserves' and is not reclassified to the income statement. Therefore annually a transfer is also made from the revaluation reserve related to 'other reserves' in line with the depreciation recognised in the income statement for the revalued portion.

Equipment

Equipment is recognised at cost, less accumulated depreciation and/or any accumulated impairment losses. Cost corresponds with the cash paid or the fair value of the consideration given to acquire the asset. The accounting policy for equipment is unchanged.

Equipment is depreciated over its useful life, which is determined individually (usually between three and five years). Repair and maintenance costs are charged to the income statement in the period in which they are incurred. Expenses incurred after the acquisition of an asset are capitalised if it is probable that the future economic benefits will flow to a.s.r. and the cost of the asset can be measured reliably.

Accounting for borrowing costs attributable to the construction of property and equipment is the same as accounting for borrowing costs attributable to investment property. For details, see accounting policy D.

U. Associates and joint ventures

Associates

Associates are entities over which a.s.r. has significant influence on operating and financial contracts, without having control. Generally, associates are accounted for using the equity method from the date at which a.s.r. acquires significant influence until the date at which such influence ceases. This means that associates are initially recognised at cost, including any goodwill paid. This value is subsequently adjusted to take account of a.s.r.'s share of the associate's comprehensive income. Comprehensive income is adjusted in accordance with the accounting principles used by a.s.r.

Losses are accounted for until the carrying amount of the investment has reached zero. Further provisions are recognised only to the extent that a.s.r. has incurred legal or constructive obligations concerning these associates.

If objective evidence of impairment exists, associates are tested for impairment and, if necessary, written down.

When the application of the equity method produces information that is not relevant to the investors, a.s.r. may use the exemption of IAS 28 to measure the investments in those associates at fair value through profit or loss in accordance with IAS 39. a.s.r. applies fair value measurement for investments in real estate equity funds and mortgage equity funds, over which a.s.r. has significant influence.

Joint ventures
Joint ventures are contractual arrangements whereby a.s.r. and one or more parties undertake an economic activity that is subject to joint control. Joint control exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

These interests are accounted for using the equity method as applied to associates. The interests are recognised in the financial statements from the date on which a.s.r. first obtains joint control until the date that this joint control ceases.

If objective evidence of impairment exists, joint ventures are tested for impairment and, if necessary an impairment is recognised in the income statement.

Joint operations
a.s.r. has a limited number of non-material joint operations. These are recognised in relation to a.s.r.'s interest in the joint operation's individual balance sheet and income statement items.

V. Reinsurance contracts
Contracts that transfer a significant insurance risk from a.s.r. to third parties are accounted for as reinsurance contracts, and are classified as outgoing reinsurance.

The amounts that can be collected from reinsurers are estimated using a method that is in line with the reinsurance contract and the method for determining liabilities arising from reinsurance contracts.

Assets arising from reinsurance contracts are recognised under reinsurance contracts, except for current receivables from reinsurers, which are included under loans and receivables.

At each reporting date, a.s.r. assesses whether objective evidence of impairment exists. If a reinsurance asset is impaired, its carrying amount is reduced to its recoverable amount.

W. Other assets
Other assets include accrued investment and interest income, property developments, tax assets and accrued assets.

Property developments consist of property under development commissioned by third parties. Development property is measured at cost including any incremental costs (if a.s.r. expects to recover those costs), directly related costs to the contract (i.e. labour, materials, allocation of directly related costs, payments to subcontractors) and construction period interest, less any invoiced instalments and impairments.

Revenue is primarily accounted for on property development at the moment the property is sold. This is a performance obligation satisfied at a point in time. The point in time is the moment a customer obtains control of the promised asset.

Property developments which are sold can have guarantees (such as rent guarantees or construction guarantees), which may give rise to a separate performance obligation.

X. Cash and cash equivalents
Cash and cash equivalents include cash in hand, deposits held at call with banks, cash collateral and other short-term highly liquid investments with original maturities of three months or less.

Y. Equity
Share capital and share premium reserve
The share capital disclosed in the balance sheet consists of issued and fully paid-up ordinary shares. The share premium reserve comprises additional paid-in capital in excess of the par value of the shares.

Reserve for unrealised gains and losses
This reserve consists of:
- Unrealised gains and losses from assets available for sale net of tax and taking account of adjustments due to shadow accounting (see accounting policy I);
- The share of unrealised gains and losses of associates and joint ventures held by a.s.r. (see accounting policy U);
- Unrealised gains and losses on the effective portion of cash flow hedges net of tax (see accounting policy H);
- Unrealised change in value of property for own use (see accounting policy T);
- Reserve for discretionary participation features (see accounting policy I);
- Reserve for exchange rate differences arising from assets available for sale.

Actuarial gains and losses
Actuarial gains and losses result from the post-employment benefit pension plans (see accounting policy K).

Retained earnings
Retained earnings also include other reserves.

Other equity instruments
This item represents the par value of the other equity instruments. Costs directly attributable to the equity issue and the tax impact thereof are recognised in retained earnings.

Treasury shares
Treasury shares are a.s.r.'s own ordinary shares that has been issued and subsequently required by a.s.r. Treasury shares are deducted from equity, regardless of the objective of the transaction. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the instruments. If sold, the difference between the carrying amount and the proceeds is reflected in retained earnings. The consideration paid or received is recognised directly in shareholders' equity. All treasury shares are eliminated in the calculation of earnings per share and dividend per common share.

Non-controlling interest
The non-controlling interest relates to the equity in a consolidated subsidiary not attributable, directly or indirectly, to a.s.r. (see accounting policy N).

Dividends on ordinary share capital
Dividends on ordinary shares are recognised as a liability and recognised in equity when they are approved by a.s.r.'s shareholders. Interim dividends are recognised in equity when they are paid.

Dividends for the year that are approved after the reporting date are treated as an event after the reporting date.

Discretionary interest on other equity instruments
Discretionary interest on other equity instruments is recognised in equity upon payment.

Z. Financing
On initial recognition, debt instruments and other loans are stated at fair value, net of transaction costs incurred. Subsequent valuation is at amortised cost. Any difference between the proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

AA. Insurance premiums
Non-life insurance premiums
Non-life insurance premiums are accounted for in the period in which they are earned. As indicated in accounting policy I, invoiced but not yet earned premiums are included under liabilities arising from insurance contracts.

Life insurance premiums
Life insurance premiums relating to life insurance contracts are recognised as income when received from policyholders. Liabilities arising from insurance contracts are recognised based on estimated future benefits and expenses, and charged to the income statement. These expenses are recorded within 'insurance claims and benefits'. Therefore, in accordance with the matching principle, the profits are realised over the estimated term of the contracts.

BB. Investment income
Investment income primarily comprises interest income, dividends on equities and rentals from investment property.

Interest income
Interest income for all interest-bearing instruments is recognised using the effective interest method, including all transaction costs incurred and share premium/discount. When a receivable is impaired, its carrying amount is reduced to the recoverable amount, i.e. estimated future cash flows discounted at the original effective interest rate of the instrument.

Dividends
Dividend income is recognised in the income statement when a right to receive payment is established.

Rental income
Rental income from investment property is allocated to the period to which they relate.

CC. Realised gains and losses
Realised gains and losses include proceeds from the disposal of financial assets available for sale, associates and joint ventures and loans and receivables.

With respect to financial assets available for sale, realised gains or losses comprise:
- The proceeds from the sale or disposal of an asset or liability less the amortised cost of the asset or liability sold;
- Impairments previously recognised (except for equity instruments);
- Hedge accounting adjustments.

Any unrealised gains and losses previously recorded in equity (the difference between the carrying amount and amortised cost) are recognised in the income statement.

DD. Fair value gains and losses
Fair value gains and losses include realised and unrealised changes in the value of financial assets at fair value through profit or loss, derivatives and investment property held at fair value. With respect to derivatives, this is based on the fair value excluding accrued interest (clean fair value).

EE. Result on investments on behalf of policyholders
Investments on behalf of policyholders are measured at fair value through profit or loss. Any changes in value are recognised in result on investments on behalf of policyholders. This also includes interest income and dividends received on investments on behalf of policyholders.

FF. Fee and commission income
Determining the revenue to be recognised from fee and commission income relating to contracts with customers is based on a 5-step model:
Step 1 – Identifying the contract
Step 2 – Identify the performance obligation
Step 3 – Determining the transaction price
Step 4 – Allocating the transaction price to performance obligations
Step 5 – Recognising revenue when the performance obligation is satisfied.

A contract with a customer generally explicitly states the goods or services that a.s.r. promises to transfer to a customer. The transaction price is the amount of consideration to which a.s.r. expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. a.s.r. allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which a.s.r. expects to be entitled in exchange for transferring the promised goods or services to the customer.

a.s.r. satisfies its performance obligation by transferring control of a good or service over time and as a result recognises revenue over time. a.s.r. determined that the output method is the best method in measuring progress of the related services because the selected measure reflects best the services for which control has transferred to the customer. a.s.r. recognises revenue on the basis of the time elapsed relative to the total term of performing the service.

Fee and commission income relates mainly to asset management, distribution and services and reinsurance fees. These items are recognised as income in the period in which the services are performed. The asset management fees are periodically charged to the fund (or individual) customer for which the services were performed. The reinsurance and distribution and services fees are invoiced regularly with normal commercial payment terms.

GG. Insurance claims and benefits
This item includes changes in liabilities arising from insurance contracts (see accounting policy I) and the related benefits. Expenses associated with contracts on behalf of policyholders relate to changes in liabilities arising from insurance contracts on behalf of policyholders, including the benefits charged to the liabilities.

HH. Operating expenses
This item relates to expenses associated with a.s.r.'s operations that are directly attributable to the reporting period, such as marketing costs, ICT expenses, consulting fees, business accommodation expenses, cost of temporary staff, and depreciation charges.

Personnel expenses are mainly comprised of salaries, social security contributions and pension costs.

Payments made under operating leases (a.s.r. is the lessee) are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

II. Commission expenses

This mainly relates to commissions paid. Commission paid to acquire insurance contracts are charged to the income statement, generally within one year.

JJ. Impairments

An asset is impaired when its carrying amount exceeds its recoverable amount. Impairment losses are recognised in the income statement as soon as they are identified. For details, see the relevant items of chapter 7.3.4 as mentioned earlier.

KK. Income tax expense

Income tax is based on profit before tax, after any adjustments for previous periods and changes in deferred tax assets and liabilities using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Income tax is recognised in the period in which the income was earned.

Deferred taxes in respect of revalued assets and liabilities, whose value adjustments were directly credited or charged to equity, are taken to equity and, upon realisation, included in the income statement together with the value adjustments.

7.4 Group structure and segment information

7.4.1 Group structure

The a.s.r. group comprises a number of operating and holding companies.

Legal structure of the most significant a.s.r. group entities as per 31 December 2018

- ASR Nederland N.V.
  - ASR Ziektekosten-verzekeringen N.V.
    - ASR Basis Ziektekosten-verzekeringen N.V.[1]
    - ASR Aanvullende Ziektekosten-verzekeringen N.V.[1]
    - ASR Wlz-uitvoerder B.V.[3]
  - ASR Schade-verzekering N.V.[1]
  - ASR Levens-verzekering N.V.[2]
  - ASR Bank N.V.[3]
  - ASR Vermogens-beheer N.V.[3]
  - *(as part of ASR Deelnemingen N.V.)*
    - PoliService B.V.[3]
    - ASR Vastgoed Vermogensbeheer B.V.[3]
    - ASR Vastgoed Projecten B.V.
    - Van Kampen Groep Holding B.V.[3]
    - Van Kampen Geld B.V.[3]
    - As part of Dutch ID B.V.: Felison Assuradeuren B.V.[3] and Boval Assurantiën B.V.[3]
    - As part of Certitudo Investments: Supergarant Verzekeringen B.V.[3] and ZZP Nederland Verzekeringen B.V.[3]
    - Corins B.V. [3]
    - Anac, All-Finance Nederland Advies-Combinatie B.V.[3]
    - Stoutenburgh Adviesgroep[3]

1 Registered non-life insurance companies.
2 Registered life insurance companies.
3 Other Wft registered companies (included in the segments Banking and Asset Management and Distribution and Services).

Segment information

The operations of a.s.r. have been divided into six operating segments. The main segments are the Non-life segment and Life segment in which all insurance activities are presented. The other activities are presented as four separate segments being the Banking and Asset Management, Distribution and Services, Holding and Other and Real Estate Development.

Insurance activities

Insurance entities are entities that accept the transfer of insurance risks from policyholders. The Non-life segment consists of non-life insurance entities and their subsidiaries. These non-life insurance entities offer non-life insurance contracts. The Life segment comprises the life insurance entity and their subsidiaries. These life insurance entities offer financial products such as life insurance contracts and life insurance contracts on behalf of policyholders. The Non-life and Life segments have different levels of profitability and growth opportunities, as well as a different outlook and risk profile. See chapter 7.7.8 for a list of principal group companies and associates in the relevant segments.

Other activities

The other activities consist of:

- The Banking and Asset Management segment involves all banking activities and the activities related to asset management including investment property management. These activities include amongst others ASR Bank N.V., ASR Hypotheken B.V., ASR Vastgoed Vermogensbeheer B.V., ASR Vermogensbeheer N.V. and ASR Financieringen B.V. As of October 2018, all activities of ASR Bank N.V. are classified as discontinued. For further disclosure, see chapter 7.4.6;
- The Distribution and Services segment includes the activities related to distribution of insurance contracts and includes the financial intermediary business of PoliService B.V., Van Kampen Groep Holding B.V. (and Van Kampen Geld B.V.), Dutch ID B.V., SuperGarant Verzekeringen B.V. (and as of July 2018 ZZP Nederland Verzekeringen B.V.), Corins B.V., Anac, All-Finance Nederland Advies-Combinatie B.V. and Stoutenburgh Adviesgroep B.V;
- The Holding and Other segment consists primarily of the holding activities of ASR Nederland N.V. (including the group related activities), other holding and intermediate holding companies and the activities of ASR Deelnemingen N.V.; and
- The Real Estate Development segment consists of the activities where property development occurs and includes ASR Vastgoed Projecten B.V.

The eliminations applied in the reconciliation of the segment information to the consolidated balance sheet and the consolidated income statement are separately presented in chapter 7.4.2 and 7.4.3.

The a.s.r. segment reporting shows the financial performance of each segment. The purpose is to allocate all items in the balance sheet and income statement to the segments that hold full management responsibility for them.

Segment information has been prepared in accordance with the accounting principles used for the preparation of a.s.r.'s consolidated financial statements (see chapter 7.3). Goodwill and other intangibles are presented in the related CGU's segment. Intersegment transactions are conducted at arm's length conditions. In general, cost related to centralised services are allocated to the segments based on the utilisation of these services.

The segments are assessed on their operating result, which is based on the profit before tax adjusted for:

- Investment related income: income for own account of an incidental nature (for example realised capital gains and losses, impairment losses or reversals and (un)realised changes of investments held at fair value;
- Incidentals insurance segments: incidental items relating to changes in methods, changes in accounting policies, accounting/administrative actions or changes not related to the performance of underlying insurance portfolios and revaluation of insurance liabilities;
- Incidentals other segments: incidental items relating to changes in methods, accounting/administrative actions or changes not related to the underlying performance of the other segments; and
- Other incidentals: personnel related items (for example provision for restructuring expenses and a.s.r.'s own pension scheme excluding the current net service cost), costs related to M&A activities and items not related to the core-business or on-going business.

7.4.2 Segmented balance sheet

Segmented balance sheet

As at 31 December 2018	Non-life	Life	Banking and Asset Management	Distribution and Services	Holding and Other	Real Estate Development	Eliminations	Total
Intangible assets	19	164	8	175	-	-	-	366
Property and equipment	-	148	-	6	18	-	-	172
Investment property	229	1,659	-	-	-	-	1	1,889
Associates and joint ventures at equity method	-	26	-	1	18	21	1	67
Investments	5,139	22,421	1	-	3,055	-	-2,956	27,660
Investments on behalf of policyholders	-	7,771	-	-	-	-	-	7,771
Loans and receivables	333	10,919	24	27	51	12	-283	11,083
Derivatives	18	2,850	-	-	-	-	-1	2,867
Deferred tax assets	-	4	-	-2	270	2	1	275
Reinsurance contracts	415	174	-	-	-	-	-	589
Other assets	127	524	-	-	-100	86	-1	636
Cash and cash equivalents	352	2,892	70	46	418	3	1	3,782
Assets held for sale	-	-	1,853	-	-	-	-1	1,852
Total assets	**6,633**	**49,553**	**1,955**	**254**	**3,730**	**124**	**-3,239**	**59,009**
Equity attributable to holders of equity instruments	1,374	4,528	125	184	-749	65	-48	5,479
Non-controlling interests	-	11	-	-	-	-	-11	-
Total equity	**1,374**	**4,539**	**125**	**184**	**-749**	**65**	**-59**	**5,479**
Subordinated liabilities	15	-	-	-	497	-	-15	497
Liabilities arising from insurance contracts	5,027	30,814	-	-	-	-	-2,597	33,244
Liabilities arising from insurance contracts on behalf of policyholders	-	10,222	-	-	-	-	-	10,222
Employee benefits	-	-	-	-	3,327	-	-	3,327
Provisions	-	4	-	-	16	1	1	22
Borrowings	-	31	7	4	222	7	-232	39
Derivatives	6	429	-	-	-	-	-	435
Deferred tax liabilities	60	-257	2	4	202	3	-14	-
Due to customers	66	861	-	10	-	-	-312	625
Due to banks	13	2,538	-	-	135	-	-	2,686
Other liabilities	71	372	19	51	81	47	-11	630
Liabilities relating to assets held for sale	-	-	1,803	-	-	-	-	1,803
Total liabilities	**5,258**	**45,014**	**1,830**	**70**	**4,479**	**59**	**-3,180**	**53,530**
Total equity and liabilities	**6,633**	**49,553**	**1,955**	**254**	**3,730**	**124**	**-3,239**	**59,009**
Additions to								
Intangible assets	3	-	-	10	45	-	-	57
Property and equipment	-	7	-	4	3	-	-	13
Total additions	**3**	**7**	**-**	**13**	**48**	**-**	**-**	**71**

Segmented balance sheet

As at 31 December 2017	Non-life	Life	Banking and Asset Management	Distribution and Services	Holding and Other	Real Estate Development	Eliminations	Total
Intangible assets	13	144	8	168	-	-	-	333
Property and equipment	-	146	-	5	20	-	-	171
Investment property	135	1,462	-	-	-	-	-	1,597
Associates and joint ventures at equity method	-	3	-	1	16	25	-	45
Investments	4,607	20,803	130	-	2,889	-	-2,748	25,681
Investments on behalf of policyholders	-	7,684	-	-	-	-	-	7,684
Loans and receivables	338	10,433	1,503	15	51	15	-181	12,174
Derivatives	5	2,520	2	-	-	-	-	2,527
Deferred tax assets	-	-	-	-	225	1	-	226
Reinsurance contracts	366	180	-	-	-	-	-	546
Other assets	155	563	24	-	-208	138	-	672
Cash and cash equivalents	467	2,554	191	33	490	14	-	3,749
Assets held for sale	-	-	-	-	-	-	-	-
Total assets	**6,086**	**46,492**	**1,858**	**222**	**3,483**	**193**	**-2,929**	**55,405**
Equity attributable to holders of equity instruments	1,286	4,332	151	181	-512	37	-42	5,433
Non-controlling interests	-	10	-	-	-	-1	-10	-1
Total equity	**1,286**	**4,342**	**151**	**181**	**-512**	**36**	**-52**	**5,432**
Subordinated liabilities	15	-	-	-	497	-	-15	497
Liabilities arising from insurance contracts	4,579	28,796	-	-	-	-	-2,318	31,057
Liabilities arising from insurance contracts on behalf of policyholders	-	9,804	-	-	-	-	-	9,804
Employee benefits	-	-	-	1	3,160	-	-	3,161
Provisions	-	12	1	-	15	5	-	33
Borrowings	-	31	3	1	-	133	-129	39
Derivatives	5	398	-	-	-	-	-	403
Deferred tax liabilities	73	-245	5	5	176	-	-14	-
Due to customers	53	873	1,646	9	-	-	-397	2,184
Due to banks	2	2,251	1	-	-	-	-	2,254
Other liabilities	73	230	51	25	147	19	-4	541
Liabilities relating to assets held for sale	-	-	-	-	-	-	-	-
Total liabilities	**4,800**	**42,150**	**1,707**	**41**	**3,995**	**157**	**-2,877**	**49,973**
Total liabilities and equity	**6,086**	**46,492**	**1,858**	**222**	**3,483**	**193**	**-2,929**	**55,405**
Additions to								
Intangible assets	20	-	-	-	-	-	-	20
Property and equipment	-	-	-	-	6	-	-	6
Total additions	**20**	**-**	**-**	**-**	**6**	**-**	**-**	**26**

7.4.3 Segmented income statement and operating result

Segmented income statement and operating result

2018	Non-life	Life	Banking and Asset Management	Distribution and Services	Holding and Other	Real Estate Development	Eliminations	Total
Continuing operations								
Gross written premiums	3,014	1,566	-	-	-	-	-121	4,459
Change in provision for unearned premiums	34	-	-	-	-	-	-	34
Gross insurance premiums	**3,048**	**1,566**	**-**	**-**	**-**	**-**	**-121**	**4,493**
Reinsurance premiums	-99	-7	-	-	-	-	-1	-107
Gross premiums - Direct insurance - Transfer	-	-	-	-	-	-	-	-
Net insurance premiums	**2,949**	**1,559**	**-**	**-**	**-**	**-**	**-122**	**4,386**
Investment income	115	1,149	6	-	10	3	-	1,283
Realised gains and losses	27	194	-	-	6	-	-5	222
Fair value gains and losses	26	42	-	-	1	-	-9	60
Result on investments on behalf of policyholders	-	-302	-	-	-	-	-	-302
Fee and commission income	19	2	116	63	-	-	-83	117
Other income	5	22	-	15	3	99	-7	137
Share of profit/(loss) of associates and joint ventures	-	2	-	1	2	-12	-	-7
Total income	**192**	**1,110**	**122**	**79**	**22**	**90**	**-103**	**1,510**
Insurance claims and benefits	-2,258	-1,497	-	-	-	-	179	-3,576
Insurance claims and benefits recovered from reinsurers	43	-1	-	-	-	-	-	42
Net insurance claims and benefits	**-2,215**	**-1,498**	**-**	**-**	**-**	**-**	**179**	**-3,534**
Operating expenses	-222	-185	-78	-51	-111	-4	50	-601
Restructuring provision expenses	-14	-10	-1	-	-	-	-	-25
Commission expenses	-499	-16	-	-	-	-	31	-484
Impairments	-24	-17	-	-	-	-	-	-40
Interest expense	-4	-109	-	-	-18	-4	-68	-203
Other expenses	-3	-30	-27	-2	-8	-56	21	-105
Total expenses	**-767**	**-366**	**-107**	**-53**	**-136**	**-64**	**35**	**-1,458**
Profit before tax	**159**	**805**	**15**	**26**	**-114**	**26**	**-12**	**904**
Income tax (expense) / gain	-27	-236	-4	-6	55	4	3	-211
Profit after tax from continuing operations	**132**	**569**	**11**	**19**	**-59**	**29**	**-8**	**693**
Discontinued operations								
Profit / (loss) from discontinued operations, after tax	-	-	-37	-	-	-	1	-36
Profit for the year	**132**	**569**	**-26**	**19**	**-59**	**29**	**-8**	**657**

2018	Non-life	Life	Banking and Asset Management	Distribution and Services	Holding and Other	Real Estate Development	Eliminations	Total
Attributable to:								
Profit attributable to non-controlling interests	-	-	-	-	-	2	-	2
- Shareholders of the parent	132	569	-26	19	-103	27	-8	610
- Holders of other equity instruments	-	-	-	-	59	-	-	59
- Tax on interest of other equity instruments	-	-	-	-	-15	-	-	-15
Profit attributable to holders of equity instruments	**132**	**569**	**-26**	**19**	**-59**	**27**	**-8**	**655**

Operating result

2018	Non-life	Life	Banking and Asset Management	Distribution and Services	Holding and Other	Real Estate Development	Eliminations	Total
Profit before tax	159	805	15	26	-114	26	-12	904
minus: investment related	16	144	-	-	7	-	-4	163
minus: incidentals	-2	-3	-1	1	-11	26	-11	-1
Operating result	**145**	**664**	**16**	**25**	**-110**	**-**	**2**	**742**

The incidentals in 2018 are mainly related to the a.s.r. post-employment benefit plans, Generali Nederland integration costs and project implementation regulatory costs for a.o. project IFRS17/9 in segment Holding and Other (see chapter 7.6.8) and to the run-off activities in segment Real Estate Development.

Impairments

2018		Non-life	Life	Banking and Asset Management	Distribution and Services	Holding and Other	Real Estate Development	Eliminations	Total
Intangible assets	Impairment	-9	-	-	-	-	-	-	-9
	Reversal	-	-	-	-	-	-	-	-
Property and equipment	Impairment	-	-	-	-	-1	-	-	-1
	Reversal	-	-	-	-	-	-	-	-
Investments	Impairment	-18	-71	-	-	-	-	-	-89
	Reversal	4	53	-	-	-	-	-	57
Associates and joint ventures	Impairment	-	-	-	-	-	-	-	-
	Reversal	-	-	-	-	-	-	-	-
Loans and receivables	Impairment	-9	-3	-	-	-1	-	-	-13
	Reversal	9	5	-	-	2	-	-	16
Total impairments	**Impairment**	**-37**	**-74**	**-**	**-**	**-2**	**-**	**-**	**-113**
	Reversal	**13**	**58**	**-**	**-**	**2**	**-**	**-**	**73**
	Total	**-24**	**-17**	**-**	**-**	**-**	**-**	**-**	**-40**

Segmented income statement and operating result

2017 (restated)	Non-life	Life	Banking and Asset Management	Distribution and Services	Holding and Other	Real Estate Development	Eliminations	Total
Continuing operations								
Gross written premiums	2,579	1,453	-	-	-	-	-112	3,921
Change in provision for unearned premiums	42	-	-	-	-	-	-	42
Gross insurance premiums	**2,622**	**1,453**	**-**	**-**	**-**	**-**	**-112**	**3,963**
Reinsurance premiums	-54	-6	-	-	-	-	-	-60
Gross premiums - Direct insurance - Transfer	-	-	-	-	-	-	-	-
Net insurance premiums	**2,567**	**1,447**	**-**	**-**	**-**	**-**	**-112**	**3,903**
Investment income	108	1,103	5	-	10	-	5	1,231
Realised gains and losses	72	346	-	-	-	-1	-1	416
Fair value gains and losses	15	-4	-	-	-	-	3	13
Result on investments on behalf of policyholders	-	456	-	-	-	-	6	462
Fee and commission income	23	1	127	49	-	-	-81	119
Other income	3	24	-	13	21	124	-3	182
Share of profit/(loss) of associates and joint ventures	-	-	-	1	1	13	-	14
Total income	**221**	**1,926**	**132**	**62**	**32**	**136**	**-72**	**2,437**
Insurance claims and benefits	-1,973	-1,987	-	-	-	-	98	-3,861
Insurance claims and benefits recovered from reinsurers	29	-2	-	-	-	-	-	26
Net insurance claims and benefits	**-1,944**	**-1,989**	**-**	**-**	**-**	**-**	**98**	**-3,835**
Operating expenses	-201	-184	-80	-45	-104	-4	47	-570
Restructuring provision expenses	-1	-7	-2	-	-	-	-	-10
Commission expenses	-401	-15	-	-	-	-	27	-390
Impairments	9	18	-	-	-1	-	-	25
Interest expense	-4	-95	-	-	-17	-3	-58	-177
Other expenses	-5	-170	-45	-1	3	-111	73	-257
Total expenses	**-603**	**-453**	**-127**	**-46**	**-119**	**-118**	**88**	**-1,379**
Profit before tax	**241**	**931**	**4**	**16**	**-87**	**17**	**3**	**1,126**
Income tax (expense) / gain	-51	-200	-1	-4	39	-3	-1	-221
Profit after tax from continuing operations	**190**	**731**	**3**	**12**	**-47**	**14**	**2**	**905**
Discontinued operations								
Profit / (loss) from discontinued operations, after tax	-	-	3	-	-	-	-	3
Profit for the year	**190**	**731**	**5**	**12**	**-47**	**14**	**2**	**908**

2017 (restated)	Non-life	Life	Banking and Asset Management	Distribution and Services	Holding and Other	Real Estate Development	Eliminations	Total
Attributable to:								
Profit attributable to non-controlling interests	-	1	-	-	-	2	-1	2
- Shareholders of the parent	190	730	5	12	-81	12	3	872
- Holders of other equity instruments	-	-	-	-	45	-	-	45
- Tax on interest of other equity instruments	-	-	-	-	-11	-	-	-11
Profit attributable to holders of equity instruments	**190**	**731**	**6**	**12**	**-48**	**12**	**3**	**906**

Operating result

2017 (restated)	Non-life	Life	Banking and Asset Management	Distribution and Services	Holding and Other	Real Estate Development	Eliminations	Total
Profit before tax	**241**	**931**	**4**	**16**	**-87**	**17**	**3**	**1,126**
minus: investment related	70	271	-	-	-2	-	-1	338
minus: incidentals	-1	27	-2	-	20	17	-3	60
Operating result	**172**	**633**	**6**	**16**	**-105**	**-**	**7**	**728**

The incidentals in 2017 are mainly related to the a.s.r. post-employment benefit plans in segment Holding and Other (see chapter 7.6.8) and to the run-off activities in segment Real Estate Development. Furthermore, various relatively small administrative differences of prior years have been resolved which led to a release of provisions in the Life insurance business of in total € 27 million. This amount is classified as an incidental as it does not reflect the underlying performance of the insurance portfolio.

Impairments

2017		Non-life	Life	Banking and Asset Management	Distribution and Services	Holding and Other	Real Estate Development	Eliminations	Total
Intangible assets	Impairment	-	-	-	-	-	-	-	-
	Reversal	-	-	-	-	-	-	-	-
Property and equipment	Impairment	-	-	-	-	-	-	-	-
	Reversal	-	-	-	-	-	-	-	-
Investments	Impairment	-4	-14	-	-	-	-	-	-18
	Reversal	11	31	-	-	-	-	-	42
Associates and joint ventures	Impairment	-	-	-	-	-	-	-	-
	Reversal	-	-	-	-	-	-	-	-
Loans and receivables	Impairment	-6	-1	-	-	-4	-	-	-12
	Reversal	8	2	-	-	3	-	-	13
Total impairments	**Impairment**	**-10**	**-15**	**-**	**-**	**-4**	**-**	**-**	**-30**
	Reversal	**19**	**33**	**-**	**-**	**3**	**-**	**-**	**55**
	Total	**9**	**18**	**-**	**-**	**-1**	**-**	**-**	**25**

7.4.4 Non-life ratios

Non-life segment combined ratio

	2018	2017
Claims ratio	72.9%	72.8%
Commission ratio	16.3%	14.7%
Expense ratio	7.3%	7.6%
Combined ratio	**96.5%**	**95.1%**
Disability	90.8%	90.9%
Health	99.2%	99.2%
Property & Casualty	98.4%	95.5%

The combined ratio increased to 96.5% (2017: 95.1%) mainly due to a higher claims ratio at Property & Casualty as a result of a large January storm. The impact of the storm is € 30 million, resulting in a 1.0%-point increase in non-life segment combined ratio.

The increase in claims, commission and expenses is also due to the acquisition of Generali Nederland (see chapter 7.4.5).

The claims, commission and expense ratio can be calculated based on the following information:

Claims, commission and expenses

	2018	2017
Net insurance premiums Non-life	**2,949**	**2,567**
Net insurance claims and benefits	-2,215	-1,944
Adjustments:		
- Compensation capital gains (Disability)	-1	13
- Interest accrual on provisions (Disability)	66	64
- Prudence margin (Health)	-2	-1
Total corrections	**64**	**76**
Net Insurance claims and benefits (after adjustments)	**-2,151**	**-1,868**
Fee and commission income	19	23
Commission expenses	-499	-401
Commission	**-480**	**-378**
Operating expenses	-222	-201
Corrections made for investment charges	7	6
Operational expenses (after adjustments)	**-215**	**-195**

7.4.5 Acquisitions

See accounting policy M.

Acquisitions 2018

Generali Nederland

On 6 February 2018, ASR Nederland N.V. announced the completion of its acquisition of Generali Nederland N.V. (hereafter Generali Nederland) by acquiring all issued and outstanding shares for a total consideration of € 153 million paid in cash. The increase of € 8 million in the consideration paid, as compared to the provisional consideration reported in the interim report 2018, is the result of an increase in value of Generali Nederland related to reinsurance contracts settled with Generali Nederland.

Generali Nederland was the group company of a number of entities, the main being Generali levensverzekering maatschappij N.V. (Generali life) and Generali schadeverzekering maatschappij N.V. (Generali non-life).

Generali Nederland focuses on non-life and life insurance contracts in the Dutch market. Generali Nederland N.V. has been renamed to ASR Utrecht N.V. and legally merged into ASR Nederland N.V. during the first half year. Furthermore, Generali life and Generali non-life legally merged into ASR Levensverzekering N.V. and ASR Schadeverzekering N.V. respectively during the first half year of 2018. In preparation of these mergers Generali life and Generali non-life were sold to ASR Levensverzekering N.V. and ASR Schadeverzekering N.V. respectively.

The acquisition of Generali Nederland further strengthens a.s.r.'s position on the Dutch insurance market and ties in with a.s.r.'s strategy of combining organic growth and growth through targeted acquisitions. Business synergies, diversification benefits and elimination of capital tiering restrictions generate significant synergy potential.

The closing for the transaction of Generali Nederland took place on 5 February 2018. As a result, a.s.r. fully included the results and the balance sheet positions in the a.s.r. consolidated financial statements from that date. The full integration of Generali Nederland's activities into a.s.r. will take place in phases and is to be completed by 2020 at the latest.

From 1 June 2018 Generali Nederland staff has moved to a.s.r. locations. The Generali Nederland products are being rebranded into a.s.r. or one of a.s.r.'s labels.

In December 2018, a.s.r. established the final acquisition balance sheet of Generali Nederland, in accordance with IFRS 3 business combinations, within 12 months of the closing date. The balance sheet is based on fair value using the following techniques and assumptions:
- Financial assets and liabilities (including investments and loans and receivable) were remeasured to fair value at the closing date.
- Liabilities arising from insurance contracts were remeasured to fair value as defined in IFRS; this resulted in a significant increase predominately resulting from applying a different market consistent discount rate assumption and risk adjustment using a cost of capital approach at the closing date.
- The intangible assets recognised relate to client relationships for the property and casualty and income business. The valuation technique used to measure the fair value is based on the multi-period Excess Earnings Method (Meem) approach.

Final acquisition date fair values of the assets and liabilities acquired

In € millions	Acquisition date balance sheet based on fair value
Intangible assets	3
Property and equipment	9
Investment property	9
Associates and joint ventures at equity method	22
Investments	2,552
Investments on behalf of policyholders	659
Loans and receivables	425
Derivatives	8
Deferred tax assets	151
Reinsurance contracts	81
Other assets	71
Cash and cash equivalents	68
Total assets	**4,058**
Subordinated liabilities	15
Liabilities arising from insurance contracts	2,963
Liabilities arising from insurance contracts on behalf of policyholders	673
Employee benefits	191
Borrowings	2
Deferred tax liabilities	-
Due to customers	41
Other liabilities	65
Total liabilities	**3,950**
Net assets and liabilities	**108**
Less consideration paid (including deferred and contingent consideration)	153
Goodwill	**45**

The goodwill recognised of € 45 million is not tax deductible and relates to the expected synergies by sharing office space, IT systems and know-how for the life and non-life business. The goodwill is allocated to the cash generating units Life (€ 32 million) and Non-Life (€ 13 million).

The increase in goodwill of € 13 million between the final balance sheet and the provisional balance sheet as presented in the a.s.r. interim report 2018 mainly relates to an addition to the non-life insurance liability and a change in the consideration paid.

The a.s.r. Solvency II ratio decreased by 9%-points as a result of the acquisition.

Cash and cash equivalents related to the acquisition

	Acquisition date
Consideration paid	153
Acquired cash and cash equivalents	68
Decrease in cash and cash equivalents at acquisition date	**85**

The consolidated statement of comprehensive income of a.s.r. for the first year includes € 423 million revenue and approximately € 20 million profit after tax relating to Generali Nederland. The revenue and profit or loss of the combined entity for the current period as though the acquisition date for the business combinations of Generali Nederland had been as of the beginning of the annual reporting period would have been similar to the amounts presented above. The acquisition related costs recognised as expense amount to € 3 million, and included in line item other expenses in the income statement.

Loyalis N.V.

In December 2018, a.s.r. announced the intended acquisition of Loyalis N.V. for a total consideration of € 450 million. This transaction will be financed with short-term debt. The acquisition of Loyalis N.V. is expected to be completed in the first half of 2019 and has not been recognised in the 2018 financial statements.

Other acquisitions

In July 2018, Certitudo Investments B.V. acquired 100% of the shares of two Distribution and Services entities. As a result, an amount of € 9.4 million is recognised as goodwill.

VSP Risk

In April 2018, SuperGarant Verzekeringen B.V. established the final acquisition balance sheet of VSP Risk B.V. No differences with the provisional balance sheet were identified, therefore no retrospective adjustments were made.

First Investments

In December 2017, ASR Vermogensbeheer N.V. acquired 100% of the shares of First Investments B.V. No differences with the provisional balance sheet were identified, therefore no retrospective adjustments were made.

7.4.6 Discontinued operations and assets held for sale and related liabilities

See accounting policy L.

In October 2018, the Executive Board of a.s.r. decided to look for a strategic buyer for ASR Bank N.V. (hereafter a.s.r. bank) and enter into a program to sell a.s.r. bank. As a result a.s.r. bank has been classified as 'held for sale' and subsequently a.s.r. has presented the assets of a.s.r. bank in the balance sheet on the line item 'assets held for sale', and the liabilities on the line item 'Liabilities relating to assets held for sale'. In line with IFRS accounting requirements the comparative figures in the consolidated balance sheet have not been restated.

On 20 March 2019, ASR Bank N.V. (a.s.r. bank) and Achmea Bank N.V. (Achmea Bank) agreed that Achmea Bank will acquire the savings and mortgage portfolios of a.s.r. bank in an asset / liability transaction. For more information, please see chapter 7.7.7.

a.s.r. bank is measured at the lower of its carrying amount and fair value less costs to sell (non-recurring fair value measurement). Any excess of the carrying amount of a.s.r. bank (in total) over the fair value less costs to sell (in total) is recognised as an impairment. a.s.r. has presented in a single amount (after tax) the profit or loss from discontinued operations (including the impairment) in relation to a.s.r. bank. The profit or loss from a.s.r. bank in relation to the 2017 income statement has been restated.

The assets and liabilities relating to assets held for sale can be summarised as follows:

Assets held for sale and related liabilities

	2018
Investments	104
Loans and receivables	1,499
Other assets	2
Deferred tax assets	12
Cash and cash equivalents	236
Total assets	**1,853**
Derivatives	8
Deferred tax liabilities	1
Due to customers	1,712
Other liabilities	34
Provisions	48
Total liabilities	**1,803**

Since a.s.r. bank is measured at the lower of its carrying amount and fair value less costs to sell, a provision of € 48 million million has been made upon initial recognition of a.s.r. bank as discontinued operations.

Results of discontinued operations

	2018	2017
Total income	31	39
Total expense	-80	-36
Profit before tax	**-49**	**3**
Income tax (expense)/gain	13	-
Result for the period	**-36**	**3**

Cash flows from discontinued operations

	2018	2017
Cash and cash equivalents as at 1 January	155	88
Cash flows from operating activities	81	55
Cash flows from investing activities	-	-
Cash flows from financing activities	-	12
Cash and cash equivalents as at 31 December	**236**	**155**

Breakdown of financial assets and liabilities measured at fair value of discontinued operations

	Fair Value based on quoted prices in active market	Fair Value based on observable market data	Fair Value not based on observable market data	
31 December 2018	Level 1	Level 2	Level 3	Total Fair Value
Investments available for sale				
Government bonds	31	-	-	31
Corporate bonds	74	-	-	74
	104	**-**	**-**	**104**
Derivatives				
Interest rate contracts	-	-8	-	-8
Cash and cash equivalents	**236**	**-**	**-**	**236**
Total	**340**	**-8**	**-**	**332**

Breakdown of financial assets and liabilities not measured at fair value of discontinued operations

	Fair Value based on quoted prices in active market	Fair Value based on observable market data	Fair Value not based on observable market data		
31 December 2018	Level 1	Level 2	Level 3	Total Fair Value	Total carrying value
Financial assets					
Due from customers	-	-	1,549	1,549	1,488
Due from credit institutions	8	-	-	8	8
Trade and other receivables	-	2	-	2	2
Total financial assets	**8**	**2**	**1,549**	**1,559**	**1,499**
Financial liabilities					
Due to customers	1,731	-	-	1,731	1,712
Other liabilities	32	2	-	34	34
Total financial liabilities	**1,763**	**2**	**-**	**1,765**	**1,746**

For information regarding the valuation methodology see chapter 7.7.1.2.

7.5 Notes to the consolidated balance sheet

7.5.1 Intangible assets

See accounting policy C.

Intangible assets

	31 December 2018	31 December 2017
Goodwill	247	193
Value of business acquired (VOBA)	83	95
Other intangible assets	35	45
Total intangible assets	**366**	**333**

Intangible assets

	Goodwill	VOBA	Other intangible assets	Total 2018	Total 2017
Cost price	247	432	55	735	715
Accumulated amortisation and impairments	-	-349	-20	-369	-382
At 31 December	**247**	**83**	**35**	**366**	**333**
At 1 January	193	95	44	333	326
Acquisition	-	-	-	-	13
Amortisation and impairments	-	-11	-13	-24	-13
Transfer	-	-	-	-	-
Changes in composition of the group	54	-	3	57	7
At 31 December	**247**	**83**	**35**	**366**	**333**

Goodwill

For the purpose of impairment testing, goodwill is allocated to the cash-generating units (CGU) of the relevant operating segment. As a result of acquisitions during 2018, disclosed as changes in the composition of the group (see chapter 7.4.5) the amount of goodwill increased by € 54 million (2017: € 7 million).

Goodwill allocation per segment

	31 December 2018	31 December 2017
Non-life	13	-
Life	81	49
Banking and Asset Management	8	8
Distribution and services	146	136
Holding and Other	-	-
Total Goodwill	**247**	**193**

The results of the annual goodwill impairment test are as follows:

Segment Non-life

The activities of Generali Non-life (€ 13 million goodwill) are being integrated in a.s.r. schade. As such, the goodwill impairment test was conducted at the segment Non-life level as CGU. The result of the goodwill impairment test, using the multiples methodology, shows an excess recoverable value over the book value. As a result, a second step was not necessary and there is no significant exposure of goodwill impairment for sensitivities in the underlying assumptions. No goodwill impairment was recognised.

Segment Life
The activities of Generali Life (€ 32 million goodwill) have been fully integrated in a.s.r. life. The goodwill impairment test was conducted at the segment Life level as CGU. The result of the goodwill impairment test, using the multiples methodology, shows an excess recoverable value over the book value. As a result, a second step was not necessary and there is no significant exposure of goodwill impairment for sensitivities in the underlying assumptions. No goodwill impairment was recognised.

Segment Banking and Asset Management
The goodwill is related to Asset Management, as such the impairment test was conducted at the segment Banking and Asset Management level as CGU. The result of the goodwill impairment test, using the multiples methodology, shows an excess recoverable value over the book value. As a result, a second step was not necessary and there is no significant exposure of goodwill impairment for sensitivities in the underlying assumptions. No goodwill impairment was recognised.

Segment Distribution and Services
The goodwill impairment test was conducted at the segment Distribution and Services as CGU. The outcome of the goodwill test on step 1 showed that the difference between the recoverable amount and the carrying value may not be sufficient to support the amount of goodwill allocated to the CGU. Therefore the step 2 additional analysis was performed in order to determine a recoverable amount in a manner that better addresses the specific characteristics of the CGU.
Assumptions used in the step 2 internal model are:
- A steady state growth rate used to extrapolate cash flow projections beyond the budget periods (1,6%) which reflects the market segment in which the CGU's operate;
- Future cashflows are based on expected market developments and past experience and on the long term characteristics of the markets in which the CGU's operate;
- The (pre-tax) discount rate used in the estimate of value in use ranges between 7.7% and 7.9%, depending on the CGU.

The second step as described above in the CGU's of the segment Distribution and Services indicate that there is an excess of recoverable amount over the book value of all CGU's to which goodwill has been allocated (buffer).

A deterioration within reasonable limits on one of the above mentioned assumptions in isolation would not lead to an impairment. The buffer is also capable of absorbing a combination of negative factors. However, should circumstances on multiple factors deteriorate significantly, it could lead to a negative outcome for the buffer (the difference between the recoverable value and the book value).

Management believes that any reasonable possible change in the key assumptions on which the other CGU's recoverable amounts are based would not cause the carrying amounts to exceed their recoverable amounts.

Value of Business Acquired (VOBA)
VOBA mainly relates to the acquisition of Amersfoortse Stad Rotterdam. At year-end 2018, the remaining amortisation period of VOBA is 12 years and the average amortisation for the next 5 years will be € 8 million per year.

Other intangible assets
The other intangible assets mainly relate to Dutch ID, SuperGarant and the acquisition of a customer client list in 2017. The other intangible assets relate to trade name, distribution relationships and customer relationships.

7.5.2 Property and equipment

See accounting policy T.

Property and equipment

	31 December 2018	31 December 2017
Land and buildings for own use	151	147
Equipment	21	24
Total property and equipment	**172**	**171**

Changes in property and equipment

	Land and buildings for own use	Equipment	Total 2018	Total 2017
At 1 January	147	24	171	171
Additions	1	3	5	6
Transfer to Investment property	-7	-	-7	-
Depreciation	-7	-6	-13	-12
Revaluations through equity	8	-	8	4
Other changes	-	-	-	1
Changes in the composition of the group	8	-	8	-
At 31 December	**151**	**21**	**172**	**171**
Gross carrying amount as at 31 December	242	44	287	408
Accumulated depreciation as at 31 December	-91	-23	-115	-237
Accumulated impairments as at 31 December	-	-	-	-
Net carrying value as at at 31 December	**151**	**21**	**172**	**171**
Revaluation surplus				
At 1 January	18	-	18	15
Revaluation in the year	8	-	8	3
At 31 December	**26**	**-**	**26**	**18**

Depreciation of property and equipment is recorded in the operating expenses (see chapter 7.6.8).

The fair value of land and buildings for own use based on the external valuations is disclosed in chapter 7.7.1.3.

Due to their nature property and equipment consist mainly of assets expected to be recovered after more than twelve months after the balance sheet date.

7.5.3 Investment property

See accounting policy D.

Changes in investment property

	2018	2017
At 1 January	1,597	3,057
Changes in value of investments, realised/unrealised gains and losses:		
- Fair value gains and losses	46	65
Purchases	202	105
Issues	3	1
Disposals	-98	-176
Transferred between investments on behalf of policyholders and investment property	-4	9
Transferred from property and equipment	7	-
Transfer between investment property and investments	-	-1,465
Transfer of other assets	115	-
Changes in the composition of the group	21	-
At 31 December	**1,889**	**1,597**

Investment property is leased to third parties and is diversified over the rural, residential, offices and retail sectors in the Netherlands. For more detailed information about the investment property, please see chapter 7.7.1. The significant inputs are the net initial yield and market rental value. These inputs are verified with the following market observable data:

- Market rent per square meter for renewals and their respective re-letting rates;
- Reviewed rent per square meter;
- Investment transaction of comparable objects;
- 10 Year Dutch Government Bond Yield (%) as published by the Dutch Central Bank.

In 2018, following the completion of the property development of a shopping center and parking garage, ASR Vastgoed Projecten B.V. sold the shopping center and parking garage to ASR Utrecht Real Estate Investments Netherlands B.V. (AUREIN), a group company which resulted in a reclassification from 'other assets' to investment property in the a.s.r. consolidated financial statements.
Purchases in 2018 mainly relates to acquisitions of rural real estate (€ 112 million), commercial real estate (€ 57 million) and offices (€ 7 million).

The changes in the composition of the group concerns an asset acquisition of agricultural land by means of a purchase of the shares in agricultural real estate entities.

Rental income is recognised as investment income. For details, see chapter 7.6.2. In 2018, rentals amounted to € 50 million (2017: € 54 million). The decrease is due to the fact that rental income (€ 6.4 million) from DMOF was recorded as 'rentals from investment property' until May 2017. Until this moment a.s.r. had control over DMOF.
Direct operating expenses arising from investment property amounted to € 14 million (2017: € 12 million). Given the overall low vacancy rate, virtually all direct operating expenses relate to investment properties generating rental income. Direct operating expenses of investment property are classified as operating expenses.

Due to their nature Investment property consist mainly of assets expected to be recovered after more than twelve months after the balance sheet date.

7.5.4 Associates and joint ventures

See accounting policy U.

Associates and joint ventures

	Interest	31 December 2018	31 December 2017
At equity method			
Associates and joint ventures	ranging between 10% and 50%	67	45
At fair value through profit and loss			
Real estate equity funds	ranging between 30% and 70%	1,677	1,563
Mortgage equity funds	20%	298	-

The real estate equity funds consists of the ASR DMOF, ASR DPRF and the ASR DCRF. The mortgage equity funds consist of ASR Mortgage Fund. The interests in these funds are classified and presented as an investment at fair value through profit or loss. For more information, please see chapter 7.5.5 and 7.7.1.

Due to their nature Associates and joint ventures consist mainly of assets expected to be recovered after more than twelve months after the balance sheet date.

Changes in associates and joint ventures at equity method

	Associates and other joint ventures at equity method	
	2018	2017
At 1 january	45	20
Acquisitions	-	5
Disposal	-6	-5
Share of profit/(loss)	-7	14
Dividend	-3	-1
Other changes	14	-1
Changes in the composition of the group	22	13
At 31 December	**67**	**45**

Some participating interests in which a.s.r. has an interest of less than 20% qualify as associates, because a.s.r. has significant influence as a result of contractual agreements. a.s.r. also has interests of 50% or more in associates at fair value through profit or loss. a.s.r. has no control over these entities as the ability to direct the relevant activities is limited by contractual agreements and therefore does not consolidate these entities.

Where the associate's and the joint venture's accounting policies are different from a.s.r.'s, carrying amounts have been changed to ensure that they are consistent with the policies used by a.s.r.

The information disclosed in the tables below is based on the most recent financial information available from the associates and joint ventures. This is primarily based on the investee's financial statements and their accounting policies

Financial information available from the associates and joint ventures

	31 December 2018				31 December 2017		
	Associates and joint ventures at equity method	Real estate equity funds	Mortgage equity funds	Total	Associates and joint ventures at equity method	Real estate equity funds	Total
Total assets	1,128	3,289	1,960	6,378	992	2,992	3,983
Total liabilities	974	241	62	1,153	846	253	1,099
Total income	366	170	39	575	343	158	501
Profit and loss from continuing operations	-6	300	33	327	16	268	284
Total comprehensive income	-6	300	33	327	16	268	284

The total assets of the real estate equity funds consist primarily of investment property (€ 3,207 million).

The interest in the real estate equity funds is as follows:

Investments

	31 December 2018	31 December 2017
ASR DPRF	666	655
ASR DCRF	940	838
ASR DMOF	72	70
Total	**1,677**	**1,563**

The interest in the mortgage equity funds consist only of ASR Mortgage Fund.

In 2018, loans to associates and joint ventures amounted to € 0.3 million (2017: € 3 million). These loans are classified as related party transactions (see chapter 7.7.4).

7.5.5 Investments

See accounting policy E.

Investments

	31 December 2018	31 December 2017
Available for sale (chapter 7.5.5.1)	25,328	23,975
At fair value through profit or loss (chapter 7.5.5.2)	2,332	1,706
	27,660	**25,681**

The investments at fair value through profit or loss increased in 2018 by € 626 million primarily due to additional investments in the mortgage equity funds and a.s.r. real estate funds.

Breakdown of investments

	31 December 2018			31 December 2017		
	Available for sale	Fair value through profit or loss	Total	Available for sale	Fair value through profit or loss	Total
Fixed income investments						
Government bonds	11,773	-	11,773	10,409	-	10,409
Corporate bonds	10,708	-	10,708	10,290	-	10,290
Asset-backed securities	127	-	127	154	-	154
Equities and similar investments						
Equities	2,716	107	2,822	3,102	121	3,223
Real estate equity funds	-	1,928	1,928	-	1,585	1,585
Mortgage equity funds	-	298	298	-	-	-
Other participating interests	4	-	4	12	-	12
Other investments	-	-	-	7	-	7
Total investments	**25,328**	**2,332**	**27,660**	**23,975**	**1,706**	**25,681**

The equities consist primarily of listed equities and investment in investment funds (incl. open ended investment funds).

In 2018, government bonds increased to € 11,773 million (2017: € 10,409 million) primarily due to the acquisition of Generali Nederland. Equities declined to the amount of € 2,822 million (2017: € 3,223 million) due to de-risking and the development of the stock-market. The increase in real estate equity funds is primarily related to positive revaluations. For the real estate equity funds and mortgage equity funds for which a.s.r. has significant influence, being ASR DMOF, ASR DPRF and ASR DCRF and ASR mortgage fund, the exemption of IAS 28 was used, thereby measuring the investments at fair value through profit or loss and presenting them as a separate category within the investments at fair value through profit or loss. For a breakdown of the real estate equity funds ASR DMOF, ASR DPRF and ASR DCRF, and ASR mortgage funds please see section 7.5.4.

All investments at fair value through profit or loss are designated as such by a.s.r. upon initial recognition. For more detailed information about the fair value valuation of the investments, please see chapter 7.7.1.

Based on their contractual maturity, an amount of € 21,774 million (2017: € 20,090 million) of fixed income investments, mortgage equity funds and other investments is expected to be recovered after twelve months after reporting date. For all assets without a contractual maturity date, it is assumed that they will be expected to be recovered after twelve months after the reporting date.

7.5.5.1 Investments available for sale

Changes in investments available for sale

	2018	2017
At 1 January	23,975	25,340
Purchases	6,395	5,674
Repayments	-998	-890
Disposal	-5,910	-6,056
Realised gains through profit or loss	220	417
Revaluation recognised in equity	-664	-269
(Reversals of) Impairments	-33	24
Amortisation	-133	-106
Exchange rate differences	29	-67
Other changes	-1	-93
Changes in the composition of the group	2,448	-
At 31 December	**25,328**	**23,975**

a.s.r. has equities and bonds that have been transferred, but do not qualify for derecognition amounting to € 5,174 million

(2017: € 5,491 million). The majority of these investments are part of a securities lending programme whereby the investments are lent in exchange for a fee with collateral obtained as a security. The collateral furnished as security representing a fair value of € 6,188 million (2017: € 7,073 million) consists of mortgage loans and corporate and government bonds. Please see accounting policy R about securities lending. Changes in the composition of the group relates to the assets acquired through the acquisition of Generali Nederland (see chapter 7.4.5).

Impairment of investments available for sale

Changes in impairments of investments available for sale

	2018	2017
At 1 January	-434	-517
Increase in impairments through profit or loss	-89	-18
Reversal of impairments through profit or loss	57	42
Reversal of impairments due to disposal	37	59
At 31 December	**-430**	**-434**

The increase in impairments through profit or loss are mainly related to equities as a result of declining share prices in 2018. The reversal of impairments through profit or loss are mainly related to the disposal of collateral debt obligations which were impaired in 2008. There is a high degree of uncertainty about the repayment of the remaining collateral debt obligations.

7.5.5.2 Investments at fair value through profit or loss

Changes in investments at fair value through profit or loss

	2018	2017
At 1 January	1,706	130
Purchases	539	135
Disposal	-21	-142
Revaluation through profit or loss	113	119
Transfer between investments on behalf of policyholders and investments	-5	32
Other changes	-	1,432
At 31 December	**2,332**	**1,706**

The increase in investments at fair value through profit or loss is primally related to additional investments in the mortgage equity funds and a.s.r. real estate funds.

7.5.6 Investments on behalf of policyholders

See accounting policy F.

Investments on behalf of policyholders at fair value through profit or loss

	31 December 2018	31 December 2017
Government bonds	1,445	1,204
Corporate bonds	928	861
Listed equities	3,635	4,088
Listed equity funds	1,492	1,184
Real estate equity funds	108	99
Derivatives assets	7	6
Derivatives liabilities	-1	-2
Investment property	42	85
Other investments	116	159
Total investments on behalf of policyholders at fair value through profit or loss	**7,771**	**7,684**

Changes in investments on behalf of policyholders at fair value through profit or loss	2018	2017
At 1 January	7,684	7,745
Purchases	3,934	3,788
Disposals	-4,151	-4,226
Revaluation through profit or loss	-340	432
Transfer between investments on behalf of policyholders and investments	5	-32
Transfer between investments on behalf of policyholders and investment property	4	-9
Exchange rate differences	-2	-9
Other changes	-23	-5
Changes in the composition of the group	660	-
At 31 December	**7,771**	**7,684**

Investments on behalf of policyholders are managed on behalf of policyholders on a fair value basis. Although individual instruments may (or may not) have a maturity depending on their nature, this does not impact the liquidity position of a.s.r.

Changes in the composition of the group relates to the acquisition of Generali Nederland (see chapter 7.4.5).

7.5.7 Loans and receivables

See accounting policy G.

Loans and receivables measured at amortised cost	31 December 2018	31 December 2017
Government and public sector	124	132
Mortgage loans	6,711	7,812
Consumer loans	1	2
Other loans	137	148
Total due from customers	**6,972**	**8,094**
Impairments		
Specific credit risks	-21	-35
Due from customers	**6,952**	**8,059**
Due from credit institutions - Interest bearing deposits	249	254
Due from credit institutions - Loans and advances	3,175	3,129
Due from credit institutions - Other	53	98
Total due from credit institutions	**3,477**	**3,480**
Impairments		
Specific credit risks	-56	-56
Due from credit institutions	**3,421**	**3,424**
Due from policyholders	158	133
Due from intermediaries	84	82
Reinsurance receivables	111	101
Due from Health Insurance Fund	102	99
Other receivables	289	308
Total trade and other receivables	**744**	**723**
Impairments		
Specific credit risks	-33	-33
Trade and other receivables	**710**	**690**
Total loans and receivables	**11,083**	**12,174**

The decrease of € 1,102 million (2017: € 6,711 million) in mortgage loans is a result of the classification as 'held for sale' of a.s.r. bank (see chapter 7.4.6.).

Total due from credit institutions consist for € 2,861 million (2017: € 2,811 million) of savings-linked mortgage loans.

The claim related to cash collateral paid on derivative instruments, included in total due from credit institutions, amounts to € 15 million (2017: € 33 million).

An amount of € 10,350 million (2017: € 11,407 million) of the Loans and receivables is expected to be recovered after twelve months after reporting date.

Impairments of loans and receivables

Changes in impairments of loans and receivables

	2018	2017
At 1 January	-124	-133
Increase in impairment through profit and loss	-13	-12
Reversal of impairment through profit and loss	16	13
Reversal of impairment due to disposal	11	7
Changes in composition of the group	-1	-
Other	-	1
At 31 December	**-110**	**-124**

For information regarding the fair value, see chapter 7.7.1.2.

7.5.8 Derivatives

See accounting policy H.

Derivatives consist primarily of derivatives used to hedge interest rate movements. Changes in the fair value of derivatives at fair value through profit or loss are recorded in 'fair value gains and losses' (see chapter 7.6.4).

a.s.r. trades both cleared and non-cleared derivatives on the basis of standardised contracts and exchanges cash variation margin with its counterparties. The derivatives are valued daily and cash collateral is exchanged to reflect the change in mark-to-market (MtM) of the derivatives. Because of this periodic margining process, counterparty risk on derivatives is negligible.

In addition to the above variation margin obligations, there is also an initial margin obligation for central cleared derivates which further reduces the risk of a.s.r. and its counterparties that they cannot fulfil their obligations.

Notional amounts are not recognised as assets or liabilities in the balance sheet, however notional amounts are used in determining the fair value of the derivatives. Notional amounts do not reflect the potential gain or loss on a derivative transaction.

Derivatives

	31 December 2018			31 December 2017		
	Asset	Liability	Notional amount	Asset	Liability	Notional amount
Derivatives						
Foreign exchange contracts	5	3	772	14	3	717
Interest rate contracts						
- Swaps	2,066	372	43,910	1,771	388	33,257
- Options	771	-	6,263	709	6	6,755
- Futures	-	53	225	16	6	1,521
Inflation linked swaps	-	8	235	3	-	235
Equity index contracts	26	-	542	14	-	607
Total	**2,867**	**435**	**51,947**	**2,527**	**403**	**43,092**

The derivatives do not include the derivatives on behalf of policyholders (2018: € 6 million, 2017: € 4 million).

In addition to the use of swaps and options a.s.r. further mitigates interest rate risk by using forward starting swaps, included in interest rate contracts swaps.

The notional amounts of both receiver and payer swaps are included in the total notional amounts of foreign exchange contracts.

The fair value of interest-rate contracts is calculated by first determining the cash flows of the floating leg based on the Euribor-curve corresponding the interest reset period (3 months, 6 months or 12 months) of the swap. Then the net present value of the floating and fixed leg is determined by discounting the cash flows with the Overnight Indexed Swap (OIS) curve.

The fair value of the interest-rate contracts using the above valuation method form the basis for the amount of collateral that is exchanged between a.s.r. and its counterparties in accordance with the underlying contracts. For more information please see chapter 7.8 on risk management.

Of the derivatives € 2,443 million (2017: € 2,453 million) and € 365 million (2017: € 393 million) are non-current derivative assets and liabilities respectively.

7.5.9 Deferred taxes

Deferred taxes

	31 December 2018	31 December 2017
Deferred tax assets	275	226
Deferred tax liabilities	-	-
Net deferred tax	**275**	**226**

Deferred taxes are formed for differences between the carrying amount of assets and liabilities and their tax base at the enacted tax rate, taking into account tax-exempt components. The enacted and current tax rate of 25.0% (2017: 25.0%) is applied when calculating deferred tax.

The deferred tax asset is mainly caused by additions which have been made to the liabilities arising from insurance contracts and have already been recognised in the income tax expense. The deferred tax asset is not as a result of prior year tax loss.

Deferred tax assets and liabilities are expected to be recovered, to a large extent, more than twelve months after reporting date.

Changes in deferred taxes (2018)

	1 January 2018	Changes recognised in profit and loss	Changes recognised in other comprehensive income	Changes in the composition of the group	Other changes	31 December 2018
Financial assets held for trading	-473	13	-	-	1	-460
Investments	-742	70	140	-63	-	-595
Investment property	-260	8	-	-1	4	-249
Property and equipment	-1	-4	-2	5	-	-2
Intangible assets	-31	8	-	-1	-	-24
Liabillities arising from insurance contracts	1,621	-264	-78	218	-	1,497
Employee benefits	192	5	-13	2	-	185
Amounts received in advance	4	-20	15	2	-	1
Fiscal reserves	-101	33	-	-23	-	-91
Other	17	-16	-	13	-1	12
Gross deferred tax	**226**	**-166**	**61**	**151**	**4**	**275**
Write-down of deferred tax assets	-	-	-	-	-	-
Net deferred tax	**226**	**-166**	**61**	**151**	**4**	**275**

For the calculation of the net deferred tax position at year end 2018, a rate reduction of the corporate tax has been taken into account. This reduction will be effective in 2020 (22.5%) and 2021 and thereafter (20.5%). The revised tax rate has been used for deferred taxes which are expected to be recovered in 2020 and, 2021 and later. Due to this rate reductions the deferred tax assets decreased at year end 2018.

In 2018, changes in the compositions of the group mainly relates to the acquisition of Generali Nederland and the technical provisions and investments involved (see chapter 7.4.5).

Changes in deferred taxes (2017)

	1 January 2017	Changes recognised in profit and loss	Changes recognised in other comprehensive income	Changes in the composition of the group	Other changes	31 December 2017
Financial assets held for trading	-588	115	-	-	-	-473
Investments	-586	-245	89	-	-	-742
Investment property	-549	277	-	-	12	-260
Property and equipment	-	-	-1	-	-	-1
Intangible assets	-8	3	-	-	-26	-31
Liabilities arising from insurance contracts	2,151	-430	-107	-	7	1,621
Employee benefits	220	-1	-27	-	-	192
Amounts received in advance	-9	-18	-	-	31	4
Fiscal reserves	-	-37	-	-	-64	-101
Other	-36	1	-	-	52	17
Gross deferred tax	**595**	**-335**	**-46**	**-**	**12**	**226**
Write-down of deferred tax assets	-	-	-	-	-	-
Net deferred tax	**595**	**-335**	**-46**	**-**	**12**	**226**

7.5.10 Other assets

See accounting policy W.

Composition of other assets

	31 December 2018	31 December 2017
Accrued investment and interest income	458	412
Prepaid costs and other non-financial assets	135	146
Property developments	43	114
Total other assets	**636**	**672**

Prepaid costs and other non-financial assets include prepaid commissions non-life insurance.

In 2018, the decrease in the property developments is mainly caused by the transfer of the shopping center LRC from ASR Vastgoed Projecten B.V. to AUREIN as well as sales of property developments to external parties. AUREIN classified the shopping center LRC as part of its investment property portfolio. For more information, see chapter 7.5.3.

An amount of € 30 million (2017: € 85 million) of the other assets is expected to be recovered less than or equal to twelve months after reporting date.

7.5.11 Cash and cash equivalents

See accounting policy X.

Cash and cash equivalents

	31 December 2018	31 December 2017
Due from banks	2,562	2,603
Due from banks falling due within three months	1,220	1,146
Total cash and cash equivalents	**3,782**	**3,749**

All cash and cash equivalents are freely available, except cash related to cash collateral which is managed separately from other cash equivalents. The cash components include € 2,512 million (2017: € 2,166 million) related to cash collateral received on derivative instruments.

The claim related to cash collateral paid on derivative instruments is included in the amount loans and receivables (see chapter 7.5.7). Debt related to cash collateral received on derivatives instruments is included in the amount due to banks (see chapter 7.5.19).

Interest expenses on cash collateral is standardised in the ISDA/CSA's and based on EONIA.

7.5.12 Equity

See accounting policy Y.

7.5.12.1 Share capital

Share capital

	31 December 2018		31 December 2017	
	Number of shares (in millions)	Amounts (in € millions)	Number of shares (in millions)	Amounts (in € millions)
Ordinary shares:				
- Authorised capital; par value of € 0.16	350	56	350	56
- Of which unsubscribed	209	33	203	32
Subscribed and paid-up capital	**141**	**23**	**147**	**24**
Preference shares				
- Authorised capital; par value of € 0.16	350	56	350	56
- Of which unsubscribed	350	56	350	56
Subscribed and paid-up capital	-	-	-	-

In June 2017 a.s.r. repurchased 3,000,000 of its own shares offered by NLFI at a price of € 29.00. In September 2017 a.s.r. repurchased another 3,000,000 of its own shares offered by NLFI at a price of € 33.75. In the Annual General Meeting of Shareholders on 31 May 2018 the resolution was adopted to cancel these shares. The cancellation has been effected on 13 August 2018 (see chapter 7.5.12.4).

7.5.12.2 Unrealised gains and losses recorded in equity

Unrealised gains and losses recorded in equity

	Investments available for sale	Revaluation of property in own use	Total
31 December 2018			
Gross unrealised gains and losses	1,637	26	1,663
Related tax	-351	-6	-357
Shadow accounting	-925	-	-925
Tax related to shadow accounting	231	-	231
Unrealised gains and losses related to segregated investment pools	-35	-	-35
Tax related to segregated investment pool	9	-	9
Total unrealised gains and losses recorded in equity	**567**	**19**	**586**
31 December 2017			
Gross unrealised gains and losses	2,301	18	2,319
Related tax	-490	-4	-495
Shadow accounting	-1,173	-	-1,173
Tax related to shadow accounting	293	-	293
Unrealised gains and losses related to segregated investment pools	-100	-	-100
Tax related to segregated investment pools	25	-	25
Total unrealised gains and losses recorded in equity	**856**	**13**	**869**

7.5.12.3 Actuarial gains and losses

The actuarial gains and losses related to the pension obligation increased in 2018 by € 39 million after tax and € 54 million before tax (2017: increased by € 81 million after tax and € 108 million before tax). The increase is mainly due to a decrease in the indexation rates (see chapter 7.5.15).

7.5.12.4 Treasury shares
The amount of treasury shares held in 2018 of nil (2017: € 188 million) is the result of a resolution by the Annual General Meeting of Shareholders held on 31 May 2018 to cancel 6,000,000 own shares repurchased in June and September 2017 (see chapter 7.5.12.1). The repurchased shares were canceled in August 2018 leading to a decrease of € 1 million in share capital, a decrease of € 42 million in share premium reserve and a decrease of € 145 million in retained earnings.

7.5.12.5 Other equity instruments
In 2018, a.s.r. neither issued nor redeemed any other equity instruments. In 2017, a.s.r. launched and priced a € 300 million perpetual non-call 10 year restricted Tier 1 contingent convertible capital instrument.

Other equity instruments

Position as at 31 December	2018	2017	Coupon date	First possible redemption date
Hybrid Tier 1 instrument 10% fixed interest	187	187	Annually with effect from 26 October 2010	26 October 2019
Hybrid Tier 1 instrument 7.25% fixed interest	16	16	Annually with effect from 30 September 2010	30 September 2019
Hybrid Tier 2 instrument 5% fixed interest	497	497	Annually with effect from 30 September 2015	30 September 2024
Restricted Tier 1 instrument 4.625% fixed interest	300	300	Annually with effect from 12 October 2017	19 October 2027
Total other equity instruments	**1,001**	**1,001**		

The Tier 1 and Tier 2 instruments bear discretionary interest and have no maturity date, but can be redeemed at the option of a.s.r. on any coupon due date as the above mentioned possible redemption date.

If the hybrid Tier 1 instrument at 10% fixed interest is not redeemed on 26 October 2019, the interest rate will be changed to 3-month Euribor plus 9.705%, with a quarterly coupon date with effect from 26 January 2020.

The Tier 1 and Tier 2 instruments have subordination provisions, rank junior to all other liabilities and senior to shareholder's equity only. The conditions of the securities contain certain provisions for optional and required coupon payment deferral and mandatory coupon payment events.

a.s.r. launched and priced a € 300 million perpetual non-call 10 year restricted Tier 1 contingent convertible capital instrument on 12 October 2017, priced with a fixed-rate coupon of 4.625% (resettable after 10 years).

The (interest) reimbursement on the restricted Tier 1 contingent convertible capital instrument was explicitly made tax deductible until 1 January 2019 in Article 29a of the Dutch Income Tax Act (Wet Vpb). Now that this article has been abolished, the question is whether the (interest) reimbursement can still be deducted for tax purposes on the basis of the existing legislation and regulations for hybrid financing instruments. This may not be the case. However, case law regarding the tax deductibility of hybrid financing instruments is still developing. a.s.r. will take a position on this at a later stage.

Distributed amounts to holders of equity instruments as discretionary interest

	2018	2017
Hybrid Tier 1 instrument 10% fixed interest	19	19
Hybrid Tier 1 instrument 7.25% fixed interest	1	1
Hybrid Tier 2 instrument 5% fixed interest	25	25
Restricted Tier 1 instrument 4.625% fixed interest	14	-
Total distributed amounts	**59**	**45**

The Tier 1 and Tier 2 instruments are classified as equity as there is no requirement to settle the obligation in cash or another financial asset or to exchange financial assets or financial liabilities under conditions that are potentially unfavourable for a.s.r.

7.5.12.6 Non-controlling interests

Movements in non-controlling interests

	2018	2017
At 1 January	-1	-10
Share of total comprehensive income	2	2
Capital investment	-	7
Other	-1	-
At 31 December	**-**	**-1**

The non-controlling interest relates to property development projects where non-controlling shareholders have committed to increase capital when required.

7.5.12.7 Earnings per share

Basic earnings per share at year end

Basic earnings per share at year-end	2018	2017
Net profit from continuing operations	647	869
Net profit from discontinued operations	-36	3
Net profit (loss) attributable to holders of ordinary shares for calculating the earnings per ordinary share	**610**	**872**
Weighted average number of ordinary shares in issue	141,000,000	144,600,000
Basic earnings per ordinary share from continuing operations (in euros)	4.59	6.01
Basic earnings per ordinary share from discontinued operations (in euros)	-0.26	0.02
Basic earnings per ordinary share (in euros)	**4.33**	**6.03**

Diluted earnings per share at year end

Diluted earnings per share at year-end	2018	2017
- Net profit from continuing operations	647	869
- Effect of Restricted Tier 1 capital instrument	10	-
Adjusted net profit from continuing operations	**657**	**869**
Net profit from discontinued operations	-36	3
Adjusted net profit (loss) attributable to holders of ordinary shares for calculating the diluted earnings per ordinary share	**620**	**872**
Weighted average number of ordinary shares in issue	141,000,000	144,600,000
Weighted average number of ordinary shares resulting from conversion of bonds Restricted Tier 1	12,987,013	2,597,403
Weighted average number of shares used to calculate the diluted earnings per ordinary share	**153,987,013**	**147,197,403**
Diluted earnings per ordinary share from continuing operations (in euros)	4.27	5.90
Diluted earnings per ordinary share from discontinued operations (in euros)	-0.24	0.02
Diluted earnings per ordinary share (in euros)	**4.03**	**5.92**

Net profit in the table is after tax and non-controlling interests.

For additional information related to net profit, please see chapter 7.2.2.

7.5.13 Subordinated liabilities

See accounting policy Z.

Subordinated liabilities

	Nominal Amount	Carrying value 2018	Carrying value 2017
Hybrid Tier 2 instrument 5.125% fixed interest	500	497	497

In 2015, a.s.r. issued € 500 million subordinated liabilities in the form of Tier 2 notes, first callable on 29 September 2025, and maturing on 29 September 2045. The coupon is fixed at 5.125% and paid annually on 29 September with a step up at the first call date.

The notes were issued in order to strengthen the quality of a.s.r. capital and the net proceeds from the notes were applied by a.s.r. for its general corporate purposes.

These notes are subordinated and ranking equally without any preference amongst themselves and (a) junior to the claims of all senior creditors of a.s.r., (b) equally with any parity obligations and (c) in priority to claims in respect of (i) any equity securities and (ii) any junior obligations.

The subordinated liability is classified as liability given the obligation to settle the loans and pay the coupon. They are considered Tier 2 for regulatory purposes.

7.5.14 Insurance liabilities

See accounting policies I, J, O and V.

7.5.14.1 Liabilities arising from insurance contracts

Insurance contracts with retained exposure

	Gross		Of which reinsurance	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Provision for unearned premiums	353	303	37	3
Provision for claims (including IBNR)	4,674	4,276	378	363
Non-life insurance contracts	**5,027**	**4,579**	**415**	**366**
Life insurance contracts excluding own pension contracts	**28,217**	**26,478**	**174**	**180**
Total liabilities arising from insurance contracts	**33,244**	**31,057**	**589**	**546**

Changes in liabilities arising from non-life insurance contracts

	Gross		Of which reinsurance	
	2018	2017	2018	2017
Provision for unearned premiums				
At 1 January	303	345	3	3
Changes in provision for unearned premiums	-34	-42	-1	-
Changes in the composition of the group	84	-	35	-
Provision for unearned premiums as at 31 December	**353**	**303**	**37**	**3**
Provision for claims (including IBNR)				
At 1 January	4,276	4,266	363	438
Benefits paid	-2,168	-1,903	-70	-104
Changes in provision for claims	2,258	1,973	43	29
Changes in shadow accounting through equity	-31	-59	-	-
Changes in shadow accounting through income	15	-	-	-
Changes in the composition of the group	324	-	42	-
Provision for claims (including IBNR) as at 31 December	**4,674**	**4,276**	**378**	**363**
Non life insure contracts as at 31 December	**5,027**	**4,579**	**415**	**366**

The changes in composition of the group reflect the acquisition of Generali Nederland (see chapter 7.4.5).

Gross provisions for claims

	31 December 2018	31 December 2017
Claims reported	3,876	3,525
IBNR	798	751
Total provisions for claims	**4,674**	**4,276**

Changes in liabilities arising from life insurance contracts

	Gross		Of which reinsurance	
	2018	2017	2018	2017
At 1 January	26,494	27,898	183	197
Premiums received / paid	839	802	-	-
Regular interest added	669	665	3	4
Realised gains and losses	33	63	-	-
Amortisation of realised gains	-333	-337	-	-
Benefits	-1,579	-1,580	-	-
Technical result	-101	-210	-7	-6
Release of cost recovery	-146	-139	-	-
Changes in shadow accounting through equity	-217	-384	-	-
Changes in shadow accounting through income	295	-446	-	-
Other changes	-283	162	-6	-11
Changes in the composition of the group	2,555	-	4	-
At 31 December	**28,226**	**26,494**	**177**	**183**
Interest margin participation to be written down				
At 1 January	-27	-35	-3	-3
Write-down recognised in profit or loss	10	10	-	-
Other changes	-3	-2	-	-
At 31 December	**-20**	**-27**	**-3**	**-3**
Provision for discretionary profit-sharing, bonusses and discounts				
At 1 January	11	10	-	-
Profit-sharing, bonusses and discounts granted in the financial year	-	1	-	-
At 31 December	**11**	**11**	**-**	**-**
Total life insurance contracts at 31 December	**28,217**	**26,478**	**174**	**180**

The other changes in life insurance contracts (€ -283 million) mainly concern the reassessment of insurance contracts to insurance contracts on behalf of policyholders resulting from new product features provided in 2018 to clients.

The changes in composition of the group reflect the acquisition of Generali Nederland (see chapter 7.4.5).

The insurance liabilities are deemed to be adequate following the performance of the Liability Adequacy Test (LAT) taking into account the UFR of 4.05% applicable for 2018 (2017: 4.2%). The future UFR is subject to developments in the real interest rate and, based on the in 2017 published EIOPA UFR methodology, would result in a UFR of 3.6% in 2021. The UFR under Solvency II and therefore also for the LAT will decrease in 2019 from 4.05% to 3.9% with future decreases expected in the coming years. a.s.r. performed a sensitivity analysis on the impact of the development of the UFR as if the UFR would have been 3.6% at 31 December 2018 and concluded that it still has an adequate surplus of the insurance liabilities over the IFRS-LAT.

7.5.14.2 Claims development table, non-life

The table below is a ten-year summary of movements in gross cumulative claims in connection with the Non-life portfolio for the period from 2009 to 2018.

Ten-year summary of changes in gross cumulative claims

											Claims year
31 December 2018	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
At year-end:											
1st claims year	1,819	1,825	1,879	2,099	2,000	1,891	1,904	2,084	2,076	2,134	
2010	1,779	-	-	-	-	-	-	-	-	-	
2011	1,742	1,893	-	-	-	-	-	-	-	-	
2012	1,764	1,810	1,786	-	-	-	-	-	-	-	
2013	1,786	1,841	1,763	2,007	-	-	-	-	-	-	
2014	1,814	1,853	1,780	1,989	1,937	-	-	-	-	-	
2015	1,816	1,853	1,777	1,983	1,926	1,813	-	-	-	-	
2016	1,817	1,861	1,784	1,986	1,919	1,790	1,831		-	-	
2017	1,843	1,873	1,787	2,006	1,940	1,795	1,836	2,038	-	-	
2018	1,810	1,859	1,797	2,005	1,945	1,792	1,852	2,055	1,984	-	
Gross claims at 31 December 2018	**1,810**	**1,859**	**1,797**	**2,005**	**1,945**	**1,792**	**1,852**	**2,055**	**1,984**	**2,134**	
Cumulative gross paid claims	1,669	1,685	1,603	1,766	1,642	1,501	1,490	1,598	1,438	974	
Gross outstanding claims liabilities (including IBNR)	**142**	**175**	**194**	**238**	**302**	**291**	**362**	**457**	**546**	**1,161**	**3,867**
Claim liabilities prior years											562
Other claim liabilities											-
Shadow accounting											244
Total claims liabilities											**4,674**

Gross claims in the claims development table include the Generali Nederland claims from the original date of the claim.

Ten-year summary of changes in gross cumulative claims

											Claims year
31 December 2017	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
At year-end:											
1st claims year	1,575	1,719	1,718	1,771	1,977	1,853	1,770	1,783	1,935	1,916	
2009	1,473	-	-	-	-	-	-	-	-	-	
2010	1,441	1,669	-	-	-	-	-	-	-	-	
2011	1,422	1,634	1,765	-	-	-	-	-	-	-	
2012	1,424	1,658	1,684	1,659	-	-	-	-	-	-	
2013	1,447	1,680	1,715	1,636	1,873	-	-	-	-	-	
2014	1,480	1,708	1,728	1,651	1,855	1,785	-	-	-	-	
2015	1,480	1,710	1,728	1,648	1,847	1,769	1,683	-	-	-	
2016	1,469	1,711	1,736	1,655	1,849	1,760	1,655	1,705	-	-	
2017	1,483	1,738	1,748	1,658	1,869	1,780	1,665	1,708	1,878	-	
Gross claims at 31 December 2017	**1,483**	**1,738**	**1,748**	**1,658**	**1,869**	**1,780**	**1,665**	**1,708**	**1,878**	**1,916**	
Cumulative gross paid claims	1,364	1,536	1,535	1,445	1,599	1,455	1,340	1,318	1,379	888	
Gross outstanding claims liabilities (including IBNR)	**119**	**202**	**213**	**213**	**270**	**325**	**325**	**390**	**499**	**1,028**	**3,584**
Claim liabilities prior years											433
Other claim liabilities											
Shadow accounting											260
Total claims liabilities											**4,276**

7.5.14.3 Liabilities arising from insurance contracts on behalf of policyholders

Changes in liabilities arising from insurance contracts on behalf of policyholders

	2018	2017
At 1 January	9,804	9,928
Premiums received	607	541
Interest added	118	120
Benefits	-822	-1,022
Effect of fair value changes related to financial assets	-354	417
Technical result	-15	27
Release of cost recovery	-77	-81
Other changes	287	-124
Changes in the composition of the group	673	-
At 31 December	**10,222**	**9,804**

At year-end 2018, the liabilities included a guarantee provision for a carrying amount of € 44 million (2017: € 30 million) and a provision related to unit-linked insurance contracts and pension contracts for a carrying amount of € 45 million (2017: € 47 million). These provisions relate to compensation for the cost of these contracts.

The other changes in life insurance contracts (€ 287 million) mainly concern the reassessment of insurance contracts to insurance contracts on behalf of policyholders resulting from new product features provided in 2018 to clients.

Liabilities arising from insurance contracts on behalf of policyholders also include liabilities where conversions and switches have occurred in the insurance contract administration. The insurance contract still meets the definition of and continues to be classified as an insurance contracts on behalf of policyholders and therefore continues to be included in the insurance contracts on behalf of policyholders administration. However, as a result of the conversion and switches, liabilities arising from insurance contracts on behalf of policyholder amounting to € 2,419 million (2017: € 2,086 million) are - in the classification and subsequent presentation - not backed directly with investments on behalf of policyholders. The related investments are included and presented in investments (available for sale) and loans and receivables.

7.5.15 Employee benefits

See accounting policy K.

Employee benefits

	31 December 2018	31 December 2017
Post-employment benefits pensions (chapter 7.5.15.1)	3,303	3,138
Post-employment benefits other than pensions (chapter 7.5.15.2)	11	9
Post-employment benefit obligation	**3,314**	**3,147**
Other long-term employee benefits (chapter 7.5.15.3)	14	14
Total	**3,327**	**3,161**
Specified as follows:		
ASR Nederland N.V.	3,327	3,159
Other group companies	-	1

Costs of post-employment and other long-term employee benefits

	2018	2017
Post employment benefits pensions	-113	-105
Post employment benefits other than pensions	-3	-
Total	**-116**	**-105**
Other long term employee benefits	-	-1
Cost of post-employment and other long-term employee benefits	**-116**	**-106**

The costs of the post-employment benefits pensions relate to all members of the a.s.r. post-employment benefit plan.

An amount of € 3,044 million (2017: € 3,212 million) of the employee benefits is expected to be settled more than twelve months after reporting date.

7.5.15.1 Post-employment benefits pensions

a.s.r. has a number of defined benefit and defined contribution post-employment benefit plans for its employees and former employees. The majority of employees are formally employed by ASR Nederland N.V. A limited amount of employees are employed by other group companies. The pension plans of other group companies are disclosed in a separate section in this paragraph.

ASR Levensverzekering N.V., an insurance company and a group entity, is the insurer of the majority of the post-employment benefit plans. As this company holds the separated investments that are meant to cover the employee benefit obligation, they do not qualify as plan assets in accordance with IAS 19 and are therefore included in financial assets.

ASR Nederland N.V. employees

The a.s.r. post-employment benefit plans are based on an average-salary pension. All employees who commenced service after 1 January 2006 are included in one post-employment benefit plan ('Basic plan'). All other employees remain active within the existing plan at the date of first employment. Previous plans for former employees are also still active. The methods and techniques used to calculate the defined benefit obligations are based on IAS 19 requirements and calculated by an independent actuary.

a.s.r. pays the contributions except for an own contribution of the employees of 6% of their pensionable salary.

The benefits under these plans are dependent on factors such as years of service and compensation. Pension obligations are determined using mortality tables, the rate of employee turnover, wage drift and economic assumptions for factors such as inflation, and the discount rate.

The post-employment benefit plans for staff that is employed by ASR Nederland N.V. are insured by ASR Levensverzekering N.V.

The post-employment benefit plans for ASR Nederland N.V. employees is primarily based on the following conditions:
- The accrual rate for old age pensions 1.875% (2017: 1.89%);
- Retirement age 68 years (2017: 68 years);
- Maximum pensionable salary capped at € 105,075 (2017: € 103,317);
- Future inflation indexation is conditional;
- Minimum franchise has changed.

Generali Nederland employees

Former employees of Generali Netherlands N.V. are still covered by Generali Nederland post-employment benefit plan. This plan is based on an average-salary pension with conditional indexation.

The post-employment benefit plan for former Generali Netherlands N.V. employees is primarily based on the following conditions:
- The accrual rate 1.875%;
- A franchise of € 13,344;
- Retirement age of 68 years;
- Maximum pensionable salary capped at € 105,075;

- A waiver of premium in the event of incapacity for work;
- The personal contribution for the employee amounts to 4.7% of the pension basis.

The liability as per 31 December 2018 is € 185 million.

Other group companies employees
The other group companies which have been acquired have defined contribution and defined benefit plans. The defined benefit plans consist primarily of indexed average salary pension plans taking into account a franchise. The liability as per 31 December is € 0.1 million (2017: € 1.2 million).

The amount recognised as an expense for the defined contribution plans in 2018 amounts to € 2.9 million (2017: € 1.3 million). The increase is related to one of the group companies change in classification from defined benefit plan to a defined contribution plan.

Net defined benefit liability

Defined benefit obligation

	2018	2017
Net defined benefit liability at 1 january	**3,138**	**3,220**
Included in income statement		
Current service cost, contributions by employer	48	48
Interest cost	62	55
Past service cost	-4	-7
Total	**106**	**96**
Remeasurement of liabilities included in OCI		
Discount rate change	24	-94
Other assumptions change	-117	-17
Experience adjustments	39	3
Total	**-54**	**-108**
Current service cost, contributions by employee	9	8
Benefits	-91	-83
Transfer	4	3
Changes in the composition of the group	190	-
Net defined benefit liability at 31 December	**3,303**	**3,138**
Specified as follows:		
ASR Nederland N.V.	3,302	3,136
Other group companies	-	1
At 31 December		
Defined benefit obligation	3,303	3,148
Fair value of plan assets	-1	-10
Net defined benefit liability	3,303	3,138

Employees account for 25% (2017: 26%) of the defined benefit obligation, 41% (2017: 41%) of the defined benefit obligation relates to former employees currently receiving pension benefits, 29% (2017: 28%) of the defined benefit obligation relates to deferred pensioners and 5% (2017: 5%) of the defined benefit obligation relates to other members.

The discount rate was 1.85% at 31 December 2018 (2017: 1.89%), resulting in a € 23.6 million increase in the defined benefit obligation (2017: € 94.2 million decrease). This includes the effect of the changed methodology on the pension obligation (see section assumptions).

As per 31 December 2018 the duration of the defined benefit obligation was 18 years (2017: 18 years).

The change in other assumptions amounts to € -117 million (2017: € -17 million) due to a change in indexation percentage of former employees and mortality rates.

Experience adjustments are actuarial gains and losses that have arisen due to differences between actuarial assumptions. The following table provides information about experience adjustments with respect to qualifying plan assets and the defined benefit obligation:

Experience adjustments

Amounts in € thousands	2018	2017
Experience adjustments to qualifying investments, gain (loss)	32	81
As% of qualifying investments as at 31 December	3.7%	1.0%
Experienced adjustments to defined benefit obligation, loss (gain)	-39,346	-3,298
As a% of liabilities as at 31 December	1.2%	0.1%

Assumptions

The principal actuarial assumptions and parameters at year-end

	2018	2017
Discount rate	1.9%	1.9%
Future salary increases (including price inflation and merit)	1.3%	1.3%
Future pension increases (including price inflation)	1.5%	1.4%
Indexation% employees	1.2%	1.3%
Indexation% former employees	1.3%	1.4%
Accrual rate	1.9%	1.9%
Mortality (years)	20.1	20.0
Expected remaining service years	7.8	7.8

In the calculation of the defined benefit obligation the:
- Discount rate is based on an internal curve for high quality corporate bonds;
- Most recent mortality table 'AG Prognosetafel 2018' is used, in combination with the latest 'CVS Sterftestatistiek Pensioenen 2008-2017' for experience factors;
- The period of indexation is based on the expected duration of the separate account to fund the future inflation indexation.

In 2018, the discount rate methodology changed. a.s.r. developed an internal curve for high quality corporate bonds for determination of the discount rate. The discount rate is based on the return (zero coupon rate) of high-quality corporate bonds (AA rating) and the cash flow pattern of the pension obligation. All other methods used for determining the post-employment benefit defined obligation and assumptions are consistent with those applied in 2017. The impact of this changed methodology on the pension obligation is a decrease of € 112 million.

The sensitivity of the above actuarial assumptions to feasible possible changes at the reporting date to one of the relevant actuarial assumptions whilst other assumption remain constant, would have affected the defined benefit obligation by the amounts shown below:

Sensitivity of actuarial assumptions

	Increase	Decrease
Discount rate (1% movement)	-520	683
Indexation employees (1% movement)	26	-18
Indexation former employees (1% movement)	249	-190
Future salary growth (1% movement)	11	-11
Future pension growth (1% movement)	-2	-
Future mortality (1 year movement)	-114	114

Plan assets

The pensions related to other group companies are administered and guaranteed by a number of insurance companies outside of the group. As such the plan assets recognised relate to the insurance contracts and amount to € 1 million (2017: € 10 million).

Non qualifying plan assets

The portfolio of global investments (non-qualifying assets) held by ASR Levensverzekering N.V. to cover the employee benefit expense can be broken down as follows:

Breakdown of global investments held by ASR Levensverzekering N.V.

Asset category	31 December 2018	31 December 2017
Equities	13.2%	16.0%
Fixed-interest securities	80.5%	78.0%
Real estate	2.9%	4.0%
Cash	1.5%	2.0%
Other	2.0%	-

For the non-qualifying assets backing the post-employment benefit plans, a.s.r. has drawn up general guidelines for the asset mix based on criteria such as geographical location and ratings. To ensure the investment guidelines remain in line with the conditions of the post-employment benefit obligations, a.s.r. regularly performs Asset Liability Management (ALM) studies. Transactions in the non-qualifying assets are done within the guidelines. As the post-employment benefit plans are a liability on group level, the underlying insurance and market risks are in scope of a.s.r.'s risk policies. (see chapter 7.8). The overall interest-rate risk of the group is managed using interest-rate swaps and swaptions. ASR Levensverzekering N.V., manages the interest rate risk through an overlay interest hedging strategy using swaps and swaptions (see chapter 7.8.7) for the company as a whole. The swaps and swaptions are not specifically allocated to the a.s.r. post-employment benefit plans. Therefore the (un)realised gains and losses from swaps and swaptions as a whole are accounted for in liabilities arising from insurance contracts, in accordance with the shadow accounting policy, whereas the impact of changes in interest rates on the provisioning for Employee benefits based on IAS19 is part of actuarial gains and losses that are recognised in equity (see chapter 7.5.12.3).

The non-qualifying assets, which are managed by a group company, are not presented as part of the net defined benefit obligation. At year-end 2018, the fair value of these assets amounted to € 2,505 million (2017: € 2,546 million), which includes the separate account to fund future inflation indexation amounting to € 306 million (31 December 2017: € 335 million). As mentioned above, the swaps and swaptions have not been allocated directly to the post-employment benefit obligations; neither are they included as part of the fair value of the non-qualifying assets managed by the group company.

Under IFRS, assets managed by insurance companies that form part of the group do not qualify as qualifying assets. Investment income from these assets has therefore not been included in the above figures but is recognised as investment income separately. Actual investment returns for 2018 amounted to € 83 million (2017: € 61 million), which includes the investment income on the separate account to fund future inflation indexation amounting to € 5 million (2017: € 6 million). These returns have been recognised in investment income (see chapter 7.6.2).

As an employer, a.s.r. is expected to pay contributions for pension plans and other post-employment benefits in the coming financial year amounting to € 106 million (excluding the positive effect of the investment income) and € 0.2 million respectively.

The separate account to fund future inflation indexation is utilised to fund the future inflation indexation for the employees and former employees included in the ASR Nederland N.V. post-employment benefit plans. As such this has been included in the assumption used in calculating the defined benefit obligation.

7.5.15.2 Post-employment benefits other than pensions

The other post-employment benefits plans consist of personnel arrangements for financial products (such as mortgages and health insurance), which remain in place after retirement.

Changes in the defined benefit obligation

	2018	2017
Defined benefit obligation at 1 january	**9**	**27**
Included in income statement		
Past service cost	3	-
Other	-	-16
Total	**3**	**-16**
Remeasurement of liabilities included in OCI		
Discount rate change	-	-1
Total	**-**	**-1**
Benefits	-1	-1
Defined benefit obligation at 31 December	11	9
Specified as follows:		
ASR Nederland N.V.	11	9

Experience adjustments are actuarial gains and losses that have arisen due to differences between actuarial assumptions. The following table provides information about experience adjustments with respect to qualifying plan assets and the defined benefit obligation:

Experienced adjustments to defined benefit obligation

Amounts in € thousands	2018	2017
Experience adjustments to defined benefit obligation, loss (gain)	-217	-233
As a% of liabilities as at 31 December	-2.0%	-2.5%

Principal actuarial assumptions and parameters at year-end

	2018	2017
Discount rate	1.2%	0.9%

Actuarial assumptions for future mortgage interest are no longer necessary (2017: 1.6%). In 2018, a.s.r.'s policy for grantable discounts on staff mortgages has changed. Discounts on staff mortgages have been fixated in amounts granted on the reference date December 2017.

In the calculation of the defined benefit obligation the:
- Discount rate is based on an internal curve for high quality corporate bonds;
- Most recent mortality table 'AG Prognosetafel 2018' is used, in combination with the latest 'CVS Sterftestatistiek Pensioenen 2008-2017' for experience factors.

In 2018, the discount rate methodology changed. a.s.r. developed an internal curve for high quality corporate bonds for determination of the discount rate. The discount rate is based on the return (zero coupon rate) of high-quality corporate bonds (AA rating) and the cash flow pattern of the pension obligation. All other methods used for determining the post-employment benefit defined obligation and assumptions are consistent with those applied in 2017.

The sensitivity of the above actuarial assumptions to feasible possible changes at the reporting date to one of the relevant actuarial assumptions whilst other assumption remain constant, would have affected the defined benefit obligation by the amounts of € 0 million increase or € 1 million decrease as a result of a movement of the discount rate by 1%.

7.5.15.3 Other long-term employee benefits

Other long-term employee benefits consist of the employer's share of liabilities arising from long-service benefits.

Changes in other long-term employee benefits

	2018	2017
Net liability as at 1 january	**14**	**10**
Total expenses	-1	4
Actuarial gains and losses	-	-
Other	1	-
Net liability as at 31 December	**14**	**14**
Specified as follows:		
ASR Nederland N.V.	14	14

Underlying assumptions

	31 December 2018	31 December 2017
Discount rate	0.8%	0.9%
Salary increases	1.3%	1.3%
Expected remaining service years	7.8	7.9

7.5.16 Provisions

Changes in provisions

	2018	2017
At 1 January	33	49
Additional foreseen amounts	73	11
Reversal of unused amounts	-11	-6
Usages in course of year	-25	-23
Other	-2	-3
Changes in the composition of the group	1	5
Transfer to liabilities relating to assets held for sale	-48	-
At 31 December	**22**	**33**

The provisions were created for:
- Tax and legal issues;
- Staff restructuring expenses;
- Retention of disability risk instead of insuring it with UWV (Employed Persons Insurance Administration Agency); and
- Other expenses.

The provision for tax and legal issues is based on best estimates available at year-end, making allowance for expert opinions.

The timing of the outflow of resources related to these provisions is uncertain because of the unpredictability of the outcome and the time required for the settlement of disputes.

The provisions for staff restructuring are based on arrangements agreed in the Collective Bargaining Agreement, restructuring plans, and on decisions made by a.s.r.'s management.

An amount of € 15 million of the provisions is expected to fall due within one year (2017: € 25 million).

7.5.17 Borrowings

See accounting policy Z.

As at year-end 2018, borrowings comprised loans having the following terms to maturity:

Borrowings comprised loans

	31 December 2018	31 December 2017
Maturity - Falling due within 1 year	12	14
Maturity - Falling due between 1 and 5 years	4	9
Maturity - Falling due after 5 years	23	16
Maturity Borrowings	**39**	**39**

At year-end 2018, the fair value of borrowings was € 39 million (2017: € 39 million). For information regarding the fair value, see chapter 7.7.1.2. The average interest rate payable on borrowings was 2.26% (2017: 1.83%).

7.5.18 Due to customers

Amounts due to customers

	31 December 2018	31 December 2017
Debts to policyholders, agents and intermediaries	569	524
Debts to reinsurers	56	14
Savings	-	1,103
Other deposits	-	543
Total due to customers	**625**	**2,184**

The decrease of savings and other deposits is due to the classification of a.s.r. bank to discontinued operations (see chapter 7.4.6).

For information regarding the fair value, see chapter 7.7.1.2.

An amount of € 88 million (2017: € 593 million) of the due to customers is expected to be settled more than twelve months after reporting date.

7.5.19 Due to banks

The amounts due to banks increased from € 2,254 million to € 2,686 million primarily as a result of the increase in liability recognised for cash collateral received under ISDAs (International Swaps and Derivatives Association) and CCAs (Client Clearing Agreement) concluded with counterparties (see chapter 7.5.11). There is no significant difference between the carrying amount and the fair value of these liabilities (see chapter 7.7.1.2).

a.s.r. has extended its unsecured revolving facility with ABN AMRO of € 350 million for another year. These borrowings are used for investment purposes (property, group pension contracts), for balance sheet management, and for short-term cash flow management. At the end of 2018 a.s.r. had used € 30 million of this facility.

The average interest rate for the cash collateral received in 2018 is -0.36% (EONIA) (2017: -0.35%). There are no specific terms and conditions, because these depend on the development of the value of the underlying instrument.

a.s.r. has bonds that have been transferred as a result of reverse repurchase agreements, but do not qualify for derecognition amounting to € 39 million (2017: € 64 million). The asset recognised for cash collateral paid on reverse repurchase agreements is presented under loans and receivables. The liability recognised for cash collateral received on repurchase agreements is presented under due to banks.

The entire amount of the due to banks is expected to be settled less than or equal to twelve months after reporting date.

7.5.20 Other liabilities

Other liabilities

	31 December 2018	31 December 2017
Financial liabilities		
Accrued Interest	57	69
Trade payables	37	26
Non-financial liabilities		
- Deferred income	67	83
- Short-term employee benefits	21	16
- Tax payable	-	11
- Other non-financial liabilities	449	336
Total other liabilities	**630**	**541**

The other non-financial liabilities of € 449 million (2017: € 336 million) consist amongst others of payables, accruals related to investments and construction depots for rural housing mortgages.

There is no difference between the carrying value of other liabilities and their fair value (see chapter 7.7.1.2).

An amount of € 33 million (2017: € 38 million) of the other liabilities is expected to be settled more than twelve months after reporting date.

7.6 Notes to the consolidated income statement

7.6.1 Gross insurance premiums

See accounting policy AA.

Composition of gross insurance premiums

	2018	2017
Non-life insurance contracts – gross insurance premiums	**3,047**	**2,620**
Life insurance contracts retained exposure	839	802
Life insurance contracts on behalf of policyholders	607	541
Total life insurance contracts	**1,446**	**1,343**
Total gross insurance premiums	**4,493**	**3,963**

The increase in total non-life (€ 427 million) and life (€ 103 million) gross insurance premiums is mostly related to the acquired activities of Generali Nederland.

The table below provides an overview of total gross earned non-life insurance premiums.

Gross earned premiums Non-life

Premiums Non-life	2018	2017
Gross premiums written	3,013	2,577
Changes in provisions for unearned premiums	34	42
Non-life insurance contracts - gross insurance premiums	**3,047**	**2,620**

Non-recurring and regular life insurance premiums

Premiums Life	2018	2017
Retained exposure Group		
Non-recurring premiums written	84	52
Periodic premiums written	175	197
Group total	**259**	**249**
Retained exposure Individual		
Non-recurring premiums written	88	88
Periodic premiums written	491	465
Individual total	**580**	**554**
Total contracts retained exposure	**839**	**802**
On behalf of policyholders Group		
Non-recurring premiums written	52	51
Periodic premiums written	370	279
Group total	**422**	**330**
On behalf of policyholders Individual		
Non-recurring premiums written	1	2
Periodic premiums written	184	209
Individual total	**185**	**211**
Total contracts on behalf of policyholders	**607**	**541**
Total life insurance contracts	**1,446**	**1,343**

A total amount of € 121 million (2017: € 112 million) has been eliminated and are therefore not included in the gross insurance premiums (and investment income and operating expenses). This relates to the a.s.r. post-employment benefit plans: € 106 million (2017: € 79 million), investment fees: € 14 million (2017: € 31 million) and Disability premiums: € 1 million (2017: € 2 million).

7.6.2 Investment income

See accounting policy BB.

Breakdown of investment income per category

	2018	2017
Interest income from receivables due from credit institutions	149	151
Interest income from investments	394	399
Interest income from amounts due from customers	253	252
Interest income from trade receivables and derivatives	256	216
Other interest income	22	22
Interest income	**1,075**	**1,039**
Dividend on equities	78	69
Dividend on real estate equity funds	65	57
Rentals from investment property	50	54
Other investment income	13	12
Dividend income mortgage funds	2	-
Dividend and other investment income	**208**	**192**
Total Investment income	**1,283**	**1,231**

The effective interest method has been applied to an amount of € 794 million of the interest income from financial assets not classified at fair value through profit or loss (2017: € 836 million). Interest income includes € 7 million (2017: € 9 million) in interest received on impaired fixed-income securities.

7.6.3 Realised gains and losses

See accounting policy CC.

Realised gains and losses per category

	2018	2017
Associates and joint ventures at equity method		
- Realised gains	2	-1
- Realised losses	-	-
Investments available for sale		
fixed-interest securities		
- Realised gains	125	344
- Realised losses	-28	-21
Equities		
- Realised gains	145	106
- Realised losses	-29	-12
Other investments		
- Realised gains	7	-
- Realised losses	-	-
Total realised gains and losses	**222**	**416**

The decrease in realised gains on investments available for sale primarily related to sale of preferred stock and government bonds in 2017.

Reversal of impairments on fixed-interest securities as a result of disposal amounts to € 3 million (2017: € 3 million). The related expenses are included under 'Other expenses', please see note 7.6.11.

7.6.4 Fair value gains and losses

See accounting policy DD.

Fair value gains and losses per category

	2018	2017
Realised gains and losses on derivatives	-146	-125
Unrealised gains and losses on derivatives	329	-439
Gains and losses on investment property and property for own use	46	65
Financial assets at fair value through profit or loss	143	65
Other fair value gains and losses	-	2
Additions to insurance liabilities due to shadow accounting (chapter 7.5.14)	-311	445
Total fair value gains and losses	**60**	**13**

All changes in fair value presented here are changes to the so-called 'clean fair value'. This is the fair value net of accrued interest recognised in interest income and expense.

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7.6.5 Fee and commission income

See accounting policy FF.

Fee and commission income

	2018	2017
Asset management for third parties	60	72
Commission on reinsurance	19	23
Other fee and commission income	38	23
Total fee and commission income	**117**	**119**

7.6.6 Other income

Other income

	2018	2017
Proceeds from sales of property developments	98	124
Other income	39	59
Total other income	**137**	**182**

The proceeds from sales of property developments in 2018 and 2017 is mainly due to sale of parts of the Leidsche Rijn Centrumplan (LRC) in Utrecht to external parties.

7.6.7 Net insurance claims and benefits

See accounting policy GG.

Net insurance claims and benefits

	2018	2017
Total Non-life and Life		
Insurance claims and benefits	-3,576	-3,861
Insurance claims and benefits recovered from reinsurers	42	26
Net insurance claims and benefits	**-3,534**	**-3,835**
Non-life		
Claims paid	-2,168	-1,903
Changes in provision for outstanding claims	-90	-69
Insurance claims and benefits	**-2,258**	**-1,973**
Insurance claims and benefits recovered from reinsurers	43	29
Net insurance claims and benefits, Non-life	**-2,215**	**-1,944**
Life		
Claims paid	-2,401	-2,602
Changes in liabilities arising from insurance contracts	841	606
Changes in liabilities arising from insurance contracts on behalf of policyholders	253	119
Amortisation of VOBA	-11	-11
Insurance claims and benefits	**-1,318**	**-1,889**
Insurance claims and benefits recovered from reinsurers	-1	-2
Net insurance claims and benefits, Life	**-1,319**	**-1,891**

The increase in net insurance claims and benefits non-life of € 271 million is mostly related to the acquisition of Generali Nederland (€ 201 million in 2018). The decrease in net insurance claims and benefits life of € 572 million is mostly related to a lower amount of claims paid and an increase in releases from technical provisions in Individual life.

7.6.8 Operating expenses

See accounting policy HH.

Operating expenses

	2018	2017
Salaries and wages	-248	-234
Social security contributions	-33	-31
Employee benefit charges	-51	-50
Employee discounts	-4	-4
Other short term employee benefits	-5	-10
Total cost of own staff	**-342**	**-329**
Cost of external staff	-63	-65
Consultancy costs and fees	-93	-81
Marketing, advertising and public relations expenses	-12	-11
Technology and system costs	-47	-44
Amortisation of other intangible assets	-3	-2
Depreciation of property and equipment	-13	-12
Other operating expenses	-29	-26
Total other operating expenses	**-260**	**-241**
Total operating expenses	**-601**	**-570**

The increase in total operating expenses is primarily a result of the acquired activities of Generali Nederland. Excluding the acquisition, the operating expenses are reduced as a result of the completion of projects, efficiency improvements and rationalisation of IT- processes owing to migrations of portfolios to a single a.s.r. platform.

The operating expenses of a.s.r. bank are excluded from the operating expenses as a result of the classification as 'held for sale' (see chapter 7.4.6).

Other operating expenses include travel and subsistence, telephone and personnel training expenses.

The segmentation of a.s.r.'s workforce as at 31 December

Segments	2018	2017
Non-life	1,549	1,498
Life	619	622
Banking and Asset Management	381	430
Distribution and services	507	430
Holding and Other	1,241	1,114
Real estate development	17	23
Total workforce	**4,314**	**4,117**

The total workforce consists of the number of internal and external FTEs. The number of internal FTE increased to 3,683 FTE (2017: 3,493 FTE) and the number of external FTE increased to 631 FTE (2017: 624) mostly as a result of the acquisition of Generali Nederland.

Employees related to administrative expenses and overheads are allocated to segment Holding and Other.

7.6.9 Impairments

See accounting policy JJ.

Summary of impairments

	2018	2017
Intangible assets	-9	-
Property and equipment	-1	-
Investments available for sale	-33	24
Loans and receivables	2	1
Total impairments	**-40**	**25**

Changes in impairments of investments available for sale

	2018	2017
Equities	-89	-18
Bonds	-	-
Collateralised debt obligations	-	-
Reversal of impairments on bonds	23	17
Reversal of impairments on collateralised debt obligations	33	25
Total changes in impairments of investments available for sale	**-33**	**24**

7.6.10 Interest expense

Breakdown of the interest expense

	2018	2017
Interest on employee benefits	-64	-55
Interest on derivatives	-81	-68
Interest owed to banks	-24	-19
Interest on subordinated liabilities	-26	-26
Interest on borrowings	-1	-1
Other interest expenses	-8	-8
Total interest expense	**-203**	**-177**

7.6.11 Other expenses

Other expenses

	2018	2017
Costs associated with sale of development property	-53	-110
Operation expenses of investment property	-14	-12
Other expenses	-37	-134
Total other expenses	**-105**	**-256**

The decrease of € 96 million in other expenses is primarily related to a pension portfolio transfer with a negative interest surplus in previous year.

7.6.12 Income tax expense

See accounting policy KK.

Income tax expense

	2018	2017
Current taxes for the current period	-55	-129
Current taxes referring to previous periods	10	243
Total current tax	**-45**	**115**
Deferred taxes arising from current period	-158	-335
Deferred taxes arising from changes in tax rates	-8	-
Total deferred tax	**-166**	**-335**
Tax expense on P&L from ordinary activities of discontinued operations	1	-
Income tax expenses	**-210**	**-221**

The table below shows a reconciliation of the expected income tax expense with the actual income tax expense. The expected income tax expense is determined by applying the tax rate in the Netherlands to the profit before tax. In 2018, this rate was 25.0% (2017: 25.0%). The enacted tax rate for 2019 will be 25.0%.

Deferred taxes arising from changes in tax rates relates to the rate reduction of cooperation taxes in 2020 and 2021. The enacted rate for 2020 is 22.5% and for 2021 and thereafter is 20.5%.

Reconciliation of expected income tax expense with the actual income tax expense

	2018	2017
Profit before tax	904	1,125
Current tax rates	25.0%	25.0%
	-	-
Expected income tax expense	**-226**	**-282**
Effects of:		
Tax-exempt interest	4	5
Tax-exempt dividends	6	4
Tax-exempt capital gains	5	35
Changes in impairments	6	1
Adjustments for taxes due on previous financial years	4	17
Entities not subject to income tax	-	-
Other effects	-9	-
Total income tax gain / (expense)	**-210**	**-220**

The profit is almost entirely earned and taxable in the Netherlands.

Deferred taxes arising from changes in tax rates is included in the other effects.

The effective income tax rate is 23.3% (2017: 19.6%). The increase is due to a tax-exempt on capital gains in 2017, change in tax rate and the recalculation of the technical provisions of life insurance in 2017.

7.7 Other notes

7.7.1 Fair value of assets and liabilities

See accounting policy B.

7.7.1.1 Financial assets and liabilities measured at fair value

Breakdown of financial assets and liabilities measured at fair value

31 December 2018	Fair value based on quoted prices in an active market Level 1	Fair value based on observable market data Level 2	Fair value not based on observable market data Level 3	Total fair value
Investments available for sale				
Government bonds	11,587	187	-	11,773
Corporate bonds	9,867	834	7	10,708
Asset-backed securities	-	24	103	127
Equities	2,157	333	226	2,716
Other participating interests	4	-	-	4
	23,614	**1,377**	**336**	**25,328**
Investments at fair value through profit or loss				
Equities	74	-	33	107
Real estate equity funds	-	-	1,928	1,928
Mortgage equity funds	-	-	298	298
	74	**-**	**2,258**	**2,332**
Derivatives				
Exchange rate contracts	-	5	-	5
Interest rate contracts	-	2,837	-	2,837
Equity index contracts	26	-	-	26
Futures	-	-	-	-
Total derivative assets	**26**	**2,842**	**-**	**2,867**
Exchange rate contracts	-	-3	-	-3
Interest rate contracts	-	-372	-	-372
Futures	-18	-35	-	-53
Inflation linked swaps	-	-8	-	-8
Total derivative liabilities	**-18**	**-417**	**-**	**-435**
	8	**2,424**	**-**	**2,432**
Cash and cash equivalents	3,782	-	-	3,782
Investments on behalf of policyholders				
Government bonds	1,445	-	-	1,445
Corporate bonds	928	-	-	928
Derivatives	-	6	-	6
Listed equities	3,635	-	-	3,635
Listed equity funds	1,492	-	-	1,492
Real estate equity funds	-	-	108	108
Investment property	-	-	42	42
Other investments	-	11	-	11
Cash and cash equivalents	105	-	-	105
	7,604	**17**	**150**	**7,771**
Total	**35,082**	**3,819**	**2,744**	**41,645**

Breakdown of financial assets and liabilities measured at fair value (recurring basis)

31 December 2017	Fair value based on quoted prices in an active market Level 1	Fair value based on observable market data Level 2	Fair value not based on observable market data Level 3	Total fair value
Investments available for sale				
Government bonds	10,408	1	-	10,409
Corporate bonds	9,429	858	3	10,290
Asset-backed securities	20	18	116	154
Equities	2,656	199	248	3,103
Other participating interests	12	-	-	12
Other investments	7	-	-	7
	22,532	**1,076**	**367**	**23,975**
Investments at fair value through profit or loss				
Equities	92	-	29	121
Real estate equity funds	-	-	1,585	1,585
Mortgage equity funds	-	-	-	-
	92	**-**	**1,614**	**1,706**
Derivatives				
Exchange rate contracts	-	14	-	14
Interest rate contracts	16	2,480	-	2,496
Equity index contracts	14	-	-	14
Inflation linked swaps	-	3	-	3
Total derivative assets	**30**	**2,497**	**-**	**2,527**
Exchange rate contracts	-	-3	-	-3
Interest rate contracts	-	-400	-	-400
Total derivative liabilities	**-**	**-403**	**-**	**-403**
	30	**2,094**	**-**	**2,124**
Cash and cash equivalents	3,749	-	-	3,749
Investments on behalf of policyholders				
Government bonds	1,204	-	-	1,204
Corporate bonds	861	-	-	861
Derivatives	-	4	-	4
Listed equities	4,088	-	-	4,088
Listed equity funds	1,184	-	-	1,184
Real estate equity funds	-	-	99	99
Investment property	-	-	85	85
Other investments	110	49	-	159
	7,447	**53**	**184**	**7,684**
Total	**33,850**	**3,223**	**2,165**	**39,238**

Cash and cash equivalents are classified as level 1 when not subject to restrictions.

Reclassification between categories

2018	To level 1	To level 2	To level 3	Total
From:				
Level 1: Fair value based on quoted prices in an active market	-	287	-	287
Level 2: Fair value based on observable market data	-	-	-	-
Level 3: Fair value not based on observable market data	22	-	-	22

The adjustment of listed investments funds and asset backed securities from level 1 to level 2 (€ 287 million) is due to the lower level of liquidity of these funds.

The movements of € 22 million from level 3 to level 1 relates to unlisted funds entirely consisting of listed investments.

Reclassification between categories

2017	To level 1	To level 2	To level 3	Total
From:				
Level 1: Fair value based on quoted prices in an active market	-	-	73	73
Level 2: Fair value based on observable market data	14	-	191	205
Level 3: Fair value based not based on observable market data	14	102	-	116

The adjustment of asset backed securities and various preference shares to level 3 is mainly the result of a reassessment of the nature of the valuation technique of the external sources, including the assessment of an active market.

The adjustment of the unlisted real estate funds to level 3 is mainly the result of a decision to base the level classification on the valuation technique of the underlying investment since that primarily drives the value of the fund.

Debt funds are adjusted from level 3 to level 2 based on a reassessment of the impact of the observable and non-observable market assumptions used in determining the fair values of the underlying instruments.

The following table shows the movement in financial assets measured at fair value including investment on behalf of policyholders and investment property that are categorised within level 3.

Changes in financial assets classified as available for sale categorised within level 3

	2018	2017
At 1 January	367	143
Changes in value of investments, realised/unrealised gains and losses:		
- Realised gains and losses (chapter 7.6.3)	3	8
- Recognised in Other comprehensive income	-33	-2
Purchases	43	83
Repayments	-39	-32
Sales	-15	-20
Amortisation	-	2
Impairments	33	24
Reclassification of investments from/to level 3 valuation technique	-22	161
Transfer between investments on behalf of policyholders and investment property	-	-
Other	1	-
Changes in the composition of the group	-	-
At 31 December	**336**	**367**

Changes in financial assets at fair value through profit or loss categorised within level 3

	2018	2017
At 1 January	1,798	255
Changes in value of investments,		
- Fair value gains and losses (chapter 7.6.4)	129	127
Purchases	529	172
Repayments	-	-
Sales	-61	-163
Reclassification of investments from/to level 3 valuation technique	-	-12
Transfer between investments on behalf of policyholders and investment property	4	-9
Transfer of real estate equity funds from investment property	-	1,432
Other	10	-4
Changes in the composition of the group	-	-
At 31 December	**2,408**	**1,798**
Total revaluations of investments, held at year-end, recognised in the income statement	**142**	**125**

The main non-observable market input for the private equity investments is the net asset value as published by the investee. An increase or decrease in the net asset value of equities classified as level 3 will have a direct proportional impact on the fair value of the investment. The table below discloses the sensitivities to non-observable market inputs for the property portfolio, including real estate equity funds.

Unobservable and observable inputs used in determination of fair value

						Change in theoretical rental value			
	Fair value	Valuation technique	Gross theoretical rental value (€)		Gross yield (%)	Change in yield	-5%	0%	5%
Investments at fair value through profit or loss									
Real estate equity funds	1,677	DCF	82,604,365	-	4.4%	-5%	-	3	198
	-	-	-	-	-	0%	-3	-	3
	-	-	-	-	-	5%	-6	-3	-
Real estate equity funds third parties	250	-	-	-	-	-	-	-	-
Total real estate equity funds	**1,928**								
Investments on behalf of policyholders									
Investment property	42	DCF	3,988,020	mean	9.5%	-5%	-	2	4
	-	-	447,910	max	2.1%	0%	-2	-	2
	-	-	1,168	min	1.6%	5%	-4	-2	-
Real estate equity funds associates	70	DCF	4,466,525	-	4.1%	-5%	-	6	11
	-	-	-	-	-	0%	-5	-	5
	-	-	-	-	-	5%	-10	-5	-
Real estate equity funds third parties	38	-	-	-	-	-	-	-	-
Total real estate equity funds	**108**								

The main non-observable market input for the real estate equity funds third parties is the net asset value as published by the investee. An increase or decrease in the net asset value of equities classified as level 3 will have a direct proportional impact on the fair value of the investment.

7.7.1.2 Financial assets and liabilities not measured at fair value

The breakdown of the fair values of financial assets and liabilities not measured at fair value, and for which the fair value is disclosed in accordance with the level of fair value hierarchy, as explained in accounting policy B, is as follows:

Breakdown of financial assets and liabilities not measured at fair value

31 December 2018	Fair value based on quoted prices in an active market Level 1	Fair value based on observable market data Level 2	Fair value not based on observable market data Level 3	Total fair value	Total carrying value
Financial assets					
Due from customers	2	290	7,252	7,544	6,952
Due from credit institutions	87	4,437	-	4,524	3,421
Trade and other receivables	7	703	-	710	710
Total financial assets	**95**	**5,430**	**7,252**	**12,778**	**11,083**
Financial liabilities					
Subordinated liabilities	-	528	-	528	497
Borrowings	-	39	-	39	39
Due to customers	2	623	-	625	625
Due to banks	2,551	135	-	2,686	2,686
Other liabilities	498	132	-	630	630
Total financial liabilities	**3,051**	**1,457**	**-**	**4,508**	**4,477**

31 December 2017	Fair value based on quoted prices in an active market Level 1	Fair value based on observable market data Level 2	Fair value not based on observable market data Level 3	Total fair value	Total carrying value
Financial assets					
Due from customers	2	285	8,557	8,844	8,059
Due from credit institutions	184	4,557	-	4,741	3,425
Trade and other receivables	-	690	-	690	690
Total financial assets	**186**	**5,532**	**8,557**	**14,275**	**12,174**
Financial liabilities					
Subordinated liabilities	-	609	-	609	497
Borrowings	-	39	-	39	39
Due to customers	1,675	538	-	2,213	2,184
Due to banks	2,254	-	-	2,254	2,254
Other liabilities	79	462	-	541	541
Total financial liabilities	**4,008**	**1,648**	**-**	**5,656**	**5,515**

Amounts due to customers and due to banks presented as level 1 primarily comprise savings and the liability recognised for the cash collateral received. The accrued interest included in other liabilities follows the classification of the underlying assets. Level 2 category financial assets relates primarily to savings-linked mortgage loans amounting to a fair value of € 3,884 million (2017 € 4,042 million).

The mortgage loan portfolio is classified as level 3 'not measured on the basis of market observable market data'. Non-observable market inputs are used in the valuation methods, in addition to the observable market inputs. The valuation method used to determine the fair value of the mortgage loan portfolio is based on the spread on the interest rate curve for discounting the mortgage portfolio cash flows on consumer rates and includes assumptions for originating cost, proposal risk, and the options related to early redemption and moving.

The mortgage loan portfolio consists of high quality mortgages with a relatively fixed return, limited impairments and arrears (see chapter 7.5.7). The mortgage loan portfolio consists only of Dutch mortgages with a limited counterparty default risk in line with the strategic investment plan (see chapter 7.8.4).

7.7.1.3 Property (including land and buildings for own use)

The breakdown of the investment property, real estate equity funds and land and buildings for own use in accordance with the fair value hierarchy, as explained in accounting policy B, is as follows:

Breakdown of the fair value of the investment property and land and buildings for own use

31 December 2018	Fair value based on quoted prices in an active market Level 1	Fair value based on observable market data Level 2	Fair value not based on observable market data Level 3	Total fair value
Investment property - (chapter 7.5.3)	-	-	1,889	1,889
Land and buildings for own use (chapter 7.5.2)	-	-	151	151
Total	**-**	**-**	**2,040**	**2,040**

31 December 2017	Fair value based on quoted prices in an active market Level 1	Fair value based on observable market data Level 2	Fair value not based on observable market data Level 3	Total fair value
Investment property - (chapter 7.5.3)	-	-	1,597	1,597
Land and buildings for own use (chapter 7.5.2)	-	-	147	147
Total	**-**	**-**	**1,744**	**1,744**

The property portfolio is classified as a level 3 'not measured on the basis of market observable market data'. Non-observable market inputs are used in the valuation methods, in addition to the observable market inputs. The fair value measurement is based on valuations by independent professional appraisers. These valuations have been performed for the entire portfolio of investment property and buildings for own use. Independent professional appraisers use reference transactions of comparable properties, in combination with the DCF and income capitalisation method, to determine the fair value of the property. The reference transactions of comparable objects are generally based on observable data consisting of the land register 'Kadaster' and the rural land price monitor as published by the Dutch Government 'Grondprijsmonitor' in an active property market.

The property has a relatively fixed return. The property portfolio is well diversified and consists of residential, retail, offices and rural property, throughout the Netherlands. The retail portfolio focusses on high street locations with relative low vacancy rates. The following table shows a breakdown of the fair value and vacancy rates of the portfolio of investment property, including real estate equity funds where a.s.r. has significant influence. Investment property on behalf of policyholders primarily consist of retail property.

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Breakdown of investment property

	Fair value		Vacancy rate	
	31 December 2018	31 December 2017	2018	2017
Retail	246	82	22.2%	28.7%
Residential	1	1	-	-
Rural	1,474	1,350	-	-
Offices	168	164	47.4%	55.6%
Total	**1,889**	**1,597**	**8.6%**	**14.9%**

The movements in investment property measured at fair value (recurring basis) that are categorised within level 3 are presented in chapter 7.5.3 Investment property and 7.5.2 Property and equipment.

Significant inputs to the Level 3 values are the net initial yield and market rental value. These inputs are verified with the following market observable data:

- Market rent per square meter for renewals and their respective re-letting rates;
- Reviewed rent per square meter;
- Investment transaction of comparable objects;
- The 10 year Dutch Government Bond Yield (%) rate as published by the Dutch Central Bank.

The table below discloses the sensitivities to non-observable market inputs for the property portfolio (excluding development investment property).

Unobservable and observable inputs used in determination of fair value

31 December 2018								Change in theoretical rental value		
Unobservable and observable inputs used in determination of fair value	Fair value	Valuation technique	Gross	Gross theoretical rental value (€)	Gross	Gross yield (%)	Change in yield	-5%	0%	5%
Investment property - Fair value model										
Retail	247	DCF	total	4,263,503	mean	1.7%	-5%	-	13	26
			max	447,910	max	3.1%	0%	-12	-	12
			min	1,168	min	0.7%	5%	-24	-12	-
Residential	1	DCF	total	69,800	mean	8.0%	-5%	-	-	-
			max	69,800	max	8.0%	0%	-	-	-
			min	69,800	min	8.0%	5%	-	-	-
Rural	1,474	DCF	total	32,352,786	mean	2.2%	-5%	-	78	155
			max	184,478	max	29.4%	0%	-74	-	74
			min	1,002	min	0.5%	5%	-140	-70	-
Offices	167	DCF	total	15,685,294	mean	9.4%	-5%	-	9	18
			max	6,690,943	max	13.2%	0%	-8	-	8
			min	7,936	min	4.6%	5%	-16	-8	-
Land and buildings for own use	146	DCF	total	9,086,254	mean	6.2%	-5%	-	8	15
			max	9,086,254	max	6.2%	0%	-7	-	7
			min	9,086,254	min	6.2%	5%	-14	-7	-
Total	**2,035**									

Unobservable and observable inputs used in determination of fair value

31 December 2017								Change in theoretical rental value		
Unobservable and observable inputs used in determination of fair value	Fair value	Valuation technique	Gross	Gross theoretical rental value (€)	Gross	Gross yield (%)	Change in yield	-5%	0%	5%
Investment property - Fair value model										
Retail	67	DCF	total	4,475,217	mean	6.6%	-5%	-	4	7
			max	1,948,300	max	28.7%	0%	-3		3
			min	8,339	min	2.0%	5%	-6	-3	-
Residential	1	DCF	total	82,024	mean	7.7%	-5%	-	-	-
			max	68,100	max	7.7%	0%	-	-	-
			min	35,145	min	7.7%	5%	-	-	-
Rural	1,350	DCF	total	31,176,151	mean	2.3%	-5%	-	71	142
			max	193,964	max	29.6%	0%	-67	-	67
			min	1,000	min	0.5%	5%	-129	64	-
Offices	109	DCF	total	16,751,482	mean	11.7%	-5%	-	6	12
			max	7,249,717	max	13.7%	0%	-5	-	5
			min	2,947	min	9.6%	5%	-10	-5	-
Other	53	DCF	total	3,950,102	mean	10.7%	-5%	-	3	6
			max	2,522,266	max	13.1%	0%	-3	-	3
			min	7,838	min	8.7%	5%	-5	-3	-
Development investment property	17	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Land and buildings for own use	147	DCF	total	8,956,234	mean	6.2%	-5%	-	8	15
			max	8,956,234	max	6.2%	0%	-7	-	7
			min	8,956,234	min	6.2%	5%	-14	-7	-
Total	**1,744**									

7.7.2 Offsetting of financial assets and liabilities

The following tables include information about rights to offset and the related arrangements. The amounts included consist of all recognised financial instruments that are presented net in the balance sheet under the IFRS-EU offsetting requirements (legal right to offset and intention to settle on a net basis) and amounts presented gross in the balance sheet but subject to enforceable master netting arrangements or similar arrangements.

Offsetting financial instruments

	Gross amounts of recognised financial assets	Gross amounts of recognised financial assets set off in the statements of financial position	Net amounts of financial liabilities presented in the statements of financial position	Related amounts not set off in the statements of financial position		Net amount
Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements				Financial instruments	Cash collateral received (excluding surplus)	
31 december 2018						
- Derivatives	2,867	-	2,867	400	2,467	-
Total financial assets	**2,867**	**-**	**2,867**	**400**	**2,467**	**-**
31 december 2017						
- Derivatives	2,527	-	2,527	373	2,154	-
Total financial assets	**2,527**	**-**	**2,527**	**373**	**2,154**	**-**

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the statements of financial position	Net amounts of financial liabilities presented in the statements of financial position	Related amounts not set off in the statements of financial position		Net amount
Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements				Financial instruments	Cash collateral pledged (excluding surplus)	
31 december 2018						
- Derivatives	435	-	435	400	33	2
Total financial liabilities	**435**	**-**	**435**	**400**	**33**	**2**
31 december 2017						
- Derivatives	403	-	403	373	30	-
Total financial liabilities	**403**	**-**	**403**	**373**	**30**	**-**

7.7.3 Fair value of financial assets categorised into two groups based on business model and SPPI test results

In compliance with the deferral option IFRS 9 under IFRS 4, a.s.r. conducted a solely payments of principal and interest (SPPI) test on the financial assets.

For the purpose of this assessment, principal is defined as the fair value of the financial asset on initial recognition. However, the principal may change over time – e.g. if there are repayments of principal.

Interest is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks (e.g. liquidity risk) and costs (e.g. administrative costs), as well as a profit margin that is consistent with a basic lending arrangement. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

In assessing whether the contractual cash flows are solely payments of principal and interest, a.s.r. considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making this assessment, a.s.r. considers the following:
- Variable interest rates;
- Prepayment features;
- Term extension features;
- Contingent events; and
- Terms that limit a.s.r.'s claim to cash flows from specified assets – e.g. non-resource asset arrangements

The tables in this note also comprise the financial assets of ASR Bank N.V., which are classified as assets held for sale in the consolidated balance sheet based on their underlying classification being primarily mortgages, bonds and cash and cash equivalents.

Fair value of financial assets based on SPPI test results

	Fair value at 31 December 2018[2]	Carrying amount at 31 December 2018	FV movement 2018[3]
Financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest:			
Government bonds	11,784	11,784	133
Corporate bonds	9,695	9,695	-273
Asset-backed securities	74	74	-1
Other investments	409	409	-
Due from customers	9,067	8,389	46
Due from credit institutions	4,536	3,483	-201
Trade and other receivables	708	708	-
Cash and cash equivalents	4,018	4,018	-
	40,292	**38,561**	**-296**
Other financial assets[1]			
Government bonds	20	20	-
Corporate bonds	1,087	1,087	-71
Asset-backed securities	53	53	6
Derivatives	2,868	2,868	381
Equities and other participating interest	2,827	2,827	-273
Real estate equity funds	1,928	1,928	119
Mortgage equity funds	298	298	5
Other investments	175	175	-
Investments on behalf of policyholders	7,771	7,771	-54
	17,026	**17,026**	**113**
Total financial assets	**57,318**	**55,587**	**-183**

1 Other financial assets include the financial assets that fall into the business model held for trading and managed on a fair value basis or those financial assets with contractual terms that do not give rise on specified dates to cash flows that are solely payments of principal and interest.

2 The carrying value of the trade and other receivables is regarded as a good approximation of the fair value, as these assets have a short-term nature.

3 The fair value movement of financial assets recognised as at 31 December 2018, that were either purchased during 2018 or were already recognised as at 31 December 2017. This does not include the fair value movement of the financial assets derecognised in 2018.

Credit risk exposure for financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest

	Gross carrying amount at 31 December 2018[1]
Credit risk rating	
AAA	7,162
AA	5,843
A	9,259
BBB	4,325
Lower than BBB	173
Not rated	
Mortgages	8,212
Spaarlossen	2,861
Other	842
Total financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest	**38,677**

For more detailed information about the credit risks of a.s.r., please see chapter 7.8.3 and chapter 7.8.4.

Fair value of financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest without low credit risk

	Fair value at 31 December 2018	Carrying amount at 31 December 2018[2]
Financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest:		
Corporate bonds	49	49
Asset-backed securities	1	1
Due from customers	30	32
Due from credit institutions	63	91
Trade and other receivables	501	535
Total fair value of financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest without low credit risk	**644**	**708**

a.s.r. has conducted the implementation of IFRS 9 for ASR Bank N.V. including the classification and measurement of the financial instruments. The 2018 financial statements of ASR Bank N.V. can be obtained from the company website, when available.

1 The gross carrying amounts are measured applying IAS 39 (in the case of financial assets measured at amortised cost, before adjusting for any impairment allowances).

2 The gross carrying amounts are measured applying IAS 39 (in the case of financial assets measured at amortised cost, before adjusting for any impairment allowances).

7.7.4 Related party transactions

A related party is a person or entity that has significant influence over another entity, or has the ability to affect the financial and operating policies of the other party. Parties related to a.s.r. include associates, joint ventures, members of the Executive Board, members of the Supervisory Board, close family members of any person referred to above, entities controlled or significantly influenced by any person referred to above and any other affiliated entity.

The group regularly enters into transactions with related parties during the conduct of its business. These transactions mainly involve loans, deposits and commissions, and are conducted on terms equivalent to those that prevail in arm's length transactions.

The remuneration of the a.s.r. Executive Board and Supervisory Board are described in chapter 7.7.5 (Remuneration of the a.s.r. Executive Board and Supervisory Board).

Positions and transactions between a.s.r., associates, joint ventures and other related parties

The table below shows the financial scope of a.s.r.'s related party transactions:
- Associates;
- Joint ventures (and real estate development joint ventures);
- Other related parties.

Financial scope of a.s.r.'s related party transactions

	Associates	Joint ventures	Other related parties	Total
2018				
Balance sheet items with related parties as at 31 December				
Loans and receivables	24	1	-	25
Other liabilities	74	-	-	74
Transactions in the income statement for the financial year				
Fee and commission income	28	-	-	28
2017				
Balance sheet items with related parties as at 31 December				
Loans and receivables	24	1	-	25
Other liabilities	1	1	-	2
Transactions in the income statement for the financial year				
Fee and commission income	15	-	-	15

7.7.5 Remuneration of Supervisory Board and Executive Board

The remuneration of the Executive and Supervisory Board members is determined in accordance with the current Articles of Association of ASR Nederland N.V.

Following the IPO of a.s.r. in 2016, the Dutch State sold its remaining a.s.r. shares in a final transaction on 14 September 2017. This transaction was the completion of a period of state-ownership of a.s.r. that started in 2008. As of 2011, as state-owned financial company, a.s.r. was subject to a special law (Wet aansprakelijkheidsbeperking DNB en AFM en bonusverbod staatsgesteunde ondernemingen) which prohibited the pay of variable remuneration as well as the increase of fixed remuneration. With a.s.r.'s return to the market now fully completed, a.s.r. resumed the remuneration policy for the members of the executive board.

Once every three years, an independent consultant performs a market comparison (remuneration benchmark). The 2017 benchmark analysis highlights a considerable gap between a.s.r. and the relevant peer group. This has prompted the Supervisory Board to increase the salary of the members of the Executive Board. As this decision comes within the scope of the present remuneration policy, it was decided to act and implement the first step of the increase as of 1 January 2018. The increase will be effected in multiple steps over time, but no later than 1 January 2020. After full implementation the target salaries will still remain below the benchmark averages. The Supervisory Board continuously assesses and evaluates the remuneration policy for the Executive Board and will continue to do so in the coming period, with caution taking precedence over speed. This will include conducting extensive consultations with various stakeholders including shareholders, clients and staff. These consultations will take place in the course of 2018. The Supervisory Board will submit the remuneration policy for the Executive Board to the 2019 AGM for a shareholder vote.

7.7.5.1 Remuneration of Supervisory Board members

Annual remuneration for members of the Supervisory Board

Amounts in € thousands			2018			2017
Supervisory Board member	As a Supervisory Board member	As a committee member	Total	As a Supervisory Board member	As a committee member	Total
C. van der Pol[1]	45	9	54	45	5	50
A.P. Aris[2]	30	14	44	30	15	45
C.H. van den Bos[3]	30	14	44	30	14	44
H.C. Hintzen[3]	30	14	44	30	14	44
S. Barendregt[4]	23	8	30	-	-	-
Total	**158**	**59**	**216**	**135**	**48**	**183**

1 The amount received as a committee member of the Selection and Appointment Committee (€ 2,500 per annum) and the Remuneration Committee (€ 2,500 per annum), and as a member of the Supervisory Board of ASR Basis/Aanvullende Ziektekostenverzekeringen N.V. (€ 4,000 per annum).

2 The amount received as a committee member of the Selection and Appointment Committee (€ 2,500 per annum) and the Remuneration Committee (€ 2,500 per annum), and as a member of the Supervisory Board of ASR Basis/Aanvullende Ziektekostenverzekeringen N.V. (€ 4,000 per annum). During 2018 Annet Aris stepped down as a member of the Audit & Risk Committee (€ 10,000 per annum, amount received: € 5,000).

3 The amount received as a committee member of the Audit & Risk Committee (€ 10,000 per annum) and as a member of the Supervisory Board of ASR Bank N.V. (€ 4,000 per annum).

4 The amount received as a member of the Audit & Risk Committee (€ 10,000 per annum, amount received: € 8,000) since May 2018.

7.7.5.2 Remuneration of current and former Executive Board members

The remuneration of the Executive Board members is in accordance with the 2018 remuneration policy.

In accordance with the remuneration law 'Wet aansprakelijkheidsbeperking DNB en AFM en bonusverbod staatsgesteunde ondernemingen', issued by the Dutch government, no variable remuneration has been disbursed to the Executive Board members for the period as from the 2011 a.s.r. financial year until 2016 a.s.r. financial year. In 2017 the increase in short-term variable employee benefits is caused by the one-off variable payment in December. In 2017 the fixed employee benefits of board members only increased with the annual CAO-index. In 2018 the fixed employee benefits of board members increased as a result of the first step towards the target salaries.

Annual remuneration for members of the Executive Board

Amounts in € thousands Executive Board member	Fixed employee benefits[1]	Short-term variable employee benefits[2]	Pension benefits[3]	Expense allowance	Termination benefits	Long-term variable remuneration	Total
2018							
J.P.M. Baeten	652	-	301	3	-	-	956
H.C. Figee	529	-	95	3	-	-	627
K.T.V. Bergstein	509	-	148	3	-	-	660
M.H. Verwoest	512	-	126	3	-	-	641
Total	**2,202**	**-**	**670**	**12**	**-**	**-**	**2,884**
2017							
J.P.M. Baeten	543	23	307	3	-	-	876
H.C. Figee	428	15	82	3	-	-	528
K.T.V. Bergstein	424	15	134	3	-	-	576
M.H. Verwoest	430	15	123	3	-	-	571
Total	**1,825**	**68**	**646**	**12**	**-**	**-**	**2,551**

1 The fixed employee salary of the two ordinary board members is similar and amounts to € 498,000 in 2018. Variations arise as a result of the fiscal treatment of lease cars depending on the price and private use of the car and personnel interest rate discount related to mortgages. The fixed employee salary for the CEO amount to € 642,000 and for the CFO amount to € 505,000 in 2018.

2 The increase in 2017 was due to the aforementioned one-off payment in December 2017, which was equal to a monthly salary granted by the Supervisory Board. This payment concerned 60% of the gross monthly salary of December 2017. The remaining 40% will be paid in 2020. It has been agreed with DNB to qualify this payment as a one-off variable payment.

3 The commitment on pensions did not change in 2018. The increase in annual pension expenses is caused by a decrease in the interest rates. The calculation of annual pension expenditure is based on the total pension rights granted during the term of service at a.s.r. Further changes in the cost of pension benefits are mainly due to the impact of age, terms of service, gender and age differentiated disability, mortality and other actuarial assumptions. The pension costs include pensions based on maximum pensionable salary cap, compensation for the maximum pensionable salary cap (to be used for pensions at the employees' discretion) amounting to € 259,000 (2017: € 206,000) in total, and VPL. The pension benefits, excluding compensation for the maximum pensionable salary cap, represent post-employment benefits.

7.7.6 Contingent liabilities and assets

7.7.6.1 General claims and disputes

The group is a respondent in a number of claims, disputes and legal proceedings arising from the normal conduct of business.

Provisions are formed for such occurrences if, in management's opinion and after consultation with its legal advisers, a.s.r. is likely to have to make payments and the payable amount can be estimated with sufficient reliability. The costs of the compensation scheme for unit-linked insurance contracts have been fully recognised in the financial statements based on management's best knowledge of current facts, actions, claims, complaints and events. Provisions are recognised in the liabilities arising from insurance contracts and legal provisions (see chapter 7.5.14).

Dutch insurers see an increase in insurance policies complaints/claims based on grounds other than the cost compensation. Current and possible future legal proceedings could have a substantial financial and reputational impact. However it is not possible at this time to make reliable estimates of the number of expected proceedings, possible future precedents and the financial impact of current and possible future proceedings. Currently there are no indications that such a provision would be necessary for a.s.r.

As for other claims and legal proceedings, against a.s.r. known to management (and for which, in accordance with the defined principles, no provision has been formed), management believes, after having sought expert advice, that these claims have no chance of success, or that a.s.r. can successfully mount a defense against them, or that the outcome of the proceedings is unlikely to result in a significant loss for a.s.r. For further information related to the Unit-Linked Products (beleggingsverzekeringen), please see chapter 7.7.6.2.

7.7.6.2 Unit-Linked Products (beleggingsverzekeringen)

Background

Since the end of 2006, individual unit-linked life insurance products (*beleggingsverzekeringen*) have received negative attention in the Dutch media, from the Dutch Parliament, the AFM, consumers and consumer protection organisations. Elements of unit-linked policies are being challenged or may be challenged on multiple legal grounds. The criticism and scrutiny on unit-linked life insurance products led to the introduction of compensation schemes by Dutch insurance companies that have offered unit-linked products. In 2008, a.s.r. reached an outline agreement with two main consumer protection organisations to offer compensation to unit-linked policyholders in case the cost charge and/or risk premium charge exceeds a defined maximum. A full agreement on implementation of the compensation scheme was reached in 2012. The total recognised cumulative financial costs relating to the compensation scheme for Individual life in a.s.r.'s income statement until 2018 was € 1,030 million. This includes, amongst other things, compensation paid, amortisation of surrender penalties and costs relating to improved product offerings. The remaining provision in the balance sheet as at 31 December 2018 amounted to € 42.3 million and is solely available to cover potential additional compensation (*schrijnende gevallen*) and costs relating to the compensation scheme. On the basis of this agreement, a.s.r. offered consumers additional measures such as alternative products and less costly investment funds. In addition to the compensation scheme, a.s.r. has implemented additional measures (*flankerend beleid*), including the ten best in class principles as formulated by the Dutch Minister of Finance. On 17 July 2015, the Dutch Ministry of Finance published an Order in Council (*Algemene Maatregel van Bestuur*), pursuant to which insurance companies can be sanctioned if they do not meet the compulsory targets set for approaching policyholders of unit-linked life insurances and prompting them to review their existing policies.

The agreement with the two consumer protection organisations and additional measures are not binding for policyholders. Consequently, neither the implementation of the compensation schemes nor the additional measures offered by a.s.r. prevent individual policyholders from initiating legal proceedings against the a.s.r. and making claims for damages.

Legal proceedings

a.s.r. is subject to a number of legal proceedings initiated by individual unit-linked policyholders, in most cases represented by claims organisations. While to date fewer than 15 cases are pending before Dutch courts and courts of appeal and fewer than 125 cases are pending before the Financial Services Complaints Board ('FSCB') (the Dispute Committee as well as the Committee of Appeal of the FSCB), there is no assurance that further proceedings will not be brought against a.s.r. in the future. Future legal proceedings regarding unit-linked life insurance policies might be brought upon a.s.r. by consumers individually, by consumer organisations acting on their behalf or in the form of a collective action. Furthermore, there is an ongoing lobby by consumer protection organisations, such as the Consumentenbond and Stichting Geldbelangen, to continuously gain media attention for unit-linked life insurance policies. These organisations argue, amongst other things, that consumers did not receive sufficient compensation based on the compensation scheme.

a.s.r. is currently subject to two collective actions. In June 2016, Woekerpolis.nl initiated a collective action, requesting the district court Midden-Nederland to declare that a.s.r. has sold products in the market which are defective in various respects (e.g. on transparency regarding cost charges and other product characteristics, and included risks for which the insurer failed to warn, such as considerable stock depreciations, the inability to realise the projected final policy value, unrealistic capital projections due to difference in geometric versus arithmetic returns and on general terms and conditions regarding costs that Woekerpolis.nl considers unfair). Also, in March 2017, the Consumentenbond started a collective action against a.s.r. The collective procedure of Consumentenbond is currently pending at the district court Midden-Nederland. In a decision of 6 February 2019 the district court Midden-Nederland rejected all claims of Woekerpolis.nl and concluded that the products sold by a.s.r. cannot be considered as defective. Only with regard to the claim on administrative costs that are calculated under specific circumstances in a specific Spaarplan product, the district court decided this to be unlawful as no defence was put forward.

Risk profile and contingent liability unit-linked life insurance products

The prolonged political, regulatory and public attention focused on unit-linked life insurance policies continues. Elements of unit-linked life insurance policies of a.s.r. are being challenged on multiple legal grounds in current, and may be challenged in future, legal proceedings. There is a risk that one or more of the current and/or future claims and/or allegations will succeed. To date, a number of rulings regarding unit-linked life insurance products in specific cases have been issued by the FSCB and courts (of appeal) in the Netherlands against a.s.r. and other insurers. In these proceedings, different (legal) approaches have been taken to come to a ruling. The outcomes of these rulings are diverse. Because the book of policies of a.s.r. dates back many years, contains of a variety of products with different features and conditions and because of the fact that rulings are diverse, no reliable estimation can be made regarding the timing and the outcome of the current and future legal proceedings brought against a.s.r. and other insurance companies.

The total costs related to compensation for unit-linked insurance contracts as described above, have been fully recognised in the financial statements based on management's best knowledge of current facts, actions, claims, complaints and events. Provisions are recognised in the liabilities arising from insurance contracts and legal provisions (see chapter 7.5.14). Although the financial consequences of the legal developments could be substantial, a.s.r.'s exposures cannot be reliably estimated or quantified at this point. If one or more of these legal proceedings should succeed, there is a risk a ruling, although legally only binding for the parties that are involved in the procedure, could be applied to or be relevant for other unit-linked life insurance policies sold by a.s.r. Consequently, the financial consequences of any of the current and/or future legal proceedings brought upon a.s.r. can be substantial for a.s.r.'s life insurance business and may have a material adverse effect on a.s.r.'s financial position, business, reputation, revenues, results of operations, solvency, financial condition and prospects.

7.7.6.3 Obligations and guarantees

Investment obligations for an amount of € 20 million (2017: € 82 million) have been assumed / issued for investment property.

Investment obligations and guarantees for a total amount of € 41 million (2017: € 166 million) have been issued, for real estate development projects and the acquisition of property. Those guarantees were issued by principals for the execution of projects for the benefit of clients.

a.s.r. also had irrecovable facilities of € 327 million (2017: € 383 million) which mainly relate to mortgage offers issued. Furthermore, a.s.r. issued several other guarantees for a total amount of € 10 million (2017: € 10 million).

7.7.6.4 Lease commitments

Commitments for non-cancellable operating leases

Lease commitments	2018	2017
No later than 3 months	1	1
Later than 3 months and no later than 1 year	4	4
Later than 1 year and no later than 5 years	10	10
Later than 5 years	2	2
Total commitments for non-cancellable operating leases at 31 December	**17**	**17**

Annual lease costs

	2018	2017
Lease payments	6	6

Other commitments, primarily facility management and ICT related, have been entered into for an amount of € 36 million (2017: € 44 million).

7.7.6.5 Expected future rental income

Expected minimum future rental income on non-cancellable investment property lease

	2018	2017
No later than 1 year	49	41
Later than 1 year and no later than 5 years	127	134
Later than 5 years	398	374
Total expected minimum future rental income on non-cancellable investment property lease	**574**	**549**

The investments properties in the different markets retail, residential, offices and rural are leased to third parties, consisting of various lease terms in a range between shorter than one year and undetermined period with competitive rents mostly indexed to consumer prices.

7.7.7 Events after the balance sheet date

On 20 March 2019, ASR Bank N.V. (a.s.r. bank) and Achmea Bank N.V. (Achmea Bank) agreed that Achmea Bank will acquire the savings and mortgage portfolios of a.s.r. bank in an asset / liability transaction. The transaction is in line with the updated strategy of ASR Nederland N.V. as announced at its Capital Markets Day in October 2018.

The transaction is subject to the approval of De Nederlandsche Bank, the Dutch Consumer & Market Authority and completion of the advice procedure with the works council of the entities involved. Achmea Bank and a.s.r. bank expect to conclude the transaction in the second half of 2019. The valuation of a.s.r. bank as included in the 2018 Balance sheet and income statement reflect the provisional effects of this transaction.

For more information, please see chapter 7.4.6.

There were no other events after the balance sheet date.

7.7.8 List of principal group companies and associates

List of principal group companies and associates

Company	Equity interest	Rate of Control	Seat	Segment
ASR Aanvullende Ziektekostenverzekeringen N.V.[2]	100,00	100,00	Utrecht	Non-life
ASR Basis Ziektekostenverzekeringen N.V.[2]	100,00	100,00	Utrecht	Non-life
ASR Schadeverzekering N.V.[2]	100,00	100,00	Utrecht	Non-life
ASR Wlz-uitvoerder B.V.[3]	100,00	100,00	Utrecht	Non-life
ASR Ziektekostenverzekeringen N.V.[1]	100,00	100,00	Utrecht	Non-life
ASR Levensverzekering N.V.[2]	100,00	100,00	Utrecht	Life
ASR Utrecht Real Estate Investments Netherlands B.V.	100,00	100,00	Amsterdam	Life
Deltafort Beleggingen I B.V.	50,00	50,00	Amsterdam	Life
Sycamore 5 B.V.[1]	100,00	100,00	Utrecht	Life
Sycamore 6 B.V.[1]	100,00	100,00	Utrecht	Life
ASR Bank N.V.[3]	100,00	100,00	Utrecht	Banking & Asset Management
ASR Financieringen B.V.	100,00	100,00	Utrecht	Banking & Asset Management
ASR Hypotheken B.V.[1]	100,00	100,00	Utrecht	Banking & Asset Management
ASR Vastgoed Vermogensbeheer B.V.[1,3]	100,00	100,00	Utrecht	Banking & Asset Management
ASR Vermogensbeheer N.V.[1,3]	100,00	100,00	Utrecht	Banking & Asset Management
Anac, All-Finance Nederland Advies-Combinatie B.V.[3]	100,00	100,00	Eindhoven	Distribution & Services
Boval Assurantiën B.V.[3]	100,00	100,00	Velserbroek	Distribution & Services
Corins B.V.[3]	100,00	100,00	Amsterdam	Distribution & Services
Dutch ID B.V.	100,00	100,00	Velserbroek	Distribution & Services
Felison Assuradeuren B.V.[3]	100,00	100,00	Velserbroek	Distribution & Services
PoliService B.V.[3]	100,00	100,00	Hardinxveld-Giessendam	Distribution & Services
Stoutenburgh Adviesgroep B.V.[3]	100,00	100,00	Leusden	Distribution & Services
Supergarant Verzekeringen B.V.[3]	100,00	100,00	Leidschendam	Distribution & Services
Van Kampen Geld B.V.[3]	100,00	100,00	Hoorn	Distribution & Services
Van Kampen Groep Holding B.V.[3]	100,00	100,00	Hoorn	Distribution & Services
ZZP Nederland Verzekeringen B.V.[3]	100,00	100,00	Groningen	Distribution & Services
Administratie- en Adviesbureau voor Belegging en Krediet (A.B.K.) B.V.[1]	100,00	100,00	Amersfoort	Holding & Other
ASAM N.V.[1]	100,00	100,00	Utrecht	Holding & Other
ASR Betalingscentrum B.V.[1]	100,00	100,00	Utrecht	Holding & Other
ASR Deelnemingen N.V.[1]	100,00	100,00	Utrecht	Holding & Other
ASR Nederland N.V.	100,00	100,00	Utrecht	Holding & Other
ASR Service Maatschappij N.V.[1]	100,00	100,00	Rotterdam	Holding & Other
Brand New Day Premiepensioeninstelling N.V.[3,4]	50,00	50,00	Amsterdam	Holding & Other
Servicemaatschappij De Hoofdpoort N.V.[1]	100,00	100,00	Utrecht	Holding & Other
ASR Vastgoed Projecten B.V.	100,00	100,00	Utrecht	Real Estate Development

The principal group companies and associates are located in the Netherlands.

For notes to equity interests in associates and joint ventures, see chapter 7.5.4. The list of equity interests which are required under Sections 379 and 414, Book 2 of the Dutch Civil Code has been filed with the Trade Register of the Chamber of Commerce in Utrecht.

7.7.9 Profit appropriation

The Executive Board will propose to the Annual General Meeting of Shareholders to distribute € 245 million in dividend (including the interim dividend of € 92 million) on ordinary shares for 2018.

1 These are companies for which a statement of joint and several liability under section 403, Book 2 of the Dutch Civil Code has been issued.

2 Registered insurance companies

3 Other Wft registered companies

4 Joint Venture

7.8 Risk management

Risk management is an integral part of a.s.r.'s daily business operations. a.s.r. applies an integrated approach to managing risks ensuring that strategic objectives are met. Value is created by striking the right balance between risk and return and capital, whilst ensuring that obligations to stakeholders are met. The Risk Management Function (RMF) supports and advises a.s.r. in identifying, measuring and managing risks, and ensures that adequate and immediate action is taken in the event of developments in the risk profile.

a.s.r. is exposed to a number of risks, such as strategic risks, market risks, counterparty default risks, liquidity risks, underwriting risks. The RMF monitors the risk profile of a.s.r. and its legal entities in order to ensure that it stays within the risk appetite.

As of 1 January 2016, the Solvency II regime is in place. a.s.r. measures its risks based on the standard model as prescribed by the Solvency II regime and therefore the risk management framework and this chapter are fully aligned with Solvency II. The Solvency Capital Requirement (SCR) is determined as the change in own funds caused by a predetermined shock which is calibrated to a 1-in-200-year event. The basis for these calculations are the Solvency II technical provisions which are calculated as the sum of a best estimate and a risk margin.

7.8.1 Risk management system including the Own Risk and Solvency Assessment Risk Management System

It is of great importance to a.s.r. that risks within all business lines are timely and adequately controlled. In order to do so, a.s.r. has implemented a Risk Management framework based on internationally recognised and accepted standards (such as COSO ERM and ISO 31000:2018 risk management principles and guidelines). Using this framework, material risks that a.s.r. is, or can be, exposed to, are identified, measured, managed, monitored and evaluated. The framework is both applicable to a.s.r. group and the underlying (legal) business entities.

7.8.1.1 Risk Management Framework

The figure below is the risk management framework as applied by a.s.r. The framework is based on the Enterprise Risk Management (ERM) model by COSO[1].

Risk Management Framework

1 ISO 31000:2009 risk management principles and guidelines

Risk Management framework
The Risk Management (RM) framework consists of risk strategy (including risk appetite), risk governance, systems and data, risk policies and procedures, risk culture, and risk management process. The RM framework contributes to achieving the strategic objectives as set out by a.s.r.

Risk strategy (incl. risk appetite)
Risk strategy is defined to contain at least the following elements:
- Strategic objectives that are pursued;
- The risk appetite in pursuit of those strategic objectives.

a.s.r.'s risk strategy aims to ensure that decisions are made within the boundaries of the risk appetite, as stipulated annually by the Executive Board and the Supervisory Board (see chapter 7.8.1.1.1 Risk management strategy and risk appetite).

Risk governance
Risk governance can be seen as the way in which risks are managed, through a sound risk governance structure and clear tasks and responsibilities, including risk ownership. a.s.r. employs a risk governance framework that entails the tasks and responsibilities of the risk management organisation and the structure of the Risk committees (see chapter 7.8.1.1.2 Risk governance).

Systems and data
Systems and data support the risk management process and provide management information to the risk committees and other relevant bodies. Strategic decisions are based on the management information provided. a.s.r. finds it very important to have qualitatively adequate data and systems in place, in order to be able to report and steer correct figures and to apply risk-mitigating measures timely. To ensure this, a.s.r. has designed a policy for data quality in line with Solvency II. Tools, models and systems are implemented to support the risk management process by giving guidance to and insights into the key risk indicators, risk tolerance levels, boundaries and actions, and remediation plans to mitigate risks (see chapter 7.8.1.1.3 Systems and data).

Risk policies and procedures:
Risk policies and procedures at least[1]:
- Define the risk categories and the methods to measure the risks;
- Outline how each relevant category, risk area and any potential aggregation of risk is managed;
- Describe the connection with the overall solvency needs assessment as identified in the Own Risk & Solvency Assessment (ORSA), the regulatory capital requirements and the risk tolerances;
- Provide specific risk tolerances and limits within all relevant risk categories in line with the risk appetite statements;
- Describe the frequency and content of regular stress tests and the circumstances that would warrant ad-hoc stress tests.

The classification of risks within a.s.r. is performed in line with, but is not limited to, the Solvency II risks. Each risk category consists of a policy that explicates how risks are identified, measured and controlled within a.s.r. (see chapter 7.8.1.1.4 Risk policies and procedures).

Risk culture
An effective risk culture is one that enables and rewards individuals and groups for taking risks in an informed manner. It is a term describing the values, beliefs, knowledge, attitudes and understanding about risk. All the elements of the RM framework combined make an effective risk culture.

Within a.s.r. risk culture is an important element that emphasises the human side of risk management. The Executive Board has a distinguished role in expressing the appropriate norms and values (tone at the top). a.s.r. employs several measures to increase the risk awareness and, in doing so, the risk culture (see chapter 7.8.1.1.5 Risk culture).

Risk management process
The risk management process contains all activities within the RM processes to structurally 1) identify risks; 2) measure risks; 3) manage risks; 4) monitor and report on risks; and 5) evaluate the risk profile and risk management framework. At a.s.r., the risk management process is used to implement the risk strategy in the steps mentioned. These five steps allow for the risks within the company to be managed effectively (see chapter 7.8.1.1.6 Risk Management process).

1 EIOPA-BoS-253-Guidelines_on_System_of_Governance_EN.pdf

7.8.1.1.1 Risk management strategy and risk appetite

a.s.r.'s risk strategy aims to ensure that decisions are made within the boundaries of the risk appetite, as stipulated annually by the Executive Board and the Supervisory Board.

Risk appetite is defined as the level and type of risk a.s.r. is willing to bear in order to meet its strategic, tactical and operational objectives. The risk appetite is formulated to give direction to the management of the (strategic) risks. The risk appetite contains a number of qualitative and quantitative risk appetite statements and is defined for both financial (FR) and non-financial risks (NFR). The statements highlight the risk preferences and limits of the organisation and are viewed as key elements for the realisation of our strategy. The statements and limits are defined at both group level and at legal entity level and are determined by the Executive Board and approved by the Supervisory Board. The statements are evaluated regularly to maintain alignment with the strategy.

Risk appetite statement ASR Nederland N.V. 2018		
1	ASR Nederland N.V. places long-term value creation at the forefront of its (strategic) operations. ASR Nederland N.V. is a socially responsible organisation which ensures that all stakeholders' interests are met in a balanced and sustainable way.	NFR
2	ASR Nederland N.V. ensures that operational risks are controlled efficiently and effectively: a. ASR Nederland N.V. has efficient and effective business processes; b. ASR Nederland N.V. has reliable financial reports; c. ASR Nederland N.V. has controlled internal and external outsourcing; d. ASR Nederland N.V. has IT that processes information reliably.	NFR
3	ASR Nederland N.V. complies with current laws, regulations and ethical (and inherent internal) norms. ASR Nederland N.V. meets the (reasonable) expectations of stakeholders and offers solid and reliable products which are cost-efficient, useful, safe and comprehensible to customers, intermediaries and ASR's internal organisation. Conducting honest business ensures that ASR's reputation is protected.	NFR
4	ASR Nederland N.V. has a minimum SCR ratio of 120%.	FR
5	ASR Nederland N.V. remains within the bandwidth of periodically reassessed market risk budgets.	FR
6	ASR Nederland N.V. has at least a single A rating and hereto it adheres to the AA level criteria under the S&P Capital Model. ASR Nederland N.V. assesses the amount of dividend payments against the current and expected future solvency ratio and economic outlook. Dividend payments are in line with the conditions laid down in the capital and dividend policy of ASR Nederland N.V.	FR
7	ASR Nederland N.V. has a maximum financial leverage ratio of 40% Financial leverage ratio = Debt / (Debt + Equity).	FR
8	ASR Nederland N.V. has a maximum double leverage ratio of 135%. Double leverage ratio = Total value of associates / (equity attributable to shareholders + hybrids and subordinated liabilities).	FR
9	ASR Nederland N.V. has a minimum interest coverage ratio of between 4 and 8. Interest coverage ratio = EBIT operational / interest expense.	FR
10	ASR Nederland N.V. is capable of releasing liquidities worth up to € 1 billion over a 1-month period following stress and remains capable of meeting its collateral requirements in the event of a 3% interest increase.	FR
11	ASR Nederland N.V. generates a robust and high-quality operational ROE, i.e. pursues an overall ROE > 10% and seeks an ROE > 8% for individual investment decisions.	FR
12	ASR Nederland N.V. has a maximum combined ratio of 99%.	FR

Risk strategy aims to ensure that management decisions lead to a risk profile that remains within the risk limits. The risk strategy entails all processes to identifying, assessing and managing risks and opportunities. The SRA (Strategic Risk Analysis) is a method for identifying, assessing and managing strategic risks. Through a combined top-down and bottom-up SRA (Strategic Risk Analysis) approach, the most important strategic risks are identified. For each of the strategic risks an estimation of the likelihood and impact is made to prioritise the risks. The main strategic risks are translated into 'risk priorities' (including emerging risks) at group level and are monitored throughout the year in the a.s.r. Risk Committee. Output from the strategic risk analysis, combined with the risk appetite statements, provides insight into the risk profile of a.s.r. and underlying legal entities. The risk profile is monitored in the relevant risk committees.

7.8.1.1.2 Risk governance

a.s.r.'s risk governance can be described by:

- Risk ownership;
- The implemented three lines of defence model and associated (clear delimitation of) tasks and responsibilities of key function holders; and
- The risk committee structure to ensure adequate strategic decision making.

Risk ownership

The Executive Board has the final responsibility for risk exposures and management within the organisation. Part of the responsibilities have been delegated to persons that manage the divisions where the actual risk-taking takes place. Risk owners are accountable for one or more risk exposures that are inextricably linked to the department or product line they are responsible for. Through the risk committee structure, risk owners provide accountability for the risk exposures.

Three lines of defence

The risk governance structure is based on the 'three lines of defence' model. The 'three lines of defence' model consists of three defence lines with different responsibilities with respect to the ownership of controlling risks. The model below provides insight in the organisation of the three lines of defence within a.s.r.

Three lines of defence model

Three lines of defence

First line of defence	Second line of defence	Third line of defence
• Executive Board • Management teams of the business lines and their employees • Finance & risk decentral	• Group Risk Management department - Risk management function - Actuarial function • Integrity department - Compliance function	• Audit department - Internal audit function
Ownership and implementation	Policies and monitoring implementation by 1st line	Independent assessment of 1st and 2nd lines
• Responsible for the identification and the risks in the daily business • Has the day-to-day responsibility for operations (sales, pricing, underwriting, claims handling, etc.) and is responsible for implementing risk frameworks and policies.	• Challenges the 1st line and supports the 1st line to achieve their business objectives in accordance with the risk appetite • Has sufficient countervailing power to prevent risk concentrations and other forms of excessive risk taking • Responsible for developing risk policies and monitoring the compliance with these policies	• Responsible for providing dedicated assurance services and oversees and assesses the functioning and the effectiveness of the first two lines of defence

Positioning of key functions
Within the risk governance, the key functions (compliance, risk, actuarial and audit) are organised in accordance with Solvency II regulation and play an important role as countervailing power of management in the decision-making process. The four key functions are independently positioned within a.s.r. In all the risk committees one or more key functions participate. None of the functions has voting rights in the committees, in order to remain fully independent as countervailing power. All functions have direct communication lines with the Executive Board and can escalate to the chairman of the Audit & Risk Committee of the Supervisory Board. Furthermore, the key functions have regular meetings with the supervisors of the Dutch Central Bank and/or The Dutch Authority for the Financial Markets (AFM).

Group Risk Management
Group Risk Management is responsible for the execution of the risk management function and the actuarial function. The department is led by the CRO. Group Risk Management consists of the following sub-departments:
- Enterprise Risk Management;
- Financial Risk Management (including Actuarial Function).

Enterprise Risk Management
Enterprise Risk Management is responsible for second-line operational (including IT) risk management and the enhancement of the risk awareness for a.s.r. and its subsidiaries. The responsibilities with regards to enterprise risk management include the development of risk policies, the annual review and update of the risk strategy (risk appetite), the coordination of the SRA process leading to the risk priorities and ORSA scenarios and the monitoring of the non-financial strategic risk profile. For the management of operational risks, a.s.r. has a solid Risk-Control framework in place that contributes to its long-term solidity. The RMF monitors and reviews the non-financial operational risk profile. The quality of the framework is continuously enhanced by the analysis of operational incidents, periodic assessments and monitoring by the RMF. Enterprise Risk Management actively promotes risk awareness at all levels to contribute to the vision of staying a socially relevant insurer.

Financial Risk Management
Financial Risk Management (FRM) is responsible for the second line financial risk management and supports both the Actuarial Function and Risk Management Function. An important task of FRM is to be the countervailing power to the Executive Board and management in managing financial risks for a.s.r. and its subsidiaries. FRM assesses the accuracy and reliability of the market risk, counterparty risk, insurance risk and liquidity risk, risk margin and best estimate liability. Other responsibilities are model validation and policies on valuation and risk. FRM is also responsible for the actuarial function.
As part of the actuarial function, FRM reviews the technical provisions, monitors methodologies, assumptions and models used in these calculations, and assesses the adequacy and quality of data used in the calculations. Furthermore, the Actuarial Function expresses an opinion on the underwriting policy and determines if risks related to the profitability of new products are sufficiently addressed in the product development process. The actuarial function also expresses an opinion on the adequacy of reinsurance arrangements.

Compliance
Compliance is responsible for the execution of the compliance function. An important task of Compliance is to be the countervailing power to the Executive Board and management in managing compliance risks for a.s.r. and its subsidiaries. The mission of the compliance function is to enhance and ensure a controlled and sound business operations where impeccable, professional conduct is self-evident.

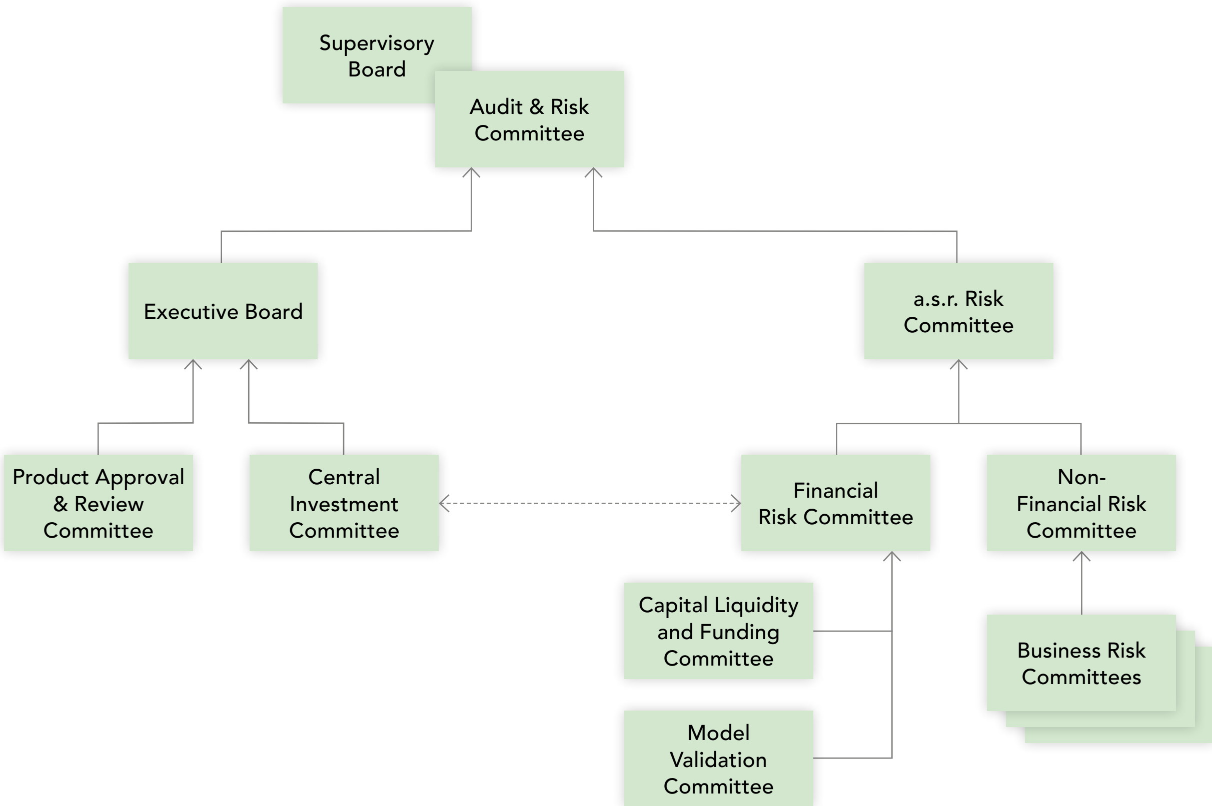
As second line of defence, Compliance encourages the organisation to comply with relevant rules and regulations, ethical standards and the internal standards derived from them ('rules') by providing advice and devising policy. Compliance supports the first line in the identification of compliance risks and assesses the effectiveness of risk management on which Compliance reports to the relevant risk committees. In doing so, Compliance uses a compliance risk and monitoring framework. In line with risk management, Compliance also creates further awareness in order to promote a culture of integrity. Compliance coordinates contacts with regulators in order to maintain an effective relationship and keeps oversight of the current topics.

Audit
The Audit department, the third line of defence, provides an independent opinion on governance, risk and management processes, with the goal of supporting the Executive Board and other management of a.s.r. in achieving the corporate objectives. To that end, Audit evaluates the effectiveness of governance, risk and management processes, and provides pragmatic advice that can be implemented to further optimise these processes. In addition, senior management can engage Audit for specific advisory projects.

Risk committee structure

a.s.r. has established a structure of risk committees (model 2018) with the objective to monitor the risk profile for a.s.r. group, its legal entities and its business lines in order to ensure that it remains within the risk appetite and the underlying risk tolerances and risk limits. When triggers are hit or likely to be hit, risk committees make decisions regarding measures to be taken, being risk-mitigating measures or measures regarding governance, such as the frequency of their meetings. For each of the risk committees a statute is drawn up in which the tasks, composition and responsibilities of the committee are defined.

Risk committee structure



Audit & Risk Committee

The Audit & Risk Committee was established by the Supervisory Board to gain support in the following matters:

- Assessment of the risk appetite proposal based on the financial and non-financial risk reports, among other documents;
- Assessment of the annual report, including the financial statements of ASR Nederland N.V.;
- The relationship with the independent external auditor, including the assessment of the qualities and independence of the independent external auditor and the proposal by the Supervisory Board to the AGM to appoint the independent external auditor;
- The performance of the audit function, compliance function, the actuarial function and the risk management function;
- Compliance with rules and regulations; and
- The financial position.

The Audit & Risk Committee has three members of the RvC, one of whom acts as the chairman.

a.s.r. Risk Committee

The a.s.r. Risk Committee (a.s.r. RC) monitors a.s.r.'s overall risk profile on a quarterly basis. At least annually, the a.s.r. RC determines the risk appetite statements, limits and targets for a.s.r. This relates to the overall a.s.r. risk appetite and the subdivision of risk appetite by financial and non-financial risks. The risk appetite is then submitted to the a.s.r. Audit & Risk Committee, which advises the Supervisory Board on the approval of the risk appetite. The a.s.r. RC also monitors the progress made in managing risks included in the Risk Priorities of the Executive Board.

All members of the Executive Board participate in the a.s.r. RC, which is chaired by the CEO. The involvement of the Executive Board ensures that risk decisions are being addressed at the appropriate level within the organisation. In addition to the Executive Board, the CRO, Director of Audit and Director of Integrity are members of the Committee.

Non-Financial Risk Committee
The Non-Financial Risk Committee (NFRC) discusses, advises and decides upon non-financial risk policies. The most relevant risk policies are approved by the a.s.r. RC. The NFRC monitors that non-financial risks are managed adequately and monitors that the risk profile stays within the agreed risk limits. If the risk profile exceeds the limits, the NFRC takes mitigating actions. The NFRC reports to the a.s.r. RC. The NFRC is chaired by the COO Non-Life (member of the Executive Board).

Financial Risk Committee
The Financial Risk Committee (FRC) discusses and decides upon financial risk policies. The most relevant financial risk policies are approved by the a.s.r. RC. The FRC monitors and controls financial risks (market, insurance (life and non-life) and counterparty default risk). The FRC also monitors whether the risk profile stays within the risk limits. If the risk profile exceeds these limits, the FRC takes mitigating actions. The FRC reports to the a.s.r. Risk Committee. The Chairman of the FRC is the CFO.

Capital, Liquidity and Funding Committee
The Capital, Liquidity and Funding Committee (CLFC) is a subcommittee of the FRC. As such, the CLFC prepares and assesses the technical analysis of capital, liquidity and funding positions, rating policy, rating model reporting, and treasury activities. The Chairman of the CLFC is the Director of Group Asset Management.

Model Validation Committee
The model validation committee (MVC) is a subcommittee of the FRC and is responsible for the execution and update of the model validation policy and the approval of validation of existing or newly developed models. The MVC receives all required information for the validation of models (e.g. model documentation and validation reports) prepared by the validation board (MVB) that assures the quality of the validation process. The chairman of the MVC is the CRO.

Business Risk Committees
The business lines manage and control their risk profile through the Business Risk Committees (BRC). The BRC's monitor that the risk profile of the business lines stays within the risk appetite, limits and targets, as formulated by the Executive Board. The BRC reports to the FRC and the NFRC. The Chairman of the BRC is the Managing Director of the business line.

Central Investment Committee
In addition to the risk committee structure, the Central Investment Committee (CIC) monitors tactical decisions and the execution of the investment policy. It takes investment decisions within the boundaries of the strategic asset allocation as agreed upon in the FRC. The CIC bears particular responsibility for investment decisions exceeding the mandate of the investment department. The CIC is chaired by the COO Life (member of the Executive Board).

Product Approval & Review Process Board
The Product Approval & Review Process Board (PARP Board) is responsible for the final decision-making process around the introduction of new products and adjustments in existing products. The managing Director of the business line Health is appointed as chairman. The committee evaluates if potential risks in newly developed products are sufficiently addressed. New products need to be developed in such a way that they are cost efficient, reliable, useful and secure. New products also need to have a strategic fit with a.s.r.'s mission to be a solid and trustful insurer. In addition, the risks of existing products are evaluated, as requested by the product approval and review process as a result of product reviews.

7.8.1.1.3 Systems and data
GRC tooling is implemented to support the risk management process by giving guidance and insight into the key risk indicators, risk tolerance levels, boundaries and actions and remediation plans to mitigate risks. The availability, adequacy and quality of data and IT systems is important in order to ensure that correct figures are reported and risk mitigating measures can be taken in time. It is important to establish under which conditions the management information that is submitted to the risk committees has been prepared and which quality safeguards were applied in the process of creating this information. This allows the risk committees to ascertain whether the information is sufficient to base further decisions upon.

a.s.r. has a Data Governance and Quality policy in place to support the availability of correct management information. This policy is evaluated on an annual basis and revised at least every three years to keep the standards in line with the latest developments on information management. The quality of the information is reviewed based on the following aspects, based on Solvency II:

- Completeness (including documentation of accuracy of results);
- Adequacy;
- Reliability;
- Timeliness.

The preparatory body or department checks the assumptions made and the plausibility of the results, and ensures coordination with relevant parties. When a preparatory body has established that the information is reliable and complete, it approves and formally submits the document(s) to a risk committee.

The information involved tends to be sensitive. To prevent unauthorised persons from accessing it, it is disseminated using a secure channel or protected files. a.s.r.'s information security policy contains guidelines in this respect.

a.s.r.'s information security policy is based on ISO 27002 'Code of practice for information security management'. This Code describes best practices for the implementation of information security.

The aim of the information security policy is to take measures to ensure that the requirements regarding availability, reliability and integer and confidential use of systems and data are met.

- Information availability refers to the degree to which the information is at hand as soon as the organisation needs it, meaning, for instance, that the information should be retrievable on demand and that it can be consulted and used at the right time;
- The integrity, i.e. reliability, of information is the degree to which it is up-to-date, complete and error-free;
- 'Confidential use' refers to the degree to which the information is available to authorised persons only and the extent to which it is not available to unauthorised persons.

There are technical solutions for accomplishing this, by enforcing a layered approach (defence-in-depth) of technical measures to avoid unauthorised persons (i.e. hackers) to compromise a.s.r. corporate data and systems. In this perspective, one may think of methods of logical access management, intrusion detection techniques, in combination with firewalls are aimed at preventing hackers and other unauthorised persons from accessing information stored on a.s.r. systems. Nevertheless, confidential information can also have been committed to paper. In addition to technical measures there are physical measures and measures that helps the right awareness of personnel as part of the information security environment.

When user defined models (e.g. spreadsheets) are used for supporting the RM Framework, the 'a.s.r. Standard for End user computing'- in addition of the general security policy - defines and describes best practices in order to guard the reliability and confidentiality of these tools and models. a.s.r. recognises the importance of sound data quality and information management systems. End 2018 a.s.r. finished the project to further enhance the measurement and reporting on data quality for the purposes of financial reporting.
The management of IT and data risks of the implemented tools, models and systems (including data) is part of the Operational IT risk management.

7.8.1.1.4 Risk policies and procedures

a.s.r. has established guidelines, including policies that cover all main risk categories (market, counterparty default, liquidity, underwriting, strategic and operational). These policies address the accountabilities and responsibilities regarding management of the different risk types. Furthermore, the methodology for risk measurement is included in the policies. The content of the policies is aligned to create a consistent and complete set. The risk policy landscape is maintained by Group Risk Management and Compliance. These departments also monitor the proper implementation of the policies in the business. New risk policies or updates of existing risk policies are approved by the risk committees as mentioned previously.

7.8.1.1.5 Risk culture

Risk awareness is a vital component of building a sound risk culture within a.s.r. that emphasises the human aspect in the management of risks. In addition to gaining sufficient knowledge, skills, capabilities and experience in risk management, it is essential that an organisation enables objective and transparent risk reporting in order to manage them more effectively.

The Executive Board clearly recognises the importance of risk management and is therefore represented in all of the major group level risk committees. Risk Management is involved in the strategic decision-making process, where the company's risk appetite is always considered. The awareness of risks during decision-making is continually addressed when making business decisions, for example by discussing and reviewing risk scenarios and the positive and/or negative impact of risks before finalizing decisions.
It is very important that this risk awareness trickles down to all parts of the organisation, and therefore management actively encourages personnel to be aware of risks during their tasks and projects, in order to avoid risks or mitigate them when required. The execution of risk analyses is embedded in daily business in, for example, projects, product design and outsourcing.

In doing so, a.s.r. aims to create a solid risk culture in which ethical values, desired behaviours and understanding of risk in the entity are fully embedded. Integrity is of the utmost importance at a.s.r.: this is translated into a code of conduct and strict application policies for new and existing personnel, such as taking an oath or promise when entering the company, and the 'fit and proper' aspect of the Solvency II regulation, ensuring that a.s.r. is overseen and managed in a professional manner.

Furthermore, a.s.r. believes it is important that a culture is created in which risks can be discussed openly and where risks are not merely perceived to be negative and highlight that risks can also present a.s.r. with opportunities. Risk Management (both centralised and decentralised) is positioned as such, that it can communicate and report on risks independently and transparently, which also contributes to creating a proper risk culture.

7.8.1.1.6 Risk management process

The risk management process typically comprises of five important steps: 1) identifying; 2) measuring; 3) managing; 4) monitoring and reporting; and 5) evaluating . a.s.r. has defined a procedure for performing risk analyses and standards for specific assessments. The five different steps are explained in this chapter.

Identifying

Management should endeavour to identify all possible risks that may impact the strategic objectives of a.s.r., ranging from the larger and/or more significant risks posed on the overall business, down to the smaller risks associated with individual projects or smaller business lines. Risk identification comprises of the process of identifying and describing risk sources, events, and the causes and effects of those events.

Measuring

After risks have been identified, quantitative or qualitative assessments of these risks take place to estimate the likelihood and impact associated with them. Methods applicable to the assessment of risks are:

- Sensitivity analysis;
- Stress testing;
- Scenario analysis;
- Expert judgments (regarding likelihood and impact); and
- Portfolio analysis.

Managing

Typically, there are five strategies to managing risk:

- Accept: risk acceptance means accepting that a risk might have consequences, without taking any further mitigating measures;
- Avoid: risk avoidance is the elimination of activities that cause the risk;
- Transfer: risk transference is transferring the impact of the risk to a third party;
- Mitigate: risk mitigation involves the mitigation of the risk likelihood and/or impact;
- Exploit: risk exploitation revolves around the maximisation of the risk likelihood and/or increasing the impact if the risk does happen.

Risk management strategies are chosen in a way that ensures that a.s.r. remains within the risk appetite tolerance levels and limits.

Monitoring and reporting

The risk identification process is not a continuous exercise. Therefore, risk monitoring and reporting are required to capture changes in environments and conditions. This also means that risk management strategies could, or perhaps should, be adapted in accordance with risk appetite tolerance levels and limits.

Evaluating

The evaluation step is twofold. On the one hand, evaluation means risk exposures are evaluated against risk appetite tolerance levels and limits, taking (the effectiveness of) existing mitigation measures into account. The outcome of the evaluation could lead to a decision regarding further mitigating measures or changes in risk management strategies.
On the other hand, the risk management framework (including the risk management processes) is evaluated by the risk management function, in order to continuously improve the effectiveness of the risk management framework as a whole. .

1 Based on COSO ERM and ISO 31000:2009

7.8.1.2 a.s.r.'s risk categories
a.s.r. is exposed to a variety of risks. There are six main risk categories that a.s.r. recognises, as described below.

Insurance risk
Insurance risk is the risk that premium and/or investment income or outstanding reserves will not be sufficient to cover current or future payment obligations, due to the application of inaccurate technical or other assumptions and principles when developing and pricing products. a.s.r. recognises the following insurance risk:
- Life insurance risk
- Health insurance risk
- Non-life insurance risk

Market risk
The risk of changes in values caused by market prices or volatility of market prices differing from their expected values. The following types of market risk are distinguished:
- Interest rate risk
- Equity risk
- Property risk
- Spread risk
- Currency risk
- Concentration risk/market concentration risk

Counterparty default risk
Counterparty default risk is the risk of losses due to the unexpected failure to pay or credit rating downgrade of counterparties and debtors. Counterparty default risk exists in respect of the following counterparties:
- Reinsurers
- Consumers
- Intermediaries
- Counterparties that offer cash facilities
- Counterparties with which derivatives contracts have been concluded
- Healthcare providers
- Zorginstituut Nederland

Liquidity risk
Liquidity risk is the risk that a.s.r. is not able to meet its financial obligations to policyholders and other creditors when they become due and payable, at a reasonable cost and in a timely manner.

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. The following subcategories of operational risk are used:
- Compliance
- Business process
- Information technology
- Outsourcing
- Financial reporting

Strategic risk
Strategic risk is the risk of a.s.r. or its business lines failing to achieve the objectives due to incorrect decision-making, incorrect implementation and/or an inadequate response to changes in the environment. Such changes may arise in the following areas:
- Climate
- Demographics
- Competitive conditions
- Technology
- Macroeconomic conditions
- Laws and regulations and ethical standards
- Stakeholders
- Group structure (for product lines only)

Strategic risk may arise due to a mismatch between two or more of the following components: the objectives (resulting from the strategy), the resources used to achieve the objectives, the quality of implementation, the economic climate and/or the market in which a.s.r. and/or its business lines operate.

7.8.2 Insurance risk

Insurance risk is the risk that future insurance claims and benefits cannot be covered by premium and/or investment income, or that insurance liabilities are not sufficient, because future expenses, claims and benefits differ from the assumptions used in determining the best estimate liability. Insurance risk manifests itself in both the Non-life and the Life portfolio. The Non-life portfolio covers the property and casualty, disability and healthcare sectors. The Life portfolio consists of funeral, individual life and group-pension business.

Risk-mitigating measures are used to reduce and contain the volatility of results or to decrease the possible negative impact on value as an alternative for the capital requirement. Proper pricing, underwriting, reinsurance, claims management, and diversification are the main risk mitigating actions for insurance risks. By offering a range of different insurance products, with various product benefits and contract lengths, and across life, disability and Health and P&C insurance risk, a.s.r. reduces the likelihood that a single risk event will have a material impact on a.s.r.'s financial condition.

The solvency buffer is held by a.s.r. to cover the risk that claims may exceed the available insurance provisions and to ensure its solidity. The solvency position of a.s.r. is determined and continuously monitored in order to assess if a.s.r. meets the regulatory requirements.

As of 1 January 2016, the Solvency II regime is in place. a.s.r. measures its risks based on the standard model as prescribed by the Solvency II regime. The Solvency Capital Requirement (SCR) for each insurance risk is determined as the change in own funds caused by a predetermined shock which is calibrated to a 1-in-200-year event. The basis for these calculations are the Solvency II technical provisions which are calculated as the sum of a best estimate and a risk margin.

The insurance risk arising from the insurance portfolios of a.s.r. is as follows:

Insurance risk - required capital

	31 December 2018	31 December 2017
Life insurance risk	1,457	1,427
Health insurance risk	777	677
Non-life insurance risk	491	377
Total excluding diversification between insurance risks	**2,724**	**2,481**

The insurance risk increased as a result of the lowering of the mass lapse cover, refinement of the calculation of the Health risk, the uniformation of the Generali Nederland assumptions and the portfolio development at Non-life.

Solvency II sensitivities

a.s.r. has assessed the impact of various sensitivities on the solvency ratio. The sensitivities as at 31 December 2017 and 2018, expressed as impact on the group solvency ratio (in percentage points) are as follows:

Solvency II sensitivities - insurance risks

Effect on:	Available capital		Required capital		Ratio	
Type of risk (%-points)	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Expenses -10%	+6	+6	+1	+1	+8	+7
Mortality rates, all products -5%	-3	-4	-	-	-3	-4
Lapse rates -10%	+1	+1	-	-	-	+1

Solvency II sensitivities - explanation

Risk	Scenario
Expense risk	Measured as the impact of a 10% decrease in expense levels.
Mortality risk	Measured as the impact of a 5% decrease in all mortality rates. A mitigating effect will occur between mortality and longevity rates.
Lapse risk	Measured as the risk of a 10% decrease in lapse rates.

The table above shows that the SCR sensitivities in 2018 are (almost) similar to the sensitivities of 2017. The impact on the ratio is the opposite if a reversed scenario is taken into account. These shocks had no impact on the 2018 and 2017 total equity, or on the profit for these years, because a.s.r. still passed the IFRS Liability Adequacy Test (LAT). While the sensitivities result in a decrease of the surplus in the Liability Adequacy Test, the outcome is still positive.

7.8.2.1 Life Insurance risk

The life portfolio can be divided into funeral, individual life and group pension. The insurance contracts are sold primarily to retail and wholesale clients through intermediaries.

The products are sold as insurance products in cash or unit-linked contracts. With respect to products in cash, the investment risk is fully borne by the insurer whereas, in the case of unit-linked products, the majority of the investment risk is for the policyholder's account.

The SCR for life insurance risks is determined on the level of model points. A model point is a group of policies with equal characteristics. A model point is a subset of a homogeneous risk group. In case a netting between positive and negative risks within a model point can exist, special attention is given. In most cases, the model points are sufficiently homogeneous knowing that this netting is not material.

The following life insurance risks are involved:

Mortality risk

Mortality risk is associated with (re)insurance obligations, such as endowment or term assurance policies, where a payment or payments are made in case of the policyholder's death during the contract term. The increase in mortality rates is applied to (re) insurance obligations which are contingent on mortality risk. The required capital for this risk is calculated as the change in own funds of a permanent increase of mortality rates by 15% for all ages and each policy.

Longevity risk

Longevity risk is associated with (re)insurance obligations where payments are made until the death of the policyholder and where a decrease in mortality rates results in higher technical provisions. The required capital is calculated as the change in own funds of a permanent decrease of mortality rates by 20%. The decrease in mortality rates is applied to portfolio's where payments are contingent on longevity risk.

Disability-morbidity risk

Morbidity or disability risk is associated with all types of insurance compensating or reimbursing losses (e.g. loss of income, adverse changes in the best estimate of the liabilities) caused by changes in the morbidity or disability rates. The scenario analysis consists of a 35% increase in disability rates for the first year, 25% for subsequent years, combined with a decrease in revalidation rates of 20%.

Expense risk

A calculation is made of the effect on own funds of a permanent increase in costs used for determining the best estimate. The scenario analysis contains an increase in the costs of 10% and an increase in the cost inflation of 1%-point per year. This scenario also includes a similar shock in the investment costs. Both the internally and externally managed investment costs are involved in this scenario.

Lapse risk

Lapse risk is the risk of losses (or adverse changes in the best estimate of the liabilities) due to an unanticipated (higher or lower) rate of policy lapses, terminations, changes to paid-up status (cessation of premium payment) and surrenders. The effect of the lapse risk is equal to the highest result of a permanent increase in lapse rates of 50%, a permanent decrease in lapse rates of 50% or a mass lapse event (70% of insurance policies in collective pension funds or 40% of the remaining insurance policies). The lapse shocks are only applied to portfolios where this leads to a higher best estimate.

The required capital for a mass lapse event is reduced by the proceeds that are to be expected from a reinsurance arrangement (Mass Lapse Cover). This arrangement covers the risks of a mass lapse event of parts of the portfolio to the extent that the mass lapse is more than 20% and less than 40%.
Especially in the case of funeral policies the netting of positive and negative risks within model points can be considerable for policies that can be surrendered (completely ending the policy, with payment of surrender value) in the case of the mass lapse. In most cases, the shock scenario for determining the SCR for mass lapse for funeral policies consists of an immediate shock of 40% with respect to the continuation of premium payment (mass 'pup'-scenario). This is mostly in line with policy conditions. The mass pup treatment in the funeral portfolio for mass lapse risk reduces the netting of positive and negative risks to a level that is not material.

Life catastrophe risk

Catastrophe risk arises from extreme events which are not captured in the other life insurance risks, such as pandemics. The capital requirement for this risk is calculated as a 1.5 per mille increase in mortality rates in the first projected year for (re)insurance obligations where the increase in mortality rates leads to an increase in technical provisions.

Mortgage Loans

Within the individual life portfolio there is a group of policies directly linked to a mortgage loan ('Spaarhypotheken'). In case the mortgage loan is not provided by a.s.r., but by another party, which is the case for most of these policies, the interest that a.s.r. reimburses to the policyholder is claimed from the party that has provided the mortgage loan. This cashflow of interests from the provider of the mortgage loan to a.s.r. represents an asset. The cashflow and value of this asset depends on the cashflow of the linked savings policy. Therefore, the change in this asset value due to mortality or lapse is taken into account when determining the SCR for life insurance risks.

Employee benefits

ASR Nederland N.V. has insured the post-employment benefit plans for a.s.r.'s employees with ASR Levensverzekering N.V., an insurance company within the group. Though the liability of this plan is classified as employee benefits on the balance sheet and determined according to IFRS principles, the required capitals for the life insurance risks are fully taken into account and based on Solvency II principles. The risk margin at a.s.r. group level equals the sum of risk margins of all underlying OTSO's. No correction is made for the elimination of post-employment benefit plans for a.s.r.'s employees with ASR Levensverzekering N.V.

Other information

Within a.s.r. life the longevity risk is dominant and arises from group pension business and individual annuities.
The longevity risk is partly offset by mortality risk that arises from the funeral portfolio and individual policies with mortality risk. The other main risks a.s.r. life is exposed to are expense risk and lapse risk, though lapse risk is reduced due to the aforementioned Mass Lapse reinsurance arrangement.
Below table summarises the required capital for abovementioned life insurance risks based on the standard model.

Life insurance risk - required capital

	31 December 2018	31 December 2017
Mortality risk	297	268
Longevity risk	928	848
Disability-morbidity risk	6	6
Lapse risk	313	398
Expense risk	641	623
Revision risk	-	-
Catastrophe risk (subtotal)	83	62
Diversification (negative)	-811	-778
Life insurance risk	**1,457**	**1,427**

For the life portfolio, the provision at year-end can be broken down as follows under Solvency II:

Life portfolio - technical provisions per segment

Segment	31 December 2018	31 December 2017
Insurance with profit participation		
Best estimate	19,099	18,833
Risk margin	1,097	1,088
Technical provision	**20,195**	**19,921**
Other life insurance		
Best estimate	9,757	8,531
Risk margin	514	475
Technical provision	**10,271**	**9,006**
Index-linked and unit-linked insurance		
Best estimate	7,908	7,743
Risk margin	108	92
Technical provision	**8,016**	**7,835**
Total		
Best estimate	**36,764**	**35,107**
Risk margin	**1,718**	**1,656**
Technical provision	**38,482**	**36,762**

The technical provisions and the risk margin have increased due to the acquisition of Generali Nederland (resp. 3.1 bln and 0.2 bln). This increase was mitigated by the outflow of the individual life portfolio and (to a lesser extend) the traditional pensions portfolio.

7.8.2.1.1 Managing life insurance risk

Life insurance risk is mitigated by pricing, underwriting policies and reinsurance.

Pricing is based on profit capacity calculations. A calculation is made of the price required to cover the risks. A calculation is made of the price required to cover the insurance liabilities, expenses and risks. Underwriting policies describe the types of risks and the extent of risk a.s.r. is willing to accept. Policyholders may be subjected to medical screening for individual life insurance.

Reinsurance

Reinsurance and other risk-mitigating measures are used to reduce and contain the volatility of results or to decrease the possible negative impact on value as an alternative to the capital requirement. Reinsurance arrangements have been set up to mitigate the effects of catastrophes on earnings.
The level of retention in different reinsurance contracts is aligned with the size and the risk profile of the underlying portfolios. This includes taking account of the cost of reinsurance on the one hand, and the risk that is retained on the other.

Buy out reinsurance

The group enters into reinsurance contracts to minimise insurance risks. Reinsurance may be in place for a separate contract or for all or part of the portfolio. In order to optimise its balance sheet risks, ASR Levensverzekering N.V. entered into a reinsurance agreement with Legal and General Re (via Hannover Re as fronting reinsurer) in 2015. The agreement entailed the transfer of € 209 million in pension obligations to Legal and General Re.

Mass lapse cover

The required capital (SCR) for a mass lapse event is reduced by the proceeds that are to be expected from a reinsurance arrangement (Mass Lapse Cover) with RGA, Munich Re and some other reinsurers. This arrangement covers the risks of a mass lapse event of parts of the portfolio to the extent that the mass lapse is more than 20% and less than 40%. The mass lapse cover will be gradually terminated in 2 years starting from Q4 2018.

7.8.2.2 Health Insurance risk and non-life insurance risk

7.8.2.2.1 Health insurance risk

The Health insurance portfolio of a.s.r. is diverse. The portfolio can be divided into two main product types:

- SLT Health portfolio (Similar to Life Techniques) Income Protection, which can be divided into
  - Individual Disability (Zelfstandigen)
  - Group Disability (WIA)
- NSLT Health portfolio (Similar to Non-life Techniques), which can be divided into
  - Income Protection (Sickness, and Individual and Group Accident)
  - Medical Expenses (Basis and Aanvullend)

The insurance contracts are sold primarily to retail and wholesale clients through intermediaries.

The Health insurance portfolio of a.s.r. contains the following insurance risks:

- SLT Health risk
  - This risk is applicable to the SLT Health portfolio. The calculation is scenario-based. The scenarios are similar to the scenarios that are used to calculate the Life insurance risk.
- NSLT Health risk
  - This risk is applicable to the NSLT Health portfolio. The calculation is factor-based. The risk is calculated similarly to the Non-life insurance risk.
- Health Catastrophe risk
  - This risk is applicable to the entire Health portfolio. The calculation is scenario-based.

SLT Health Risk

Longevity risk

Longevity risk is associated with (re)insurance obligations where payments are made until the death of the policyholder and where a decrease in mortality rates results in higher technical provisions. The required capital is calculated as the change in own funds of a permanent 20% decrease in mortality rates. The decrease in mortality rates is applied to portfolios where payments are contingent on longevity risk.

Disability-morbidity risk

Morbidity or disability risk is the main risk to the SLT Health portfolio. The scenario analysis consists of a 35% increase in disability rates for the first year, 25% for subsequent years, combined with a decrease in revalidation rates of 20%.

Expense risk

A calculation is made of the effect of a permanent increase in costs, which is used for determining the best estimate. The scenario analysis contains an increase in the costs of 10% and an increase in the cost inflation of 1%-point per year.

Lapse risk

Lapse risk is the risk of losses (or adverse changes in the best estimate of the liabilities) due to an unanticipated (higher or lower) rate of policy lapses, terminations, changes to paid-up status (cessation of premium payment) and surrenders. The effect of the lapse risk is equal to the highest result of a permanent 50% increase in lapse rates, a permanent 50% decrease in lapse rates or a mass lapse event (40% mass lapse). For the SLT Health portfolio, the mass lapse event is dominant.

Future management action

According to the insurance conditions, a.s.r. has the ability to adjust the premiums and insurance conditions in the future. Therefore, a.s.r. applies a future management action, as noted in Article 23 of the Delegated Regulation, when calculating the SLT Health risk for the portfolios with contract boundaries exceeding three years.

NSLT Health Risk

Premium and reserve risk

The premium risk is the risk that the premium is not adequate for the underwritten risk. The premium risk is calculated over the maximum of the expected earned premium of the next year, and the earned premium of the current year.

NSLT lapse risk

The basic and additional health insurance are compulsory insurance contracts for one year without intermediate possibility of termination and therefore lapse risk is negligible for the basic health insurance.

Health catastrophe risk

Medical Expense

A health catastrophe for NSLT Health portfolio is an unexpected future event with a duration of one year. The risk is determined ultimo year. The amount of catastrophe risk is apparent from the number of insured and parameters for mass accident scenario and pandemic scenario that have been approved by Dutch Central Bank in consultation with Health Insurers Netherlands. Accident concentration is not applicable for NSLT Health. The catastrophe risk has a projection of one year (T) following from the contract boundary of one year in accordance with the Dutch Health Insurance Act. After year T the risk is 'zero'. Catastrophe risk for AV equals zero because these contracts have a maximum compensation for claims.

Income Protection

This component is calculated for policies for which an increase in mortality rates or morbidity rates or disability rates leads to an increase in the best estimate. There are three scenarios, which are calculated for all SLT Health and portfolios.

Mass accident scenario

In this scenario, an accident takes place during a major public event. The risk is that 10% of the attendees are killed, 1.5% are permanently disabled, 5% are disabled for 10 years, 13.5% are disabled for 12 months and 30% need medical attention.

Accident concentration scenario

In this scenario, an accident takes place on site, with the most of our insured at the same location. The risk is that 10% of those present are killed, 1.5% are permanently disabled, 5% are disabled for ten years, 13.5% are disabled for 12 months and 30% need medical attention.

Pandemic scenario

In this scenario, there is a pandemic, which causes 1% of those affected to be hospitalised and 20% to see a local practitioner.

Health insurance risk - required capital

	31 December 2018	31 December 2017
Health SLT	607	518
Health Non-SLT	233	214
Catastrophe Risk (subtotal)	77	76
Diversification (negative)	-141	-131
Health (Total)	**777**	**677**
Mortality risk	-	-
Longevity risk	22	19
Disability-morbidity risk	523	441
Expense risk	84	70
Revision risk	84	59
Lapse risk	124	134
Diversification (negative)	-231	-205
Health SLT (subtotal)	**607**	**518**
Medical expenses insurance and proportional reinsurance	81	74
Income protection insurance and proportional reinsurance	182	150
Diversification (negative)	-30	-9
Health Non-SLT (subtotal)	**233**	**214**
Mass accident risk	17	16
Accident concentration risk	72	72
Pandemic risk	22	19
Diversification (negative)	-34	-31
Catastrophe risk (subtotal)	**77**	**76**

The SCR for the Health Non-SLT risk differs from the sum of the amounts reported in the OTSO QRTs. This difference is caused due to a diversification benefit on group level.
For the SLT Health portfolio, the provision at year-end 2018 can be broken down as follows under Solvency II.

SLT Health portfolio - technical provisions per segment

Segment	31 December 2018	31 December 2017
Best estimate	2,558	2,492
Risk margin	301	248
Technical provision	**2,859**	**2,740**

For the NSLT Health portfolio, the provision at year-end 2018 can be broken down as follows under Solvency II.

NSLT Health portfolio - technical provisions per segment

Segment	31 December 2018	31 December 2017
Best estimate	445	416
Risk margin	30	29
Technical provision	**475**	**445**

7.8.2.2.2 Non-Life insurance risk

Non-life Insurance risk can be broken down into:

- Premium and reserve risk;
- Non-life catastrophe risk;
- Lapse risk.

Premium- and reserve risk

The premium risk is the risk that the premium is not adequate for the underwritten risk. The premium risk is calculated over the maximum of the expected written premium for the next year, and the written premium for the current year. The Premium and reserve risk is derived at the level of a legal entity based on the Standard Model. For the calculation of the Premium and reserve risk, several input data and parameters are necessary, as described in the Standard Model. The geographical spread, when a (re)insurer underwrites products in different countries, is not relevant for a.s.r. non-life as there is no material exposure outside the Netherlands.

Non-life Catastrophe Risk Module

Catastrophe risk is defined as the risk of loss or adverse change in the value of insurance liabilities, resulting from significant uncertainty of pricing and provisioning assumptions related to extreme or exceptional events.
The Non-life SCR Catastrophic Risk Module used consists of natural catastrophe risk (Windstorm and Hail), man-made catastrophe risk (Fire, Motor and Liability) and other Non-life catastrophe risk. The Non-life Catastrophe Risk Module is derived at the level of a legal entity based on the Standard Model.

Lapse risk

The lapse risk is the loss of basic own funds, caused by the discontinuance of 40% of the policies for which discontinuation would result in an increase in the basic own funds. The lapse risk is calculated as follows:

- Effect of expired future profits on existing contracts (which are already taken into account in the Best Estimate calculation of premium provision) by:
  - Deriving the level of (Solvency II) Line of Business (LOB) based on the assumption of a 40% lapse;
  - Solvency II LOB contains a group of products with the same risk profile which are modelled together;
  - Taking (Solvency II) LOBs into account in case of lapse with an increase in the provision.
- Effect of continuous fixed costs is not taken into account.

Below table summarises the required capital for abovementioned non-life insurance risks based on the standard model.

Non-life insurance risk - required capital

	31 December 2018	31 December 2017
Premium and reserve risk	447	336
Lapse risk	36	31
Catastrophe risk	117	104
Diversification (negative)	-109	-94
Non-life insurance risk	**491**	**377**

For the non-life portfolio, the provision at year-end 2018 can be broken down as follows under Solvency II:

Non-life portfolio - technical provisions per segment

	31 December 2018	31 December 2017
Best estimate	1,241	836
Risk margin	66	49
Technical provision	**1,306**	**885**

7.8.2.2.3 Managing health and non-life insurance risk

Health and Non-life insurance risk is managed by monitoring claims frequency, the size of claims, inflation, handling time, benefit and claims handling costs, and biometrical risks (disability, recovery, illness, death). Concentration risk also qualifies as an insurance risk.

In recent years, measures have been taken to improve profitability and reduce risk. Examples are: premium increases, stricter acceptance criteria, shorter claims filing terms and making use of the claims reassessment arrangement between the Dutch Association of insurers and social security institute UWV. Effects are being monitored closely and assessed to be effective. New legislation causes flex-workers to become in scope, in force from 1 January 2017. This will invoke market-wide changes to the product design, pricing and conditions, thereby creating both additional market opportunities and additional risks for a.s.r.

Claims frequency, size of claim and inflation

To mitigate the risk of claims, a.s.r. bases its underwriting policy on claims history and risk models. The policy is applied to each client segment and to each type of activity. In order to limit claims and/or ensure that prices are adjusted correctly, the acceptance policy is continually refined using a number of indicators and statistical analyses. The product lines also use knowledge or expectations with respect to future trends to estimate the frequency, size and inflation of claims. The risk of unexpected major damage claims is contained by policy limits, the concentration of risk management and specific risk transfer contracts (e.g. reinsurance).

Handling time

The time required for handling and settling claims is an important factor. The settlement of claims that have a long handling time, such as liability claims, can take many years. Analyses are performed regularly and based on a.s.r.'s experience in similar cases, historical trends – such as the pattern of liabilities – increases in risk exposure, payment of damages, the scale of current and not yet settled damage claims, court rulings and economic conditions.

Benefit and claims handling costs

Taking estimated future inflation into account, benefit and claims handling costs are managed based on regular reviews and related actions.

Disability risk

Disability risk is controlled by means of regular evaluation of historical claims patterns, expected future developments and price adjustments. Disability risk is mitigated by a.s.r. through underwriting criteria and a proactive reintegration policy. a.s.r. also mitigates its disability risk through suitable reinsurance.

Concentration risk

Geographically, the risk exposure of a.s.r. on its health and non-life portfolio is almost entirely concentrated in the Netherlands. Concentration of insurance risks is particularly prevalent in the fire risk portfolio (i.e. home and content, with storm risk forming the most important factor). Storm risk is managed by means of suitable reinsurance (see also 'Reinsurance').

There is also a concentration of risk in group disability schemes. Group disability contracts are underwritten within the scope of disability cover for employees in the Netherlands (WIA).

Reinsurance

When deemed effective in terms of capital relief versus costs incurred, a.s.r. enters into reinsurance agreements to mitigate Non-life insurance risks. Reinsurance can be taken out for each separate claim (per risk), for the accumulation of claims due to natural disasters or to human actions (per event), or for both these risks.

The level of retention in the various reinsurance contracts is aligned with the size and the risk profile of the underlying portfolios, taking into account of the cost of reinsurance on the one hand, and the risk that is retained on the other.

By determining the retention, the impact on the statement of financial position is taken into account as well. The difference in the retention of disability depends on the structure of the contract (basic coverage or indexed).

To limit risk concentration, reinsurance contracts are placed with various reinsurance companies. a.s.r. requires the counterparties to be rated at least single A-. The reinsurance program has remained largely the same as in previous years in terms of cover and limits. The most significant reinsured risk is windstorm. In 2017, a.s.r. purchased excess of loss reinsurance for accident year 2018 for windstorm in excess of € 35 million with a limit of € 535 million.

7.8.3 Market risk

Market risk is the risk of potential losses due to adverse movements in financial market variables. Exposure to market risk is measured by the impact of movements in financial variables such as equity prices, interest rates and property prices. The various types of market risk which are discussed in this section, are:
- Interest rate risk;
- Equity risk;
- Property risk;
- Currency risk;
- Spread risk;
- Concentration risk.

Market risk reports are submitted to the FRC at least once a month. Key reports on market risk include the Solvency II and economic capital report, the interest rate risk report and the report on risk budgets related to the strategic asset mix.

A summary of sensitivities to market risks for the regulatory solvency, total equity and profit for the year is presented in the tables below. The first table summarises the required capital for market risks based on the standard model:

Market risk - required capital

	31 December 2018	31 December 2017
Interest rate	238	428
Equity	597	738
Property	1,014	883
Currency	230	267
Spread	1,091	1,130
Concentration	122	67
Diversification (negative)	-709	-740
Total	**2,584**	**2,773**

The main market risks of a.s.r. are spread, property and equity risk. This is in line with the risk budgets based on the strategic asset allocation study. Market risk decreased mainly driven by an adjustment of the interest rate hedge within current hedging policy bandwidth and lower equity risk due to fallen stock prices.

The value of investment funds at year-end 2018 was € 3,650 million (2017 € 3,250 million). a.s.r. applies the look-through approach for investment funds to assess the market risk.

The interest rate risk is the maximum loss of (i) an upward shock or (ii) a downward shock of the yield curve. For a.s.r. the downward shock is dominant.

a.s.r. applies the transitional measure for equity risk for shares in portfolio at 31 December 2015. The SCR equity shock was 22% at 31 December 2015 and linear, increasing to (i) 39% + equity dampener for type I shares and (ii) 49% + equity dampener for type II shares. The equity dampener has a value between -10% and 10%. In the event of increasing equity prices, the equity dampener will have a dampening effect.

The diversification effect shows the effect of having a well-diversified investment portfolio.

Solvency II sensitivities

The sensitivities of the solvency ratio as at 31 December 2018, expressed as the impact on the group solvency ratio (in percentage points) are as presented in the table below. The total impact is split between the impact on the solvency ratio related to movement in the available capital and the required capital.

Solvency II sensitivities - market risks

Effect on:	Available capital		Required capital		Ratio	
Scenario (%-point)	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017
UFR 3.2%	-18	-19	-3	-3	-21	-23
Interest rate +1% (2017 incl. UFR 4.2% / 2018 incl. UFR 4.05%)	-4	-1	+12	+12	+7	+11
Interest rate -1% (2017 incl. UFR 4.2% / 2018 incl. UFR 4.05%)	+9	+3	-14	-13	-5	-10
Volatility Adjustment -10bp	-9	-9	-2	-2	-11	-11
Equity prices -20%	-9	-11	+7	+10	-3	-1
Property values -10%	-9	-8	+4	+3	-6	-5
Spread +75bps/VA +20/21bps	+11	+12	+9	+2	+21	+14

Solvency II sensitivities - explanation

Risk	Scenario
Interest rate risk – UFR	Measured as the impact of a lower UFR. For the valuation of liabilities, the extrapolation to the UFR of 3.2% after the last liquid point of 20 years remained unchanged.
Interest rate risk (incl. UFR 4.2%/4.05%)	Measured as the impact of a parallel 1% upward and downward movement of the interest rates. For the liabilities, the extrapolation to the UFR (4.05% for 2018 and 4.2% for 2017) after the last liquid point of 20 years remained unchanged.
Volatility Adjustment	Measured as the impact of a 10 bps decrease in the Volatility Adjustment.
Equity risk	Measured as the impact of a 20% downward movement in equity prices.
Property risk	Measured as the impact of a 10% downward movement in the market value of real estate.
Spread risk (including impact of spread movement on VA)	Measured as the impact of an increase of spread on loans and corporate bonds of 75 bps. At the same time, it is assumed that the Volatility Adjustment will increase by 20bps (2017 was 21 bps) based on reference portfolio.

The Solvency II sensitivities stayed almost the same in the past year, except for the interest rate sensitivity and credit spread sensitivity. The decrease of the interest rate sensitivity from +11 to +7 in the upward scenario (and from -10 to -5 in the downward scenario) is mainly caused by a change in the interest rate hedge policy. The increase of the credit spread sensitivity from +14 to +21 is caused due to the fact that the interest rate up becomes dominant in this scenario. This led to a bigger diversification in the market risk module and therefore to a bigger impact of the SCR on the ratio.

IFRS sensitivities

The next table shows sensitivities of total equity and profit for the year, including insurance liabilities discounted with a fixed interest-rate, shadow accounting, investments valued at amortised cost (part of it), and postemployment benefits.

The IFRS sensitivities expressed as impact on total equity and profit of a.s.r. are as follows:

IFRS sensitivities

	2018		2017		Delta	
Scenario	IFRS Equity	IFRS Profit	IFRS Equity	IFRS Profit	IFRS Equity	IFRS Profit
Equities +20%	329	-15	399	-8	-70	-7
Equities -20%	-302	-25	-381	-23	79	-2
Interest +1%	-329	-2	-233	-1	-96	-1
Interest -1%	401	2	261	1	141	1
Spread +75 bp	-90	-	-98	-	9	-
Spread -75 bp	90	-	98	-	-9	-
Property +10%	327	313	264	252	63	62
Property -10%	-327	-317	-264	-264	-63	-53
Foreign currency +10%	65	22	80	-53	-15	75
Foreign currency -10%	-65	-22	-80	53	15	-75

The sensitivities of total equity to equities decreased in 2018 in line with the decreased exposure to equities. The sensitivity of profit in the equity down scenario is due to the impact of the put options and impairments of shares. The sensitivity of profit in the equity up scenario is due to the impact of the put options.

The sensitivities to interest rates changed mainly due to a lower shadow accounting percentage. A small impact on profit is due to put options.

The sensitivity of total equity to spread remained limited due to the mitigating effect of shadow accounting.

The sensitivity of total equity to foreign currency slightly decreased due to a lower exposure to foreign currencies.

The sensitivity of profit includes the impact of both derivatives and bonds.

7.8.3.1 Interest rate risk

Interest rate risk is the risk that the value of assets, liabilities or financial instruments will change due to fluctuations in interest rates. Many insurance products are exposed to interest rate risk; the value of the products is closely related to the applicable interest rate curve. The interest rate risk of insurance products depends on the term to maturity, interest rate guarantees and profit-sharing features. Life insurance contracts are particularly sensitive to interest rate risk. The required capital for interest rate risk is determined by calculating the impact on the available capital due to changes in the yield curve. Both assets and liabilities are taken into account. The interest rate risk is the maximum loss of (i) an upward shock or (ii) a downward shock of the yield curve according to the prescribed methodology. a.s.r. applies a look- through approach for investment funds to assess the interest rate risk.

The interest rate risk is calculated by a relative shock up- and downward shock of the risk-free (basis) yield curve. All adjustments (credit spread, volatility adjustment) on this yield curve are considered constant. The yield curve is extrapolated to the UFR. The yield curve after shock is not extrapolated again to the UFR.

The used shocks vary by maturity and the absolute shocks are higher for shorter maturities (descending: 75% to 20% and ascending: -70% to -20%):

- The yield curve up shock contains a minimum shock of 100bps;
- The yield curve in after the downward shock is limited to zero (no negative interest rates);
- The yield curves of all currencies are shocked simultaneously.

Interest rate risk - required capital

	31 December 2018	31 December 2017
SCR interest rate risk up	-97	21
SCR interest rate risk down	-238	-428
SCR interest rate risk	**238**	**428**

a.s.r. has assessed various scenarios to determine the sensitivity to interest rate risk. The impact on the solvency ratio is calculated by determining the difference in the change in available and required capital.

Solvency II sensitivities - interest rate

Effect on:	Available capital		Required capital		Ratio	
Scenario (%-point)	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017
UFR 3.2%	-18	-19	-3	-3	-21	-23
Interest rate +1% (2017 incl. UFR 4.2% / 2018 incl. UFR 4.05%)	-4	-1	+12	+12	+7	+11
Interest rate -1% (2017 incl. UFR 4.2% / 2018 incl. UFR 4.05%)	+9	+3	-14	-13	-5	-10
Volatility Adjustment -10bp	-9	-9	-2	-2	-11	-11

Interest rate risk is managed by aligning fixed-income investments to the profile of the liabilities. Among other instruments, swaptions and interest rate swaps are used for hedging the specific interest rate risk arising from interest rate guarantees and profit sharing features in life insurance products.

An interest rate risk policy is in place for the Group as well as for the registered insurance companies. All interest rate-sensitive balance sheet items are in scope, including the employee benefit obligations of the Group. In principle, the sensitivity of the solvency ratio to interest rates is minimised. In addition, the exposure to interest rate risk or various term buckets is subject to maximum amounts.

7.8.3.2 Equity risk

The equity risk depends on the total exposure to equities. In order to maintain a good understanding of the actual equity risk, a.s.r. applies the look-through approach for investment funds to assess the equity risk.
The required capital for equity risk is determined by calculating the impact on the available capital due to an immediate drop in share prices. Both assets and liabilities are taken into account. Stocks listed in regulated markets in countries in the EEA or OECD are shocked by 39% together with the symmetric adjustment of the equity capital charge (type I). Stocks in countries that are not members of the EEA or OECD, unlisted equities, alternative investments, or investment funds in which the look-through principle is not possible, are shocked by 49% together with the symmetric adjustment of the equity capital charge (type II).

a.s.r. applies the transitional measure for equity risk for shares in portfolio at 31 December 2015. The SCR equity shock was 22% at 31 December 2015 and linear increasing in 7 years to (i) 39% + equity dampener for type I shares and (ii) 49% + equity dampener for type II shares. This resulted in a reduction of the average risk charge of equity risk of about 4.4% per 31 December 2018.

Equity risk - required capital

	31 December 2018	31 December 2017
SCR equity risk - required capital	597	738

The 2018 the equity risk decreased mainly due to a smaller equity portfolio as a result of the drop of share prices. Besides the smaller equity portfolio also the average risk charge on balance decreased as a result of the downward effect of the equity dampener.

In case the transitional measure would not be used, SCR equity risk would increase to € 674 million.

Solvency II sensitivities - equity prices

Effect on:	Available capital		Required capital		Ratio	
Scenario (%-point)	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Equity prices -20%	-9	-11	+7	+10	-3	-1

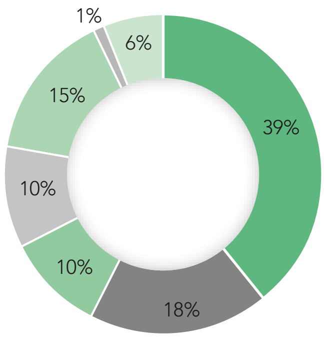
Composition of equity portfolio

The fair value of equities and similar investments at year-end 2018 was € 2,191 million (2017: € 2,524 million). The decrease in 2018 is a result of the drop of share prices.

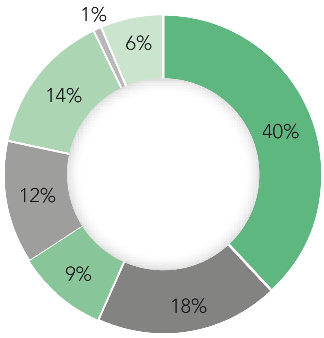
The equities are diversified across the Netherlands (including participating interests), other European countries and the United States. A limited part of the portfolio consists of investments in emerging markets and alternatives. A portfolio of put options with an value of € 26 million is in place to mitigate the equity risk.

The table below shows the exposure of the equity portfolio to sectors. The total value is including the equities in externally managed funds.

Composition equity portfolio



Composition
equity portfolio 2018



Composition
equity portfolio 2017

	2018	2017
Mature markets (euro)	39%	40%
Dutch paticipation	18%	18%
Alternatives	10%	9%
Emerging markets	10%	12%
Mature Markets (non-euro)	15%	14%
Equity options	1%	1%
Others	6%	6%

7.8.3.3 Property risk

The property risk depends on the total exposure to real estate. In order to maintain a good understanding of the actual property risk, a.s.r. applies the look-through approach for investment funds to assess the property risk.
The required capital for property risk is determined by calculating the impact on the available capital due to an immediate drop in property prices by 25%. Both assets and liabilities are taken into account.

Property risk - required capital

	31 December 2018	31 December 2017
SCR property risk - required capital	1,014	883

In 2018 the real estate investments increased due to both transactions and increases in property prices. As a result the required capital for property risk increased.

The sensitivity of the solvency ratio to changes in property value is monitored on a monthly basis. Sensitivity of regulatory solvency (Solvency II) to changes in property prices is shown in the following table.

Solvency II sensitivities - property values

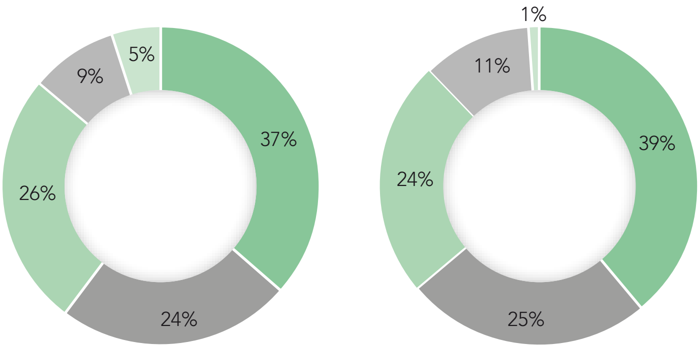
Effect on:	Available capital		Required capital		Ratio	
Scenario (%-point)	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Property values -10%	-9	-8	+4	+3	-6	-5

Composition of property portfolio

The property risk depends on the total exposure to property, which includes both property investments and property held for own use. The fair value of property was € 4,111 million at year-end 2018 (2017: € 3,524 million). The increase in 2018 was a result of both transactions and increases in property prices.

The property investments are diversified across the Netherlands. In 2018 a.s.r. reduced the exposure to offices and increased the exposure to the other categories.

Composition property portfolio



Composition property portfolio 2018

Composition property portfolio 2017

	2018	2017
Rural	37%	39%
Retail	24%	25%
Residential	26%	24%
Offices	9%	11%
Other	5%	1%

7.8.3.4 Currency risk

Currency risk measures the impact of losses related to changes in currency exchange rates. The table below provides an overview of all currencies with exposure on liabilities and the currencies with the largest exposures. a.s.r. has currency risk to insurance products in American dollars (USD), Australian dollars (AUD) and South African Rands (ZAR). The policy of a.s.r. is in principle to hedge the currency risk excluding investments in equities and investments that are externally managed. However, certain currency exposures are permitted from a tactical perspective within a specific risk budget. The required capital for currency risk is determined by calculating the impact on the available capital due to a change in exchange rates. Both assets and liabilities are taken into account and a look-through approach is applied for investment funds. For each currency the maximum loss due to an upward and a downward shock of 25% is determined except for a small number of currencies where lower shocks are applied (Danish crown; Bulgarian lev).

Currency risk - required capital

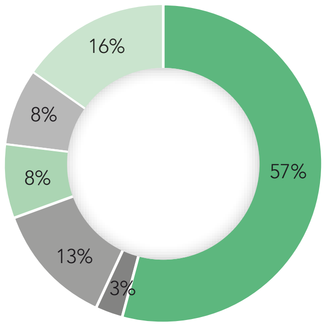
	31 December 2018	31 December 2017
SCR currency risk - required capital	230	267

Currency risk has decreased 37.5 million. This is mainly caused by a decrease in foreign stocks and bonds in externally managed funds.

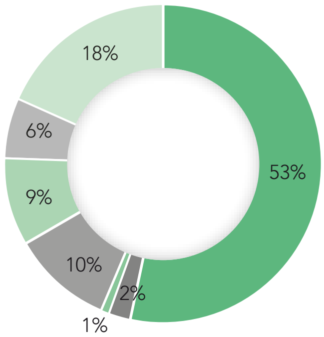
Specification currencies with largest exposure

Foreign stocks and bonds in externally managed funds have substantially decreased in the following currencies: USD, AUD, ZAR, GBP. The AUD liabilities have substantially increased, which results in a negative AUD net exposure as per 31 december 2018. This is against the hedge policy of a.s.r. and therefore this is resolved as per january 2019 by increasing the asset exposure of a.s.r.

Composition currency portfolio



Composition
currency portfolio 2018



Composition
currency portfolio 2017

	2018	2017
USD	57%	53%
AUD	3%	2%
ZAR	0%	1%
GBP	13%	10%
CHF	8%	9%
HKD	8%	6%
Other	16%	18%

7.8.3.5 Spread risk

Spread risk arises from the sensitivity of the value of assets and liabilities to changes in the level of credit spreads on the relevant risk-free interest rates. a.s.r. has a policy of maintaining a well-diversified high-quality investment grade portfolio while avoiding large risk concentrations. Going forward, the volatility in spreads will continue to have possible short-term effects on the market value of the fixed income portfolio. In the long run, the credit spreads are expected to be realised and to contribute to the growth of the own funds. The required capital for spread risk is determined by calculating the impact on the available capital 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, structured products and credit derivatives. The capital requirement depends on (i) the market value, (ii) the modified duration and (iii) the credit quality category.

Spread risk - required capital

	31 December 2018	31 December 2017
SCR spread risk - required capital	1,091	1,130

The SCR spread risk on balance decreased in 2018. On the one hand SCR spread risk increased due to a larger fixed income portfolio, mainly due to the acquisition of Generali Nederland. On the other hand SCR spread risk decreased due to the shortening duration of the credit portfolio.

The sensitivity to spread risk is measured as the impact of an increase of spread on loans and corporate bonds of 75 bps. The volatility adjustment is based on a reference portfolio. An increase of 75 bps of the spreads on loans and corporate bonds within the reference portfolio leads to an increase of the VA with 20 bps in 2018 (2017: 21 bps).The impact of the required capital on the solvency ratio increased due to the fact that in this scenario interest rate up becomes dominant in the determination of interest rate risk, resulting in a lower SCR requirement.

Solvency II sensitivities - spread risk

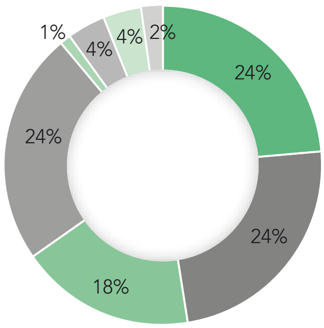
Effect on:	Available capital		Required capital		Ratio	
Scenario (%-point)	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Spread +75bps/VA +20/21bps	+11	+12	+9	+2	+21	+14

Composition of fixed income portfolio

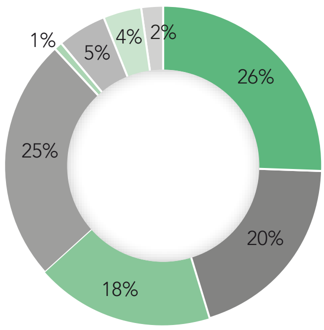
Spread risk is managed on a portfolio basis within limits and risk budgets established by the relevant risk committees. Where relevant, credit ratings provided by the external rating agencies are used to determine risk budgets and monitor limits. A limited number of fixed-income investments do not have an external rating. These investments are generally assigned an internal rating. Internal ratings are based on methodologies and rating classifications similar to those used by external agencies. The following tables provide a detailed breakdown of the fixed-income exposure by (i) rating class and (ii) sector. Assets in scope of spread risk are, by definition, not in scope of counterparty default risk.

The total exposure of assets in scope of spread risk is €25,236 million (2017: €23,431 million). The increase of the portfolio is mainly due to the acquisition of Generali Nederland. The portfolio decomposition is similar to 2017, except:
- The amount of core government bonds decreased and the amount of non-core government bonds decreased;
- The amount of AAA decreased and the amount of AA increased.

Composition fixed income portfolio by sector



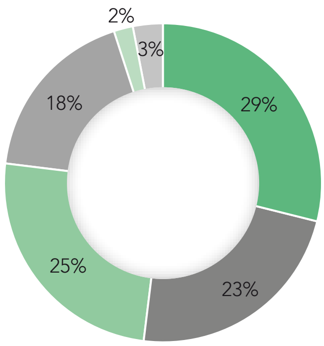
Composition fixed income portfolio by sector 2018



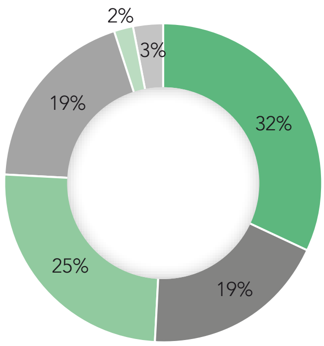
Composition fixed income portfolio by sector 2017

	2018	2017
Government core	24%	26%
Government non-core	24%	20%
Financials	18%	18%
Corporates	24%	25%
Structured instruments	1%	1%
Deposits	4%	5%
Loans	4%	4%
Preference shares	2%	2%

Composition fixed income portfolio by rating



Composition fixed income portfolio by rating 2018



Composition fixed income portfolio by rating 2017

	2018	2017
AAA	29%	32%
AA	23%	19%
A	25%	25%
BBB	18%	19%
Lower than BBB	2%	2%
Not rated	3%	3%

7.8.3.6 Market risk concentrations

Concentrations of market risk constitute an additional risk to an insurer. Concentration risk is the concentration of exposures to the same counterparty. Other possible concentrations (region, country, etc.) are not in scope. The capital requirement for concentration risk is determined in three steps:

1. Determine the exposure above threshold. The threshold depends on the credit quality of the counterparty;
2. Calculation of the capital requirement for each counterparty, based on a specified factor depending on the credit quality;
3. Aggregation of individual capital requirements for the various counterparties.

According the spread risk module, bonds and loans guaranteed by a certain government or international organisation are not in scope of concentration risk. Bank deposits can be excluded from concentration risk if they fulfil certain conditions.

Concentration risk - required capital

	31 December 2018	31 December 2017
SCR concentration risk - required capital	122	67

The increase in 2018 is caused by changes in the credit quality step of Secured Deposito's. In order to avoid concentrations in a single obligor, a.s.r. applies a limit on maximum exposure of € 700 million for issuers with a single A rating and higher and € 350 million for issuers with a BBB rating. The limits apply to the total investment portfolio, where government bonds are not included, which is consistent with Solvency II. Beside the limits on single obligors, a.s.r. applies also limits on the total level of the required capital for market risk concentrations.

The required capital for market risk concentrations is due to short term deposits received as collateral for the interest rate derivatives.

7.8.4 Counterparty default risk

Counterparty default risk reflects possible losses due to unexpected default or deterioration in the credit standing of counterparties and debtors. Counterparty default risk affects several types of assets:
- Mortgages;
- Savings-linked mortgage loans;
- Derivatives;
- Reinsurance;
- Receivables;
- Cash and deposits.

Assets that are in scope of spread risk are, by definition, not in scope of counterparty default risk and vice versa. The Solvency II regime makes a distinction between two types of exposures:
- Type 1: These counterparties generally have a rating (reinsurance, derivatives, current account balances, deposits with ceding companies and issued guarantee (letter of credit). The exposures are not diversified;
- Type 2: These counterparties are normally unrated (receivables from intermediaries and policyholders, mortgages with private individuals or SMEs). The exposures are generally diversified.

The total capital requirement for counterparty risk is an aggregation of the capital requirement for type 1 exposure and the capital requirement for type 2 exposure by taking 75% correlation.

Counterparty default risk - required capital

	31 December 2018	31 December 2017
Type 1	231	219
Type 2	352	418
Diversification (negative)	-36	-37
Total	**547**	**600**

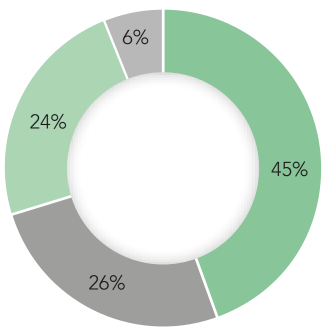
The increase of the portfolio is due to the acquisition of Generali Nederland. This led to an increase of SCR Counterparty risk equal to 35 million. This was compensated by a decrease of exposure to reinsurance and cash. The counterparty risk type 2 has decreased a) due to the lower volume of the receivables from intermediaries that have been due for more than three months; b) due to the overall decrease of exposures to Mortgage loans, Intermediaries and policyholders. The total counterparty risk has decreased by 53 million.

7.8.4.1 Mortgages

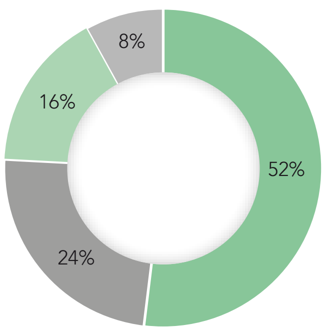
Mortgages are granted for the account and risk of third parties and for a.s.r.'s own account. The a.s.r. portfolio consists only of Dutch mortgages with a limited counterparty default risk. The fair value of a.s.r.'s mortgage portfolio was € 7,546 million at year-end 2018 (2017: € 6,990 million).

Composition mortgage portfolio

The Loan-to-Value ratio is based on the value of the mortgage according SII principals with respect to the a.s.r. calculated collateral.



Composition
mortgage portfolio 2018



Composition
mortgage portfolio 2017

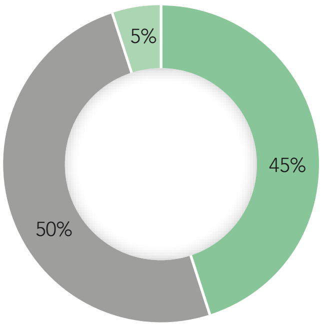
	2018	2017
NHG	45%	52%
Loan-to-Value ratio <75%	26%	24%
Loan-to-Value ratio <100%	24%	16%
Loan-to-Value ratio >100%	6%	8%

The default percentage (i.e. the percentage of mortgages which is in arrears for over three months) has decreased from 0,21% in December 2017 to 0,10% in December 2018. This drop is a consequence of the improved economic circumstances and of the organisation of preventive management, whereby the flow of short-term arrears to longer delays could be reduced.

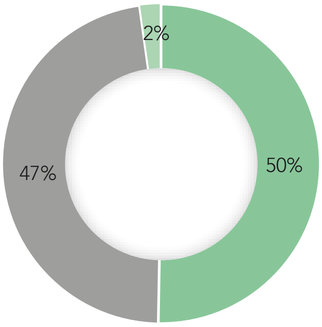
7.8.4.2 Savings-linked mortgage loans

The counterparty default risk of the savings-linked mortgage loans ('Spaarlossen') depends on the counterparty. For 45% of the portfolio, the counterparties are Special Purpose Vehicles. The risk is limited due to the robust quality of the mortgages in the Special Purpose Vehicles in combination with the tranching. a.s.r. has a cession-retrocession agreement with the counterparty for 50% of the portfolio, for which the risk is limited. Effectively, a.s.r. receives the underlying mortgage loans as collateral, mitigating the counterparty default risk of the savings-linked mortgage loans. 2017 has been restated.

Composition savings-linked mortgage loans portfolio



Composition Savings-Linked mortgage loans portfolio 2018



Composition Savings-Linked mortgage loans portfolio 2017

	2018	2017
Counterparty SPV	45%	50%
Agreement cession-retrocession	50%	47%
Other	5%	2%

7.8.4.3 Derivatives

Over the Counter (OTC) derivatives are primarily used by a.s.r. to manage the interest-rate risks incorporated into the insurance liabilities. Interest-rate derivatives are traded with a well-diversified and qualitative dealer panel with whom there is an established International Swaps and Derivatives Association (ISDA) contract and a Credit Support Annex (CSA) in place. These CSAs include specific agreements on the exchange of collateral limiting market and counterparty risk. The outstanding value of the interest rate derivative positions is matched by collateral received from eligible counterparties, minimising the net counterparty default risk.

7.8.4.4 Reinsurance

a.s.r. collaborates with reinsurers for fire and catastrophe risk. The table below shows the exposure to reinsurers per rating. The total exposure to reinsurers at year-end 2018 was € 583 million (2017: € 549 million).

Composition reinsurance counterparties by rating

	31 December 2018	31 December 2017
AAA	0%	0%
AA	88%	97%
A	6%	3%
NR	6%	0%

7.8.4.5 Receivables

Composition receivables

	31 December 2018	31 December 2017
Policyholders	158	133
Intermediaries	89	82
Reinsurance operations	111	101
Health insurance fund	102	99
Other	292	313
Total	**752**	**728**

7.8.4.6 Cash and cash equivalents

The current accounts amounted € 2,625 million in 2018 (2017: € 2,523 million).

Composition cash accounts by rating

	31 December 2018	31 December 2017
AAA	0%	0%
AA	0%	0%
A	99%	96%
Lower than A	1%	4%

Composition deposits by rating

	31 December 2018	31 December 2017
Secured deposits	320	345
AAA	-	-
AA	-	-
A	-	-
Total	**320**	**345**

7.8.5 Liquidity risk

Liquidity risk is the risk that a.s.r. is not able to meet its financial obligations to policyholders and other creditors when they become due and payable, at a reasonable cost and in a timely manner. Liquidity risk is not quantified in the Solvency Capital Requirement of a.s.r, and is therefore separately discussed here.

a.s.r. recognises different levels of liquidity management. Short-term liquidity, or daily cash management, covers the day-to-day cash requirements under normal business conditions and targets funding liquidity risk. Long-term liquiditymanagement considers business conditions in which market liquidity risk materialises. Stress liquidity management looks at the ability to respond to a potential crisis situation as a result of a market event and an a.s.r.-specific event. Unexpected cash outflows could occur as result of lapses in the insurance portfolio, savings withdrawals or cash variation margin payments related to the ISDA/CSA agreements of derivatives. a.s.r. monitors its liquidity risk scenarios via different risk reporting and monitoring processes including daily cash management reports, cash flow forecasts and stress scenario liquidity reports.

a.s.r.'s liquidity management principle consists of three components. First, a well-diversified funding base is necessary in order to provide liquidity for cash management purposes. A portion of assets must be invested in unencumbered marketable securities that can be used for collateralised borrowing or asset sales. Second, the strategic asset allocation should reflect the expected and contingent liquidity needs of liabilities. Finally, an adequate and up-to-date contingency liquidity plan is in place to enable management to act effectively and efficiently in times of crisis.

In managing the liquidity risk from financial liabilities, a.s.r. holds liquid assets comprising cash and cash equivalents and investment grade securities for which there is an active and liquid market. These assets can be readily sold to meet liquidity requirements. As at 31 December 2018, a.s.r. had cash (€ 2,525 million), short-term deposits (€ 1,469 million), liquid government bonds (€ 11,929 million) and other bonds and shares. Furthermore a.s.r. has access to multiple committed cash facilities in order to meet its liquidity needs in times of stress.

The following table shows the contractual cash flows of liabilities (excluding insurance contracts on behalf of policyholders) broken down in four categories. For liabilities arising from insurance contracts, expected lapses and mortality risk are taken into account. Profit-sharing cash flow of insurance contracts is not taken into account, nor are equities, property and swaptions.

In 2018 the liquidity risk table has been updated for better understanding of the future cash flows. Additional time buckets were added to increase granularity. The comparative figures have been adjusted accordingly.

Contractual cashflows

	Payable on demand	< 1 years	1-5 years	5-10 years	> 10 years	Carrying value
31 December 2018						
Financial Liabilities[1]	3,054	645	26	85	506	4,313
Derivatives	-	316	763	672	205	435
Insurance Liabilities	-	1,779	6,017	6,655	26,412	43,466
Future interest payments	-	27	102	128	427	-
Total	**3,054**	**2,767**	**6,908**	**7,541**	**27,550**	**48,214**
31 December 2017						
Financial Liabilities[1]	3,721	482	259	267	602	5,328
Derivatives	-	33	69	159	295	403
Insurance Liabilities	-	1,854	6,325	6,525	31,994	40,862
Future interest payments	-	26	102	128	453	-
Total	**3,721**	**2,395**	**6,756**	**7,080**	**33,344**	**46,593**

- (1) Subordinated liabilities based on maturity date.
- Financial liabilities payable on demand include the liability recognised for cash collateral received under ISDAs, concluded with counterparties.
- The related cash collateral received is recognised as cash and cash equivalents, and not part of the liquidity risk exposure table. See Chapter 7.8.4.6 Cash and cash equivalents.
- Expected cash flows based on assumptions made at year end 2018.

The change in derivatives can be explained by the large amount of transactions in the past year and the fact that only a small part of the total derivatives portfolio is in scope here.

7.8.6 Operational risk

Operational risk is the risk of losses resulting from inadequate or failing internal processes, persons and systems, or from external events (including legal risk). The main areas where operational risks are incurred are operations, IT, outsourcing, integrity and legal issues.

Operational risk - required capital

	31 December 2018	31 December 2017
SCR operational risk - required capital	212	184

The SCR for operational risk amounts to € 212 million at the end of 2018 (2017: € 184 million) and is determined with the standard formula under Solvency II. The operational risk is based on the basic solvency capital requirement, the volumes of premiums and technical provisions, and the amount of expenses. Operational risk increased mainly due to the acquisition of Generali Netherlands.

7.8.7 Strategic risk management

The system of internal control includes the management of risks at different levels in the organisation, both operational and strategic. Internal control at an operational level centres around identifying and managing risks within the critical processes that pose a threat to the achievement of the business line's objectives. The use of controls helps to mitigate or even completely eliminate identified risks. This increases the business line's chances of achieving its objectives and demonstrates that it is in control. Business lines report on the effectiveness of their controls on a quarterly basis. The effectivity of controls is important input for the sign off that each business line provides on the financial figures.

Through a combined top-down and bottom-up SRA (Strategic Risk Analysis) approach, the most important strategic risks are identified. After the analysis a list of risk priorities is established and risk management actions are assigned. The progress of these actions is monitored in the a.s.r. Risk Committee.

7.8.7.1 Strategic risk management

Strategic risk management aims to identify and manage the most significant risks that may impact a.s.r.'s strategic objectives. Subsequently, the aim is to identify and analyse the risk profile as a whole, including risk interdependencies. The ORSA process is designed to identify, measure, manage and evaluate those risks that are of strategic importance to a.s.r.:

Identifying
Through the ORSA process, identification of risks is structurally organised through the combined top-down and bottom-up SRA approach. The SRA outcomes are jointly translated into risk scenarios and 'risk priorities', in which the most significant risks for a.s.r. are represented.

Measuring
Through the ORSA process, the likelihood and impact of the identified risks are assessed, taking into account (the effectiveness of) risk mitigating measures and planned improvement actions. Information from other processes[1] is used to gain additional insights into the likelihood and impact. One single risk scenario takes multiple risks into account. In this manner, the risk scenarios provide (further) insights into risk interdependencies.

Managing
As part of the SRA processes, the effectiveness of risk mitigating measures and planned measures of improvement is assessed. This means risk management strategies are discussed, resulting in refined risk management strategies.

Monitoring and reporting
The output of the ORSA process is translated into day-to-day risk management and monitoring and reporting, both at group level and product line levels. At group level, the risk priorities are discussed on a quarterly basis in the a.s.r. Risk Committee. At the level of the product lines, risks are discussed in the Business Risk Committees.

Evaluating
Insights regarding likelihood and impact are evaluated against solvency targets. Based on this evaluation, conclusions are formulated regarding the adequacy of solvency objectives at group and individual legal entity level.

7.8.7.2 Operational risk management

Operational Risk Management (ORM) involves the management of all possible risks that may influence the achievement of the business goals and that can cause financial or reputational damage. ORM includes the identification, analysis, prioritisation and management of these risks in line with the risk appetite. The policy on ORM is drafted and periodically evaluated under the coordination of Enterprise Risk Management. The policy is implemented in the decentralised business entities under the responsibility of the management boards. A variety of risks is covered by ORM policy: IT risk, outsourcing, data quality, underwriting etc.

Identifying
With the operational targets as a starting point, each business entity performs risk assessments to identify events that could influence these targets. In each business entity the business risk manager facilitates the periodic identification of the key operational risks. All business processes are taken into account to identify the risks. All identified risks are prioritised and recorded in a risk-control framework.

The risk policies prescribe specific risk analyses to be performed to identify and analyse the risks. For important IT systems, SPRINT (Simplified Process for Risk Identification) analyses have to be performed and for large outsourcing projects a specific risk analysis is required.

Measuring
All risks in the risk-control frameworks are assessed on likelihood of defaults and impact. Where applicable, the variables are quantified, but often judgments of subject matter experts are required. Based on the estimation of the variables, each risk is labelled with a specific level of concern (1 to 4). Risks with a level of concern 3 or 4 are considered 'key'.

Managing
For each risk, identified controls are implemented into the processes to keep the level of risk within the agreed risk appetite (level of concern 1 or 2). In general, risks can be accepted, mitigated, avoided or transferred. A large range of options is available to mitigate operational risks, depending on the type. For each control an estimation is made of the net risk, after implementing the control(s).

1 For example, the SAA-study, analyses in the context of reinsurance renewals, ad hoc sensitivity analyses and/or stress tests.

Monitoring and reporting
The effectiveness of operational risk management is periodically monitored by the business risk manager at each business line or legal entity. For each key control in the risk-control framework a testing calendar is established, based on accounting standards. Each control is tested regularly and the outcomes of the effectiveness of the management of key risks are reported to the management board. Outcomes are also reported to the NFRC and a.s.r. RC.

Evaluating
Periodically, yet at least annually, the risk-control frameworks and ORM policies are evaluated to see if revisions are necessary. The risk management function also challenges the business lines and legal entities regarding their risk-control frameworks.

Operational incidents
Large operational incidents are reported to Group Risk Management, in accordance with the operational risk policy. The causes of losses are evaluated in order to learn from these experiences. An overview of the largest operational incidents and the level of operational losses is reported to the NFRC. Actions are defined and implemented to avoid repetition of operational losses.

ICT
Through IT risk management, a.s.r. devotes attention to the efficiency, effectiveness and integrity of ICT, including End User Computing applications. The logical access control for key applications used in the financial reporting process remains a high priority in order to enhance the integrity of applications of data. The logical access control procedures also prevent fraud by improving segregation of duties and by conducting regular checks of actual access levels within the applications. Proper understanding of information, security and cyber risks is essential, reason for which continuous actions are carried out to create awareness among employees and business lines.

Business Continuity Management
Operational management can be disrupted significantly by unforeseen circumstances or calamities which could ultimately disrupt the execution of critical and operational processes. Business Continuity Management enables a.s.r. to continue its daily business uninterruptedly and to react quickly and effectively during such situations.

Critical processes and activities and the tools necessary to use for these processes are identified during the Business Impact Analysis. This includes the resources required to establish similar activities at a remote location. The factors that can threaten the availability of those tools necessary for the critical processes are identified in the Threat Analysis.

a.s.r. considers something a crisis when one or more business lines are (in danger of being) disrupted in the operational management, due to a calamity, or when there is a reputational threat. In order to reduce the impact of the crisis, to stabilise the crisis, and to be able to react timely, efficiently and effectively, a.s.r. has assigned a crisis organisation.

Each business line has their own crisis team led by the director of the management team. The continuity of activities and the recovery systems supporting critical activities are regularly tested and crisis teams are trained annually. The objective of the training is to give the teams insights into how they function during emergencies and to help them perform their duties more effectively during such situations. The training also sets out to clarify the roles, duties and responsibilities of the crisis teams. One important training scenario used is a scenario that includes cyber threats.

Recovery Planning
a.s.r.'s Recovery Plan helps to be prepared and have the capacity to act in various forms of extreme financial stress. The Recovery Plan describes and quantifies the measures that can be applied to live through a crisis situation. These measures are tested in the scenario analysis, in which the effects of each recovery measure on a.s.r.'s financial position (solvency and liquidity) are quantified. The required preparations for implementing the measures, their implementation time and effectiveness, potential obstacles and operational effects are also assessed. The main purpose of the Recovery Plan is to increase the chances of successful early intervention in the event of a financial crisis situation and to further guarantee that the interest of policyholders and other stakeholders are protected.

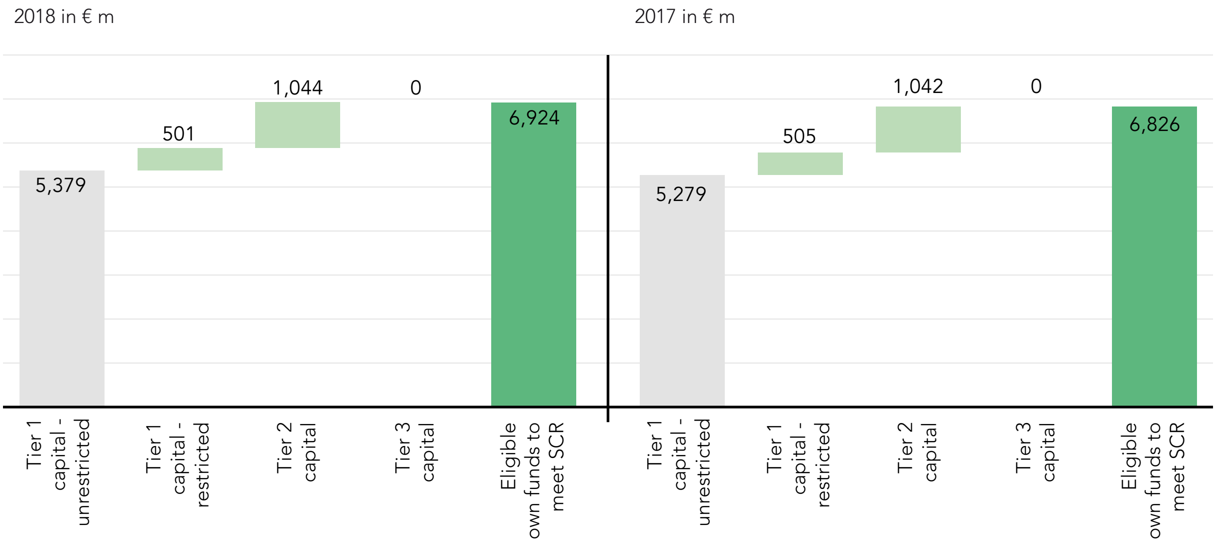
Reasonable assurance and model validation
a.s.r. aims to obtain reasonable assurance regarding the adequacy and accuracy of the outcomes of models that are used to provide best estimate values and solvency capital requirements. To this end, multiple instruments are applied, including model validation. Materiality is determined by means of an assessment of impact and complexity. Impact and complexity is expressed in terms of High (H), Medium (M), or Low (L).

In the pursuit of reasonable assurance, model risk is mitigated and unpleasant surprises are avoided, against acceptable costs.

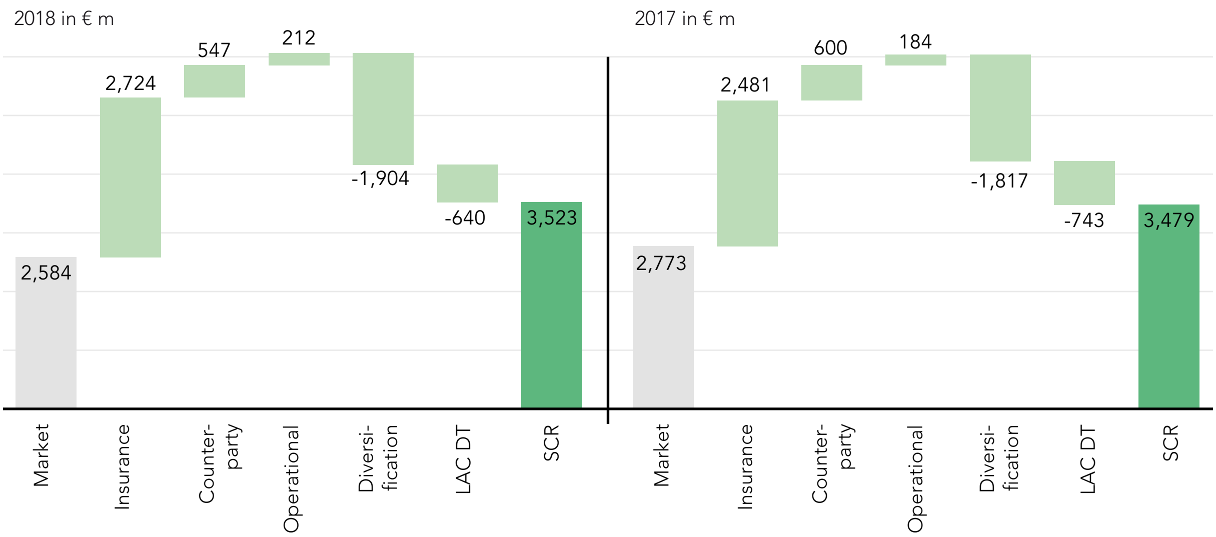
7.9 Capital management

Key figures

Eligible own funds

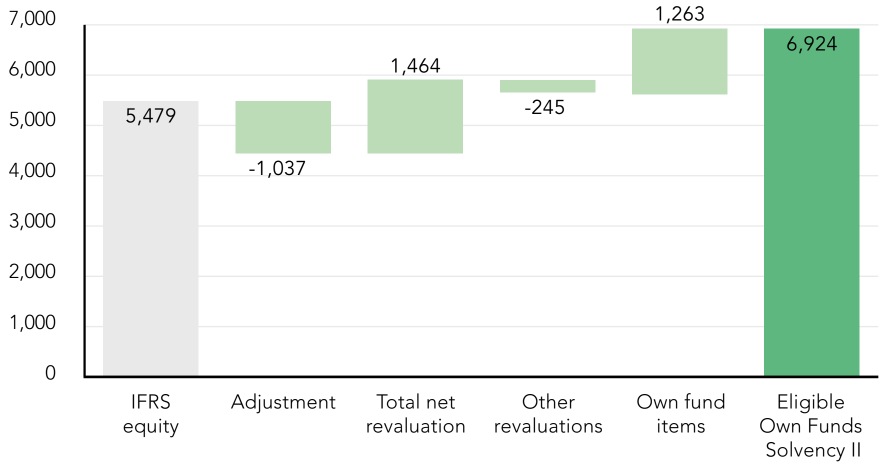


SCR



The solvency ratio stood at 197% as at 31 December 2018 after distribution of the proposed dividend and is based on the standard formula as a result of € 6,924 eligible own funds and € 3,523 million SCR.

Reconciliation total equity IFRS vs EOF Solvency II



7.9.1 Capital management objectives

Management

Overall capital management is administered at group level. a.s.r. currently plans to consider investing capital above the Solvency II ratio (calculated based on the standard formula) of 160% (management threshold level) with the objective of creating value for its shareholders. If and when a.s.r. operates at a level considerably above the management threshold level and it believes that it cannot invest this capital in value-creating opportunities for a prolonged period of time, it may decide to return (part of this) capital to shareholders. If a.s.r. chooses to return capital, it plans to do so in a form that is efficient for shareholders at that time. a.s.r. actively manages its in-force business, which is expected to result in free capital generation over time. Additionally, business improvement and balance sheet restructuring should improve the capital generation capacity while advancing the risk profile of the company. The legal entities are individually capitalised and excess capital over management's targets for the legal entities is intended to be up-streamed to the holding company as far as is needed for amongst others covering external dividend, coupon payments on hybrids/senior financing instruments and holding costs and in so far the local regulations and the internal risk appetite statement allow.

Objectives

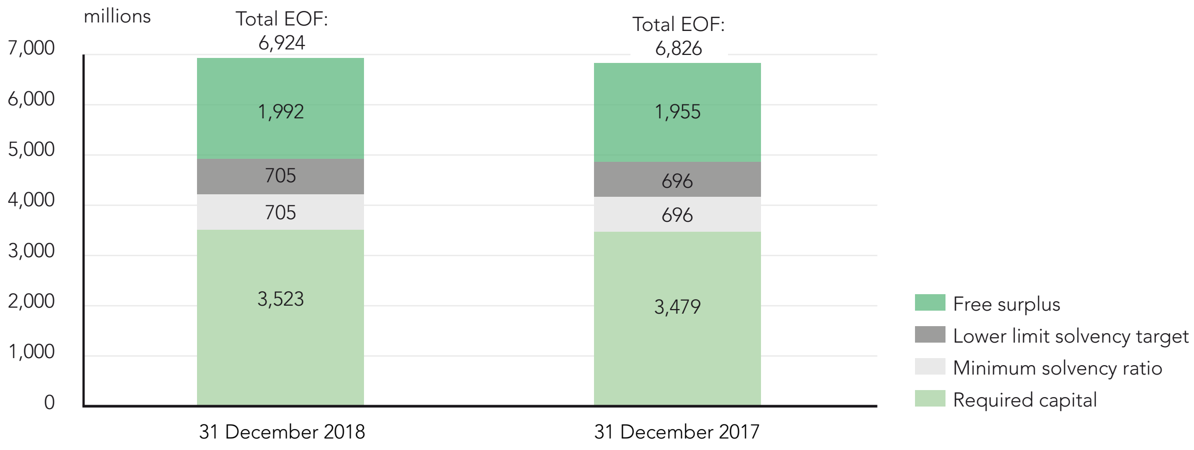
The group is committed to maintain a strong capital position in order to be a robust and sustainable insurer for its policyholders and other stakeholders. The objective is to maintain a solvency ratio well above the minimum levels as defined in the risk appetite statements and above the relevant management threshold levels. Sensitivities are periodically performed for principal risks and annual stress tests are performed to test a.s.r.'s robustness to withstand moderate to severe scenarios. An additional objective is to achieve a combination of a capital position and a risk profile that is at least in line with a 'single A' rating by Standard & Poor's.

The SCR is reported on a quarterly basis and proxies are made on both a monthly and weekly basis. The internal minimum solvency ratio for a.s.r. as formulated in the risk appetite statement is 120%. The lower limit solvency target is 140%. The management threshold level for the solvency ratio is above 160%. The solvency ratio stood at 197% at 31 December 2018, which was comfortably above the internal requirement of 120% and the management threshold level of 160%.

In accordance with a.s.r.'s dividend policy, the liquidity of the underlying entities is not taken into account for the liquidity position of the group. However, the capital is recognised in the capital position of the group, since a.s.r. has the ability to realise the capital of this OTSO, for example by selling the entity. Specifically regarding ASR Basis Ziektekostenverzekeringen N.V. in 2018, no dividend or capital withdrawals have taken place.

The table below shows how the eligible own funds of a.s.r. relate to the different capital targets.

Market value own funds under SCR



7.9.2 Solvency ratio and a.s.r. ratings

The required capital stood at € 3,523 million per 31 December 2018 (2017: € 3,479 million). The required capital (before diversification) consists for 2018 € 2,584 million out of market risk and the insurance risk amounted to € 2,724 million as per 31 December 2018.

a.s.r. (including financial institutions) complied during 2018 with the applicable externally imposed capital requirement. The table below presents the solvency ratio at group level as at the date indicated.

Eligible own funds to meet the SCR

	31 December 2018	31 December 2017
Eligible Own Funds Solvency II	6,924	6,826
Required capital	3,523	3,479
Solvency II ratio excluding financial institutions	**197%**	**196%**

The Solvency II ratio stood at 197% (excluding financial institutions) as at 31 December 2018 (2017: 196%). The Solvency II ratio including financial institutions stood at 195% as at 31 December 2018 (2017: 195%).

Under Solvency II it is permitted to reduce the required capital with the mitigating tax effects resulting from a 1-in- 200-year loss (Shock loss). There is a mitigating tax effect to the extent that the Shock loss (BSCR + Operational risk) is deductible for tax purposes and can be compensated with taxable profits. This positive tax effect can only be taken into account when sufficiently substantiated ('more likely than not'). a.s.r. included a beneficial effect on its solvency ratio(s) due to the application of the LAC DT. The LAC DT benefit is € 640 million.

Relevant regulation and current guidance (Delegated Regulation, Level 3 guidelines, Dutch Central Bank Q&A's and IAS12) is taken into account in the development of the LAC DT methodology.

Since 2016 a.s.r. uses an advanced model for the LAC DT of ASR Levensverzekering N.V. and a 'basic' model for the other OTSOs. In the advanced model also future fiscal profits are used to underpin the LAC DT, while in the basic model no future profits are used. Both models are and will be updated in case constrained by additional guidance or legislation provided.

The a.s.r. solvency ratio does not include any contingent liability potentially arising from any of the current and/or future legal proceedings in relation to unit-linked insurance contracts or for other products sold, issued or advised on by a.s.r.'s insurance subsidiaries in the past, the reason being that it is impossible at this time to make reliable estimates because the book of policies of a.s.r. dates back many years, contains of a variety of products with different features and conditions and because of the fact that rulings are diverse.

Standard & Poor's confirmed the single A rating of a.s.r., ASR Levensverzekering N.V., and ASR Schadeverzekering N.V. on August 20, 2018.

Ratings per legal entity

Ratings Standard & Poor's	Type	Rating	Outlook	Rating and outlook since
ASR Nederland N.V.	CCR	BBB+	Stable	15 May 2014
ASR Levensverzekering N.V.	CCR	A	Stable	23 August 2012
ASR Levensverzekering N.V.	IFRS	A	Stable	23 August 2012
ASR Schadeverzekering N.V.	CCR	A	Stable	23 August 2012
ASR Schadeverzekering N.V.	IFRS	A	Stable	23 August 2012

CCR: counterparty credit rating

IFSR: insurer financial strength rating

Rating reports can be found on the corporate website: www.asrnl.com.

7.9.3 Dividend and capital actions

The group has formulated its dividend policy in line with its current strategy. a.s.r. group intends to pay an annual dividend that creates sustainable long-term value for its shareholders. a.s.r. group aims to operate at a solvency ratio, calculated according to the standard formula, above a management threshold level. This management threshold level is currently defined as above 160% of the Solvency Capital Requirement ('SCR'). In general, it expects to not pay cash dividends if the group level solvency ratio (calculated according to the standard formula) falls below 140%. a.s.r. group currently intends to consider investing capital above the solvency ratio (calculated according to the standard formula) of 160% with the objective of creating value for its shareholders. If and when a.s.r. group operates at a certain level safely above the 160% (not driven by non-economic developments), and a.s.r. group assesses that it cannot invest this capital in value creating opportunities for a prolonged period of time, a.s.r. group may decide to return (part of this) capital to shareholders. If a.s.r. group elects to return capital, it intends to do so in the form that is efficient for shareholders at that time. a.s.r. intends to pay € 245 million dividends over full year 2018 (including interim dividend). As from 2018, a.s.r. pays an interim dividend.

In June 2018, a.s.r. group paid € 229,7 million in cash dividend over the financial year 2017, representing a payout ratio of 45% in line with our dividend policy. Furthermore, a.s.r. paid € 91,65 million in interim dividend in September 2018. This interim dividend relates to the financial year 2018 and is determined as 40% of the total dividend over the previous financial year (in casu 2017). Dividends paid out by a.s.r. group is financed by the underlying entities with exception of ASR Basis Ziektekostenverzekeringen N.V.

In December 4th 2018, a.s.r. announced the intended acquisition of Loyalis for a total consideration of € 450 million. This transaction will be financed with short-term debt, which leaves ample headroom in all capital tiers. The acquisition of Loyalis is expected to be completed in the first half of 2019.

7.10 Company financial statements

7.10.1 Company balance sheet

Company balance sheet

(in € millions) (Before profit appropriation)	Note	31 December 2018	31 December 2017
Non-current assets			
Intangible assets	7.10.3.2	74	27
Subsidiaries	7.10.3.3	5,959	5,750
Loans to group companies	7.10.3.4	83	88
Loans and deposits	7.10.3.5	21	19
Deferred tax assets	7.10.3.6	67	50
Total non-current assets		**6,204**	**5,934**
Current assets			
Other receivables	7.10.3.7	2,969	2,827
Cash and cash equivalents	7.10.3.8	394	463
Total current assets		**3,363**	**3,291**
Total assets		**9,567**	**9,225**
Equity			
Share capital	7.10.3.9	23	24
Share premium reserve	7.10.3.9	976	1,018
Statutory reserves	7.10.3.9	1,519	1,319
Actuarial gains and losses	7.10.3.9	-635	-674
Retained earnings	7.10.3.9	2,595	2,935
Treasury shares	7.10.3.9	-	-188
Equity attributable to shareholders		**4,478**	**4,433**
Other equity instruments	7.10.3.9	1,001	1,001
Equity attributable to holders of equity instruments		**5,479**	**5,433**
Provisions			
Employee benefits	7.10.3.10	3,327	3,159
Other provisions	7.10.3.11	16	15
Total Provisions		**3,343**	**3,174**
Long-term liabilities			
Subordinated liabilities	7.10.3.12	497	497
Debts to group companies	7.10.3.13	40	-
Total long-term liabilities		**537**	**497**
Current liabilities			
Due to banks	7.10.3.14	135	-
Other liabilities	7.10.3.15	73	120
Total current liabilities		**208**	**120**
Total equity and liabilities		**9,567**	**9,225**

The numbers following the line items refer to the relevant chapters in the notes to the company financial statements.

7.10.2 Company income statement

Company income statement

(in € millions)	Note	2018	2017
Operating expenses	7.10.3.17	-111	-104
Other expenses		-8	3
Other income		3	21
Income from subsidiairies and investments			
Share of profit/(loss) in subsidiairies	7.10.3.3	721	957
Investment income		7	8
Fair value gains and losses		1	-3
Interest expense	7.10.3.18	-16	-17
Profit before tax		**598**	**867**
Income tax (expense) / gain		57	39
Profit for the year		**655**	**906**

The share of profit/(loss) in subsidiaries is non-taxable as a result of the participation exemption under Dutch tax law.

7.10.3 Notes to the company financial statements

7.10.3.1 Accounting policies

The company financial statements are prepared in accordance with Title 9, Book 2 of the Dutch Civil Code. The consolidated financial statements of a.s.r. for 2018 have been prepared in accordance with IFRS – including the International Accounting Standards (IAS) and Interpretations – as accepted within the European Union and with part 9 of the book of the Dutch Civil Code. In accordance with Section 362(8), Book 2 of the Dutch Civil Code, the ASR Nederland N.V. Executive Board has decided to apply the same accounting policies to the company financial statements as applied to the consolidated financial statements. This has been the practice since 2005.

Investments in group companies are recognised, using the equity method, in accordance with the accounting policies used in a.s.r.'s consolidated financial statements. The share of profit of group companies is reported in conformity with the accounting policies used in a.s.r.'s consolidated financial statements.

Unless stated otherwise, all amounts presented in these financial statements are in millions of €. Calculations in the tables are made using unrounded figures. As a result rounding differences can occur.

New standards, interpretations of existing standards or amendments to standards, not yet effective in 2018

IFRS 16 Leases

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. IFRS 16 replaces IAS 17, the existing standard on leases. Under the new lease standard the current operating lease accounting (where a.s.r. is the lessee) will change, introducing a right-of-use asset and lease liability.

a.s.r. will implement IFRS 16 by applying the modified retrospective method, meaning that the 2018 comparative figures in the 2019 financial statements will not be restated to show the impact of IFRS 16. The standard will result in an increase in balance total of approximately € 220 million and is not expected to have a significant impact on equity or result of the company financial statements of a.s.r.

7.10.3.2 Intangible assets

The goodwill amounting to € 74 million as at 31 December 2018 (2017: € 27 million) relates for € 23 million to the 2015 acquisition of De Eendragt Pensioen N.V., for € 4 million to the 2016 acquisition of BNG Vermogensbeheer B.V. and for € 47 million to the 2018 acquisition of Generali Nederland N.V.

7.10.3.3 Subsidiaries

On 5 February 2018, the closing for the transaction of Generali Nederland took place. As a result, a.s.r. fully included the results and the balance sheet positions in the a.s.r. financial statements from that date. As of 8 May 2018 the legal merger of ASR Utrecht N.V. (formerly named Generali Nederland N.V.) with ASR Nederland N.V. was effective. Since ASR Nederland N.V. already owned 100% of the shares of Generali Nederland, this merger has no financial impact on the company financial statements of ASR Nederland N.V.

7.10.3.3 Subsidiaries

Subsidiaries

	2018	2017
At 1 January	5,750	5,120
Additions to capital	161	34
Share of profit	721	957
Dividend received	-446	-494
Revaluations	-230	139
Other changes	3	-6
At 31 December	**5,960**	**5,750**

7.10.3.4 Loans to group companies

Loans to group companies

	2018	2017
At 1 January	88	92
Issues	4	73
Repayments	-9	-77
At 31 December	**83**	**88**

The loans to group companies consist primarily of deposits with group companies of € 61 million (2017: € 70 million) with an average interest rate of 1.8% (2017: 1.8%) repayable within one year, no loans with a maturity term within 3 years (2017: nil) and loans of € 22 million (2017: € 18 million) with a maturity term longer than 3 years and an average interest rate of 3.7% (2017: 4.0%). Interest income on loans to group companies amount to nil (2017: € 1 million).

7.10.3.5 Loans and deposits

Loans and deposits

	2018	2017
At 1 January	19	21
Repayments	-	-3
Impairments	-	1
Other changes	1	-
At 31 December	**20**	**19**

7.10.3.6 Deferred tax assets

The deferred tax assets arises from the difference in commercial and fiscal valuation of employee benefits (including the asset resulting from the insurance contracts), which are administrated by ASR Levensverzekering N.V.) amounting to € 113 million (2017: € 119 million) and € 24 million (2017: nil) because of the future corporate tax rate reduction offset by the equalisation reserve of € 66 million (2017: € 66 million).

7.10.3.7 Other receivables

The other receivables are including receivables from group companies, which include the receivable with respect to non-qualifying plan assets (see chapter 7.5.15) administered by ASR Levensverzekering N.V. amounting to € 2,944 million (2017: € 2,738 million). The plan assets administered by ASR Levensverzekering N.V. include the separate account to fund future inflation indexation amounting to € 306 million as at 31 December 2017 (2017: € 335 million). The remaining portion of the receivables from group companies is payable on demand.

7.10.3.8 Cash and cash equivalents

Cash and cash equivalents are stated at face value. They are fully and freely available to the company.

7.10.3.9 Equity

Equity

	Share capital	Share premium reserve	Actuarial gains and losses	Statutory reserves	Retained earnings	Treasury shares	Equity attributable to shareholders	Other equity instruments	Equity
At 1 January 2018	**24**	**1,018**	**-674**	**1,319**	**2,934**	**-188**	**4,433**	**1,001**	**5,433**
Profit for the year	-	-	-	-	655	-	655	-	655
Remeasurement of post employment benefit obligation	-	-	39	-	-	-	39	-	39
Unrealised change in value	-	-		-230	-53	-	-283	-	-283
Dividend paid	-	-			-321	-	-321	-	-321
Change in reserves required by law	-	-		430	-429	-	-	-	-
Discretionary interest on other equity instruments	-	-	-	-	-59	-	-59	-	-59
Tax relating to interest on other equity instruments	-	-	-	-	15	-	15	-	15
Increase (decrease) in capital	-1	-42	-	-	-146	188	-	-	-
Other movements	-	-	-	-	1	-	1	-	1
At 31 December 2018	**23**	**976**	**-635**	**1,519**	**2,596**	**-**	**4,478**	**1,001**	**5,479**
At 1 January 2017	**24**	**1,038**	**-755**	**1,438**	**2,035**	**-**	**3,780**	**701**	**4,481**
Profit for the year	-	-	-	-	906	-	906	-	906
Remeasurement of post employment benefit obligation	-	-	81	-	-	-	81	-	81
Unrealised change in value	-	-	-	139	4	-	143	-	143
Dividend paid	-	-	-	-	-187	-	-187	-	-187
Change in reserves required by law	-	-	-	-258	258	-	-	-	-
Discretionary interest on other equity instruments	-	-	-	-	-45	-	-45	-	-45
Issue of other equity instruments	-	-	-	-	-	-	-	300	300
Cost of issue of other equity instruments	-	-	-	-	-2	-	-2	-	-2
Tax relating to interest on other equity instruments	-	-	-	-	11	-	11	-	11
Increase (decrease) in capital	-	-20	-	-	-47	67	-	-	-
Treasury shares acquired (-)	-	-	-	-	-	-255	-255	-	-255
At 31 December 2017	**24**	**1,018**	**-674**	**1,319**	**2,933**	**-188**	**4,432**	**1,001**	**5,433**

Share capital

For a breakdown of the share capital, see chapter 7.5.12.1.

Statutory reserves

The statutory reserves relate to the revaluation of investments in group companies. The statutory reserves are maintained in relation to the (not yet received as dividend) share in the result (and other additions to equity) of group companies accounted for using the equity method since initial recognition reduced with the amount of dividend that a.s.r. is able to distribute without restrictions. The statutory reserves are not freely distributable. See chapter 7.9 for more information on the regulatory restrictions.

Other equity instruments

The other equity instruments relate to four (2017: four) different hybrid Tier 1 and Tier 2 instruments classified as equity (see chapter 7.5.12.5). Of the four different equity instruments that were issued, two instruments (issue date 2009) are guaranteed by ASR Levensverzekering N.V. The third instrument (issue date 2014), which features a perpetual non call 10 year restricted Tier 2 capital instrument, does not contain guarantees from operating entities.
In 2017, a.s.r. issues the first continental European Solvency II-compliant and Euro denominated Restricted Tier 1 issue. The issue features a perpetual non-call 10 year restricted Tier 1 contingent convertible capital instrument (see chapter 7.5.12.5) and does not contain guarantees from operating entities.

Distributable items
The calculated Available Distributable Items as at 31 December 2018 and 2017 is as follows.

a.s.r.'s Distributable Items is an amount equal to (with respect to and as at any Interest Payment Date, without double-counting):
(i) The retained earnings and the distributable reserves of a.s.r., calculated on an unconsolidated basis, as at the last calendar day of the then most recently ended financial year of a.s.r.; plus
(ii) The profit for the period (if any) of a.s.r., calculated on an unconsolidated basis, for the period from a.s.r.'s then latest financial year end to (but excluding) such Interest Payment Date; less
(iii) The loss for the period (if any) of a.s.r., calculated on an unconsolidated basis, for the period from a.s.r.'s then latest financial year end to (but excluding) such Interest Payment Date,

each as defined under national law, or in the articles of association of a.s.r.

Distributable items

	31 December 2018	31 December 2017
Equity attributable to shareholders	4,478	4,433
Non distributable items		
- Share capital[1]	23	24
- Statutory reserves	1,519	1,319
Distributable items	**2,936**	**3,090**

7.10.3.10 Employee benefits
Employee benefits can be broken down as follows (see chapter 7.5.15):

Employee benefits

	31 December 2018	31 December 2017
Post-employment benefits pensions	3,302	3,136
Post-employment benefits other than pensions	11	9
Other long-term employee benefits	14	14
Total employee benefits	**3,327**	**3,159**

7.10.3.11 Other provisions

Changes in provisions

	2018	2017
At 1 January	15	25
Additional provisions	23	10
Utilised in course of year	-25	-19
Other changes	2	-1
At 31 December	**16**	**15**

Provisions primarily relate to provisions for staff restructuring and retained disability risk.
The timing of the outflow of resources related to these provisions is uncertain because of the unpredictability of the outcome and time required for the settlement of disputes.

An amount of € 13 million of the provisions is expected to fall due within one year (2017: € 11 million).

1 Less the nominal value of treasury shares if applicable.

7.10.3.12 Subordinated liabilities

Subordinated liabilities can be broken down as follows (see chapter 7.5.13 for further details).

Subordinated liabilities

	Nominal Amount	Carrying value 2018	Carrying value 2017
Hybrid Tier 2 instrument 5.125% fixed interest	500	497	497

In 2015, a.s.r. issued € 500 million subordinated liabilities in the form of Tier 2 Notes, first callable on 29 September 2025 and maturing on September 2045. The coupon is fixed at 5.125% and paid annually on 29 September with a step up at the first call date.

7.10.3.13 Debts to group companies

The debts to group companies of € 39 million (2017: nil) contains a deposit due to group companies with an interest-rate of 0.6%. The maturity of the deposit is 12 months.

There is no significant difference between the carrying amount of € 39 million (2017: nil) debt to group companies and the fair value of these liabilities.

The interest expense on debts to group companies in 2018 is € 0.1 million (2017: € 0.1 million).

7.10.3.14 Due to banks

In 2018 due to banks contained € 135 million (2017: nil).

7.10.3.15 Other liabilities

Other liabilities

	31 December 2018	31 December 2017
Other liabilities	-	6
Accrued interest	17	13
Short-term employee benefits	-	66
Tax payables	56	35
Total other liabilities	**73**	**120**

There is no difference between the carrying value of other liabilities and their fair value.

7.10.3.16 Operating expenses

The operating expenses of € 111 million (2017: € 104 million) are operating expenses relating to Holding – activities. Please see chapter 7.6.8 for the total operating expenses of the group.

7.10.3.17 Interest expense

The interest expense relates primarily to the interest on subordinated liabilities and interest on the employee benefits obligation, allocated to the Holding.

7.10.3.18 Auditor's fees

With reference to Section 2:382a(1) and (2) of the Dutch Civil Code, the following fees for the financial years have been charged by EY Accountants LLP to the Company, its subsidiaries and other consolidated entities.

- Fees for audit engagements: these include fees paid for the audit of the consolidated and company financial statements, quarterly reports and other reports.

Auditor's fee

Amounts in € thousands	2018	2017
Audit of the financial statements	3,320	3,185
Other audit engagements	899	945
Total audit fees	**4,219**	**4,130**

In the above mentioned years no fees were paid for tax-related advisory services to EY Accountants LLP and no fees were paid to other EY networks, other than EY Accountants LLP.

7.10.3.19 Related parties

A related party is a person or entity that has significant influence over another entity, or has the ability to affect the financial and operating policies of the other party. Parties related to a.s.r. include NLFI and the Dutch State for the period until 13 September 2017, associates, joint ventures, members of the Executive Board, members of the Supervisory Board, close family members of any person referred to above, entities controlled or significantly influenced by any person referred to above and any other affiliated entity.

The group regularly enters into transactions with related parties during the conduct of its business. These transactions mainly involve loans, deposits and commissions, and are conducted on terms equivalent to those that prevail in arm's length transactions. These disclosures related to these transactions are included in the relevant note in the company financial statements and in the consolidated financial statements (see primarily chapters 7.7.4 and 7.7.8).

7.10.3.20 Contingent liabilities

Joint and several liability

ASR Nederland N.V. forms a fiscal unity for corporate income tax and VAT with nearly all of its subsidiaries. The company and its subsidiaries that form part of the fiscal unity are jointly and separately liable for taxation payable by the fiscal entity.

A statement of joint and several liability under section 403, Book 2 of the Dutch Civil Code has been issued by ASR Nederland N.V. for the companies identified in chapter 7.7.8 List of principal group companies and associates.

Investment obligations and guarantees

ASR Nederland N.V. has issued guarantees to third parties for a total amount of nil (2017: € 120 million) for real estate development projects.

Lease commitments

For the table with the breakdown of the commitments for non-cancellable operating leases, see chapter 7.7.6.

Utrecht, 26 March 2019

Executive Board
Jos Baeten
Chris Figee

Supervisory Board
Kick van der Pol
Annet Aris
Cor van den Bos
Herman Hintzen
Sonja Barendregt

Object

Eagle vase

Made by

Hans van Bentem

Chosen by

Frida Nakken, reception team

‘As a member of the reception team, I’m often surrounded by all this wonderful art and these historic artefacts, but this piece by Hans van Bentem is my favourite. I regularly go up to it and examine it closely. It has the head and feet of an eagle, a wonderful bird, and that, combined with the silver and glass, is fabulous. It’s a bit bling-bling, but that’s right up my street.’

8

Other information

8.1 Report on the audit of the financial statements 2018 included in the annual report

To: the shareholders and supervisory board of
ASR Nederland N.V.

Report on the audit of the financial statements 2018 included in the annual report

Our opinion

We have audited the financial statements for the year ended 31 December 2018 of ASR Nederland N.V., based in Utrecht, the Netherlands.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of ASR Nederland N.V. as at 31 December 2018, and of its result and its cash flows for 2018 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) 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 ASR Nederland N.V. as at 31 December 2018, and of its result for 2018 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

- The consolidated balance sheet as at 31 December 2018;
- The following statements for 2018: the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows; and
- The notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

- The company balance sheet as at 31 December 2018;
- The company income statement for 2018; and
- 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 ASR Nederland 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	€ 36 million
Benchmark applied	Approximately 5% of Operating Result
Explanation	Operating Result is based on the profit before tax adjusted for investment related income for own account of an incidental nature and incidentals. Using Operating Result helps to maintain an appropriate materiality level giving more consideration to the users' view of the scale of the financial position and operations rather than volatile circumstances. For ASR Nederland N.V. as listed company, financial performance and thus Operating Result is a key metric for its stakeholders and therefore selected as basis for the calculation. In note 7.4.3. of the financial statements a reconciliation is provided from profit before tax to Operating Result.
Change compared to last year	No change in the materiality compared to last year.

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

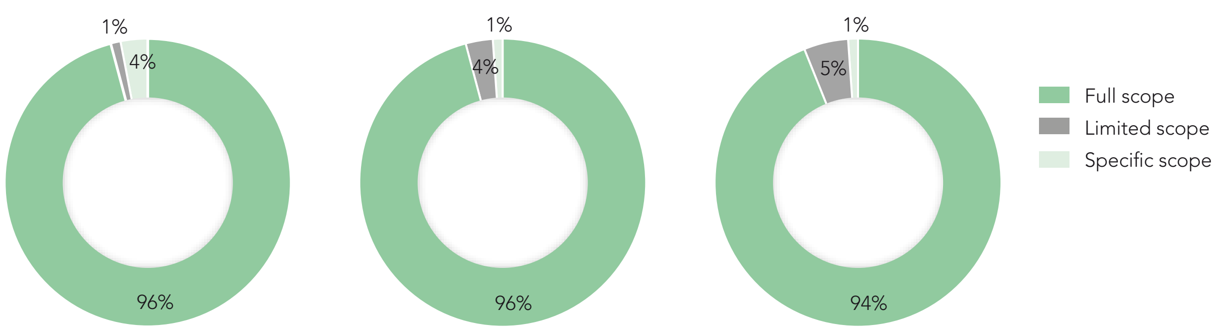
We agreed with the supervisory board that misstatements in excess of € 1.8 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

ASR Nederland N.V. is at the head of a group of entities, including the principal subsidiaries as set out in note 7.7.8 of the annual accounts. The financial information of this group is included in the consolidated financial statements of ASR Nederland N.V.

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 by our component teams based on their size and or the risk profile. We included all insurance entities, asset management entities and bank entity in the audit scope for consolidation purposes (full scope and specific scope). We performed for the remaining entities, amongst others, analytical review procedures to corroborate our assessment that there are no significant risks of material misstatement (limited scope). This resulted in the following coverage:

Assets **Equity** **Operational result**



We provided detailed instructions to each component team including areas of audit emphasis. We also executed oversight procedures and engaged in regular communication to confirm that the audit progress and findings for each of the in-scope locations were discussed between the group audit team and the component teams.

The group consolidation, financial and non-financial disclosures and a number of complex items were audited by the group engagement team at the ASR Nederland N.V. level. These included amongst others taxation, pensions, Solvency, goodwill impairment testing, contingent liabilities, the note on the Generali Nederland N.V. acquisition and the note on the Held for Sale and Discontinued Operation of ASR Bank N.V. We involved several EY specialists to assist the audit team, including specialists from our tax, valuations, actuarial and F&IS (Forensic & Integrity Services) departments.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the 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.

Compared to our independent auditor's report 2017, we made the following change to our key audit matters:

- We added a new key audit matter related to the reclassification of ASR Bank N.V. as held for sale and discontinued operation, since this has a significant impact on the classification and measurement of component ASR Bank N.V. in the consolidated financial statements of ASR Nederland N.V.

Valuation and adequacy of insurance contract liabilities (including shadow accounting) due to the complexity and use of assumptions

Risk	ASR Nederland N.V. has insurance contract liabilities of € 43.5 billion representing 81% of its total liabilities. The valuation of insurance contract liabilities and the related Liability Adequacy Test (LAT) is complex, highly judgmental and is based on assumptions that are subject to uncertainties regarding future outcomes. Various economic and non-economic assumptions are being used to estimate these long-term liabilities in the LAT. The assumptions for life contracts used relate to risks regarding interest, mortality, longevity, morbidity, catastrophe, lapse and expense and for non-life contracts liabilities these are the disability, claims incurred but not reported, cost and recovery rate assumptions. Additionally, the valuation of the insurance contract liabilities is affected by and sensitive to government regulations, in particular regarding the claims from workers' compensations insurance (WGA-ER) and in the healthcare insurance domain. ASR Nederland N.V.'s LAT is performed in order to confirm that insurance contract liabilities, net of deferred acquisition cost, are adequate in the context of expected future cash outflows. The company has comprehensive procedures and internal controls in place to determine the value of the liabilities arising from insurance contracts and the related LAT. The LAT discount rate is based on Solvency II guidance. As disclosed in notes 7.5.14, 7.8.3 and 7.9.2 the UFR has a significant impact on the LAT. The company applies shadow accounting in its financial reporting as disclosed in note 7.3.4 and 7.5.14. Shadow accounting is complex, requires judgment regarding results that apply for shadow accounting and has a significant impact on the liabilities arising from insurance contracts. The company has comprehensive procedures and internal controls in place to determine the shadow accounting.
Our audit approach	We involved internal actuarial specialists in performing the audit procedures regarding the insurance contract liabilities. This includes assessing the appropriateness of assumptions used in the valuation of the individual life and pension contracts, non-life contracts and healthcare insurance contracts by reference to company and industry data and expectations of investment returns, future longevity and expense developments. Additionally, key audit procedures included assessing ASR Nederland N.V.'s methodology for calculating the insurance liabilities, assessing the company's approach to liability adequacy testing and an assessment of internal controls in this respect, including the analyses of the movements in insurance contracts liabilities and technical provisions adequacy surplus during the year. We assessed whether the movements are in line with the changes in assumptions adopted by ASR Nederland N.V., our understanding of developments in the business and our expectations derived from market experience. We audited the main assumptions used for the determinations of the insurance liabilities and LAT calculations. We assessed the internal control regarding determination of the insurance liabilities and LAT calculations. We tested the internal controls regarding the accounting of the (un)realised results on the fixed income investments, interest derivatives and inflation rate swaps. Furthermore, we tested the application of shadow accounting by inspecting the reconciliations between (un)realised results on swaps and swaptions and the related shadow accounting adjustment in the liabilities arising from insurance contracts.

Key observations	Based on our audit procedures performed, we consider the methods used for the valuation of the insurance contract liabilities appropriate. We consider the assumptions used to be within a reasonable range. We determined that the company applied shadow accounting (including the accounting for realised results) in accordance with their accounting policy and consistent with previous years.

Fair value measurement of investments and related disclosures

Risk	ASR Nederland N.V. invests in various categories of investments, of which 86% (year-end 2017: 85%) is carried at fair value in the balance sheet. Fair value measurement can be subjective, and more so for investments reliant on model based valuation or with less liquidity. Valuation techniques for investment property, fixed income instruments and equities without a quoted price in an active market involve setting various assumptions regarding pricing factors. The use of different valuation techniques and assumptions could produce significantly different estimates of fair value. Specific area of focus include the fair value hierarchy disclosure, where the investments are classified in 3 levels: Level 1: fair value based on quoted prices in active market; Level 2: fair value based on observable market data; and Level 3: fair value not based on observable market data. The level 3 investments are 6,5 % (2017: 5,5%) of all investments carried at fair value. The company has comprehensive procedures and internal controls in place to determine the valuation of the non-listed investments and related disclosures.
Our audit approach	We assessed and tested the design and operating effectiveness of the controls over valuation, including independent price verification and model approval. We performed additional procedures on the valuation and fair value level classification of the investments. This included, where relevant, involving our valuation specialists, comparison of judgments made to 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. Furthermore, we assessed and tested the design and operating effectiveness of the controls over related disclosures including the disclosures in note 7.7.1.
Key observations	Based on our audit procedures performed, we consider the fair value of investments to be within a reasonable range. The fair value disclosures of investments in note 7.7.1. meet the requirements of EU-IFRS.

Solvency II disclosure

Risk	ASR Nederland N.V. presents its capital position in accordance with Solvency II, in the capital management section of the annual accounts (note 7.9). These disclosures provide information on the capital position of ASR Nederland N.V. on a regulatory basis (Solvency II) of accounting compared to an IFRS basis. The determination of the Solvency II ratio involves judgment in respect of methodologies used and setting best estimate assumptions. Further, in the calculation of the Solvency II ratio, ASR Nederland N.V. has not provided for a contingent liability in respect of the unit-linked issue in the Netherlands. ASR Nederland N.V. assessed that it is impossible at this time to make reliable estimates because the book of policies dates back many years, contains of a variety of products with different features and conditions and because of the fact that rulings are diverse. Changes to the interpretation of the Solvency II requirements of the accounting for contingent liability for the unit linked issue can materially impact the Solvency II ratio disclosed.
Our audit approach	As part of our audit procedures, we assessed the internal control of the solvency calculations. Those controls include ASR Nederland N.V.'s methodology, model and assumption approval processes and management review controls. Additionally, where relevant, comparison of judgments and best estimate assumptions was made to market practice and re-performance of calculations on a sample basis.
Key observations	Based on our audit procedures performed, we consider that the Solvency II information disclosed in the capital management section of the annual accounts (note 7.9), sufficiently reflects the valuation and risk-based capital requirements of the Solvency II regulatory framework and the capital management disclosure requirements of EU-IFRS.

Unit-linked exposure

Risk	Holders of unit-linked products (where the customer bears all or part of the investment risk), or consumer protection organisations 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 ASR Nederland N.V. relating to compensation. The financial consequences of these legal proceedings cannot be reliably estimated or quantified at this point. Refer to note 7.7.6 to the financial statements.
Our audit approach	We performed audit procedures in this area, which include: • An assessment of ASR Nederland N.V.'s governance, processes and internal controls with respect to unit-linked exposure; • A review of the documentation and enquiries about the unit-linked exposures with management and its internal legal advisor. These procedures took into account ASR Nederland N.V.'s specific developments as well as broader market developments in 2018; • Obtaining a legal letter from ASR Nederland N.V.'s external legal advisor; • Consideration of the recognition and measurement requirements for establishing provisions under IFRS. 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 7.7.6 to the financial statements.

Key observations	Based on our audit procedures performed, we found management's assessment that the financial consequences of the unit-linked exposure cannot be reliably measured or quantified at this point and therefore no provision is recognised in the 31 December 2018 balance sheet, sufficiently substantiated. The disclosure of the exposure in note 7.7.6 describes the related risks and management judgments in compliance with the relevant accounting requirements.

Generali Nederland N.V. acquisition

Risk	In the second half of 2018 ASR Nederland N.V. finalised its Purchase Price Allocation (PPA) regarding its acquisition of Generali Nederland N.V. as per 5 February 2018, in accordance with IFRS 3 Business Combinations. The final consideration for the Generali Nederland N.V. acquisition was € 153 million. Net assets acquired were valued at € 108 million and an excess purchase consideration (goodwill) of € 45 million was recognised. In addition, ASR Nederland N.V. is required to make certain IFRS 3 disclosures related to the acquisition in its 2018 financial statements. Refer to note 7.4.5.
Our audit approach	The management of ASR Nederland N.V.'s engaged a third-party expert to provide support with respect to the determination of the fair values of Generali Nederland N.V. 's assets and liabilities under IFRS 3. We have assessed the expertise of the third-party expert. Furthermore, we deployed a specialist team to audit the PPA. Our team included valuation specialists who have extensive experience in the valuation of investments and insurance liabilities. Our procedures focused primarily on the risks relating to the valuation model, assumptions and judgments associated with the estimation of the fair value measurements. These included amongst others: • Gaining an understanding through enquiry and review of the valuation methodology adopted by ASR Nederland N.V. and comparing the approach with accepted industry practice; • Assessing the appropriateness of key assumptions; • Confirming consistency of assumptions with other areas of the financial statements; • Recalculating the consideration and goodwill amount. In addition, we determined whether ASR Nederland N.V. has made the disclosure as required by IFRS 3.
Key observations	Based on or audit procedures performed, we determined that management applied a reasonable approach in determining the PPA of Generali Nederland N.V. 's assets acquired and liabilities assumed, and resulting amount of goodwill recognised. We assessed that the disclosure meets the requirements of IFRS 3.

Classification ASR Bank N.V. as held for sale and discontinued operation

Risk	Management of ASR Nederland N.V. has decided on 10 October 2018 to label ASR Bank N.V. as a non-core component. As a consequence, ASR Nederland N.V. has classified the component ASR Bank N.V. as held for sale and as a discontinued operation in its 2018 financial statements in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. As result of the classification held for sale, the component ASR Bank N.V. is presented in the balance sheet on single line items as assets respectively liabilities related to assets held for sale. Furthermore, due to the classification of discontinued operation, the result of the component ASR Bank N.V. is presented in the consolidated income statement in a single amount as profit or loss from discontinued operations. Additionally, IFRS 5 requires an entity to measure a non current asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell. As a consequence, an impairment is taken by a.s.r. since the fair value less cost to sell of ASR Bank N.V. is determined to be lower than the carrying amount. Refer to Note 7.4.6. Discontinued operations and assets held for sale and related liabilities. In addition, IFRS 5 requires certain specific disclosures. Refer to Note 7.4.6. Since IFRS 5 requirements are complex, and the fair value determination of ASR Bank N.V involves judgment, we identified this as a key audit matter.
Our audit approach	As part of our audit procedures, we have assessed the held for sale and discontinued operation classification and related disclosures of ASR Bank N.V. by investigating if the requirements of IFRS 5 are met. We performed audit procedures in relation to the impairment, which included: • An audit of the significant accounts Loans and receivables and Due to customers in the balance sheet of ASR Bank N.V.; • Validating the fair value less cost to sell; • Recalculating the impairment.
Key observations	Based on our audit procedures performed we consider that the classification and the presentation of ASR Bank N.V. as held for sale and discontinued operation is appropriate. In addition, we consider the impairment on ASR Bank N.V. within a reasonable range. The held for sale disclosure of ASR Bank N.V. in note 7.4.6. meets the requirements of EU-IFRS.

Reliability and continuity of electronic data processing

Risk	ASR Nederland N.V. is highly dependent on its IT infrastructure for the continuity of the operations. To meet clients' needs and business requirements ASR Nederland N.V. is continuously improving the efficiency and effectiveness of its IT infrastructure and the reliability and continuity of the electronic data processing, including its defense against cyber-attacks. Additionally, the IT applications of Generali Nederland N.V. have been added in 2018 to the IT infrastructure of ASR Nederland N.V. High quality data and securitisation of this data is (becoming more) important. To ensure this, reliability and continuity of electronic data processing is key. Therefore, we consider this a key audit matter.

Our audit approach	We tested the IT general controls related to logical access, change management and application controls as embedded in the IT systems, where relied upon for financial reporting. In some areas we performed additional (substantive) procedures. We also assessed the impact of changes to the infrastructure and where relevant adjusted the scope of our IT procedures. We have included IT auditors in our team in performing our audit procedures.
Key observations	Based on the combination of the tests of controls and IT substantive procedures performed, we obtained sufficient appropriate audit evidence for the purposes of our audit.

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:
- Report of the Management Board;
- Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code;
- Report of Stichting Continuïteit ASR Nederland.

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 substantially 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 Report of the Management Board in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

Following the appointment by the annual general meeting of shareholders on 16 April 2015, we were engaged by the supervisory board on 31 March 2016 as auditor of ASR Nederland N.V. 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 ASR Nederland N.V. and its subsidiaries, we provided the following services:
- Regulatory reporting: We issued auditor's reports on selected regulatory reporting templates of ASR Nederland N.V., and of its subsidiaries, to the Dutch Central Bank (DNB);
- Corporate responsibility reporting: We issued an assurance report on ASR Nederland N.V.'s corporate responsibility reporting included in the annual report;
- We issued audit reports on the financial information of ASR Nederland N.V.'s financial intermediary business;
- We issued assurance reports in respect of the administration and internal control of ASR Vermogensbeheer, ASR Real Estate, ASR Mortgages and ASR Pensions; We issued an assurance report with regard to ASR Vermogensbeheer GIPS verification, and we issued assurance reports on the cost price models for financial products prepared by ASR Nederland N.V.'s insurance subsidiaries;
- We issued reports of factual findings on statements prepared by ASR Nederland N.V. 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 EU-IFRS 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 engagement 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 detect all material errors and fraud during our audit.

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 among others:

- 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 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 the key audit matters: those matters that were of most significance in the audit of the financial statements. 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 March 2019

Ernst & Young Accountants LLP

signed by M. Koning

8.2 Provisions of the Articles of Association regarding profit appropriation

Articles 35, 36 and 37 of the Articles of Association:

Distributions – General

Article 35

35.1 A distribution can only be made to the extent that the Company's equity exceeds the Non-Distributable Equity.

35.2 The Executive Board may resolve to make interim distributions, provided that it appears from interim accounts to be prepared in accordance with Section 2:105(4) of the Dutch Civil Code that the requirement referred to in Article 35.1 has been met and, if it concerns an interim distribution of profits, taking into account the order of priority described in Article 37.1.

35.3 Subject to Article 19.10, the Executive Board may adopt, and amend from time to time, a dividend and reservation policy for the Company. Amendments to such a policy shall be discussed in the General Meeting.

35.4 The preferred shares do not carry any entitlement to distributions other than as described in Articles 12.2, 37.1 and 38.3.

35.5 Distributions on ordinary shares shall be made in proportion to the aggregate nominal value of those ordinary shares. Distributions on preferred shares (or to the former holders of preferred shares) shall be paid in proportion to the amounts paid up (or formerly paid up) on those preferred shares.

35.6 The parties entitled to a distribution shall be the relevant shareholders, usufructuaries and pledgees, as the case may be, at a date to be determined by the Executive Board for that purpose. This date shall not be earlier than the date on which the distribution was announced.

35.7 The General Meeting may resolve, subject to Article 31.1, that all or part of such a distribution, instead of being made in cash, shall be made in the form of shares in the Company's capital or in the form of the Company's assets.

35.8 A distribution shall be payable no later than thirty days after the date on which such distribution was declared, unless the Executive Board sets a different date. If it concerns a distribution in cash, such distribution shall be payable in such currency as determined by the Executive Board.

35.9 A claim for payment of a distribution shall lapse after five years have expired after the distribution was declared.

35.10 For the purpose of calculating any distribution, shares held by the Company in its own capital shall not be taken into account. No distribution shall be made to the Company in respect of shares held by it.

Distributions – Reserves

Article 36

36.1 All reserves maintained by the Company shall be attached exclusively to the ordinary shares. The Company shall not attach any reserve to the preferred shares.

36.2 Subject to Article 31.1, the General Meeting is authorised to resolve to make a distribution from the Company's reserves.

36.3 Without prejudice to Articles 36.4 and 37.2, distributions from a reserve shall be made exclusively to the holders of ordinary shares.

36.4 The Executive Board may resolve to charge amounts to be paid up on any class of shares against the Company's reserves, irrespective of whether those shares are issued to existing shareholders.

Distributions – Profits

Article 37

37.1 Subject to Article 35.1, the profits shown in the Company's annual accounts in respect of a financial year shall be appropriated as follows, and in the following order of priority:

a. to the extent that any preferred shares have been cancelled without the payment described in Article 12.2 paragraph b. having been made in full on those preferred shares and without any such deficit subsequently having been paid in full as described in this Article 37.1 or Article 37.2, any such deficit shall be paid to those who held those preferred shares immediately before such cancellation became effective;

b. to the extent that any Preferred Distribution (or part thereof) in relation to previous financial years has not yet been paid in full as described in this Article 37.1 or Article 37.2, any such deficit shall be paid on the preferred shares;

c. the Preferred Distribution shall be paid on the preferred shares in respect of the financial year to which the annual accounts pertain;
d. subject to Article 19.10, the Executive Board shall determine which part of the remaining profits shall be added to the Company's reserves; and
e. any remaining profits shall be at the disposal of the General Meeting for distribution to the holders of ordinary shares.

37.2 To the extent that the distributions described in Article 37.1 paragraphs a. through c. (or any part thereof) cannot be paid out of the profits shown in the annual accounts, the deficit shall be paid out of the Company's reserves, subject to Articles 35.1 and 35.2.

37.3 Without prejudice to Article 35.1, a distribution of profits shall be made only after the adoption of the annual accounts that show that such distribution is allowed.

Object

Poster 'Holland van 1859' (circa 1940)

Made by

Wim van Andringa De Kempenaer

Chosen by

Robert van der Schaaf, Director of Claims and Secretary, Stichting Kunst & Historisch Bezit

'As Director of Claims, I'm especially drawn to this poster which was made for the insurance company Holland-Dordt van 1859. For the designer, the golden disk symbolised ownership. The piece that has been broken out of it calls to mind a sudden calamity, and the red sweeping lines, which suggest a fall, accentuate the sense of catastrophe. The piece of gold which flies down to plug the broken gap symbolises the insurance company coming in to repair the damage that has been sustained.'

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Report of Stichting Continuïteit ASR Nederland

9.1 Report of Stichting Continuïteit ASR Nederland

Stichting Continuïteit ASR Nederland (the 'Foundation') was established on 26 May 2016 in connection with a.s.r.'s listing on Euronext Amsterdam.

The Foundation has been formed under Dutch law. Its objectives are to promote and protect the interests of a.s.r., its business and its stakeholders, and to counter possible influences that might threaten the continuity, independence, strategy and/or identity of a.s.r. or its business to such an extent that these could be considered contrary to the aforementioned interests.

a.s.r. has granted a call option to the Foundation under an agreement dated 27 May 2016; this agreement outlines the conditions under which the call option can be exercised. The call option is a continuous and repeatedly exercisable right, pursuant to which the Foundation is entitled to subscribe for preference shares, up to the lower of (a) the total number of shares that form a.s.r.'s issued capital at the time when the call option is exercised, less the number of preference shares already held by the Foundation at that time (if any) and less one, or (b) the maximum number of preference shares that may be issued under the authorised share capital as shown by the Articles of Association of a.s.r. at the time when the call option is exercised. The Foundation has the right to exercise the call option at any time, either fully or in part. The exercise price for preference shares issuable under the call option is equal to 25% of the nominal amount of those preference shares.

The call option is continuous in nature and can be exercised repeatedly and on more than one occasion, each time that the Foundation considers, or reasonably expects, there to be an act that is, in the opinion of the Foundation, materially contrary to the interests of a.s.r., its business or its stakeholders, which may include the following (to the extent materially contrary to the aforementioned interests), (i) the announcement of a public offer for shares in the capital of a.s.r., or the legitimate expectation that such a public offer will be announced, without agreement on the offer having been reached with a.s.r. or the offer being supported by a.s.r., and (ii) an activist shareholder (or group of activist shareholders acting in concert) in a.s.r. directly or indirectly representing at least 25% of the ordinary shares forming part of a.s.r.'s issued share capital.

Ultimately after the Foundation has held preference shares for a period of 20 months (or for such longer period as the Foundation deems appropriate given the facts and circumstances at hand), the Foundation may request, by means of a notice to that effect, that a.s.r. consider submitting, as soon as practicable, a proposal to the General Meeting for a resolution to cancel all preference shares. a.s.r. is free to propose such a resolution without this being requested by the Foundation if non-cancellation of the preference shares in a timely manner were to result in the Foundation being required to make a mandatory public offer in respect of a.s.r. In addition, if and when a.s.r. has issued preference shares to the Foundation, a.s.r. will convene a General Meeting, to be held within 20 months following such issuance, for the purpose of adopting a resolution on the cancellation of all such preference shares.

The Foundation has not exercised the call option and did not acquire any preference shares during the year under review.

The Foundation has an independent board. The membership of the Board of the Foundation is as follows:
- Mr H.J. Hazewinkel (Chairman);
- Mr A.A.M. Deterink;
- Ms M.E. Groothuis.

The Board of the Foundation met on two occasions in 2018. The matters discussed included the full-year 2017 results of a.s.r., the execution of the strategy, the financing of a.s.r., acquisitions and divestments by a.s.r., developments in the market, and the general course of affairs at a.s.r. At these meetings, a representative of the Executive Board of a.s.r. provided the Board of the Foundation with information on the developments within a.s.r. and the relationship with its shareholders. The Board of the Foundation also monitored the developments of a.s.r. outside of Board meetings, for instance through a Board member's receipt of press releases issued by a.s.r.

The Foundation is an independent legal entity for the purpose of Section 5:71(1)(c) of the Dutch Financial Markets Supervision Act.

Utrecht, the Netherlands, 26 March 2019

Stichting Continuïteit ASR Nederland
Mr H.J. Hazewinkel (Chairman)
Mr A.A.M. Deterink
Ms M.E. Groothuis

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Object

Anniversary presentation volume Let op Uw Einde, 'To the Managing Board of Let op uw Einde', 6 December 1847-1872

Made by

Let op Uw Einde

Chosen by

Lianne Dolsma, team manager Health

'This book dates from 1872 and was a gift from the staff to the Managing Board of Let op Uw Einde, one of the legal precursors of a.s.r. It's so beautifully made, with its velvet end-boards and silver tooling. It was obviously produced by a real craftsman. Inside are portrait photographs of the Board members and all the employees, taken when photography was in its infancy. It's wonderful to think we have a tangible history, especially in what is such a modern building.'

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Annexes

Annex A

Facts and figures

Sustainability ratings

Ratings

	2018	2017	2016
Carbon Disclosure Project	B	NA	NA
Dow Jones Sustainability Index (out of 100)	71	62	NA
FTSE4Good	3,5	NA	NA
MSCI	BB	BB	NA
Vigeo Eiris (out of 100)	52	NA	48
Dutch Transparancy Benchmark (out of 200) (Since 2017 once every two years)	NA	177	164
Fair Insurance Guide	1st position	1st position	1st position
VBDO (once every two years)	NA	2nd position	NA

Nominations and awards

- a.s.r. wins Webby award for best homepage;
- Website Ditzo wins the price for best and most popular website for the third time in a row;
- For the third time in a row, De Amersfoortse achieved the highest score at MoneyView for AOV;
- a.s.r. strengthens number 1 position in Fair Insurance Guide;
- a.s.r. wins Golden Lotus Award for best home insurer;
- Liability insurance a.s.r. receives maximum MoneyView rating;
- The Services department won the Benchmark XL Award for the second time in a row in the 'Best overall performance' category;
- a.s.r. office nominated for daylight award;
- a.s.r. wins GRESB/BREEAM individual leadership price;
- a.s.r. wins the participation desk 'Only the talent counts' award;
- HR policy a.s.r. nominated for the most innovative and inspiring HR policy;
- Annual report a.s.r. nominated for the Sijthoff price.

Customer information (chapter 4.1)

Net Promoter Score

	2018	2017	2016
a.s.r.	**42**	**40**	**NA**
P&C	47	45	NA
Disability	45	42	NA
Health	39	37	NA
Pensions	47	41	NA
Individual life	37	34	NA
Funeral	41	41	NA
Bank	36	41	NA

Complaints settled

	2018	2017	2016
Upheld	2,935	2,924	3,564
Rejected	2,092	2,103	2,755
Total complaints settled	**5,027**	**5,027**	**6,319**

Complaints handled

	2018	2017	2016
Yes fully	2,260	2,164	NA
Not fully but follow up is clear to me	470	555	NA
Not fully and the follow up is unclear to me	205	205	NA
Total complaints handled	**2,935**	**2,924**	**NA**

Investor information (chapter 4.2)

Dividend

	2018	2017	2016
Dividend history (in € millions)	245	230	187
Dividend history (in €) per share	1.74	1.63	1.27

Share price performance

	2018	2017	2016
Share price 31-12	34.58	34.31	22.60
Share price 1-1	34.31	22.60	NA
Introduction price as at 10 June 2016	NA	NA	19.50
Highest closing price	42.18	35.74	22.65
Lowest closing price	33.70	21.90	17.14
Closing price 31-12	34.58	34.31	22.60
Market cap as at 31-12 (in € millions)	4,876	5,043	3,390
Average daily volume shares	474,054	602,768	223,479

Shareholder return

	2018	2017	2016
% shareholder return including dividend reinvested in a.s.r. shares	7.1%	58.6%	13.0%
Euronext AEX index	-7.4%	16.5%	12.5%
Stoxx Euro 600 insurance index	-5.8%	11.7%	15.6%

Employee information (chapter 4.3)

Number of FTEs

	2018	2017	2016
Non-life	1,549	1,498	1,460
Life	619	622	666
Banking and Asset Management	381	430	268
Distribution and Services	507	430	390
Holding and Other	1,241	1,114	1,356
Real Estate Development	17	23	20
Total full-time equivalents (internal & external)	**4,314**	**4,117**	**4,160**
External FTEs	631	624	699
Total full-time equivalents (internal)	**3,683**	**3,493**	**3,461**
% of all a.s.r. staff working from the Utrecht location	95%	96%	96%

The information below regarding a.s.r. employees, is excluding employees of Van Kampen Groep, Dutch ID, SuperGarant, Corins, PoliService, Stoutenburg and ANAC.

Number of employees (headcount)

	31 December 2018		31 December 2017		31 December 2016	
	Male	Female	2017	2017	2016	2016
Executive Board	3	1	3	1	3	1
Senior management	15	6	16	6	19	6
Management	108	26	102	22	95	27
Other employees	1,948	1,301	1,920	1,252	1,934	1,280
Total employees	**3,408**		**3,322**		**3,365**	

Number of part-time and full-time employees

	31 December 2018		31 December 2017		31 December 2016	
	Male	Female	Male	Female	Male	Female
Part-time[1]	530	925	514	885	511	908
Full-time	1,544	409	1,527	369	1,540	406
Total	**2,074**	**1,334**	**2,041**	**1,281**	**2,051**	**1,314**
Total number of headcounts	**3,408**		**3,322**		**3,365**	

Breakdown of employees by contract of definite and indefinite duration

	31 December 2018		31 December 2017		31 December 2016	
	Male	Female	2017	2017	2016	2016
Contracts of indefinite duration	1,952	1,210	1,908	1,183	1,965	1,234
Contracts of idefinite duration	122	124	133	98	86	80

Average years of service

	31 December 2018		31 December 2017		31 December 2016	
	Male	Female	Male	Female	Male	Female
Average years of service	16.6	13.1	16.5	13.5	16.7	13.3
Total	**15.2**		**15.4**		**15.4**	

1 Employees who work less than a full-time equivalent (FTE).

Absenteeism

	31 December 2018		31 December 2017		31 December 2016	
	Male	Female	Male	Female	Male	Female
Absentee rate	2.87	5.49	3.19	5.30	2.76	5.34
Total absentee rate	**3.83**		**3.95**		**3.68**	

	2018	2017	2016
Nil absenteeism	56%	50%	NA

Collective Labour Agreement (in %)

	2018	2017	2016
Employees covered by Collective Labour Agreement (CLA)	99.3	95.4	95.5

Grievances

	2018	2017	2016
Grievances on labour practices	1	1	1

Diversity of governance bodies, management and employees (in %)

	31 December 2018		31 December 2017		31 December 2016	
Age	Male	Female	2017	2017	2016	2016
Supervisory Board						
> 50 year	60	40	75	25	75	25
Total Supervisory Board	**100**		**100**		**100**	
Executive Board						
30-50 year	50	0	50	25	50	25
> 50 year	25	25	25	0	25	0
Total Executive Board	**100**		**100**		**100**	
Senior management						
30-50 year	33	24	40	23	40	20
> 50 year	38	5	32	5	36	4
Total senior management	**100**		**100**		**100**	
Management excl. Senior managagement						
< 30 year	0	0	1	1	0	1
30-50 year	57	13	46	21	55	15
> 50 year	24	6	25	6	22	7
Total Management excl. Senior managagement	**100**		**100**		**100**	
Other emloyees						
< 30 year	5	5	5	4	4	5
30-50 year	30	25	31	26	32	26
> 50 year	25	10	25	9	24	9
Total Management	**100**		**100**		**100**	

Participation desk

	2018	2017	2016
Employees participation desk	29	31	12

Gross average wages split by gender (gross hourly wages)

	31 December 2018		31 December 2017		31 December 2016	
In €	Male	Female	Male	Female	Male	Female
Executive Board	223	191	172	93	89	85
Senior management	98	91	93	87	89	85
Management	56	54	55	54	55	53
Other employees	27	23	25	22	26	22

Note: The numbers of the Executive Board are including CEO's compensation. Excluding CEO's compensation Male average hourly wage of the Executive Board would be € 195.

Employee compensation

	2018	2017	2016
Total employee wages and benefits (in € millions)	342	334	301
Pay ratio of the annual total compensation for the highest paid individual and the median annual total compensation for all employees	10.80	9.05	9.15

Training and development

	2018	2017	2016
Total spending on training and development in (in € millions)	6.8	5.4	4.4
Euro equivalent working time spent on training (in € millions)	1.2	1.3	1.3
Training spending per FTE (in €)	1,995	1,626	1,308
Human capital return on investment	12	11	16
Average days of training per employee	3.7	3.6	3.9
Employees took at least one targeted training session (in %)	44	52	45
Employees completed job related trainings	1,512	1,729	1,506
Employees took part in one of the development programmes	719	819	661
Employees followed a workshop sustainable employability	792	589	948

Violations measures taken

	2018	2017	2016
Incidents lack of integrity	85	118	NA
Employees	14	17	NA
Intermediaries and suppliers	21	32	NA
Total number of incidents of lack of integrity	**35**	**49**	**NA**

Sustainable management information (chapter 4.4)

Energy consumption

	2018	2017	2016
Electricity (in kWh)	5,572,103	5,853,609	6,040,117
Renewable electricity solar panels (in %)	3.0	2.5	1.9
Wind electrial energy (in kWh)	5,572,103	5,853,609	6,040,117
PV electrical energy (in kWh)	168,758	149,251	117,315
Natural gas (in m³)	43,816	42,629	63,305

Energy consumption (in kWh)

	2018	2017	2016
Electricity	5,572,103	5,853,609	6,040,117
Natural gas	428,056	416,460	618,452
Total energy consumption	6,000,159	6,270,068	6,658,568
Energy consumption per m²	65,3	68,2	72,4

Commuter travel mobility (in %)

	2018	2017	2016
Car use	58	57	48
Bicycle use	22	21	21
Public transport use	18	20	30
Carpool	2	2	1
Total	**100**	**100**	**100**

Water consumption (in m³)

	2018	2017	2016
Water usage	17,212	15,914	16,530

Waste (in tonnes)

	2018	2017	2016
Waste	234	228	267

Sustainable investor information (chapter 4.6)

Asset management

	2018	2017	2016
Assets under Management in SRI funds and mandates (end of period)	100%	100%	100%
Impact investing in euros	> 300 million	300 million	57 million
Engagement dialogues			
Participating in number of engagement dialogues via Robeco	9	11	11
Participating in number of engagement dialogues specific topics	12	NA	1
Total	**21**	**11**	**12**
Number of screened companies excluded due to:			
Human rights violations	6	3	3
Labour rights violations	2	3	3
Environmental	13	6	6
Armaments	100	107	68
Tobacco	15	17	15
Gambling	44	39	3
Coal	47	63	55
Tar-sands and shale oil	4	10	NA
Nucleair energy related activities	9	5	5
Total	**232**[1]	**253**	**158**

Real estate

	2018	2017	2016
GRESB Real Estate and Debt Assesment scores			
ASR Dutch Core Residential Fund (score out of 100)	80	72	56
ASR Dutch Prime Retail Fund (score out of 100)	72	66	63
ASR Property Fund (score out of 100)	65	64	54
ASR Dutch Mobility Office Fund (score out of 100)	70	NA	NA

1 Includes doublecounts due to the facts that some companies are excluded on more than one criteria.

Annex B

About this report

In this report, a.s.r. provides a transparent overview of its activities and results in 2018. In addition, in this report a.s.r. describes the relationship between its mission, strategy, governance and the social and economic context in which it operates. More information about a.s.r. can be found at www.asrnl.com.

Scope
The financial information in this annual report has been consolidated for a.s.r. and all its subsidiaries. All quantitative and qualitative information relates to a.s.r. as a whole, unless a specific business unit is explicitly mentioned. The data in chapter 4 Long term value creation (excluding PARP data) is exclusive Van Kampen Groep (VKG), Dutch ID (Felisson and Boval), PoliService, SuperGarant, Corins, Stoutenburg and ANAC. Their combined assets account for approximately 0,2% of total assets. Together, the sections 1, 2, 3, 4 and 5 make up the Report of the Management Board.

Process
Relevant topics and boundaries for this report were selected on the basis of a materiality analysis involving both internal and external stakeholders. The process is described in chapters 2.2 and 2.3 (Stakeholders and Material topics). The information in the Management report is based on reports from the business lines and the results of questionnaires and interviews. For the preparation of the annual report, a Working Group (WG), a Steering Group (SG) and a Review Group (RG) have been set up to guide the process and review the contents of the texts. The following disciplines are represented in the WG: Group Accounting, Reporting & Control, Group Balance Sheet Management, Investor Relations, Corporate Communications (including CSR), Human Resources, Group Risk Management, and the Company Secretary. The Annual Report SG agrees on the different tasks, roles and responsibilities relating to the preparation of the annual report. The SG represents the CEO, Director Group Accounting, Reporting & Control and Director Corporate Communications. Before work started on gathering information and writing the annual report, the SG and the WG decided on the structure and key messages of the report. The WG then translated these guidelines into drafts, which were reviewed by a committee of members from the WG, SG and RG. During the reporting process, the RG delivered feedback on the draft annual report. The RG is represented by directors. The draft texts of the annual report are discussed in the respective meetings of the Executive Board, the Supervisory Board and the Audit & Risk Committee. Disclosure of the annual report is subject to the approval of the Executive Board and the Supervisory Board.

Standards
The consolidated financial statements of a.s.r. have been prepared in accordance with International Financial Reporting Standards (IFRS). The separate financial statements have been prepared on the same basis as those used for the consolidated financial statements. All amounts quoted in these financial statements are in euros and rounded to the nearest million, unless otherwise indicated. Calculations are made using unrounded figures. As a result rounding differences can occur.'

The Solvency II figures in this report are based on the standard formula. In addition to the information in this report, a.s.r. also publishes a separate Solvency and Financial Condition Report (SFCR).

This report has been prepared in accordance with the GRI Standards: Core option. The GRI table, including additional information not included in the annual report itself, can be found in Annex F. In addition, the Integrated Reporting Framework of the IIRC (International Integrated Reporting Council) has been used to further integrate the financial and non-financial information into the Management report.

Presentation of non-financial data
The definitions and calculation methods of indicators are presented in the relevant sections and in Annex C Glossary.

Audit and assurance of the auditor
The consolidated financial statements have been audited by our external auditor, Ernst & Young Accountants LLP (EY). EY's audit opinion can be found in chapter 8.1.

In addition to the financial results, EY also reviewed the sustainability information (chapter 1 - 5.1 and Annex A, B, C and F) in this annual report with 'a limited level of assurance' in accordance with Dutch law including Dutch Standard 3810 which is a specific Dutch Standard that is based on the International Standard on Assurance Engagements (ISAE) 3000. EY's assurance report can be found in chapter 5.5 The Executive Board and senior executives are involved in seeking external assurance for the organisation's sustainability information.

Annex C

Glossary

Amortised cost
The amount at which a financial asset or financial liability is measured on initial recognition net of principal repayments, plus or minus accumulated amortisation using the effective interest method or any difference between that initial amount and the amount at maturity, and minus any reduction for impairments or collectability.

Asbestos-safe
Some buildings in the rural property portfolio may still contain asbestos. Targets are set in order to make the rural property portfolio fully asbestos-safe. Results of rural portfolio asbestos-safe, includes the number of rehabilitated properties plus the number of properties sold compared to the portfolio of 2015. From 2018 on the Jutte estate has been included in the population of buildings.

Associate
An entity over which a.s.r. has significant influence and that is neither a subsidiary nor an interest in a joint venture.

Service Back books
Back books consist of policies that are no longer sold but are still on the books as premium-paying policies with limited or no growth prospects.

Basis point (bps)
One-hundredth of one percent (0.01%).

Building Research Establishment Environmental Assessment Methodology (BREEAM)
BREEAM, which was first published by the Building Research Establishment (BRE) in 1990, is the world's longest established method for assessing, rating, and certifying the sustainability of buildings.

Carbon footprint
An organisation's carbon footprint is determined by converting its consumption of natural gas, electricity and fossil fuels into carbon emissions. The carbon footprint gives the organisation an idea of the greenhouse gas emissions caused by its operations and products. The direct footprint of a.s.r. head office consists of waste, fuel, heat, electricity, cooling, commuter travel and business travel. a.s.r.'s carbon footprint is determined annually by an external agency using Carbon Manager based on Green deal carbon emission factors.

Note: 1 kg of CO_2- equivalents is a unit of account for comparing the contribution of greenhouse gases to the greenhouse effect. The calculation is based on the principles of the Greenhouse Gas Protocol. Most of the emission factors are from www.CO2-emissiefactoren.nl and are specific to Sita waste (CE Delft).

Cash flow hedge
A hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

Claims ratio
The cost of claims, net of reinsurance in Non-life, excluding the internal costs and exclusively commissions paid of handling non-life claims, less interest accrual on reserves, and a margin of prudence for health, expressed as a percentage of net earned premiums.

Clean fair value
The fair value of an asset or liability, exclusive of the unrealised portion of accrued interest.

Closed books
Closed books are policies that are no longer sold but are still on the books of a life insurance carrier as premium paying policies.

Commission ratio
Net commissions charged for the year, expressed as a percentage of net earned premiums.

Derivative
A financial instrument with all three of the following characteristics:
(a) Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided, where a non-financial variable is concerned, that the variable is not specific to a party to the contract (sometimes referred to as the 'underlying');
(b) It requires no initial net investment or an initial net investment that is lower than would be required for other types of contracts that would be expected to have a similar response to changes in market factors and
(c) It is settled at a future date.

Discounted cash flow method
A valuation technique whereby expected future cash flows are discounted at a rate that expresses the time value of

money and a risk premium that reflects the extra return that investors demand as compensation for the risk that the cash flows may not materialise.

Discretionary Participation Feature (DPF)
A contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are likely to be a significant portion of the total contractual benefits, the amount or timing of which is contractually at the discretion of the issuer, that are contractually based on the performance of a specified pool of contracts or type of contract, realised and/or unrealised investment returns on a specified pool of assets held by the issuer, or the profit or loss of the company, fund or other entity that issues the contract.

Embedded derivative
A component of a hybrid instrument that also includes a non-derivative host. The host contract may be a bond or equity, a lease, an insurance contract or a contract of purchase and sale.

Employee benefits
All forms of consideration given by an entity in exchange for service rendered by employees.

Engagement
Engagement is a constructive dialogue designed to increase the level of sustainability. a.s.r. uses three types of engagement: (1) monitoring, (2) influencing, and (3) public engagement.

Environmental, social and governance (ESG)
Environmental, social and governance (ESG) refers to the three main areas of concern that have developed as central factors in measuring the sustainability and ethical impact of an investment in a company. These areas cover a broad set of concerns increasingly included in the non-financial factors that feature in the valuation of investments in equities, property, and corporate and fixed-income bonds. ESG is the catch-all term for the criteria used in what has become known as socially responsible investment.

Expense ratio
Expenses, including internal costs of handling non-life claims, less internal investment expenses and less restructuring provision expenses, expressed as a percentage of net earned premiums.

Fair value
The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Geothermal energy
Thermal energy generated and stored in the earth.

Global Reporting Initiative (GRI)
The GRI is an international organisation that defines standards for sustainability reporting.

Global Real Estate Survey Benchmark (GRESB)
The GRESB is a benchmark that looks at the sustainability performance of more than 700 institutional investment funds worldwide.

Goodwill
An asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised.

Gross written premiums
Total revenues (earned or otherwise) expected to be received for insurance contracts over the life of the contract, including reinsurance premiums.

Hedge accounting
Hedge accounting recognises the offsetting on profit or loss of changes in the fair value of the hedging instrument and the hedged item.

Impact investments
Investments made in companies, organizations and/or funds with the intention of having a beneficial impact on society and the environment while achieving an acceptable financial return. For a.s.r. Impact Investing goes a step further than the consideration of ESG criteria, and it seeks a positive contribution to the challenges facing our planet. This can be done via private equity undertakings such as the position in Social Impact Ventures as well as via listed initiatives such as the green bonds portfolio.

Impairment
The amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. The asset's carrying amount is reduced to its fair value and recognised through profit and loss.

Institution for Occupational Retirement Provision (IORP)
IORP is a pension vehicle in the form of a separate legal entity that can operate a defined contribution pension scheme on a separate account basis during the pension accrual phase. When an employee reaches his or her retirement age, the IORP transfers the accrued capital to a pension insurer of the employee's choice to pay the pension benefits. Employers wishing to insure any additional risks (such as survivors' pensions) can do so through an IORP.

Insurance contracts
A contract under which one party (a.s.r.) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder.

Intangible asset
An identifiable, non-monetary asset without physical substance.

Internal employee
An employee on an employment contract of definite or indefinite duration with a.s.r. or one of its subsidiaries.

International Financial Reporting Standards (IFRS)
As of 1 January 2005, these standards have been the generally accepted international accounting policies that apply to all listed companies in the European Union. They make annual results easier to compare and offer a better understanding of a company's financial position and performance.

Investment contract
A life insurance contract that transfers financial risk with no significant insurance risk.

Investment property
Property held to earn rentals or for capital appreciation or both.

Joint venture
A contractual arrangement under which two or more parties undertake an economic activity that is subject to joint control.

Lease car fuel consumption
Fuel consumption is expressed in liter (petrol, diesel, electricity and GHC).

Living Wage
The United Nations' Universal Declaration of Human Rights (1948) states that 'everyone who works has the right to just and favorable remuneration ensuring for himself and his family an existence worthy of human dignity'. A living wage can be defined as: the remuneration received for a standard work week by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food, water, housing, education, health care, transport, clothing, and other essential needs including provision for unexpected events. A living wage may therefore differ from one country, region or even city to the next.

Materiality
An aspect is considered material if it is relevant to the stakeholders, has a reasonably estimable economic, environmental, and/or social impacts and can have a major impact on the development of a.s.r. The greater the impact of the aspect on both society and a.s.r.'s business operations, results and strategy, the greater its materiality.

Net Promoter Score (NPS)
A management tool that can be used to gauge the customer satisfaction of an organisation's customers. The question to the customer now places the emphasis on the employee of a.s.r.: How likely is it that you will recommend a.s.r. to family, friends and colleagues based on your experience with me?
The NPS is calculated after customers had been in contact with one of the agents. Calculation of the NPS: With a score of 9 or 10, the customer is seen as a promoter (recommendation). With a score of 7 or 8, the customer gets the predicate passive. He or she will neither recommend nor discourage the brand. With a score of 0 to 6, the customer will discourage the brand. The NPS term for this is detractor (criticaster). The NPS is calculated by subtracting the percentage of detractors from the percentage of promoters. The NPS scores presented reflect the year end scores.

Non-participating life insurance contracts
In non-participating life insurance contracts, all values related to the policy (death benefits, cash surrender values, premiums) are usually determined at policy issue, for the life of the contract, and usually cannot be altered after issue.

Notional amount
An amount of currency, a number of shares, a number of units of weight or volume or other units specified in a derivatives contract.

Operating lease
A lease that does not transfer substantially all the risk and rewards incidental to ownership of an asset.

Operating Return on equity (Operating ROE)
A measure of financial performance calculated by dividing the operating result (after hybrid costs and net of taxes) by the average adjusted equity attributable to shareholders for the reporting period. For the calculation of the Operating ROE see www.asrnl.com

Option
A financial instrument that conveys the right to buy (call option) or sell (put option) a security at a reference price during a specified time frame.

Organic Capital Creation (OCC)
The sustainable creation of capital from both the change in the Eligible Own Funds (=EOF) and the change in the Solvency Capital Requirement (=SCR) on Solvency II basis. To express the change in SCR in EOF-equivalent terms, the change in SCR is multiplied by the Solvency II ratio. The OCC consists of three elements: (1) Business Capital Generation, (2) Release of Capital and (3) Technical Movements. In this definition sustainable means: generated by the company on its own account, net of external and one-off effects. This results in a view on the Solvency II figures that is comparable with the definition of the operational result on IFRS basis.

Order in Council
An Order in Council is a decision taken by the Dutch government with respect to statutory provisions.

Principles for Responsible Investments (PRI)
The United Nations Principles for Responsible Investments

are a framework for institutional investors. The principles, which were launched in April 2006, pertain to the integration of environmental, social and governance aspects into investment policies. For more information, see unpri.org.

Private equity
An asset class consisting of equity securities of companies that are not publicly traded on a stock exchange. The transfer of private equity is strictly regulated. In the absence of a marketplace, any investor looking to sell their stake in a private company personally has to find a buyer.

Provision
A liability of uncertain timing or amount. Provisions are recognised as liabilities if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations (assuming that a reliable estimate can be made).

Recoverable amount
The recoverable amount of an asset or a cash-generating unit is its fair value less costs to sell or its value in use, whichever is higher.

Return on equity (ROE)
A measure of financial performance calculated by dividing the net result attributable to holders of equity instruments by the average equity attributable to shareholders for the reporting period.
For the calculation of the ROE see www.asrnl.com

Securities lending
This refers to the lending of securities by one party to another, with the latter agreeing to return the securities on a specified future date. The borrower usually provides the lender with collateral. Securities lending allows the owner of the securities to generate extra income.

Shadow accounting
Shadow accounting allows a recognised but unrealised gain or loss on an asset to be transferred to insurance liabilities.

Socially responsible investment (SRI)
Investing with due regard for ethical standards, policies and procedures, in line with the interests of a.s.r. stakeholders, whereby the integration of ESG criteria is key. To achieve this a.s.r. makes use of multiple ESG approaches such as the exclusion of controversial activities, exclusion of companies and countries due to their ethical performance, the engagement dialogue, the integration of ESG assessments in the portfolio construction and impact investing. A detailed description of a.s.r.'s SRI policy is published on asrnl.com.

Solvency II
Solvency II is an EU regulatory regime that has been in force in all member states since 1 January 2016. It has introduced a new, harmonised Europe-wide regime for insurance companies and sets regulatory requirements for solvency and risk governance.

Stakeholders
Stakeholders are persons or organisations that have an interest of whatever nature in an organisation. They have a link with its activities, share in its earnings, influence its performance and assess its economic, social and environmental effects. a.s.r.'s main stakeholder groups are customers, employees, investors and the society as a whole.

Subsidiary
An entity that is controlled by ASR Nederland N.V. (the parent company) or a subsidiary of ASR Nederland N.V.

Sustainable products/services
To develop sustainable products and services and encourage customers to positively and actively opt for them. The focus is on initiatives in the areas of safety (around the home, in traffic, at work, etc.), prevention (of care and disability) and sustainable asset-building.

Tenant satisfaction
a.s.r. calculates a satisfaction rating with respect to the real estate property, the area (for retail units), the (administrative and commercial) services (for retail units and offices) and the maintenance/repair (for offices) based on the weighted average for the four categories of real estate 'retail units', 'offices', 'residential units' and 'rural' real estate. The satisfaction surveys for the four categories do not take place in each and the same year.

Transaction date
The date at which a.s.r. enters into the contractual terms of an instrument.

Trees for all
Trees for All is a foundation and recognised charity with CBF quality mark. The contribution of a.s.r. for CO_2 compensation and planting trees invests Trees for all in the construction of new forest and the protection of existing forest. These projects generate extra income for the local population and contribute to the restoration of nature and the environment. Compensation takes place in Bolivia via Gold Standard certificates.

Value in use
Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value Of Business Acquired (VOBA)
The present value of future profits embedded in acquired insurance contracts. VOBA is recognised as an intangible asset and amortised over the effective life of the acquired contracts.

Volunteering
Volunteer activities undertaken by a.s.r. employees, partly during work hours (eight hours per day) and partly during their own free time, to contribute to community initiatives/social projects that are developed or supported by a.s.r. as part of its financial literacy drive.

Annex D

Abbreviations

AEX	Amsterdam Exchange Index
AFM	Netherlands Authority for the Financial Markets
AF	Actuarial function
AG	Dutch Association of Actuaries
AGM	Annual General Meeting
AI	Artificial Intelligence
AIFM	Alternative Investment Fund Managers
AIFMD	Alternative Investment Fund Managers Directive
ALM	Asset Liability Management
AMX	Amsterdam Midcap Index
APG	Algemene Pensioen Groep N.V.
ASR DCRF	ASR Dutch Core Residential Fund
ASR DMOF	ASR Dutch Mobility Office Fund
ASR DPRF	ASR Dutch Prime Retail Fund
AuM	Assets under Management
AVB	ASR Vermogensbeheer B.V.
BEC	Business Executive Committee
bps	basis points
BRC	Business Risk Committee
BREEAM	Building Research Establishment Environmental Assessment Methodology
CAK	Central Administration Office
CCR	Counterparty Credit rating (Standards and Poor's)
CDD	Customer Due Diligence
CE	Continuing education
CLA	Collective Labour Agreement
CMD	Capital Markets Day
CoC	Cost of Capital
COR	Combined ratio
CPB	Netherlands Bureau for Economic Policy Analysis
CSA	Credit Support Annex
CSR	Corporate Social Responsibility
DB	Defined Benefit
DBO	Defined Benefit Obligation
DC	Defined Contribution
DGBC	Dutch Green Building Council
DNB	Dutch Central Bank
DNO	Declaration of no-objection
DPF	Discretionary Participation Features
ECB	European Central Bank
EIOPA	European Insurance and Occupational Pensions Authority
ERM	Enterprise Risk Management
ESG	Environmental, Social and Governance
ESI	Ethibel Sustainability Index
EU	European Union
Euribor	Euro interbank offered rate
EVO	Entrepreneurs organisation for Logistics and Transport
FIRM	Financial Institutions Risk Assessment Method
FR	Financial risk
FRC	Financial Risk Committee
FSCB	Financial Services Complaints Board
FTE	Full-time equivalent
GBC	Green Building Certificates
GDP	Gross Domestic Product
GDPR	General Data Protection Regulation
GRC	Governance and Risk Compliance
GRESB	Global Real Estate Survey Benchmark
GRI	Global Reporting Initiative
GRM	Group Risk Management
GWP	Gross Written Premiums
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IBNR	Incurred But Not Reported
ICSR	International Corporate Social Responsibility
IDD	Insurance Distribution Directive
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IFSR	Insurer Financial Strength Rating (Standard & Poor's)
IIGCC	Institutional Investors Group on Climate Change
IIRC	International Integrated Reporting Council
IORP	Institution of Occupational Retirement Provision
IPO	Initial Public Offering
ISDA	International Swaps and Derivatives Association
ISIN	International Securities Identification Number
KBC	Customer Interest Central Dashboard
KNVB	Cost Efficiency, Usefulness, Safety and Comprehensibility
KPI	Key Performance Indicator
LAC DT	Loss Absorbing Capacity Deferred Tax
LAT	Liability Adequacy Test
LDI	Liability Driven Investing
LRC	Leidse Rijn Centrum
LTO	Agriculture and Horticulture Organisation Netherlands
M&A	Merger and Acquisitions
NCSC	National Cyber Security Center
NFR	Non-financial risk

NFRC	Non-Financial Risk Committee
NGOs	non-governmental and nonprofit organisations
NLFI	NL financial investments
NPS	Net Promoter Score
OCC	Organic Capital Creation
OECD	Organisation for Economic Cooperation and Development
OIS	Overnight Index Swap
ORM	Operational Risk Management
ORSA	Own Risk and Solvency Assessment
OTC	Over The Counter
OTSO	Supervised insurance entity
P&C	Property and Casualty
PARP	Product Approval & Review Process
PCAF	Platform Carbon Accounting Financials
PLWF	Platform Living Wages Financials
PME	Periodic Medical Examinations
PSO	Performance Ladder for Social Business
RAS	Risk Appetite Statements
RMF	Risk Management Function
ROE	Return on Equity
RPA	Robotic Process Automation
RT1	Restricted Tier 1 bond
S&P	Standard & Poor's
SA	Separate account
SAA	Strategic Asset Allocation
SaaS	Software as a Service
SCR	Solvency Capital Requirement
SDGs	Sustainable Development Goals
SDSN	Sustainable Development Solutions Network
SME	Small and Medium-sized Enterprises
SRA	Strategic Risk Analysis
SRI	Socially Responsible Investment
STA	Social Team Activity
TCFD	Task Force on Climate-related Financial Disclosures
TNO	Netherlands Organisation for applied scientific research
TVOG	Time Value of Financial Options and Guarantees
UFR	Ultimate Forward Rate
UNGC	United Nations Global Compact
UNGPs	The United Nations Guiding Principles on Business and Human Rights
UNPRI	United Nations Principles for Responsible Investments
URM	uniform calculation method
USD	United States Dollar
UWV	Employee Insurance Agency
VBDO	Dutch Association of Investors for Sustainable Development
VPL	early retirement and life cycle
VVP	Revised Value Pack
Wft	Dutch Financial Supervision Act

Annex E

Materiality analysis and stakeholder dialogue

In 2018, a.s.r. had communication and engagement on the selection of material issues through an internal survey sent to all our employees and in-depth 1-on-1 interviews with a selection of more than 15 internal and external stakeholders. To validate completeness of the issues included in the survey and interview questionnaire, a desktop review was conducted. Input for this desktop review was a wide variety of documents, including peer reports, studies within and outside the insurance industry, existing / upcoming legislations and global trends report. In addition, input was gained on the completeness and accuracy of the issues ranked in the 2017 materiality matrix. Desktop research together with the survey and interview outcomes, were used and analysed to define the materiality matrix as presented in chapter 2.3 Material topics. Compared to the 2017 materiality matrix year, the following adjustments are noteworthy:

- The issue of 'transparent product and service descriptions' is included in the topic 'Customer satisfaction'. Transparent product and service descriptions is an important aspect of the assessment of new products and adjustments in existing products, so called PARP. The focus of the PARP is on customers and customer interests and therefore relates and impacts strongly with customer satisfaction;
- The 2017 issue of 'Innovation' is no longer used, as innovation is considered as a driver for short and long term adaptations for all issues and therefore grouped under the trend of 'technological innovation';
- The issue of Climate change and Energy transition are combined and considered as a driver for short and long term adaptations for several issues and therefore grouped as a trend.

Stakeholder dialogue outcomes

One of the main take-aways was that the majority of the stakeholder expects a.s.r. to have its core focus and activities on the benefits of the customers on both the short and long-term, based on the concept of solidarity. Key issue mentioned to cover these aspects was customer satisfaction.

As an insurer the expectations on the short term are to offer customers clear and transparent products against a reasonable price, to be able to provide (non)-financial support in case damage has occurred and to ensure that privacy risks are well managed. All stakeholders stressed the importance of order in house, such as solid financial performance, full compliance with stringent regulations and robust risk management procedures.

On the long-term, stakeholders focused their feedback on a.s.r.'s possibilities towards concerns around social and demographic changes in the Dutch society. In particular feelings around a decline in solidarity were mentioned linked to the potential reality of uninsurable professions. a.s.r. is not expected to provide solutions on its own, nevertheless more visibility is expected in the debate around the limits of stretching solidarity. The example of launching a disability insurance for heavy occupations in 2018 was considered as an interesting development, often considered as positive. The focus on prevention before damage to health occurred was regarded as the most important element of the new product.

For the asset management activities, stakeholders expect order in house as well. Specific attention was paid to the issue of social responsible investments, which is considered as an order in house element. The commercials by a.s.r. were in this context well known by most stakeholders, whom also concluded that a.s.r. should take a proactive role in the many debates around this issue. Action on climate change was linked to this issue by most of the stakeholders and considered as a key trend to follow-up now and in the future by integrating risks and opportunities in the asset management approach. Signing the Spitsbergen ambition was known and appreciated by a selected number of stakeholders.

Other issues, such as sustainable employment, diversity and responsible procurement were considered as responsible business conduct. Although not directly material for daily businesses, stakeholders do appreciate efforts taken. In particular internal stakeholders were positive and interested to participate in activities around these themes. Finally, the a.s.r. foundation was named by a few stakeholders. Activities taken on financial literacy were regarded as a good example of an issue which fits well a.s.r. core business and for which efforts through a foundation make a positive contribution to the society.

Materiality analysis and stakeholder dialogue

Stakeholder group	Type of interaction	Frequency
Customers and intermediaries	• Telephone support • Surveys (e.g. NPS) • Webinars • Business line events • Seminars • Social media	Daily
Employees	• Annual performance appraisals • Works Council • Social media • Infonet • In conversation with sessions • Staff meetings • Managerial staff meetings • Information sessions	Annual Daily
Financial market players: shareholders, analysts, banks and rating agency S&P	• Meetings • Conference calls with analysts and (potential) investors • Webinars • Road shows • Corporate presentations	Weekly
Regulators and Tax authorities	• Meetings, telephone and email	Regularly
Politics	• Meetings, telephone and email	Regularly
Suppliers	• Consultation at strategic (2-4 times per year), tactical (monthly) and operational (daily) level	Regularly
Media	• Meetings, telephone and email	Almost daily
Trade unions	• Regular meetings (more frequent consultation in case of CLA talks)	Quarterly
Social partners and organisations	• Meetings, telephone and email	Daily

Annex F

GRI Content Index

GRI Standard	Disclosure	Location of disclosure, url(s) and/or information
General disclosure		
102-1	Name of the organisation	ASR Nederland N.V.
102-2	Activities, brands, products, and services	Ch. 1.1, 1.4, 3.1 (p. 10, 17, 36-39)
102-3	Location of headquarters	Ch. 1.1, 7.1 (p. 12, 140)
102-4	Location of operations	Ch. 7.7 (p. 238)
102-5	Ownership and legal form	Ch. 6.1 (p. 112)
102-6	Markets served	Ch. 1.1, 1.4 , 3.1, 5.1 (p. 10, 17, 38, 78-98)
102-7	Scale of the organisation	Ch. 1.1, 1.2, 5.1, 7.2 (p.10, 12-13, 78-97, 142)
102-8	Information on employees and other workers	Ch. 4.3 (p. 56-61) Annex A Facts and figures
102-9	Supply chain	Ch. 4.4 (p. 63-66)
102-10	Significant changes to the organisation and its supply chain	Ch. 1.1, 2.1, 3.1, 6.1 (p. 11, 22-27, 38-39, 114)
102-11	Precautionary principle or approach	Ch. 5.2 (p. 99-105)
102-12	External initiatives	www.asrnl.com/about-asr/sustainable-business/codes-and-guidelines
102-13	Membership of associations	www.asrnl.com/about-asr/sustainable-business/codes-and-guidelines
102-14	Statement from senior decision-maker	Ch. 1.3 (p. 15-16)
102-15	Key impacts, risks, and opportunities	Ch. 1.4, 2.1, 5.2, 7.8 (p. 17, 22-27, 99-105, 239-270)
102-16	Values, principles, standards, and norms of behaviour	Ch. 4.3 (p. 56-61)
102-17	Mechanisms for advice and concerns about ethics	Ch. 4.3, 4.4 (p. 60, 63-66)

GRI Standard	Disclosure	Location of disclosure, url(s) and/or information
102-18	Governance structure	Ch. 6.1, 6.2 (p. 112-132)
102-40	List of stakeholder groups	Ch. 2.2 (p. 28) Annex E Stakeholder engagement
102-41	Collective bargaining agreements	99.3% of the total employees are covered by collective bargaining agreements. Annex A Facts and figures
102-42	Identifying and selecting stakeholders	Ch. 2.2 (p. 28) Annex E Stakeholder engagement
102-43	Approach to stakeholder engagement	Ch. 2.2 (p. 28) Annex E Stakeholder engagement
102-44	Key topics and concerns raised through stakeholder engagement	Ch. 2.3 (p. 29-32)
102-45	Entities included in the consolidated financial statements	7.4 (p. 172) Annex B About this report
102-46	Defining report content and topic boundaries	Ch. 1.5, 2.3 Stakeholders (p. 18-19, 29-32) Annex B About this report
102-47	List of material topics	Ch. 2.3 (p. 30-31)
102-48	Restatements of information	Ch. 7.3 (p. 149-171)
102-49	Changes in reporting	Material theme from 2017 that does not return in the 2018 materiality matrix: - Transparant product and service descriptions; - There were no new themes included.
102-50	Reporting period	1 January to 31 December 2018
102-51	Date of most recent report	27 maart 2018
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	Contact details (p. 325)
102-54	Claims of reporting in accordance with the GRI Standards	Annex B About this report
102-55	GRI content index	Annex F GRI Content Index
102-56	External assurance	Annex B About this report Ch. 5.5, 8.1 (p. 108-109, 284-293)

GRI Standard	GRI Standard Title	Disclosure	Location of disclosure, url(s) and/or information
Topic specific disclosures			
Financial performance			
	Management Approach 2018	Disclosure on management approach	Ch. 1.4, 1.5, 2.2, 2.3, 3.1, 3.2, 7.2 (p.17-19, 28-32, 36, 41, 142-148)
201-1	Economic Performance 2018	Direct economic value generated and distributed	Ch. 1.4, 1.5, 5.1, 7.2 (p. 17-19, 78-98, 142-148)
Customer satisfaction			
	Management Approach 2018	Disclosure on management approach	Ch. 1.5, 2.3, 3.1, 3.2, 4.1 (p. 19, 30, 36, 45, 48-52)
Legal compliance			
	Management Approach 2018		Ch. 2.2, 2.3, 5.2, 5.3 (p. 28, 30, 104, 106)
419-1	Socioeconomic Compliance 2018	Non-compliance with laws and regulations in the social and economic area	Ch. 5.3 (p. 106)
Risk management			
	Management Approach 2018	Disclosure on management approach	Ch. 5.2, 7.8 (p. 99-105, 239-270)
Sustainable procucts/services			
	Management Approach 2018	Disclosure on management approach	Ch. 2.3, 4.1, 5.1 (p. 31, 48, 78-98)
Integrity			
	Management Approach 2018	Disclosure on management approach	Ch. 4.3 (p.60-61)
418-1	Customer Privacy 2018	Substantiated complaints concerning breach of customer privacy and loss of customer data	Ch. 4.4, 5.3 (p. 65, 106)

GRI Standard	GRI Standard Title	Disclosure	Location of disclosure, url(s) and/or information
Socially responsible investments			
	Management Approach 2018	Disclosure on management approach	Ch. 2.3, 4.6 (p.30, 69-72)
HR1	Financial Services Sector Supplement	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	Ch. 4.6 (p. 69-71)
FS11	Financial Services Sector Supplement	Percentage of assets subject to positive and negative environmental or social screening.	Ch. 4.6 (p. 69-71)
Solvency			
	Management Approach 2018	Disclosure on management approach	Ch. 1.2, 2.3, 5.1 (p. 12, 31, 78-98)
Vitality			
	Management Approach 2018	Disclosure on management approach	Ch. 4.3 (p. 56-59)
403-5	Occupational Health and Safety 2018	Worker training on occupational health and safety	Ch. 4.3 (p. 57-58)
403-6	Occupational Health and Safety 2018	Promotion of worker health	Ch. 4.3 (p. 57-58)
Diversity			
	Management Approach 2018	Disclosure on management approach	Ch. 1.2, 1.4, 4.3 (p. 13, 17)
405-1	Diversity and Equal Opportunity 2018	Diversity of governance bodies and employees	Ch. 1.2, 4.3, 6.1.2, 6.1.3 (p.13, 58, 114, 118), Annex A Facts and figures
Sustainable employment			
	Management Approach 2018	Disclosure on management approach	Ch. 1.4, 2.2, 2.3, 4.3 (p. 17, 28, 31, 56-61)
404-2	Training and Education 2018	Programmes for upgrading employee skills and transition assistance programmes	Ch. 4.3 (p. 56-58)
404-3	Training and Education 2018	Percentage of employees receiving regular performance and career development reviews	Ch. 4.3 (p.56-58)
IT security and privacy			
	Management Approach 2018	Disclosure on management approach	Ch. 2.3, 5.2, 5.3 (p. 30, 102-106)

GRI Standard	GRI Standard Title	Disclosure	Location of disclosure, url(s) and/or information
Energy/Climate neutral operations			
	Management Approach 2018	Disclosure on management approach	Ch. 4.4 (p. 62-63)
Contributing to financial self-reliance			
	Management Approach 2018		Ch. 4.5 (p. 67-68)
Responsible procurement			
	Management Approach 2018	Disclosure on management approach	Ch. 2.3, 4.4, 4.6 (p. 29, 31, 66, 69-71)
308-1	Supplier Environmental Assessment 2018	New suppliers that were screened using environmental criteria	Ch. 4.4, 4.6 (p. 66, 69-71)
414-1	Supplier Social Assessment 2018	New suppliers that were screened using social criteria	Ch. 4.4, 4.6 (p. 66, 69-71)

Annex G

EU Directive: disclosure on non-financial information and diversity information

EU Directive Non-Financial Information and Diversity information reference

Subtopic	Subtopic	Included (yes/no)	Chapter
Business model	N/A	Yes	Ch. 1.4 (p. 17)
Relevant social and personnel maters (e.g. HR, safety etc.)	A description of the policies pursued, including due dilligence.	Yes	Ch. 4.3 (p. 56-61)
	The outcome of those policies.	Yes	Ch. 4.3 (p. 56-61)
	Principle risks in own operations and within value chain.	Yes	Ch. 5.2 (p. 99-105)
	How risks are managed.	Yes	Ch 5.2 (p. 99-105)
	Non-financial key performance indicators.	Yes	Ch 1.2 (p. 13)
Relevant Environmental matters (e.g. climate-related impacts)	A description of the policies pursued, including due dilligence.	Yes	Ch. 4.4, 4.6 (p. 62-66, 69-73)
	The outcome of those policies.	Yes	Ch. 4.4, 4.6 (p. 62-66, 69-73)
	Principle risks in own operations and within value chain.	Yes	Ch. 5.2 (p. 99-105)
	How risks are managed.	Yes	Ch. 5.2 (p. 99-105)
	Non-financial key performance indicators.	Yes	Ch. 1.2 (p. 13)
Relevant matters with respect for human rights (e.g. labour protection)	A description of the policies pursued, including due dilligence.	Yes	Ch. 4.4 (p. 62-66)
	The outcome of those policies.	Yes	Ch. 4.4 (p. 62-66)
	Principle risks in own operations and within value chain.	Yes	Ch. 4.4 (p. 62-66)
	How risks are managed.	Yes	Ch. 5.2 (p. 99-105)
	Non-financial key performance indicators.	Yes	Ch. 1.2, 4.4, 4.6 (p. 13, 65-66, 69-73)

Subtopic	Subtopic	Included (yes/no)	Chapter
Relevant matters with respect to anti-corruption and bribery	A description of the policies pursued, including due dilligence.	Yes	Ch. 4.3, 4.4, 4.6 (p. 60-61, 63, 69-71)
	The outcome of those policies.	Yes	Ch. 4.3, 4.6 (p. 60-61, 69-71)
	Principle risks in own operations and within value chain.	Yes	Ch. 4.3, 4.4, 4.6 (p. 60-61, 63, 69-71)
	How risks are managed.	Yes	Ch. 5.2 (p. 99-105)
	Non-financial key performance indicators.	Yes	Ch. 4.3, 4,4, 4.6 (p. 60-61, 63, 65-66, 69-71)
Insight into the diversity (executive board and the supervisory board)	A description of the policies pursued.	Yes	Ch. 1.2, 4.3 (p. 13, 58-59)
	Diversity targets	Yes	Ch. 1.2, 4.3 (p. 13, 58-59)
	Description of how the policy is implemented	Yes	Ch. 4.3 (p. 58-59)
	Results of the diversity policy	Yes	Ch. 1.2, 4.3 (p. 13, 58-59)

Contact details

Contact

The 2018 Annual Report is published in the English language only. The report can be downloaded as PDF. We welcome feedback or questions on our report. Please contact us as follows:

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Publication

Design
Cascade - visuele communicatie bv

Photography
Cover: ©Jannes Linders / Team V Architectuur
Executive Board / Supervisory Board: Wilco van Dijen
Art: Raphaël Drent

Text
ASR Nederland N.V.

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