The essence of trust

ASR 2011 Annual Report

Profile

ASR is a new kind of insurance company, an insurer that helps its customers to become more financially aware, and truly understands them through continuous dialogue. An insurer with products and services that provide added value for the customer and with clear communications.

ASR puts customer interests first. People are at the heart of everything we do. Our core values are personal, approachable and accountable and true to who we are. These are in everything we do to provide security and financial continuity to people.

ASR provides services to a broad public through a number of different brands. In addition to the largest brand of ASR we offer services and products through the De Amersfoortse, Ditzo, Europeesche Verzekeringen and Ardanta brands. We give customers the choice of buying insurance policies from intermediaries or through direct channels, e.g. online, depending on their needs. The brands of De Amersfoortse, Ardanta, Ditzo and Europeesche Verzekeringen gained the Customer-oriented Insurance Quality Mark in 2011. The Quality Mark confirms that these brands put customers first in their service. The Quality Mark demands policy on areas such as clear and easy-to-understand communications, careful handling of complaints, excellent accessibility, research into customer satisfaction and quality management.

Our policy takes account of the interests of our customers, our employees and a broad group of external stakeholders (business partners, shareholders, regulators, politicians, regional governments, industry associations, trade unions, non-governmental organizations (NGOs) and local communities). This has been embedded in our processes. ASR's corporate social responsibility and concern for the environment is demonstrated by its compliance with the principles of socially responsible investment (SRI).

Boasting nearly 4,600 employees and having generated € 4.5 billion in revenue for 2011, ASR is the fourth largest insurance company in the Netherlands, excluding health insurance. We offer insurance products, such as pensions, life insurance, non-life insurance, occupational disability insurance and health insurance, to Dutch retail and corporate clients. ASR also sells mortgages and provides banking services.

The Dutch State has been the sole shareholder of ASR Nederland N.V. since 3 October 2008. On 29 September 2011, the Dutch State transferred all shares in ASR Nederland N.V. to NL Financial Investments (NLFI) in exchange for depositary receipts for the shares.

The essence of trust

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Content

Part I

ASR at a glance

The essence of trust

'Offering customers peace of mind was the guiding principle for ASR in 2011. Given the economic crisis which deepened in the course of the year, risk management and the solvency drive were central themes for ASR's Executive Board. Our efforts were focused on maintaining our financial health as we endured the crisis, and we will not change our course as long as the crisis continues. This enables us to guarantee peace of mind for our customers, who need to be sure that we will keep our promises when they need us.'

Jos Baeten

Chief Executive Officer

'In the first quarter of 2011, ASR's strategy was refined to sharpen the focus on our priorities as the market changed. The key objectives of the refined strategy are: greater emphasis on customer interests and a sharper focus on the retail insurance market and the small and medium enterprises (SME) segment. We will maintain standard products and a limited product range where possible, ensuring a more transparent offering for customers.

2011 results

We are generally satisfied when looking back on 2011 and assessing our performance. In a year that was characterized by turbulent economic circumstance ASR realized a profit for the year of € 212 million. Our solvency improved further to 230%, an increase of 9%-points compared to 221% in 2010. We structurally lowered our costs by 6%. The Executive Board is satisfied with all these results. And we will pay € 71 million dividend over 2011 to our shareholder. We are proud to do so.

A new kind of insurer

In 2011, we made a conscious choice that ASR would be that "new kind of insurer", a business with a unique identity that feels personally responsible for meeting its customers' needs and is willing to be held accountable. An organization that works with integrity, founded on respect for its customers, distribution partners and employees. An insurer that wants to raise people's financial awareness, enter into a dialogue with customers, and seeks to truly understand its customers. We want to translate this understanding into transparent products, services and communication so that customers are able to make their own conscious choices.

Customer interests

The first results of the refined strategy can already be seen. The most important of which is that we are offering solutions to our unit-linked policyholders. In February 2011, we promised our unit-linked policyholders that we would pay any compensation directly into their policies and that, after having been given the opportunity to take advice paid for by us, they could switch to one of our new asset-building products or cancel their unit-linked policy. One year on, all eligible policyholders have received their compensation payments. They have all also received a letter from us offering them the option to switch to one of our alternative asset-building products, and in many cases we also included illustrative examples to show what the switch would mean for customers.

Our efforts to offer unit-linked policyholders better prospects did not go unnoticed. Our approach can count on increasing levels of appreciation among customers, politicians and even our competitors. In fact, we have noticed that our competitors are interested in our approach and we also feel supported by a letter sent by the Minister of Finance to the House of Representatives on 24 November 2011 regarding a package of additional measures for unit-linked policies. For us this is proof that we are well on our way to becoming that "new kind of insurer".

It is crucial that we ensure our customers have no cause for concern. Customers can rest assured that we honour our commitments and that we offer products and services that are transparent, easy-to-understand and accessible. They should know also that we are approachable, either directly or through intermediaries, and provide the information customers need and understand to enable them to make the right product choices.

At ASR, we share the core values of our business and we act accordingly. This means that we will be personal, approachable and accountable and true to who we are. With each other and with our customers. Acting in this way will allow us to make the cultural transformation to becoming a new kind of insurer. An insurer that customers return to time and again.

It also means that we have an open and honest relationship with our intermediaries, key distribution partners, in which we act together in a fast changing world. Trust is also the basis for the relationship with our shareholder. In these unpredictable market conditions, we have opted for certainty, confident that this is the best way to serve the shareholder's long-term interests.

In our opinion, the essence of the trust that we ask and offer is consistency of policy and decisions that lead to the best outcome for all our stakeholders.

Outlook

A key objective for 2012 will be to improve customer satisfaction, which is currently still too low. The Net Promotor Score (NPS) showed some improvement in the two most recent surveys (winter and summer). I assume that all of the measures taken will contribute to this trend continuing in 2012. In 2011, resolution of the issue of unit-linked contracts was our highest priority. But tackling this issue alone will not gain us a consistently high customer satisfaction rating. To attain that, we will need to improve each day. Improvement is in small things. For 2012, we have asked all senior managers involved in customer contact what their customers' top 3 frustrations are. And their assignment is to resolve them! The specialists from our Operational Excellence (OpEx) lean programme will be on hand to help. That is how various disciplines work in tandem.

Employee engagement and customer satisfaction go hand in hand. Everything we do in the interests of our employees has an immediate impact on customers. We exist first and foremost to help customers, and we appreciate that they pay us to do so! We believe in fair remuneration that fits the results achieved that we can justify to all stakeholders. The type of employee we need should match our core values and be capable of adapting to new circumstances.'

Jos Baeten LL.M.
Chief Executive Officer of ASR

1.1 The story of ASR

What ASR wants to be and who ASR wants to serve was determined in 2011 in the corporate story with the title: Consciously working towards a new kind of insurer.

Consciously working towards becoming a new kind of insurer

ASR is there for people. The People who trust us to take care of their financial risks and future. And the people who work at ASR and give customers that extra attention that makes the difference, day after day. By engaging with our customers through our products and services in a conscious manner, we strive to become the new kind of human insurer that people have been waiting for.

300 years of serving customers

Although ASR has only held that name since 2008, the organization has a rich history that can be traced back through the brands that make up ASR today – Stad Rotterdam, AMEV and Woudsend Verzekeringen. A successful combination with roots that date back to 1720. With over 2 million customers, ASR is one of the largest insurance companies in the Netherlands. We provide products and services that enable private individuals and small and medium-sized enterprises to cover those risks they are unwilling or unable to bear themselves and that help them achieve their financial goals. While we mainly operate through intermediaries, we are increasingly providing services directly to customers who select this route.

We should do it differently

In retrospect we can say that in recent decades, the financial sector could have chosen for a better balance between customer interests and creating value for shareholders. The period was characterized by a focus on profit and shareholder value. This almost became an even greater priority than serving the interests of the customer. As a consequence, customers lost confidence. We learned a hard lesson.
That is why ASR is truly taking a fresh approach. The customer is our main motivation, a fact that we are more aware of today than ever before. For this reason we are putting our house in order. For example, by taking the lead in the search for the best possible solution for the compensation of unit-linked policy holders. Our employees are doing their personal best to find such a solution, working alongside intermediaries.

Putting people first

ASR is returning to its roots and refocusing on providing financial continuity and security for people, while retaining its own strong identity. A company that feels a personal responsibility for meeting the needs of customers, and it wants to be called to account for this if necessary. An organization that operates with integrity, based on demonstrating respect for its customers, distribution partners and employees. And it expects the same in return. Though we are a commercial business, we will not allow the interests of our customers to suffer at the expense of shareholder interests. The fact that we take our human approach seriously is reflected in all our brands: De Amersfoortse, Ardanta, Ditzo, Europeesche Verzekeringen, and of course ASR, the biggest label in the portfolio. At ASR, we listen with genuine interest to people. So that we are better able to meet their needs and can build long-term relationships. Our core values of being personal, approachable and accountable and true to who we are, are reflected in everything we do.

More Aware. ASR

ASR consciously chooses to be a new kind of insurance company. An insurer that helps its customers to become more financially aware. By continuous dialogue with customers so we can truly understand them. And by translating this knowledge to clear and easy-to-understand information, products and services. Hereby we offer customers insight and overview, so that they know where they stand.

Knowing where you stand

Trust in the financial sector has reached a historical low. The era of blind faith is over, and customers want to make well-considered decisions. However, they lack insight when it comes to their financial situation. What risks do they run? What options are available to them? Which decisions are right, given their own unique situation, and what are the consequences of such decisions? The vast majority of people in the Netherlands do not have a clear understanding, for instance, of what kind of mortgage or supplementary pension they have, let alone their status. Moreover, in the Netherlands few people know whether they have insured a risk twice, or whether they are overinsured or underinsured. Such situations are undesirable, and usually arise unintentionally. In addition, more and more people have started to arrange their insurance themselves, which they can do online.

More insight and a better overview

ASR wants its customers to be able to have insight into, and obtain an overview of, their own financial situation at any time. We work actively with independent advisors on an ongoing basis in order to achieve this aim. Such steps include the development of a platform through which we can provide customers with relevant, up-to-date information when they need it. Including via the 'Mijn ASR' (My ASR) environment on our website. Customers can use this environment to look into their insurance policies and financial products with ASR, and pass on changes when appropriate. In addition, we are continuing to enter proactively into dialogues with customers in order to check whether their products and services still fit their current situation.

It starts with properly understanding customers

We pay constant attention to our customers. So that we can truly understand them and work with them on developing creative solutions and services that make a difference for the customer. This means that our employees listen actively and help come up with a solution that best suits the customer's specific wishes and situation. For corporate target groups, for instance, we have teams that focus on specific sectors. ASR also approaches customers on its own initiative. For example when an annuity expires or when a mortgage reaches the end of a fixed interest period. But also to highlight the impact of changes in legislation and regulations and their consequences. To this end, ASR creates customer forums, makes active use of social media and provides information.

Understandable to customers

There is a great deal of information available regarding customers. It is up to ASR to use this information to create truly understandable products, services and communications. So that customers understand where they stand, enabling them to make conscious choices. This means that we need to offer a clear, easy-to-understand product range. That our written and verbal communications need to be consistent, clear and reflect our commitment to the customer. That our processes need to be practical and predictable. That we are transparent regarding our costs and income. And that we demonstrate the consequences of choices that are made. Preferably in the most personal way possible.

More Aware. ASR

'Bewust ASR' ('More Aware. ASR') is our new slogan. This conveys our belief that things have to change. We are also aware of the role we play in society. We understand the needs of customers and want to enable them to make well-informed decisions when choosing solutions to meet these needs.

1.2 Ambitions

ASR puts customer interests first

ASR is an independent, market-oriented insurer that focuses on the customer and creates value for its stakeholders on a sustainable basis. ASR is convinced that growth can be achieved by thinking in terms of customer interests and customer perception. The clarity and transparency of products, financial robustness and the efficiency of business processes by which products are developed and managed, play a key role in this. ASR focuses on individual customers, self-employed professionals, and small and medium-sized enterprises (SMEs). ASR constantly works for cost-efficiency in its organization in order to achieve its financial objectives and provide the customer with attractive services at competitive prices.

Market position

Having generated € 4.5 billion in revenue in 2011, ASR is one of the top four insurers in the Netherlands (excluding health insurers). ASR has a strong position in the intermediary channel. In the direct channel, ASR is developing its position through its online insurer, Ditzo. Initially in the Non-life market, and in the health insurance market too as of 2011.
ASR's core markets are Non-life, Occupational Disability, Individual-life and Pensions. In addition to these core markets, ASR focuses on:

- services in markets that, because of their connection with activities in one of its core markets, are important to offer to customers, such as savings and investment, and mortgages;
- markets with a specific distribution network and a relatively independent market dynamic, such as the travel and leisure market (Europeesche Verzekeringen) and the funeral market (Ardanta).

Brand policy

ASR has a number of brands that provide services to a broad public. In addition to the ASR brand, we provide services to the market under four other labels, specifically De Amersfoortse, Ditzo, Europeesche Verzekeringen and Ardanta. ASR products and De Amersfoortse products are sold through intermediaries, Ditzo concentrates on direct online distribution and Europeesche Verzekeringen and Ardanta are specialists that use a range of distribution channels.

Distribution mix

ASR has traditionally held a strong position in the intermediary distribution channel, particularly among small and medium-sized intermediaries that provide advice, management services and administrative support to self-employed professionals and SMEs. In future, intermediaries will, more than ever before, present themselves as advisors to customers. This is the chief area where intermediaries provide added value. Strengthening ASR's position with larger and specialized intermediaries is crucial for growth in the commercial market (Non-life, Occupational Disability and Pensions). This calls for much greater focus on and attention for these types of intermediaries by the sales organization and the back-office.

ASR aims to retain its leading position among tied agents. All major banks offer insurance policies aimed at their retail and corporate customers. In the case of retail customers, these are often offered through the bank's 'preferred supplier'. With regard to their corporate customers, banks need to have a diverse offering. ASR wants to continue to play a prominent role in this segment.

Customers are no longer letting their choice be restricted by the traditional way in which insurance products are distributed. Customers use a range of options to obtain information, make comparisons, obtain advice and make administrative changes. This means that the customer's direct relationship with ASR is becoming more important, as is the relationship with the intermediary. ASR is structuring its organization and digital online access systems to respond to these developments. The more complex products become, the greater the role played by advisory services. Customers are now increasingly determining how roles are allocated among intermediaries and the insurer.

As customers are now consciously arranging more and more matters themselves, direct distribution accounts for a growing share of the insurance market. Through Ditzo, ASR focuses on retail customers who want to take out and manage insurance policies directly.

Arranging everything perfectly for the customer

ASR is well-placed to win the battle for the customer in a rapidly changing world. A world in which customers decide for themselves how they want to be helped. With simple, understandable products that provide genuine security. For this reason, ASR is simplifying its organization. 'We are really going to make the most of ASR's strength: we're large enough be counted among the big players, yet still small enough to arrange everything perfectly for the customer', Karin Bergstein, member of the Executive Board, emphasizes.

Karin Bergstein

Member of the Executive Board

'We are responding to customer demand for a steadily growing, robust insurance company. With simple, understandable products that protect businesses and private individuals against the risks they are unwilling or unable to bear them-selves. In doing so, we offer genuine security. It is no longer the case that customers automatically choose to use our services. We live in a rapidly changing world. Communication is much faster these days, social media are a permanent source of information. They generate a great deal of positive publicity when things are going well, but they also mean plenty of negative publicity when they go wrong. We are making our own organization simpler so that we can respond more effectively to changes and the needs of our customers.

ASR has a great deal of potential. We have good people, strong brands and products, and are the right size. However, things still need to be made simpler for our customers. Particularly at times that matter, such as when the risk a customer has insured becomes a reality. For instance when the customer is confronted with damage to their property. Simplifying our organization will also enable us to reduce our costs. And the fewer costs we incur, the lower the costs will be for the customer.

'It is no longer the case that customers automatically choose to use our services'

As far as our products are concerned, we focus on those product lines that can create value for our customers, for the intermediaries we work with, for our shareholders and for ASR employees. Our customers can decide for themselves how they want to be helped, depending on the situation. Sometimes a customer will call us directly, sometime they will arrange matters themselves online, and sometimes they need the services of their advisor. At ASR, we always want to ensure that our customers are able to approach us in a variety of ways at a time that suits them. This is something we are able to do, with great success. This is proven by the rapid progress by Ditzo in offering health insurance.'

'Social media are a permanent source of information'

Derk Jan Rozema

Senior Product Manager at Ditzo

How do I achieve the targets for our new health insurance policy?

The introduction of the Ditzo health insurance policy is important to both Ditzo and ASR. To ensure that the introduction would be successful and that we would reach the planned portfolio volume, I kept a keen eye on a number of key aspects during the product development process.

It is paramount, for instance, that we develop new consumer products in close dialogue with potential customers. What is more, a product should be understandable and offer value for money, so that it makes for a competitive proposition.

In addition, customers are comfortable with taking out policies themselves in an easy-to-navigate process and they appreciate us being available at any time to answer questions. Our advertising campaign, both online and offline, has to be unique to make us stand out from the competition. It is not just new customers, but existing ones as well, who need to get to know our new health insurance policy in a convenient and clear manner.

We have three areas of focus. Firstly, we are driven by customer requirements in developing profitable products. The second criterion is that the product sells well. Thirdly, we should be able to run a product efficiently.

1.3 Strategy

At the heart of ASR's strategy is the ambition to become the most accessible insurer in the Netherlands for customers. ASR is convinced that thoughts and actions should be driven by the interests and the experience of customers. Financial robustness and cost-effective operations are essential conditions in this respect. A sound capital base offers security and continuity. Efficient operations are essential if we are to provide good services at competitive prices. Additionally, the strategy must strike the right balance between the interests of all stakeholders: customers, employees, shareholders, distribution partners and society as a whole.

Customer interests

ASR wishes to be the insurer with the best customer appreciation rating in order to retain existing business and to development long-term relationships with new customers. ASR accomplishes this by taking its customers seriously. Customers have told us that they want transparent products, clear communication and personal service. ASR gives the highest priority to honouring the promises made about this. This means that all our activities and objectives are assessed with customer interests in mind. New products are presented to customer panels and the wishes that customers express here are factored into the product development process. Ultimately, this should come back in the appreciation rating that customers give us, for instance, in terms of the Net Promotor Score (NPS).

Financial robustness

Offering security to customers is our first priority. Financial robustness is inextricably linked with the strategic principle of winning back customer confidence. A financially sound insurer is able to meet all its customer commitments at any given time.
Besides the solvency position itself, it is also important to thoroughly map out the risks that influence solvency. A good credit rating (i.e. at least investment grade) is the outcome of this. ASR seeks to obtain a capital position in line with an A rating.

Efficiency

It is essential that we work more efficiently, if we are to remain sufficiently competitive. This can be achieved, for instance, by retiring legacy systems and replacing them with new and more efficient systems. This will lead to structural cost reductions.

The Operational Excellence (OpEx) programme, based on the lean principle, is also part of the ongoing efficiency improvement drive. This programme aims to organize the business in a way that avoids waste and leads to standardization of products and processes along with an increase in Straight Through Processing. All ASR divisions, including shared services such as HR, IT and finance, are involved in the drive to organize ASR according to lean principles.

Refined strategy

Elements of ASR's strategy were refined in early 2011 with the aim of focusing more specifically on priorities under changing market conditions.
First and foremost, ASR has chosen to focus primarily on retail customers, self-employed professionals and small and medium-sized enterprises (SMEs) up to 500 employees. Additionally, ASR will adapt its range of products and services to make its standard products transparent and easy-to-understand with an excellent level of service, such as the MultiZeker polis. Structural cost reductions will be implemented. The organization will also be made more accessible to customers, giving them freedom of choice in distribution channels, i.e. through intermediaries, online or direct. Finally, there will be a stronger focus on operations and non-core activities will eventually be phased out. Mid October the Praktijkvoorziening activities (mortgages for medical professionals) were handed over to Direktbank. With this handover Praktijkvoorziening ceases to exist. The pension management contracts belonging to ASR Pension Fund Services were taken over by AON Hewitt per 1 January 2012.

1.4 Corporate Social Responsibility

General

First and foremost, ASR strives for customers to appreciate it as a reliable and transparent insurer that offers good products and services at an adequate price. At the same time, ASR's Executive Board is certain that, in the long run, continuity and profitability can be safeguarded only if we have concern for the effects of our operations on people, the planet and profit. We believe that what is good for the business in the longer term should be preferred over potential short-term gain. This is the most important guiding principle for ASR's sustainability policy. Which is why at ASR, we devote a great deal of attention to corporate social responsibility (CSR) and corporate social involvement (CSI).

In order to create as much commitment to responsible business practices as possible in the company as a whole, the Executive Board decided in 2011 to delegate responsibility for the objectives and implementation of sustainability policy to the management of the respective divisions. This makes sustainability a routine aspect of business practices.

Principles and objectives are defined in dialogue with all stakeholders, and they constitute part of the strategy. As part of this process, ASR maintains close contacts with a broad group of outside stakeholders (customers, business partners, shareholders, regulators, politicians, regional authorities, industry associations, trade unions, non-governmental organizations (NGOs) and local communities).

Contacts with government, politicians and public interest organizations are largely handled by the Public Affairs team, which is part of the Corporate Communications department. Colleagues from Public Affairs spend an average of two days a week in The Hague, the centre of political power and decision-making in the Netherlands. Here they represent the interests of our customers, employees and the company within the context of the insurance industry.

Customer requirements and market developments are monitored closely so as to respond effectively to any needs. Studies are also conducted to assess the clarity of ASR's communications. The Customer Contact Centre, the complaints management department, the Lean programme OpEx and Compliance all contribute to responsible business practices with a focus on customer interests.

Asset management

As an institutional investor, one way in which ASR demonstrates it social responsibility is in its use of ethical and sustainability criteria as part of its investment policy.

Financial Markets

ASR's asset management activities are governed by the policy on Socially Responsible Investment (SRI). This stresses affirmative action on best practices and best products based on environmental, social and governance (ESG) criteria. The policy applies to all investments in countries (government bonds) and in businesses (equities and corporate bonds). This means, for instance, that ASR invests more in businesses that score well on ESG criteria within their sector of industry. ASR also invests in businesses that make a sustainable contribution to society, for instance by processing or recycling their waste, reducing their environmental impact, lowering their energy consumption or using clean energy. ASR observes strict exclusion criteria for producers of controversial weapons, nuclear energy, pesticides, alcohol and tobacco, and for the gambling industry, sex industry, and businesses engaged in animal experimentation. Businesses that breach international conventions, for example on the equal treatment of men and women, child labour or trade union freedom, can also be excluded.

New investment funds that are fully compliant with ASR's SRI policy were introduced again in 2011. ASR also actively offers policyholders the option of switching to new investment products, such as VermogenGarant, VermogenBelegd and the lijfrente opbouwrekening, so that more customer assets are managed in accordance with SRI criteria.

ASR signed the United Nations Principles for Responsible Investment (UNPRI) on 14 October 2011. UNPRI was launched in 2006 by the Secretary-General of the United Nations and is the global standard for best practices, its aim being to provide a stimulus for socially responsible investment. The Principles were developed to help investors take account of environmental, social and corporate governance aspects in their investment practice. Besides signing the UNPRI, ASR also complies with the new Sustainable Investment Code of the Dutch Association of Insurers, which entered into force on 1 January 2012. The Sustainable Investment Code implies that members of the Dutch Association of Insurers bear both environmental and social aspects in mind in their investment policy, as well as the management of the entities in which they invest.

More than 95% of outside asset managers responsible for ASR's investments have now also signed the UNPRI. ESG aspects are being incorporated into the investment processes of increasing numbers of outside asset managers. Important steps were taken again in 2011 to ensure that these outside investments comply with ASR's SRI policy, for instance by transferring the asset management of these investments to ASR Financial Markets.

ASR also signed the United Nations Global Compact Principles (UNGC) on 30 December 2011. These ten principles are based on four international conventions: the Universal Declaration of Human Rights, the International Labour Organization Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention against Corruption.

In accordance with the Dutch Corporate Governance Code and ASR's SRI policy, a voting policy has been developed to clarify ASR's role as an institutional investor. Voting accountability offers insight into the exercise of ASR's voting rights in shareholder meetings of its Dutch associates. The voting policy and voting accountability information can be found on ASR's corporate website (www.asrnl.com).

ASR entered into a dialogue in 2011 with around 40% of businesses in which it holds shares. ASR uses these dialogues to put the CSR policy of these businesses on the agenda and to address any controversial activities. ASR's input is generally welcomed by the management of these companies as being constructive.

In 2011, ASR ranked third in a survey conducted by the Dutch Association of Investors for Sustainable Development (VBDO) of 30 Dutch insurance companies. The score achieved in 2011 was higher than in 2010, with particular appreciation for the fact that ASR's SRI policy applies across the spectrum of managed assets. ASR also took part in the focus group established for the purposes for this VBDO insurer survey.

ASR Vastgoed Vermogensbeheer

The ambition of ASR Vastgoed Vermogensbeheer, our investment property business, is to add value for its investors and for the users of its properties in a sustainable, personal and transparent manner. Traditionally this has been achieved by investing in land and country estates. The sustainability policy has been firmly embedded in the business processes. A supplier of renewable energy has been chosen to service the entire property portfolio. Tenants' energy consumption for general facilities is measured with a view to raising awareness of energy use and ultimately reducing consumption.

Of ASR's property portfolio, 50% of residential properties have an energy performance rating of C or better, which is 10%-points higher than the housing stock in the Netherlands as a whole. We maintain our properties in accordance with specified sustainability criteria. Examples being the maintenance work on the Weena office building in Rotterdam ('A' rating for energy performance and 'Silver' LEED sustainability certificate awarded) and a retail property at Spui/Grote Markt in The Hague ('Good' BREEAM sustainability rating sought). Finally, it has been decided to seek an 'A' rating for energy performance and a 'Very good' BREEAM sustainability rating for the Utrecht-based head office after it is renovated. This will be achieved through a system of ground source heating and cooling.

ASR Vastgoed Vermogensbeheer also plays an active role in a number of industry associations to boost sustainability in all aspects of the property business.

ASR Vastgoed Ontwikkeling

CSR is one of the key pillars in the operations of ASR Vastgoed Ontwikkeling, the property development business.

ASR Vastgoed Ontwikkeling uses BREEAM, the internationally recognized assessment method and rating system for buildings for guiding the sustainability of its developments. ASR achieved BREEAM certification for a number of developments in 2011, including a shopping centre in Waddinxveen, which was the first shopping complex in the Netherlands to be awarded this certification. The Amsterdam Court of Law, currently under construction in the IJdock district, was also BREEAM-certified this year. BREAAM certificates are awarded by the Dutch Green Building Council in recognition of the demonstrable and measurable sustainability performance of buildings, including the use of sustainable timber or thermal energy storage. Following on from this, in 2011 ASR Vastgoed Ontwikkeling presented its plans for developing an energy-neutral residential area and, under the terms of the Land-for-Land Initiative, allocated a budget to compensate its construction with an equivalent nature area elsewhere in the Netherlands. ASR Vastgoed Ontwikkeling is currently in talks with Utrechts Landschap, a foundation for the protection of nature and culture, about how and where the new natural area should be constructed. Sustainability expertise has been boosted by organizing training courses for employees of ASR Vastgoed Ontwikkeling. For instance, during the Provada real estate trade fair, ASR met with customers in a series of workshops to discuss what the concept of sustainability means to them.

Apart from sustainability in property development, ASR Vastgoed Ontwikkeling also seeks to translate its CSR Policy into action in other ways. For instance, ASR Vastgoed Ontwikkeling is a sponsor of a number of real estate training programmes to raise the level of professionalism in the industry, as well as supporting the Utrecht-based Aorta Centre of Architecture, which seeks to raise the profile of architecture. For the past five years, ASR Vastgoed Ontwikkeling has supported the HomePlan foundation, which builds homes for people living in slums in developing countries. This year, an employee of ASR Vastgoed Ontwikkeling travelled with HomePlan at his own expense to build a number of new homes in the slum districts of Mexico City, thereby making a very concrete contribution towards a new future for residents of the slums. ASR Vastgoed Ontwikkeling cooperates with ASR Foundation in its CSR activities.

Its CSR policy was nominated for a CSR award in 2011. This award is presented by the City of Utrecht to a business that has pulled off an important achievement in CSR in recent years with a clear spill-over effect for the city.

Environment

ASR endeavours to place as small a burden on the environment as possible in carrying on its operations. This has been formalized in the ASR environmental policy statement. This addresses the efficient use of resources, energy and water, as well as waste management, mobility and carbon emissions. ASR also wants to continually improve its environmental footprint through environmental management. Prompted in part by sustainability reasons, it was decided in 2010 to renovate the building at Archimedeslaan 10 in Utrecht rather than commissioning the construction of a new head office.

Long-term Agreement on Energy Efficiency 3

The Dutch government has entered into long-term energy efficiency covenants with sectors of industry since 1992. ASR signed the Long-term Agreement on Energy Efficiency 3 (Dutch acronym: MJA3) in 2008. The Agreement sets out national arrangements between the government and the corporate sector about such issues as energy savings, sustainable purchasing, improvements to data centres and procurement of green energy. By signing this Agreement, ASR has expressed the intention to achieve a 30% reduction in energy consumption by 2020 compared to 2005. This will be achieved first of all via a 20% reduction in energy consumption by taking measures to improve energy efficiency and implementing systematic energy assurance measures. In addition, energy use in the chain will be reduced by 10% by encouraging sustainable purchasing, such as purchasing green energy and improving the energy performance of data centres.

An Energy Efficiency Plan is drafted every four years. The Plan for the period 2013-2016, which will be prepared in 2012, will cover the savings expected from the renovation of the head office. Results achieved are reported to the authorities on an annual basis.

We cannot, at this time, give a forecast for 2012 in view of the impact of the upcoming renovation. Energy consumption is expected to rise during the renovation due to the use of extra facilities. After the renovation, energy consumption will see a substantial and structural drop compared to what it was before, probably by 25%. The renovation plans will be fleshed out in 2012, after which the estimated figure will become more final.

Utrecht Energy Covenant

In April 2010, ASR signed a letter of intent to participate in the Utrecht Energy Covenant. The letter of intent applies to the office building at the Archimedeslaan 10 in Utrecht. The Energy Covenant seeks to reduce carbon emissions. It is ASR's ambition to operate on a carbon-neutral basis by 2030 at the latest.

Carbon emissions due to mobility

It has been established that a substantial share of ASR's carbon emissions is caused by mobility.
Employees are actively asked to participate in the effort to reduce carbon emissions. They can do so by making use of facilities offered under the New World of Work (nww) and travelling less, taking public transport more often instead of taking the car, printing less and participating in more teleconferences. ASR offers concrete solutions to bring this about. All employees who have a lease car have also been provided with a rail pass (NS Business Card), giving them a choice between taking their car or the train for business travel. In addition, in 2011 ASR took part in 'Heel Nederland Fietst', a campaign organized by the 'Rij2op5' platform at the initiative of the Dutch Cyclists' Union to encourage cycling to and from work.

A reduction in the use of office space, work stations and for example printers will also result in lower energy consumption and carbon emissions. Examples of steps that have already been taken include a reduction in the total number of printers and the introduction of double-sided printing in black-and-white as the standard. The Fully Digital ('Volledig Digitaal') project focuses on promoting virtual cooperation between ASR and intermediaries. In order to conserve energy in the building located at Archimedeslaan 10 in Utrecht, a system is being used that takes advantage of the earth's capacity to store energy (ground source heating and cooling). ASR also encourages recycling of office equipment. Redundant office equipment is donated to the Betuwe Wereldwijd foundation, for instance, which sends it to development projects, particularly in African countries.

Sustainable purchasing

At ASR, sustainable business practices also entail sustainable purchasing. The guiding principle is that the environmental impact of the goods and services used should be reduced gradually and that international human rights should be respected throughout the production process. Sustainability aspects are considered in the decision-making on all new and amended contracts. Sustainable purchasing practices are reflected in that ASR has used nothing but green power since 2008, and purchases coffee with a fair trade quality mark, FSC-certified paper and energy-efficient equipment. Sustainability criteria are also leading in renovations and social responsibility is an important consideration in purchasing. ASR's grounds are being kept, for instance, by an organization that employs people with a mental or physical disability.

Employer

For its customers and society at large, ASR aspires to be the financial services provider with a human dimension. For its employees, ASR wants to create a comfortable work environment where the most diverse talents and characters feel at home, and their skills and abilities are used to their best advantage. ASR offers employees opportunities for personal development, career planning and achieving their ambitions. The introduction of the New World of Work is part of the goal to create a pleasant work atmosphere and a high level of employee engagement to ASR. The most important reason for ASR to introduce NWW was that it gives employees the opportunity for a better work-life balance, thereby boosting their motivation. What is more, NWW helps reduce energy consumption and carbon emissions.

At ASR, diversity is enhanced in many ways. Employees are encouraged to be active in all manner of networks in order to broaden their horizons and advance their personal growth. One example being the Colourful Ambitions network, the network for ASR employees with a bicultural background.
A lot of attention is devoted to the equal treatment of employees, as well as to supporting the divisions in promoting diversity in and around the workplace. We want everyone to feel at home at ASR.

ASR has an employee code of conduct containing guidelines for how to interact with each other and how to approach specific situations. The rules that apply to ASR employees include the insider policy, the whistleblowing procedure, the incentive policy and several other codes of ethics.

ASR Foundation

It is ASR Foundation's ambition to encourage ASR employees to become involved in the community and to help them support social initiatives. ASR would also like to see joint efforts strengthen the team spirit among employees. Nearly 1,600 colleagues participated in one of the range of activities organized by ASR Foundation in 2011.

A total of 64 incentive plans were submitted in 2011, awarding employees a grant for their active contribution to volunteer work in their immediate surroundings. In addition, over 300 employees took part in a wide range of projects, including the IJsstrijd (an ice-skating event), spinning classes for the Sophia Children's Hospital, Alpe d'Huzes (a cycling event to benefit cancer research), the National School Breakfast, an old-fashioned 'laundry day' at a senior citizens' home, and accompanying special needs children on a day out. In addition, more than 1,200 ASR employees participated in staff teambuilding activities.

In January 2011, the ASR building in Utrecht hosted the first edition of the 'vanmij-feest', a fund-raising party organized for and by employees. ASR gave € 10 to each of the more than 2,000 party-goers, which they donated to the charity of their choice. Supplemented with the amount raised by employees via performances, the charity market, and donations, in total € 58,500 was donated to 26 charities. The party was held for the second time in January 2012.

As part of the Year of the Volunteer, ASR offered 1,000 employees the opportunity to decorate a Christmas tree and to present it to a person in their neighbourhood who lives in social isolation.

The Assured of Youth Care ('Verzekerd van Jeugdzorg') programme ended on 1 January 2012 after five successful years. This programme covered projects such as the Youth Run, personal effectiveness workshops, learning how to run meetings and communicate, the Feyenoord youth football tournament and the Getting a Grip on Your Money workshop. ASR is considering continuing some of these projects.

CSR and CSI targets for 2012

ASR will remain committed to delivering on its corporate social responsibility (CSR) in 2012 as well. In the insurance business, focus will continue to be placed on restoring customer confidence.

In terms of governance, regulatory requirements, ethics and codes of conduct will be priorities. At group level, CSR policy is an issue for the Executive Board. ASR's managers are responsible for implementing the CSR policy in their respective areas of focus. This means that sustainability is a routine aspect of business practices.

ASR's investment policy as an asset manager will be publicized more widely in 2012 too, both within ASR and externally. Our SRI policy is well regarded externally and ASR wants to maintain this positive momentum. For this reason, our ambition will continue to be to provide appropriate and easy-to-access information to customers, intermediaries, shareholders and the public at large. Our SRI policy and information on sustainable funds will become a standard section in our brochures.

Where CSR and corporate social involvement (CSI) are concerned, one of our targets for 2012 is that at least 50% of employees is actively involved in one of our CSI activities.

1.5 Human Resources

ASR is an attractive employer. With employees whose conduct is guided by the moral compass provided by ASR's core values, who put customer interests first and who can adapt to changing circumstances. Employees who are prepared to grow with the business and take responsibility for their own career development. The aim of our HR policy is to help build an inspiring and healthy working environment that facilitates excellent teamwork and fosters a dynamic environment in which employees can develop their talents to the greatest extent possible.

Developments in 2011

Focus on core values

There was a strong focus in 2011 on ASR's core values of personal, approachable and accountable and true to who we are. The aim was to breathe life into the core values so they can function as the 'moral backbone' of everything that employees do.
The responsibility of managers in this process is to strike a balance between controlling and offering flexibility. Each of the core values has a corresponding basic behavioural attribute. Ultimately, employees and managers have to partner up to shape the core values. Leadership training focuses on conducting meaningful dialogues, understanding the roles people play within teams and acting accordingly. In 2010 and 2011, more than 400 managers took part in training sessions. The training programme was followed by the entire Executive Board as well as all senior managers, middle managers and team leaders. Furthermore, training was provided to 11 core trainers and 60 leadership facilitators. The Intranet now has a core values corner on which all relevant information is posted. This enables managers, supported by their own people, to engage in dialogues with their teams to discuss the core values and translate these to practical applications.

Focus on cost reductions

The continuing focus on efficiency and cost reductions led to a further reduction in the amount of employees in 2011. The number of staff on permanent contracts was down 2%, dropping from 4,333 FTEs at year-end 2010 to 4,264 FTEs at year-end 2011. The headcount of external FTEs fell by 38%, from 596 FTEs in 2010 to 367 FTEs in 2011. 75 ASR employees were made redundant in 2011 under the terms of the Redundancy Plan. A further 120 employees left the organization following the expiry of their fixed-term employment contracts. 126 employees resigned of their own volition while a further 58 left under the terms of a joint settlement. The average length of an employment relationship with ASR stands at 13.3 years.

Composition of the workforce in FTE:

31/12/2010: 2,763 men – 1,570 women
31/12/2011: 2,832 men – 1,432 women

Talent development

Despite the focus on reducing costs, ASR continues to invest in the development of the most talented individuals by offering them a number of programmes. The Talent Development Programme is a special programme that seeks to leverage the talents of recent college graduates recruited to ASR. The Management and Professional Development Programme is targeted at promising employees who have worked at ASR for some time already, and whose participation in the programme will take their development to the next level. Additionally, ASR undertakes a broad range of initiatives that contribute to achieving the objectives formulated in the 'Talent to the Top' charter.

The aim of the Talent Development Programme is to recruit new talented individuals to ASR who can contribute to the change process within the organization. The Programme is offered to ten participants per year and spans two years. In other words, the Programme has a total of 20 participants each year. Around 80% of these stay on with ASR, which is considerably better than the market average of 35%. The Talent Development Programme 2.0 was launched in 2011. Important changes include the supervision of the programme being transferred to five senior managers within the organization, while personal development guidance is now entirely being provided by experts.

ASR's Management and Professional Development Programme offers participants a personal development programme that is closely linked to the needs of employees and the organization. It includes modules relating to strategy, organization, culture, project management, presentation, coaching and change management. The Programme spans 22 months, with a new group starting each year (2011: 38). The first group completed the Programme in December 2011, and 60% of participants have now moved on to a new position within the organization.

With the signing of the 'Talent to the Top' charter in 2008, ASR set itself the objective of having one-quarter of senior positions filled by women by the end of 2013. It also aims to have 40% of middle-management positions filled by women. At the end of 2011, 14% of senior positions at ASR were held by women, compared to 25% in middle management. Women currently represent 50% of participants in the Management and Professional Development Programme, and this percentage is even higher for new management trainees.

Two programmes have been conceived to contribute to achieving the objectives of women at the top. The 'Female Leadership' programme supports the development of women who have the potential to move on to senior positions. The 'Woman in Balance' programme helps women make the right development choices, with focus being placed on striking the right balance between work and home life. The underlying principle of these programmes is that diversity within the organization is a prerequisite for good performance.

For female middle managers, the Mentor Programme for Women continued for the sixth year running in 2011. This programme centres around the question: 'How can I get ahead?' Each participant is assigned a mentor from senior management to work with them on their development needs. Workshops are held throughout the year to support participants in their development.

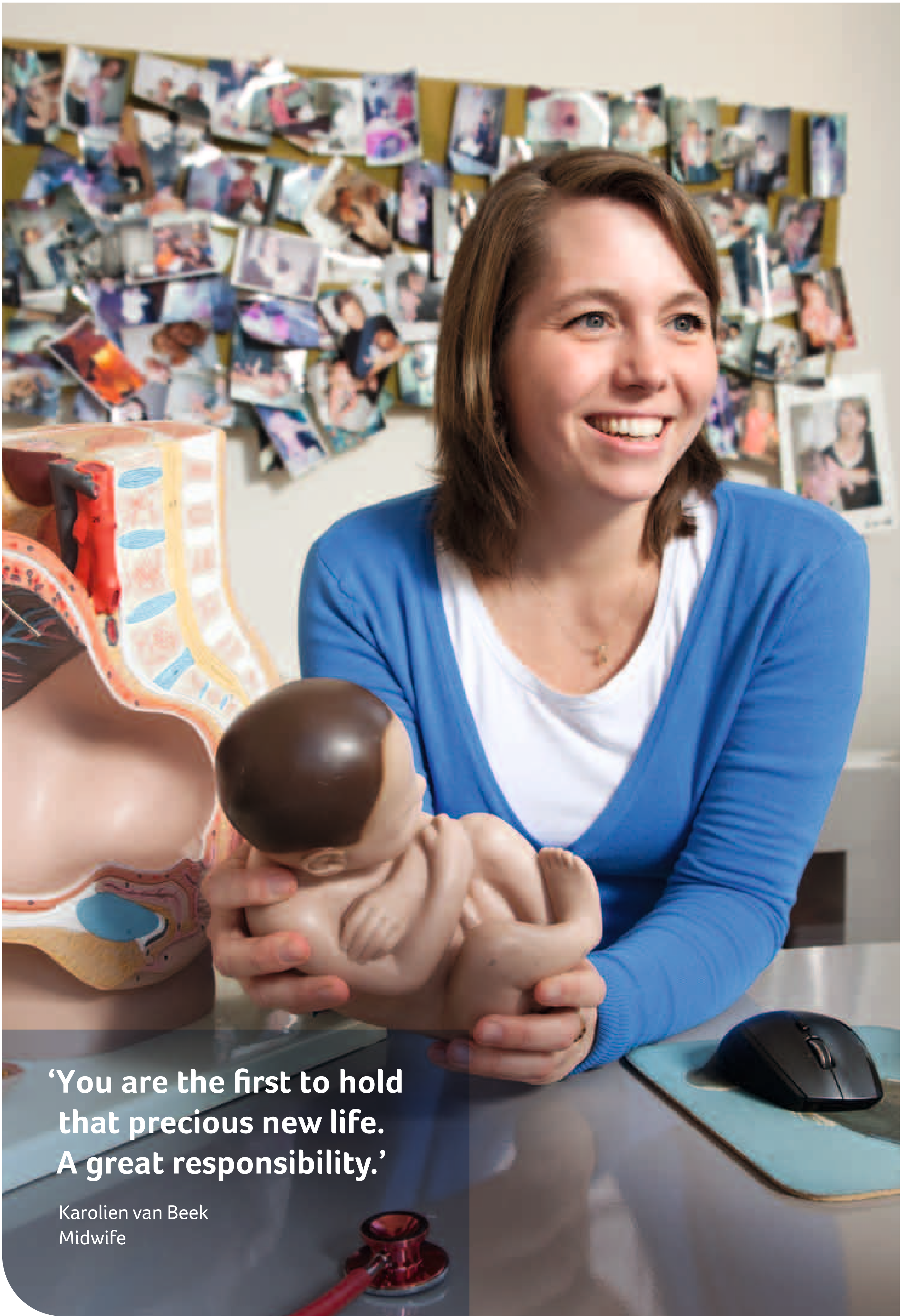
The New World of Work

The New World of Work (NWW) programme offers employees a new kind of physical, virtual and mental working environment, enabling them to find a better balance between their work and home life. A strategic aim of this programme is to give employees the option to work where and when they want. Already more than 1,700 FTEs at ASR are now working according to the New World of Work principles. In tandem with this development, the transition has also been made from 1.2 work stations per FTE to 0.7 work stations per FTE. At the head office in Utrecht, all employees will work according to NWW principles by the end of 2012.

Remuneration policy

Negotiations on the new remuneration policy started in August 2010. Members of the trade unions accepted the proposed collective bargaining agreement in early 2011. The new remuneration policy was formally introduced on 1 January 2012.

The new policy sees the profit-sharing bonus and the performance bonus replaced by variable pay. The underlying principle is to have a reward system that ensures a good balance between customer value, employee engagement and financial performance. In line with the remuneration structure that is in place for the Executive Board and senior management, the new remuneration policy is based on three components: customer value, ASR's financial performance and individual performance.



‘You are the first to hold that precious new life. A great responsibility.’

Karolien van Beek
Midwife

Part II

Report of the Executive Board

The need for a strong balance sheet

Financial robustness was ASR's highest priority in 2011. Solvency levels remained intact despite the turmoil on the financial markets. 'The essence of insurance is to demonstrate that we have enough of a buffer to meet all our obligations to customers. That is our core business as an insurer. It proves that we are worth our customers' trust', Roel Wijmenga, ASR's CFO emphasizes.

Roel Wijmenga

Chief Financial Officer

'In 2011 we showed that we have our balance sheet in order. The difficult market did not prevent us from keeping our solvency levels intact. Our risk framework functions properly. We continued in 2011 to gradually scale down our investments in financial institutions. We took timely action to sharply reduce our investments in countries such as Portugal, Spain and Greece. We reinvested in lower-risk assets, including German and Dutch government bonds, mortgages and secured bonds. We introduced the ASR Dutch Prime Retail Fund at year-end 2011. This Fund manages property comprising € 1.1 billion. An amount of € 380 million was reached in the first closing; this was € 80 million more than we had anticipated at that stage. This underlines the quality of our property portfolio. The Fund has created more flexibility in ASR's balance sheet in terms of investment property.

These steps have made our balance sheet less susceptible to risk. A robust balance sheet with fewer high-risk investments. We are opting for a sound level of solvency. This may adversely affect our profitability in the long run. Our investment portfolio will potentially show less growth as the financial markets recover.

‘We are opting for a sound level of solvency’

Interest rates dropped sharply in 2011, which affected the value of portfolios. Because investments in countries with the highest ratings such as the Netherlands and Germany are popular, interest rates in those countries are artificially low. We increasingly made use of interest rate swaps and derivative instruments to limit our investments' exposure to interest rate movements and to align them to liability exposures.

A key development in 2011 was the initiative that we took to compensate our unit-linked policyholders. In addition to approximately € 750 million that we reserved earlier for compensation upon policy expiration, we spent another € 125 million on the compensation scheme in 2011. Customers have been offered the option to switch to new products at no cost to them. The fact that they accepted our offer shows that they continue to have faith in ASR.

From an operational perspective, we started to focus more on returns in the life market in 2011. We took a step back in offering products such as single premium policies and immediate annuities. The combined ratio improved in 2011 thanks to more active/adequate portfolio management and adjustments in premium rates were a necessity. At Pensions, we consciously opted to focus on existing customers who already pay premiums, rather than offering products at non-competitive prices.
In addition, we again paid a great deal of attention to cost reductions in 2011. After structural cost cuts in 2009 and 2010, we managed to lower our operating expenses by another 6% in 2011. Cost control will continue to be one of our priorities in 2012 as well.’

‘In 2011 we started to focus more on returns in the life market’

Maya Mungra
Risk Manager

Market developments and our ambitions call for a high-quality risk management infrastructure

The turmoil in the financial markets and the recovery of customer confidence dominated our risk management agenda to a great extent. They demand an infrastructure that lets us respond promptly to developments in the financial markets as well as forming a solid foundation for selling high-grade and profitable products.

In 2011, the Risk Strategy & Policy department focused on shoring up the risk management infrastructure, implementing a company-wide consistent framework of controls. In addition, much attention was devoted to identifying potential risks early and increasing risk awareness.

The Own Risk & Solvency Assessment (ORSA), which is dictated by Solvency II, has been integrated into the existing process for risk identification. The outcomes of the assessment are key aspects in the decision-making process. The impact of ASR’s strategy and policy on our solvency has become much more transparent as a result.

2.1 Members of the ASR Executive Board

There were a number of changes in the composition of the Executive Board during the year under review and at the start of the current financial year. After having served on the Executive Board for eight years, J.W.M. (Hans) van der Knaap MSc stepped down on 15 September. His successor, K.T.V. (Karin) Bergstein MSc, was appointed that same day.

R.H.A. (Roeland) van Vledder LL.M., who had been a member of the Executive Board of ASR since 1 January 2006, stepped down on 1 January 2012. In 2011, his areas of responsibility on the Executive Board included Marketing & Sales, Europeesche Verzekeringen, Ardanta, Ditzo, Property and Business Support. The other three members of the Executive Board have taken on his duties for the time being.

J.P.M. (Jos) Baeten LL.M. (1958)

Jos Baeten is Chairman of the ASR Executive Board and Chief Executive Officer (CEO). His areas of responsibility also include Strategy, Human Resources, Corporate Communications, Audit and the corporate support departments.

Baeten studied law at Erasmus University Rotterdam. He started his career in 1980 when he joined Stad Rotterdam Verzekeringen, one of the pillars that make up ASR. He was appointed CEO of Stad Rotterdam in 1999. He then joined the Board of Directors of Fortis ASR Verzekeringsgroep, becoming Chairman of the Board of De Amersfoortse Verzekeringen in June 2003. In 2005, he was appointed Chairman of the Board of Directors of Fortis ASR Verzekeringsgroep. Jos Baeten has served as Chairman of the ASR Executive Board and CEO since January 2009.

Additional positions

Jos Baeten is also a member of the Board of the Dutch Association of Insurers and of Holland Financial Centre.
He also serves as Chairman of the Supervisory Committee of Gemiva-SVG Groep, an organization providing support to the disabled, and of Stichting Rotterdamse Schouwburg (Rotterdam Theatre Foundation). He sits on the General Administrative Board of the Confederation of Netherlands Industry and Employers (VNO-NCW) and is a member of the Advisory Committee of the ROC Midden-Nederland (regional community college).

K.T.V. (Karin) Bergstein MSc (1967)

Karin Bergstein's areas of responsibility within the Executive Board are Non-life, Occupational Disability, Pensions, Individual-life and Banking. She is also in charge of the IT and Information & Project Management support departments.

Bergstein studied medical biology at Utrecht University and earned an MBA from Nyenrode University and the University of Rochester in the United States. She started her career at ING Bank in 1991, where she held various positions until 2010. Her last position was that of Director of Products & Processes, which gained her a seat on the Executive Board of ING Bank Nederland. She previously also served as CEO of ING Car Lease International. Karin Bergstein was appointed to the Executive Board of ASR in September 2011.

Additional positions

Karin Bergstein does not hold any additional positions.

R.T. (Roel) Wijmenga Ph.D. (1957)

Roel Wijmenga has been responsible for Accounting, Reporting & Control (ARC), Compliance, Financial Markets, Risk Management and Integrity & Operational Risk Management on the Executive Board since early 2009.

Wijmenga studied econometrics and earned a Ph.D. in economics from Erasmus University Rotterdam. He started his career in insurance at AMEV, one of ASR's legal predecessors, where he held several positions until 2003. He went on to become a member of Interpolis Board of Directors, and served as CFO and member of the Eureko/Achmea Executive Board.

Additional positions

Roel Wijmenga is Chairman of Stichting Certificering Federatie Financieel Planners, a foundation for the certification of financial planners, and a member of the Board of Stichting DSI, a foundation for the promotion and monitoring of the integrity and reliability of financial services providers and compliance professionals. He also serves on the Financial & Economic Committee of the Dutch Association of Insurers.

2.2 Financial performance

2.2.1 ASR Nederland N.V.

- Profit for the year at € 212 million (2010: € 317 million)
- DNB solvency improved to 230% (2010: 221%)
- Gross insurance premiums decreased to € 4,511 million (2010: € 4,738 million)
  - Gross insurance premiums from Life segment decreased by 14% to € 2,166 million, due primarily to lower single premiums
  - Gross insurance premiums from Non-life segment up 5%, rising to € 2,427 million
- Combined ratio in Non-life segment improved by 1.4%-points to 98.9% (2010: 100.3%)
- Operating expenses down 6% to € 633 million
- Cost-premium ratio in insurance business improved by 0.9%-points to 11.8% (2010: 12.7%)

KEY FIGURES (€ MILLION)	2011	2010
Gross insurance premiums, Life	2,166	2,514
Gross insurance premiums, Non-life	2,427	2,310
Eliminations[1]	-82	-86
Total gross insurance premiums	**4,511**	**4,738**
Operating expenses, Life and Non-life	-513	-541
Operating expenses, Other	-120	-131
Total operating expenses	**-633**	**-672**
Profit for the year, Life	135	276
Profit for the year, Non-life	145	104
Profit for the year, Other	-68	-63
Profit for the year[2]	**212**	**317**
Cost-premium ratio, insurance business	**11.8%**	**12.7%**
Combined ratio	**98.9%**	**100.3%**

	2011	2010
DNB solvency ratio	**230%**	**221%**
Buffer capital ratio (IFRS)[3]	**291%**	**262%**
Total workforce (in FTEs)	**4,631**	**4,929**

1 Elimination of premium related to ASR's benefit plans administered by ASR Levensverzekering N.V.
2 Profit for the year attributable to holders of equity instruments.
3 DNB solvency and buffer capital are calculated based on equity under IFRS, taking into account additions such as revaluation of the property portfolio and hybrid equity instruments and the elimination of the ASR pension plans. Buffer capital includes an immediate surrender rate based on best estimate rather than the 100% surrender value floor prescribed by DNB.

Macro-economic developments

2011 turned out to be a disappointing year for the global economy, with growth clearly slowing down in the second half of the year in particular. Mostly in developed markets. Concerns about government debts and deficits, which had already started to surface in recent years, took centre-stage in 2011. Although these development chiefly affected Europe (euro crisis), the US (reaching of the debt ceiling), Japan hardly fared any better. Meanwhile, inflationary pressures increased, particularly in the first half of the year. This constricted central banks in their options for promoting economic growth through monetary policy. Nevertheless, towards the end of 2011, the European Central Bank undid two earlier interest rate hikes, reducing the European base rate back to 1% at year-end 2011. In the US, the Federal Reserve kept the base rate at about 0%, a historic low. In addition, the central banks also attempted to stimulate growth and allay the debt crisis by taking more unconventional measures (quantitative easing). Visible results have been limited so far.

Financial markets

Due mainly to the euro crisis, risk aversion was the guiding principle in the financial markets in 2011. Investors looked for safe havens (e.g. government bonds issued by 'safe' countries) and avoided more high-risk investment categories, such as equities. Stock markets experienced a dramatic year, particularly in Europe, where share prices dropped by 15% to 25%, but elsewhere as well. Not even emerging markets were safe from the economic downturn. Corporate bonds were affected as well, which was reflected in strong increases in credit spreads, although the rise still stayed below that seen during the onset of the credit crunch (2008-2009). In the European government bond market, there was a clear divide between bonds issued by the core countries of the euro zone and the periphery countries. Interest rates in countries such as Germany and the Netherlands fell as they soared in Italy, Spain, Portugal and Greece. Long-term interest rates in most bond markets outside the euro zone (e.g. Switzerland, UK, US and Japan) were lower, causing prices to rise.

Investments

Financial Markets

Due primarily to the ongoing euro crisis the investment policy in 2011 was characterized by constant changes based on sensibly weighing risk and returns. In the European bond market, there was a clear divide between the core countries of the euro zone and the periphery countries. Exposures to government bonds issued by periphery euro zone countries, most of which had already been sold in previous years, were scaled down even more (-92%). French and Belgian government bonds were also sold because of the risk of potential downgrades. To compensate, the positions in particularly Dutch (+56%), German (+3%) and non-EU government bonds were increased. In the ASR investment portfolio, subordinated bond exposures to financial institutions were reduced further, by exchanging and selling them, driven by downgrades caused by unrest in the financial markets. This scale-down was counteracted by an increase in covered bonds (+130%). Factoring in the increase in covered bonds, the share of exposures to financial institutions in the portfolio was down 15%, falling to € 5.7 billion. Based on prudent investment policy, ASR actively took steps last year to continue to lower the interest rate risk by purchasing swaps and swaptions, and by increasing the duration of assets and liabilities. The value of the fixed-income portfolio was up mainly thanks to revaluations because of lower interest rates. The portfolio of equities was slimmed down by selling equities in large European enterprises, foreign and Dutch stock, and hedge funds. Exposures to equities were reduced further by increasing put-option hedges. The steps taken clearly helped shore up the solvency and reduce the balance sheet's sensitivity to market risk scenario's at year-end.

ASR Vastgoed Vermogensbeheer

ASR Vastgoed Vermogensbeheer manages a property portfolio of primarily Dutch real estate with a market value of approximately € 3.2 billion, including the ASR Prime Retail Fund worth approximately € 1.1 billion. This Fund allows private clients to become involved in property investments via their unit-linked policies. ASR Vastgoed Vermogensbeheer invests in offices, retail spaces, residential properties and agricultural land subject to long-term leases to farmers. This makes ASR the largest private land owner in the Netherlands.

It was already decided earlier to scale down the portfolio of office space. Investments in offices saw a sharp drop in the year under review. The strategy for residential properties centres on rejuvenation of the portfolio at stable to slightly dropping investment volumes.

The main focus of the property strategy is to create value for the insurer. This fits with setting up third-party funds in which ASR will continue to participate for a substantial share (at least 20%). This allows ASR to introduce more flexibility to its property policy. The most noteworthy activity in this regard in 2011 was the establishment of the ASR Prime Retail Fund, in which all of ASR's retail investments (worth about € 1.1 billion) were concentrated. This makes it one of the largest retail funds in the Netherlands. In December 2011, ASR Vastgoed Vermogensbeheer placed around € 380 million with a number of large institutional investors. The establishment of the fund yields immediate earnings. ASR's ambition is to create such funds for other investment categories as well. In addition, ASR still managed to sell residential properties and retail spaces in 2011.

Financial performance of ASR in 2011

Profit for the year

ASR's profit for the year reduced to € 212 million. This decrease was largely attributable to additional expenses incurred for compensation payments to unit-linked policyholders and the negative impact of the turbulence in the financial markets. This led to an increase of € 186 million in impairment losses, largely on fixed-income securities, compared to 2010. The impairment losses were offset, in part, by a € 115 million increase in results, € 80 million of which was due to the placement of the ASR Dutch Prime Retail Fund.

In addition, the compensation payments to unit-linked policyholders negatively influenced the profit for the year by € 94 million after tax in 2011. This is € 66 million more than in 2010. Risk-mitigating measures to keep the solvency position at a strong level are partly the cause of direct investment returns decreasing by € 13 million, compared to 2010. Lower costs and improvements in the combined ratio for Non-life fuelled a € 38 million increase in operational results compared to 2010.

Gross insurance premiums

Gross insurance premiums were down 5% in 2011, falling to € 4,511 million. This decrease was fully attributable to the 14% drop in gross insurance premiums in the Life segment from € 2,514 million to € 2,166 million. This is mainly due to a fall in single premiums (non-recurring premium business) from € 761 million to € 469 million given the preference of return over volume. The regular premium business saw a slight decrease. In the Non-life segment, gross insurance premiums increased by 5%, rising from € 2,310 million in 2010 to € 2,427 million in 2011.

Operating expenses

ASR's operating expenses amounted to € 633 million in 2011, a decrease of 6% compared to 2010. This decrease was the result of the ongoing focus on efficiency. Efficiency improvements in 2011 were achieved in part through the integration of Falcon into ASR, staff cuts, regular cost reductions in the Non-life segment and a drop in accommodation expenses following the closure of a number of office buildings.
The cost-premium ratio in the insurance business showed an improvement on 2010, from 12.7% to 11.8%. In the Life segment, the cost-premium ratio improved from 13.6% to 12.8% thanks to a further reduction in operating expenses at Individual Life. The expense ratio in the Non-life segment decreased from 11.9% to 11.0% due to cost reductions and an increase in net premiums.

Compared to the situation at year-end 2010, the total workforce decreased from 4,929 FTEs to 4,631 FTEs (-6%). Total workforce refers to the total number of internal and external FTEs. The number of internal FTEs was down 2% in 2011 to 4,264 FTEs (2010: 4,333 FTEs) and the number of external FTEs decreased by 38% to 367 (2010: 596 FTEs).

The best products and the best advisors for our customers

ASR has a long tradition of supplying solid products, along with the advice of customer friendly and professional intermediaries. At the same time ASR has dynamically adapts to changes in markets, customer needs and distribution. Customer interest always come first. ASR has worked together with intermediairies for a long time, and will continue to do so, because we believe that professional advice matters to the majority of customers – now and in the future.

Director of Intermediary Distribution at ASR

'Within our product lines we are already seeing opportunities in the market to further improve our products and services. In this process we are actively listening to the wishes of customers, and our intermediairies,' says Jolanda Hillebrand-Tijhuis, Director of Intermediairy Distribution ASR.

'More and more we notice that customers are seeking to contact insurers in various ways, sometimes even directly. For example, our Customer Contact Centre is noticing a substantial increase in the number of phone calls from customers. Customers increasingly decide for themselves who, when and how they seek contact, and what it concerns. This is a development that we need to take into consideration, in close contact with intermediaries. So that, together with advisors, we can be of help to customers at all times via various different means.

'ASR will continue to work with intermediairies'

The professional intermediaries that ASR collaborates with stand out from the crowd with their advice, which adds true value to the process. We are seeing more and more intermediaries choosing to specialize in a certain area, and work together. They are busy adapting their earnings models in anticipation of the ban on commissions. For ASR this means differentiating how we work together with our distribution partners. It is vital that ASR and our partners manage to work together well in this time of transition. If necessary, we will support those advisors we collaborate with, both actively and customized to their business, so that they can continue to excel and offer advice that is of real value. In short, both for ASR and for intermediaries customer interests will continue to be in the lead.'

Account Manager at ASR

Confident entrepreneurship

The 'Vol Vertrouwen Ondernemen' programme (Confident entrepreneurship) actively offers support to our intermediairies towards becoming more professional.

Important topics in this programme are the choices for specialization and collaboration, setting up new earnings models, and making products, advice and service simpler and more accessible.

This is how we facilitate our partners in the choices they make, both activily and when needed. So that they can continue to do business with confidence. All the while putting customer interests first. In other words: the best products and the best advisors for our customers.

2.2.2 Life segment

- Profit for the year decreased compared to 2010, from € 276 million to € 135 million
- Gross insurance premiums down 14% to € 2,166 million (2010: € 2,514 million), partly due to focus on returns
- Operating expenses decreased by € 19 million (7%), to € 262 million
- Improvement in cost-premium ratio by 0.8%-points to 12.8% (2010: 13.6%)
- New Life insurance contracts sold (APE) down 38% to € 121 million (2010: € 196 million)

KEY FIGURES, LIFE (€ MILLION)	2011	2010
Regular premiums	1,697	1,753
Single premiums	469	761
Total gross insurance premiums[4]	**2,166**	**2,514**
Operating expenses	-262	-281
Results before tax	**169**	**356**
Income tax expense	-34	-80
Profit for the year	**135**	**276**
Profit for the year attributable to non-controlling interests	-	-
Profit for the year attributable to holders of equity instruments	**135**	**276**
Cost-premium ratio	**12.8%**	**13.6%**
New Life insurance contracts sold (APE)	**121**	**196**

[4] Including € 82 million in premiums to the ASR pension plan (2010: € 86 million).

Profile

The Life segment comprises all of ASR's operations that involve asset-building, asset reduction and asset protection via consumer and business insurance. All operations are consolidated into ASR Levensverzekering N.V. ASR's portfolio is made up of products for asset-building and asset protection for retail customers, such as life insurance, funeral insurance, savings-linked policies, unit-linked policies, annuities, pension insurance and asset reduction products such as immediate annuities. The ASR label offers pension solutions for corporate customers, including average-pay schemes, defined contribution plans and defined benefit plans, as well as dependants' benefits shortfall insurance. To distribute these, ASR works in close cooperation with advisors, specialist pension experts and consultants. Ardanta offers funeral insurance to retail customers in the Netherlands, Germany and Belgium. The majority of these policies are distributed via the intermediary channel.

Financial results

Gross insurance premiums

Gross insurance premiums in the Life segment decreased compared to 2010, dropping by € 348 million to € 2,166 million (-14%), as a result of decreases in Individual-life single premiums and regular premiums. New Life insurance contracts sold (APE) decreased to € 121 million (-38%), due primarily to fewer new single premiums. This was a result of the preference of return over premiums.

Operating expenses

Operating expenses fell by 7% to € 262 million compared to 2010. Expenses in the Life segment were down in particular thanks to the completion of the integration of Falcon into ASR and the outsourcing of processes to India.
The cost-premium ratio improved in 2011 from 13.6% to 12.8% on the back of lower operating expenses in Individual-life, which was compensated by the effect of lower premiums in the Life segment.

Profit for the year

The profitability of the Life business was heavily influenced in 2011 by the effect of turbulent financial markets and the impact of the compensation on unit-linked insurance contracts. The impact of the financial markets consisted mainly of low interest rates, the reduction in investment risks in particular and the recognition of impairment losses within the fixed-income portfolio. The expense of the compensation on unit-linked insurance contracts was € 94 million after tax in 2011 (2010: € 28 million). Capital gains for Life from the property portfolio in particular (€ 274 million in 2011, compared to € 149 million in 2010), offset some of these losses. On balance, profit for the year in the Life segment saw a strong decline from € 276 million in 2010 to € 135 million.

Market developments

Competition in individual life policies between insurance companies, banks and newcomers to the market again grew increasingly fierce in 2011.

The volume of the Dutch life individual insurance market contracted for the second year in a row. The 41% drop in new business in 2011 was higher than in 2010 (20%). Insurance-based capital growth products experienced a further decline, due to the rise of bank savings products in particular. The issue surrounding unit-linked policies also continued to affect the market. The expected recovery did not materialize because of the euro crisis and its economic effects. Mortgages make up a large share of sales of new life products. This market again came under strong pressure in 2011.

Low interest rates and volatility on the capital markets had great impact on the pension market in 2011. The increase in life expectancy, which is a positive development in itself, also had an upward effect on pension costs. Low interest rates caused some insurers to be extremely cautious about attracting new customers based on pricing. The Pension Accord that was agreed between employers and employee organizations requires further study as far as its execution is concerned. In addition, the statutory retirement age in the Netherlands will be raised to 67 in 2014. Pension administrators, employers and advisors are preparing for the implementation of this measure. Institutions for Occupational Retirement Provision (IORP), which had been admitted under the law since the end of 2010, effectively entered the pension market in the second half of 2011.

The market for funeral insurance also continued to be under pressure in 2011. The Dutch funeral insurance market has a high penetration rate and is greatly saturated. New lifelong funeral insurance policies, for instance, showed a 13% drop on average in regular premiums in the year under review. This drop was considerably lower, however, than the 30% decrease in 2010.

Achievement of strategic targets in 2011

ASR's strategy is based on three pillars: customer interests, financial robustness and efficiency. In the Life segment, many steps were taken in 2011 to make progress on each of these three pillars.

Customer interests

Customer interests take priority in ASR's actions. In the Life segment, many efforts were undertaken to put customers' interests first. To this end, new asset-building products were introduced that are in keeping with public opinion on transparency, information provision and a low fee structure.

Compensation scheme

Much focus was placed in 2011 on the implementation of alternative supplementary solutions for compensating unit-linked policyholders. Customers were told whether or not they qualified for compensation right away rather than upon policy expiration. Any compensation for past years is paid directly into their policy. Before year-end 2011, all 900,000 customers holding 1.1 million unit-linked policies had been informed whether they had a right to compensation and, if so, of the amount of compensation. In addition, before 1 April 2012 all customers were actively informed about their options for switching to new products; any advice provided was geared to their specific situation. These steps have given customers a better prospects. They can decide for themselves to either change or convert their policy, to cancel it, or not to take any action.

Customer and intermediary panels were organized to arrange for even better alignment of the current range of funeral insurance products to the needs of customers. Customer perception tests of new products were also resumed. Another development in the area of customer interests in the funeral insurance business is that nearly all communication to customers, such as policy conditions, brochures and the Ardanta website, have been rewritten in easy-to-understand language (B1).

Communication to customers regarding pensions was improved also in 2011. The initial letter that ASR sends to its new pension customers is now accompanied by a cover letter explaining the pension scheme. This allows customers to view at a glance what information is contained in the initial letter and how to check this information.

In 2011, ASR and Brand New Day took the initiative to establish a joint Institution of Occupational Retirement Provision (IORP) to offer customers more options in building their pension. This IORP was licensed by the Dutch Central Bank (DNB) in December 2011. The choice to enter into a joint venture was prompted by ASR's need to remain at the vanguard, also in the pension market. Brand New Day uses its name and offers the product. ASR exclusively bears the risk for the insurance policies for which the IORP acts as intermediary.

The acquisition of Paerel Leven has also brought home that ASR is truly serious about customer interests. Paerel Leven's acquisition by ASR has ensured continuity for its policyholders.

Efficiency

Efficiency improvements in the Life segment were achieved, for instance, by integrating Falcon Leven into ASR and consolidating the pension operations of ASR and De Amersfoortse into one division at a single location.

In addition, the number of existing product categories was reduced and some products were phased out. Including traditional-style unit-linked policies, mortgages funded by BNP Paribas, commission-based life insurance and endowment insurance. ASR looked into several types of outsourcing in 2011. The options of full outsourcing, both gradually and in one go, were considered. We have since decided to choose to outsource gradually. Consequently both the outsourcing process and the associated costs can be managed. The first step was taken in 2011. The management of a part of the life portfolio is outsourced to a specialist player in India.

As part of the refined strategy, at 1 January 2012, ASR transferred the management of the administration of pension funds as part of the APFS department to Aon Hewitt, thereby discontinuing a non-core activity.

Following the legal merger with ASR Levensverzekering N.V. in 2010, Ardanta has operated as a separate label in the Life segment since 1 January 2011. Because of this integration, more than three million policies in the ASR portfolio were transferred to Ardanta in 2011, which has now become the second largest funeral insurer in the Netherlands. Ardanta's specific knowledge and expertise fuelled a reduction in costs for the group as a whole.

Financial robustness

In order to strengthen the financial position, ASR chose to prefer returns over growth in 2011. This strategy led to restraint in selling new single premium policies and a drop in immediate annuities.
The merger between Ardanta and ASR Levensverzekering N.V. in 2010 and the consolidation of the funeral portfolios offer synergies in the areas of risk management, solvency and efficient use of capital.

Outlook for 2012

The impact of the continuous economic crisis will again make itself felt in all divisions of the Life segment in 2012. The market for traditional life insurance products will weaken further in 2012. The focus will remain on realizing a healthy revenue while keeping our customers.

Priorities for the Life segment in 2012 will be the completion of the compensation of unit-linked policyholders and adapting current products to new rules and regulations and the ban on commissions that will take effect on 1 January 2013. Risk and capital management will be adapted to the demands of Solvency II.

In 2012 the focus will remain on structural cost cuts, for instance by reducing the complexity of systems and products.

Based on the Pension Accord and the gradual increase in retirement age to 67, all residents of the Netherlands will be faced with changes in their pension regulations in 2012. Combined with greater demands on pension advice and the related drop in the number of qualified advisors, this will put extreme pressure on advisory capacity. Stricter requirements of information provision to employers and employees will drive up costs. The pension business will take further steps to reduce capital requirements and keep the profitability of newly sold pension policies at an acceptable level, as well as increasing its share of ASR's profit-earning capacity.

Conditions in the funeral insurance market will continue to be tough in 2012 because of the economic situation. In 2012, Ardanta will develop a single overview for each customer in all its funeral insurance policies within the combined funeral portfolio, including a value overview, 'acceptgiro' (pre-filled standardized payment order) and contact history. This will not only create efficiencies for Ardanta, but, more importantly, it will help Ardanta to communicate its expertise more clearly towards its customers.

2.2.3 Non-life segment

- Increase in profit for the year, up 39% at € 145 million (2010: € 104 million)
- Gross insurance premiums rise 5% to € 2,427 million (2010: € 2,310 million)
- Operating expenses fall 3% to € 251 million (2010: € 260 million)
- Improvement in combined ratio, down to 98.9% (2010: 100.3%)

KEY FIGURES, NON-LIFE (€ MILLION)	2011	2010
Gross insurance premiums	2,427	2,310
Operating expenses	-251	-260
Profit before tax	**193**	**152**
Income tax expense	-48	-48
Profit for the year	**145**	**104**
Profit for the year attributable to non-controlling interests	-	-
Profit for the year attributable to holders of equity instruments	**145**	**104**
New Non-life insurance contracts sold	**227**	**237**
Claims ratio	70.9%	73.0%
Commission ratio	17.0%	15.3%
Expense ratio	11.0%	12.0%
Combined ratio	**98.9%**	**100.3%**

Profile

The Non-life segment comprises of a wide range of non-life contracts that insure risks related to motor vehicles, fire damage, travel and leisure, liability, legal expenses, occupational disability and medical expenses, among other things. These products are offered under the ASR, De Amersfoortse, Europeesche Verzekeringen and Ditzo labels. ASR offers motor vehicle, fire, liability and other insurance policies through the intermediary channel. Europeesche Verzekeringen offers a variety of travel and leisure insurance products through the intermediary, travel and direct channels. De Amersfoortse offers occupational disability insurance, sick leave insurance, accident insurance, health insurance and occupational disability insurance products related to the Dutch Work and Income Act (Capacity for Work (WIA)). Services also incorporate a proactive, integrated approach to prevention and reintegration.
The range of health insurance products includes basic and supplementary policies, as well as various top-up modules.
In addition, De Amersfoortse offers an integrated proposition for self-employed persons and employers, comprising health insurance, disability insurance and pension products. In the autumn of 2011, Ditzo started to offer health insurance as well as non-life insurance contracts through the direct channel.

Financial results

Gross insurance premiums

In 2011, gross insurance premiums in the Non-life segment increased 5% to € 2,427 million (2010: € 2,310 million). This increase was attributable to the health insurance, occupational disability insurance and other non-life businesses (motor, fire and liability insurance), with pricing adjustments playing a key role. Gross insurance premiums from other non-life insurance contracts were up 6% compared with 2010. Measures were taken in 2011 to improve the returns on motor insurance by increasing premiums. There was also an increase in gross insurance premiums from fire insurance, due to organic growth.

Operating expenses

Operating expenses in the Non-life segment fell 3% in 2011, from € 260 million to € 251 million. This decrease led to an improvement in the expense ratio, from 12.0% in 2010 to 11.0% in 2011.

Profit for the year

There was a sharp improvement in the profit for the year at the Non-life business, which rose from € 104 million to € 145 million in 2011, an increase of 39%. This increase was attributable to an improvement in the combined ratio, which fell to 98.9% (2010: 100.3%). Despite lower direct investment returns, total investment income rose thanks to higher capital gains.

The fall in the combined ratio was due to a decline in the expense ratio and the claims ratio, and was partly offset by an increase in the commission ratio.
The increase in premiums from motor, liability, and travel and leisure insurance had a positive impact on the claims ratio. In addition, the profit for the year also received a boost from the harmonization of provisions related to further efforts towards integration at ASR. A large number of claims were received by the fire business in 2011, and this had an adverse effect on the claims ratio.

Market developments

The non-life market was dominated by price competition in 2011. Combined with the economic crisis, this gave rise to difficult market conditions.

Existing market players and new entrants offered occupational disability products with very low premiums in an effort to gain or increase market share. As a consequence, the occupational disability insurance market is becoming fiercely competitive. Although De Amersfoortse decided that it would not compete on prices to any great extent, it managed to maintain its leading position in the occupational disability insurance market, holding a market share of around 22% in 2011. Owing to the economic downturn, there has been an increase in the number of claims made under occupational disability insurance policies as well as the periods covered by such claims. More and more self-employed persons are opting not to take out occupational disability insurance. Over half of them do not currently have any occupational disability insurance. Given this, the challenge to the market is to launch affordable products that offer clear and transparent coverage. In 2011, a new fee for individual occupational disability insurance was introduced that also applies to the existing portfolio. With regard to sick leave insurance, premiums for new insurance contracts were increased in October 2011. In addition, in 2011 policies were made cancellable with immediate effect following the end of the initial three-year policy period.

Owing to the rising costs of health care and the economic crisis, policyholders are increasingly opting for higher policy excesses and/or less comprehensive supplementary insurance packages when taking out health insurance. The health insurance market is a premium-driven market that is dominated by a number of major players and in which there are a growing number of possibilities for directly taking out health insurance online. At the end of 2011, ASR entered the online market for health insurance under the Ditzo label, a move which proved successful.

Conditions in the market for travel and leisure insurance were also tough in 2011, although they were better than they had been in the previous year. Consumer behaviour in the travel and leisure sector was affected by the ongoing economic crisis. As a result, the frequency of holidays rose to a limited extent only, just like in 2010. In addition, consumers spent more time using their own boats, caravans and other possessions for leisure purposes. As a consequence, the risk of damage, and hence claims, increased. The Netherlands had poor weather in the summer of 2011, which led to an increase in last-minute holiday bookings, for which few people took out cancellation insurance. In addition, consumers postponed purchases of expensive items for recreational use to an increasing extent.

The market for other non-life insurance (motor, fire, liability, etc.) was also under pressure in 2011. The motor insurance market in particular continued to shrink owing to the steady loss of consumer purchasing power. Partly on the initiative of the Dutch Central Bank (DNB), insurers had to take the necessary measures in 2011 to improve returns on some insurance contracts. As part of this, premiums for third-party insurance were increased across the board.

Motor insurance premiums, which had been relatively low for many years, rose across the line. As part of efforts to ensure healthy returns, other premiums, such as premiums on the insured values of hazard insurance contracts, were also increased. In the corporate segment (SMEs and the lower end of the wholesale market), ASR introduced new propositions for groundwork and civil engineering and for the wholesale trade and manufacturing sectors.

Achievement of strategic targets in 2011

ASR's strategy is founded on three pillars: customer interests, financial robustness and efficiency.
In 2011, the Non-life segment took various measures with the aim of making headway with each of these pillars.

Customer interests

ASR started to offer health insurance online under the Ditzo label in 2011 in a bid to meet customer demand for a greater range of options for directly taking out simple insurance contracts. This was one of the main reasons why ASR was able to welcome 110,000 new policyholders as of 1 January 2012. Although De Amersfoortse only has a small share of the health insurance market, health insurance makes a significant contribution to its strategy on integrated propositions involving healthcare products and pension solutions for collective customers and the self-employed.

With regard to occupational disability insurance policyholders, there is a growing focus on taking a pro-active approach to prevention and reintegration. ASR is the only insurer in the Netherlands with its own employment expert service. Thanks to the combination of an in-house employment expert service and reintegration coaches, occupational disability can be avoided or reduced in duration. Self-employed persons were offered a health check. Where medically indicated, they were also offered follow-up screening and, where appropriate, an intervention. In addition, 95% of all of De Amersfoortse's correspondence, including brochures and contract terms and conditions, is now written in easy-to-understand language (B1). This compares with only 80% in 2010.

Europeesche Verzekeringen took weekly measurements of customer satisfaction with its services in 2011. It used the information obtained to improve its products, services, efficiency and customer relations. Customer discussion forums were held to discuss services with customers and business relations. The measurements take account of complaints and compliments submitted directly as well as information obtained through social media. The score awarded by customers was 7.8 out of 10 (2010: 7.6 out of 10). Travel agents also value the services provided by Europeesche Verzekeringen, which received the De Veer award for the best travel insurer.

In the second half of 2011 a new package of non-life insurance products for retail clients was launched for a group of advisors. This package contains a number of innovative options for customers, such as clear contract terms and conditions, a free choice of insurance coverage and an annual portfolio check-up. In 2012, a start was made on the remainder of the roll-out of the package.

Customers have been able to submit claims to ASR directly as of mid-2011. They are also able to submit motor insurance claims by mobile phone, using a special app that was developed by an independent foundation and is supported by intermediaries. This is another way in which ASR is meeting customer demand for more opportunities for contacting insurers directly themselves and arranging more matters themselves on the spot.

Efficiency

In 2011, the other non-life business focused on enhancing the quality of employees who have frequent contact with customers and on increasing returns. The ways in which returns were to be increased did not just include higher premiums, but also improvements to the quality of the portfolio. To this end, portfolio reviews were conducted, the policy on acceptance was tightened up, and further structural cost savings were implemented where possible, among other measures.

Improving efficiency was the primary focus of the entire Non-life segment of ASR. OpEx, a programme for continuous improvement, is used by departments to enhance efficiency.

As of 2011, De Amersfoortse was the only label under which ASR offered occupational disability insurance contracts. Among other things, this has led to employees being transferred to the Amersfoort office from various other locations. Moreover, the occupational disability insurance business introduced a stringent policy of cost control for its operations in 2011. These measures caused the operational costs of the Non-life segment to decrease by 3% in 2011 compared to 2010, to € 251 million.

Outlook for 2012 and subsequent years

The non-life market is not expected to show any growth in 2012. This is caused primarily by economic circumstances.

Efforts to introduce new IT programmes will be made in a number of areas of the Non-life segment in 2012. These programmes will help the organization become more efficient and improve customer relations. In 2013, the first part of NGA (Next Generation Occupational Disability Insurance), a new IT programme, will be ready to be implemented in the occupational disability business. This will result in a substantial increase in the level of straight-through processing.

With effect from 2013, the implementation of a new back-office system for health insurance will also make a substantial contribution towards improving efficiency and reducing the cost ratio. The health insurance business will become more of a knowledge and service organization in 2012, among other things by providing employees with training in the area of customer service, in order to improve customer satisfaction. The new system offers customers and intermediaries more options, such as the possibility of inspecting expense claims online. This, too, will lead to an increase in the level of straight-through processing. In addition, the policy for the health insurance business focuses on growth in the portfolio, and this is expected to have a positive impact on the cost-premium ratio. Moreover, growth will lead to a more balanced diversification of risks. Revenue is expected to continue to rise in 2012 as result of further expansion in the area of tied agents, the growth of the health insurance business under the Ditzo label, and the growth of the De Amersfoortse portfolio thanks to the integrated proposition involving occupational disability insurance and, where applicable, pensions.

With regard to the other non-life business, 2012 will see a focus on returns. We will continue the roll-out of the new insurance package that was launched for a number of intermediaries in 2011. In addition, steps will be taken to increase our accessibility for customers. Customers are increasingly deciding for themselves how and when they have contact with ASR or their advisor. And we will adapt our organization to this trend.

With regard to the travel and leisure insurance market, ASR is taking a cautious attitude when it comes to opportunities for further recovery of the market in 2012. Consumer travel behaviour is expected to be adversely affected by the state of the economy. That said, the market for leisure insurance contracts will continue to grow, thanks to the increasing number of over-50s who spend more time undertaking recreational activities in the Netherlands and abroad. In 2012, Europeesche Verzekeringen will pay specific attention to ensuring a better service level and customer experience with regard to its products.

2.2.4 Other segment

KEY FIGURES, OTHER SEGMENT INCLUDING ELIMINATIONS (€ MILLION)	2011	2010
Operating expenses	**-120**	**-131**
Profit before tax	**-110**	**-87**
Income tax expense	35	25
Profit for the year	**-75**	**-62**
Profit for the year attributable to non-controlling interests	7	-1
Profit for the year attributable to holders of equity instruments	**-68**	**-63**

Profile

The Other segment comprises ASR's banking operations, Ditzo (distribution channel), ASR Vastgoed Ontwikkeling, SOS International and the holding companies. The banking business develops mortgages and savings-linked and unit-linked products that are administrated and managed by ASR Hypotheken N.V. and ASR Bank N.V. In this segment, Ditzo operates as a distributor of insurance contracts via the direct online channel. Ditzo's underwriting income is recognized within the Non-life segment. ASR Vastgoed Ontwikkeling specializes in developing residential properties and retail space. It is one of the leading real estate organizations in the Netherlands. Finally, the SOS International emergency service offers round-the-clock assistance to policyholders, vacationers, lease car drivers, account holders and senior citizens.

Financial results

At ASR Bank, the volume of the savings deposits portfolio increased by 3% on year-end 2010, thanks largely to customer deposits into the lijfrente opbouwrekening (tax-driven bank savings product) introduced in 2011. In addition, many customers deposited additional funds to benefit from tax breaks for employee savings schemes before an important cut-off date. The investment portfolio fell by 19%, partly due to declining share prices.

New sales of mortgages amounted to € 1,259 million in 2011, 19% below last year's figure. This was due clearly to the stagnating housing market. Of all new mortgage business, a considerable volume (more than € 713 million or 43%) was attributable to ASR's own WelThuis Hypotheek mortgage product.

The Ditzo distribution channel proved to be a success in 2011, particularly for Health. Ditzo's health insurance campaign contributed to the increase in the number of insurance contracts sold in the fourth quarter of 2011.

Profit for the year

The profit for the year of the Other segment decreased by € 5 million in 2011, from € -63 million to € -68 million. The primary causes were incidental in nature, including impairment losses at ASR Vastgoed Ontwikkeling.

Market developments

There is a funding gap in the Netherlands, between € 630 billion in mortgages and € 300 billion in savings deposits. Most Dutch banks are experiencing a funding gap. ASR Bank does not have this problem: the funds it holds in savings deposits are higher than the amount of mortgages granted. The strain on interbank loans had an adverse effect on market conditions for ASR Vastgoed Ontwikkeling. The uncertain economic times and the euro crisis also have an impact on property development.

Achievement of strategic targets in 2011

ASR Bank introduced a new product in 2011 that meets the needs of customers for transparency, clarity and a low fee structure. ASR Bank's first bank savings product is the ASR lijfrente opbouwrekening annuity account. The product was received well in the market and resulted in an increase in savings deposits. The WelThuis Spaarhypotheek, a savings-linked mortgage that was introduced earlier, the demand savings account and the two- and three-year deposits also developed favourably.

ASR Bank made progress in terms of efficiency by migrating to new and self-run systems following the split-off of ASR Bank from the legacy Fortis environment, which now belongs to ABN AMRO.

ASR Vastgoed Ontwikkeling refined its strategy in 2011 to concentrate primarily on risk containment within development projects over the next few years. Areas of focus will include strict adherence to preselling requirements, flexibility in the development programme and restriction of capital requirements. The strategy identifies the most promising market segments and areas in the Netherlands, based on which criteria for winning new business were defined. In 2011, ASR Vastgoed Ontwikkeling concentrated on residential and retail markets in the Randstad conurbation, tackling urban planning issues for local authorities and devising ways for giving obsolete buildings or dilapidated urban areas a new lease on life.

Outlook for 2012 and subsequent years

Retail customers are expected to maintain their risk aversion in 2012, rather than reverting to equity investments. For this reason, ASR Bank will not invest in developing new unit-linked products. Sales of new mortgages are still being weighed down by the slump in the housing market. But new opportunities are presenting themselves as well. Interest-only mortgages are being limited as a result of stricter mortgage rules. The requirement for consumers to build capital reserves for the repayment of their residential mortgage may give a boost to the volume of assets under management.

In 2012, ASR Vastgoed Ontwikkeling will flesh out the new vision for 2014 with respect to development and redevelopment projects in urban areas. In doing so, it will continue to apply its de-risking strategy to the portfolio. Risks associated with existing developments will be reduced where possible and developments that are not in line with ASR's strategic focus will be cancelled or sold.

At an earlier stage ASR announced that ASR Vastgoed Ontwikkeling does not belong to ASR's core activities and that it was decided to seek a partner to take over ASR Vastgoed Ontwikkeling. The market is not expected to improve in the next two years. The sale of ASR Vastgoed Ontwikkeling will therefore not be addressed until 2014.

2.3 Capital management

Capital policy

ASR is committed to maintaining a robust capital base that contributes to corporate targets. This means that the effective execution of the capital policy, as part of ASR's risk management structure, is a vital task and takes up an important position at ASR. Capital management comprises all activities that focus on controlling, managing and monitoring any available and required solvency.

ASR's capital policy ensures prudent monitoring and control of its solvency ratios. Solvency is monitored and controlled on an ongoing basis, both at ASR level and at licensee level.

ASR's capital position is governed by various rules and limits that were instituted to absorb losses and to guarantee financial robustness. Compliance with the rules is monitored and enforced by regulators as well as via internal management models.

The objectives of ASR's capital policy are to streamline the capital position within the parameters set by regulators and stakeholders, monitor capital ratios actively and comply with set limits and secure a single A rating at ASR level.

Supervision of insurers has changed drastically over the past few years. In addition to supervision under the Solvency I framework, the outlines of the rules and regulations of the Solvency II regime are becoming clear. ASR has already made huge steps to meet the requirements of Solvency II.

The Solvency II requirements dictate a different method for measuring and managing available and required capital. In 2011, ASR expanded on the process of implementing Solvency II, so available and required capital according to Solvency II is now being measured and applied as part of a system of integrated control at all divisions.

In addition to capital management under Solvency II, which is the standard model for European insurers, ASR has also developed its own methodology. This methodology quantifies the integral risk in terms of economic capital (ECAP). The methodology is a departure from the Solvency II standard model in that it uses self-developed methods for measuring a limited number of risks. These methods are a better fit for the specific risks that ASR incurs, and provide a more complete understanding of these risks and the capital required to mitigate them. This method was fleshed out and refined in 2011 based on regulatory developments.

During the transitional period towards the introduction of Solvency II, ASR will not only control its capital position based on the regulatory framework of Solvency I, but also use the additional criteria of Solvency II and the S&P capital ratio.

The Solvency II requirements and the self-developed ECAP method have now been cascaded throughout the organization and integrated into the risk management structure. They guarantee that ASR's robust financial position is transparent in terms of market value.

Treasury is responsible for capital management in the Financial Markets department. As part of the capital management procedures, Treasury is accountable to ASR's risk committee structure that was specifically set up for this purpose. This guarantees its independent position and the segregation of duties, and is in keeping with ASR's governance structure.

Total equity and solvency

Total equity saw a limited 4% decrease, from € 2,451 million at year-end 2010 to € 2,365 million at year-end 2011. Despite the profit for the year, the decrease in equity was mainly attributable to a lower revaluation reserve, on account of a drop in share prices and changes in the value of fixed-income securities.

In 2011, ASR again pursued an active policy to reduce its balance sheet risks. The DNB solvency ratio increased by 9%-points to 230% (2010: 221%). As in the past, solvency was based primarily on the ECB's AAA yield curve at year end for the purposes of comparison and consistency. If the solvency were to be calculated using the three-month average yield curve, as temporarily permitted by DNB, DNB solvency would have been higher by 29%-points at year-end 2011. The buffer capital ratio increased by 29%-points to 291%.

SOLVENCY (€ MILLION)	2011	2010
Required DNB solvency	1,520	1,542
Available DNB solvency	3,503	3,412
DNB solvency ratio	**230%**	**221%**
Required IFRS solvency	1,448	1,542
Buffer capital	4,215	4,044
Buffer capital ratio (IFRS)	**291%**	**262%**

At 51%-points, the sensitivity of solvency to the stress scenarios used by ASR showed a strong improvement on 2010 (86%-points). The reduction in the interest rate risk (7%-points, 2010: 31%-points) was particularly substantial. This was achieved by renewing the average term to maturity of fixed-income investments and a further reduction in exposures on financial institutions. Reinvestments were made in Dutch government bonds and in Dutch corporate bonds. Furthermore, there was a drop in the sensitivity of solvency to changes in property values to 15%-points (2010: 17%-points), due in part to the sale of investment property in the ASR Dutch Prime Retail Fund. Exposure to equities was further reduced in 2011 by scaling back positions held and by a decline in equity prices.

TYPE OF RISK	SCENARIO	SENSITIVITY OF SOLVENCY (%)	
		2011	2010
Equities	-20%	-13%p	-21%p
Interest	-1%	-7%p	-31%p
Credit spread	0,75%	-16%p	-17%p
Property	-10%	-15%p	-17%p
Total (undiversified)		**-51%p**	**-86%p**

Funding

As an insurer, ASR has a relatively limited need for funding. Because it turns out that the access to and cost of funding channels can change over time, ASR nevertheless strives for a broad spectrum of funding options. In order to secure its access to the money and capital markets, and to minimize finance costs.

ASR uses several distribution channels to fulfil its funding needs on the money and capital markets. ASR raises both secured and unsecured financing.

In terms of secured financing, ASR has options for securities lending. In addition, ASR has set up a repo infrastructure, allowing it to raise finance in exchange for securities. These types of finance offer ASR a robust range of funding options at attractive fees. They provide ample comfort so that ASR has the option of meeting its limited funding needs appropriately and with the necessary flexibility.

Where unsecured financing was concerned, ASR did not raise additional external financing in 2011. ASR's relatively limited funding needs, in combination with the options for raising secured financing, currently give it ample opportunity to conduct any planned transactions as well as offering the required financing capacity.

The funding position and the scope of the available financing programmes were more than sufficient at year-end 2011 to protect the cash position in the time to come. Virtually all financing facilities are available. As a consequence ASR does not, for the time being, see any immediate cause to secure more financing facilities.

Dividend

In line with the dividend policy agreed on with the shareholder in 2009, the Executive Board plans to distribute € 71 million (40%) in dividend on ordinary shares.

Ratings

On 16 November 2011, Standard & Poor's confirmed its 'A' rating with a negative outlook for ASR Levensverzekering N.V. and ASR Schadeverzekering N.V.
On 9 December 2011, Fitch Ratings confirmed its rating of 'A-' with a stable outlook for ASR Levensverzekering N.V. and ASR Schadeverzekering N.V. its 'BBB' rating with a stable outlook for ASR Nederland N.V. was also confirmed.

To view the rating reports, please log on to the ASR website: www.asrnl.com.

RATING	STANDARD & POOR'S				FITCH RATINGS			
ENTITY	TYPE	RATING	OUTLOOK	DATE	TYPE	RATING	OUTLOOK	DATE
ASR Levensverzekering N.V.	CCR	A	Negative	20 May 2009	Long-term IDR	BBB+	Stable	16 December 2010
ASR Levensverzekering N.V.	FSR	A	Negative	20 May 2009	IFS	A-	Stable	16 December 2010
ASR Schadeverzekering N.V.	CCR	A	Negative	20 May 2009	Long-term IDR	BBB+	Stable	16 December 2010
ASR Schadeverzekering N.V.	FSR	A	Negative	20 May 2009	IFS	A-	Stable	16 December 2010
ASR Nederland N.V.					Long-term IDR	BBB	Stable	16 December 2010

2.4 Risk management

ASR uses an integrated approach to manage risks. It has a robust risk management framework (Integrated Risk Management) for identifying, controlling and managing all risks. This framework provides ASR with information on the integrated risk profile and enables ASR to take and manage risks responsibly. Information on the size of risks and how risks are interrelated allows ASR to accept only those risks that are sensible and are associated with appropriate returns. In this way, integrated risk management contributes towards improving performance and helps ASR ensure it remains robust.

The notes to the financial statements contain a detailed description of the risk profile and the trends seen in 2011 (see page 91).

Risk management in 2011

In keeping with external regulations such as Solvency II, in 2011 ASR started to focus more intensively on value, including fair market value. This means that it now follows an approach in which returns are adjusted to take account of the risk taken and the costs related to these returns. This helps ASR optimize the process for decision making regarding its risk profile and whether to change the risk profile. Among other things, this has led to the decision to reduce interest rate risk over the next few years.

The risk reporting process sped up in 2011, and the auditability of risk reports increased. There was also a further improvement in the reliability of reports on solvency capital requirements (Solvency II) and Economic Capital (ECAP).

Another key development was the continued improvement of the framework for internal controls at ASR. In 2011, ASR developed a framework, based on an integrated risk management perspective, which identifies the greatest risks in ASR's most important processes. At the same time, a set of risk management measures for hedging these risks was specified. These risk management measures help ASR achieve its strategic and operational targets, comply with legislation and regulations, and produce reliable reports.

Risk management of financial risks in 2011

There were a number of developments in 2011 that had an impact on ASR's financial risk profile. Risk management measures were taken, and these helped to keep the financial risk profile within the relevant bounds (risk appetite).

Much of 2011 was dominated by the euro crisis. The ratings of many countries were downgraded in view of the debt positions of Greece, Spain, Portugal and Ireland, and due to loans made to these countries by other countries. ASR continued to ensure that its balance sheet remained robust by taking active steps to reduce risk in the portfolio. This protected the interests of policyholders.

Exposure to government bonds issued by peripheral European countries continued to fall, and stood at € 13 million, down € 151 million compared with 2010. Exposure to French government bonds was reduced to € 257 million (down € 1,232 million). Exposure in Belgium was also cut to € 2 million, a € 188 million drop.

In addition to its exposure to government bonds, ASR also reduced its investments in financial institutions. The reasons for this included the potentially negative impact that the bankruptcy of a national government would have on the capital positions of these institutions. This exposure fell by a total of € 1,020 million in 2011 to € 5,673 million.

ASR uses the ECB AAA curve to value liabilities when calculating DNB solvency and the adequacy test provision. This yield curve includes the Netherlands, Germany, France and Austria. The overall ECB AAA curve continued to fall in 2011, despite being buoyed up by the higher interest rate on French government bonds. If France's rating is downgraded, the curve will fall further. This would affect solvency adversely.

ASR periodically conducts tests to check whether the technical provisions are sufficient to cover insurance liabilities. These provisions were adequate at year-end 2011.

With regard to life and pension insurance, sales and profitability came under further pressure in 2011. This was due in part to low interest rates and disappointing investment income.

As far as non-life insurance is concerned, keeping claims under control remains a top priority. The global insurance industry saw record insurance claims in 2011. ASR's loss ratio fell in 2011 to 70.9%. This is a decrease of 2.1% compared to 2010 (73%). There was also a decline in the combined ratio, which stood at 98.9% (2010: 100.3%).

Risk management of non-financial risks in 2011

In 2011, ASR introduced a number of key risk management measures as part of its management of non-financial risks.

In 2011, the annual Control Risk Self-Assessment (CRSA) was integrated into the Own Risk Solvency Assessment (ORSA). The CRSA is a risk identification methodology used by all divisions to identify risks that pose a threat to the achievement of targets. A qualitative assessment is also made of the risk and the required risk management measures. As part of the ORSA, the impact of the risks identified in the CRSA on the capital requirements of ASR and individual divisions was estimated. ASR expects to continue this process in 2012 with the ongoing integration of the ORSA with the long-term budget. ASR will participate in DNB's ORSA dress rehearsal in 2012.

Also in 2011, additional attention was devoted to the availability, integrity and confidentiality of information. Awareness of this issue increased, and risk management measures continued to be implemented. Extra attention will continue to be given to this issue, given the importance for continuity of ASR's operations. With regard to information security, in 2012 the emphasis will be on demonstrating the use of risk management measures and ensuring even greater awareness of issues related to information security.

In addition, ASR continued to make improvements to its internal control system in 2011. To this end, a framework of standards was developed for the entire organization. As part of this, the most important process risks and associated risk management measures were identified. The framework of standards also includes risk management measures designed to ensure structural compliance with legislative and regulatory requirements. Given the frequent changes made to legislation and regulations, this was a key issue for ASR in 2011. The effect of the risk management measures is monitored by the Risk Management and Compliance departments.

Solvency II

Solvency II is the new regulatory framework for European insurers and will take effect on 1 January 2013. The Solvency II requirements support ASR in its efforts to make further improvements to risk management. ASR will implement Solvency II in full by year-end 2012.

The Solvency II framework is based on three pillars. Pillar 1 consists of quantitative solvency requirements, Pillar 2 of governance and internal control requirements, and Pillar 3 of disclosure requirements. Solvency II creates a new set of regulatory requirements and a solvency framework based on market-consistent valuation. The solvency requirements will better reflect the risks that insurance companies incur.

ASR started to take active steps to implement the Solvency II requirements in 2009. In the meantime, risk governance at ASR has been formalized to an increasing extent and an objective, verifiable Solvency II reporting process has been set up. Both in 2010 and in 2011, ASR carried out an ORSA. In 2011 we successfully completed the ORSA pilot by the Dutch Central Bank (DNB). In addition, the quality, reliability and integrity of data have been improved.

Risk priorities for 2012

All of the divisions perform an annual CRSA, during which they identify the risks that pose a threat to the achievement of the corporate targets. Risk priorities are set by the Executive Board on the basis of identified risks and other external developments. The progress made on managing the identified risk priorities is reported to ASR's risk committee on a quarterly basis. The risk committee is made up of all members of the Executive Board as well as representatives of the main risk management departments.

The risk priorities defined for 2012 are described below.

Given the turmoil of the financial markets, there is a risk that ASR's financial robustness could be affected. The main causes of this risk are the European debt crisis, trends in interest rates and stock market volatility. Continuing to control the impact this has on solvency and returns is a top priority for ASR.

In 2011, ASR offered its customers an additional alternative solution for unit-linked investment contracts. This was positively received by customers and the media. With regard to this issue, ensuring transparency in communications with customers and devoting attention to customer satisfaction are focal points. ASR will continue to pay a great deal of attention to customer satisfaction in 2012.

ASR's earnings model has come under pressure owing to radical changes in its main distribution channel (intermediaries), the development of bank products (including bank savings products), the cost level and the abolition of kickbacks with effect from 1 January 2013. The Dutch insurance market is saturated and fiercely competitive, and margins are slim. ASR has given top priority to ensuring the earnings model is ready for the future.

The IT infrastructure is a key factor in ASR's operations. ASR is looking to continue to replace outdated systems in 2012. This will ensure that in future ASR will continue to comply with legislation and regulations, report reliable information promptly, and be able to adapt quickly to changing circumstances. Improving the IT infrastructure is therefore vital in order for the realization of the strategy.

The world in which the insurance sector operates is subject to a great deal of changing rules and regulations. Given the growing complexity and constant amendment of laws and regulations, ASR needs to be alert.

Extra attention was given to information security in 2011. In 2012, attention will continue to be devoted to managing risks associated with security, including information security, and raising awareness of this issue.

‘People’s safety is our number one concern. Victims need to be able to count on that.’

Arnold Nieuwendijk
Fireman

Part III

Governance

3.1 Corporate Governance

General

The Dutch State became the sole shareholder in ASR Nederland N.V. on 3 October 2008. On 29 September 2011, the Dutch State transferred all shares in ASR Nederland N.V. to NL Financial Investments (NLFI) in exchange for depositary receipts for the shares.

Governance structure

ASR Nederland N.V. is a two-tier company. It is subject to the partial two-tier regime because the State, in its capacity as a legal person under public law, has provided the entire issued capital for its own account (Section 155a, Book 2 of the Netherlands Civil Code). As a result, the rules for appointing and removing supervisory directors are different from those in effect at companies not subject to the partial two-tier regime. In addition, specific executive decisions mentioned in the law are subject to Supervisory Board approval.

The company has an Executive Board and a Supervisory Board.

Executive Board

The Executive Board is responsible for the day-to-day conduct of business at ASR as a whole, plots the company strategy and formulates policy. To discharge its duties, the Executive Board takes decisions, which are submitted to the Supervisory Board or the Annual General Meeting of Share-holders (AGM) for approval where required.

The members of the Executive Board per 1 January 2012 are:
Jos Baeten, LL.M. (CEO)
Karin Bergstein, MSc
Roel Wijmenga, Ph.D.

Supervisory Board

The Supervisory Board has every power the law confers upon a Supervisory Board of a two-tier company subject to the partial regime. The Supervisory Board's main duties and responsibilities are supervising the policies pursued by the Executive Board, overseeing the general conduct of affairs at the company and its affiliated entities, and advising the Executive Board.

The members of the Supervisory Board per 1 January 2012 are:
Kick van der Pol, Ph.D. (Chairman)
Annet Aris, MSc
Cor van den Bos, MSc
Margot Scheltema, MSc

Articles of Association and rules of procedure

The current Articles of Association and rules of procedure for the Executive Board and the Supervisory Board have been posted on the corporate website: www.asrnl.com.

Rules for appointing and removing executive and supervisory directors

The AGM appoint members of the Supervisory Board on the recommendation of the Supervisory Board. Both the AGM and the Works Council have the right to nominate supervisory directors. The Supervisory Board duly notifies the AGM and the Works Council of when and why they have the right to nominate a supervisory director, and of the profile required of the nominee.

If the nomination is subject to an enhanced right of recom-mendation as stipulated in Article 17(7) of the Articles of Association, the Supervisory Board notifies the AGM and the Works Council of this enhanced right as well. By virtue of the enhanced right of recommendation, one-third of the members of the Supervisory Board is appointed after having been nominated by the Works Council, unless the Supervisory Board raises objections because it expects the recommended person to be unsuitable for the job of supervisory director or because the Supervisory Board will not be properly balanced if the Works Council's candidate is appointed. The enhanced right of recommendation applied to the appointment of one of the members of the Supervisory Board.

Members of the Supervisory Board can be removed only by the Enterprise Section of the Amsterdam Court of Appeal if they neglect their duties, for other compelling reasons or because of a drastic change in circumstances. In addition, the AGM may oust the full Supervisory Board by adopting a motion of no confidence, resulting in the immediate removal of all supervisory directors. Finally, the Supervisory Board may also suspend an individual supervisory director.

Corporate Governance Code

The Dutch Corporate Governance Code does not apply to ASR Nederland N.V. because its shares or the depositary receipts for its shares have not been admitted to an official listing on a stock exchange or similar system. Although ASR Nederland N.V. is under no obligation to do so, it endeavours to comply with the Code where possible.

For an overview of how ASR Nederland N.V. applies the Dutch Corporate Governance Code, please visit the corporate website (www.asrnl.com) to view the Corporate Governance Statement.

Governance Principles for Insurers and Dutch Banking Code

Corporate governance of financial institutions and regulators has attracted increased attention in recent years because of the financial crisis and developments in society. The General Meeting of Members of the Dutch Association of Insurers adopted the Governance Principles on 15 December 2010. These Principles correspond with those of the Dutch Banking Code. The Governance Principles, which are also referred to as the Dutch Insurance Code, have been in effect for all insurance companies licensed in the Netherlands from 1 January 2011 onwards. This means that the Dutch Insurance Code applies to all licensed insurers within ASR Nederland N.V.

Banks licensed in the Netherlands have been subject to the Dutch Banking Code since 1 January 2010. 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.

ASR Nederland N.V. recognizes much of its mission, vision and core values in the principles of the Dutch Insurance Code and the Dutch Banking Code, and therefore fully endorses both Codes. By seeking to achieve its mission, vision and core values, ASR Nederland N.V. wants to contribute to improving the workings of the Dutch financial sector and help restore trust in the financial sector, never losing sight of customer interests.

The modified Dutch Insurance Code, adopted on 22 June 2011 by the General Meeting of members of the Dutch Association of Insurers, is in line with ASR's mission and core values and has been signed by ASR.

To find out what measures ASR Nederland N.V. has taken to comply with the Dutch Insurance Code, please visit the corporate website: www.asrnl.com.
Details on how ASR Bank N.V. applies the Dutch Banking Code can be found in its Annual Report that has been posted online on www.asrverzekeringen.nl.

3.2 Remuneration policy Executive Board

The remuneration policy applies to members of the Executive Board.

The remuneration policy is in accordance with the Restrained Remuneration Policy, the Dutch Corporate Governance Code and the Governance Principles for Insurers.

How competitive the total remuneration is in the market is judged via comparison with a relevant reference group. The remuneration policy presumes that the average level of the total remuneration is just under the median of the target group relevant to ASR. In 2011, the remuneration of the Executive Board was well under the median.

Fixed annual remuneration:

- The fixed remuneration is indexed in line with the rises under the collective labour agreement for the insurance industry. This percentage stood at 0.5% per 1 February 2011.

Variable remuneration:

- Since 7 February 2012 ASR is included in the Dutch 'Limitation of liability of the Dutch Central Bank (DNB) and the Financial Markets Oversight Board (AFM) and Bonus Ban for Companies with State Aid Act' (Wet aansprakelijkheidsbeperking DNB en AFM en bonusverbod staatsgesteunde ondernemingen). In accordance with this bill, the members of the Executive Board will not receive any variable remuneration as long as the bill applies to ASR. This law applies with a retroactive effect for 2011.

No variable remuneration was conferred on the Executive Board over 2011 in line with the Dutch Limitation of liability of the DNB and AFM and Bonus Ban for Companies with State Aid Act.

Other elements

- **Pension**
  The Executive Board's pension commitment is a standard career average scheme with a growth rate of 2.25%. This includes a personal contribution of 6% of the pensionable earnings.
- **Transport**
  The members of the Executive Board can choose between using a lease car or a service car including a chauffeur.
- **Expense allowance**
  For the members of the Executive Board: € 253.75 taxed and € 200 untaxed per month.
- **Severance package**
  The severance package for members of the Executive Board is a maximum of one year's fixed salary. For them it also applies that in the event of a change of control, their contracts of employment will remain in force for a minimum of one year.
- **Staff terms**
  The staff terms are in accordance with the policy that applies to all ASR-employees.

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Core values provide moral compass

ASR wants to be known as a company that seeks to fundamentally change the nature of customer relations. The key word here is trust. The idea is that an intensive process of cultural change will provide ASR employees with the tools they need to consciously behave in the spirit of ASR's core values: personal, approachable and accountable and true to who we are.

Alf Overmars

Director of Human Resources at ASR

'To make the transition to a fundamentally different kind of relationship with customers, we first need to learn to interact differently with people in our own organization', Alf Overmars, Director of Human Resources at ASR, says. 'Trust is a broad concept. How do you make this real in a large organization? We have chosen a process in which working together with our own people is the key. We want our employees to experience our core values together, debate them and hold each other accountable for living up to them. It's not the easiest way to go, but it's what we believe in because it fits ASR.

We want to create a dialogue between people in the organization. To grow mutual trust and to increase our people's engagement with the organization. Managers and employees need to ratchet up the debate on topics such as: what do we stand for as a team, what is expected of us, what do we achieve and what don't we achieve, and why is that? People are different and everyone has their own role in the team. That's how you work together to realize our core values. Being personal, approachable and accountable and true to who we are means truly communicating with each other.

In 2011, we put our plans into action. More than 400 managers were trained in this way of thinking, support structures were put into place by recruiting 60 coaches from our own ranks, and a “core values corner” was set up on the Intranet. Teams are now getting involved and we are monitoring managers regarding how they apply the plans in practice. If we achieve a situation where we consciously live by our core values, making things personal, and being approachable and accountable and true to who we are, that’s when we can also use these values in our customer contacts. A process such as this needs to start from within, but in the end we’re doing it for our customers.

‘Managers and employees need to ratchet up the debate’

And it’s not limited to just the core values. The New World of Work that we have chosen to implement is a contributing factor as well. If you’re a manager and you don’t see your people every day, you need to be able to trust them to deliver. We give employees the opportunity to find a better balance between their work and home life. If we’re together in a single building, it’ll be easier to work towards a single culture. The OpEx lean method is also closely linked to this. It allows us to embed the core values in our operations and management. Making transparent agreements and holding each other accountable for keeping these agreements is clearly part of the cultural change. We want to work on building trust together in a well-conceived way. This is an ongoing processes that we will take one step at a time.’

‘A process such as this needs to start from within’

Niels Schotanus

Talent Manager at ASR

Rome wasn’t built in a day

Niels Schotanus is a Talent Manager at ASR. His job is to recruit, develop and retain talented people for the organization. It is his responsibility to ensure the new core values become a reality within the organization, in particular by encouraging conduct among employees that is in keeping with those values.

As an insurance company, our challenge is to win back the trust of our customers. It starts with our own people because they are the first point of contact for customers. We want our core values to be a daily reality for our staff. We want them to be close to customers by thinking like the customer and taking a personal approach. They should be business-like, but also empathize with the customer and show understanding. Employees should be free to be themselves and be held accountable for their work and their conduct. It takes courage to do that.

We have implemented a new leadership programme for managers to train them to recognize conduct that chimes with our values and to set the right example. Not because they “have to”, but because they believe in it. Our values are intended as a guide. You want people around you that consider those values appealing. Including new employees. We want to be the insurance company of choice for talented employees.

‘With a visual impairment you need to trust your guide dog with your life.’

Jan Achterberg

Part IV

Report of the Supervisory Board

4.1 Members of the Supervisory Board

C. (Kick) van der Pol Ph.D. (1949)

Chairman of the Supervisory Board, Member of the Selection, Appointment & Remuneration Committee

Kick van der Pol is the Chairman of the Board of Directors of Ortec Finance, Chairman of the Board of the Federation of Dutch Pension Funds, a member of the Bank Council of the Dutch Central Bank (DNB), and Chairman of the Advisory Board of Syntrus Achmea. In the past, he served as the Vice-Chairman of the Executive Board of Eureko/Achmea and as Chairman of the Executive Board of Interpolis.

Term of service: 15 June 2010 – 15 June 2014

A.P. (Annet) Aris MSc (1958)

Chair of the Selection, Appointment & Remuneration Committee

Annet Aris had a 17-year career at McKinsey as a management consultant, nine years of which she served as a partner. She has served as a supervisory director for a number of years at several Dutch and foreign enterprises and institutions, including Kabel Deutschland AG (Munich, Germany), Jungheinrich AG (Hamburg, Germany) and the Sanoma Group (Helsinki, Finland). Annet is an adjunct professor of strategy at INSEAD international business school (Fontainebleau, France).

Term of service: 7 December 2010 – 7 December 2014

C.H. (Cor) van den Bos MSc (1952)

Chairman of the Audit & Risk Committee

Cor van den Bos served on the Executive Board of SNS Reaal N.V. until August 2008; in this position, he was responsible for all insurance operations. He is the Chairman of the Supervisory Board of CED, a claims-processing manager, and of Noordwijkse Woningstichting, a housing corporation, and was Chairman of the Board of Stichting Verzekeringswetenschap, an institute for insurance science up to January 2012. He also sits on the Supervisory Boards of NIBE-SVV, a knowledge institute and publisher for the Dutch banking, insurance and investment industry, and Trust Hoevelaken.

Term of service: 15 June 2011 – 15 June 2015

M.A. (Margot) Scheltema MSc (1954)

Member of the Audit & Risk Committee

Until 2009, Margot Scheltema served as the CFO of Shell Nederland B.V., prior to which she held several international management positions at Shell since 1986. She is a supervisory director of Triodos Bank, Schiphol Group, TNT Express and Warmtebedrijf Rotterdam (district heating). She is also a member of the Supervisory Boards of the Rijksmuseum and ECN (Energy Centre Netherlands), has a seat on the Financial Reporting Committee of the Netherlands Authority for the Financial Markets (AFM), and serves as an external member of the Audit Committee of ABP, a pension fund.

Term of service: 15 December 2008 – 15 June 2012

4.2 Report of the Supervisory Board

Financial statements and profit appropriation

The financial statements for 2011 were discussed with KPMG, the independent external auditor. The Executive Board submitted the Report of the Executive Board and the financial statements for 2011 to the Supervisory Board. The Supervisory Board went on to approve the financial statements in its meeting of 29 March 2012.

The financial statements were audited by KPMG, who issued an unqualified opinion on them. This statement can be found on page 166 of this report. The Supervisory Board established that the external auditor was independent from ASR.

The Supervisory Board submitted the financial statements for adoption to the Annual General Meeting of Shareholders (AGM). The Supervisory Board also proposed to adopt the financial statements and to discharge the members of the Executive Board and the Supervisory Board for their management and supervision respectively. For details on profit appropriation, which was approved by the Supervisory Board, see page 169 of this report.

Issues discussed

In its meetings with the Executive Board, the Supervisory Board was informed of developments in earnings, key figures and the general conduct of business at ASR. Prominent recurring issues for the Supervisory Board were developments in the financial markets and solvency, refinement of the strategy, compliance and governance. The approach to unit-linked policies, the remuneration policy and the acquisition of life insurer Paerel were addressed in meetings specifically convened for those purposes. Before any decisions were taken on refining ASR's strategy, the Supervisory Board educated itself extensively in a number of sessions about developments in selected market segments. With respect to management development and planning for succession, great attention was devoted to the personal development and possible next steps of all senior managers.

Financial position and solvency

In its meetings, the Supervisory Board focused heavily on ASR's financial performance. In addition to addressing developments in costs and the combined ratio, particular focus was placed on trends in the financial markets and their impact on solvency.

The supervisory directors are satisfied with ASR's risk and investment policies. Solvency levels have remained robust thanks to prompt and adequate action in response to external developments and risk-mitigating measures. The supervisory directors believe that risks are being weighed properly against returns.

Unit-linked policies

ASR wants to offer a better prospect to unit-linked policyholders. The arrangements for compensating high fees may be an important step, but still insufficiently give customers the prospect of their original goals. The Supervisory Board convened a number of meetings specifically to discuss at length how to improve prospects for unit-linked policyholders. In these meetings, the supervisory directors stressed the importance of a proactive approach that truly puts customer interests first and actually contributes to restoring the customer's trust. ASR has opted to actively contact all unit-linked policyholders and to deposit any accrued compensation directly into their policies. They will also be given the opportunity, after having met with one of ASR's advisors, to switch to a new transparent product with lower costs, without having to pay a financial penalty.

Refinement of the strategy

In response to financial and economic developments, the Executive Board, in the first quarter of the year under review, decided to refine ASR's strategy in a number of specific areas, including distribution, asset-building and pensions. A sharper focus was placed on target groups as well. The refined strategy was discussed with the Supervisory Board. Prior to the discussion, the supervisory directors attended a number

of information sessions in which they received an update of external developments in these areas.
The Supervisory Board endorses both the chosen direction in the asset-building and pensions market segments and the decision to focus on accessibility where distribution is concerned. The supervisory directors emphasize that the speed of executing the strategy, including the refined aspects, will be a decisive factor in whether or not ASR will be successful at becoming a unique market player. The Supervisory Board keeps track of strategy execution by means of periodic progress reports.

Outsourcing

Cost levels need to be reduced substantially to be able to remain competitive and maintain profitability. This makes cost reductions a priority in ASR's strategy. Migrating to a next generation of systems and resolving the existing legacy are key to achieving a fundamentally lower cost level. As part of this effort, the Supervisory Board was included in developing policy regarding outsourcing. The Supervisory Board agrees with the Executive Board's decision to abandon the end-to-end outsourcing strategy. The (financial and operational) risks of this approach were discussed and considered too great. The supervisory directors agree with the chosen direction entailing a gradual transition to the outsourcing of administrative life processes and IT platforms to help make costs variable and reduce them.

Acquisition of life insurer Paerel

Life insurer Paerel sought to join ASR because its solvency was being weighed down as a result of interest rate developments. The Supervisory Board agreed to the acquisition of Paerel. A key consideration was offering Paerel's customers certainty in respect of their policy entitlements. In addition, the Supervisory Board attached value to the fact that Paerel's operations could be integrated into ASR's life business and that the acquisition had no substantial effect on ASR's solvency.

Prime Retail Fund

In order to implement an earlier decision to establish a retail fund, the Supervisory Board approved the contribution of the retail portfolio of ASR Nederland Vastgoed Maatschappij N.V. and ASR Levensverzekering N.V. to the new ASR Dutch Prime Retail Fund. Late in 2011, institutional investors invested € 380 million in the Fund. The supervisory directors are pleased with the diligence and approach taken regarding the establishment and placement of the Fund. Setting up the Fund has created more flexibility in ASR's balance sheet in terms of investment property.

Compliance and Audit

Each quarter, the Supervisory Board discussed the reports from Audit and Integrity & Operational Risk Management. Reports issued by, and findings of, external regulators were also reviewed extensively. In these discussions, compliance with statutory rules and regulations was always a key area of concern for the Supervisory Board.
The two departments reported a lower number of high-risk issues in the year under review. The Supervisory Board will continue to stress the importance of resolving problem areas. This calls for ongoing focus from management, the right priorities and discipline.

Governance

The composition of the Executive Board changed in 2011. The resignations of both Hans van der Knaap and Roeland van Vledder, and the proposal to appoint Karin Bergstein were discussed in the Supervisory Board after having been covered in the Selection, Appointment & Remuneration Committee.

The rules of procedure for the Supervisory Board were amended to meet the requirements of the Governance Principles. Furthermore, a decision was taken to formally strengthen the position of Risk Management. As a result, the Audit Committee was remodeled to the Audit & Risk Committee (ARC). Financial and non-financial risk reports are submitted to the ARC; the directors of Risk Management and Integrity & Operational Risk Management have become permanent members of the new ARC. As part of strengthening the position of Risk Management, the risk appetite is discussed by the Supervisory Board and subject to its approval.

The Dutch Central Bank (DNB) reviewed the design and effectiveness of ASR's governance structure in the year under review. The Supervisory Board discussed the findings of the review with the Executive Board. Following up on the findings, talks are ongoing with DNB about the implications of the findings and the implementation of the recommendations.

Corporate social responsibility

Sustainability is an important yardstick for the Supervisory Board in exercising its supervisory and – where appropriate – approving role. In doing so, the Supervisory Board starts from the principle that long-term interests take precedence over potential short-term gains.
The aspect of sustainability surfaced in discussions on several topics in 2011, playing a particularly central role in ASR's approach to compensating unit-linked policyholders, the details of the remuneration policy, the anchoring of a new style of leadership and risk management.
In order to stress the importance of diversity and – as part of the diversity effort – to encourage the advancement of women to higher positions, one of the supervisory directors took part in a meeting of ASR's women's network.

Audit & Risk Committee

Every quarter ASR's financial performance was the focal point of meetings. The Committee discussed the financial results for the full year based on the annual report, the financial statements and the actuary's report. The Committee issued a positive report to the Supervisory Board.

The Audit & Risk Committee also addressed other issues. Such as the audit plans for 2012 of both Internal Audit and the independent external auditor, approving them in the process. The Committee also approved the Compliance Plan for 2012. Other topics for discussion included the reports of the independent external auditor; audit and compliance reports were discussed quarterly.

As part of the Policy Plan, the Audit & Risk Committee talked about the Budget 2012 and the Financial Forecast 2013-2016. The Investment Plan, which is driven by the requirements of QIS5/Solvency II, was also addressed extensively. In the Committee's opinion, ASR strengthened its financial basis further in 2011 and responded promptly to the difficult financial and economic climate, particularly in the eurozone. Solvency levels are robust and interest rate exposures, for instance, are well under control. Further cost cuts were implemented. Although the Committee is pleased with those results, it also feels that further steps are required for ASR to maintain its competitive edge going forward. The risk priorities for 2012 were discussed at year-end 2011.

The Committee believes that ASR undertakes relatively many projects involving normal operations in the different divisions. At the same time, new rules and regulations, and various change initiatives to become a more customer-orientated and cost-efficient service provider already make great demands on available capacity. The Committee endorses the need for improving ASR's operational performance and sets great store by strict discipline in managing and implementing such improvements.

The Chairman of the Committee consistently reported the main issues to the Supervisory Board during the Board's next meeting. Moreover, the Audit & Risk Committee provided the Supervisory Board with written reports of its deliberations, findings and recommendations.

Selection, Appointment & Remuneration Committee

In its first meetings in 2011, the Committee focused mainly on the implementation of the Regulations on Restrained Remuneration Policy. After having solicited the advice of the Selection, Appointment & Remuneration Committee, the Supervisory Board adopted the remuneration policy (including the list of staff to which it applies) based on the Regulations on Restrained Remuneration Policy 2011, and submitted it to DNB on 30 March 2011. The Supervisory Board regrets that, in contrast with the policy adopted on 28 November 2010, which linked long-term variable pay to developments in customer satisfaction, the prevailing policy stipulates that deferred variable pay should be linked to development in ASR's value.

The Supervisory Board discussed at length the evaluation of the performance of the Executive Board and whether or not to award variable pay. In light of the public debate about bonuses, it was decided not to award any short-term variable pay over 2010 and to formulate a new remuneration policy that will govern the Executive Board's long-term variable remuneration. The guiding principles of this policy will be to reduce the variable pay component and to position the Executive Board's overall remuneration just below the median of the Financial Services benchmark. This change was fleshed out in 2011 and agreed with NLFI, the shareholder. The policy was submitted to the Dutch Minister of Finance for approval early in 2012.

Hans van der Knaap's resignation left a vacancy on the Executive Board. In addition to fulfilling a formal role, the Selection, Appointment & Remuneration Committee was closely involved in appointing Karin Bergstein to the Executive Board. The Supervisory Board also completed the formalities associated with Roeland van Vledder's resignation from the Executive Board.

The Chair of the Selection, Appointment & Remuneration Committee consistently reported to the Supervisory Board any topics discussed and provided the Supervisory Board with written reports of the Committee's deliberations, findings and recommendations.

Outlook

The Supervisory Board believes that, given its robustness and refined strategy as guiding principles, ASR should be able to restore customer's trust one step at a time. A disciplined approach to implementing the plans and building a proven track record are essential elements in this process.

Performance evaluation

After having performed self-assessments for two years, the Supervisory Board engaged an outside party late in 2011 to evaluate its performance. The outcome of the evaluation was discussed with the supervisory directors and the Executive Board at the beginning of 2012.

Contacts with Works Council

A mixed delegation of the Supervisory Board attended three regular consultative meetings with the Works Council, which were perceived as being constructive. The supervisory directors express their appreciation of the open atmosphere at meetings as well as the efforts and commitment of all Works Council members.

Contacts with shareholder

The Supervisory Board was in contact with the shareholder, represented by the Dutch Ministry of Finance, on several occasions in 2011. On 29 September 2011, the Dutch State, sole shareholder of ASR Nederland N.V. since 3 October 2008, transferred all shares in ASR Nederland N.V. to NL Financial Investments (NLFI) in exchange for depositary receipts for the shares. As a result, NLFI has become the shareholder of ASR Nederland N.V. and there is no more direct contact with the Ministry of Finance. The Supervisory Board met the Board and the management of NLFI, and agreed on a schedule for meetings and information provision.

Contacts with independent external auditor

The independent external auditor attended the meeting in which the Supervisory Board addressed the annual results. The independent external auditor was also present in all meetings of the Audit & Risk Committee. The members of the Audit & Risk Committee and the independent external auditor deliberated once without the other permanent delegates of the Audit & Risk Committee meetings being present.

MEETING DATE	KICK VAN DER POL	ANNET ARIS	COR VAN DEN BOS	MARGOT SCHELTEMA
31 January*	X		X	X
2 February*	X	X	X	X
9 February*	X	X	X	X
1 March	X	X	X	X
11 April	X	X	X	X
22 April (without Executive Board)	X	X	X	X
26 April (without Executive Board)	X	X	X	X
25 May	X	X	X	X
17 August	X	X	X	X
7 October*	X	X	X	X
23 November	X	X	X	X
15 December	X	X	X	X

* ad hoc meetings

Composition of the Supervisory Board

There were no changes in the composition of the Supervisory Board in 2011. Cor van den Bos was scheduled to retire on 15 June and was re-appointed for another four-year term on that same date.

As a result of the resignation of both Hans van der Knaap and Roeland van Vledder, the Supervisory Board of ASR Bank now has two vacancies. The Supervisory Board of ASR Bank has nominated Margot Scheltema and Cor van den Bos to replace them. The appointment procedure has been initiated.

Supervisory Board meetings

The Supervisory Board had ten meetings with the Executive Board during the year under review. Six were regular meetings and four were ad hoc meetings to discuss the specifics of unit-linked policies and the acquisition of Paerel. All meetings but one ad hoc meeting were attended by all members of the Supervisory Board. In April 2011, the Supervisory Board met twice without the Executive Board being present. These meetings covered the variable pay to be awarded to the Executive Board. In addition to formal meetings, two information sessions were organized for the supervisory directors, educating them thoroughly, ahead of the decision-making process on the refined strategy, about current market developments in pensions, asset-building and distribution channels.

Meetings Audit & Risk Committee

The Audit & Risk Committee, whose members are Cor van den Bos (Chairman) and Margot Scheltema, met six times. Its meetings were attended by the CFO, the independent external auditor, and the directors of Audit, Risk Management, Integrity & Operational Risk Management, and Accounting, Reporting & Control.

Meetings Selection-, Appointment & Remuneration Committee

The Selection, Appointment and Remuneration Committee met five times in 2011. The first meeting was chaired by Margot Scheltema, after which Annet Aris took over the chairmanship. Annet Aris (Chair) and Kick van der Pol have been on the Committee since then. The composition of the Committee is now in accordance with the rules of procedure for the Selection-, Appointment & Remuneration Committee.

The meetings are attended by the Chairman of the Executive Board and the Human Resources Director, who doubles as secretary of the Selection, Appointment & Remuneration Committee. The Committee solicits support and advice from control functions such as Risk Management, Compliance, Audit and Human Resources. Where needed, the Committee calls in the help of independent legal and pay and benefits experts.

Independence

Kick van der Pol has announced that he will be appointed to DNB's Bank Council. In 2009 Cor van den Bos indicated that as chairman of the Supervisory Board of CED, there could be conflicts of interest if issues related to CED where discussed by the ASR Supervisory Board. In 2011, this was not the case. There were no reports of potential conflicts of interest involving the other supervisory directors. The Supervisory Board has been able to discharge its duties fully independently.

Final comments

The Supervisory Board would like to express its appreciation for the efforts undertaken by the members of the Executive Board and all ASR-employees. Again in 2011, they dedicated their expertise and efforts to aid ASR's continued development into a sustainable and customer-oriented insurer.

Utrecht, the Netherlands, 29 March 2012

Supervisory Board
Kick van der Pol Ph.D.
Annet Aris MSc
Cor van den Bos MSc
Margot Scheltema MSc

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Part V

Executive Board Responsibility Statement

5 Executive Board Responsibility Statement

The consolidated and company financial statements 2011 of ASR Nederland N.V. as well as part I, II and III 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 Netherlands Civil Code.

The Executive Board declares that, to the best of its knowledge:
1. the financial statements give a true and fair view of the assets, liabilities, financial position and earnings;
2. the financial report does not contain any material misstatements and that risk management and control systems functioned properly in the year under review;
3. the Annual Report gives a true and fair view of the situation at the balance sheet date, developments during the year under review and;
4. the Annual report describes the principal risks that the company faces.

Utrecht, the Netherlands, 29 March 2012

Executive Board
Jos Baeten LL.M
Karin Bergstein MSc
Roel Wijmenga Ph.D.

Part VI

Financial Statements

2011 Consolidated financial statements ASR Nederland N.V.

All amounts quoted in the tables contained in these financial statements are in millions of euros, unless otherwise indicated.

Table of contents

Consolidated balance sheet

(before profit appropriation)

	NOTE	31 DEC. 2011	31 DEC. 2010
Intangible assets	6	285	323
Deferred acquisition costs	7	357	447
Property, plant and equipment	8	79	132
Investment property	9	1,686	1,961
Associates and joint ventures	10	211	182
Investments	11	18,541	19,190
Investments on behalf of policyholders	11	8,581	9,491
Loans and receivables	11	6,634	6,407
Derivatives	11	1,865	572
Deferred tax assets	12	11	196
Reinsurance contracts	13	463	427
Other assets	14	792	763
Cash and cash equivalents	15	2,573	525
Total assets		**42,078**	**40,616**
Share capital	16	100	100
Share premium reserve	16	962	962
Other reserves	16	580	551
Profit for the year	16	212	317
Total equity attributable to shareholders		**1,854**	**1,931**
Other equity instruments	16	515	515
Equity attributable to holders of equity instruments		**2,369**	**2,446**
Non-controlling interests		-4	5
Total equity		**2,365**	**2,451**
Subordinated debt	17	20	20
Liabilities arising from insurance contracts	18	23,731	22,352
Liabilities arising from insurance contracts on behalf of policyholders	18	9,202	10,488
Employee benefits	19	2,143	2,033
Provisions	20	30	28
Borrowings	21	107	99
Derivatives	11	137	81
Deferred tax liabilities	12	69	159
Due to customers	22	1,591	1,749
Due to banks	23	1,716	76
Other liabilities	24	967	1,080
Total liabilities		**39,713**	**38,165**
Total liabilities and equity		**42,078**	**40,616**

The current presentation differs from last year's presentation in some respects. Where applicable, the comparative figures have been restated (see chapter 2.3). The numbers following the line items refer to the relevant chapters in the notes.

Consolidated income statement

	NOTE	2011	2010
Gross premiums written		4,437	4,756
Change in provision for unearned premiums		74	-18
Gross insurance premiums	**25**	**4,511**	**4,738**
Reinsurance premiums	26	-226	-220
Net insurance premiums		**4,285**	**4,518**
Investment income	27	1,381	1,352
Realized gains and losses	27	475	178
Fair value gains and losses	27	-9	-28
Result on investments on behalf of policyholders		-372	775
Fee and commission income	28	82	127
Other income	29	135	336
Share of profit/(loss) of associates and joint ventures		8	4
Total income		**1,700**	**2,744**
Insurance claims and benefits	30	-3,835	-5,136
Insurance claims and benefits recovered from reinsurers	30	142	12
Net insurance claims and benefits		**-3,693**	**-5,124**
Operating expenses	31	-633	-672
Acquisition costs	32	-593	-552
Impairments	33	-358	-39
Interest expense	34	-254	-169
Other expenses	35	-202	-285
Total expenses		**-2,040**	**-1,717**
Profit before tax		**252**	**421**
Income tax expense	36	-47	-103
Profit for the year		**205**	**318**
Attributable to:			
- Shareholders		178	278
- Holders of other equity instruments		45	53
- Tax on interest of other equity instruments		-11	-14
Profit attributable to holders of equity instruments		**212**	**317**
Attributable to non-controlling interests		-7	1
Profit for the year		**205**	**318**

The current presentation differs from last year's presentation in some respects. Where applicable, the comparative figures have been restated.
The numbers following the line items refer to the relevant chapters in the notes.

Consolidated statement of comprehensive income

	2011	2010
Profit for the year	**205**	**318**
Unrealized change in value of available-for-sale financial assets	-85	697
Shadow accounting	-218	-329
Share of other comprehensive income of associates and joint ventures	-4	-7
Unrealized change in value of cash flow hedges	1	1
Other changes recognized directly in equity	20	1
Income tax relating to components of other comprehensive income	30	-74
Other comprehensive income for the year, after tax	**-256**	**289**
Total comprehensive income	**-51**	**607**
Attributable to:		
- Shareholders	-77	567
- Holders of other equity instruments	45	53
- Tax on interest of other equity instruments	-11	-14
Total comprehensive income attributable to holders of equity instruments	**-43**	**606**
Attributable to non-controlling interests	-8	1
Total comprehensive income	**-51**	**607**

Shadow accounting allows a recognized but unrealized gain or loss on an asset to be transferred to insurance liabilities (see chapter 2.29).

Consolidated statement of changes in equity

	SHARE CAPITAL	SHARE PREMIUM RESERVE	UNREALIZED GAINS AND LOSSES	EXCHANGE RATE DIFFERENCES RESERVE	OTHER	OTHER RESERVES	PROFIT FOR THE YEAR	EQUITY ATTRIBUTABLE TO SHAREHOLDERS	OTHER EQUITY INSTRUMENTS	NON CONTROLLING INTEREST	EQUITY
At 1 January 2010	100	962	61	-	11	72	255	1,389	515	51	1,955
Profit for the year	-	-	-	-	-	-	317	317	-	1	318
Total other comprehensive income	-	-	289	-	-	289	-	289	-	-	289
Total comprehensive income	**-**	**-**	**289**	**-**	**-**	**289**	**317**	**606**	**-**	**1**	**607**
Profit carried over from previous financial year	-	-	-	-	255	255	-255	-	-	-	-
Acquisition of non-controlling interest	-	-	-	-	-25	-25	-	-25	-	-47	-72
Discretionary interest on other equity instruments	-	-	-	-	-53	-53	-	-53	-	-	-53
Income tax relating to interest on other equity Instruments	-	-	-	-	14	14	-	14	-	-	14
At 31 December 2010	**100**	**962**	**350**	**-**	**202**	**552**	**317**	**1,931**	**515**	**5**	**2,451**

At 1 January 2011	100	962	350	-	202	552	317	1,931	515	5	2,451
Profit for the year	-	-	-	-	-	-	212	212	-	-7	205
Total other comprehensive income	-	-	-276	-	21	-255	-	-255	-	-1	-256
Total comprehensive income	**-**	**-**	**-276**	**-**	**21**	**-255**	**212**	**-43**	**-**	**-8**	**-51**
Profit carried over from previous financial year	-	-	-	-	317	317	-317	-	-	-	-
Discretionary interest on other equity instruments	-	-	-	-	-45	-45	-	-45	-	-	-45
Income tax relating to interest on other equity Instruments	-	-	-	-	11	11	-	11	-	-	11
Payments	-	-	-	-	-	-	-	-	-	-1	-1
At 31 December 2011	**100**	**962**	**74**	**-**	**506**	**580**	**212**	**1,854**	**515**	**-4**	**2,365**

In the first half of 2010, ASR acquired a non-controlling interest at its fair value of € 72 million. Other amounting to € 506 million (2010: € 202 million) consist primarily of retained earnings. Unrealized gains and losses include shadow accounting adjustments (see chapter 2.29). For more detailed information on the unrealized gains and losses, see chapter 16.2.

Consolidated statement of cash flows

	2011	2010
Cash and cash equivalents as at 1 January	**525**	**744**
Cash generated from operating activities		
Profit before tax	252	421
Unrealized gains (losses) on investments at fair value through profit or loss	-6	-7
Retained share of profit of associates and joint ventures	5	6
Amortization/depreciation:		
- Intangible assets	22	26
- Deferred acquisition costs	108	87
- Property, plant and equipment	12	16
- Investment property	38	41
Amortization of investments	5	-12
Impairments	358	39
Net increase/decrease in investment property	-217	126
Net increase/decrease in investments	-1,237	27
Net increase/decrease in investments on behalf of policyholders	682	-684
Net increase/decrease in derivatives	918	-215
Net increase/decrease in amounts due from and to customers	-605	155
Net increase/decrease in amounts due from and to banks	1,719	-979
Net increase/decrease in trade and other receivables	113	42
Net increase/decrease in reinsurance contracts	14	109
Net increase/decrease in liabilities arising from insurance contracts	1,178	536
Net increase/decrease in liabilities arising from insurance contracts on behalf of policyholders	-1,294	666
Net increase/decrease in other operating assets and liabilities	129	-492
Income tax received / paid	-67	24
Cash flows from operating activities	**2,129**	**-68**
Cash flows from investing activities		
Investments in associates and joint ventures	-34	-3
Proceeds from sales of associates and joint ventures	-	6
Purchases of property, plant and equipment	-11	-13
Purchases of group companies (less acquired cash positions)	4	-72
Proceeds from sales of property, plant and equipment	-	17
Purchase of intangible assets	-1	-1
Cash flows from investing activities	**-42**	**-66**

Consolidated statement of cash flows

(continued)

	2011	2010
Cash flows from financing activities		
Proceeds from issues of borrowings	29	478
Repayment of borrowings	-21	-507
Discretionary interest to holders of equity instruments	-45	-53
Non-controlling interests	-1	-3
Cash flows from financing activities	**-38**	**-85**
Cash and cash equivalents as at 31 December	**2,573**	**525**
Further details on cash flows from operating activities		
Interest received	1,108	1,104
Interest paid	-172	-182
Dividends received	46	45

1 General information

ASR Nederland N.V., having its registered office in Utrecht, the Netherlands, is a public limited company under Dutch law. Its registered office is located at Archimedeslaan 10, 3584 BA in Utrecht. The Dutch Government has been ASR's sole shareholder since 3 October 2008. Effective 29 September 2011 the Dutch Government transferred its shares in ASR Nederland N.V. to the Stichting Administratiekantoor Beheer Financiële instellingen NLFI in exchange for certificates in the shares of ASR Nederland N.V.

ASR Nederland N.V. and its group companies ('ASR' or 'the Group') have a total of 4,631employees (2010: 4,929). The number of internal employees decreased in 2011 by 2% to 4,264 (FTEs) (2010: 4,333 FTEs).

ASR is a leading insurance company in the Netherlands. It sells insurance products under the following labels: ASR, De Amersfoortse, Ardanta, Europeesche Verzekeringen and Ditzo.

2 Accounting policies

2.1 General

The consolidated financial statements of ASR 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).

Pursuant to the options offered by Section 362, Book 2 of the Netherlands Civil Code, ASR Nederland N.V. has prepared its company financial statements in accordance with the same principles as those used for the consolidated financial statements.

The financial statements for 2011 were approved by the Supervisory Board on 29 March 2012 and will be presented to the Annual General Meeting of Shareholders for adoption. The Executive Board released the financial statements for publication on 27 April 2012.

2.2 Changes in accounting policies

The accounting policies for the financial statements for 2011 are consistent with the principles applied to the financial statements for 2010.

Although new or amended standards become effective on the date specified by IFRS, they may allow companies to adopt them early.

The following changes in the EU-endorsed IFRS standards and IFRIC interpretations have been effective since 1 January 2011. Unless stated otherwise, these changes have no material effect on the financial statements of ASR.

- Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues; this amendment to IAS 32 addresses the accounting treatment of rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. ASR has not currently issued any rights or similar derivatives;
- IAS 24 Related Party disclosures (revised 2009). The changes introduced by the revised standard relate mainly to the related party disclosure requirements for government-related entities, and the definition of a related party. ASR is a government-related entity as defined in IAS 24 and exempt from some of the detailed disclosure requirements in IAS 24.This standard was revised as it is difficult for government-related entities to identify all related party relationships and the previous standard might have resulted in a significant amount of information needing to be disclosed for transactions that were not impacted by a related party relationship. Therefore ASR adopted the revised IAS 24 in 2010;
- IFRS 1 (amended), First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters;
- Amendment to IFRS 7 Financial Instruments: Disclosures;
- Improvements to IFRSs 2010. These improvements contain eleven amendments to six standards and one IFRIC. The IAS Board uses the annual improvements project to make non-urgent amendments to IFRS;
- Amendments to IFRIC 14 IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction – Prepayments of a Minimum Funding Requirement;
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments.

2.3 Changes in presentation

The current presentation differs from last year's presentation in some respects. Where applicable, the comparative figures have been restated. The changes in presentation do not have an effect on ASR's profit for the year, total comprehensive income and total equity.

2.4 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 ASR has direct or indirect power to govern the financial and operating policies ('control'). This is the case if more than half of the voting rights may be exercised or if ASR has control in any other manner. Subsidiaries are fully consolidated from the date on which control is acquired by ASR. Subsidiaries 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 the ASR 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.

Associates
Associates are those entities over which ASR has significant influence, but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. The consolidated financial statements include ASR's share of profit of associates from the date that ASR acquires significant influence until the date that significant influence ceases.

Upon recognition, investments in associates are initially accounted for at cost price, including any goodwill paid. Subsequent measurement is based on the equity method of accounting. Where an associate's accounting policies are different from ASR's, carrying amounts have been changed to ensure that they are consistent with the policies used by ASR. For details, see chapter 2.18.

Joint ventures
Joint ventures are accounted for using the equity method of accounting. They are recognized from the date that ASR first obtains joint control until the moment that this control ceases.

Intragroup transactions
Intragroup balances and transactions between consolidated group companies are eliminated. Gains and losses on transactions between ASR and associates and joint ventures are eliminated to the extent of ASR's interest in these entities.

2.5 Estimates and assumptions
The preparation of the financial statements requires ASR to make estimates and assumptions that have an effect on the reported amounts in the financial statements.

Critical accounting estimates and assumptions relate to:
- the recoverable amount of impaired assets;
- the fair value of unlisted financial instruments;
- the estimated useful life and residual value of property, plant and equipment, investment property, and intangible assets;
- the measurement of capitalized deferred acquisition costs;
- the measurement of liabilities arising from insurance contracts;
- actuarial assumptions used for measuring employee benefit obligations;
- when forming provisions, the required estimate of existing obligations arising from past events.

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 is given below and in the relevant notes to the consolidated financial statements.

2.6 Foreign currency translation
The consolidated financial statements are presented in euros (€), which is the functional currency of ASR and all its group entities.

Transactions denominated in foreign currencies are translated into the functional currency using the exchange rates prevailing at the transaction date. Monetary balance sheet items denominated in foreign currencies are translated at the applicable exchange rate as at the balance sheet date. Foreign exchange gains and losses arising from the settlement of foreign currency transactions and from the translation at closing rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in equity as part of qualifying cash flow hedges or qualifying net investment hedges.

Foreign exchange differences arising from monetary financial assets available for sale related to amortized cost are recognized in profit and loss for the period. Any residual translation differences relating to fair value changes are recorded in equity.

Translation differences on non-monetary balance sheet items measured at fair value, with fair value changes through profit and loss, are recognized in the income statement. For non-monetary balance sheet items measured at fair value, with fair value changes recognized within equity, exchange rate differences are recorded in equity.

The table below shows the exchange rates of the major foreign currencies:

1 EURO=		EXCHANGE RATE AT 31 DEC. 2011	EXCHANGE RATE AT 31 DEC. 2010	AVERAGE EXCHANGE RATE 2011	AVERAGE EXCHANGE RATE 2010
AUD	Australian dollar	1.27	1.31	1.35	1.44
BRL	Brazilian real	2.42	2.23	2.33	2.33
CAD	Canadian dollar	1.32	1.33	1.38	1.37
DKK	Danish kroon	7.43	7.45	7.45	7.45
SEK	Swedish kroon	8.90	9.02	9.03	9.54
TRI	Turkish lira	2.45	2.06	2.33	2.00
USD	US dollar	1.30	1.34	1.39	1.33
ZAR	South African rand	10.48	8.88	10.08	9.69

2.7 Product classification

Insurance contracts are defined as contracts under which ASR 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.

ASR offers life insurance contracts and non-life insurance contracts.

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 chapter 2.29);
- 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 fully for policyholders (see chapter 2.30). Life insurance contracts for the account and risk of policyholders are generally comprised of contracts where premiums, after deduction of costs and risk premium, are invested in unit-linked funds. For some individual contracts, ASR guarantees returns on unit-linked investment funds. In addition, group life insurance contracts with unguaranteed segregated pools (discretionary self-insurance) are classified as life insurance contracts on behalf of policyholders.

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: Accident & Health, Property & Casualty (motor, fire and liability) and Other.

2.8 Segment information

At organizational level, ASR's operations have been divided into operating segments. These segments are: Life, Non-life and Other. The life and non-life segment comprises all the respective life and non-life insurance entities and their subsidiaries. The segment Other comprises the non insurance related operations, such as ASR Bank, ASR Hypotheken, SOS International, Ditzo (distribution channel) and several holding companies, including ASR Nederland N.V.

There is a clear difference between the risk and return profiles of these three segments. Intersegment transactions or transfers are conducted at arm's length conditions. For detailed information per segment, see chapter 5, 'Segment information'.

2.9 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the balance sheet only when there is a legally enforceable right or contractual right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The net carrying amounts of financial assets are recognized after deduction of any impairment losses.

2.10 Transaction date and settlement date

Any purchases and sales of financial instruments, which have to be settled in accordance with standard market conventions, are recognized at the transaction date, which is the date on which ASR 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 chapter 2.22 'Derivatives and hedge accounting'.

2.11 Securities lending

ASR participates in security lending transactions under which collateral is received in the form of securities or cash. Cash received as collateral is recognized on the balance sheet and a corresponding liability is recognized as liabilities arising from securities lending. Securities lent remain on the balance sheet. Securities received as collateral are not recognized in the balance sheet.

2.12 Leases

ASR as the lessor
In the context of investment property, ASR enters into lease agreements with clients. As the risks and rewards incidental to ownership are retained by ASR, these agreements qualify as operating leases. Consequently, ASR continues to recognize the leased investment property in its balance sheet. For details, see chapter 2.17, 'Investment property'.

ASR as the lessee
ASR primarily enters into operating leases for property and operating assets. Payments under such contracts are recognized in the income statement. When an operating lease is terminated before the end of the lease term, any payments due to the lessor in the form of penalties are charged to the income statement in the period in which the agreement is terminated. Any payments received from the lessor in connection with operating lease transactions are deducted from the lease instalments in the period to which they relate.

If a lease agreement transfers substantially all the risks and rewards incidental to ownership to ASR, the agreement is accounted for as a finance lease and the related asset is recognized in the balance sheet. At the inception of the lease term, the asset is recognized at the fair value of the leased asset or, if lower, the present value of the minimum lease instalments due. The present value is determined on the basis of the interest rate implicit in the lease. The leased asset is depreciated over the shorter of the lease term and its expected useful life.

Financial lease obligations are recognized as liabilities at amortized cost based on the effective interest rate method.

2.13 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.

ASR reports cash flows from operating activities 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 recognizes 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 recognized within cash flows from financing activities.

2.14 Intangible assets
Intangible assets are carried at cost, less any accumulated amortization 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 ASR are accounted for using the purchase method. Goodwill represents the excess of the cost of an acquisition over the fair value of ASR'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 recognized through the income statement. At the acquisition date, goodwill is allocated to the cash-generating units that are expected to benefit from the business combination.

Goodwill has an indefinite useful life and is not amortized. ASR performs an annual impairment test, or more frequently if events or circumstances so warrant, 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 value in use of a cash-generating unit is the present value of the future cash flows expected to be derived from it. 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 an impairment, ASR 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 (VOBA)
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 recognized as an intangible asset with a finite useful life and amortized 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 for insurance contracts (see chapter 2.29).

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 liability adequacy test, VOBA is impaired to a level where the values are equal. This is charged to the income statement as an impairment loss.

Software
The cost of software is capitalized if it concerns identifiable assets that ASR is able to use or sell, and which will generate probable future economic benefits. The costs mainly involve licensing fees. Capitalized software is amortized using the straight-line method over its expected (finite) useful life, which does not exceed five years. If there is objective evidence of impairment, capitalized software is tested for impairment.

An impairment is charged to the income statement as an impairment loss.

2.15 Deferred acquisition costs

Commission fees directly or indirectly related to the acquisition of new or renewal insurance contracts are capitalized to the extent that these acquisition costs ('deferred acquisition costs' or 'DAC') are covered by the estimated future surcharges of the underlying contracts.

Where life insurance contracts are concerned, capitalized deferred acquisition costs are amortized on the basis of the expected premiums or the surcharge included in the premium for repaying acquisition costs. This depends on the type of insurance contract. The expected premiums are estimated on the date of the contract issue. The amortization periods can correspond with the total duration of the premium payments or a shorter period depending on the type of insurance contract.

Capitalized deferred acquisition costs of insurance products in the non-life operating segment are amortized over the period in which the relevant premiums are realized. The value of the capitalized deferred acquisition costs is assessed at each reporting date to ascertain whether there is evidence of impairment.

2.16 Property, plant and equipment

Property held for own use, buildings under construction for own use and operating assets are recognized at cost, less accumulated depreciation (except for land, which is not depreciated) and/or any accumulated impairment losses. Cost corresponds with the cash paid or the fair value of the consideration given to acquire the asset.

Buildings are depreciated using the straight-line method based on expected useful life, taking into account their residual value. The useful life of buildings is assessed for every individual component (component approach) and is assessed every year. Property is classified into the following components: land, shell, outer layer, systems, fittings and fixtures (both rough finish and detailed finish).

For the maximum useful life of the components, see the table in chapter 2.17. Operating assets are depreciated over their useful lives, which are 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 capitalized if it is probable that the future economic benefits will flow to ASR and the cost of the asset can be measured reliably.

Accounting for borrowing costs attributable to the construction of property, plant and equipment is the same as accounting for borrowing costs attributable to investment property. For details, see chapter 2.17.

If objective evidence of impairment exists, property, plant and equipment are tested for impairment.

2.17 Investment property

Investment property is property held to earn rentals or for capital appreciation or both. In some cases, ASR is the owner-occupier of some investment property. If owner-occupied properties cannot be sold separately, they are treated as investment property only if ASR holds an insignificant portion for use in the supply of services or for administrative purposes. Property held for own uses is recognised within property plant and equipment.

Investment property is recognized at cost less accumulated depreciation and impairment losses, if any. Buildings are depreciated using the straight-line method based on their expected useful life and taking account of the residual value. Land is not depreciated. The residual value and the estimated useful life are determined separately for every main component (component approach) and assessed at every balance sheet date.

ASR generally lets residential property 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 change in the designation of property, it can lead to:

- reclassification from property, plant 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, plant 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 table below shows the maximum life of components:

Max period in use:

(EXPRESSED IN YEARS) COMPONENTS	RETAIL	OFFICES	RESIDENTIAL	PARKING	RURAL
Land	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Shell	40	50	50	50	50
Outer layer	30	30	40	40	Not applicable
Systems	15	20	20	30	Not applicable
Fittings and fixtures	10	15	15	15	Not applicable

Property under development for future use as investment property is recognized as investment property. Valuation is at cost, including any directly attributable expenditure, less any impairment losses.

Borrowing costs directly attributable to the acquisition or development of an asset are capitalized. Borrowing costs are capitalized 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 capitalized when the asset is ready for use or sale. If the development of assets is interrupted for a longer period, capitalization 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 capitalized.

If objective evidence of impairment exists, investment property is tested for impairment and, if necessary, written down.

Fair value of investment property
The fair value of property for own use and investment property is disclosed in the financial statements. Fair value is the most probable price for which the property could be exchanged at reporting date in an arm's length transaction between knowledgeable, willing parties. It is ASR's policy that fair value of ASR's real estate shall be estimated annually (or in the case of rural, updated annually) by independent valuators. The following methods of determining fair value are used by the independent valuators annually:
- Direct Comparables - on an active market for similar properties (like residential homes): current and recent prices, adjusted to reflect differences in lease contract, operating costs, vacancy, nature, condition, location, and other factors that might influence the fair value of the property and any changes in economic conditions since the date of the transactions that occurred at those prices (use comparables);
- Indirect Comparables - on an active market for non-similar properties (like offices): current market rents, capitalised with market capitalisation rates1 for comparable properties, and adjusted to reflect differences in lease contracts, operating costs and vacancy;
- Income Approach- on an inactive market for non-similar properties: discounted cash flow projections based on reliable estimates of future cash flows.

Retail, Offices and residential property are valued using all three methods, whereas for parking and rural properties the Income method is primarily used.

For income producing properties in active markets generating market evidence – fair value methods using comparables or income approach should result in similar valuations and could both be utilised in determining fair value.

2.18 Associates and joint ventures

Associates
Associates are entities over which ASR has significant influence on operating and financial contracts, without having control. Associates are recognized using the equity method of accounting from the date at which ASR acquires significant influence until the date at which such influence ceases. This means that associates are initially recognized at cost, including any goodwill paid. This value is subsequently adjusted to take account of ASR's share of the associate's comprehensive income. Comprehensive income is adjusted in accordance with the accounting principles used by ASR.

Losses are accounted for until the carrying amount of the investment has reached zero. Further losses are recognized only to the extent that ASR 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.

Joint ventures
Joint ventures are contractual arrangements whereby ASR 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 recognized using the equity method of accounting as applied to associates. The interests are recognized in the financial statements from the date on which ASR 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, written down.

2.19 Investments

When ASR becomes party to a financial asset contract, the related assets are classified into one of the following categories:
a. financial assets at fair value through profit and loss;
b. loans and receivables;
c. financial assets available for sale.

ASR determines the classification of the financial assets at initial recognition. The classification depends on the purpose for which the investments were acquired.

Re a Financial assets at fair value through profit and loss include:
1. financial assets classified as held for trading. These financial assets include derivatives that do not qualify for hedge accounting (see chapter 2.22); and
2. financial assets, designated by ASR as carried at fair value through profit and loss. This option is available whenever:
   a. it eliminates or significantly reduces a measurement inconsistency that would otherwise arise from measuring assets or liabilities on different bases (accounting mismatch); or
   b. ASR 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;
   c. the financial assets contain one or more embedded derivatives and ASR does not separate the derivative from the host contract.

Financial assets at fair value through profit and loss are stated at fair value. At initial recognition, transaction costs are expensed in the income statement. Realized and unrealized gains and losses in the fair value are also recognized in the income statement.

Re b Loans and receivables are measured at fair value plus transaction costs at initial recognition. They are subsequently measured at amortized cost based on the effective interest rate method, less impairment losses where deemed necessary (see also chapter 2.21). Loans and receivables are accounted for separately under financial assets.

Re c Financial assets available for sale are financial assets that are not accounted for as financial assets at fair value through profit and loss, or as loans and receivables. At initial recognition, financial assets available for sale are measured at fair value (including transaction costs). They are subsequently measured at fair value, including any unrealized fair value changes in equity, 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.

Fair value of financial instruments

Where possible, ASR determines the fair value of a financial instrument on the basis of quoted prices in an active market. In the absence of an active market for the financial instrument, the fair value is determined using valuation techniques. Although valuation techniques are based on observable data where possible, results are affected by the applied assumptions, 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.

Impairment of financial assets

At each balance sheet date, ASR assesses whether objective evidence exists of impairment of financial assets. Financial assets at fair value through profit and 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. There is a significant or prolonged decline if the fair value:
- has dropped 25% or more below cost; or
- has dropped below cost for an uninterrupted period of twelve months or longer.

The other financial assets available for sale will be tested for impairment if objective evidence exists that the counterparty will default. Objective evidence includes: bankruptcy, financial reorganization 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.

Impairment losses are taken directly to the income statement and represent the difference between amortized cost and the fair value at the balance sheet date, net of any previously recognized impairment losses.

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 recognized in profit or loss, the impairment loss is reversed through the income statement. Impairment losses on equities are not reversed, and any increases in fair value are recorded in equity.

Fair value hierarchy

ASR uses the following three hierarchical levels to determine the fair value of financial instruments:

1. Fair value on the basis of quoted prices in an active market

Level 1 includes financial assets and liabilities whose value is determined by quoted (unadjusted) prices in an 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 organization, third party pricing service, or a regulatory body); and
- these prices represent actual and regularly occurring transactions on an arm's length basis.

Assets in this category primarily consist of bonds and equities listed in active markets.

2. Fair value on the basis of (significant) observable market inputs

Determining the fair value at Level 2 is based on 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 market;
- input variables other than quoted prices observable for the asset or liability. These include interest rates and yield curves observable at customary intervals, volatility, early redemptions spreads, loss ratio, credit risks and default percentage.

This category primarily includes unlisted fixed-interest preference shares and interest rate contracts. The valuation techniques use present value calculations and include for derivatives forward pricing and swap models.

3. Fair value on the basis of (significant) observable market inputs

At level 3, the fair value of the assets and liabilities is determined using valuation techniques for which any significant input is not based on observable market data. In these situations, there are marginally active or inactive markets for the assets or the liabilities. 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 remains to determine a fair, arm's length price. Therefore unobservable inputs reflect the management's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are based on own sources and generally available information.

This category mainly consists of private equity investments. The main non-observable market input is the net asset value.

2.20 Investments on behalf of policyholders

Investments made for the account and risk of policyholders mainly concern unit-linked insurance contracts. In addition, they concern group contracts with unguaranteed segregated pools (discretionary self-insurance). These investments are carried at fair value. Any realized and unrealized value changes of the investments are recognized in the income statement as gains or losses on investments on behalf of policyholders.

2.21 Loans and receivables

Loans and receivables are measured at amortized cost based on the effective interest rate method, less impairment losses where deemed necessary.

Receivables from clients

Receivables from clients are primarily comprised of business loans and mortgage loans.

Receivables from banks

Receivables from banks concern business loans, deposits and the savings portion of mortgages insured by ASR.

Trade and other receivables

Trade and other receivables are receivable arising from ASR's normal business operations.

Impairment of loans and receivables

At each balance sheet date, ASR assesses whether objective evidence of impairment exists of the financial assets classified as loans and receivables.

An individually assessed asset is considered impaired if objective evidence exists that ASR will be 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 realized from guarantees and securities furnished, 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 uncollectibility.

Likely losses in parts of the loan portfolios (IBNR: 'incurred but not reported') 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 political/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 recognized, the decrease in the impairment loss is recognized in the income statement.

2.22 Derivatives and hedge accounting

ASR uses derivatives primarily for hedging interest rate and exchange rate risks, and for hedging future transactions and the exposure to market risks.

Derivatives

Derivatives are derived financial instruments, such as exchange and interest rate swaps, futures contracts, interest rate futures and options. Such instruments have a value that changes in response to changes in specified market factors, such as interest rates, exchange rates or indices such as a stock index ('the underlying'). Derivatives require little or no initial net investment that would be required for other types of contracts that would be expected to have a similar response to changes in the identified market factors and are settled at a future date.

At initial recognition, derivates are stated at fair value at the inception of the contract. Subsequent changes in fair value are taken to the income statement and recognized within 'fair value gains and losses'. The fair value is based on quoted market prices or, if these are not available, on valuation techniques, such as discounted cash flow models or option pricing models. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Financial assets or liabilities may contain embedded derivatives. These embedded derivatives are separated from the host contract and recognized separately if the hybrid (combined) contract is not measured at fair value within changes in fair value recognized through profit and loss, and if the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. The separate embedded derivatives are measured at fair value through profit and loss.

Hedge accounting

Hedge accounting means that, on the date that a derivative is agreed, ASR designates the contract as:

- a hedge of the fair value of a recognized asset or liability or of a firm commitment (fair value hedge); or
- a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge).

Firm commitments are hedged using fair value hedges, except where foreign currency risk is concerned, for which cash flow hedges are used. ASR currently only applies cash flow hedge accounting.

At the inception of the hedge, ASR 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 effective throughout the hedging period.

The effectiveness of the hedge is assessed on an ongoing basis throughout the financial reporting periods for which the hedge was designated. A hedge is considered 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 ASR 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 recognized as an unrealized gain or loss in a separate component of equity. Fair value changes in the ineffective portion are recognized in the income statement. The amounts recorded in equity are reclassified to profit and 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 recognized 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 recognized in the income statement.

2.23 Deferred tax assets

Deferred tax assets are the amounts of income taxes recoverable in future periods in respect of:

- temporary differences between the carrying amount of an asset or liability and its tax base; and
- carry-forward of unused tax losses.

This applies to the extent that it is probable that sufficient taxable profits will be available against which the temporary differences and the deductions can be utilized. Deferred tax assets are measured at the tax rates that are expected to apply to the period when the asset is realized. Deferred tax assets are assessed at the balance sheet date. If it is probable that the receivables can no longer be recovered, its recoverable amount is reduced.

2.24 Reinsurance contracts

Contracts that transfer a significant insurance risk from ASR to third parties are accounted for as reinsurance contracts, and defined 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 recognized under reinsurance contracts, except for current receivables from reinsurers, which are included under loans and receivables.

At each reporting date, ASR assesses whether objective evidence of impairment exists. If a reinsurance asset is impaired, its carrying amount is reduced to its recoverable amount.

2.25 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. Measurement is at cost including any directly attributable costs and construction period interest, less invoiced instalments and impairment losses. If the contract revenue can be reliably estimated, it is accounted for by reference to the stage of completion, using the percentage of completion method. This does not apply if ASR has transferred the significant risks and rewards relating to the development property to the client. Contract revenue is then accounted for upon completion of the development (completed contract method).

2.26 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.

2.27 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 unrealized gains and losses

This reserve consists of:

- unrealized gains and losses from financial assets available for sale net of tax and taking account of adjustments due to shadow accounting (see chapter 2.29);
- ASR's share of unrealized gains and losses of associates and joint ventures (see chapter 2.18);
- unrealized gains and losses on the effective portion of cash flow hedges net of tax (see chapter 2.22);
- reserve for discretionary participation features (see chapter 2.29).

Reserve for exchange rate differences

This reserve comprises exchange rate differences arising from financial assets available for sale.

Other reserves

The other reserves consist of retained earnings.

Non-controlling interest

The Non controlling interest relates to the equity in a consolidated subsidiary not attributable, directly or indirectly, to ASR (see chapter 2.4).

Other equity instruments

This item represents the par value of the other equity instruments, less costs directly attributable to the equity issue and net of tax.

Dividends on ordinary share capital

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by ASR's shareholders. Interim dividends are deducted from equity when they are paid.

Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

Discretionary interest on other equity instruments

Discretionary interest on other equity instruments are adjusted against equity upon payment.

2.28 Subordinated debts

At initial recognition, subordinated debts are stated at fair value net of transaction costs incurred. Subsequent measurement is at amortized cost using the effective interest rate method.

2.29 Liabilities arising from insurance contracts

General

This includes liabilities arising from insurance contracts issued by ASR that transfer significant insurance risks from the policyholder to ASR. These contracts may also transfer financial risk.

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 recognized 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 recognized for the longevity risk associated with all group life insurance contracts, where ASR compensates the short-life risk, with longevity risk. No additions to the provision for longevity risks is recognised if the outcome of the IFRS LAT indicates that the total amount of the provisions is adequate.

Additional provisions are generally recognized for realized 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 and loss, and specific derivatives designated as held for trading (swaptions and interest rate swaps).

The realized gains or losses are amortized based on the remaining maturity period of the disposed financial assets.

Participating contracts include additional obligations relating to contractual dividends or profit-sharing. These obligations are stated net of capitalized interest rate rebates. These interest rate rebates are amortized in accordance with actuarial principles to the extent that the expected surplus interest is achieved.

Liabilities arising from non-life insurance contracts
These liabilities comprise a provision for claims payments and current risks, and a provision for unearned premiums. The provision for claims payments and current risks is based on estimates of claims payable and of current risks. 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 in claims behaviour, social factors, 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 recognized provisions are sufficient to cover the cost of claims and claims handling fees. ASR discounts obligations for losses only for claims with determinable and fixed payment terms.

The provision for unearned premiums is equal to gross unearned premium income less commissions paid. The provision is determined on a time proportional basis.

Reinsurance liabilities
Reinsurance liabilities, with ASR qualifying as the reinsurer and with significant insurance risk being transferred to ASR, 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 ASR qualifies as the reinsurer, and with no significant insurance risk being transferred to ASR, are recognized 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 a potentially significant additional benefits whose amount or timing is contractually at the discretion of ASR. These additional benefits are based on the performance of a specified pool of investment contracts, specific investments held by ASR or on the issuer's net income.

Expected entitlements to discretionary benefits are recorded in equity. Once a decision has been taken for discretionary participation features, any related benefits are recognized as liabilities.

Shadow accounting
ASR applies shadow accounting in compliance with IFRS 4 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.

Shadow accounting allows a recognized but unrealized gain or loss on an asset to affect the measurement of its insurance liabilities in the same way that a realized gain or loss does. ASR applies shadow accounting to unrealized value changes in fixed-income financial assets available for sale, specific financial assets designated at fair value through profit and loss, and specific derivatives designated as held for trading (swaptions and interest rate swaps).

The related adjustment to the insurance liability is recognized in other comprehensive income if, and only if, the unrealized gains or losses are recognized in other comprehensive income. Unrealized gains and losses on assets at fair value through profit and loss are recognized in the income statement with a corresponding adjustment for shadow accounting in the income statement.

No shadow accounting is applied to:
- impairments;
- revaluations of debt instruments that have been subject to impairment.

Liability Adequacy Test life
The Liability Adequacy Test (LAT) is performed at each reporting date to asses the adequacy of insurance liabilities. Liabilities are adequate if the technical provision recognized in ASR's balance sheet for Life as a whole at least equals the best estimate of the life insurance liabilities including an appropriate risk margin.

Also unrecognized 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 the most recent trend assumptions for life expectancy in the Netherlands, as provided by the Dutch Actuarial Association.

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 ECB-AAA curve for government bonds as published by the European Central Bank. The best estimate is increased by the time value of options and guarantees (CFOG: Cost of Financial Options and Guarantees) and is calculated using stochastic techniques. The intrinsic value of the options and guarantees is already included in the best estimate.

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 reduced by a CFOG, i.e. the value of that guarantee in accordance with the Black-Scholes model.

Risk margin
ASR uses the latest standard Solvency II model, as defined in Quantitive Impact Studies, to quantify these risks. The risks that are incorporated in the risk margin are: mortality, longevity, disability, lapse, catastrophe, expense, non-hedgeable financial risk and operational risk. 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.

Liability Adequacy Test non-life
The LAT is performed at each reporting date to asses the adequacy of insurance liabilities for non life. Where the P&C and P&C like 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, which is a function of the claims volatility. 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 comparable to the LAT for the life portfolio.

The total of best estimate and risk margin for non life as a whole, is compared to the technical provision recorded in the balance sheet. If there is a deficiency, the insurance liabilities are increased to adequate levels.

DNB LAT
For the DNB solvency ASR uses the DNB LAT. As a consequence the IFRS LAT is applied also on the ECB AAA curve. The IFRS LAT differs from the DNB LAT as follows:
- No surrender value floor is applied to the IFRS LAT
- No prudential filters are applied to the IFRS LAT

Options embedded in insurance contracts
Options embedded in insurance contracts are not stated separately but treated in the same way as the host contract. These options are measured using an adequacy test, taking into consideration the intrinsic value and the time value.

2.30 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 ASR 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 that fund. The current value of an investment unit (unit value) reflects the fair value of the financial assets contained within ASR'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 for the same date. Allowance is made also 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 recognized in the balance sheet that depends on the current fund value and the level of the guarantee. In determining this obligation, account is taken of actuarial assumptions about future fund developments and mortality are taken into account.

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. Liabilities also include a provision for compensating the costs of these contracts as agreed in 2008 with consumer organizations and additional compensation related to the unit-linked insurance contracts. This provision equals the present value (based on an interest rate of 4%) of the agreed amounts of compensation (upon maturity), with expenses incurred in prior periods fully provided for. In addition, estimates of additional expenses, such as overheads for administering the compensation scheme, compensation for hardship and surrender, are also taken into account.

2.31 Employee benefits

Pension obligations
ASR operates a number of defined benefit plans for own staff. 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 annually by internal actuaries.

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 plan assets together with adjustments for unrecognized gains or losses and past service costs. The financing cost related to employee benefits is recognized in interest expense.

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 reviewed and updated annually, based on available market data.

Actuarial assumptions may differ considerably 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.

Differences between expected and actual outcomes of actuarial assumptions are not recognized in the income statement. However, that portion of the actuarial gains and losses that falls outside a corridor of 10% is recognized and charged to the income statement over the expected average remaining service period of the plan members.

ASR Levensverzekering N.V., an insurance company and a group entity, is the administrator of the post-employment benefit plans. ASR Levensverzekering N.V. holds the investments that are meant to cover the employee benefit obligation. However, in accordance with IFRS they do not qualify as plan assets in the consolidated financial statements.

Past-service costs are recognized directly in the income statement, unless the changes to the post-employment benefit plan are conditional on the employees remaining in service for a specified period of time (the vesting period).

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.

Other post-retirements obligations
ASR offers post-employment benefit plans, such an arrangement for mortgage loans at favourable interest rates. 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. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income over the expected remaining working lives of the related employees.

Vacation entitlements
A liability is formed for the vacation days which have not been taken at year end.

2.32 Provisions
Provisions are obligations containing uncertainties about the amount and timing of the future expenditure required in settlement. ASR recognizes provisions when it has a present legal or constructive obligation as a result of past events, if it is more likely than not that an outflow of resources will be required to settle the obligation, and if the obligation can be estimated reliably.

Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

2.33 Financing
At initial recognition, debt instruments and other loans are stated at fair value, net of transaction costs incurred. Subsequent valuation is at amortized cost. Any difference between the proceeds and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest rate method.

2.34 Deferred tax liabilities
Deferred tax liabilities are recognized on the basis of temporary differences between the carrying amount of an asset and a liability and its tax base. Deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the liability is settled.

2.35 Due to customers
At initial recognition, amounts due to customers are stated at fair value, net of transaction costs incurred. Subsequent valuation is at amortized cost using the effective interest rate method.

2.36 Due to banks
Amounts due to banks are initially recognized at fair value, net of transaction costs incurred. Subsequent valuation is at amortized cost. Any difference between the redemption value and the amortized cost (capital surplus or discount) is recognized in the income statement over the period of the debts as interest charges using the effective interest rate method.

2.37 Insurance premiums

Life insurance premiums
Life insurance premiums related to life insurance contracts are recognized as income when receivable from policyholders. Liabilities arising from insurance contracts are recognized based on estimated future benefits and expenses, and charged to the income statement. These expenses are recorded within 'technical insurance claims and benefits'. Therefore, in accordance with the matching principle, the profits are realized over the estimated term of the contracts. In accordance with this matching, the acquisition costs are capitalized, deferred and then amortized. For a detailed explanation of the capitalized deferred acquisition costs, see chapter 2.15.

Non-life insurance premiums
Non-life insurance premiums are accounted for in the period in which they are earned. As indicated in chapter 2.29, invoiced but not yet earned premiums are included under liabilities arising from insurance contracts.

2.38 Investment income
Investment income is primarily comprised of interest income, dividends on equities and rentals from investment property.

Interest income
Interest income for all interest-bearing instruments is recognized using the effective interest rate 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 recognized in the income statement when a right to receive payment is established.

Rentals
Rentals from investment property are allocated to the period to which they relate.

2.39 Realized gains and losses
Realized gains and losses include proceeds from the disposal of investment property, financial assets available for sale, associates and joint ventures.

With respect to financial assets available for sale, realized gains or losses are comprised of :
- the proceeds from the sale or disposal of an asset or liability less the amortized cost of the asset or liability sold,
- impairment losses previously recognized and
- hedge accounting adjustments.

Any unrealized gains and losses previously recorded in equity (the difference between the carrying amount and amortized cost) are recognized in the income statement.

2.40 Fair value gains and losses
Fair value gains and losses include realized and unrealized changes in the value of financial assets at fair value through profit and loss and derivatives. With respect to derivatives, this is based on the fair value exclusive of accrued interest (clean fair value).

2.41 Result on investments on behalf of policyholders
Investments on behalf of policyholders are measured at fair value through profit and loss. Any changes in value are recognized in result on investments on behalf of policyholders. This also includes interest income and dividends received on investments on behalf of policyholders.

2.42 Fee and commission income
Fee and commission income relates mainly to reinsurance, asset management and other services. These are generally recognized as income in the period in which the services are performed.

2.43 Insurance claims and benefits
This item includes changes in liabilities arising from insurance contracts (see chapter 2.29) 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.

2.44 Operating expenses
This item relates to expenses associated with ASR'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.

2.45 Acquisition costs
This mainly relates to commissions paid and amortization of capitalized deferred acquisition costs. For details on capitalized deferred acquisition costs (see chapter 2.15).

2.46 Impairments
An asset is impaired when its carrying amount exceeds its recoverable amount.

Non-current intangible assets, associates, investments, loans and receivables and other assets may be subject to impairment. Impairment losses are recognized in the income statement as soon as they are identified. For details, see the relevant items of chapter 2 above.

2.47 Interest expense
Interest expense for all the interest-bearing instruments is recognized in the income statement using the effective interest rate method, net of transaction costs incurred.

2.48 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 substantially enacted by the end of the reporting period. Income tax is recognized in the period in which the income was achieved.

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 realization, included in the income statement together with the value adjustments.

2.49 Off-balance sheet commitments
Contingent liabilities are liabilities not shown on the balance sheet. These are liabilities:
- whose amount cannot be reliably estimated and in respect of which it is unlikely that their settlement will lead to an outflow of resources; or
- whose existence depends on the future occurrence of one or more uncertain events not wholly within ASR's control.

3 Risk management

This chapter describes the risks of ASR incurs and the way these risks are managed.

The essence of ASR is to take over the risks of from our policyholders. ASR's objective is to achieve customer satisfaction, but also to strike the right balance between risk and return. Risk management helps to achieve these objectives.

The types of risks ASR is exposed to are grouped into five categories: market risk, counterparty default risk, insurance risk, strategic risk and operational risk. ASR has defined its risk appetite and monitors how the risk profile keeps in step. The risk environment requires continual monitoring and assessment in an integrated manner in order to understand and manage the complex risk interactions across the organization.

3.1 Key risk developments in 2011

The focus of Risk Management in 2011 was to further improve the control environment within ASR and to adopt value management. This led to the following developments in risk management within ASR:

General

- The risk appetite was defined. The risk appetite is used for risk steering in the risk committee structure. Strategic decisions are being made taking into account the risk appetite.
- ASR's Economic Capital model was further developed in 2011; it forms an integral and essential part of the steering mechanism for value management.

Risk governance

- The risk committees have shown their value during the euro crisis. The meeting frequency of the risk committees, i.e. the Financial Risk Committee (FRC) and Capital, Liquidity and Funding Committee (CKLFC), increases when triggers are hit or threatened to be hit.

Market risk

- Property risk were reduced in 2011 in accordance with the strategic investment policy.
- Following the plan to scale down the investment portfolio to reduce risk on a step-by-step basis. ASR decided to further lower exposures in Portugal, Ireland, Italy, Greece, Spain, and France and in financial institutions to an acceptable risk level.
- ASR mitigates the impact of low rates of interest in the market by purchasing swaps and swaptions.

Counterparty default risk

- The reduction in exposures in Portugal, Ireland, Italy, Greece, Spain and France and in financial institutions also reduced the counterparty default risk.

Insurance risk – Life

- ASR monitors more strictly developments in profitability of the individual and group life insurance portfolio. The profitability is negatively impacted by low interest rates.

Insurance risk – Non-Life

- Important yardsticks for the profitability of the non-life insurance business are the loss ratio and the combined ratio. A highly competitive market put pressure on premiums and hence on the combined ratio. In this competitive market, ASR's combined ratio developed positively in 2011.

Strategic risk

- In 2011, ASR executed a Control Risk Self-Assessment (CRSA). Major risks of business units were identified. The impact on strategy achievement is measured qualitatively and controls for mitigating these risks were determined.
- The CRSA is part of the Own Risk Solvency Assessment (ORSA), which was executed in 2011 too. This assessment helps the business lines and the group to identify risks and quantify the impact of these risks on the forward-looking solvency position. The ORSA process is embedded in ASR multi-year budget.

Operational risk

- ASR improved its system of internal control in 2011. Principal risks are identified and assessed and controls are determined from an Enterprise Risk Management (ERM) perspective.

Solvency II

- The quality and reliability of data has improved. This contributes to better steering information and facilitates the process of decision-making.

Capital management and solvency

- ASR's economic capital model has been embedded. The required capital is estimated at group and business unit level.

3.2 Enterprise Risk Management framework

ERM enables ASR to understand the interrelationships between risks and the company's strategic targets.

The ASR ERM framework is based on the ERM model of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The framework comprises the following elements of risk management:

RISK MANAGEMENT FRAMEWORK

ASR Enterprise Risk Management Framework objective
The primary objective of the ERM framework is to protect ASR's shareholder and other stakeholders from events that hinder the sustainable achievement of performance targets. Furthermore, the objective is to support the group in achieving the right balance between risk and return.

Strategy
ASR's risk strategy supports the company's overall strategy. The primary objective of risk management is to support ASR in achieving the required balance between risk and return, while remaining financially solid. ASR's risk preferences and limits are derived from the risk strategy. The strategy also describes solvency targets. ASR actively manages risks so that they stay within the defined limits.

Risk governance
ASR's risk governance is based on the principle of 'three lines of defence' (see chapter 3.3). Risk management roles and responsibilities are anchored throughout the organization. ASR has a risk committee structure in place. The objective of the risk committees is to manage the risk profile for ASR Group and its product lines when it comes to risk preferences and risk limits. ASR is working on its internal risk awareness training programme.

Policy
ASR has a risk classification, which covers all the Solvency II risks and is in line with the FIRM risks as prescribed by the Dutch Central Bank (DNB). ASR has established policies, which are updated annually, for each of the principal risks that it incurs (market, counterparty default, insurance, strategic and operational). Each policy describes the risk definition, the risk limits and the risk mitigation techniques.

Systems and data
Risk management is supported by different IT systems and available data.

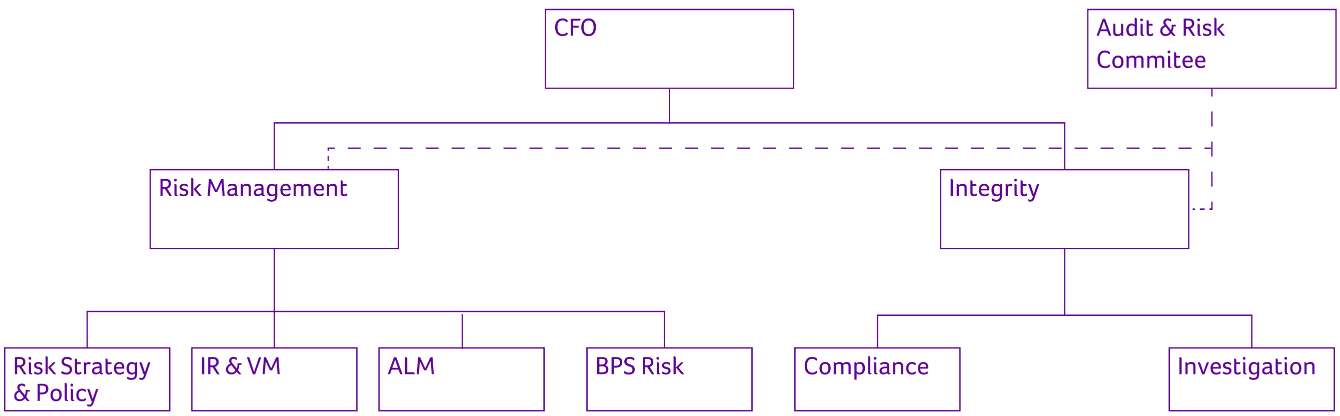
3.3 Risk governance
As part of the overall risk management framework, ASR has established a risk governance framework. Risk governance refers to the duties and responsibilities of the risk management function and the risk committee structure. The duties and responsibilities are designed based on the 'three lines of defence'. ASR uses the following definition of the 'three lines of defence' model:

- **First line** – responsible for risks in the product lines and managing these risks. The first line has the day-to-day responsibility for operations (sales, pricing, underwriting, claims handling, etc.). The Executive Board and the management teams of the business lines are responsible for the first line.
- **Second line** – responsible for developing risk policies and advising, supporting and reviewing the implementation of ERM within the first line. The risk departments in the business lines (local) and the central risk management departments are responsible for the second line. The local and central second lines together qualify as ASR's countervailing power.
- **Third line** – responsible for the independent control of the effectiveness of the ERM framework, the internal control system and the adequacy of the risk governance. The third line is formed by the internal audit department.

The risk management organization and the risk committee structure, which are part of risk governance, are described in more detail in the next section.

3.3.1 Risk management organization
In 2011, the structure of the risk management function is further optimized. The Group Risk Management department is responsible for ERM. Group Integrity is responsible for compliance risks and investigation. In addition, risk management duties have been embedded in the business lines. In general, risks are now managed by the business lines on the basis of group policies and guidelines. When required or where efficiency gains may be realized, risk management is executed at group level. Group Risk Management defines risk policies for ASR, securing a consistent approach to the management of risks across the organization.

These risk policies define ASR's risk preferences and set out risk management standards for the group's operations. Risk Strategy & Policy develops guidelines for the further implementation of ASR's ERM approach. This department works in close dialogue with the other risk departments.



Risk Management
The risk management function is an independent function within ASR. Its main objective is to control and monitor the solidity of ASR. To execute the role in a proper way, the director Risk Management has a direct and independent line to the Audit and Risk Committee.

Risk Management is responsible for ERM. The department consists of the following sub-departments:
- Risk Strategy & Policy
- Insurance Risk & Value Management (IR&VM)
- Asset & Liability Management (ALM)
- Business Process Support Risk (BPS Risk)

Risk Strategy & Policy
Risk Strategy & Policy is responsible for developing and implementing the ERM framework. Furthermore, it is responsible for managing operational risks. The ASR ERM approach involves the further development of ASR's risk management culture, risk strategy and the related risk preferences, transparent risk governance, model governance, risk policies, classification of risk types, advising on value management and the internal control system. Risk Strategy & Policy is responsible for ASR's ORSA process (including the risk self-assessments), which will be mandatory under Solvency II.

Insurance Risk & Value Management
IR&VM, which is the Group's actuarial function, is responsible for reviewing the business's actuarial functions. The department also consolidates insurance liabilities, monitors insurance risk, and advises on actuarial and valuation aspects of products. In addition, IR&VM is responsible for collecting financial risk information, and performing the ASR Liability Adequacy Test (LAT).

Asset & Liability Management
ALM matches the assets with ASR liabilities. ALM is responsible for the development and execution of ALM policies and supports the implementation of these policies by the business. The department is also responsible for the methodology and the development of models used in calculating market value and market risk. ALM reports market value and market risk both at group and business level. ALM tests the reported market value and market risk based on ASR's risk limits and risk budget. ALM also assists product lines in product development.

Business Process Support Risk
BPS Risk is the Information management department within Risk Management and the link between Risk Management and ICT. The department arranges and administrates processes and facilitates Risk Management by providing access to the systems and high quality data. BPS Risk also guides Risk Management by the development of new systems and processes or changes in existing systems.

Group Integrity
Group Integrity is responsible for managing compliance risks. Group Integrity has two sub-departments:
- Compliance
- Investigation

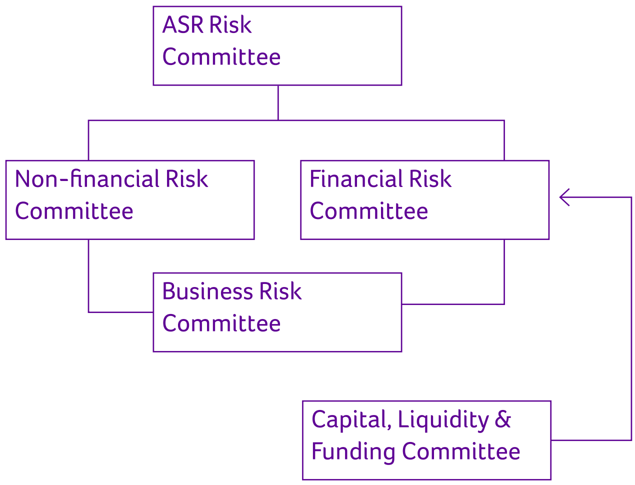
The compliance function is an independent and centralized function within ASR. To execute the role in a proper way, the director of group Integrity has a direct and independent line to the Audit and Risk Committee.

Compliance
Its main objective is to support the Executive Board in managing compliance risks for ASR and its subsidiaries. Through its compliance function, ASR aims to stimulate integrity among the members of the Executive Board, its managers and its employees. This helps to maintain ASR's good reputation and reliability.

Compliance is responsible for preparing policies and advising on policy implementation and compliance with laws, regulations and ethical rules. Compliance is also responsible for assessing the adequacy and operating effectiveness of key controls within the business lines and ensuring compliance with laws, regulations and ethical rules through risk-based compliance monitoring.

Investigation
The role of the investigation department is to execute ASR's zero tolerance policy on fraud. ASR rejects any unfair practices or fraud. Investigation is responsible for fraud prevention, fraud investigation and repression:
- Fraud prevention: measures are taken to prevent unfair practices or fraud within ASR. Fraud prevention measures include customer due diligence checks to ensure that ASR only does business with reliable individuals or firms.
- Fraud investigation and repression: measures to investigate unfair practices or fraud correctly, discreetly and with due care.

3.3.2 Risk committee structure
The risk committees manage the risks and returns that impact the achievement of ASR's strategic objectives. ASR uses the risk committees to consistently monitor whether the risk profile continues to be in step with the risk preferences. When triggers are hit due, for instance, to an increase in stock market volatility, a downgrade of corporates and governments, or low interest rates, ASR increases the meeting frequency of the risk committees.



ASR Risk Committee
The ASR Risk Committee monitors ASR's overall risk profile. The ASR Risk Committee decides annually on ASR's risk preferences and risk limits. The ASR Risk Committee also monitors progress made in managing risks included on the list of the 'Executive Board risk priorities'. The ASR Executive Board fully participates in the ASR Risk Committee. The Chairman of the Committee is ASR's CEO. The involvement of the Board ensures that risk awareness and risk decisions are embedded at the appropriate level. In addition to the Executive Board, representatives of all key departments participate in the Committee.

The ASR Risk Committee receives information from the Financial Risk Committee and the Non-Financial Risk Committee. These committees have the mandates to manage and control ASR's risk profile in line with the risk preferences and limits.

Financial Risk Committee
The Financial Risk Committee (FRC) has a mandate from the Executive Board to decide on financial risk policies. The FRC manages and controls financial risks. The FRC defines financial risk limits at group level. The FRC monitors whether the risk profile remains within the risk limits. If the risk profile exceeds these limits, the FRC takes mitigating actions. The FRC reports to the ASR Risk Committee.

The Chairman of the FRC is ASR's CFO and representatives of various key financial departments are members of the Committee, including ASR's COO (NFRC liaison). The FRC is supported by the Capital, Liquidity & Funding Committee (CLFC).

Capital, Liquidity & Funding Committee
The CLFC prepares and assesses the technical analysis of capital, liquidity and funding positions, rating policy and rating model reporting, and treasury activities. The Chairman of the CLFC is the Director of Financial Markets; other members of this sub-committee are key representatives of various financial and risk departments.

Non-Financial Risk Committee
The Non-Financial Risk Committee (NFRC) has a mandate from the Executive Board to decide on non-financial risk policies. The NFRC manages and controls non-financial risks. The NFRC determines non-financial risk limits at group level 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 ASR Risk Committee. The members include the ASR's COO (Chairman), key representatives managing the non-financial risks and an FRC liaison.

Business Risk Committee
The business lines manage and control their risk profile via the Business Risk Committee (BRC). The BRC monitors that the risk profile remains within the risk preferences defined by the business line. The BRC reports to the FRC and the NFRC. The Chairman of the BRC is the director of the business line and the BRC has key officers as its members.

3.3.3 Central Investment Committee
In addition to the risk committee structure, the Central Investment Committee (CIC) monitors tactical decisions and the execution of ASR's investment policy. It takes major investment decisions within the boundaries of the strategic asset allocation as agreed in the FRC. The CIC bears responsibility in particular for investment decisions exceeding the limits set for the investment department. The CIC is chaired by an Executive Board member, not being the CFO, and reports directly to the Executive Board. This is how the CIC's independence of strategic decision-making and the CFO is guaranteed.

3.4 Risk management classification
As mentioned above, ASR develops policies for each of the principal risks that it is exposed to. These policies, which are updated annually, describe the risk definition, the risk limits and the risk mitigation techniques.
ASR recognizes five main risk categories[1], which are described below. The FIRM risks defined by DNB are used as the basis of ASR's risk classification.

RISK TYPE	DEFINITION
Market risk	The risk of changes in values caused by market prices or volatility of market prices differing from their expected values. ASR distinguishes the following types of market risk: - interest rate risk - equity risk; - property risk; - currency risk; - spread risk; - concentration risk.
Counterparty default risk	Counterparty default risk reflects possible losses due to unexpected default or deterioration in the credit rating of counterparties and debtors.
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 and results are threatened because costs, claims and benefits differs from the assumptions used in the development and premium-setting of a product. ASR distinguishes two different major types of insurance risk: - life; - non-life (including health).
Strategic risk	Strategic risk is the risk that ASR will not reach its targets because of invalid decision-making, wrong implementation of decisions and/or failure to respond adequately to market developments.
Operational risk	Operational risk is the risk of losses resulting from inadequate or failed internal processes, persons and systems, or from external events (including legal risk).

1 IFRS refers to credit risk as spread risk or counterparty default risk.

3.5 Market risk

Market risk arises from changes in the level or the volatility of market prices. Exposure to market risk is measured by the impact of movements in financial variables such as equity prices, interest rates and property prices. ASR distinguishes several types of market risk, which are discussed in this section:

- interest rate risk;
- equity risk;
- property risk;
- currency risk;
- spread risk;
- concentration risk.

Market risk reports are submitted to the FRC on at least a monthly basis. Key reports on market risk are the strategic asset mix report, the economic capital report, the interest rate risk report and the report on sensitivity of regulatory solvency to major market risks. A summary of sensitivities to market risks of the regulatory solvency, total equity and profit for the year are presented in the tables below.

Sensitivities of regulatory solvency ratio to market risks are as follows:

TYPE OF RISK	SCENARIO	2011	2010
Equities	-20%	-13%	-21%
Interest	-1%	-7%	-31%
Spread	0.75%	-16%	-17%
Property	-10%	-15%	-17%
Total impact (undiversified)		**-51%**	**-86%**

Compared to 2010, the sensitivity to equities decreased due to a drop in exposure to equities. The sensitivity to interest decreased as a result of to the purchase of long-term swaps and swaptions.

If the scenarios of the major market risks were to take place simultaneously, an undiversified negative effect of 51% (2010: 86%) would result in a solvency ratio of 179% (2010: 135%). This is an important ratio for ASR to measure solidity.

Sensitivities of total equity and profit for the year to market risk are as follows:

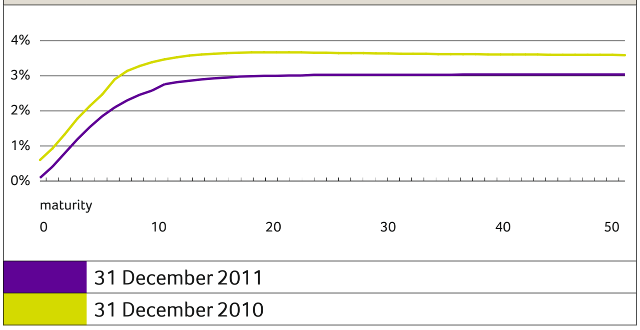
	TOTAL EQUITY	PROFIT FOR THE YEAR
Interest +1%	-345	-
Interest -1%	-43	-
Equities +20%	220	-7
Equities -20%	-199	-26
Property +10%	-	-
Property -10%	-85	-85
Spread +75bp	-233	-3
Spread -75bp	243	-
Foreign currency +10%	24	-2
Foreign currency -10%	-24	2

The most important sensitivities of the profit of the year are the sensitivities to equities -20% and property -10%. Both sensitivities are related to impairments. The sensitivity of the profit of the year to equities +20% is negative to a decrease in the put options. The impact of the sensitivity of total equity to interest +1% is relatively high due to a value decrease in fixed income investments, swaps and swaptions, while this is only partially shadow accounted. The impact of the sensitivity of total equity to interest -1% is low due to the opposite effect.

3.5.1 Interest rate risk

Interest rate risk is the risk that the value of assets, liabilities or financial instruments will change because of 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 (see chapter 3.7.1). For the purposes of DNB solvency and buffer capital, the ECB AAA government bond curve is used for discounting insurance liabilities.

ECB AAA GOVERNMENT BOND CURVE



During 2011, interest rates decreased by more than 60 basis points for maturities longer than five years. This had a significant impact on the valuation of the best estimate of the insurance liabilities.

ASR manages its interest rate risk 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 caused by interest rate guarantees and profit-sharing features in life insurance products.

The interest rate risk is quantified on a monthly basis by means of duration and scenario analyses. Duration is a measure for interest rate sensitivity, which gauges how much the fair value changes at a small parallel shift in the interest rate curve. As shown in the table below, the duration of the liabilities exceeds the duration of the assets; as a result, the fair value of equity decreases as interest rates drop.

	2011	2010
Duration of assets	10.1	6.5
Duration of liabilities	13.4	10.5

The duration of assets increased due to the purchase of long-term swaps and swaptions. Moreover, as a result of the drop in the yield curve, the duration of both assets and liabilities increased. The duration-gap decreased from 4.0 to 3.3.

Comparable effects are seen in the sensitivity of the regulatory solvency ratio to changes in interest rates. The sensitivity of the regulatory solvency ratio to a drop in interest rates of 1% changed from -31% to -7%.

Sensitivity of regulatory solvency to interest rate changes:

	INTEREST RATES -1%		INTEREST RATES +1%	
	2011	2010	2011	2010
Assests	2,357	1,511	-1,775	-1,175
Liabilities	-2,465	-1,985	1,680	1,104
Regulatory solvency available	-107	-474	-95	-71
Regulatory solvency ratio	-7%	-31%	-6%	-5%

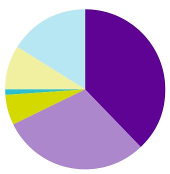
3.5.2 Equity risk

The equity risk is dependent on the total exposure to equities. In order to maintain a good understanding of the actual equity risk, ASR has made a number of adjustments for risk purposes to the IFRS classification, i.e. bond funds classified in the balance sheet under equities are not included here.

The fair value of equities and similar investments was € 1,231 million at year-end 2011 (2010: € 2,142 million). The decrease in exposure to equities is due to disposals and unfavourable developments in equity prices.

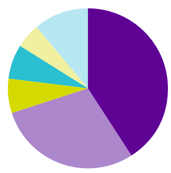
The equities are diversified across the Netherlands (including participating interests) and other European countries. A limited part of the portfolio consists of investments in the Pacific private equity and hedge funds.

COMPOSITION EQUITY PORTFOLIO 2011



- Europe 38%
- Netherlands 30%
- Pacific 6%
- Hegde funds 1%
- Private equity 9%
- Other 16%

COMPOSITION EQUITY PORTFOLIO 2010



- Europe 41%
- Netherlands 29%
- Pacific 7%
- Hegde funds 7%
- Private equity 5%
- Other 11%

The sensitivity of the regulatory solvency ratio to changes in equity prices is monitored on a monthly basis. Option contracts and the tax exemption of the participating interests and lower volatility of hedge funds are taken into account when calculating sensitivities. Compared to 2010, sensitivities decreased due to a drop in exposure to equities.

Sensitivity of regulatory solvency to changes in equity prices:

CHANGE IN EQUITY PRICES	2011	IN %	2010	IN %
-20%	-198	-13%	-332	-21%

3.5.3 Property risk
The property risk is dependent on the total exposure to property. In order to gain an adequate understanding of the actual property risk, ASR has made a number of adjustments for risk purposes to the IFRS classification. In addition, revaluations to the carrying amount have been included (€ 1,151 million). The fair value of property and property-related assets was € 3,169 million at year-end 2011 (2010: € 3,767 million), including property for own use. During 2011, there was a de-risking policy as a consequence of the revised strategic asset mix. The exposure dropped due to the resulting disposal of property. The property is diversified over the rural, residential, office and retail sectors in the Netherlands. The allocation to offices limited (10%) and 3% concerns offices for own use.

The sensitivity of regulatory solvency to changes in property value is monitored on a monthly basis. The sensitivity decreased due to a drop in exposure to property. Sensitivity of regulatory solvency to changes in property prices:

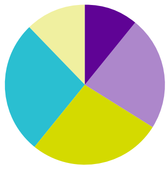
CHANGE IN PROPERTY PRICES	2011	IN %	2010	IN %
-10%	-223	-15%	-259	-17%

Because of a lower volatility, rural property is shocked with -7.5%.

COMPOSITION REAL ESTATE PORTFOLIO 2011

Offices 10%
Rural 26%
Retail 23%
Residential 30%
Other 11%

COMPOSITION REAL ESTATE PORTFOLIO 2010



Offices 11%
Rural 22%
Retail 27%
Residential 27%
Other 13%

3.5.4 Currency risk
Currency risk arises from the sensitivity of assets and liabilities to changes in the level or volatility of foreign exchange rates.

The policy is primarily to hedge currency risks. However, certain currency exposures are permitted from a tactical perspective within a specific risk budget.

The foreign currency position is monitored on a quarterly basis. The table below shows all the main foreign currency positions, including derivatives.

Foreign currency exposure in millions of euros:

2011	AUD	BRL	CAD	DKK	SEK	TRY	USD	ZAR
assets exposure	286	17	31	44	40	30	195	54
liabilities exposure	-256	-	-	-	-	-	-110	-14
net exposure	30	17	31	44	40	30	86	40

2010	AUD	BRL	CAD	DKK	SEK	TRY	USD	ZAR
assets exposure	247	18	-	-	-	34	210	56
liabilities exposure	-267	-	-	-	-	-	-124	-16
net exposure	-20	18	-	-	-	34	86	40

3.5.5 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. Spread risk relates to several types of assets:

- fixed-income investments;
- deposits;
- savings-linked mortgage loans.

Assets in scope of spread risk are by definition not in scope of counterparty default risk (see chapter 3.6).

Fixed-income investments

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 as a factor in determining risk budgets and monitoring limits. A limited number of bond investments do not have an external rating. These investments are generally awarded an internal rating. Internal ratings are based on methodology and rating classifications similar to those used by external agencies.

The following tables provide a detailed breakdown of fixed-income exposure by rating class, sector, country of risk and level of subordination for the financial sector. The table includes all bonds, fixed income funds and loans which have spread risk according to our risk models. The share of the investment-grade assets in the portfolio remained constant compared to year-end 2010. Changes in rating distribution within the investment-grade portfolio are attributable to both market factors and the implementation of the investment policy. Loans to intermediaries are included in the non-rated category.

During the year, the credit risk of the bond portfolios was further reduced by selling financials and non-core government bonds and reinvesting the proceeds in AAA-rated covered bonds and core government bonds. As a result, the average rating of the fixed-income portfolios improved, in spite of the continuation of the downgrade trend in ratings.

	2011		2010	
	EXPOSURE	PERCENTAGE	EXPOSURE	PERCENTAGE
AAA	10,441	58%	9,352	51%
AA	1,696	9%	1,548	9%
A	3,183	17%	4,455	25%
BBB	2,077	11%	1,592	9%
Lower than BBB	508	3%	669	4%
Not rated	359	2%	325	2%
	18,264	**100%**	**17,941**	**100%**

The weight of financial institutions in the bond portfolios dropped due to further reductions in our exposure to this sector as well as lower market values. Investments in government bonds increased considerably, as most of the cash flows throughout the year were used to buy government bonds with a high rating.

	2011		2010	
	EXPOSURE	PERCENTAGE	EXPOSURE	PERCENTAGE
Government	9,151	50%	8,292	47%
Financial institutions	5,673	31%	6,693	37%
Corporates	2,684	15%	2,331	13%
Structured investments	756	4%	625	3%
	18,264	**100%**	**17,941**	**100%**

Active management of the government bond portfolio ensured timely reaction to market developments. As a result exposure to Dutch government bonds during 2011was expanded at the expense of government bonds issued by France, Belgium and peripheral euro countries.

Government

	2011	2010
	EXPOSURE	EXPOSURE
Netherlands	5,785	3,718
Germany	1,609	1,564
France	257	1,489
Austria	527	409
Belgium	2	190
Perifery	13	164
Other	958	758
	9,151	**8,292**

Exposures to the peripheral euro countries are very limited.

Periphery

	2011	2010
	EXPOSURE	EXPOSURE
Greece	6	15
Italy	1	123
Portugal	4	12
Ireland	-	-
Spain	2	14
	13	**164**

The change in market values of financial institutions bonds reflects both the gradual reduction in our exposure to senior and subordinate securities in line with our strategic asset mix as well as a widening of the spreads observed in 2011. The proceeds were reinvested in government and covered bonds.

Financial institutions

	2011		2010	
	EXPOSURE	PERCENTAGE	EXPOSURE	PERCENTAGE
Senior	2,534	45%	2,962	44%
Tier 2	1,488	26%	2,117	32%
Tier 1	812	14%	1,126	17%
Covered	645	11%	280	4%
Other	194	4%	208	3%
	5,673	**100%**	**6,693**	**100%**

The limited increase in structured products is due to investments in AAA tranches of Dutch mortgage-backed securities. A further reduction in the market value of the CDO and structured financial instruments (predominantly consisting of CDO equity pieces) is attributable to a number of redemptions and sales of positions. The market value of the remaining CDO portfolio increased slightly in the course of 2011.

Structured instruments

	2011		2010	
	EXPOSURE	PERCENTAGE	EXPOSURE	PERCENTAGE
ABS	112	15%	95	15%
CDO	117	15%	191	31%
MBS	487	65%	272	43%
Structured financial instruments	40	5%	67	11%
	756	**100%**	**625**	**100%**

The policy of concentrating government bond exposure in core Europe explains the increase in AAA rated investments in 2011 to 98% (2010: 93%). The portfolio of financial institutions saw downgrades. This explains the rise in BBB ratings.

2011	GOVERNMENT		FINANCIAL INSTITUTIONS		CORPORATES		STRUCTURED INSTRUMENTS	
	EXPOSURE	PERCENTAGE	EXPOSURE	PERCENTAGE	EXPOSURE	PERCENTAGE	EXPOSURE	PERCENTAGE
AAA	8,974	98%	947	17%	12	-	508	67%
AA	33	-	1,183	21%	400	15%	80	11%
A	75	1%	1,627	29%	1,395	52%	85	11%
BBB	44	-	1,433	25%	582	22%	18	2%
lower than BBB	25	-	338	6%	112	4%	33	5%
not rated	-	-	144	3%	183	7%	32	4%
	9,151	**100%**	**5,673**	**100%**	**2,684**	**100%**	**756**	**100%**

2010	GOVERNMENT		FINANCIAL INSTITUTIONS		CORPORATES		STRUCTURED INSTRUMENTS	
	EXPOSURE	PERCENTAGE	EXPOSURE	PERCENTAGE	EXPOSURE	PERCENTAGE	EXPOSURE	PERCENTAGE
AAA	7,717	93%	1,276	19%	11	-	348	56%
AA	266	3%	891	13%	330	14%	61	10%
A	231	3%	2,663	40%	1,426	61%	134	21%
BBB	32	-	1,197	18%	344	15%	19	3%
lower than BBB	46	1%	431	6%	160	7%	32	5%
not rated	-	-	234	3%	60	3%	31	5%
	8,292	**100%**	**6,693**	**100%**	**2,331**	**100%**	**625**	**100%**

The non-rated category corporates includes loans issued to intermediaries. ASR applies stringent application and approval procedures to these loans. Following an intermediary's application, its credit rating is determined based on an internal risk-rating model. The loan application is then submitted for approval to the Credit Committee.

	2011		2010	
	AMOUNT	PERCENTAGE	AMOUNT	PERCENTAGE
Loan < 75% value under foreclosure	39	31%	47	28%
Loan > 75% value under foreclosure	88	69%	105	62%
Total out-standing loans	**126**		**152**	

At year-end 2011, the outstanding amount of loans to intermediaries was € 126 million (2010: € 152 million); accumulated impairment losses amounted to € 31 million (2010: € 35 million). The loans are generally secured by collateralizing an insurance portfolio. In total, 18% (2010: 14%) of the loans were in arrears.

Deposits
ASR's total deposits amounted to € 49 million (2010: € 128 million) of which € 36 million (2010: € 128 million) had a single A rating and € 12 million (2010: € 0 million) a triple A rating.

Savings-linked mortgage loans
Savings-linked mortgages have been sold where savings-linked contracts are carried on ASR's balance sheet and the mortgage loan is recognized in the balance sheet of third parties. One of the characteristics of a savings-linked mortgage loan is that the interest in the insurance contract and the interest in the mortgage loan are linked. At the same time, ASR extends loans to these third parties with a nominal value equal to the value of the savings-linked contract and at an interest rate linked to the interest rate on the mortgage. The amortized cost of these loans amounted to € 1,969 million at year-end 2011 (2010: € 1,908 million).

3.5.6 Concentration risk
In order to avoid concentrations in a single obligor, ASR has set limits on maximum exposure. The limits apply to the total investment portfolio. The CLFC monitors concentration risk on a quarterly basis. Per 2011 all exposures are within the limits.

3.6 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;
- derivatives;
- reinsurance;
- receivables;
- cash and cash equivalents.

Assets that are in scope of spread risk are by definition not in scope of counterparty default risk and vice versa.

3.6.1 Mortgages
ASR grants mortgages for the account and risk of third parties and for its own account. The ASR portfolio consists only of Dutch mortgages with a limited credit risk. The Dutch national mortgage guarantee fund (NHG) guarantees part of the mortgage portfolio as shown in the following table. Despite the stagnation in residential property prices over the past three years, the value of the collateral of most mortgages is higher than at issue date. The majority of new mortgages sold in 2011 were NHG-guaranteed.

Mortgages: loan to value

	2011		2010	
	AMOUNT	PERCENTAGE	AMOUNT	PERCENTAGE
Mortgage with NHG	802	28%	323	14%
Mortgage < 75% value under foreclosure (indexed)	1,294	45%	1,285	56%
Mortgage > 75% value under foreclosure (indexed)	759	27%	677	30%
	2,855	**100%**	**2,285**	**100%**

Generally, ASR's mortgage portfolio is secured by collateralizing the linked life insurance contracts. ASR does generally not grant interest-only mortgages.

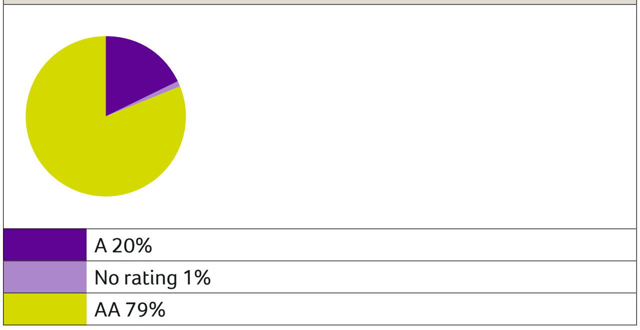
At year-end 2011, 1.7% (2010: 1.2%) of mortgages were in arrears.

3.6.2 Derivatives
The credit risk attached to the market value of derivative contracts between ASR and a counterparty is normally hedged using a Credit Support Annex (CSA), one of the four parts of an International Swaps and Derivatives Association (ISDA) contract. In the CSA's is defined that cash collateral is transferred between the parties to mitigate credit risk.

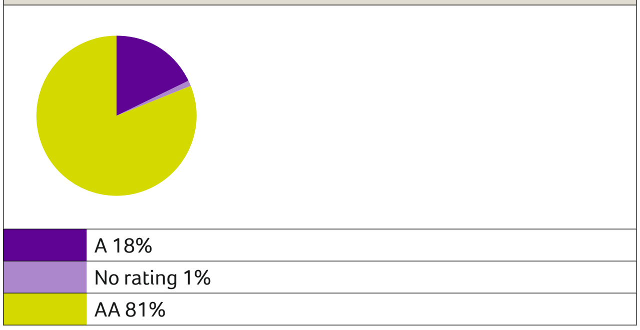
3.6.3 Reinsurance
When entering into reinsurance contracts for fire and catastrophe, ASR requires the counterparty to have at least an 'A-' rating. With respect to long-tail business and other sectors, an 'A' rating applies as a minimum.

The figure below hereafter shows the exposure to reinsurers per rating. The total exposure on reinsurers at year-end 2011 was € 462 million (2010: € 427 million).

DISTRIBUTION RATINGS REINSURANCE 2011



DISTRIBUTION RATINGS REINSURANCE 2010



3.6.4 Receivables
ASR's receivables amount to € 866 million in total.

	2011	2010
Receivables from policyholders	252	239
Receivables from intermediaries	211	222
Receivables from reinsurance operations	165	138
Other receivables	238	374
Total	**866**	**973**

An accumulated impairment loss for receivables of € 36 million was recognized in 2011 (2010: € 37 million).

3.6.5 Cash
The current account amounted to € 1,773 million in 2011 (2010: € 511 million). The rating of all counterparties is single A.

In addition, an amount of € 800 million is on secured deposits maturing within three months.

3.7 Insurance risk
Insurance risk is the risk that future insurance claims and benefits cannot be covered by premium and investment income.

The risk exposure is mitigated by diversification across a comprehensive range of insurance products. Insurance risk is divided into life and non-life risk. The life portfolio is a well-diversified portfolio consisting of products with either mortality risk or longevity risk. The non-life portfolio is represented across the property and casualty, occupational disability and healthcare sectors. The overall insurance portfolio has a moderate risk profile.

The variability of risk is further restricted by careful selection and acceptance criteria, as well as underwriting guidelines and reinsurance arrangements. The risks are periodically assessed for each of the insurance segments. If and where required, actions are initiated to adjust the risk profile in line with guidelines agreed at group level.

Every insurance segment within ASR holds insurance provisions for future claims arising from existing contracts and assigns assets to cover these insurance liabilities. These provisions are based on assumptions underlying the premium calculation. By applying shadow accounting recent impact of movement in risk free yield curve and credit spreads on corporate bonds is recognized in the provisions. The provisions for non-life risk are based on historical claims settlements of the ASR portfolio. No provisions are formed for equalization and catastrophes. The estimates used, are reviewed at each balance sheet date using statistical analyses based on internal and external historical data. The adequacy of provisions is established at least every month using best estimate assumptions and prescribed and generally accepted methods.

Inaccuracies in the techniques applied, assumptions made and data used for the statistical analyses are possible. This may expose ASR to the risk that claims may exceed the available insurance provisions formed to meet the obligations under the insurance contracts. ASR holds strong solvency buffer to cover this risk and to ensure the solidity of ASR. The solvency-position of ASR is determined en monitored continuously in order to asses if ASR meets the regulator requirements.

Reinsurance and other risk-mitigating measures are used to reduce and contain the volatility of the results or to spread the negative impact on the value as an alternative for the capital requirement.

3.7.1 Life insurance portfolio

ASR has a diversified life insurance portfolio. The portfolio can be divided into two main product types: individual life (including funeral insurance) and group life. Due to ASR's diversified life insurance portfolio, the longevity risk is limited. The longevity risk in parts of the ASR insurance portfolio is compensated by the opposite risk (mortality risk) in other parts of the life portfolio (funeral, term insurance).

The insurance contracts are sold to retail and wholesale clients through intermediaries.

Life insurance risk

A life insurance product provides an entitlement to a benefit at the time of death of the insured and/or a benefit at a predetermined moment/interval if the insured is alive at that time. The uncertainties related to a life insurance contract have to do with the moment of death of the insured (mortality, longevity and catastrophe risk), the lapse rate (the possibility that a contract lapses), and the future development of expenses associated with the policy. A specific feature of life insurance contracts is that they usually last for many years. This feature increases the uncertainties with respect to life contracts. The risk that investment income is not sufficient is regarded as market risk (see chapter 3.5).

ASR distinguishes the following life risks:

- Mortality risk: the risk of losses due to the possibility that actual mortality exceeds expected mortality.
- Longevity risk: the risk of a structural increase in the insured's life expectancy that leads to an increase in expectations of future annuity and pensions benefits.
- Catastrophe risk: the risk of a large-scale one-off loss due to a single event causing high death-claims, such as a pandemic.
- Lapse risk: the risk of losses due to policyholders exercising their rights, if any, to surrender their contracts.
- Expense risk: the risk of losses due to a change in the level, development or volatility of company expenses.

Managing life insurance risk

Life insurance risk is mitigated by pricing and underwriting policies.

Pricing is based on profit capacity calculations. The necessary price to cover the risks is calculated. The quantification of risks is based on best estimate assumptions of mortality rates, surrenders, expenses and interest rates.

ASR has underwriting policies for life insurance. It describes the types of risks and the extent of risk ASR is willing to accept. As far as individual life insurance is concerned, policyholders can be subjected to medical screening.

Mortality risk

Mortality risk can be broken down into volatility and trend uncertainty for the best estimate assumptions.

- Volatility: random fluctuations in annual mortality rates in relation to the modelled trend.
- Trend uncertainty: structural decrease in the insured's life expectancy.

The mortality risk is limited due to the policy for periodically updating mortality tables. Reinsurance arrangements have been put in place to cover the volatility risk of large losses that might arise from single events that have been insured for a large amount. Most of ASR's mortality risk is offset by the opposite risk (i.e. longevity risk) in other parts of the life insurance portfolio.

Longevity risk
For contracts that guarantee benefits during the lifetime of a policyholder, longevity risk is mainly a trend risk. The adequacy of insurance liabilities is measured using information gathered from the most recent published mortality table of the Dutch Actuarial Association published in 2010. This recent table contains the latest available data on mortality trends for the Dutch population.

ASR longevity risk is mostly offset by the opposite risk (i.e. mortality risk) in other parts of the life insurance portfolio (unit-linked, funeral, term insurance).

Catastrophe risk
Reinsurance arrangements have been set up to mitigate the effects of catastrophes on earnings.

Lapse risk
If a policyholder has the right to surrender, an amount is paid to the policyholder (the surrender value) and the contract is cancelled. A contract can also be terminated if the policyholder decides to cease to pay any further premiums. The contract is then converted into a paid-up contract.

After deduction of capitalized acquisition costs if applicable, the provision for each life insurance contract at least equals the surrender value or the paid-up value of the contract. As a result, the financial statements do not recognize any direct loss from lapses.

Although a lapse does not lead to a direct loss in the income statement, due to the surrender value requirement underlying the provision, a lapse might lead to a loss of future profits. These effects of lapse risk are monitored in the current Solvency II-based risk frameworks, as are other life risks.

Expense risk
Product features ensure that there is no risk on commission fees. Expense risk is therefore restricted to administrative expenses. Projections are made of future administrative expenses and the expected future income from contracts to cover expenses. This prospective analysis of administrative expenses are the base for managing and controlling expense risk.

Reinsurance
ASR enters into reinsurance contracts to minimize insurance risks. Reinsurance may be in place for a separate contract or for all or part of the portfolio.

The level of retention in different reinsurance contracts is aligned to the size and the risk profile of the underlying portfolios. This includes taking into account the cost of reinsurance on the one hand and the risk that is retained on the other. Reinsurance companies are selected based on the management of the risk that the counterparty represents (expressed in the rating), weighing considerations involving the price.

To limit risk concentration, reinsurance contracts are placed with different reinsurance companies. ASR has the following retentions for life insurance:

AMOUNTS IN EUROS X 1,000	2011		2010	
RETENTIONS	HIGHEST RETENTION AT RISK	HIGHEST RETENTION AT EVENT	HIGHEST RETENTION AT RISK	HIGHEST RETENTION AT EVENT
Life	750	3,000	750	3,000

Insurance liabilities

Adequacy of insurance liabilities
The adequacy of the technical insurance liabilities is tested at least every quarter and evaluated every month (and more frequently, if required). The ASR testing policy for the liabilities complies with IFRS requirements and DNB guidelines (see chapter 2.29).

The overall adequacy of the liabilities arising from insurance contracts as at 31 December 2011 has been confirmed by internal actuaries and certified by external actuaries.

Life insurance liabilities
The technical provision is based on the premium calculation at the time the contract is issued. The probability of death is based on past experience and on expected future developments in mortality rates. Additional liabilities are arranged in case of unfavourable trends following the issue date (e.g. increased life expectancy).

The life insurance portfolio contains individual and group insurance contracts. The products are sold as insurance products in cash and unit-linked contracts. With respect to products in cash, the investment risk is borne fully by the insurer whereas, with respect to unit-linked products, the bulk of the investment risk is for the policyholder's account.

The provision at year-end 2011 can be broken down as follows:

LIFE INSURANCE CONTRACTS:

2011	INDIVIDUAL	GROUP	TOTAL
Without profit-sharing	3,740	757	4,497
Contractual profit-sharing (and interest marging participation)	7,336	6,239	13,575
Discretionary profit-sharing	1,903	-	1,903
Total	**12,979**	**6,996**	**19,975**

2010	INDIVIDUAL	GROUP	TOTAL
Without profit-sharing	3,418	402	3,820
Contractual profit-sharing (and interest margin participation)	7,282	5,857	13,139
Discretionary profit-sharing	1,858	-	1,858
Total	**12,558**	**6,259**	**18,817**

Insurance contracts on behalf of policyholders:

2011	INDIVIDUAL	GROUP	SAVING FUND INSURANCE	TOTAL
No guaranteed return	5,644	1,760	660	8,064
Guaranteed return	819	319	-	1,138
Total	**6,463**	**2,079**	**660**	**9,202**

2010	INDIVIDUAL	GROUP	SAVING FUND INSURANCE	TOTAL
No guaranteed return	6,475	2,054	819	9,348
Guaranteed return	791	349	-	1,140
Total	**7,266**	**2,403**	**819**	**10,488**

3.7.2 Non-life insurance portfolio

ASR's non-life insurance portfolio focuses on Accident & Health and Property & Casualty (Motor, Fire and Liability). The insurance contracts are sold to retail and wholesale clients through intermediaries, underwriting agents and direct distribution channels. The non-life insurance portfolio consists of the following categories.

Accident & Health:

- Disability: disability coverage in the portfolio includes both individual coverage for self-employed persons and (semi-)group coverage for employees. The latter group also qualifies for occupational disability cover (WIA).
- Illness: illness cover includes continued salary payments for the first two years of the individual's incapacity for work.
- Health insurance: health insurance contracts cover medical expenses incurred by physicians and hospitals, and other medical expenses. Basic coverage ("Basisverzekering") is mandatory for all residents of the Netherlands and offers limited coverage as stipulated by the Dutch government. Additional coverage ("Aanvullende verzekering") is sold for a higher level of medical care.

Property & Casualty:

- Motor vehicle third-party liability: motor vehicle liability is a third-party liability insurance that covers bodily injury, medical care and/or loss of income following a road traffic accident, as well as damage caused to another vehicle.
- Fire and other damage to property: fire insurance offers policyholders financial protection against damage to their property and material consequences of interruption of operations as a result of the damage sustained.
- Other liability: this involves third-party liability insurance for both private individuals and businesses.

Non-life insurance risk

Non-life insurance risk is primarily comprised of risks resulting from third-party liability, disability and general third-party liability. Provisions are formed to cover the scale and the long- term character of the claims (especially those involving disability).

Combined ratio

In 2011, the combined ratio decreased to 98.9% (2010: 100.3%). The lower combined ratio was driven by a drop in claims ratio to 70.9% (2010: 73.0%) and lower costs.

Due to a decrease in claims and the harmonization of provisions arising from further integration efforts within ASR, the claims ratio improved by 2.1%-points. The commissions ratio increased primary due to a commission rebate in 2010 and other related expenses decreased in line with the continued cost saving. In total this lead to an improvement in the combined ratio by 1.4%-points.

Managing non-life 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 and results are threatened because the assumptions, used in the development and premium-setting of a product, are not realistic. ASR manages non-life insurance risk by monitoring claims frequency, the size of claims, inflation, handling time, benefit and claims handling costs, and biometrical risks (invalidity, convalescence, illness, death). In addition, concentration risk also qualifies as an insurance risk.

Claims frequency, size of claim and inflation
To mitigate the risk of claims, ASR bases the 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 by reference to 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, concentration of risk management and specific risk transfer contracts (e.g. reinsurance).

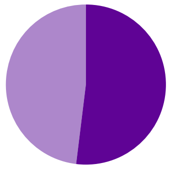
Handling time
The time required for handling and settling claims is an important factor. The settlement of claims that have a long handling time, such as injury or liability claims, can take years. Analyses are performed regularly, based, for instance, on ASR's experience in similar cases, historical 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 on the basis of regular reviews and related actions.

Occupational morbidity risk
Morbidity risk is the risk associated with the uncertainty of claims as a result of higher than expected disability rates and levels in portfolios containing occupational morbidity, medical expenses and accident insurance products. An additional uncertainty is that recovery or mortality rates might be lower than expected.

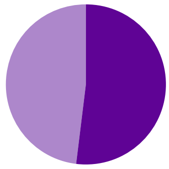
Illness, morbidity and recovery are affected by the economic climate, government intervention, progress in medical science and, in particularly, healthcare costs.

GROSS PREMIUM INCOME 2011



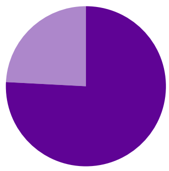
Accident & Health 52%
Property & Casualty 48%

GROSS PREMIUM INCOME 2010



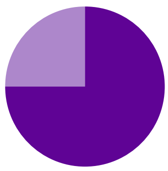
Accident & Health 52%
Property & Casualty 48%

GROSS CLAIMS RESERVES 2011



Accident & Health 76%
Property & Casualty 24%

GROSS CLAIMS RESERVES 2010



Accident & Health 75%
Property & Casualty 25%

These risks are kept under control by means of regular evaluation of historical claims patterns, expected future developments and price adjustments. ASR mitigates its occupational disability risk through underwriting criteria and a proactive reintegration policy. ASR also minimizes its occupational disability risk through suitable reinsurance.

Concentration risk
ASR's risk exposure on its non-life portfolio is geographically almost entirely spread over 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 Dutch occupational disability cover (WIA).

The diagrams on previous page illustrate the distribution of gross premium income and gross claims reserves across the different lines of business. Disability insurance contracts account for a relatively large claims reserve in total premiums. Due to the in general rapid settlement of the P&C portfolio, which generates 48% of premium income, only represents 24% of the total claims reserve.

Total gross premium income from non-life insurance activities in 2011 amounted to € 2,427 million (2010: € 2,310 million). In 2011, € 206 million (2010: € 212 million) was paid in reinsurance premium, i.e. 8.49% (2010: 9.29%) of gross premium income.

Reinsurance

When deemed necessary, ASR's insurance businesses agree on reinsurance contracts for non-life portfolios to minimize insurance risks. Reinsurance can be taken out for each separate contract (per risk) or for the entire portfolio (per event). The latter applies if the risk with respect to individual policyholders is actually within the underwriting limits, with an unacceptable risk of a possible accumulation of claims (disaster risks) due to human actions or a natural disaster. In the Netherlands, extreme weather conditions form the largest disaster risk. This applies to storms in particular.

The level of retention in the different reinsurance contracts is aligned to the size and the risk profile of the underlying portfolios, taking account of the cost of reinsurance on the one hand and of the risk that is retained on the other. By determining the retention, the impact on the balance sheet is taken into account as well. The difference in the retention of disability depends on the structure of the contract (basic coverage or indexed).

Reinsurance companies are selected based on the management of the risk that the counterparty represents (expressed in the rating), weighing considerations involving the price. To limit risk concentration, reinsurance contracts are placed with different reinsurance companies.

The table below shows the risk retention for each product.

Non-life insurance liabilities

Provision for unearned premium income

Generally, the provision for unearned premium income is calculated based on the premium for own account, proportionate to the unexpired portion of the premium payments before deduction of the corresponding provision. A separate provision is formed for insurance contracts with increasing risk over the duration of the contract where premiums not related to the age of the policyholder are concerned. Changes in the provision for unearned premiums are recognized through profit and loss, which means that the income is recognized during the same risk period. Harmonization of provisions arising from further integration efforts within ASR were realized in 2011.

Provision for pay-outs still due

The provision for payable claims/benefits consists of the estimated amount of the reported but not settled claims plus an amount for claims not yet reported or incurred during or before the financial year. The latter part is based on historical information. This provision implicitly includes a provision for payable external claims handling costs.

The adequacy of the provisions is tested every quarter. For P&C and illness and health insurance, the test is based on the requirement that for each homogeneous product group the level of available provisions should reach a confidence level of at least 95%. For disability insurance, the test is based on worst-case stress scenarios. ASR also holds buffer capital in excess of the level of the liabilities.

The provision for occupational disability insurance equals the present value of the expected benefits, taking into account the policy terms and conditions, and qualifying periods, as well as chances of recovery and death.

The results of ASR's basic health insurance ("Basisverzekering") include an estimate related to the expected settlement because of equalization ("vereveningsmethodiek"). The estimate is made by internal actuaries per years based on the latest updated health information for the Netherlands. ASR monitors at the end of the first quarter, if the right assumptions are used. The final settlement is recognized three years after the end of the financial year.

AMOUNTS IN EUROS X 1,000	2011		2010	
RETENTIONS	HIGHEST RETENTION AT RISK	HIGHEST RETENTION AT EVENT	HIGHEST RETENTION AT RISK	HIGHEST RETENTION AT EVENT
Disability	110/125	-	700	3,000
Industrial casualties	1,000	1,000	1,000	1,000
Casualties (travel)	1,000	1,000	1,000	1,000
Third-party motor	3,000	3,000	2,000	2,000
Comprehensive motor	2,500	2,500	2,500	2,500
Damage to property	2,500	15,000	2,500	15,000
Third-party insurance	1,000	1,000	1,000	1,000
Shipping/transport	250	250	250	250

The liabilities for amounts payable and the provision for premiums at year-end 2011 can be broken down as follows:

GROSS TECHNICAL PROVISION (2011)	PROPERTY & CASUALTY	ACCIDENT & HEALTH	TOTAL
Claims provision	768	2,480	3,248
Unearned premium provison	275	232	507
Total	**1,043**	**2,712**	**3,756**

GROSS TECHNICAL PROVISION (2010)	PROPERTY & CASUALTY	ACCIDENT & HEALTH	TOTAL
Claims provision	766	2,238	3,004
Unearned premium provison	309	244	553
Total	**1,075**	**2,462**	**3,557**

Provision for unexpired risk
A provision for unexpired risk is formed to the extent that future claims and expenses – in respect of current insurance contracts – exceed future contractual premiums, taking into account the current unearned premium reserve.

For the retained occupational disability cover portfolio, a provision is formed for current risk exposure on contracts concluded in 2011 that run until 31 December 2011. This provision is based on the difference between premiums required for accounting and actuarial purposes.

3.8 Strategic and operational risk

ASR defines strategic risk as the risk that ASR will not achieve its targets because of failure to respond adequately to market developments. Due to the current pressure on the Dutch insurance market, it is extremely important to identify strategic issues and to take the right actions.

Operational risk is the risk of losses resulting from inadequate or failed internal processes, person and systems, or from external events (including legal risk). The main areas where operational risk (related to DNB's FIRM risks) is incurred are IT, outsourcing, integrity, legal issues and operations.

Every department at ASR (product lines and corporate support) incurs strategic and operational risk.

Strategic and operational risk management
The following areas were areas for concern in respect of strategic and operational risk in 2011:
- CRSA (yearly process);
- Operational loss registration (continual process);
- Crisis training (yearly process);
- Information security;
- Management in Control.

Control Risk Self-Assessment (CRSA)
Under supervision of the Risk Management department, an integral Control Risk Self-Assessment (CRSA) is conducted annually in all ASR departments. Any risks threatening the achievement of the organization's targets are taken into account in the CRSA. Following this assessment, every department writes a report outlining any identified risks and the actions that need to be taken to mitigate them. These mitigating actions are limitations/targets for the coming year. This report and the mitigating actions are authorized by the local management and the Executive Board. This is important input for senior management for the Management in Control Statement (MCS). The report is updated every quarter.

The CRSA/MCS process uncovers ASR's principal risk priorities for 2012. Any progress on the mitigating actions is reported to, and monitored by, ASR RC.

As part of preparing for Solvency II, ASR has executed a strategic risk assessment (ORSA). The CRSA is part of the ORSA. In this assessment, strategic risks are transposed into scenarios and their impact on the balance sheet and the income statement is determined. This is reported in an ORSA report. This will be developed further in 2012.

Operational losses
Every department can suffer operating losses. ASR has a process in place for reporting losses in excess of € 5,000 and evaluating the sources of these losses (incident management). Losses exceeding € 50,000 are reported to the NFRC.

Business continuity management and contingency planning
Any critical processes/activities are identified, including the resources needed to establish similar activities at a remote location. Recovery of systems supporting critical activities is regularly tested. To deal with any type of catastrophe, crisis teams have been established and trained every year in each location. This course consists of a theory module (half-day) and a practical module (full day). The goal is to give the teams insight into how they function and help them do their job in case of an emergency. The course also serves to clarify the roles, duties and responsibilities of the members of the crisis teams.

Information security
ASR gives special attention to the efficiency, effectiveness and integrity of ICT. Risk management helps to achieve this through a heightened focus on information and access security. This year, logical access control for the main applications in the financial reporting process was improved. The logical access control procedure helps ASR to enhance the integrity of an application, preventing fraud by improving segregation of duties and by conducting regular checks of actual access levels within the applications.

Internal control
To further improve the efficiency and the effectiveness of the organization, ASR controls the key processes in the organization. In 2011, ASR improved its control environment from an ERM perspective. Key risks in processes are identified and a minimum set of controls to mitigate these risks is defined, which is an addition to existing key controls. In 2012, these controls will be implemented (if they have not been already) and their effect on mitigating risks will be made transparent.

3.9 Hedge accounting

ASR has entered into a limited number of cash flow hedges to hedge some of its interest rate risk. These hedging transactions hedge risk on separate contracts. Under IFRS, derivatives are measured at fair value in the balance sheet and any changes in the fair value are recognized through profit and loss.
In the event that changes in fair value of hedged risks are not recognized through profit and loss, an accounting mismatch occurs, making the results more volatile. In these cases, hedge accounting is applied to mitigate the accounting mismatch and volatility.

For details on the notional amounts and the fair values of the derivatives for hedging purposes, see chapter 11.4.

3.10 Solvency II

Solvency II is the regulatory framework for European insurance companies, which is expected to be implemented in 2014.
In 2011, the deadline of expected implementation was changed from 1 January 2013 to 1 January 2014. Solvency II sets solvency requirements that are better aligned to the risks incurred by insurers and will form an integral part of the operations management of insurance companies. Solvency II will have great impact on the insurance market. In accordance with Solvency II, assets and liabilities are measured on the basis of fair market value.

ASR has set up a group-wide Solvency II programme. In 2009, a gap analysis was performed under this programme.
ASR started resolving any identified gaps in 2010. This process continued in 2011. The progress made in resolving these gaps helps ASR to become Solvency II-compliant, which is monitored in the Solvency II programme.

In 2010, there was a strong focus on Pillar I activities.
The focus in 2011 was primarily on Pillar II. The quality, integrity and reliability of data were further improved in 2011. The ORSA process was is executed for the second time within ASR and integration with the Multi-Year Budget was improved. In addition, the effectiveness of the risk governance structure was stepped up. ASR's risk management function has been designed to comply with the Solvency II requirements.
This means that ASR uses an integrated approach to identify, measure, monitor, report and control all the risks it is exposed to on an individual and aggregate level, including any interdependencies (e.g. risk dashboard).

In 2012, ASR will continue its efforts to implement the Solvency II requirements to ensure compliance with Solvency II.

4 Capital and liquidity management

4.1 Capital management

4.1.1 Capital management objectives

ASR is committed to maintaining a strong capital position so as to be a robust insurer for its policyholders and other shareholders. The objective is to maintain a solvency level that is well above the regulator's minimum requirement (Solvency I). Stress tests are performed for principal risks. An additional objective is to achieve a combination of a capital position and risk profile that is at least in line with an 'A' rating.

ASR is currently in the process of preparing for the Solvency II capital requirements. In 2011, ASR started to implement a process to report the Solvency Capital Requirement as defined in the Quantitative Impact Studies (QIS) of Solvency II.
ASR also started the development of an Economic Capital (ECAP) method in 2011 that better reflects its own risk profile.

4.1.2 Solvency

ASR's regulatory solvency and buffer capital can be broken down as follows:

	2011	2010
Regulatory solvency available	3,503	3,412
Regulatory solvency required	1,520	1,542
Regulatory solvency ratio	230%	221%
Buffer capital	4,215	4,044
Buffer capital required	1,448	1,542
Buffer capital ratio	291%	262%

The solvency ratio was 230%. The sensitivities described in chapter 3.5 pertain to the stress scenarios used for the solvency ratio floor after stress. The total impact of the stress scenarios is 51% (2010: 86%), resulting in a solvency ratio after stress of 179% (2010: 135%), which is well above the internal minimum target of 150%.

The table below shows a reconciliation between regulatory solvency required and buffer capital required:

	2011	2010
Regulatory solvency required	1,520	1,542
Elimination of post-employment benefit plan	-72	-
Buffer capital required	1,448	1,542

The table below shows a reconciliation between equity, regulatory solvency and buffer capital.

	2011	2010
Equity (exclusive of non-controlling interests)	2,369	2,446
Non-controlling interests	-4	5
Subordinated debt (after adjustment)	1	5
Revaluation of real estate (exclusive of non-controlling interest)	863	1,042
Adjustment for other equity instruments	-15	-22
Goodwill	-1	-14
Intangible assets	-2	-4
Value of business acquired (VOBA)	-211	-227
Elimination of post-employment benefit plan	231	-
Adjustment for shadow accounting	13	13
Test margin	259	167
Regulatory solvency available	**3,503**	**3,412**
Adjustment for elimination of post-employment benefit plan	-231	-
Adjustment for shadow accounting	-13	-
Adjustment in test margin	956	633
Buffer capital	**4,215**	**4,044**

With the consent of DNB, the margin on insurance liabilities (DNB LAT margin) has been taken into account in determining regulatory solvency. For a description of the LAT, see chapter 2.29. ASR did not make use of the opportunity of the regulator to value the LAT margin based on the average interest rate curve of the last quarter of 2011. The post-employment benefit plan is eliminated in determining the buffer capital required and buffer capital available.

4.2 Rating

Standard & Poor's confirmed the 'A' rating with a negative outlook of ASR Levensverzekering N.V. and ASR Schadeverzekering N.V. on 16 November 2011.

Fitch Ratings confirmed the 'A-' rating with a stable outlook of ASR Levensverzekering N.V. and ASR Schadeverzekering N.V. on 9 December 2011. Fitch Ratings also confirmed the 'BBB' rating with a stable outlook of ASR Nederland N.V. on the same day.

The rating reports are downloadable on the ASR corporate website (www.asrnederland.nl).

RATING	STANDARD & POOR'S				FITCH RATINGS			
ENTITY	TYPE	RATING	OUTLOOK	DATE	TYPE	RATING	OUTLOOK	DATE
ASR Levensverzekering N.V.	FSR	A	Negative	20 May 2009	Long Term IDR	BBB+	Stable	16 December 2010
ASR Levensverzekering N.V.	CCR	A	Negative	20 May 2009	IFS	A-	Stable	16 December 2010
ASR Schadeverzekering N.V.	FSR	A	Negative	20 May 2009	Long Term IDR	BBB+	Stable	16 December 2010
ASR Schadeverzekering N.V.	CCR	A	Negative	20 May 2009	IFS	A-	Stable	16 December 2010
ASR Nederland N.V.					Long Term IDR	BBB	Stable	16 December 2010

4.3 Dividend
ASR has the intention to distribute a stable dividend to the shareholders annually, if the capital management objectives are met. Dividends are based on a pay-out of 40%-45% of profit for the year after distribution to holders of Hybrid Tier 1 instruments.

4.4 Liquidity management
ASR needs to be able to meet its obligations towards policyholders and other creditors at all times. Unexpected cash outflows could occur as result of a lapse in the insurance portfolio, withdrawals of savings, or payments related to the CSA of derivatives. Unexpected cash outflows can be covered by cash and cash equivalents (€ 2,573 million), liquid government bonds (€ 9,008 million), and other bonds and shares.

The following table shows the contractual cash flows of assets and liabilities (excluding investments on behalf of policyholders and insurance contracts on behalf of policyholders). For liabilities arising from insurance contracts, expected lapse and mortality risk are taken into account. Equities and property are not included.

2011	< 1 YEAR	1-5 YEARS	5-10 YEARS	10-20 YEARS	> 20 YEARS
fixed income securities	7,100	5,532	10,170	13,533	8,041
liabilities	-4,685	-7,124	-5,907	-11,703	-15,005
	2,415	**-1,592**	**4,263**	**1,830**	**-6,964**

2010	< 1 YEAR	1-5 YEARS	5-10 YEARS	10-20 YEARS	> 20 YEARS
fixed income securities	3,492	10,341	7,600	9,047	6,684
liabilities	-2,921	-6,062	-5,212	-10,090	-19,196
	571	**4,280**	**2,388**	**-1,043**	**-12,512**

5 Segment information

5.1 General
ASR distinguishes between the life, non-life and other segments. The life segment comprises all life insurance entities 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 segment is comprised of non-life insurance entities and their subsidiaries. These non-life insurance entities offer non-life insurance contracts. Insurance entities are entities that accept the transfer of insurance risks from policyholders. The life and non-life segments have different levels of profitability and growth opportunities, as well as a different outlook and risk profile.

The segment 'Other' includes the following entities:
- ASR Nederland N.V.;
- ASR Bank N.V.;
- ASR Hypotheken B.V.
- ASR Vastgoed Ontwikkeling N.V.;
- Ditzo B.V.;
- B.V. Nederlandse Hulpverleningsorganisatie-SOS International;
- as well as several other holding companies.

Ditzo B.V. is a distribution channel and the underwriting income and expenses are recognized in the non-life segment.

Eliminations applied in the reconciliation of the segment information with the consolidated balance sheet and the consolidated income statement are separately presented.

The ASR segment reports show the financial performance of each segment. The purpose of these reports 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 ASR's consolidated financial statements (as described in chapter 2).

Intersegment transactions are conducted at arm's length conditions.

The operating profits of the segments are assessed on the basis of the segments' income statements.

5.2 Segmented balance sheet

AS AT 31 DEC. 2011	LIFE	NON-LIFE	OTHER	ELIMINATIONS	TOTAL
Intangible assets	280	2	3	-	285
Deferred acquisition costs	276	81	-	-	357
Property, plant and equipment	38	3	38	-	79
Investment property	1,491	203	-8	-	1,686
Associates and joint ventures	147	-	64	-	211
Investments	14,561	3,521	2,254	-1,795	18,541
Investments on behalf of policyholders	8,581	-	-	-	8,581
Loans and receivables	5,874	547	1,157	-944	6,634
Derivatives	1,851	14	-	-	1,865
Deferred tax assets	11	-	-	-	11
Reinsurance contracts	2	461	-	-	463
Other assets	1,514	-142	-554	-26	792
Cash and cash equivalents	2,712	136	179	-454	2,573
Total assets	**37,338**	**4,826**	**3,133**	**-3,219**	**42,078**
Equity attributable to holders of equity instruments	2,672	687	-990	-	2,369
Non-controlling interests	-	2	-6	-	-4
Total equity	**2,672**	**689**	**-996**	**-**	**2,365**
Subordinated debt	30	19	20	-49	20
Liabilities arising from insurance contracts	21,758	3,756	-	-1,783	23,731
Liabilities arising from insurance contracts on behalf of policyholders	9,202	-	-	-	9,202
Employee benefits	-	-	2,143	-	2,143
Provisions	1	2	27	-	30
Borrowings	511	-	882	-1,286	107
Derivatives	133	-	4	-	137
Deferred tax liabilities	316	19	-266	-	69
Due to customers	731	46	857	-43	1,591
Due to banks	1,702	14	-	-	1,716
Other liabilities	282	281	462	-58	967
Total liabilities	**34,666**	**4,137**	**4,129**	**-3,219**	**39,713**
Total liabilities and equity	**37,338**	**4,826**	**3,133**	**-3,219**	**42,078**
Additions to					
Intangible assets	-	-	1	-	1
Property, plant and equipment	1	-	8	-	9
Total additions	**1**	**-**	**9**	**-**	**10**

5.2 Segmented balance sheet (continued)

AS AT 31 DEC. 2010	LIFE	NON-LIFE	OTHER	ELIMINATIONS	TOTAL
Intangible assets	297	7	19	-	323
Deferred acquisition costs	360	87	-	-	447
Property, plant and equipment	70	3	59	-	132
Investment property	1,720	220	21	-	1,961
Associates and joint ventures	148	-	34	-	182
Investments	15,251	3,410	2,152	-1,623	19,190
Investments on behalf of policyholders	9,491	-	-	-	9,491
Loans and receivables	5,654	481	696	-424	6,407
Derivatives	563	9	-	-	572
Deferred tax assets	180	113	-97	-	196
Reinsurance contracts	2	425	-	-	427
Other assets	1,090	-49	-182	-96	763
Cash and cash equivalents	381	101	551	-508	525
Total assets	**35,207**	**4,807**	**3,253**	**-2,651**	**40,616**
Equity attributable to holders of equity instruments	2,266	837	-657	-	2,446
Non-controlling interests	-	3	2	-	5
Total equity	**2,266**	**840**	**-655**	**-**	**2,451**
Subordinated debt	30	19	20	-49	20
Liabilities arising from insurance contracts	20,541	3,535	-	-1,724	22,352
Liabilities arising from insurance contracts on behalf of policyholders	10,488	-	-	-	10,488
Employee benefits	-	-	2,033	-	2,033
Provisions	2	3	23	-	28
Borrowings	323	-	602	-826	99
Derivatives	76	-	5	-	81
Deferred tax liabilities	113	61	-15	-	159
Due to customers	850	60	839	-	1,749
Due to banks	69	7	-	-	76
Other liabilities	449	282	401	-52	1,080
Total liabilities	**32,941**	**3,967**	**3,908**	**-2,651**	**38,165**
Total liabilities and equity	**35,207**	**4,807**	**3,253**	**-2,651**	**40,616**
Additions to					
Intangible assets	-	-	1	-	1
Property, plant and equipment	1	-	12	-	13
Total additions	**1**	**-**	**13**	**-**	**14**

5.3 Segmented income statement

2011	LIFE	NON-LIFE	OTHER	ELIMINATIONS	TOTAL
Gross premiums written	2,166	2,353	-	-82	4,437
Change in provision for unearned premiums	-	74	-	-	74
Gross insurance premiums	**2,166**	**2,427**	**-**	**-82**	**4,511**
Reinsurance premiums	-20	-206	-	-	-226
Net insurance premiums	**2,146**	**2,221**	**-**	**-82**	**4,285**
Investment income	1,169	183	61	-32	1,381
Realized gains and losses	392	48	35	-	475
Fair value gains and losses	-8	-	-1	-	-9
Result on investments on behalf of policyholders	-370	-	-	-2	-372
Fee and commission income	-	67	15	-	82
Other income	19	6	118	-8	135
Share of profit/(loss) of associates and joint ventures	8	-	-	-	8
Total income	**1,210**	**304**	**228**	**-42**	**1,700**
Insurance claims and benefits	-2,282	-1,699	-	146	-3,835
Insurance claims and benefits recovered from reinsurers	16	126	-	-	142
Net insurance claims and benefits	**-2,266**	**-1,573**	**-**	**146**	**-3,693**
Operating expenses	-262	-251	-131	11	-633
Acquisition costs	-157	-444	-	8	-593
Impairments	-279	-44	-35	-	-358
Interest expense	-140	-4	-64	-46	-254
Other expenses	-83	-16	-108	5	-202
Total expenses	**-921**	**-759**	**-338**	**-22**	**-2,040**
Profit before tax	**169**	**193**	**-110**	**-**	**252**
Income tax expense	-34	-48	35	-	-47
Profit for the year	**135**	**145**	**-75**	**-**	**205**
Profit attributable to non-controlling interests	-	-	7	-	7
Profit attributable to holders of equity instruments	**135**	**145**	**-68**	**-**	**212**

5.3 Segmented income statement (continued)

2010	LIFE	NON-LIFE	OTHER	ELIMINATIONS	TOTAL
Gross premiums written	2,514	2,328	-	-86	4,756
Change in provision for unearned premiums	-	-18	-	-	-18
Gross insurance premiums	**2,514**	**2,310**	**-**	**-86**	**4,738**
Reinsurance premiums	-8	-212	-	-	-220
Net insurance premiums	**2,506**	**2,098**	**-**	**-86**	**4,518**
Investment income	1,154	176	120	-98	1,352
Realized gains and losses	156	-8	30	-	178
Fair value gains and losses	-16	-4	-8	-	-28
Result on investments on behalf of policyholders	775	-	-	-	775
Fee and commission income	4	109	14	-	127
Other income	111	10	227	-12	336
Share of profit/(loss) of associates and joint ventures	9	-	-5	-	4
Total income	**2,193**	**283**	**378**	**-110**	**2,744**
Insurance claims and benefits	-3,750	-1,543	-	157	-5,136
Insurance claims and benefits recovered from reinsurers	2	10	-	-	12
Net insurance claims and benefits	**-3,748**	**-1,533**	**-**	**157**	**-5,124**
Operating expenses	-281	-260	-139	8	-672
Acquisition costs	-130	-428	-	6	-552
Impairments	-30	15	-24	-	-39
Interest expense	-53	-4	-135	23	-169
Other expenses	-101	-19	-167	2	-285
Total expenses	**-595**	**-696**	**-465**	**39**	**-1,717**
Profit before tax	**356**	**152**	**-87**	**-**	**421**
Income tax expense	-80	-48	25	-	-103
Profit for the year	**276**	**104**	**-62**	**-**	**318**
Profit attributable to non-controlling interests	-	-	-1	-	-1
Profit attributable to holders of equity instruments	**276**	**104**	**-63**	**-**	**317**

5.4 Technical result

The technical result includes insurance premiums, allocated investment income less insurance costs (claims), distribution costs and operating expenses. Income from investments includes rentals, interest income, dividends and revaluations. Realized gains and losses relate to financial assets classified as available for sale and investment property, as well as gains and losses on financial assets recognized at fair value through profit and loss.

Investment income less investment expenses is allocated to the life and non-life products on the basis of the investment portfolio that covers the insurance contracts for the product in question.

Retained gains or losses on the sale of investments relate to the realized total revaluation of investment property and financial assets available for sale, to the extent that these cannot be allocated to the different life and non-life products. These gains or losses are recorded in profit or loss.

Non-technical result includes income from investments that have been allocated to equity and the general provisions, as well as a number of specific results not allocated to insurance activities.

TECHNICAL RESULT, LIFE	2011	2010
Gross premiums written	2,166	2,514
Gross insurance premiums	**2,166**	**2,514**
Reinsurance premiums	-20	-8
Net insurance premiums	**2,146**	**2,506**
Net insurance claims and benefits	-3,681	-2,762
Change in liabilities arising from insurance contracts	1,415	-986
Fee and commission expense	-157	-126
Technical result (underwriting)	**-277**	**-1,368**
Allocated gain (loss) on investments - to technical result	360	1,764
Allocated gains or losses - to technical result	118	58
Allocated other income and expense – to technical result	-51	43
Operating expenses	-262	-281
Technical result – before proceeds (loss) from sales of investments	**-112**	**216**
Proceeds (loss) from sales of investments	28	-16
Technical result	**-84**	**200**
Non-technical result	253	156
Profit before tax	**169**	**356**

TECHNICAL RESULT, NON-LIFE	2011	2010
Gross premiums written	2,353	2,328
Change in provision for unearned premiums	74	-18
Gross insurance premiums	**2,427**	**2,310**
Reinsurance premiums	-206	-213
Net insurance premiums	**2,221**	**2,097**
Net insurance claims and benefits	-1,439	-1,422
Change in liabilities arising from insurance contracts	-135	-111
Fee and commission expense	-379	-319
Technical result (underwriting)	**268**	**245**
Allocated gain (loss) on investments - to technical result	100	135
Allocated gains or losses - to technical result	-	-
Allocated other income and expense – to technical result	-7	-7
Operating expenses	-251	-260
Technical result – before proceeds (loss) from sales of investments	**110**	**113**
Proceeds (loss) from sales of investments	41	-13
Technical result	**151**	**100**
Non-technical result	42	52
Profit before tax	**193**	**152**

5.5 Non-life insurance per business line

2011	GROSS PREMIUMS WRITTEN	NET EARNED PREMIUMS[1]	NET INSURANCE CLAIMS AND BENEFITS	FEE AND COMMISSION EXPENSE	OPERATING EXPENSES	TECHNICAL RESULT
Accident and health	1,283	1,194	-940	-101	-117	125
Motor	480	483	-344	-117	-55	-7
Fire and other property damage	336	329	-203	-102	-42	-9
Other	254	215	-87	-59	-37	42
Total	**2,353**	**2,221**	**-1,574**	**-379**	**-251**	**151**

2010	GROSS PREMIUMS WRITTEN	NET EARNED PREMIUMS[1]	NET INSURANCE CLAIMS AND BENEFITS	FEE AND COMMISSION EXPENSE	OPERATING EXPENSES	TECHNICAL RESULT
Accident and health	1,281	1,121	-894	-62	-125	133
Motor	484	459	-348	-110	-57	-33
Fire and other property damage	329	311	-199	-94	-40	-15
Other	234	206	-92	-53	-38	15
Total	**2,328**	**2,097**	**-1,533**	**-319**	**-260**	**100**

1 Net of reinsurance

5.6 Non-life ratios

The non-life combined ratio can be broken down as follows:

	2011	2010
Claims ratio	70.9%	73.0%
Commission ratio	17.0%	15.3%
Expense ratio	11.0%	12.0%
Combined ratio	**98.9%**	**100.3%**

- Claims ratio: the cost of claims, net of reinsurance in non-life, excluding the internal costs of handling non-life claims, expressed as a percentage of net earned premiums.
- Commission ratio: net commissions charged to the year, expressed as a percentage of net earned premiums.
- Expense ratio: expenses, including internal costs of handling non-life claims, less internal investment expenses, expressed as a percentage of net earned premiums.
- Combined ratio: the sum of the claims and expense ratio.

These ratios are used only by non-life insurance companies. Due to a decrease in claims and the harmonization of provisions arising from further integration efforts within ASR, the claims ratio improved by 2.1%-points. The commissions ratio increased primary due to a commission rebate in 2010 and other related expenses decreased in line with the continued cost saving. In total this lead to an improvement in the combined ratio by 1.4%-points.

The expense ratio was calculated taking into account investment costs of € 7 million (2010: € 7 million).

Notes to the balance sheet

6 Intangible assets

Intangible assets can be broken down as follows:

	31 DEC. 2011	31 DEC. 2010
Goodwill	1	14
Value Of Business Acquired (VOBA)	282	303
Software and other intangible assets	2	6
Total intangible assets	**285**	**323**

2011	GOODWILL	VOBA	SOFTWARE	TOTAL
Cost price	63	493	53	609
Accumulated amortisation and impairments	-62	-211	-51	-324
At 31 December	**1**	**282**	**2**	**285**
At 1 January	14	303	6	323
Acquisitions	4	-	1	5
Amortization	-	-18	-4	-22
Impairments	-17	-3	-	-20
Other changes	-	-	-	-
At 31 December	**1**	**282**	**2**	**285**

2010	GOODWILL	VOBA	SOFTWARE	TOTAL
Cost price	59	493	55	607
Accumulated amortisation and impairments	-45	-190	-49	-284
At 31 December	**14**	**303**	**6**	**323**
At 1 January	37	323	11	371
Acquisitions	-	-	1	1
Amortization	-	-20	-6	-26
Impairments	-23	-	-	-23
At 31 December	**14**	**303**	**6**	**323**

The amortization periods for the intangible assets are specified in chapter 2.14. Amortization charges related to VOBA are included in net claims and benefits; software amortization is included in operating expenses.

In 2011, goodwill decreased by € 13 million as a result of impairments related to negative developments in the ASR Vastgoed Ontwikkeling. Furthermore the goodwill recognised following the Paerel Leven N.V. acquisition of € 4 million has been fully impaired as this goodwill was deemed not recoverable. For the purposes of impairment testing, goodwill is allocated to the cash-generating units of the relevant operating segment. The goodwill as at 31 December 2011 relates to B.V. Nederlandse Hulpverleningsorganisatie-SOS International in segment Other.

The impairment of the VOBA amounting to € 3 million related to the Occupational Disability portfolio.

As explained in chapter 2.14, goodwill is tested for impairment at least once a year.

Amortization schedule for Value of Business Acquired (VOBA)
VOBA mainly relates to the acquisition of Stad Rotterdam. At year-end 2011, the average remaining amortization period of VOBA was 15 years.

The expected amortization schedule for future years is shown below:

	2011	2012	2013	2014	2015	LATER
Estimated amortization of VOBA	18	19	19	19	17	190

7 Deferred acquisition costs

Movements in deferred acquisition costs (DAC) can be broken down as follows:

	2011	2010
At 1 January	447	518
Capitalized acquisition costs	9	14
Amortization	-108	-87
Other changes	9	2
At 31 December	**357**	**447**

Amortization of deferred acquisition costs is recorded in acquisition costs in the income statement.

8 Property, plant and equipment

Property, plant and equipment can be broken down as follows:

	31 DEC. 2011	31 DEC. 2010
Land and buildings for own use	61	117
Equipment	18	15
Total property, plant and equipment	**79**	**132**

	LAND AND BUILDINGS FOR OWN USE	EQUIPMENT	TOTAL
Cost price as at 1 January 2011	224	147	371
Additions	3	8	11
Disposals	-11	-9	-20
Transferred to investment property	-46	2	-44
Cost price as at 31 December 2011	**170**	**148**	**318**
Accumulated depreciation as at 1 January 2011	-107	-132	-239
Depreciation	-3	-9	-12
Transferred to investment property	13	-	13
Disposals	4	9	13
Impairments	-16	-	-16
Other changes	-	2	2
Accumulated depreciation as at 31 December 2011	**-109**	**-130**	**-239**
			-
Total property, plant and equipment	**61**	**18**	**79**

	LAND AND BUILDINGS FOR OWN USE	EQUIPMENT	TOTAL
Cost price as at 1 January 2010	242	137	379
Additions	2	11	13
Disposals	-20	-	-20
Other changes	-	-1	-1
Cost price as at 31 December 2010	**224**	**147**	**371**
Accumulated depreciation as at 1 January 2010	-105	-123	-228
Depreciation	-5	-11	-16
Other changes	3	2	5
Accumulated depreciation as at 31 December 2010	**-107**	**-132**	**-239**
			-
Total property, plant and equipment	**117**	**15**	**132**

Depreciation of property, plant and equipment is recorded in operating expenses. Impairments amounting to € 16 million have been recognized as a result of the decommissioning of assets following the transfer of building to investment property and the renovation of buildings for own use.

At year-end 2011, the fair value of land and buildings for own use amounted to €132 million (2010: € 186 million). This value is determined annually on the basis of valuations.

9 Investment property

	2011	2010
Cost price as at 1 January	2,463	2,591
Additions	86	61
Capital improvements	4	5
Disposals	-515	-270
Transferred from other assets	58	21
Transferred from property, plant and equipment	44	-
Other changes	-22	55
Cost price as at 31 December	**2,119**	**2,463**
Accumulated depreciation as at 1 January	-390	-325
Depreciation	-38	-41
Disposals	126	51
Transfer	-13	-
Other changes	-2	-75
Accumulated depreciation as at 31 December	**-317**	**-390**
Impairments as at 1 January	-112	-109
Impairments	-26	-26
Reversal of impairments	4	7
Reversal of impairments on disposal	17	26
Other changes	2	-10
Impairments as at 31 December	**-115**	**-112**
Total investment property	**1,686**	**1,961**

In 2011, ASR disposed of investment property amounting to € 515 million. The disposalsrelate to the disposal of investment property following the fi rst tranche of the ASR Dutch Prime Retail Fund, and further disposals of offi ce and residential properties.

Investment property is leased to third parties and is primarily diversified over the rural, residential, office and retail sectors in the Netherlands.

In 2011, ASR transferred investment property to the ASR Dutch Prime Retail Fund and in December 2011 the first tranche was disposed of to institutional investors. As a result the investment property amounting to € 532 million which is held buy the Fund is governed under the fund agreement.

At year-end 2011, the fair value of investment property amounted to € 2,765 million (year-end 2010: € 3,282 million). This amount is based on valuations by independent valuators. These valuations are performed annually for the almost of the entire investment property portfolio. Most of the impairments recognized relate to residential property.

Proceeds from the sale of investment properties and rentals are recognized as investment income. For details, see chapter 27. In 2011, rentals amounted to € 157 million (2010: € 183 million).

Direct operating expenses arising from the investment property amounted to € 29 million (2010: € 27 million). The percentage of vacant properties are as follows:

	2011	2010
Retail	1.0%	3.2%
Offices	8.5%	5.1%
Residential	4.6%	6.4%
Parking	0.4%	6.7%

Therefore, virtually all direct operating expenses related to investment properties generating rental income. Direct operating expenses of investment property are classified as operating expenses.

10 Associates and joint ventures

	31 DEC. 2011	31 DEC. 2010
Deltafort Beleggingen I B.V. - joint venture	139	144
365 Holding B.V. - associate (previously Arboned Holding B.V.)	24	24
Other	48	14
Total	**211**	**182**

	DELTAFORT	365 HOLDING	OTHER	TOTAL
At 1 January 2011	144	24	14	182
Acquisition	-	-	34	34
Share of profit/(loss)	7	-	1	8
Revaluations	-4	-	-	-4
Impairments	-	-	-2	-2
Dividend	-8	-	-5	-13
Other changes	-	-	6	6
Carrying amount at 31 December 2011	**139**	**24**	**48**	**211**

Some participating interests in which ASR has an interest of less than 20% qualify as associates, because ASR has significant influence.

The abbreviated financial statement information disclosed in the tables below is based on the most recent financial information available from the associates and joint ventures.

2011	INTEREST	TOTAL ASSETS	TOTAL LIABILITIES	TOTAL INCOME	PROFIT/(LOSS) BEFORE TAX
Deltafort Beleggingen I B.V.	50%	277	-	14	14
365 Holding B.V.	41%	63	45	119	1
Other		663	547	125	16
Total		**1,003**	**592**	**258**	**31**

2010	INTEREST	TOTAL ASSETS	TOTAL LIABILITIES	TOTAL INCOME	PROFIT/(LOSS) BEFORE TAX
Deltafort Beleggingen I B.V.	50%	342	-	21	21
365 Holding B.V.	41%	72	54	124	2
Other		618	593	199	-8
Total		**1,032**	**647**	**344**	**15**

Deltafort Beleggingen I B.V., a 50% joint venture, participates in the ordinary and preference shares of Ahold N.V., and has its registered office in the Netherlands.

In 2011, loans to associates and joint ventures amounted to € 61 million (2010: € 83 million). These loans are classified as loans and receivables.

11 Financial assets

Financial assets can be broken down as follows:

	31 DEC. 2011	31 DEC. 2010
Investments		
Available for sale (chapter 11.1)	18,454	19,019
At fair value through profit and loss (chapter 11.2)	87	171
Investments on behalf of policyholders		
At fair value through profit and loss (chapter 11.2)	8,581	9,491
Loans and receivables (chapter 11.3)	6,634	6,407
Derivatives (chapter 11.4)	1,865	572
Cash and cash equivalents (chapter 15)	2,573	525
Total financial assets	**38,194**	**36,185**

The table below gives a detailed overview of the types of financial assets held:

	COMPANY INVESTMENTS 31 DEC. 2011	COMPANY INVESTMENTS 31 DEC. 2010	INVESTMENTS ON BEHALF OF POLICYHOLDERS 31 DEC. 2011	INVESTMENTS ON BEHALF OF POLICYHOLDERS 31 DEC. 2010	TOTAL FINANCIAL ASSETS 31 DEC. 2011	TOTAL FINANCIAL ASSETS 31 DEC. 2010
Equities	1,386	2,339	7,752	8,679	9,138	11,018
Fixed-interest securities	16,984	16,661	526	779	17,510	17,440
Loans and receivables	6,634	6,407	119	1	6,753	6,408
Derivatives	1,865	572	-1	1	1,864	573
Cash and cash equivalents	2,573	525	161	11	2,734	536
Other	171	190	24	20	195	210
Total	**29,613**	**26,694**	**8,581**	**9,491**	**38,194**	**36,185**

11.1 Investments available for sale

Investments available for sale can be broken down as follows:

	31 DEC. 2011	31 DEC. 2010
Short-term government securities and other discountable securities	66	37
Government bonds	8,396	7,665
Corporate bonds	7,778	8,328
Mortgage-backed securities	484	273
Other asset-backed securities	248	254
Unlisted equities	31	38
Listed equities	1,279	2,234
Other investments	172	190
Total Investments available for sale	**18,454**	**19,019**

CHANGES IN INVESTMENTS AVAILABLE FOR SALE	2011	2010
At 1 January	19,019	18,048
Purchases	7,349	5,724
Repayments	-1,111	-951
Sold	-6,627	-4,678
Revaluation through profit and loss	194	29
Revaluation recognized in equity	-85	699
Impairments	-263	16
Amortization	-5	12
Exchange rate differences	-2	40
Other changes	-15	80
Carrying amount at 31 December	**18,454**	**19,019**

Impairment of investments available for sale
The table below shows a breakdown of impairments a breakdown of impairments of investments available for sale:

	2011	2010
At 1 January	-870	-972
Increase in impairments through profit and loss	-291	-154
Release of impairments through profit and loss	28	170
Reversal of impairments due to disposal	182	96
Translation differences and other adjustments	-5	-10
At 31 December	**-956**	**-870**

The increase in translation differences and other adjustments relates mainly to exchange rate differences on investments available for sale. Impairments recognized on government bonds have been based on the existing impairment policy.

11.2 Investments at fair value through profit and loss

Investments at fair value through profit and loss can be broken down as follows:

	COMPANY INVESTMENTS 31 DEC. 2011	COMPANY INVESTMENTS 31 DEC. 2010	INVESTMENTS ON BEHALF OF POLICYHOLDERS 31 DEC. 2011	INVESTMENTS ON BEHALF OF POLICYHOLDERS 31 DEC. 2010	TOTAL 31 DEC. 2011	TOTAL 31 DEC. 2010
Government bonds	-	-	428	583	428	583
Corporate bonds	-	-	107	195	107	195
Debt certificates covered by mortgage	-	-	1	1	1	1
Debt certificates covered by other assets	12	106	-	-	12	106
Unlisted equities	74	60	-	-	74	60
Listed equities	1	5	7,873	8,679	7,874	8,684
Other investments	-	-	172	33	172	33
Total investments at fair value through profit and loss	**87**	**171**	**8,581**	**9,491**	**8,668**	**9,662**

CHANGES IN INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS	COMPANY INVESTMENTS 31 DEC. 2011		INVESTMENTS ON BEHALF OF POLICYHOLDERS 31 DEC. 2011		TOTAL 31 DEC. 2011	
At 1 January	171		9,491		9,662	
Purchases	17		1,069		1,086	
Sold	-112		-1,634		-1,746	
Revaluation through profit and loss	10		-428		-418	
Exchange rate differences	1		4		5	
Other changes	-		79		79	
Carrying amount at 31 December	**87**		**8,581**		**8,668**	

A further breakdown of the investments at fair value through profit and loss and investments on behalf of policyholders is included in the fair value hierarchy tables (see chapters 11.5. and 11.6 respectively).
All investments at fair value through profit and loss are designated as such by ASR upon initial recognition.

ASR lends equities and bonds in exchange for a fee, with collateral obtained as security. At the end of 2011, the value of the loaned securities was € 8,603 million (2010: € 7,754 million) with the collateral furnished as security representing a value of € 11,552 million (2010: € 8,908 million) consisting of mortgage loans and corporate and government bonds.

11.3 Loans and receivables

Loans and receivables can be broken down as follows:

	31 DEC. 2011	31 DEC. 2010
Government and public sector	296	319
Mortgage loans	2,855	2,284
Consumer loans	10	-
Other loans	257	381
Impairments	**3,418**	**2,984**
Specific credit risks	-29	-33
IBNR	-32	-3
Due from customers	**3,357**	**2,948**
Interest-bearing deposits	42	28
Loans and advances	2,242	2,238
Other	183	276
Impairments	**2,467**	**2,542**
Specific credit risks	-20	-19
Due from banks	**2,447**	**2,523**
Due from policyholders	252	239
Due from intermediaries	211	222
Reinsurance receivables	165	138
Other receivables	238	374
Impairments	**866**	**973**
Specific credit risks	-33	-33
IBNR	-3	-4
Trade and other receivables	**830**	**936**
Total loans and receivables	**6,634**	**6,407**

Included in Due from banks is an amount of € 1,961 million (2010: € 1,908 million) related to savings-linked mortgage loans.

Impairment of loans and receivables

The table below shows a breakdown of impairments of loans and receivables:

	2011	2010
At 1 January	-92	-92
Increase in impairments through profit and loss	-43	-9
Release of impairments through profit and loss	8	2
Reversal of impairments outside profit and loss	10	15
Translation differences and other adjustments	-	-8
At 31 December	**-117**	**-92**

The increase in impairments on loans and receivables in 2011 related mainly to mortgage loans. The fair value of the loans and receivables as at 31 December 2011 was € 7,592 million (2010: € 6,604 million). 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 that includes an additional spread based on the risk profile of the counterparty.

11.4 Derivatives

Derivatives consist of derivatives held for trading and those held for cash flow hedging.

Derivatives held for trading are comprised of all derivatives that do not qualify for hedge accounting. Changes in the fair value of derivatives held for trading are recorded in investment income (under 'fair value gains and losses', see chapter 27).

Listed derivatives are traded on the basis of standard contracts. As a result of margin obligations dictated by the different stock exchanges, they do not generally carry any significant counterparty risk. Derivatives transacted in the over-the-counter (OTC) market are agreed mutually by the contractual parties.

Notional amounts are used for measuring derivatives; they are not recognized as assets or liabilities in the balance sheet. Notional amounts do not reflect the potential gain or loss on a derivative transaction. ASR's counterparty risk is limited to the positive net fair value of the OTC contracts.

Unless stated otherwise, derivatives are traded over-the-counter.

At year-end 2011, the derivatives can be broken down as follows:

31 DECEMBER 2011	POSITIVE FAIR VALUE	NEGATIVE FAIR VALUE	NOTIONAL AMOUNT
Derivatives held for trading			
Foreign exchange contracts			
Forwards	-	1	23
Swaps	5	1	53
Total	**5**	**2**	**76**
Interest rate contracts			
Swaps	672	130	13,626
Options	1,175	-	14,948
Total	**1,847**	**130**	**28,574**
Equity index contracts			
Options	-	-	-
Listed options	12	-	494
Total	**12**	**-**	**494**
Total return swap			
Swaps	-	1	105
Total	**-**	**1**	**105**
Total as at 31 December 2011	**1,864**	**133**	**29,249**
Derivatives held for cash flow hedging			
Interest rate contracts			
Swaps	1	4	143
Total	**1**	**4**	**143**
Total as at 31 December 2011	**1,865**	**137**	**29,390**

'The notional amounts of interest rate swaps increased significantly in 2011. To mitigate interest rate risk ASR effectively entered into forward starting swaps by combining receiver and payer swaps. The notional amounts of both receiver and payer swaps are included in the total notional amounts.'

Included in the cash and cash equivalents is € 1,716 million (2010 € 0 million) related to the cash collateral received on derivative instruments. This debt to repay the cash collateral is included in the amount due to banks (chapter 23).

31 DECEMBER 2010	POSITIVE FAIR VALUE	NEGATIVE FAIR VALUE	NOTIONAL AMOUNT
Derivatives held for trading			
Foreign exchange contracts			
Forwards	-	-	31
Swaps	6	1	53
Total	**6**	**1**	**84**
Interest rate contracts			
Swaps	48	75	2,354
Options	510	-	12,278
Total	**558**	**75**	**14,632**
Equity index contracts			
Listed options	7	-	852
Total	**7**	**-**	**852**
Total return swap			
Swaps	-	-	98
Total	**-**	**-**	**98**
Credit derivatives			
Swaps	-	-	1
Total	**-**	**-**	**1**
Total as at 31 December 2010	**571**	**76**	**15,667**
Derivatives held for cash flow hedging			
Interest rate contracts			
Swaps	1	5	106
Total	**1**	**5**	**106**
Total as at 31 December 2010	**572**	**81**	**15,773**

Expected cash flows in connection with interest rate contracts included in derivatives held for cash flow hedging can be broken down as follows:

2011	INFLOW	OUTFLOW	NET CASH FLOW
Within 1 year	1	-3	-1
Between 1 and 5 years	4	-4	0
After 5 years	-	-	-

No cash flow hedges became ineffective in 2011. No amounts were transferred from the cash flow hedging reserve to the income statement.

For details, see chapter 3 on risk management.

11.5 Fair value hierarchy – Investments and derivatives

The breakdown of derivatives and financial assets at fair value in accordance with the level of fair value hierarchy, as explained in chapter 2.19, is as follows:

31 DECEMBER 2011	FAIR VALUE BASED ON QUOTED PRICES IN AN ACTIVE MARKET	FAIR VALUE BASED ON OBSERVABLE MARKET DATA	NOT MEASURED ON THE BASIS OF OBSERVABLE MARKET DATA	
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL FAIR VALUE
Investments available for sale				
Short-term government securities	66	-	-	66
Government bonds	8,396	-	-	8,396
Corporate bonds	7,363	415	-	7,778
Debt certificates covered by mortgage	484	-	-	484
Debt certificates covered by other assets	248	-	-	248
Unlisted equities	-	-	31	31
Listed equities	1,279	-	-	1,279
Other investments	90	82	-	172
	17,926	**497**	**31**	**18,454**
Investments at fair value through profit and loss				
Debt certificates covered by other assets	12	-	-	12
Unlisted equities	-	-	74	74
Listed equities	1	-	-	1
	13	**-**	**74**	**87**
Derivatives				
Exchange rate contracts	-	5	-	5
Interest rate contracts	-	1,846	-	1,846
Equity index contracts	12	-	-	12
Derivatives held for hedging	-	2	-	2
Total positive fair value	**12**	**1,853**	**-**	**1,865**
Exchange rate contracts	-	-1	-	-1
Interest rate contracts	-	-136	-	-136
Equity index contracts	-	-	-	-
Derivatives held for hedging	-	-	-	-
Total negative fair value	**-**	**-137**	**-**	**-137**
	12	**1,716**	**-**	**1,728**
Total	**17,951**	**2,213**	**105**	**20,269**

31 DECEMBER 2010	FAIR VALUE BASED ON QUOTED PRICES IN AN ACTIVE MARKET LEVEL 1	FAIR VALUE BASED ON OBSERVABLE MARKET DATA LEVEL 2	NOT MEASURED ON THE BASIS OF OBSERVABLE MARKET DATA LEVEL 3	TOTAL FAIR VALUE
Investments available for sale				
Short-term government securities	37	-	-	37
Government bonds	7,665	-	-	7,665
Corporate bonds	7,845	483	-	8,328
Debt certificates covered by mortgage	273	-	-	273
Debt certificates covered by other assets	254	-	-	254
Unlisted equities	-	92	38	130
Listed equities	2,142	-	-	2,142
Other investments	190	-	-	190
	18,406	**575**	**38**	**19,019**
Investments at fair value through profit and loss				
Debt certificates covered by other assets	106	-	-	106
Unlisted equities	-	-	60	60
Listed equities	5	-	-	5
	111	**-**	**60**	**171**
Derivatives				
Exchange rate contracts	-	6	-	6
Interest rate contracts	-	559	-	559
Equity index contracts	-	7	-	7
Total positive fair value	**-**	**572**	**-**	**572**
Exchange rate contracts	-	-80	-	-80
Interest rate contracts	-	-1	-	-1
Total negative fair value	**-**	**-81**	**-**	**-81**
	-	**491**	**-**	**491**
Total	**18,517**	**1,066**	**98**	**19,681**

Corporate bonds classified as Level 2 are unlisted fixed-income preference shares. The financial assets classified as Level 3 comprises private equity investments.

FAIR VALUE OF FINANCIAL ASSETS ON THE BASIS OF LEVEL 3 VALUATION TECHNIQUE	INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS 2011	INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS 2010	INVESTMENTS AVAILABLE FOR SALE 2011	INVESTMENTS AVAILABLE FOR SALE 2010
At 1 January	60	47	38	31
Changes in value of investments, realized/unrealized gains and losses:				
- Recognized in profit and loss	1	11	9	1
- Recognized in OCI	-	-	-2	8
Purchases	16	14	-	3
Sales	-3	-12	-14	-5
At 31 December	**74**	**60**	**31**	**38**
Total revaluations of investments, held at year-end, recognized in the income statement	1	11	n/a	n/a

11.6 Fair value hierarchy – Investments on behalf of policyholders

The breakdown of the Investments on behalf of policyholders in accordance with the level of fair value hierarchy, as explained in chapter 2.19, is as follows:

31 DECEMBER 2011	FAIR VALUE BASED ON QUOTED PRICES IN AN ACTIVE MARKET LEVEL 1	FAIR VALUE BASED ON OBSERVABLE MARKET DATA LEVEL 2	NOT MEASURED ON THE BASIS OF OBSERVABLE MARKET DATA LEVEL 3	TOTAL FAIR VALUE
Investments on behalf of policyholders, at fair value through profit and loss				
Government bonds	428	-	-	428
Corporate bonds	36	71	-	107
Debt certificates covered by mortgage	1	-	-	1
Listed equities	7,873	-	-	7,873
Other investments	172	-	-	172
Total	**8,510**	**71**	**-**	**8,581**

31 DECEMBER 2010	FAIR VALUE BASED ON QUOTED PRICES IN AN ACTIVE MARKET LEVEL 1	FAIR VALUE BASED ON OBSERVABLE MARKET DATA LEVEL 2	NOT MEASURED ON THE BASIS OF OBSERVABLE MARKET DATA LEVEL 3	TOTAL FAIR VALUE
Investments on behalf of policyholders, at fair value through profit and loss				
Government bonds	583	-	-	583
Corporate bonds	57	138	-	195
Debt certificates covered by mortgage	1	-	-	1
Listed equities	8,679	-	-	8,679
Other investments	31	2	-	33
Total	**9,351**	**140**	**-**	**9,491**

12 Deferred taxes

	31 DEC. 2011	31 DEC. 2010
Deferred tax assets	11	196
Deferred tax liabilities	-69	-159
Total deferred taxes	**- 58**	**37**

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% (2010: 25.0%) is applied when calculating defered tax.

	1 JAN. 2011	CHANGES RECOGNIZED IN PROFIT AND LOSS	CHANGES RECOGNIZED IN OCI	OTHER	31 DEC. 2011
Financial assets held for trading	-57	-306	-	-	-363
Investments	-157	-57	-23	-	-237
Investment property	-257	-67	-	1	-323
Property, plant and equipment	-9	6	-	-	-3
Intangible assets	3	-	-	-	3
Premium and claims reserve	338	264	53	11	666
Employee benefits	52	-	16	-	68
Provisions	-5	8	-	-	3
Amounts received in advance	-88	8	11	-	-69
Unutilized tax losses	220	-13	-	-	207
Other	-3	-7	-	-	-10
Gross deferred tax	**37**	**-164**	**57**	**12**	**-58**
Write-down of deferred tax assets	-	-	-	-	-
Total deferred taxes	**37**	**-164**	**57**	**12**	**-58**

	1 JAN. 2010	CHANGES RECOGNIZED IN PROFIT AND LOSS	CHANGES RECOGNIZED IN OCI	OTHER	31 DEC. 2010
Financial assets held for trading	-8	-49	-	-	-57
Investments	-79	71	-149	-	-157
Investment property	-215	-42	-	-	-257
Property, plant and equipment	-8	-1	-	-	-9
Intangible assets	3	-	-	-	3
Premium and claims reserve	180	75	83	-	338
Employee benefits	33	19	-	-	52
Provisions	-1	-4	-	-	-5
Amounts received in advance	-107	5	14	-	-88
Unutilized tax losses	353	-133	-	-	220
Other	1	-4	-	-	-3
Gross deferred tax	**152**	**-63**	**-52**	**-**	**37**
Write-down of deferred tax assets	-				-
Total deferred taxes	**152**	**-63**	**-52**	**-**	**37**

UNUTILIZED TAX LOSSES	2011	2010
Total unutilized tax losses as at	826	880
Deferred tax assets calculated for unutilized tax losses as at	207	220

ASR expects to fully utilize these tax losses, which can be utilized up to 2017.

13 Reinsurance contracts

Movements in insurance claims and benefits recovered from reinsurers classified as insurance liabilities can be broken down as follows:

	2011	2010
At 1 January	427	545
Changes in provision for unearned premiums	-6	-6
Changes in liabilities arising from insurance contracts (Life)	-	-3
Changes in provision for claims	9	-109
Other changes	33	-
At 31 December	**463**	**427**

At year-end 2011, reinsurance contracts can be broken down as follows:

	2011	2010
Non-life reinsurance contracts	461	425
Life reinsurance contracts	2	2
At 31 December	**463**	**427**

14 Other assets

The table below shows the composition of other assets:

	31 DEC. 2011	31 DEC. 2010
Deferred investment and interest income	564	502
Property developments	209	229
Tax receivable	12	-
Prepaid costs and other non-financial assets	7	32
Total	**792**	**763**
Impairments of property developments	-	-
Total other assets	**792**	**763**

Interest expenses incurred related to property developments amounting to € 5 million was capitalized in 2011 (2010: € 6 million) and included in property developments.

15 Cash and cash equivalents

	31 DEC. 2011	31 DEC. 2010
Due from banks	1,773	511
Due from banks falling due within three months	800	14
Total cash and cash equivalents	**2,573**	**525**

All cash and cash equivalents are freely available to the Group.

Included in the amount due from banks is € 1,716 million (2010 € 451 million) related to the cash collateral received on derivative instruments and securities lending. This debt to repay the cash collateral is included in the amount due to banks (chapter 23).

16 Equity

16.1 Share capital

ASR's share capital can be broken down as follows:

	31 DEC. 2011	31 DEC. 2010
Authorized capital:		
- Ordinary shares; 1,000,000 at a par value of EUR 500	500	500
Of which: unsubscribed shares	-400	-400
Subscribed and paid-up capital: **- Ordinary shares; 200,000 at a par value of EUR 500**	**100**	**100**

The Dutch Government has been ASR's sole shareholder since 3 October 2008. Effective 29 September 2011 the Dutch Government transferred its shares in ASR Nederland N.V. to the Stichting Administratiekantoor Beheer Financiële instellingen NLFI in exchange for certificates in the shares of ASR Nederland N.V. There were no other changes in share capital during the financial year.

16.2 Unrealized gains and losses recorded in equity

	INVESTMENTS AVAILABLE FOR SALE	REVALUATION OF ASSOCIATES	CASH FLOW HEDGE RESERVE	DPF COMPONENT	TOTAL
31 December 2011					
Gross unrealized gains and losses	419	-3	-3	3	416
Related tax	-78	-	1	-	-77
Shadow accounting *	-353	-	-	-	-353
Tax related to shadow accounting	88	-	-	-	88
Total	**76**	**-3**	**-2**	**3**	**74**
31 December 2010					
Gross unrealized gains and losses	499	1	-4	8	504
Related tax	-54	-	1	-	-53
Shadow accounting *	-135	-	-	-	-135
Tax related to shadow accounting	34	-	-	-	34
Total	**344**	**1**	**-3**	**8**	**350**

* Includes shadow accounting on segregated investment pools

ASR enters into life insurance contracts that, in addition to offering a guaranteed element, also give policyholders a right to additional benefits (see chapter 2.29). Expected claims for additional benefits under these insurance contracts with discretionary participation features (DPF) are included in the DPF reserve. This reserve is recognized as a component of the unrealized gains and losses recorded in equity.

16.3 Other equity instruments

ASR has issued hybrid Tier 1 instruments that are classified as equity instruments. These issues were part of a financial restructuring in June 2009.

POSITION AS AT 31 DECEMBER	2011	2010	COUPON DATE
Hybrid Tier 1 instrument variable interest (3-month Euribor + 2.3%)	84	84	Per quarter with effect from 26 October 2009
Hybrid Tier 1 instrument 6.25% fixed interest	12	12	Per quarter with effect from 30 September 2009
Hybrid Tier 1 instrument 10% fixed interest	382	382	Annually with effect from 26 October 2010
Hybrid Tier 1 instrument 7.25% fixed interest	37	37	Annually with effect from 30 September 2010
Total	**515**	**515**	

The Tier 1 instruments bear discretionary interest and have no maturity date, but can be redeemed at the option of ASR on any coupon due date with effect from:

Hybrid Tier 1 instrument variable interest (3-month Euribor + 2.3%)	26 October 2009
Hybrid Tier 1 instrument 6.25% fixed interest	30 september 2009
Hybrid Tier 1 instrument 10% fixed interest	26 October 2019
Hybrid Tier 1 instrument 7.25% fixed interest	30 september 2019

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 following amounts were distributed to holders of equity instruments (x € 1,000):

	2011	2010
Hybrid Tier 1 instrument variable interest (3-month Euribor + 2.3%)	3,061	2,613
Hybrid Tier 1 instrument 6.25% fixed interest	577	771
Hybrid Tier 1 instrument 10% fixed interest	38,631	46,780
Hybrid Tier 1 instrument 7.25% fixed interest	2,731	3,112
Total	**45,000**	**53,276**

The tier 1 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 ASR.
Discretionary interest payments are adjusted against equity upon payment.

16.4 Non-controlling interest

Movements in non-controlling interest can be broken down as follows:

	2011	2010
At 1 January	5	51
Share of Total comprehensive income	-8	1
Payments	-1	
Acquisition of non-controlling interests	-	-47
At 31 December	**-4**	**5**

The negative non-controlling interest relates to property development projects where non controlling shareholders have committed to increase capital when required.

17 Subordinated debt

Subordinated debt can be broken down as follows:

	31 DEC. 2011	31 DEC. 2010
Private loans	20	20
Total subordinated debt	**20**	**20**

The repayments of the private loans by ASR of € 20 million are due on 20 March 2012. The average interest rate on the subordinated loans is 6.6% (2010: 6.6%).

In the event of bankruptcy or suspension of payments, other subordinated debt ranks after ordinary liabilities, but comes before debts to holders of the equity instruments.

The fair value of the subordinated loans as at 31 December 2011 was € 21 million (2010: € 20 million).

18 Insurance liabilities

18.1 Liabilities arising from insurance contracts

ASR's insurance contracts with retained exposure can be broken down as follows:

	31 DEC. 2011	31 DEC. 2010
Life insurance contracts	**19,975**	**18,817**
Provision for unearned premiums	507	536
Provision for claims	3,249	2,999
Non-life insurance contracts	**3,756**	**3,535**
Total liabilities arising from insurance contracts	**23,731**	**22,352**

Changes in liabilities arising from life insurance contracts can be broken down as follows:

	2011	2010
At 1 January	18,977	18,537
Acquisition of insurance portfolios	202	-
Premiums received	1,086	1,407
Interest added	739	674
Benefits	-1,984	-1,859
Technical result	-68	-79
Release of cost recovery	-137	-147
Changes in shadow accounting through equity	202	275
Changes in shadow accounting through income	1,111	142
Other changes	-23	27
At 31 December	**20,105**	**18,977**
Interest margin participations to be written down		
At 1 January	-173	-201
Discounts granted in the financial year	-11	-15
Write-down recognized in profit and loss	41	41
Other changes	1	2
At 31 December	**-142**	**-173**
Provision for profit-sharing, bonuses and discounts		
At 1 January	13	15
Profit-sharing, bonuses and discounts granted in the financial year	-1	-2
At 31 December	**12**	**13**
Total life insurance contracts at year-end	**19,975**	**18,817**

At year-end 2011, the liabilities included a guarantee provision for a carrying amount of € 106 million (2010: € 107 million).

Changes in liabilities arising from non-life insurance contracts can be broken down as follows.

	GROSS		OF WHICH REINSURANCE	
	2011	2010	2011	2010
Provision for unearned premiums				
At 1 January	536	518	15	21
Changes in provision for unearned premiums	-74	18	-6	-6
Other changes	45	-	33	-
Provision for unearned premiums as at 31 December	**507**	**536**	**42**	**15**
Provision for claims				
At 1 January	2,999	3,017	410	519
Benefits paid	-1,555	-1,541	117	108
Changes in provision for claims	1,688	1,523	-106	-217
Changes in shadow accounting through equity	117	-	-	-
Provision for claims as at 31 December	**3,249**	**2,999**	**421**	**410**
Non-life insurance contracts as at 31 December	**3,756**	**3,535**	**463**	**425**

The provisions for claims comprises:

	GROSS	
	31 DEC. 2011	31 DEC. 2010
Claims reported	2,814	2,520
IBNR	435	479
Total provision for claims	**3,249**	**2,999**

Claims development table, non-life

The table below is a ten-year summary of movements in cumulative benefits in connection with the non-life portfolio for the period from 2002 to 2011.

GROSS CLAIMS (CUMULATIVE) AS AT 31 DECEMBER 2011	CLAIMS YEAR										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	TOTAL
At year-end:											
1st claims year	1,235	1,305	1,405	1,258	1,201	1,389	1,571	1,731	1,718	1,777	
2003	1,195	-	-	-	-	-	-	-	-	-	
2004	1,145	1,180	-	-	-	-	-	-	-	-	
2005	1,117	1,092	1,221	-	-	-	-	-	-	-	
2006	1,112	1,068	1,113	1,141	-	-	-	-	-	-	
2007	1,129	1,082	1,093	1,041	1,167	-	-	-	-	-	
2008	1,130	1,083	1,092	1,002	1,076	1,294	-	-	-	-	
2009	1,100	1,079	1,083	1,013	1,067	1,262	1,480	-	-	-	
2010	1,098	1,069	1,101	1,022	1,079	1,213	1,456	1,677	-	-	
2011	1,102	1,074	1,096	1,042	1,087	1,218	1,436	1,636	1,769	-	
Gross claims at 31 December 2010	**1,102**	**1,074**	**1,096**	**1,042**	**1,087**	**1,218**	**1,436**	**1,636**	**1,769**	**1,777**	
Cumulative gross paid claims	1,043	1,013	1,028	939	957	1,057	1,184	1,286	1,210	798	-
Gross outstanding claims liabilities (including IBNR)	**59**	**61**	**68**	**103**	**130**	**161**	**252**	**350**	**559**	**979**	**2,722**
Claim liabilities prior years											251
Other claim liabilities											159
Shadow accounting											117
Total claim liabilities											**3,249**

GROSS CLAIMS (CUMULATIVE) AS AT 31 DECEMBER 2010	CLAIMS YEAR										
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	TOTAL
At year-end:											
1st claims year	1,062	1,235	1,305	1,405	1,258	1,201	1,389	1,571	1,731	1,718	
2002	1,046	-	-	-	-	-	-	-	-	-	
2003	1,001	1,195	-	-	-	-	-	-	-	-	
2004	981	1,145	1,180	-	-	-	-	-	-	-	
2005	976	1,117	1,092	1,221	-	-	-	-	-	-	
2006	975	1,112	1,068	1,113	1,141	-	-	-	-	-	
2007	976	1,129	1,082	1,093	1,041	1,167	-	-	-	-	
2008	962	1,130	1,083	1,092	1,002	1,076	1,294	-	-	-	
2009	954	1,100	1,079	1,083	1,013	1,067	1,262	1,480	-	-	
2010	947	1,098	1,069	1,101	1,022	1,079	1,213	1,456	1,677	-	
Gross claims at 31 December 2010	**947**	**1,098**	**1,069**	**1,101**	**1,022**	**1,079**	**1,213**	**1,456**	**1,677**	**1,718**	
Cumulative gross paid claims	898	1,030	999	1,011	917	928	1,018	1,133	1,194	794	-
Gross outstanding claims liabilities (including IBNR)	**49**	**68**	**70**	**90**	**105**	**151**	**195**	**323**	**483**	**924**	**2,458**
Claim liabilities prior years											395
Other claim liabilities											146
Total claim liabilities											**2,999**

18.2 Liabilities arising from insurance contracts on behalf of policyholders

Movements in liabilities arising from insurance contracts on behalf of policyholders can be broken down as follows:

	2011	2010
At 1 January	10,488	9,823
Acquisition of insurance portfolios	8	-
Premiums received	908	981
Interest added	164	227
Benefits	-1,594	-819
Effect of fair value changes related to financial assets	-503	508
Technical result	-10	-9
Release of cost recovery	-203	-303
Other changes	-56	80
At 31 December	**9,202**	**10,488**

At year-end 2011, the liabilities included a guarantee provision for a carrying amount of € 110 million (2010: € 126 million) and a provision related to unit-linked insurance contracts for a carrying amount of € 334 million (2010: € 626 million). These provisions relate to compensation for the cost of these contracts.

19 Employee benefits

Employee benefits can be broken down as follows:

	31 DEC. 2011	31 DEC. 2010
Post-employment benefits pensions (chapter 19,1)	2,102	1,992
Post-employment benefits other than pensions (chapter 19,1)	33	34
Post-employment benefit obligation	**2,135**	**2,026**
Other long-term employee benefits (chapter 19,2)	8	7
Total	**2,143**	**2,033**

ASR Levensverzekering N.V., an insurance company and a group entity, is the insurer of the post-employment benefit plan. 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.

The costs of post-employment and other long-term employee benefits are as follows:

	2011	2010
Post-employment benefits pensions	-130	-135
Post-employment benefits other than pensions	-1	5
Total	**-131**	**-130**
Other long-term employee benefits	-1	-1
Costs of post-employment benefits	**-132**	**-131**

The costs relate to all members of the ASR post-employment benefit plan.

19.1 Defined benefit obligation and other post-employment benefits

ASR operates a number of defined benefit post-employment benefit plans for its employees. These plans are financed partly from contributions paid by employees. 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 such as inflation, income from plan assets and the discount rate. The discount rate is determined based on the return (zero coupon rate) of high-quality corporate bonds (AA rating) and the duration of the pension obligation. Besides pension benefits, the costs of the defined benefits plans include personnel arrangements for financial products (such as mortgages), which remain in place after retirement.

The tables below provide further information on gross provisions, qualifying plan assets (back to 2007) and the carrying amounts recognized in the balance sheet item for pensions and other post-employment benefits.

AT 31 DECEMBER	PENSION PLANS				
	2011	2010	2009	2008	2007
Present value of funded obligations	-	-	-	-	1,637
Present value of unfunded obligations	2,343	2,176	1,970	1,707	-
Defined benefit obligation	**2,343**	**2,176**	**1,970**	**1,707**	**1,637**
Fair value qualifying plan assets	-	-	-	-	-1,265
Unrecognized past service costs	15	18	21	24	27
Unrecognized actuarial gain (loss)	-256	-202	-93	154	88
Other net liabilities	-	-	-	-	-
Net liability	**2,102**	**1,992**	**1,898**	**1,885**	**487**
Amounts in the balance sheet:					
Liabilities	2,102	1,992	1,898	1,885	487
Assets	-	-	-	-	-
Net liability	**2,102**	**1,992**	**1,898**	**1,885**	**487**

AT 31 DECEMBER	OTHER POST-EMPLOYMENT BENEFITS				
	2011	2010	2009	2008	2007
Present value of funded obligations	-	-	-	-	-
Present value of unfunded obligations	21	18	24	23	20
Defined benefit obligation	**21**	**18**	**24**	**23**	**20**
Fair value qualifying plan assets	-	-	-	-	-
Unrecognized past service costs	-	-	-	-	-
Unrecognized actuarial gain (loss)	12	16	17	18	24
Other net liabilities	-	-	-	-	-
Net liability	**33**	**34**	**41**	**41**	**44**
Amounts in the balance sheet:					
Liabilities	33	34	41	41	44
Assets	-	-	-	-	-
Net liability	**33**	**34**	**41**	**41**	**44**

The post-employment benefit plan for ASR's employees has been insured by ASR Levensverzekeringen N.V. since 2008. Assets managed by group companies have not been included in the above figures. At year-end 2011, the fair value of these assets amounted to € 1,684 million (2010: € 1,623 million).

The table below shows movements in the defined benefit obligation:

	PENSION PLANS		OTHER POST-EMPLOYMENT BENEFITS	
	2011	2010	2011	2010
Defined benefit obligation at 1 January	2,176	1,970	18	24
Current service cost, contributions by employer	33	32	1	-
Current service cost, contributions by employee	10	10	-	-
Interest cost	100	106	1	1
Actuarial losses (gains) on liabilities	54	108	3	-2
Benefits	-88	-74	-2	-1
Curtailments and settlements	-	-	-	-4
Transfer	-	24	-	-
Other	58	-	-	-
Defined benefit obligation at 31 December	**2,343**	**2,176**	**21**	**18**

The following table shows the changes in unrecognized past service cost:

	PENSION PLANS		OTHER POST-EMPLOYMENT BENEFITS	
	2011	2010	2011	2010
Unrecognized past service cost as at 1 January	18	21	-	-
Amortization of unrecognized past service cost	-3	-3	-	-
Unrecognized past service cost as at 31 December	**15**	**18**	**-**	**-**

The following table provides an overview of changes in total unrecognized actuarial (gains) losses on assets and liabilities:

	PENSION PLANS		OTHER POST-EMPLOYMENT BENEFITS	
	2011	2010	2011	2010
Unrecognized actuarial gains (losses) at 1 January	-202	-93	16	17
Actuarial (gains) losses on defined benefit obligation	-116	-95	-3	2
Actuarial (gains) losses on qualifying assets	-	-	-	-
Amortization of unrecognized actuarial (gains) losses on defined benefit obligation	-	-	-1	-3
Transfer	-	-14	-	-
Other	62	-	-	-
Unrecognized actuarial gains (losses) at 31 December	**-256**	**-202**	**12**	**16**

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 (back to 2007) and the defined benefit obligation.

	PENSION PLANS					OTHER POST-EMPLOYMENT BENEFITS				
	2011	2010	2009	2008	2007	2011	2010	2009	2008	2007
Experience adjustments to qualifying investments, gain (loss)	-	-	-	-	-82	-	-	-	-	-
As % of qualifying investments as at 31 December'	-	-	-	-	-6.5%	-	-	-	-	-
Experienced adjustments to defined benefit obligation, loss (gain)	-27	-13	4	-31	60	1	-1	-1	-	-4
As a % of liabilities as at 31 December	-1.3%	-0.7%	0.2%	-1.8%	3.7%	3.5%	-2.9%	-2.3%	1.1%	-21.5%

The principal actuarial assumptions at year end were as follows:

	PENSION PLANS		OTHER POST-EMPLOYMENT BENEFITS	
	2011	2010	2011	2010
Discount rate	4.6%	4.7%	3.1%	3.7%
Expected return on plan assets	-	-	-	-
Future salary increases (including price inflation)	2.1%	2.0%	-	-
Future pension increases (including price inflation)	2.1%	1.9%	-	-
Future mortgage interest (in connection with grantable discounts)	-	-	3.8%	4.5%

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:

ASSET CATEGORY	2011	2010
Equities	10%	12%
Debt certificates	-	-
Fixed-interest securities	84%	81%
Real estate	5%	6%
Cash	1%	-
Other	-	1%

As a financier of the post-employment benefit plans, ASR has drawn up general guidelines for asset allocation based on criteria such as geographical location and ratings. To ensure that the investment strategy remains in line with the structure of pension obligation, ASR regularly performs Asset Liability Management (ALM) studies. Assets are allocated based on these guidelines and on the outcomes of these studies.

Service cost and other costs of post-employment benefits have been broken down in the table below:

	PENSION PLANS		OTHER POST-EMPLOYMENT BENEFITS	
	2011	2010	2011	2010
Current service costs	-33	-32	-1	-1
Interest costs	-100	-106	-1	-1
Expected return on plan assets	-	-	-	-
Amortization of unrecognized past service costs	3	3	1	-
Depreciation of unrecognised actuarial losses (gains)	-	-	-	3
Restrictions and settlements	-	-	-	-
Gains on curtailments	-	-	-	4
Total defined benefits expense	**-130**	**-135**	**-1**	**5**

Under IFRS, assets managed by insurance companies that form part of the group do not count as qualifying assets. Therefore, investment income from these assets has not been included in the above figures. Actual investment returns for 2011 amounted to € 54 million (2010: € 66 million). These returns have been recognized in investment income (chapter 27).

As an employer, ASR is expected to pay the following contributions towards the post-employment benefits in the coming financial year:

	PENSION PLANS WITH DEFINED BENEFITS	OTHER POST-EMPLOYMENT BENEFITS
Expected contributions for next year	80	2

19.2 Other long-term employee benefits

Other long-term employee benefits consist of the employer's share of liabilities arising from long-service benefits. The table below shows the changes in these liabilities:

	2011	2010
Net liability as at 1 January	7	7
Total expenses	1	1
Paid contributions	-	-1
Net liability as at 31 December	**8**	**7**

The underlying assumptions are as follows:

ACTUARIAL YEAR-END ASSUMPTIONS	2011	2010
Discount rate	3.2%	4.0%
Salary increases	2.1%	2.0%

20 Provisions

The table below shows movements in provisions:

	2011	2010
At 1 January	28	30
Additional foreseen amounts	15	14
Reversal of unused amounts	-3	-2
Usages in course of year	-10	-14
At 31 December	**30**	**28**

The provisions were created for:
- tax and legal issues;
- staff redundancies;
- retention of disability risk instead of insuring it with UWV (Employed Persons Insurance Administration Agency).

The provision for legal issues is based on best estimates available at year end, making allowance for expert legal 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 redundancies are based on arrangements agreed in the Collective Bargaining.

Agreement and the 2009-2011 redundancy plan, and on decisions made by ASR's management.

Of the provisions, an amount of € 11 million falls due within one year (2010: € 11 million).

21 Borrowings

As at year-end 2011, borrowings comprised loans having the following terms to maturity:

	31 DEC. 2011	31 DEC. 2010
Falling due within 1 year	13	11
Falling due between 1 and 5 years	78	22
Falling due after 5 years	16	66
Total borrowings	**107**	**99**

As at year-end 2011, the fair value of borrowings was € 107 million (2010: € 99 million). The average interest rate payable on other borrowings was 4,26 % (2010: 4,0%).

ASR uses these borrowings for investment purposes (property, group pension contracts), for balance sheet management, and for short-term cash flow management.

22 Due to customers

Amounts owed to customers can be broken down as follows:

	31 DEC. 2011	31 DEC. 2010
Debts to policyholders, agents and intermediaries	891	594
Debts to reinsurers	36	69
Savings	549	582
Other liabilities	115	504
Total due to customers	**1,591**	**1,749**

All carrying amounts reflect the fair value as at the balance sheet date.

23 Due to banks

Amounts owed to banks can be broken down as follows:

	31 DEC. 2011	31 DEC. 2010
Securities lending	-	27
Other debts	1,716	49
Total due to banks	**1,716**	**76**

There is no significant difference between the carrying amount of amounts due to banks and the fair value of these liabilities.

Other debts comprises primarily cash collateral received under ISDAs concluded with counterparties, which is included in the cash and cash equivalents. The average interest rate payable for the collateral received in 2011 is 0.871% (Eonia) (2010: 0.438%.). There are no specific terms and conditions, because they are dependent on the development of the value of the underlying instrument.

24 Other liabilities

Other liabilities can be broken down as follows:

	31 DEC. 2011	31 DEC. 2010
Deferred income	315	304
Accrued interest	102	23
Other liabilities	324	320
Short-term employee benefits	66	61
Trade payables	156	167
Tax payable	4	205
Dividends payable	-	-
Total other liabilities	**967**	**1,080**

There is no significant difference between the carrying amount of other liabilities and their fair value.

Notes to the income statement

25 Gross insurance premiums

The table below shows the composition of gross insurance premiums:

	2011	2010
Life insurance contracts retained exposure	1,171	1,447
Life insurance contracts on behalf of policyholders	913	981
Total life insurance contracts	**2,084**	**2,428**
Non-life insurance contracts – gross earned premiums	2,427	2,310
Total gross insurance premiums	**4,511**	**4,738**

Non-recurring and regular insurance premiums can be broken down as follows:

PREMIUMS LIFE	2011	2010
Retained exposure Group		
Non-recurring premiums written	91	113
Periodic premiums written	281	289
Group total	**372**	**402**
Individual		
Non-recurring premiums written	306	566
Periodic premiums written	493	479
Individual total	**799**	**1,045**
Total contracts retained exposure	**1,171**	**1,447**
On behalf of policyholders Group		
Non-recurring premiums written	31	39
Periodic premiums written	271	243
Group total	**302**	**282**
Individual		
Non-recurring premiums written	12	18
Periodic premiums written	599	681
Individual total	**611**	**699**
Total contracts on behalf of policyholders	**913**	**981**
Total life insurance contracts	**2,084**	**2,428**

Total life insurance contract premiums including the elimination of € 82 million in premiums related to the ASR pension plan (2010: € 86 million).

The table below provides an overview of total gross earned non- life insurance premiums. For further details on the individual business lines, see the segment information (see chapter 5.5).

PREMIUMS NON-LIFE	2011	2010
Gross premiums written	2,353	2,328
Changes in provisions for unearned premiums	74	-18
Non-life insurance contracts – gross earned premiums	**2,427**	**2,310**

26 Reinsurance premiums

Reinsurance premiums can be summarized as follows:

	2011	2010
Gross premium, life	-20	-8
Gross premium, non-life	-206	-212
Total reinsurance premiums	**-226**	**-220**

27 Investment income

27.1 Total investment income

The table below shows a breakdown of investment income per category:

	2011	2010
Interest income	1,162	1,114
Dividend and other investment income	219	238
Total investment income	**1,381**	**1,352**

The table below breaks down interest income per category:

	2011	2010
Interest income from receivables due from credit institutions	122	145
Interest income from investments	698	744
Interest income from amounts due from customers	172	151
Interest income from trade receivables and derivatives	162	62
Other interest income	8	12
Total interest income	**1,162**	**1,114**

The effective interest rate method has been applied to an amount of € 979 million of the interest income from financial assets not classified as stated at fair value through profit and loss (2010: € 1,024 million).

Interest income includes € 37 million (2010: € 43.9 million) in interest received on impaired fixed-income securities.

Dividend and other investment income per category can be broken down as follows:

	2011	2010
Dividend on equities	46	46
Rentals from investment property	157	183
Other investment income	16	9
Total dividend and other investment income	**219**	**238**

27.2 Realized gains and losses

The table below shows a breakdown of realized gains and losses per category:

	2011	2010
Investment property		
Realized gains	289	199
Realized losses	-6	-44
Investments available for sale		
Fixed-interest securities		
Realized gains	234	109
Realized losses	-62	-189
Equities		
Realized gains	110	127
Realized losses	-88	-22
Other investments		
Realized gains	-	5
Realized losses	-2	-7
Total realized gains and losses	**475**	**178**

27.3 Fair value gains and losses

Fair value gains and losses per category can be broken down as follows:

	2011	2010
Derivatives	1091	87
Financial assets at fair value through profit or loss	10	27
Additions to Insurance liabilities due to shadow accounting	-1110	-142
Total fair value gains and losses	**-9**	**-28**

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 recognized in interest income and expense. The results of hedging contain the changes to the fair value attributable to the hedged risk. In most cases, this concerns the interest rate risk of hedged assets and liabilities, and the change in the fair value of hedging instruments.

For the purpose of hedging interest rate risk on the portfolio (macro hedging), the initial difference between the fair value and the carrying amount of the hedged item is amortized based on allocation of the hedging relationship over the remaining term of the hedged item.

28 Fee and commission income

Fee and commission income consists of the following components:

	2011	2010
Asset management for third parties	6	7
Commission on reinsurance	67	109
Other fee and commission income	9	11
Total fee and commission income	**82**	**127**

In 2010 an incidental commission on reinsurance related to the termination of a Reinsurance contract was recognized amounting to € 42 million.

29 Other income

Other income can be broken down as follows:

	2011	2010
Proceeds from property developments	68	189
Other income	67	147
Total other income	**135**	**336**

30 Net insurance claims and benefits

Net insurance claims and benefits can be summarized as follows:

TOTAL LIFE AND NON-LIFE	2011	2010
Insurance claims and benefits	-3,835	-5,136
Insurance claims and benefits recovered from reinsurers	142	12
Net insurance claims and benefits	**-3,693**	**-5,124**

LIFE	2011	2010
Claims paid	-3,609	-2,678
Changes in liabilities arising from insurance contracts	196	-232
Changes in liabilities arising from insurance contracts on behalf of policyholders	1,294	-665
Amortization of VOBA (chapter 6)	-17	-18
Insurance claims and benefits	**-2,136**	**-3,593**
Insurance claims and benefits recovered from reinsurers	16	2
Net insurance claims and benefits, Life	**-2,120**	**-3,591**

NON-LIFE	2011	2010
Claims paid	-1,555	-1,541
Change in provision for outstanding claims	-143	-
Amortization of VOBA (chapter 6)	-1	-2
Insurance claims and benefits	**-1,699**	**-1,543**
Insurance claims and benefits recovered from reinsurers	126	10
Net insurance claims and benefits, Non-life	**-1,573**	**-1,533**

31 Operating expenses

Operating expenses can be broken down as follows:

	2011	2010
Salaries and wages	-255	-257
Social security contributions	-29	-29
Employee benefit charges	-30	-23
Employee discounts	-9	-10
Other short-term employee benefits	-23	-26
Total cost of own staff	**-346**	**-345**
Cost of external staff	-96	-102
Consultancy costs and fees	-75	-53
Marketing, advertising and public relations expenses	-34	-37
Technology and system costs	-53	-39
Amortization of software (chapter 6)	-4	-6
Depreciation of property, plant and equipment (chapter 8)	-12	-16
Other operating expenses	-13	-74
Total other operating expenses	**-287**	**-327**
Total operating expenses	**-633**	**-672**

Other operating expenses include travel and subsistence, telephone and personnel training expenses.

The distribution of ASR's workforce was as follows at 31 December:

	2011	2010
Life	797	974
Non-life	1,101	1,134
Other	2,733	2,821
Total employees	**4,631**	**4,929**

As a result of continuing cost-cutting programmes, the 'total work force' decreased by 298 to 4,631 (2010: 4,929). The 'total work force' consists of the number of internal and external FTEs. The number of internal FTEs decreased by 2% to 4,264 (2010: 4,333 FTE) and the number of external FTEs decreased by 38% to 367 (2010: 596 FTE). Operating expenses are allocated to the life and non-life segments. However, in the presentation of the ASR's workforce per segment, employees, administrative expenses and overheads have not been allocated to segments.

32 Acquisition costs

Acquisition costs can be broken down as follows:

	2011	2010
Commission fees	-494	-479
Recognized in deferred acquisition costs	9	14
Amortization of deferred acquisition costs	-108	-87
Total acquisition costs	**-593**	**-552**

33 Impairment of assets

The table below is a summary of impairments:

	2011	2010
Intangible assets	-20	-23
Property, plant & equipment	-16	-
Investment property	-22	-19
Associates and joint ventures	-2	-5
Investments available for sale	-263	16
Loans and receivables	-35	-8
Total impairments	**-358**	**-39**

Due to the credit and financial crises, impairments have been applied to equities, mortgage loans. Further impairments related to goodwill, VOBA and property, plant & equipment and collateralized debt obligations.

Changes in impairments of financial assets can be broken down as follows:

	2011	2010
Equities	-41	-17
Bonds	-395	-170
Collateralized debt obligations	8	46
Reversal of impairments on bonds as a result of disposal	165	157
Total impairments in investments	**-263**	**16**

34 Interest expense

The table below is a breakdown of the interest expense:

	2011	2010
Interest on employee benefits	-101	-106
Interest on derivatives	-113	-19
Interest owed to banks	-18	-19
Interest owed to customers	-6	-3
Interest on subordinated debt	-1	-1
Interest on borrowings	-4	-2
Other interest expenses	-11	-19
Total interest expenses	**-254**	**-169**

35 Other expenses

	2010	2009
Costs associated with sale of development property	-80	-160
Operation and depreciation of investment property	-67	-69
Other expenses	-55	-56
Total other expenses	**-202**	**-285**

36 Income tax expense

The income tax expense can be broken down as follows:

	2011	2010
Current tax for financial year	-	-3
Current taxes referring to previous periods	118	-38
Total current tax	**118**	**-41**
Deferred tax for financial year	-165	-61
Impact of change in tax rate	-	-1
Total deferred tax	**-165**	**-62**
Income tax expense	**-47**	**-103**

The table below shows a reconciliation of the expected income tax expense with the actual income tax expense. The expected income tax expense was determined by linking up profit before tax to the tax rate in the Netherlands. In 2011, this rate was 25.0% (2010: 25.5%). The enacted tax rate for 2012 will be 25.0%.

	2011	2010
Profit before tax	252	421
Current tax rates	25.0%	25.5%
Expected income tax expense	**-63**	**-107**
Effects of		
Tax-exempt interest	7	8
Tax-exempt dividends	6	6
Tax-exempt capital gains	11	14
Changes in impairments	-11	-6
Adjustments for taxes due on previous financial years	4	-17
Other effects	-1	-1
Income tax expense	**-47**	**-103**

Other notes

37 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 ASR include the Dutch government, associates, joint ventures, members of the Executive Board, members of the Supervisory Board and their immediate family members. These parties further include entities over which these persons or entities exercise control or substantial influence, and other affiliated entities.

ASR regularly enters into transactions with related parties during the conduct of its business. These transactions mainly involve loans, deposits, commissions and reinsurance contracts, and are conducted on terms equivalent to those that prevail in arm's length transactions.

The remuneration and combined share ownership of the members of the Executive Board are described in chapter 38 (Remuneration of the ASR Executive Board and Supervisory Board).

In the normal conduct of business, ASR entities may issue business credits, loans or bank guarantees to members of the Executive Board and the Supervisory Board or to these persons' immediate family members.

The table below shows the financial scope of ASR's related party transactions:
- associates;
- joint ventures;
- other related parties.

	ASSOCIATES		JOINT VENTURES		OTHER RELATED PARTIES		TOTAL	
	2011	2010	2011	2010	2011	2010	2011	2010
Balance sheet items with related parties as at 31 December								
Associates	72	38	139	144	-	-	211	182
Loans & receivables	71	94	39	-	-	-	110	94
Other assets	11	-	-	-	-	-	11	-
Other liabilities	32	13	1	-	-	-	33	13
Transactions in the income statement for the financial year								
Interest income	1	1	1	-	-	-	2	1
Interest expense		1	-	-	-	-	-	1

Other assets concern loans including a provision for impairment of € 10,9 million (2010: € 6.5 million).

Mortgage loans to the Executive Board can be broken down as follows:

AMOUNTS IN EUROS X 1,000	OUTSTANDING		AVERAGE INTEREST %		SETTLEMENT	
EXECUTIVE DIRECTORS	2011	2010	2011	2010	2011	2010
J.P.M. Baeten	738	738	4.0%	4.0%	-	41
R.H.A. van Vledder	-	450	3.0%	3.3%	450	-
Total	**738**	**1,188**			**450**	**41**

These mortgage loans held by the members of the Executive Board have been issued based on normal personnel conditions. The normal personnel conditions consists of limits and thresholds to which personnel interest rate discount applies. For mortgage loans greater than € 340 thousand arm length conditions apply.

38 Remuneration of the Executive Board and Supervisory Board

The remuneration of the executive and supervisory directors is determined in accordance with the current Articles of Association of ASR N.V.

38.1 Remuneration of supervisory directors

The annual remuneration for members of the ASR Supervisory Board has been calculated as follows:

AMOUNTS IN EUROS X 1,000	2011			2010		
SUPERVISORY DIRECTORS	AS A SUPERVISORY DIRECTOR	AS A COMMITTEE MEMBER	TOTAL	AS A SUPERVISORY DIRECTOR	AS A COMMITTEE MEMBER	TOTAL
C. van der Pol	45	5	50	45	5	50
A.P. Aris	30	5	35	2	-	2
C.H. van den Bos	30	10	40	30	10	40
M. Scheltema	30	10	40	30	10	40
M. Bax [1]	-	-	-	8	1	9
Total	**135**	**30**	**165**	**115**	**26**	**141**

* Term of service at ASR ended on 10 March 2010.

38.2 Remuneration of current and former executive directors

The remuneration of current and former executive directors is in accordance with the 2011 remuneration policy. This policy was approved by the shareholder.

In accordance with the new remuneration law "Wet aansprakelijkheidsbeperking DNB en AFM en bonusverbod staatsgesteunde ondernemingen", issued by the Dutch government, no variable remuneration shall be disbursed to the Executive Board Directors for the fiscal year 2011.

The remuneration can be broken down as follows:

AMOUNTS FOR 2011 IN EUROS X 1,000 / EXECUTIVE DIRECTORS	FIXED EMPLOYEE BENEFITS	SHORT-TERM VARIABLE EMPLOYEE BENEFITS	POST-EMPLOYMENT BENEFITS	PENSION BENEFITS[1]	EXPENSE ALLOWANCE	TERMINATION BENEFITS	LONG-TERM VARIABLE RENUMERATION	TOTAL, INCLUDING LONG-TERM VARIABLE RENUMERATION	TOTAL DISBURSED REMUNERATION
J.P.M. Baeten	501	-	-	211	5	-	-	717	717
R.H.A. van Vledder*	334	-	-	116	5	-	-	455	455
R.T. Wijmenga	334	-	-	122	5	-	-	461	461
K.T.V. Bergstein**	100	-	-	29	2	-	-	131	131
J.W.M. van der Knaap***	237	-	-	95	4	-	-	336	336
Total	**1,506**	**-**	**-**	**573**	**21**	**-**	**-**	**2,100**	**2,100**

[1]This includes pension and VPL.

* Term of service as executive director ended on 31 December 2011. Term of service at ASR ends on 30 June 2012. The termination benefit will be determined in 2012 in accordance with the Dutch Corporate Governance Code (article II.2.8) and contractual obligations.

** Joined ASR on 1 September 2011 and the Executive Board on 15 September 2011. Contractually agreed, she will grow to the remuneration level of the other ordinary board members (not CEO) within a maximum period of two years.

*** Term of service as executive director ended on 15 September 2011 and became chairman of ASR Bank.

AMOUNTS FOR 2010 IN EUROS X 1,000 EXECUTIVE DIRECTORS	FIXED EMPLOYEE BENEFITS	SHORT-TERM VARIABLE EMPLOYEE BENEFITS	POST-EMPLOYMENT BENEFITS	PENSION BENEFITS[1]	EXPENSE ALLOWANCE	TERMINATION BENEFITS	LONG-TERM VARIABLE RENUMERATION	TOTAL, INCLUDING LONG-TERM VARIABLE RENUMERATION	TOTAL DISBURSED REMUNERATION
J.P.M. Baeten	498	-	-	291	5	-	133	927	794
J.W.M. van der Knaap	332	-	-	173	5	-	89	599	510
R.H.A. van Vledder	332	-	-	85	5	-	89	511	422
R.T. Wijmenga	332	-	-	123	5	-	108	568	460
T. Pluijter*	55	-	-	19	1	-	17	92	75
J.P. Rijsdijk**	187			72	4	557	-	820	820
		-							
Total	**1,736**	**-**	**-**	**763**	**25**	**557**	**436**	**3,517**	**3,081**

[1]This includes pension and VPL.
[2]The total determined remuneration of the Executive Board, including the short- and long-term variable remuneration according to the remuneration policy, amounts to € 3,734 thousand. One-third of the variable remuneration concerns the short-term variable remuneration. This part, € 217 thousand in total, has not been disbursed.

* Term of service as executive director ended on 01 March 2010.
** Term of service at ASR ended on 1 September 2010. The termination benefit is determined in accordance with the Dutch Corporate Governance Code (article II.2.8) and contractual obligations.

An amount of € 272,955 was paid to former executive directors in 2011 under existing contractual obligations. An amount of € 271,289 was paid to former executive directors in 2010 under existing contractual obligations. The amount, both in 2011 and 2010, was agreed upon in 2005 and does not concern any of the persons mentioned in the tables above.

39 Acquisitions

On 14 November 2011, ASR Levenverzekering N.V. acquired 100% of the shares of Paerel Leven N.V. for an amount of 1 Euro. ASR has started integrating the activities in the Life segment and it is expected a Legal merger to occur between ASR Levenverzekering N.V. and Paerel Leven N.V. in 2012. Hereby, guaranteeing continuity to the Paerel policyholders. The activities of Paerel Leven N.V. have been included in the Life segment.
The figures of Paerel Leven N.V. are consolidated with effect from 14 November 2011. The acquisition of Paerel Leven N.V. realised a limited loss for ASR's profit for the year for the period 14 November 2011 to 31 December 2011.

Following the acquisition of Paerel Leven N.V., ASR recognized an amount of € 4 million in goodwill in addition to the carrying amount of the shareholders' equity. This goodwill has been fully impaired on acquisition given the limited future benefits expected to be realized with the acquisition.

The value of the acquired assets and liabilities and goodwill are as follows:

	CARRYING AMOUNT OF PAEREL LEVEN N.V. AS AT 14 NOVEMBER 2011	FAIR VALUE OF PAEREL LEVEN N.V. AS AT 14 NOVEMBER 2011
Acquired identifiable assets		
Investments	186	183
Investments on behalf of policyholders	8	8
Deferred tax assets	12	11
Other assets	2	2
Cash and cash equivalents	4	4
Total assets	**212**	**208**
Acquired liabilities		
Liabilities arising from insurance contracts	201	202
Liabilities arising from insurance contracts on behalf of policyholders	8	8
Other liabilities	2	2
Total liabilities	**211**	**212**
Balance of acquired identifiable assets and acquired liabilities	1	-4
Acquisition price		
Goodwill		**4**

The effect of the acquisitions on the cash flows of ASR is as follows:

Paerel Leven N.V. was acquired for 1 Euro	
Acquired cash and cash equivalents	4
Increase in cash and cash equivalents through acquisition of Paerel Leven N.V.	**4**

40 Contingent liabilities

Claims and disputes

ASR is a respondent in a number of claims, disputes and legal proceedings arising from the normal conduct of business.

ASR forms provisions for such occurrences if, in management's opinion and after consultation with its legal advisers, ASR is likely to have to make payments and the payable amount can be estimated with sufficient reliability (see chapters 18 'Insurance liabilities' and 20, 'Provisions').

As for other claims and legal proceedings against ASR known to management (and for which, in accordance with the defined principles, no provision has been formed), management feels, after having sought expert advice, that these claims have no chance of success, or that ASR can successfully mount a defence against them, or that the outcome of the proceedings is unlikely to result in a significant loss for ASR.

Securities leasing
ASR is involved in a number of legal proceedings involving securities leasing products (Groeivermogen) that have been brought against several ASR operating companies by individuals or consumer organizations. The claims are based on one or more of the following alleged breaches:
- violation of the duty of care;
- lack of a second signature required for hire purchase agreements;
- lack of a sales licence for the products in question as required under the Dutch Financial Supervision Act.

The current assessment of the legal risks stemming from securities leasing does not prompt ASR to create a material provision.

Investment obligations and guarantees
Where property developments are concerned, ASR Vastgoed Vermogensbeheer has assumed investment obligations for an amount of € 350 million (2010: € 316 million) and has issued guarantees to third parties for a total amount of € 330 million. ASR has issued guarantees to third parties for a total amount of € 325 million (2010: € 325 million) 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.

Lease commitments
The table below breaks down the commitments for non-cancellable operating leases as at 31 December:

	2011	2010
No later than 3 months	2	2
Later than 3 months and no later than 1 year	4	4
Later than 1 year and no later than 5 years	8	9
Total	**14**	**15**

Other commitments have been entered into primarily for service and ICT contract related to an amounting of € 48 million.

Company financial statements

41 Company balance sheet

	NOTE	31 DEC. 2011	31 DEC. 2010
Subsidiaries, joint ventures and associates	1	3,555	3,499
Loans to group companies	2	651	611
Loans and deposits	3	36	37
Receivables from group companies	4	2,445	1,835
Deferred tax assets	5	272	281
Other assets	-	8	24
Cash and cash equivalents	6	49	18
Total assets		**7,016**	**6,305**
Equity			
Share capital	7	100	100
Share premium reserve	7	962	962
Statutory reserves	7	72	342
Other reserves	7	508	210
Profit for the year	7	212	317
Total equity attributable to shareholders		**1,854**	**1,931**
Other equity instruments	7	515	515
Equity attributable to holders of equity instruments		**2,369**	**2,446**
Subordinated debt	8	20	20
Employee benefits	9	2,143	2,033
Provisions	10	22	21
Borrowings	11	30	150
Loans from group companies		781	418
Debts to group companies		1,458	1,078
Derivatives		1	1
Other liabilities	12	192	138
Total liabilities		**4,647**	**3,859**
Total liabilities and equity		**7,016**	**6,305**

42 Company income statement

	2011	2010
Share of profit/(loss) of group companies	238	362
Other income and expenses after tax	-26	-45
Profit for the year	**212**	**317**

43 Notes to the company financial statements

General
The consolidated financial statements of ASR for 2011 have been prepared in accordance with IFRS – including the International Accounting Standards (IAS) and Interpretations – as accepted within the European Union. In accordance with Section 362(8), Book 2 of the Netherlands Civil Code, the ASR Executive Board has decided to apply the same accounting policies to the consolidated financial statements as to the company financial statements. This has been the practice since 2005.

Investments in group companies are carried at net asset value, in accordance with the accounting policies used in ASR's consolidated financial statements. The share of profit of group companies is reported in conformity with the accounting policies used in ASR's consolidated financial statements.

ASR Nederland N.V. has availed itself of the option offered by Section 402, Book 2 of the Netherlands Civil Code to prepare an abridged income statement.

Unless stated otherwise, all amounts presented in these financial statements are in millions of euros.

43.1 Notes to the company balance sheet

Assets

1 Subsidiaries, joint ventures and associates

	2011	2010
At 1 January	3,499	2,841
Additions to capital	400	472
Share of profit	238	362
Dividend received	-275	-465
Revaluations	-271	297
Change in DPF component	-3	-8
Other changes	-33	-
At 31 December	**3,555**	**3,499**

2 Loans to group companies

	2011	2010
At 1 January	611	770
Issues	2,551	2,402
Repayments	-2,511	-2,561
At 31 December	**651**	**611**

The loans to group companies consist primarily of deposits with group companies of € 577 million repayable within one year and loans of € 74 million with a maturity term of longer than 3 years and an average interest rate of 5.2%.

3 Loans and deposits

	2011	2010
At 1 January	37	88
Issues	-	80
Repayments	-	-130
Impairments	-1	-1
At 31 December	**36**	**37**

4 Receivables from group companies

Receivables from group companies are payable on demand. This amount includes the receivable with respect to nonqualifying plan assets (see chapter 19) administrated by ASR Levensverzekering N.V. amounting to € 1,795 million (2010: € 1,623 million).

5 Deferred tax assets

The deferred tax assets relate primarily to the unutilized tax losses of € 207 million (2010: € 220 million) and employee benefits of € 68 million (2010: € 52 million). ASR expects to fully utilize these tax losses, which can be utilized up to 2017.

6 Cash and cash equivalents

Cash and cash equivalents are stated at face value. They are fully and freely available to the company.

7 Equity

	SHARE CAPITAL	SHARE PREMIUM RESERVE	STATUTORY RESERVES	OTHER RESERVES	PROFIT FOR THE YEAR	EQUITY ATTRIBUTABLE TO SHAREHOLDERS	OTHER EQUITY INSTRUMENTS	EQUITY
At 1 January 2010	**100**	**962**	**45**	**27**	**255**	**1,389**	**515**	**1,904**
Profit for the year					317	317		317
Unrealized change in value			297	-33		264		264
Profit carried over from previous financial year				255	-255	-		-
Discretionary interest on other equity instruments				-53		-53		-53
Tax relating to interest on other equity instruments				14		14		14
At 31 December 2010	**100**	**962**	**342**	**210**	**317**	**1,931**	**515**	**2,446**
At 1 January 2011	**100**	**962**	**342**	**210**	**317**	**1,931**	**515**	**2,446**
Profit for the year					212	212		212
Unrealized change in value			-271	15		-256		-256
Realized change in value						-		-
Exchange rate differences						-		-
Change in reserves required by law			1			1		1
Profit carried over from previous financial year				317	-317	-		-
Discretionary interest on other equity instruments				-45		-45		-45
Income tax relating to interest on other equity instruments				11		11		11
At 31 December 2011	**100**	**962**	**72**	**508**	**212**	**1,854**	**515**	**2,369**

The statutory reserve relates to the revaluation of investments in group companies. Expected claims for additional benefits under insurance contracts with discretionary participation features (DPF) are included in the Other reserves amounting to € 3 million (2010: € 8 million).

Share capital can be broken down as follows:

	NUMBER OF SHARES		AMOUNT IN MILLIONS OF EUROS	
	31 DEC. 2011	31 DEC. 2010	31 DEC. 2011	31 DEC. 2010
Authorized capital	1,000,000	1,000,000	500	500
Of which: unsubscribed shares	800,000	800,000	400	400
Subscribed capital	**200,000**	**200,000**	**100**	**100**

Other equity instruments
The other equity instruments relate to four different hybrid Tier 1 instruments that are classified as equity (see chapter 16.3).

8 Subordinated debt
The table below shows the composition of subordinated debt:

	31 DEC. 2011	31 DEC. 2010
Other subordinated debt	20	20
Total subordinated debt	**20**	**20**

The private loans of € 20 million mature on 20 March 2012. The average interest rate on the subordinated loans is 6.6% (2010: 6.6%)(see chapter 17).

9 Employee benefits
Employee benefits can be broken down as follows (see chapter 19):

	31 DEC. 2011	31 DEC. 2010
Post-employment benefits pensions	2,102	1,992
Post-employment benefits other than pensions	33	34
Other long-term employee benefits	8	7
Total employee benefits	**2,143**	**2,033**

10 Provisions
The table below shows movements in provisions:

	2011	2010
At 1 January	21	20
Additional provisions	12	13
Reversal of unused amounts	-1	-
Utilized in course of year	-10	-12
At 31 December	**22**	**21**

The provisions were formed for:
- staff redundancies;
- 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.

11 Borrowings

Borrowings can be summarized as follows:

	31 DEC. 2011	31 DEC. 2010
Borrowings from group companies	30	150
Total borrowings	**30**	**150**

The residual term to maturity of the borrowings is 36 months (2010: 30 months). The average interest rate is 3.8% (2010: 3.2%). The movement in the borrowing related primarily to early repayments made in 2011.

12 Other liabilities

Other liabilities include tax payable amounting to € 97 million (2010: € 37 million).

13 Joint and several liability

Since 3 October 2008, the company and its subsidiaries have been part of the tax entity ASR for corporation tax purposes. Until 2 October 2008, the company and its subsidiaries were part of the Fortis Utrecht N.V. tax entity for corporation tax purposes. All companies within the tax entity are joint and several liable for the corporate tax debt.

Up to 31 December 2008, ASR was a member of a VAT tax group of ASR companies and other former Fortis group companies that had their registered offices in the Netherlands. Since 1 January 2009, there has been a new VAT group of ASR companies. By law, the individual members of the tax group are jointly and severally liable for one another's VAT debts.

43.2 Notes to the company income statement

Auditor's fees

Auditor's fees are paid to auditors by the company, its group companies and other consolidated companies. The fees paid for the years 2011 and 2010 can be broken down as follows:

- fees for audit engagements: these include fees paid for the audit of the consolidated and company financial statements, quarterly reports and other reports;
- fees for non-audit services: these include fees for support and advisory services provided during acquisitions.

A breakdown of these fees is provided below:

AMOUNTS IN EUROS X 1,000	2011	2010
Examining and auditing the financial statements under the articles of association and other group company audits under the articles of association	2,428	2,317
Tax advisory services	172	74
Other non-audit services	1,402	1,672
Total audit fees	**4,002**	**4,063**

Utrecht, the Netherlands, 29 March 2012

Supervisory Board
Kick van der Pol
Annet Aris
Cor van den Bos
Margot Scheltema

Executive Board
Jos Baeten
Karin Bergstein
Roel Wijmenga

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Part VII

Other information

Independent auditor's report

To the Executive Board and Supervisory Board of ASR Nederland N.V.

Report on the financial statements
We have audited the accompanying financial statements 2011 of ASR Nederland N.V., Utrecht. The financial statements include the consolidated fi nancial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2011, the consolidated income statement, the consolidated statements of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes, comprising a summary of the signifi cant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at 31 December 2011, the company income statement for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility
Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion with respect to the consolidated financial statements
In our opinion, the consolidated financial statements give a true and fair view of the financial position of ASR Nederland N.V. as at 31 December 2011 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company financial statements
In our opinion, the company financial statements give a true and fair view of the financial position of ASR Nederland N.V. as at 31 December 2011 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements
Pursuant to the legal requirements under Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the annual report part I, II, III and V, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and if the information as required under Section 2:392 sub 1 at b - h has been annexed. Further, we report that the annual report part I, II, III and V, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

Utrecht, 29 March 2012

KPMG ACCOUNTANTS N.V.

W. Teeuwissen RA

Events after the reporting date

There have been no material events after the balance sheet date that would require adjustment to the consolidated financial statements of ASR as at 31 December 2011.

List of principal group companies and associates

COMPANY NAME	EQUITY INTEREST	RATE OF CONTROL	SEAT	SEGMENT
ASR Levensverzekering N.V.[1,2]	100,00	100,00	Utrecht	Life
B.V. Dordrechtsche Landbouwonderneming[1]	100,00	100,00	Utrecht	Life
Deltafort Beleggingen I B.V.	50,00	50,00	Amsterdam	Life
N.V. Polder Jannezand[1]	100,00	100,00	Hank	Life
Sycamore 5 B.V[1]	100,00	100,00	Utrecht	Life
Sycamore 6 B.V.[1]	100,00	100,00	Utrecht	Life
Paerel Leven N.V.[2] (acquired 14 November 2011)	100,00	100,00	Amsterdam	Life
Brand New Day Premiepensioeninstelling N.V.	50,00	50,00	Utrecht	Life
ASR Nederland Vastgoed Maatschappij N.V.[1]	100,00	100,00	Utrecht	Life / Non-Life
'Het Regentenhuys' Verzekeringen N.V.[1]	100,00	100,00	Rotterdam	Non-life
Administratie- en Adviesbureau voor Belegging en Krediet (A.B.K.) B.V.[1]	100,00	100,00	Amersfoort	Non-life
Amersfoortse Verzekeringen N.V.[1]	100,00	100,00	Amersfoort	Non-life
ASR Aanvullende Ziektekostenverzekeringen N.V.[1,2]	100,00	100,00	Amersfoort	Non-life
ASR Basis Ziektekostenverzekeringen N.V.[1,2]	100,00	100,00	Amersfoort	Non-life
ASR Schadeverzekering N.V.[1,2]	100,00	100,00	Utrecht	Non-life
ASR Ziektekostenverzekeringen N.V.[1,2]	100,00	100,00	Amersfoort	Non-life
Europeesche Verzekering Maatschappij N.V.[2]	100,00	100,00	Amsterdam	Non-life
Garant 4 2 N.V.	50,50	50,50	Amersfoort	Non-life
N.V. Amersfoortse Algemene Verzekerings Maatschappij[1,2]	100,00	100,00	Amersfoort	Non-life
365 Holding B.V. (previously ArboNed Holding B.V.)	41,00	41,00	Utrecht	Other
ASAM N.V.[1]	100,00	100,00	Utrecht	Other
ASR Bank N.V.[3]	100,00	100,00	Utrecht	Other
ASR Betalingscentrum B.V.[1]	100,00	100,00	Utrecht	Other
ASR Deelnemingen N.V.[1]	100,00	100,00	Rotterdam	Other
ASR Hypotheken B.V.[1]	100,00	100,00	Utrecht	Other
ASR Nederland Beleggingsbeheer N.V.[3]	100,00	100,00	Utrecht	Other
ASR Nederland N.V.	100,00	100,00	Utrecht	Other
ASR Pension Fund Services N.V.[1]	100,00	100,00	Utrecht	Other
ASR Service Maatschappij N.V.[1]	100,00	100,00	Rotterdam	Other
ASR Vastgoed Ontwikkeling N.V.	100,00	100,00	Utrecht	Other
ASR Vastgoed Vermogensbeheer B.V.[1]	100,00	100,00	Utrecht	Other
ASR Verzekeringen N.V.[1]	100,00	100,00	Utrecht	Other
B.V. Nederlandse Hulpverleningsorganisatie-SOS International	100,00	100,00	Amsterdam	Other
Bewaarmaatschappij ASR Vastgoed Kantorenfonds B.V.[1]	100,00	100,00	Utrecht	Other
Bewaarmaatschappij ASR Vastgoed Winkelfonds B.V.[1]	100,00	100,00	Utrecht	Other
Ditzo B.V.[1]	100,00	100,00	Zeist	Other
Servicemaatschappij 'De Hoofdpoort' N.V.[1]	100,00	100,00	Rotterdam	Other
United Reforce I B.V.[1]	100,00	100,00	Utrecht	Other

[1] These are companies for which a statement of joint and several liability under Section 403, Book 2 of the Netherlands Civil Code has been issued.
[2] Registered insurance companies.
[3] Other DNB registered companies

All group companies and associates are located in the Netherlands, unless indicated otherwise.

Other equity interests

For notes to equity interests in associates and joint ventures, see chapter 10.

The list of equity interests required under Sections 379 and 414, Book 2 of the Netherlands Civil Code has been filed with the Trade Register of the Chamber of Commerce in Utrecht.

Provisions of the Articles of Association regarding profit appropriation

Article 21 of the Articles of Association reads as follows:

1 The Company may distribute any profit to shareholders and other persons entitled to profits only if its net assets exceed the sum of the paid and called-up portion of its capital plus the reserves that must be maintained by law.
2 Annually the annual general meeting of shareholder determines either on the recommendation of the management board and with the approval of the supervisory board or on its own initiative, which part of the profit will be retained or distributed.
3 The annual general meeting of shareholders may, with respect to the stipulations in paragraph 1, either on the recommendation of the management board and with the approval of the supervisory board or on its own initiative make a distribution to be chargeable to the distributable part of the net assets.
4 The annual general meeting of shareholders may either on the recommendation of the management board and with the approval of the supervisory board or on its own initiative pay an interim dividend distribution subject to the conditions set out under paragraph 1 above as evidenced by an interim statement of assets and liabilities as referred to in Section 105 paragraph 4, Book 2 of the Civil Code.
5 No profit shall be distributed to the Company in respect of shares held by the Company in its own capital.
6 When calculating the profit, the shares held by the Company on which pursuant to paragraph 5 no distribution to the Company is made shall be disregarded.
7 The claim of the shareholder for payment shall be barred after five years have elapsed.

Profit appropriation

The Executive Board will propose to the Annual General Meeting of Shareholders to distribute € 71 million (40%) in dividend on ordinary shares for 2011.

Glossary

Amortized cost	The amount at which the financial asset or the financial liability is measured at initial recognition minus principal repayments, plus or minus the accumulated amortization using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.
Associate	An entity over which ASR Nederland has significant influence and that is neither a subsidiary nor an interest in a joint venture.
Basis point (BP)	One-hundredth of one percent (0.01%).
Cash flow hedge	A hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction.
Clean fair value	The fair value of an asset or liability (see below), exclusive of the unrealized part of accrued interest.
Core capital	Equity capital and disclosed reserves available at group level, based on the definition of the Tier 1 ratio (core equity capital expressed as a percentage of total risk-weighted assets).
Deferred acquisition costs	Deferral of costs of acquiring new and renewal customers, mainly involving commissions and expenditure relating to underwriting, intermediaries and the issue of new contracts, over the duration of the insurance contract. These costs vary and relate mainly to acquiring new customers.
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 in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying'); b. it requires no initial net investment or an initial net investment that is smaller 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 in order to be compensated for the risk that the cash flows might not materialize.
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, whose amount or timing 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, realized and/or unrealized 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 share, a lease, an insurance contract or a contract of purchase and sale.
Embedded value	The present value of future profits plus adjusted net asset value.
Employee benefits	All forms of consideration given by an entity in exchange for service rendered by employees.

Fair value	The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing partners in an arm's length transaction.
Fair value hedge	A hedge of the exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment, on an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss.
Finance lease	A lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.
Goodwill	An asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized.
Gross premiums written	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 recognizes the offsetting on profit or loss of changes in the fair value of the hedging instrument and the hedged item.
IFRS	Acronym of International Financial Reporting Standards (previously International Accounting Standards, IAS). 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.
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 recognized in profit or loss.
Insurance contracts	A contract under which one party (ASR Nederland) 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.
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 whereby two or more parties undertake an economic activity that is subject to joint control.
Market capitalization	Market capitalization is a measurement of size of an enterprise equal to the share price times the number of outstanding shares.
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.
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.
Private equity	An asset class consisting of equity securities of companies that are not publicly traded on a stock exchange. 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 recognized 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 the higher its fair value less costs to sell and its value in use.
Securities lending	This refers to the lending of securities by one party to another, which agrees to deliver back 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 recognized but unrealized gain or loss on an asset to be transferred to insurance liabilities.
Subordinated debt	Loans (or securities) that rank after other debts should the company fall into receivership or be closed.
Subsidiary	An entity that is controlled by ASR Nederland N.V. (the parent).
Transaction date	The date at which ASR Nederland enters into the contractual terms of an instrument.
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 recognized as an intangible asset and amortized over the effective life of the acquired contracts.

List of acronyms

ALM	Asset Liability Management
CCR	Counterparty Credit rating (Standards & Poor's)
CDO	Collateralized debt obligation
CDS	Credit default swap
CRSA,	Control Risk Self Assessment
COSO	The Committee of Sponsoring Organizations of the Treadway Commission
CSA	Credit Support Annex
DAC	Deferred acquisition costs
DNB	The Dutch Central Bank (De Nederlandsche Bank)
DNB LAT	Dutch DNB (regulatory) liability adequacy test (Toereikendheidstoets)
DPF	Discretionary Participation Features
ECAP	Economic Capital
Eonia	Euro Over Night Index Average
Euribor	Euro Interbank Offered Rate
FIRM	Financial Institutions Risk Analysis Method
FTE	Full-time equivalent
IAS	International Accounting Standards
IBNR	Incurred But Not Reported
IDR	Issuer default rating (Fitch rating)
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IFS	Insurer Financial Strength (Fitch rating)
IFSR	Insurer Financial Strength rating (Standards & Poor's)
ISDA	International Swaps and Derivatives Association
LAT	Liability Adequacy Test
ORSA	Own Risk and Solvency Assessment
OTC	Over The Counter
QIS	Quantitative Impact Studies (Solvency II)
SCR	Solvency Capital Requirement
VOBA	Value of Business Acquired

Contact details and publication

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Up-to-date-information for investors can be found on www.asrnederland.nl > Investor Relations

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