Building confidence

ASR Nederland 2010 annual report

ASR nederland

Profile

With nearly 4,500 employees and having generated € 4.7 billion in revenue for 2010, ASR Nederland is the third largest insurance company in the Netherlands.
ASR Nederland offers insurance products, such as pensions, life insurance, non-life insurance, occupational disability and health insurance contracts, to Dutch retail and corporate clients. ASR Nederland also sells mortgages and provides banking services (ASR Bank and ASR Hypotheken).

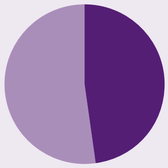
ASR Nederland's labels include ASR Verzekeringen, De Amersfoortse, Ardanta, Ditzo, Europeesche Verzekeringen and ASR Vastgoed. Products and services are offered using a distribution model that gives customers a choice of buying insurance contracts from intermediaries or via direct channels, e.g. online, as needed.

ASR Nederland has regard for the interests of customers, distribution partners, the shareholder, employees, non-governmental organizations (NGOs) and other stake-holders, having duly embedded the principle of care in its processes. ASR Nederland's corporate social responsibility and concern for the environment are reflected in its compliance with the principles of socially responsible investment (SRI).

ASR Nederland is the largest private land owner in the Netherlands. A socially responsible investor, its land ownership includes Landgoed De Utrecht, a 6,671-acre estate in the south of the Netherlands. ASR Foundation supports many community initiatives every year, one example being the 'Verzekerd van Jeugdzorg' (Assured of Youth Care) programme.

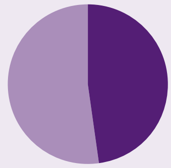
The Dutch State has been ASR Nederland's sole shareholder since 3 October 2008.

PREMIUM DISTRIBUTION FOR 2009



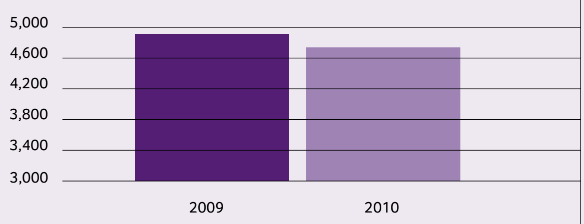
Non-Life 48%
Life 52%

PREMIUM DISTRIBUTION FOR 2010



Non-Life 48%
Life 52%

GROSS INSURANCE PREMIUM (IN MILLIONS OF EUROS)

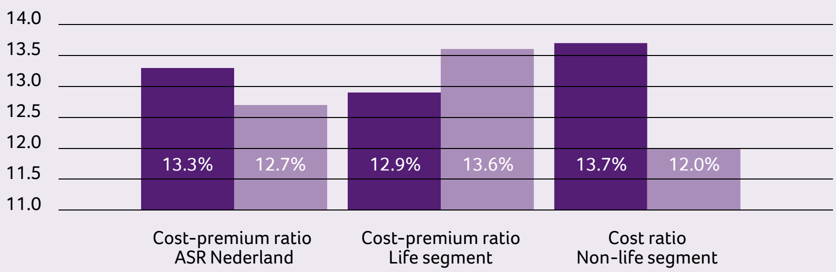


4,914
4,738

PROFIT FOR THE YEAR (IN MILLIONS OF EUROS)

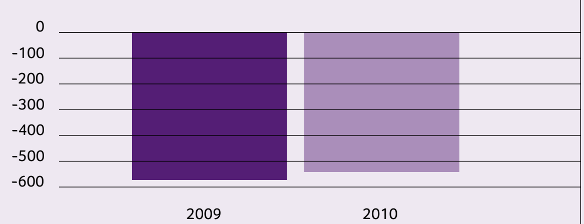
255
317

COST-PREMIUM RATIO



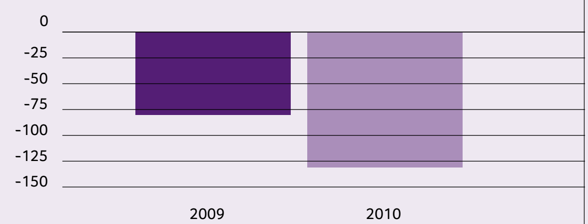
2009
2010

OPERATING EXPENSES LIFE AND NON-LIFE SEGMENT (IN MILLIONS OF EUROS)



-572
-541

OPERATING EXPENSES SEGMENT OTHER (IN MILLIONS OF EUROS)



-80
-131

SOLVENCY 2009 (IN BILLIONS OF EUROS)

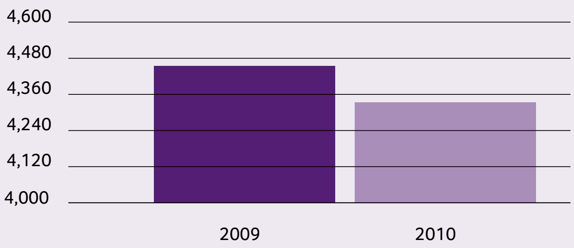
■	Available DNB solvency € 3.5 bln
■	Required DNB solvency € 1.5 bln

SOLVENCY 2010 (IN BILLIONS OF EUROS)

■	Available DNB solvency € 3.4 bln
■	Required DNB solvency € 1.5 bln

BRAND	TYPE	PRODUCTS	DISTRIBUTION
Ardanta	Specialist	Funeral	Multi-channel
ASR Verzekeringen	Generalist	Individual-life, Non-life, Group life and Mortgages	Intermediaires
De Amersfoortse	Specialist	Income	Intermediaires
Ditzo	Generalist	Non-life	Internet
Europeesche Verzekeringen	Specialist	Travel and Leisure	Multi-channel

FTE



■	4,454
■	4,333

(IN MILLIONS OF EUROS)	2010	2009	%
Gross premiums Life	2,514	2,692	-7%
Gross premiums Non-life	2,310	2,346	-2%
Eliminations	-86	-124	-31%
Total gross insurance premiums	**4,738**	**4,914**	**-4%**
Profit for the year, Life	276	248	11%
Profit for the year, Non-life	104	82	27%
Profit for the year, Other	-63	-75	-16%
Profit for the year [1]	**317**	**255**	**24%**
Operating expenses Life and Non-life	**-541**	**-572**	**-5%**
Operating expenses Other	-131	-80	64%
Cost-premium ratio Life and Non-life	12.7%	13.3%	-5%
Liabilities arising from insurance contracts, Life	29,305	28,174	4%
Liabilities arising from insurance contracts, Non-life	3,535	3,535	-
Total liabilities arising from insurance contracts	32,840	31,709	4%
Total equity (including revaluation of property) [2]	**3,493**	**2,975**	**17%**
Total assets	40,616	39,249	3%

[1] Profit for the year attributable to holders of equity instruments.
[2] Presented Total equity (including revaluation of property) is a combination of Total equity and the revaluation of property. Per 31 December 2010, Total equity amounted € 1,042 million. Per 31 December 2009, Total equity € 1,955 million and the revaluation of property € 1,020 million.

(IN MILLIONS OF EUROS)	2010	2009	%
New production Life (APE)	196	188	4%
Number of employees (FTE)	4,333	4,454	-3%
Cost-premium ratio Life and Non-life	12.7%	13.3%	-0.6%p
Combined ratio Non-life	100.3%	101.4%	-1.1%p

(IN MILLIONS OF EUROS)	2010	2009
Available DNB solvency	3,412	3,515
Required DNB solvency	1,542	1,512
DNB solvency ratio	221%	232%
Buffer capital	4,044	4,436
Buffer capital ratio	262%	293%

Building confidence

ASR Nederland 2010 annual report

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Part I

ASR Nederland at a glance

‘Focus on the fundamentals of insurance’

Jos Baeten

While the market continued to be difficult, ASR Nederland made great strides in 2010 towards achieving its mission. Reducing the complexity of the organization, reinforcing the already robust financial base and putting customer interests first are priorities in the process of change that ASR Nederland is currently undergoing. ‘We want to focus on the fundamentals of insuring. Our initiative to actively offer customers with unit-linked investment contracts the possibility of switching to a new and transparent low-cost product shows what ASR Nederland is all about: we are a financial services provider with a prudent risk profile and robust solvency, guided in our actions by the best interests of our customers,’ says Jos Baeten, CEO.

Mission

‘What is our direction and what kind of business do we want to be?’ Two questions that ASR Nederland explicitly asked itself in 2010. One of the key priorities in 2010 was to overhaul the existing cost structure. ‘ASR Nederland’s traditional structure was too complex. We made an in-depth analysis of customers and products, and came to the conclusion that we offer too many products and operate too many systems. We now know that we need to change in order to create a better cost structure that will be sustainable in the long run. We want to combine fewer products and systems with customer-orientated services,’ Jos Baeten stresses.

Commission-free products

Closely connected to the cost structure is what Baeten calls ‘future-proof information technology’. The Life segment introduced a Next Generation Life platform, allowing it to offer new products much more efficiently and at lower cost. These next generation products are based on legislation that will come into effect from 2013, when commission will be replaced by consultancy fees. Although sales of these new products are still limited to date, they do demonstrate that ASR Nederland plans to change and that it is ready for changes in regulatory requirements.

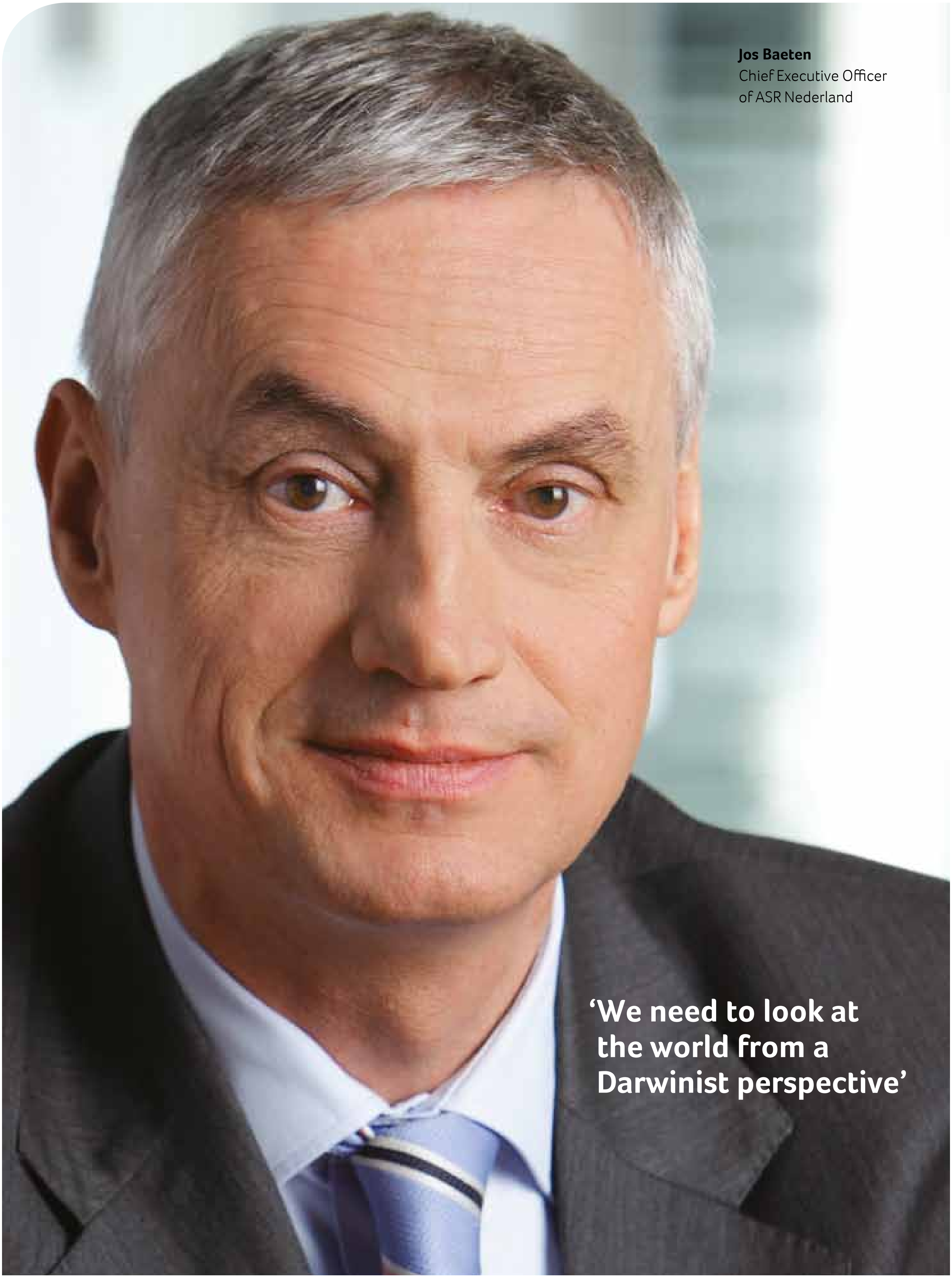
Better reporting

Good progress was also made in 2010 with respect to the financial structure. At the time of the autonomization from Fortis in 2008, it was clear that a number of support services that used to be provided by the parent company would have to be developed in-house. In 2010, ASR Nederland made significant headway in further professionalizing the financial reporting and risk management departments, in order to meet the relevant requirements for listed companies. ‘We’ve made giant leaps here,’ claims Baeten.

ASR Nederland’s traditional structure was too complex

Three areas of focus

ASR Nederland’s ambitions for the coming years boil down to three areas of focus: making the business more efficient, strengthening financial solidity, and focusing on what is best for the customer. ‘We used to be a business with many different branches and an island culture. But we’ve decided to make a clean break with the past. We’re moving towards a single business, at one location and with a shared culture. That’s an important choice,’ proclaims Jos Baeten. What is more, ASR Nederland wants to focus on the customer and



Jos Baeten
Chief Executive Officer
of ASR Nederland

‘We need to look at the world from a Darwinist perspective’

always act in the customer's best interest. 'Although it would be easier to tackle these goals one-by-one, we want to achieve them all at the same time. The pressure of the market forces us to act quickly. This means that our organization is faced with one change after another. We need to look at the world from a Darwinist perspective. The business that will survive is not necessarily the strongest, but the one that adapts best to a changing environment. The introduction of the new platform at Life is an example of our efforts to adapt,' says Jos Baeten.

At ASR Nederland we want to show that we have learned from the past and that we have changed course

Putting customers' interests first

In ASR Nederland's opinion, one of the preconditions for surviving in a changing market is that it should restore trust by putting customers first. 'We need to be confident that everything we do is in the customer's best interest. Working to serve the best interests of customers goes beyond customer focus. It means that we go all-out to offer only those products that fit the needs of customers. At ASR Nederland we want to show that we have learned from the past and that we have changed course. That's the only way for us to win back the trust that customers have lost.' ASR Nederland will partner up with intermediaries in this process of change. 'Customer surveys show that customers highly appreciate an intermediary's advisory services, but that they also want direct contact with us, being the supplier, sometimes. We plan to allow them to do so in dialogue with the intermediary channel.'

Delivering on ambitions in 2011

2011 will be an important year in achieving ASR Nederland's goals for 2015. One of the challenges is to produce evidence for ASR Nederland's ambition to streamline the organization. In Baeten's opinion, the only way forward is 'to really do it'.

In other respects too, 2011 will be a year of delivering on ambitions. Jos Baeten lists a few: 'Introducing new products that demonstrate our commitment to becoming that different insurer; truly acting differently to show that we operate in the customer's best interest; selecting products and customers that make us stand out; and offering only those products that fit the customer's risk profile. Unit-linked investment contracts are an example of a product where we did not put the customer first, in the past. These contracts did not serve the purpose for which customers had bought them. That's why we now allow existing customers with unit-linked investment contracts a solution, offering them new perspectives.'

'As an organization, we have the choice and the ability to do things differently. Our own parent company went to pieces in 2008, which was a humbling experience. We've learned from the past. We want our work to be based on the values that were established when our insurance business first started in 1720: sharing and bearing risks together, based on the guarantee of mutual trust.'

Jos Baeten
Chief Executive Officer of ASR Nederland

1.1 Mission, vision and core values

Mission

ASR Nederland provides people with financial continuity in their lives and enables them to take well-considered risks in achieving their ambitions; in that, insurance is the essence, and providing security is its raison d'être. For ASR Nederland, service that customers experience as valuable begins with understanding what is important to people. ASR Nederland believes that customers should be able to insure themselves in the way that is most appropriate to their situation, preferences and possibilities.

Vision

Insurance is all about offering security; about building confidence in the future. ASR Nederland's future also stands or falls on the trust that those around ASR Nederland place in the company. That trust has to be earned, starting anew every day. Trust is earned by putting customers' interests first, knowing customers well, understanding them and offering them outstanding service; by giving customers the extra attention that makes the difference and by exceeding their expectations. ASR Nederland also earns this trust by offering employees an inspiring and challenging working environment: by partnering successfully with its distribution partners and by offering shareholders the prospect of attractive returns. And, in all of this, by giving due consideration to social involvement and environmental concerns. ASR Nederland seeks to earn the trust of all stakeholders, because ASR Nederland knows this is crucial for the success of its mission.

Core values: personal, approachable, individual and authentic

Earning trust begins with giving trust and being trustworthy. ASR Nederland's values are the moral backbone in this. Together they form a shared language among employees, and a solid promise to new colleagues: this is how employees at ASR Nederland behave towards one another and towards those around them. This helps in making the right choices at work. The core values apply at every moment of the day, in everything that occurs.

- ASR Nederland is personal. Trust is created in personal contact. That is why ASR Nederland listens with genuine interest, with the aim of understanding others better and so being able to meet their needs. That is how ASR Nederland builds up long-term relationships with its customers, distribution partners and others, and with its employees.
- ASR Nederland is approachable. ASR Nederland understands its role, accepts its responsibilities and acknowledges its accountability in everything ASR Nederland does. Employees call one another to account if necessary, and it is appreciated when our customers and distribution partners do the same, so the company can grow and improve. So that others can rely on ASR Nederland even more.
- ASR Nederland is individual and authentic. ASR Nederland is proud of who and what it is, but also dares to show its vulnerability. ASR Nederland values everyone's individuality, and it is open in communications. Only in this way can unique personalities and specific talents be brought together. By bringing out the best in each other, ASR Nederland achieves the very best solutions.

1.2 The ambition

ASR Nederland puts customers' interests first

ASR Nederland strives to be the most approachable insurer in the Netherlands. ASR Nederland is convinced that growth can be achieved by thinking in terms of customers' interests and experiences rather than in terms of products and processes. Within this approach ASR Nederland puts the focus on individual customers, self-employed professionals and small and medium-sized businesses. ASR Nederland constantly works towards cost-efficiency in its operations in order to achieve its financial objectives and provide the customer with competitive services.

Market position

ASR Nederland is a top-3 player in the Dutch insurance market. ASR Nederland has a strong position in the intermediary channel. In the direct channel, ASR Nederland is rapidly developing its position with internet insurer Ditzo, particularly in the non-life market. ASR Nederland's core markets are Non-life, Occupational disability, Individual-life and Pensions.

In addition to these core markets, ASR Nederland also focuses on:

- markets that, because of their connections with activities in one of its core markets, are important in offering service to customers, such as savings and investment, mortgages and health insurance;
- 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);
- property activities, on the basis of ASR Nederland's role as an investor and manager of premium funds and as a property developer.

Brand policy

ASR Nederland pursues a brand strategy in which:

- products from ASR Verzekeringen and De Amersfoortse are available through intermediaries;
- Ditzo is focused on direct internet distribution;
- Europeesche Verzekeringen and Ardanta are specialists who make use of a variety of distribution channels, and where internet distribution is playing an increasingly prominent role.

In 2010, ASR Nederland took further steps to streamline its brand portfolio, with the brands positioned to enable an optimum focus on specific products and target groups.

The ASR Verzekeringen and De Amersfoortse brands have been more clearly positioned in relation to each other in 2010, with the result that:

- De Amersfoortse is the brand through which ASR Nederland serves the occupational disability and health insurance markets;
- ASR Verzekeringen is the brand through which ASR Nederland serves the private pensions market. Integrated solutions from De Amersfoortse, where pension plans are offered in combination with occupational disability and/or health insurance, form an exception to this;
- ASR Verzekeringen is the label through which ASR Nederland serves the non-life and life insurance markets. In 2010, the activities of the Falcon Leven brand were incorporated into ASR Verzekeringen, so the Falcon Leven brand ceased to exist.

Distribution mix

From the basis of its history, ASR Nederland has a strong position with small and medium-sized intermediaries who provide advice, convenience and administrative support services to individual customers, self-employed professionals and small and medium-sized businesses.

In the future, intermediaries will strengthen their individual positions more than ever by supporting the customer with advice for which the customer will pay them directly. A ban on commissions for complex products is expected to come into force from 2013. Customers will increasingly carry out some of the administrative tasks themselves. The direct relationship of the customer with ASR Nederland – as well as the customer's relationship with his or her advisor – will therefore become increasingly important. ASR Nederland is attuning its organization and website to this development.

Strengthening ASR Nederland's position in relation to larger and specialized intermediaries and banks is important for its growth in the commercial market (Non-life, Occupational disability and Pensions). ASR Nederland can expand its market share in these sectors, and is doing so through outstanding service aimed at this target group, support processes, and propositions and partnerships with intermediaries. ASR Nederland aims to maintain its leading position with tied agents. All major banks offer insurance aimed at their private and business customers. For private customers, they often provide this service through their 'preferred suppliers'. For their commercial customers, they need a diverse product portfolio. ASR Nederland aims to play a prominent role in these areas.

Direct distribution will be of increasing importance in the insurance market, with changing customer behaviour as the main driving force behind this. Through the Ditzo label, ASR Nederland focuses on the private customer who wants to take out and manage insurance directly. This currently applies to private non-life insurance only, but in the future Ditzo will also expand its services to include other product groups. As the product becomes more complex as part of this process, advice will play an increasingly important role, bringing about a synergy of direct and intermediary distribution this way.

‘The relationship makes the difference, not the product’

Peter Hoitinga and Boudewijn van Uden

The market for insurance products has undergone major change. Consumers want clarity and transparency. Products need to match this. Some consumers want advice, while others prefer to make their own choices. This demands a different approach to customers from insurers and advisors. Ditzo, ASR Verzekeringen and De Amersfoortse have all translated this changing market view in a different way. Peter Hoitinga and Boudewijn van Uden explain how.

Helping to solve problems

‘Consumers each have different needs. The difference may be in terms of convenience, or in the risk perception of the products bought. It’s our job to adapt to these differing needs,’ says Ditzo’s Peter Hoitinga. ‘There is now a difference in how consumers have developed and how organizations are structured. When customers are faced with a problem, they want someone to help them solve it. If your car gets damaged in an accident, you ask yourself how you’re going to get to work. This is why we offer a pick-up and drop-off service, so that customers can get on with their day, because that is the problem they then face. The other things can be sorted out later.’

Ditzo started by distancing itself from the bureaucracy and inflexibility of insurers themselves. Their tone has now changed a little. ‘Our approach is based on talks with consumers across the country. And we still use every first Monday of the month to visit customers and talk to them, and to ensure that everyone working here in the organization regularly meets with customers. We have a strong focus on customer-friendliness and transparency. This sits well with ASR Nederland’s core values.

We know a lot about customers, and with that knowledge we can help ASR Nederland and our intermediaries. Ditzo customers are people who are able or willing to make their own choices. What we do is reaffirm their choice. If their personal situation is more complex or if a customer wants the convenience of comprehensive advice, an advisor can be of added value,’ says Peter Hoitinga.

Working hard on better products

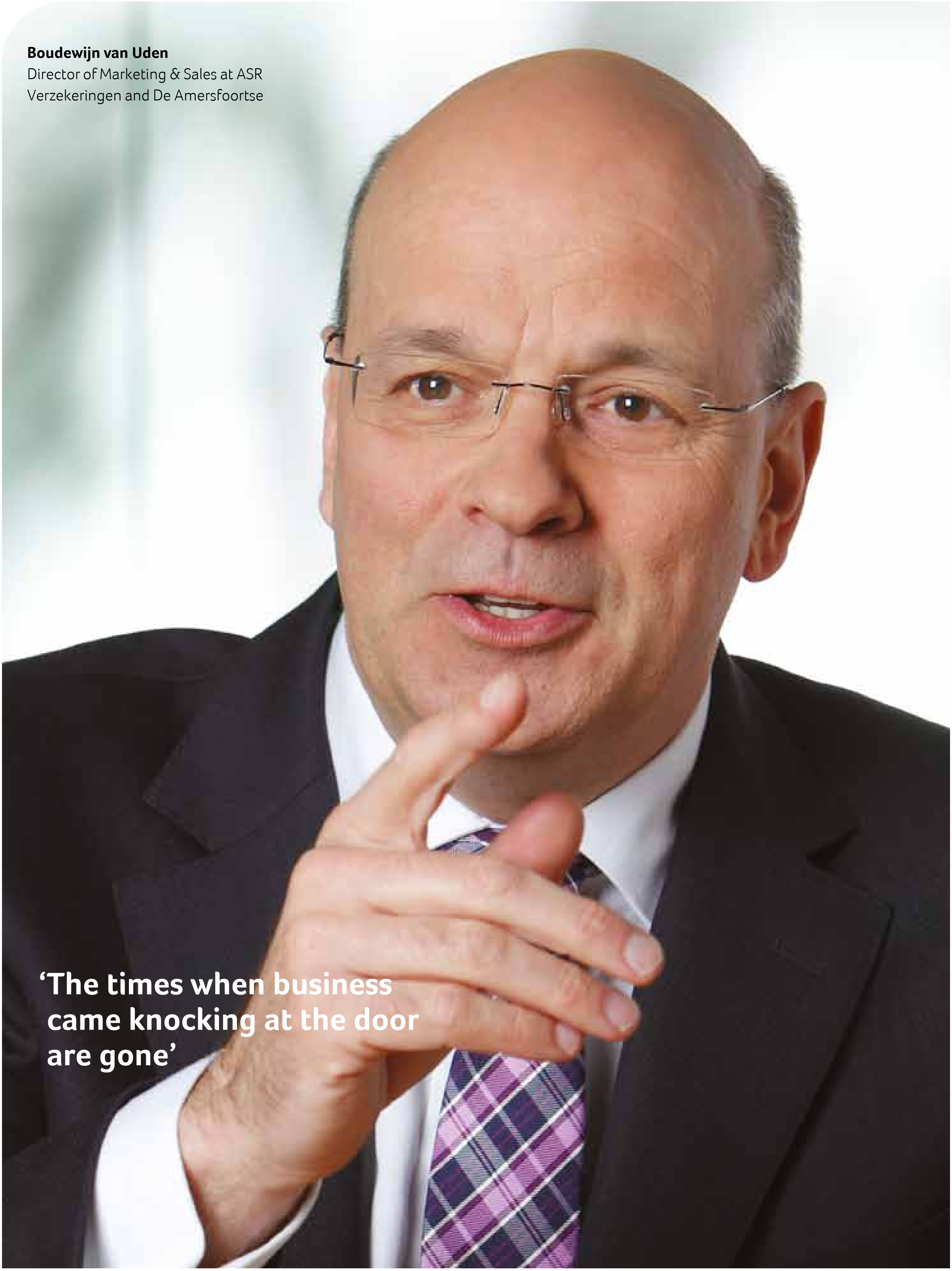
The big challenge faced by insurers is to adapt their systems and products so that they match what customers want. ‘A customer who has purchased insurance should feel happy with the company, the business and the brand. That’s easier said than done these days,’ says Boudewijn van Uden. ‘We need to support intermediaries in their role as advisors. The product should sell itself, so that the intermediary can concentrate on his job as an advisor.

> Ditzo customers are people who are able or willing to make their own choices

This means that we have to offer products that stand out in terms of proposition, price and process. The advice and the product are separating more and more. This demands a different approach from us. As an insurer, we will increasingly be judged on our proposition, price and process. We will have to work harder to strengthen our position in the market. This is a big deal for us,’ says Boudewijn van Uden.

Peter Hoitinga
Director of Ditzo

‘Customers are the foundation of our existence’



Boudewijn van Uden
Director of Marketing & Sales at ASR Verzekeringen and De Amersfoortse

‘The times when business came knocking at the door are gone’

‘It is our job to improve how we transpose customer needs into products’

‘It is our job to improve how we transpose customer needs into products. As an insurance company, we have never done this as intensively as we are doing it now. We need to think better about what consumers want. They are displaying more hybrid behaviour. They often browse the internet for information and then buy a product either directly from an insurer or from an advisor. Once a person has become a customer, he or she may sometimes want information from the advisor and sometimes directly from the insurer.
That is something that we were never prepared for before. Increasingly, customers are in the lead, and we have to be ready for that. The distinction is made by the added value that customers experience, both from the intermediary and from the insurer recommended by the intermediary,’ emphasizes Boudewijn van Uden.

Knowing better what customers want

Customer research was carried out on various subjects in 2010, by holding conversations with customers and in other ways. This has given ASR Nederland many new insights into what customers want, what motivates them and how ASR Nederland can adapt itself to these factors. Boudewijn van Uden believes that this is not an optional process, but pure necessity. ‘This means that hard work will be needed to make the proposition fully functional across the board. We want to shape that change together with our intermediaries.
At ASR Nederland, we need to learn to deal better with the changing behaviour of consumers. We need to have more happy customers, winning back their confidence not by shouting, but by proving. The times when business came knocking at the door are gone,’ says Boudewijn van Uden.

For Ditzo, working hard for customers is not a new approach – it was never any different. Peter Hoitinga: ‘We want to add value by working for the customer. This added value lies in the service, and this binds the customer to you. We want people in our organization who are curious and sincerely interested in people. Our experience shows that this benefits customer contact. We are service providers. For us, it is not about the product, but about the relationship with our customers. This is the culture. The product and the process are just factors. They simply need to be right, because that’s what customers expect.’

‘So the real difference we make is in the relationship.
We do not want to earn money from uninformed customers, but from customers who know exactly what they want. Customers’ interests are in our blood. They are the foundation of our existence,’ concludes Peter Hoitinga.

Peter Hoitinga, Director of Ditzo, and
Boudewijn van Uden, Director of Marketing & Sales at ASR Verzekeringen and De Amersfoortse on customer value and distribution

1.3 Strategy

Based on the vision that the trust of those around us is essential for the future of ASR Nederland, a strategy has been formulated based on three interconnected pillars:
- Customer interests
- Financial robustness
- Efficiency

On the basis of this strategy, a good balance is created between the interests of all stakeholders: customers, shareholders, employees, distribution partners and society as a whole.

Customer interests

All of ASR Nederland's activities and objectives are tested with customer interests. For example, new products are presented to customer panels, and the wishes that customers express in these panels are incorporated into the product development process.
ASR Nederland takes its customers seriously. Customers say they want transparent products, clear communications and personal service. ASR Nederland makes it its highest priority to fulfil its promises.

Customer satisfaction is measured using a tool called the Net Promoter Score (NPS). ASR Nederland strives to achieve a higher NPS than its main competitors.

In 2010, the following steps were taken to strengthen this pillar of ASR Nederland's strategy:
- expansion of next generation products characterized by low costs, transparency and clarity;
- introduction of solutions with regard to unit-linked insurance;
- faster and more effective support to customers through the Customer Contact Centre;
- incorporation of a customer satisfaction component in the remuneration structure of the Executive Board and senior management.

Next generation products
The introduction of next generation products in both the life and non-life segments was rolled out at the end of 2009. These are products characterized by an extremely low and transparent cost level. In 2010, this initiative was expanded with the introduction of the new Vermogen-Garant (Asset Guarantee) product.

Unit-linked insurance compensation scheme
In the course of 2010, it became clear that the compensation scheme that ASR Nederland had earlier entered into with consumer associations did not live up to customer expectations. With the use of customer research, ASR Nederland has identified the essence of customers' objections.
This research shows that customers do not want to wait until the end of a contract's term – which is often long – to be compensated for any excess charges they have paid. Customers want to know if it might be better to terminate their current unit-linked insurance contracts now, or to convert it to an alternative that better matches their personal situations and aims. If customers want a change, ASR Nederland does not want to put any financial obstacles in their way.

On the basis of these insights, ASR Nederland is making customers with unit-linked insurance contracts an offer that responds to the criticism of the existing compensation scheme. In this way, ASR Nederland is fulfilling customers' wishes as much as possible.

The offer is made up of the following components:

1. ASR Nederland will add the amount of compensation to which the customer is currently entitled to, to the contract immediately.

2. ASR Nederland will ensure that customers are actively advised of whether there is a better alternative for them than allowing the contract in its current form (including compensation) to be continued. The role of the intermediary is very important in this matter. Good advice on the appropriate considerations to be made is therefore also of great importance. ASR Nederland assumes that intermediaries, on the basis of their duty of due care, will actively advise and support their customers.
To encourage this process, ASR Nederland will compensate customers for the costs incurred. After having taken this advice, the customer is free to terminate the unit-linked insurance contract or to transfer to another product, regardless of whether this is a product from the new ASR Nederland range or from a competitor.
If the customer chooses a new ASR Nederland product, ASR Nederland will bear the administration costs.
In this way the advice to the customer will not be influenced. Customers are free to choose their own intermediaries. If the customer does not have an intermediary, or does not wish to continue with the same intermediary, ASR Nederland will offer its customers an appropriate solution.

3. Within our new range, ASR Nederland is offering customers products that are competitive with those of other providers (including banks) in terms of price, and also fulfil contemporary (social) demands. These products are 100% transparent, and have a different cost structure and an extremely low cost level averaging less than 1%. What's more, the new products no longer include built-in life insurance: the customer can buy this separately at a low cost if required. Commission no longer makes up a component of the costs of the new products. In the future the intermediary's advisory fee will be included in the agreements between the customer and the intermediary. In this way ASR Nederland is acting ahead of proposed legislation.

4. If customers decide to terminate their unit-linked insurance contract or to transfer to another product, ASR Nederland will bear the costs that have not yet been charged to the customer. The customer will therefore not be faced with buyout charges.
No distinction will be made here between customers who exchange their unit-linked insurance contract for another ASR Nederland product and those who transfer to a product from a competitor. Customers do not have to sign a warranty clause in this respect, so they do not forfeit any rights.

Customer satisfaction incorporated into remuneration criteria

To prioritize customers' interests even more emphatically, customer satisfaction has also been incorporated into the remuneration criteria for the Executive Board and senior management.

Financial robustness

Financial robustness is closely connected with the strategic principle of regaining customer confidence. A financially robust insurer is able to fulfil its long-term commitments to policyholders.

In 2010, the following steps were taken to strengthen this strategic pillar:

- design of a new risk management framework;
- Dutch Central Bank (DNB) solvency remained on a strong level;
- diversification benefits achieved through legal restructuring;
- further reduction of risks within the investment portfolio:
  - reduced investment in Greece, Ireland, Italy, Portugal and Spain;
  - reduced investment in financial institutions, especially in Tier 1 loans;
  - further reduction of investments in property.

New framework for integrated risk management

In 2010, a new framework was created for integrated risk management. This framework is in compliance with Solvency II requirements, which will come into force from 2013. The framework includes structures for Control Risk Self Assessment (CRSA) and Own Risk Solvency Assessment (ORSA). In addition, a risk framework has been developed to determine the amount of economic capital to be retained (ECAP) for both insurance and investment risks. This ECAP framework, which is specifically designed to comply with Solvency II, will be rolled out to the product lines in 2011. Furthermore, the strategic investment mix has been optimized in accordance with Solvency II.

Constant strong solvency

ASR Nederland's DNB solvency fell by 11 percentage points to 221% at the end of 2010 (2009: 232%), but still remains firm. This reduction was primarily caused by an increase in the value of the insurance liabilities in the liability adequacy test as a result of the fall in the interest rate applied for this calculation in 2010. This fall in the interest rate was partly compensated for by an associated rise in the value of bonds and swap options. Because of the low interest rate, the sensitivity to changes in interest rates of the DNB solvency and the buffer capital have increased, despite risk mitigating measures. The rise in the value of shares and property made a positive contribution to the available solvency.

Legal restructuring

In 2010, various life insurance entities were merged into a single unit: ASR Levensverzekering N.V. In this way, ASR Levensverzekering N.V. can achieve diversification benefits in both mortality risk and longevity risk. For example, ASR Levensverzekering N.V. sells both term life insurance (mortality risk) and whole life insurance (longevity risk) contracts. Because of this legal merger, the DNB solvency of ASR Levensverzekering N.V. remains at a strong level. The impact of rising life expectancy forms an element of the liability adequacy test.

Risks within the investment portfolio further reduced

The risks within the investment portfolio have been reduced, partly because of the sale of bonds from financial institutions, the reduction in investments in government bonds of Greece, Ireland, Italy, Portugal and Spain and the sale of property. Interests in bonds from financial institutions fell by 11% in 2010 to € 6.4 billion.

This reduction particularly affected Tier 1 loans. Interests in government bonds of the above-named countries were cut back sharply from € 606 million at the end of 2009 to € 164 million. ASR Nederland has primarily reinvested in AAA fixed-interest securities, such as long-term German and Dutch government bonds and Dutch mortgages. Through tactical selling, the property portfolio of ASR Vastgoed Vermogensbeheer has been brought into line with ASR Nederland's strategic asset mix. In total, property valuing € 346 million was sold in 2010. Relative interests in shares have been slightly raised. Despite the policy aimed at actively reducing risks, the sensitivity of ASR Nederland's solvency – particularly to fluctuating interest rates – has increased due to the highly specific interest conditions.

Efficiency

To achieve satisfactory profitability levels, it is necessary to systematically reduce costs even further. This is achieved by phasing out old systems and replacing them with efficient systems that can be operated at lower overall costs. In addition, ASR Nederland is working towards a permanent improvement of efficiency through the Operational Excellence (OpEx) programme, based on the lean principle, whereby the organization is structured so as to prevent wastage. This is in customers' interests, and also leads to the standardization of processes and products, the enhancement of the Straight Through Processing level (automation of procedures) and the reduction of complexity and number of products. Support services such as HR and ICT are also working on the restructuring of the organization in accordance with lean principles.

In 2010, the following steps were taken to strengthen this strategic pillar:
- target of € 100 million in cost savings achieved;
- Complexity Reduction programme initiated;
- integration of Falcon Leven into ASR Verzekeringen: activities integrated;
- decision to relocate to a single location, and renovation of Archimedeslaan 10 in Utrecht.

Cost savings achieved
ASR Nederland has successfully attained its goal of achieving € 100 million in structural cost savings. Despite a fall in turnover, the cost-premium ratio was lowered from 13.3% in 2009 to 12.7% in 2010. The rise in operational expenditure in 2010 was principally due to the start-up of ASR Bank.

Reduction of complexity
ASR Nederland continually works on increasing its efficiency through the Complexity Reduction programme. Because of mergers and integrations in the past, the constantly changing legislation and the changing requirements of the customer, complexity has been created in processes and product variants, with the consequence that the costs of product management and system maintenance have risen over the years.

The Complexity Reduction programme has provided greater insight into the amount and overlap of product variants, processes and IT systems. These insights are utilized to reduce these factors, but they also serve as a point of departure for the further development of ASR Nederland's next generation products.

1.4 Financial targets

ASR Nederland's long-term financial targets are clear and serve to offer both current and future shareholders security regarding the safeguarding of their investments. The long-term targets are more specific:

- profitability in the range of 8-12% on total assets;
- capital in line with an 'A' rating;
- combined ratio for:
  - Occupational disability of 92%
  - Non-life of 98%

Integration of Falcon Leven into ASR Verzekeringen

Because of the strongly changing market for individual life insurance and the possibility of gaining benefits through the efficient deployment of capital, Falcon Leven was integrated into ASR Verzekeringen with effect from 1 September 2010. With this, the Falcon Leven brand ceased to exist. The various business units were integrated in order to optimally and efficiently capitalize on market developments and changing customer demands. This integration is also consistent with the strategy of centralizing the back offices of similar products.

Concentrating accommodation to one location

In 2010, the Executive Board decided to renovate the existing premises at Archimedeslaan 10 in Utrecht and not to initiate building new accommodation. Renovation can be completed quicker and is more in keeping with ASR Nederland's ambitions in the field of sustainability (no wastage, and taking consideration of the large numbers of empty office buildings). Renovation also results in the lowest accommodation costs per employee. Furthermore, because of its large, open workspaces, the current head office is very well-suited to Next Generation Working. ASR Nederland also retains a large number of parking places at its disposal, which benefits accessibility. The renovation is planned to start in mid-2012, and should be completed by 2015 at the latest. Because employees will continue to work in the building during the renovation, the work will be carried out in stages. Seven locations were closed in 2010.

1.5 Corporate social responsibility

General

ASR Nederland is certain that, in the long run, profit can be achieved only if attention is paid to the effects of its operations on people and the planet. For this reason, ASR Nederland is highly committed to corporate social responsibility (CSR).

ASR Nederland defines its CSR principles and targets in cooperation with all stakeholders. These principles and targets play a role in the corporate strategy, the goal being that customers appreciate ASR Nederland as a reliable, transparent insurer that attaches value to social responsibility. Long-term benefits should have preference over potential short-term gain. This is the leading principle of ASR Nederland's sustainability policy.

The interests of all stakeholders are considered in conducting ASR Nederland's business. ASR Nederland maintains close contact with a varied group of external stakeholders (customers, business partners, shareholder the Ministry of Finance, the Dutch Central Bank (DNB) and the Netherlands Authority for the Financial Markets (AFM), politicians, regional governments, industry associations, the Dutch Association of Insurers, trade unions, non-governmental organizations (NGOs) and local communities).

Insurance

Continuity and confidence are crucial as ASR Nederland endeavours to offer certainty as an insurer. Customers need to be able to trust that ASR Nederland can and will, meet its financial obligations at all times.

Hard work was put in 2010 at ASR Nederland towards increasing the transparency of products, resolving the problems surrounding unit-linked investment contracts, improving the quality of processes, simplifying the product range, and towards offering sustainable insurance products. Market and customer requirements are monitored closely in order to capitalize on new developments as they take place. In addition, studies are being performed to test whether communication by ASR Nederland is easy to understand. The Customer Contact Centre, complaints handling, OpEx, the Customer Value programme and Compliance contribute to developing socially responsible business practices that emphasize customer interests.

ASR Nederland has a code of conduct containing guidelines for how to interact with each other and how to approach specific situations. The rules that apply to ASR Nederland employees include the insider rules, the whistle-blowing procedure, the incentive policy and various codes of ethics.

Asset management

Where ASR Nederland acts as an institutional investor, CSR comes to the fore in applying sustainability criteria to investments.

Financial Markets

ASR Nederland's asset management operations are governed by the ASR Nederland policy for Socially Responsible Investment (SRI). This policy focuses on selecting best practices and best products based on environmental, social and governance (ESG) criteria. This involves investments in countries (state loans) and in enterprises (equities and corporate bonds).
Based on this policy, ASR Nederland invests more in businesses that have the best ESG rating in their industry or that make a sustainable contribution to society, e.g. in waste processing/recycling and clean energy. At the same time, ASR Nederland uses criteria to exclude producers of controversial weapons, nuclear energy, pesticides, alcohol and tobacco, the gambling and sex industry, and businesses that engage in animal testing.

With the introduction of the VermogenGarant and VermogenBelegd products by ASR Verzekeringen, new investment funds were introduced in 2010 that are fully managed in accordance with these criteria.

In a survey by the Association of Investors for Sustainable Development (Dutch acronym: VBDO), ASR Nederland ranked second of the Dutch insurers in 2010 (2009: sixth). Part of this success is attributable to improvements in communication. ASR Nederland is a member of VBDO's feedback group of insurers and makes its sustainability policy available to the public, for instance by posting it on the corporate website. ASR Nederland is also more outspoken about its role as a pioneer. These efforts are undertaken to keep all stakeholders posted regarding the CSR policy.

Progress has also been made in SRI concerning investments placed with external assets managers. More than 95% of ASR Nederland's external asset managers have now ratified the UN Principles for Responsible Investment. In addition, more and more external asset managers are embedding ESG factors in their investment processes.

Engagement is a key aspect of ASR Nederland's SRI policy. In accordance with the Dutch Corporate Governance Code and ASR Nederland's CSR policy, a voting policy has been developed based on which ASR Nederland fulfils its role as an institutional investor. The voting record shows how the voting rights are exercised in the shareholders' meetings of the Dutch associates. Both the voting policy and the voting record have been posted on the corporate website.
ASR Nederland also tables CSR in meetings with the management of businesses and addresses any controversial activities in the process.

ASR Vastgoed Vermogensbeheer

ASR Vastgoed Vermogensbeheer wants to add value for the users of its properties in a sustainable, personal and transparent manner. This is reflected, for instance, in investments in land and country estates.

The sustainability policy is embedded in the organizational processes. A supplier of renewable energy was selected for the entire property portfolio. The energy use of the tenants is measured to raise energy awareness and reduce consumption. In the property portfolio, 50% of homes has been awarded energy label C as a minimum. This is 10 percentage points higher than the entire Dutch housing stock rating.

ASR Vastgoed Vermogensbeheer is also a player in several industry associations where it promotes sustainability aspects of real estate on all fronts. In 2010, the Dutch property sector launched a pilot project to develop a sustainability certificate for existing buildings. ASR Vastgoed Vermogensbeheer participates in this pilot with its office investment in 'Willemswerf' in Rotterdam.

Property development

ASR Vastgoed Ontwikkeling is one of the largest residential, retail and office developers in the Netherlands and seeks to develop the most sustainable property concept for a direct impulse to the community or the environment, in partnership with local authorities, businesses, owners and users.

ASR Vastgoed Ontwikkeling recruited a Sustainability Officer in 2010 who is responsible for safeguarding the sustainability of the property developments. ASR Vastgoed Ontwikkeling has the ambition to lead the field of sustainability. Via the so-called 'Lenteakkoord' (agreement for energy-efficient development) ASR Vastgoed Ontwikkeling has committed to achieving a 50% reduction in energy used in its developments by 2015.

The agreements made in the Lenteakkoord are monitored by the Sustainability Committee of NEPROM, the Association of Dutch Property Developers, in which ASR Vastgoed Ontwikkeling is represented.

The sustainability of ASR Vastgoed Ontwikkeling manifests itself in many ways in the division's property developments, e.g. in the use of sustainable timber and energy reduction that is often achieved through a geothermal heat pump. But at ASR Vastgoed Ontwikkeling sustainability is much more than saving energy alone. ASR Vastgoed Ontwikkeling has been an active member of the Dutch Green Building Council (DGBC) since it was established. With BREEAM, DGBC has embraced an internationally recognized sustainability label that not only incorporates energy consumption into a property development's sustainability rating, but also makes allowance for aspects such as use of materials, health and safety, and location.

GPR is a recognized sustainability label for Dutch residential buildings. In addition to energy efficiency, GPR also addresses environmental impact, health issues and user quality. In 2010, ASR Nederland formalized the ambition to reach a GPR score of 7.5 on 50% of properties to be developed in 2011.

In order to emphasize the importance of sustainability in its property developments, ASR Vastgoed Ontwikkeling launched the Land for Land initiative in 2009, which replaces every square metre of property built by ASR Vastgoed Ontwikkeling with a square metre of nature. Parallel to this, talks were initiated in 2010 about the acquisition of a new nature area. ASR Vastgoed Ontwikkeling expects to finalize these talks in 2011.

Environment

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

Energy efficiency covenants

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 Nederland signed the Long-term Agreement on Energy Efficiency 3 (Dutch acronym: MJA3) in 2008. The Agreement sets out national agreements between the government and the corporate sector about such issues as saving energy, sustainable purchasing, improvements to data centres and procurement of renewable energy. By signing the Agreement, ASR Nederland expressed the intention to achieve a 30% reduction in energy consumption in 2020.

This will be achieved primarily via a 20% reduction in energy consumption by:
- conserving energy;
- taking viable measures to improve energy efficiency;
- introducing systematic energy management.

In addition, a 10% reduction in carbon emissions in day-to-day business operations will be achieved by:
- encouraging sustainable purchasing;
- implementing measures to procure renewable energy;
- improving the energy performance of data centres;
- using renewable electricity.

In 2008, 2009 and 2010, all electricity purchased for ASR Nederland was renewable. An Energy Efficiency Plan has been prepared for 2009-2012.

The results achieved are reported annually to the government. As a result of ASR Nederland's centralization policy and developments in the field of ICT, energy use was reduced by around 10% in 2010. The expectation for 2011 is that savings resulting from continuing centralization and developments in ICT will amount to approximately 5%.

No predictions can yet be made for 2012 as a result of the influence of the ongoing ICT developments and the forthcoming renovation of the building. After the renovation period energy use will be reduced across the company. These plans are currently being worked out in detail, so a definitive estimate can be made at a later date.

Utrecht Energy Covenant
In April 2010, ASR Nederland signed a letter of intent for participation in the Utrecht Energy Covenant. The letter of intent is for the office building at Archimedeslaan 10 in Utrecht. The Energy Covenant seeks to create a situation where carbon emissions are reduced. It is ASR Nederland's ambition to operate on a carbon-neutral basis by 2030 at the latest.

CO^2 emissions as a result of mobility
ASR Nederland has established that its CO^2 emissions are largely caused by mobility. This subject is currently under investigation. Depending on the outcome of the investigation, ASR Nederland will take measures to reduce these emissions.

Steps taken:

New printing policy
The total number of printers has been reduced by over 40%. In addition, double-sided black and white printing is the standard.

Recycling of office supplies
ASR Nederland encourages the recycling of office supplies via in-house publications. Unnecessary office supplies are donated to Stichting Betuwe Wereldwijd, for instance, which sends them to development projects in several countries, particularly in Africa.

Ground source heating and cooling
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).

Paperless office
The Volledig Digitaal ('Fully Digital') project focuses on electronic cooperation between ASR Nederland and intermediaries. This project was launched in response to the needs of intermediaries for convenience, speed and efficiency.

Sustainable purchasing
At ASR Nederland, sustainable business practices also entail sustainable purchasing. The key 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. The coffee served at ASR Nederland has the fair trade label and all paper used is FSC-certified.

ASR Nederland as an employer

For its customers and society at large, ASR Nederland aspires to be the financial services provider with a human dimension. For its employees, ASR Nederland 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 Nederland offers employees opportunities for personal development, career planning and achieving their ambitions.

ASR Nederland endeavours to be a reflection of the Dutch multi-faceted society. This is crucial for synchronizing the service offering to the needs of the market. At ASR Nederland, diversity is being 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. A lot of attention is focused on the equal treatment of employees, as well as on supporting the divisions in promoting diversity in and around the workplace. The ultimate goal is that everyone should feel welcome at ASR Nederland.

ASR Foundation

ASR Nederland has committed itself to several community initiatives, an inextricable part of CSR.

After the split from Fortis Foundation, 2010 was the first year in which ASR Foundation gave independent shape and substance to community involvement by trying to make wishes happen ('Mensen voor Wensen'). It is ASR Foundation's ambition to encourage ASR Nederland employees to become involved in the community and to help them support social initiatives. ASR Nederland would also like to see joint efforts strengthen team spirit among employees.

Activities

In 2010, more than 1,100 employees of ASR Nederland undertook activities to benefit society. Employees committed their time to various projects, including a clean-up campaign of fort island Pampus and a spruce-up of a playground of a school for the mentally disabled.

Youth care has had ASR Nederland's special attention since 2006, when the Verzekerd van Jeugdzorg-programme was launched. This programme links the hobbies and passions of employees to opportunities for teenagers. The partnership was evaluated in 2010 in collaboration with RSM Erasmus University.

One of the projects within this programme is the ASR Youth Run, a sport coaching project where ASR Nederland employees form running teams with a number of teenagers and run five or ten kilometres of the Rotterdam Marathon. In 2010, 270 people took part in this initiative.

In 2011, focus will shift to personal development, financial literacy and a healthy lifestyle for teenagers, for instance through the 'Vliegende Start' (Hit the ground running) and 'Grip op je Geld' (Getting a grip on your money) projects in partnership with the Nationaal Fonds Kinderhulp (National Fund for Children), the Nibud (National Institute for Family Finance Information), and Melching.

Targets for 2011

ASR Nederland plans to further embed CSR in its business processes in 2011. With the hope of soliciting a positive response from employees, insurance brokers and customers by educating them about ASR Nederland's CSR policy. Every consumer needs to know exactly what product they purchase, what conditions are attached to it, and what the term of the contract is.

In the insurance business, focus will continue to be placed on restoring customer confidence. Where governance is concerned, rules of ethics and conduct will be given priority, and ASR Nederland will continue to pay attention to CSR at group level. ASR Nederland's managers are responsible for implementing the CSR policy in their respective areas of focus. This makes sustainability a standard aspect of the business practices of ASR Nederland.

ASR Nederland's investment policy as an asset manager will be publicized more widely in 2011, both within ASR Nederland and to the world. ASR Nederland's SRI (Social Responsible Investments) policy is well regarded externally and ASR Nederland wants to maintain this positive momentum. For this reason, its ambition is to continue to provide correct and easily accessible information to customers, insurance brokers, shareholders and the public at large. ASR Nederland's SRI policy and information on sustainable funds will become a standard section in its brochures. ASR Nederland will also ratify the UN Principles for Responsible Investments.

Sustainability criteria for existing properties will be established for ASR Vastgoed Vermogensbeheer in 2011. In the Sustainability Taskforce of IVBN, the Dutch Association of Institutional Property Investors, ASR Vastgoed Ontwikkeling continues to support further moves towards sustainability in existing properties. The Sustainability Officer will ensure that the CSR criteria are implemented in policies and procedures. The energy efficiency agreements of the Lenteakkoord will also be observed in this sector.

Existing initiatives to conserve energy, resources and water will continue. Sustainability is also a guiding principle in introducing Next Generation Working. Facilities for NGW are purchased from sustainable sources and sustainability is also a priority in ASR Nederland's mobility policy.

1.6 Human Resources

HR Policy

ASR Nederland strives to be an attractive employer for current and future employees: an employer with employees who use ASR Nederland's core values as the basis for their behaviour. Employees who place customers' interests at the centre of their thoughts and actions: who are able to adapt to constantly changing circumstances and who are prepared to grow together with the organization and take responsibility for their own career development.

The HR policy of ASR Nederland is aimed at being in line with the requirements within the company, both as an employer and as the guardian of the agreed policy, and towards making a contribution to a healthy balance within the organization. In this way, Human Resources help build an inspiring and healthy working environment where there is optimum collaboration, and in which employees have the mobility that enables them to develop their talents to the maximum.

Review of 2010

Organization in change

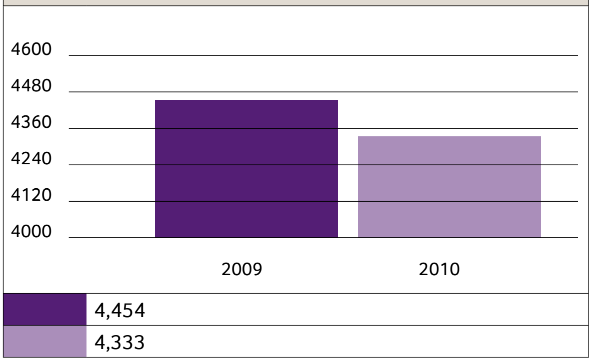
In support of the changes within the organization, there was a particular focus on the importance of talent development, growth towards a different culture and support for Next Generation Working in 2010. 102 employees were directly involved as culture coaches in ASR Nederland's culture programme in 2010. Together they gave 908 culture workshops.

Reduction in number of employees

An extensive cost savings operation led to a reduction in the number of employees. Despite this shrinkage, 300 vacancies were filled, by both internal and external employees.

The number of internal employees fell on balance by 3%, from 4,454 FTE at the end of 2009 to 4,333 FTE at the end of 2010.

FTE



The number of external employees rose from 566 FTE at the end of 2009 to 596 FTE at the end of 2010. An additional 111 FTE external employees are working on compensation (93 FTE in 2009). The Social Plan was implemented for 182 ASR Nederland employees who had become surplus to requirements.

Talent development

ASR Nederland offers young and promising talent an inspiring trainee programme. In 2010, in addition to the management trainee programme, a group of ICT/IM trainees started a two-year traineeship. The trainees who completed the traineeship in 2010 have all found positions within ASR Nederland. 18 male and 18 female employees, divided into five groups on different levels, took part in the management and professional development programme in 2010. These participants will complete the programme at the end of 2011. Five new groups have now started the development programme. These groups, with a total of 14 female and 22 male participants, will complete the programme at the end of 2012.

ASR Nederland's management development programme can be distinguished from comparable programmes at other companies by the large proportion of the programme's content that is determined by the participants themselves.

This helps the programme to be matched to the personalities and talents of the participants as closely as possible, while also remaining closely connected to issues within the organization. In this way, the participants' development is linked to the organization's development. The standard programme includes modules on strategy development, organizational culture, project management, presentation, coaching, Operational Excellence and change management. In addition, participants devise their own learning programmes for their groups, with options including a selection of modules provided by external educational institutes as well as the use of practical situations as learning experiences. The progress and quality of the training programme are monitored by the programme managers who lead the groups.

ASR Nederland is one of the companies that have signed the 'Talent to the Top' charter, which aims to increase the percentage of women at management level to at least 25% by 2014. The target figure for 2010 was 16%, and at ASR Nederland the figure for that year came out at 12%.

The New World of Work

ASR Nederland is implementing Next Generation Working to adapt working patterns and give employees more freedom to work where and when it suits them best. Within the Next Generation Working programme, a number of concrete experiments have been initiated to identify what is needed to make Next Generation Working a reality. A large number of employees will be working according to the new model in 2011, with a move from 1.2 to 0.7 FTE per workspace.

Amendment to remuneration policy

The new remuneration policy for the Executive Board and senior management supports the strategy of ASR Nederland and reflects its commitment to moderation and sustainability. The variable remuneration of the Executive Board and senior management is now ⅓ dependent on customer value and employee engagement, ⅓ dependent on ASR Nederland's financial performance and ⅓ dependent on individual performance.

The Executive Board wishes to include customer satisfaction in the remuneration structure for all employees, with the aim of replacing profit-sharing and performance-related pay with variable remuneration. In line with the structure for the Executive Board and senior management, the variable remuneration will be based on three components: customer value (⅓), ASR Nederland's financial performance (⅓) and individual performance (⅓).

Key points for 2011

Employability

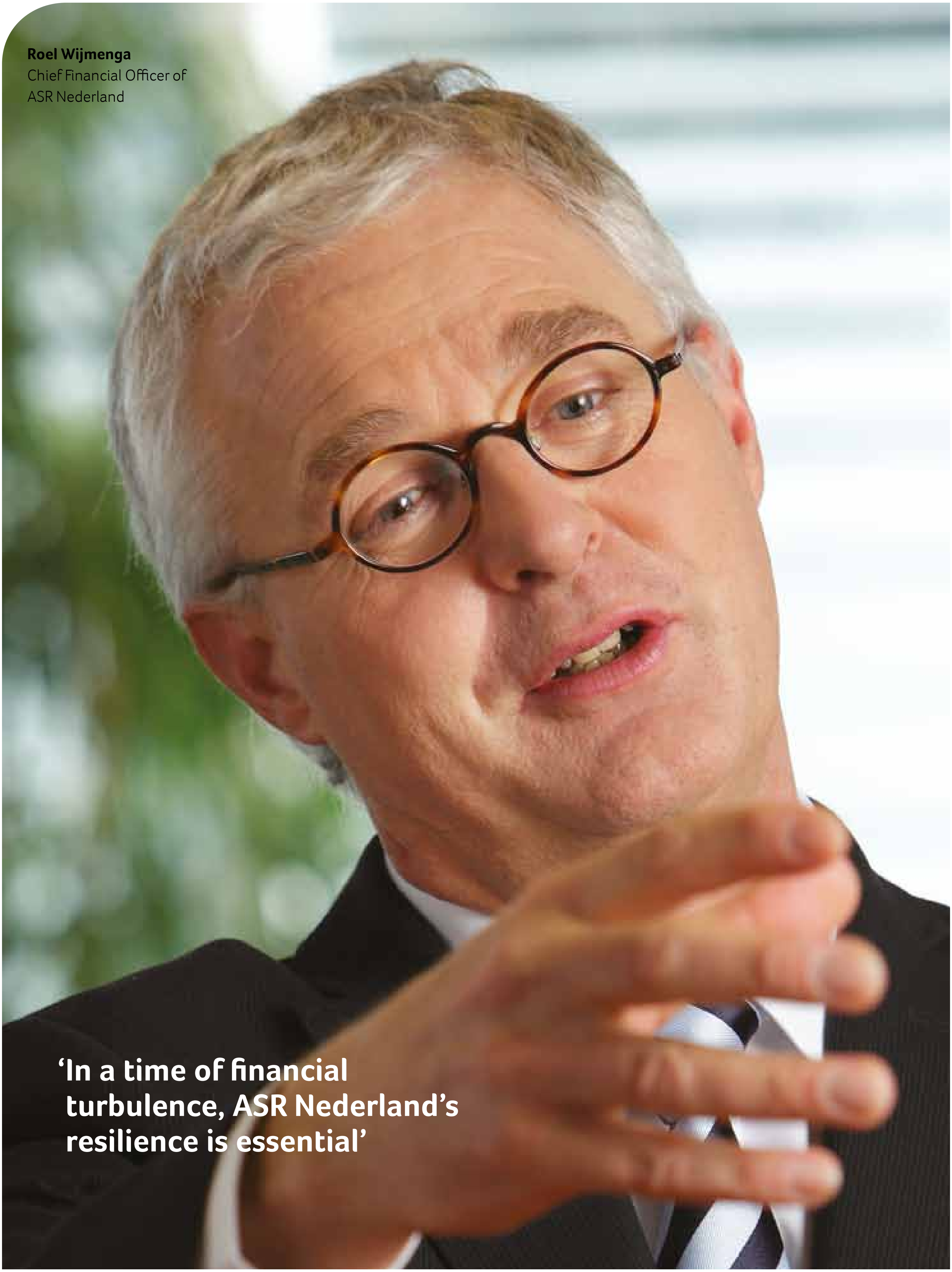
ASR Nederland strives towards a balanced reflection of society and towards sustainably flexible deployment of all employees, in other words: having the right person in the right post at the right time. ASR Nederland offers tools to promote the flexible deployment of employees throughout their careers, and in doing so, contributes to their personal and professional development.

Culture and leadership

ASR Nederland aims towards a culture of openness and transparency, with the involvement of employees as a key factor. This involvement will be measured every two years by an employee motivation scan at departmental level.
In 2011 the emphasis will be on the further development of a leadership style that reflects ASR Nederland's core values. All managers will receive training in the first half of 2011.

Part II

Report of the Executive Board



Roel Wijmenga
Chief Financial Officer of
ASR Nederland

‘In a time of financial turbulence, ASR Nederland’s resilience is essential’

‘Standing firmly on our own two feet’

Roel Wijmenga

A lot has changed in ASR Nederland’s financial situation over the past two years. When ASR Nederland unexpectedly found itself without a parent company in 2008, it had to set up its own independent risk management process. In addition, the balance sheet at the time – amid the financial turmoil – was too vulnerable. ‘We now stand firmly on our own two feet. The balance sheet of ASR Nederland is robust. We are financially sound, risk management has been implemented, and our checks and balances are in working order. This is a necessity given the current market turbulence and the intention of ASR Nederland to enter the private market in the foreseeable future,’ says Roel Wijmenga, who has been CFO of ASR Nederland since early 2009.

‘In a time of financial turbulence, ASR Nederland’s resilience is essential,’ Roel Wijmenga says. ‘This means maintaining adequate financial buffers, but also dipping into them as little as possible. But you can’t predict every eventuality.’ ASR Nederland took great strides in risk management in 2010. ’The whole infrastructure including documentation, regulations, governance of the committee structure, reporting and communication was set up and has proved its added value in 2010. Based on that, measures were taken several times, both due to current events and more strategic considerations. I am sincerely proud of the people around me who helped to achieve this in such a short timeframe and starting from scratch. The financial crisis has taught us the necessity of risk management. I’m glad we are standing firmly on our own two feet again on this issue. We are actively continuing to work on strong risk management.’

Challenging process

Wijmenga believes that the Dutch market is highly competitive. ‘For decades, the non-life market has seen fierce competition and low margins. The Life business faced transparency issues, which resulted in a deep loss of confidence in insurers. And then there is the competition from tax driven bank savings products. In pensions, the interest rate, which is historically low in part due to European monetary policy relating to the credit crunch, is causing us some difficulties. Combined with the guarantees that are common in the market, this makes it more difficult to achieve acceptable levels of return at the moment. If the interest rate rises, things will soon improve, fortunately. The internet is quickly changing consumer behaviour, not just when purchasing insurance, but also in the phases before and after. It is important to respond quickly and appropriately to the turbulent environment in which we operate. At the same time, we are now independent. And that makes this process very exciting and interesting.’

For decades, the non-life market has seen fierce competition and low margins

Important steps taken in 2010

Apart from the completion of a fully functional risk management structure, new steps were taken to further purge the balance sheet of financial risks. ‘For instance, based on risk policy we had already greatly reduced our positions in government bonds of Greece, Ireland, Italy, Portugal and Spain before all the commotion started.

‘It also shows that we are rather prudent in our balance sheet valuation’

’ We have invested primarily in Dutch and German government bonds, and additionally in prime Dutch mortgages. We also sold € 346 million worth of property. Furthermore, we kept interest rate fluctuations in check by using interest rate options. Despite low interest rates, this meant that solvency in 2010 remained strong. We were also able to reverse some impairment losses on a number of investments via sale. This is a sign of a cautious recovery in the financial markets. It also shows that we are rather prudent in our balance sheet valuation. Also in 2010, all life insurers within the group were consolidated into a single legal entity. In part because of this, the effect of increased life expectancy on our figures was limited. This illustrates the good balance in our life portfolio. Great progress was made in control over non-financial risks in 2010. The new department Integrity & Operational Risk Management was created. And because attention for independent Enterprise Risk Management increased, an ASR Nederland risk framework was developed for a structured approach. Finally in 2010 another Control Risk Self Assessment was completed, in which the full ASR Nederland management identified risks themselves and determined measures to control these.’

Earnings back on the rise

‘The upward trend in earnings continued in 2010. After considerable losses in 2008 and modest profits in 2009, 2010 was a good year in terms of financial performance, with a profit of € 317 million. We were helped in this by investment returns on the sale of property, for instance. Underlying earnings, net of exceptional items, fell.
The causes for this can be found, for example, in a fall in direct investment returns and the increased claims ratios. Furthermore, start-up costs were incurred for the launch of our banking activities, and a number of transparency provisions were formed for Individual-life and Pensions. Operating expenses dropped at non-life.’

Cost cuts according to plan

Wijmenga is proud of the outcome of the drive on costs started in 2010, which aimed to cut costs by € 100 million. ‘We achieved these cost cuts ahead of our target of mid-2010. The combined ratio for occupational disability insurance, for which ASR Nederland is market leader, can still be described as healthy despite the economic decline and a slight rise. This is because we are good at prevention and reintegration. Despite measures taken, the ratios for traditional non-life insurance, such as fire, motor, home contents and hazard insurance are still too high. We will have to improve these ratios in 2011.’

Focus on returns

‘ASR Nederland currently has a solid investment plan in place that is based on the new capital requirements (Solvency II). This means that we are already a step ahead of future regulatory requirements. In 2011 this methodology will also be introduced for the product lines, allowing us to weigh risk, capital requirements and returns on the basis of modern and future-proof foundations and methods. That further promotes the correct weighting of each component. And that’s where we want to be,’ explains Roel Wijmenga.

Roel Wijmenga, Chief Financial Officer of ASR Nederland, on financial robustness

Members of the Executive Board


2.1 Members of the Executive Board

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

Jos Baeten is the Chief Executive Officer (CEO) of ASR Nederland. 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 of ASR Nederland; 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 to Chairman of the Board of Directors of Fortis ASR Verzekeringen. Since January 2009 he is CEO of ASR Nederland.

Additional positions
Jos Baeten is a member of the Board of the Dutch Association of Insurers and of the Holland Financial Centre. He also serves as Chairman of the Supervisory Board of Meetingpoint, a transaction platform for financial advisors and Chairman of the Supervisory Committee of Gemiva-SVG Groep and the Rotterdam Theatre Foundation. He is also a member of the board of VNO-NCW.

J.W.M. (Hans) van der Knaap (1960)

Hans van der Knaap is the Chief Operating Officer (COO) of ASR Nederland. He is responsible for the product lines Non-life, Occupational disability, Pension, Individual-life and Banking. He is also accountable for the ICT and Information & Project Management support departments.

Van der Knaap studied business economics at Erasmus University Rotterdam. He started his career in 1987 when he joined the Corporate Banking department of Bank Mees & Hope, later known as MeesPierson. He went on to become General Manager of Strategy at Fortis and Secretary of the Fortis Executive Committee. Van der Knaap was appointed to the Board of Directors of Fortis ASR Verzekeringsgroep in 2003.

Additional positions
Hans van der Knaap is a member of the Supervisory Board of Arboned.

R.H.A. (Roeland) van Vledder (1959)

As ASR Nederland's Chief Commercial Officer (CCO), Roeland van Vledder is responsible for sales. His areas of responsibility include Marketing & Sales of ASR Verzekeringen and De Amersfoortse, Europeesche Verzekeringen, Ardanta, Ditzo, ASR Vastgoed Vermogensbeheer and ASR Vastgoed Ontwikkeling. In addition, he is responsible for Business Support.

After having completed his law degree at Utrecht University, Van Vledder earned a MBA from Erasmus University Rotterdam and the University of Rochester in the US. His career began when he joined ING Bank in 1983, serving as CEO of ING's Belgian insurance business from 2001 to 2004. In 2006, he became a member of the Board of Directors of Fortis Verzekeringen Nederland.

Additional positions
Roeland van Vledder is Chairman of the Life Insurance Sector Board of the Dutch Association of Insurers and Chairman of the Board of SIVI (the Dutch standardization institute for insurance in the intermediary channel).

R.T. (Roel) Wijmenga (1957)

Roel Wijmenga has served as Chief Financial Officer (CFO) of ASR Nederland since early 2009. He is responsible for Accounting, Reporting & Control (ARC), Financial Markets, Risk Management and Integrity & Operational Risk Management.

Wijmenga studied econometrics and earned a Ph.D. in economics from Erasmus University Rotterdam. He began his career in insurance at AMEV, one of ASR Nederland's legal predecessors, where he held several positions until 2003. He then became a member of the Board of Directors of Fortis ASR Verzekeringsgroep and Interpolis. Prior to his appointment as CFO at ASR Nederland, Wijmenga served as CFO of Eureko/Achmea.

Additional positions
Roel Wijmenga is the Chairman of Stichting Certificering Federatie Financieel Planners and member of the board of the Foundation DSI. He is also a member of the Financial-Economical commission of the Dutch Association of Insurers.

2.2 Financial performance

2.2.1 ASR Nederland

- Profit for the year up 24%, rising to € 317 million (2009: € 255 million)
- DNB solvency robust at 221% (2009: 232%)
- Gross insurance premiums down 4%, dropping to € 4,738 million (2009: € 4,914 million)
- Cost-saving targets achieved

KEY FIGURES, ASR NEDERLAND (IN MILLIONS OF EUROS)	2010	2009
Gross insurance premiums, Life	2,514	2,692
Gross insurance premiums, Non-life	2,310	2,346
Eliminations	-86	-124
Total gross insurance premiums	**4,738**	**4,914**
Profit for the year, Life	276	248
Profit for the year, Non-life	104	82
Profit for the year, Other	-63	-75
Profit for the year *	**317**	**255**
Operating expenses, Life and Non-life	**-541**	**-572**
Operating expenses, Other	-131	-80
Cost-premium ratio, Life and Non-life	12.7%	13.3%
Liabilities arising from insurance contracts, Life	29,305	28,174
Liabilities arising from insurance contracts, Non-life	3,535	3,535
Total liabilities arising from insurance contracts	**32,840**	**31,709**
Total equity (including revaluation of property) * *	3,493	2,975
Total assets	**40,616**	**39,249**
DNB solvency	221%	232%
Buffer capital (under IFRS)	262%	293%
Employee base (FTE)	4,333	4,454

* Attributable to holders of equity instruments.

* * Total equity disclosed is an aggregation of equity and the revaluation of property. At 31 December 2010, equity stood at € 2,451 million and the revaluation of property at € 1,042 million. These figures amounted to € 1,955 million and € 1,020 million respectively at 31 December 2009.

Profit for the year

The overall economic climate improved slowly over the past year, causing the financial markets to recover somewhat despite ongoing uncertainty about the financial position of some European countries. Consumer confidence in the insurance business has not yet been restored and the debate about unit-linked insurance contracts is far from over.

Profit continued to improve on 2009, rising from € 255 million to € 317 million. The tentative recovery of the financial markets resulted in non-recurring investment income. A structural decline in finance costs also contributed to the increase in earnings. The cost reduction campaign that was initiated early in 2009 was brought to a successful conclusion in 2010.

Total investment income rose in 2010 thanks to one-off gains on the sale of assets and reversed impairments following the upswing in the financial markets. In addition, earnings increased due to realized capital gains on equity investments and investment property. Profit for 2010 also included a non-recurring income within the property portfolio due to the early termination of the lease for Archimedeslaan 6 in Utrecht (recognized within other income). In 2009, a non-recurring income item of € 96 million after tax was recognized, which stemmed from the conversion of hybrid financial instruments (TOPr's).

Recurring direct investment income was weighed down in 2010 due in particular to a combination of the de-risking policy that was initiated in earlier years and the sharp drop in interest rates. The low interest rates had an offsetting effect on interest payable on funding drawn down.

In the Life segment, profit for 2010 rose from € 248 million to € 276 million. Nearly all of this increase was attributable to higher investment income. In the Non-life segment, profit was up from € 82 million in 2009 to € 104 million in 2010, which was due to lower operating expenses as a result of the cost reduction programme and to higher investment income. The profit for the year in the Other segment (including eliminations)* improved from € 75 million negative in 2009 to € 63 million negative in 2010. This increase in result could be attributed, to a strong improvement in earnings at Vastgoed Ontwikkeling (property development). This was largely cancelled out by the costs of building up the new banking operations.

Gross insurance premiums

ASR Nederland's gross insurance premiums were down 4%, falling from € 4,914 million in 2009 to € 4,738 million in 2010. In the Life segment, gross insurance premiums dropped from € 2,692 million to € 2,514 million. Despite higher sales of mortgage-associated products, total sales of standard products lagged behind last year's figures.

In the Non-life segment, gross insurance premiums showed a limited fall from € 2,346 million to € 2,310 million. Lower new production and a higher cancellation rate weighed down revenue from occupational disability contracts, due in part to considerably fiercer competition on pricing and contract conditions. ASR Nederland also saw a slight drop in revenue from health insurance contracts. Revenue from Other Non-life business (including motor, fire and liability insurance) and Europeesche Verzekeringen, the specialist travel and leisure insurance label, was up.

* ASR introduced the Other segment in 2010. It comprises the banking operations (ASR Bank and ASR Hypotheken (mortgages)), Ditzo (distribution channel), ASR Vastgoed Ontwikkeling (property development), SOS International and the holding companies.

PROFIT FOR THE YEAR ASR NEDERLAND (IN MILLIONS OF EUROS)

Increase of profit for the year mainly due to incidental investment gains in Life and Non-life

Operating expenses

The Cost Reduction programme was brought to a successful conclusion in 2010. The drop in internal employee base (in FTE), from 4,454 to 4,333, can partly be explained by this programme. The programme did not lead to a visible decline in operating expenses in 2010. The effects of the Cost Reduction programme were seen in particular in the insurance business, where the cost-premium ratio was down from 13.3% in 2009 to 12.7% in 2010.

Despite the cost control, the cost-premium ratio was up slightly in the Life segment due to a fall in revenue. This ratio improved strongly in the Non-life segment thanks to a further decrease in costs in spite of a slightly lower revenue figure. Operating expenses were up in the Other segment as a result of the development of the new banking operations. The related development costs were mainly of a non-recurring nature.

2.2.2 Life segment

- Profit for the year up 11%, rising to € 276 million (2009: € 248 million)
- Gross insurance premiums down 7% to € 2,514 million
- New production (APE) up 4%, rising to € 196 million

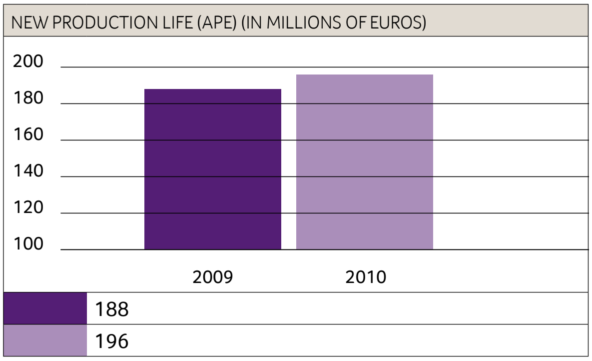
KEY FIGURES, LIFE SEGMENT (IN MILLIONS OF EUROS)	2010	2009
Periodic premium written	1,753	1,864
Non-recurring premium written	761	828
Gross insurance premiums *	**2,514**	**2,692**
Operating expenses	**-281**	**-280**
Profit before tax	**356**	**316**
Tax	-80	-68
Profit for the year	**276**	**248**
Profit attributable to non-controlling interests	-	-
Profit for the year	**276**	**248**
Cost-premium ratio	**13.6%**	**12.9%**
New production (APE)	**196**	**188**

* Including € 86 million in contributions to the ASR pension plan (2009: € 124 million).

Profile

The Life segment is comprised of life retail and commercial lines. The ASR Verzekeringen portfolio contains products designed for asset-building and asset protection, including term life insurance, funeral insurance (under the Ardanta label), savings-linked contracts, unit-linked contracts, annuities and pension insurance for the retail market. Ardanta offers funeral insurance for the retail market. The majority of these contracts are distributed via the intermediary channel.

In addition, ASR Nederland offers pension solutions to corporate clients through the ASR Pensioenen and ASR Verzekeringen labels. Solutions offered include career average schemes, defined contribution plans and defined benefit plans, as well as top-up dependants' pensions. To distribute these, ASR Nederland works in close cooperation with advisors, specialist pension experts and fee consultants. In addition, De Amersfoortse offers its clients pension products in integrated solutions.



- New production (APE) higher (+4%) especially due to Group Life and Mortgage-linked Life production
- Market share increased in Individual-life, especially in Mortgage and Funeral business
- Active retention policy leads to retention rate for Group Life of 96%

Market developments

Individual-life

The market for life insurance is characterized by fierce competition between insurers, banks, pension funds and new providers. In the consumer's perception, the traditional life market is dead and buried. Customers demand the best solution for capital accumulation and capital protection. The overall capital accumulation market is growing as the traditional life market contracts. Tax driven bank savings products are showing particularly strong growth.

The Dutch life insurance market decreased for the second year in a row, although the 20% drop in new production was lower than in 2009 (24%). This decrease was due, among other factors, to the rise of tax driven bank savings products, a lack of consumer confidence in unit-linked contracts, and low sales of new mortgages.

Pension business

The pension market is experiencing turmoil and pressure. Increased competition, low interest rates, volatile capital markets, liquidating pension funds and lagging transfers of accrued benefits, as well as an increase in life expectancy mean choices need to be made.

Funeral business

In 2010, the market for funeral insurance focused on fee transparency and incentive rules for initial and ongoing commissions. This caused pressure on the Dutch market for funeral insurance. New lifelong insurance contracts, for instance, showed a 30% drop on average in regular premiums.

Strategic targets achieved in 2010

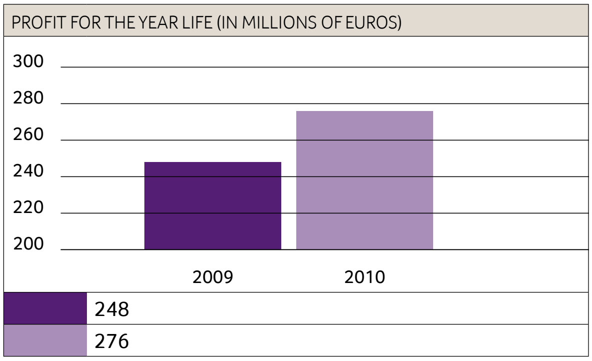
Individual-life

The market share of Individual-life was more or less stable in 2010 despite difficult conditions. With a market share of 11%, ASR Nederland is currently the fourth largest insurer in this declining segment of the market. Many steps were taken in 2010 to ensure financial robustness, efficiency and customer value. Costs were reduced, for instance by streamlining processes and integrating Falcon Leven into the Individual-life business.
The organizational structure was changed from a process-based to a market-oriented model. Individual-life advisors ranked fourth in the IG&H performance survey of the life insurance sector.

Fundamental changes were made to products where required. They were brought in line with public opinion on transparency, information provision, structure, costs and consultancy fees. A number of new products have been introduced in the interim, including VermogenGarant, VermogenBelegd and Lijfrente Opbouw Rekening, a tax driven bank savings product. Other products will be launched in 2011.
Individual-life focused heavily on providing a solution to unit-linked contracts in 2010. These efforts will continue on into 2011 (see page 17 for further details).

Amended compensation scheme

ASR Nederland performed a customer survey following up on responses received to the compensation scheme for unit-linked insurance contracts that was agreed to earlier with consumer platforms. Based on the outcome of this survey, ASR Nederland will make customers with unit-linked insurance contracts an offer that makes allowance for the criticisms of the existing compensation scheme. The offer will be implemented in stages from May 2011, possibly extending into 2012.



- Profit for the year of Life business improved with 11%, due to higher investment results
- ASR Nederland adopted the most recent mortality tables. These tables reflect the trend in mortality

Pension business

Despite heavier competition and pressure on earnings, the Pension business managed to keep revenue for 2010 constant. The retention rate for the existing pension portfolio was 96%. In connection with profitability, it was decided to make the single premium rate less sharp. Focus has shifted from corporate to the SME and wholesale segments, deliberate choosing return over volume. In the intermediary market, De Amersfoortse handsomely ranked fourth in the IG&H performance survey.

Where efficiency was concerned, further digitization was a main area of focus in 2010. Mijnpensioen.nl and Contract-manager are tools that helped to provide easy online access to relevant pension details for customers and distribution partners. The ASR Nederland pension details were included in the national pension register in 2010. Hard work also went into further digitalizing the processing of alterations and accelerating lead time in process flows.

Funeral business

Ardanta N.V. entered into a legal merger with ASR Levensverzekering N.V. at year-end 2010. This offers synergies in the areas of risk management, solvency and efficient use of capital. Ardanta has operated as a label within the Life segment since 1 January 2011.

Many efforts were undertaken in 2010 to further raise customer satisfaction at Ardanta. Business hours have been extended and customer service departments have been merged into a single front office. The funeral insurance contracts have been improved which might result in lower premiums and/or better contract conditions for customers. In addition, an initiative was launched to rewrite all communication to customers in easy-to-understand language; this includes contract conditions, the website and brochures.

The share of new production rose from 14% to 16%, which was attributable in part to the introduction of new products and the Premieschuif (commission-free pricing). As a result, intermediaries offer full transparency regarding the pricing of a contract and the fee for their consultancy services. The number of intermediaries selling Ardanta contracts rose by 200.

Financial developments

Gross insurance premiums

Gross insurance premiums in the Life segment were down 7% in 2010, dropping from € 2,692 million to € 2,514 million, due to a fall in both regular premiums (-6%) and single premiums (-8%). New life business, measured as Annual Premium Equivalent (APE), increased by 4%, to € 196 million in 2010.

The Dutch life insurance for the Individual contracts market contracted strongly for the second year in a row. Although, at 11%, the market share was virtually stable, premium income was down, one of the reasons being maturities in the existing portfolio. The rise of tax driven bank savings products, a lack of consumer confidence in unit-linked insurance contracts and low sales volumes of new mortgages also caused a decline in premium income. Within Individual-life, sales of new mortgage-related life insurance contracts increased sharply despite somewhat disappointing mortgage sales. Sales of non-recurring premium contracts dropped considerably in the second half of 2010 in particular because of the choice of return over volume.

Despite the adverse market, total new mortgages sold were up 26% in 2010, rising to € 1,558 million. ASR Nederland introduced self-funded mortgages late September; total sales of the WelThuis mortgage were still limited in 2010. Mortgage-associated new production for the Life segment increased sharply for 2010.

Revenue from the pension business stayed up to par in spite of the difficult market. New production rose significantly, which was due in part to an active retention policy with a success factor of 96%.

The Dutch funeral insurance market also experienced pressure in 2010. There was a drop in the market for lifelong insurance contracts. Ardanta managed to limit the decline in this market.

Operating expenses

Operating expenses were virtually stable at € 281 million. Thanks in part to the launch of new projects, such as Solvency II, the effects of the cost savings programme did not manifest themselves in the Life segment in 2010. The centralization of accommodation resulted in additional one-off expenses. The Pension business was forced to incur a range of one-off expenses to comply with new rules and regulations. The constant costs level and decreasing revenue resulted in an increase in the cost-premium ratio from 12.9% to 13.6%.

Profit for the year

Net profit for 2010 of the Life segment rose from € 248 million in 2009 to € 276 million, which was attributable in particular to an increase in investment income. Investment income was up thanks to non-recurring income items, such as gains on the sale of assets. The technical result was under pressure due to declining interest spreads. In addition, a number of allocations were made to special provisions within the Pension business.

Outlook for 2011 and subsequent years

Individual-life

The Individual-life business is expecting to feel the pinch of low consumer confidence in 2011, the debate about transparency and the continued growth of bank saving products. Recovery is not expected in the short term.

The compensation scheme for unit-linked insurance contracts will probably be completed over the course of 2011. In addition new, non-complex and transparent products with a low cost structure will be offered.

ASR Nederland will work in 2011 to improve its competitive position in the market for asset-building and asset protection. Individual-life will focus on 300 to 600 selected intermediaries that will be assigned a personal liaison at ASR Nederland. Unit-linked insurance contracts with embedded commission are no longer being offered.

In addition, efforts will be undertaken in 2011 to continue to improve interaction with customers and to gradually phase out legacy systems, for example by outsourcing. Initial experiences with outsourcing of administrative work have already been gained in 2010.

Pension business

The Pension business is also expected to face a difficult market in the coming years. Furthermore, the complexity and scale of rules and regulations are on the rise. Because of market conditions and strong customer demands for transparency and low costs, clear choices need to be made where product offering, operations and complexity reduction are concerned.

Areas of focus in 2011 will be the further rationalization of operating expenses, the commercial conversions of the semi-collective portfolio, the phasing-out of legacy systems and the settlement of compensations in accordance with the StAR agreement drafted by the Dutch Labour Foundation. In addition products and systems will be geared to the new requirements arising from the provisions of the Dutch Financial Supervision Act and Solvency II. Customer service concepts will be improved, especially with regard to the top-50 pension consultants in the Netherlands.

Funeral business

Ardanta aspires to being awarded the Keurmerk Klantgericht Verzekeren (Customer-oriented Insurance Quality Mark) in 2011. Intermediaries will increasingly receive insurance documents in digital form and changes will be processed electronically. Ardanta expects to grow its market share in 2011 with the market showing a further decline. In the Netherlands, focus will be on increasing the number of points of sale and the marketing of Prijs zonder Provisie (commission-free pricing).

‘Working together on a new world of insurance’

Gilbert Mattu and Fiona van ’t Hullenaar

To strengthen its position in the market, ASR Nederland needs to win back the trust of its customers. This aim can be achieved with improved product offering and better systems, but also by improving customer contacts and processes. Because customers no longer wish to pay high fees, efficiency will have to improve. Gilbert Mattu and Fiona van ’t Hullenaar dedicate themselves every day to making ASR Nederland an efficient and customer-focused organization. The two of them are working on a new world of insurance within ASR Nederland.

Next generation products

Improving efficiency is a necessity for Individual-life. ‘We have been compelled to work more efficiently, because customers no longer want to pay for unnecessary processes. We will be standardizing, making choices and introducing new systems,’ says Gilbert Mattu. For Individual-life, this means a less complex product range (from 1,800 product variants to 50), a single system of records and the development of a new line of products. The first next generation products have already been brought to market. ‘VermogenGarant and VermogenBelegd are transparent and modular. These are low-cost, commission-free products.’ Customers are able to go online 24 hours a day to check the status of their products. ‘But we’re not there yet. The operational cost of existing products needs to fall. This means that a choice will have to be made between converting, selling or outsourcing the portfolio.

> We will be standardizing, making choices and introducing new systems

This presents an immense challenge, because as the number of clients in these portfolios drops, it becomes more difficult to keep the system on a financial even keel. We therefore need to find a solution to deliver at least the same level of service at lower costs,’ says Gilbert Mattu. In 2010, the first steps were taken in a trial to outsource administrative processes to a partner in India. The experiences are proving better than anticipated.

Reducing cost structure

In 2010, important steps were taken also to structurally reduce the costs of Individual-life. ‘The number of legal entities was reduced to one, and we now work from two sites rather than four. Falcon Leven has now been fully integrated, and the Life colleagues of De Amersfoortse will move to Utrecht in early April 2011. To make the way we work within the organization itself more efficient and to raise the quality of service, a lot of effort was put into Operational Excellence.’

The Business Support department plays an important role in the changes to the organization. ‘We are the go-getters of the organization,’ explains Fiona van ’t Hullenaar. ‘We are able to oversee the entire chain, because we are positioned throughout the organization. We are the internal provider of many crucial services. The organization sets the goals, we select the resources.’ Among the achievements that Business Support supplied in 2010 was the merging into a single department all procedures within ASR Nederland that supported intermediaries with record-keeping and cash management. The integration of the records database into a single system is a major challenge. ‘It’s a mesh of systems that need to be transitioned to a single standard process and system.

Gilbert Mattu
Director of Individual-life

‘The first next generation products have already been brought to market’

Fiona van ’t Hullenaar
Director of Business Support

‘We are the go-getters of the organization’

‘Everything is falling into place, and that makes it all a lot clearer’

This will help tremendously in terms of efficiency, uniformity, future-proofing, compliance and clarity of our customer profile,’ explains Fiona van ’t Hullenaar. Outsourcing is also one of her responsibilities. For example, the collections process for delinquent debts was outsourced in 2010. ‘It is not an end in itself, but rather a means to serve the organization as well as possible, to be efficient and financially sound. This should lead to happy customers and staff, and a cost-efficient, stable organization.’

Improved communication with customers

It is ultimately the customers who should benefit most from this, and Fiona van ’t Hullenaar believes that there is evidence that this is already the case. ‘By making the message in our correspondence clear and easier to understand, contact with customers runs more smoothly. By increasing telephone availability, people don’t have to wait as long before they speak to someone. Additionally, customers now have more ways of getting in touch with us’. The effect is clear, as was borne out by a customer satisfaction survey score of 8.1 (previously 7.3) at the Customer Contact Centre, which is very high in the industry.

In Individual-life improvement is necessary. In particular with the processing of unit-linked investment contracts, a giant leap still needs to be made in compensation options. This does not diminish the important steps that Individual-life has already taken on the path to what Gilbert Mattu calls the ‘new world’. In the first quarter, it was decided to reduce the complexity of the product range. Later, it was also decided to lower the number of existing systems to just one system in the future. Experience was then gained in outsourcing some activities, and the Business Process Outsourcing (BPO) study offered some new insights.

Clear coherence between activities

‘The new platform allows us to take new products to market faster and more efficiently. We were able to take this step by including cost reduction, which represents a significant contribution towards lowering our cost-premium ratio. The master plan for change that we have created highlights the coherence between different elements. Everything is falling into place, and that makes it all a lot clearer’, observes Gilbert Mattu.

Gilbert Mattu, Director of Individual-life and **Fiona van ’t Hullenaar**, Director of Business Support, on efficiency

2.2.3 Non-life segment

- Profit for the year up 27%, rising to € 104 million (2009: € 82 million)
- Gross insurance premiums down 2% to € 2,310 million
- Gross new business down nearly 14%, falling to € 237 million
- Combined ratio down to 100.3% (2009: 101.4%)

KEY FIGURES, NON-LIFE SEGMENT (IN MILLIONS OF EUROS)	2010	2009
Gross insurance premiums	2,310	2,346
Operating expenses	**-260**	**-292**
Profit before tax	**152**	**103**
Tax	-48	-21
Profit for the year	**104**	**82**
Profit attributable to non-controlling interests	-	-
Profit attributable to holders of equity instruments.	**104**	**82**
New production	**237**	**275**
Claims ratio	73.0%	71.6%
Commission ratio	15.3%	16.1%
Expense ratio	12.0%	13.7%
Combined ratio	**100.3%**	**101.4%**

Profile

The Non-life segment is comprised of the non-life products offered under the following labels: ASR Verzekeringen, De Amersfoortse, Europeesche Verzekeringen and Ditzo. The portfolio contains a wide range of non-life contracts, for instance for motor, fire, travel and leisure, liability and legal assistance. ASR Verzekeringen focuses on the intermediary channel. In addition, De Amersfoortse offers occupational disability and health insurance contracts in this segment via the intermediary distribution channel. The offering of occupational disability products includes incapacity, absenteeism, accident and work and income insurance. Services also comprise a proactive and integrated approach to prevention and reintegration, which has proven to be successful. The health insurance range includes basic and supplementary contracts, as well as various top-up modules.

Market developments

Occupational disability business

The occupational disability insurance market showed a slight drop of 0.4% in 2010. New entrants into the market and established players alike offered low premiums to win or increase market share. This did not go without implications for pricing and margins. The occupational disability insurance market has now become cut-throat. In the Netherlands the economic crisis caused an increasing number of business terminations and bankruptcies, as well as rising unemployment. The related limited wage increases also had a negative effect on growth in the occupational disability insurance market.

Health insurance business

The health insurance market showed a 4% customer mobility rate in 2010. Of these customers, 40% switched over via an intermediary and 43% did so online. The market share of online insurers grew by more than 20%. The four main players have now each introduced their own online label. The Dutch Cabinet change lead to a number of plans being postponed, including the introduction of Directly Observed Treatment (DOT) and the implementation by healthcare insurers of the Dutch Exceptional Medical Expenses Act. In order to reduce deficits in the state health insurance fund, which originated because the costs of healthcare were underestimated, the government has lowered its contribution to insurers. This has forced health insurers to introduce drastic increases in basic insurance premiums for 2011.

Other Non-life business

The market for other non-life insurance contracts (motor, fire, liability, etc.) was highly competitive in 2010 where pricing and contract conditions were concerned. Sales of retail products are slowly shifting towards sales via the internet and proxy agencies. The market for motor insurance came under particular pressure from the economic downturn and resulting lower consumer spending and lagging car sales.

Travel and leisure business

Europeesche Verzekeringen again faced a difficult market in 2010. Consumer travel and leisure behaviour was still clearly affected by the economic crisis. Loss of spending power led to a lower frequency of vacations. In addition, consumers tended to postpone large expenditures for recreational use. Overall, the leisure sector contracted compared to 2009.

Strategic targets achieved in 2010

Occupational disability business

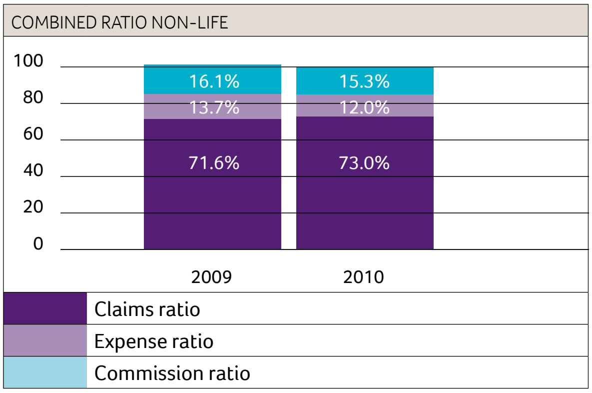
In the occupational disability business, ASR Nederland continued to work hard in 2010 at restoring consumer confidence. Performance surveys show that developments are positive in this area. According to the IG&H performance survey, ASR Nederland is one of the top-4 players in this market with the De Amersfoortse and ASR Verzekeringen labels. To promote transparency, a project was initiated that is designed to write 80% of all correspondence in easy-to-understand language. The percentage achieved was 95%. The occupational disability business also placed considerable focus on developing and introducing new and unique services in 2010. A number of innovative preventative services were launched, for instance, including a module for identifying occupation-related symptoms and complaints. Further cost reductions were also brought about successfully.

Health insurance business

As scheduled, ASR Nederland's health insurance business put into operation in late 2010 a new application for offering online group health insurance. An IG&H customer survey showed that De Amersfoortse ranks third.

Other Non-life business

In 2010 the Other Non-life business did a lot of research into customer requirements and started to implement the outcome of the research studies. A specific customer value programme was set up for such aspects as premium



- Effect of the cost savings programme is reflected in a lower cost ratio; from 13.7% to 12.0% (-1.7%p)
- The claims ratio increased from 2009 to 2010 (+1.4%p), due to higher claims at Occupational disability, Motor and Travel and Leisure

stability and information provision throughout the claims handling process. An option was created for instant contract cancellation by retail customers. The Bewust Verzekerd Package was developed to replace the current Voordeel Package. In addition, messages to customers were rewritten in easy-to-understand language. The IG&H survey ranked ASR Nederland second in the non-life market. The share of the non-life market grew in 2010. Several initiatives were taken to improve earnings, such as premium increases in the car dealership and agricultural segments. In addition, no claims bonus protection was abolished and the acceptance criteria in several product groups were tightened.

Travel and leisure business

Europeesche Verzekeringen implemented a strategy change in 2010; it now concentrates only on the travel and leisure segment. Customer perception takes centre-stage: what value does the customer perceive before, during and after the leisure event. Better and faster processes for baggage claims handling, less complex contract conditions and the implementation of the Lean philosophy/OpEx, for example, resulted in an improvement in service rating from 7.2 to 7.6. Dutch travel agencies, important distribution partners, named Europeesche Verzekeringen Best Travel Insurer in 2010. Sales support, claims handling and options for customized services were deciding factors in this regard.

Financial developments

Gross insurance premiums

In the Non-life segment, gross insurance premiums were down 2% in 2010, decreasing from € 2,346 million to € 2,310 million, both due to a drop in gross new production and an increase in cancellations.
The occupational disability business experienced a slight decrease in revenue, which was attributable to the contracting market and the ongoing competition on pricing and contract conditions. In the health insurance business, revenue was down slightly on 2009; this was caused by a limited increase in cancellations as a result of new claims control measures with respect to supplementary contracts. Despite lagging net new production, gross insurance premiums from Other Non-life business were up on last year. This was attributable to indexations and premium increases. Gross new business was weighed down in particular where motor and fire insurance were concerned. Continued low sales of homes caused the number of new fire insurance contracts in the retail market to drop. In the corporate market, new production still lagged behind growth targets. Several initiatives have been taken in an effort to improve the situation.

At Europeesche Verzekeringen, revenue was up on last year in spite of pressure on the travel market. New production lagged due to a lack of vacation bookings (fewer travel and cancellation contracts sold). In the second half of the year, Europeesche Verzekeringen motor insurance portfolio was scaled down further, which is in keeping with the revised strategy of focusing on leisure insurance.

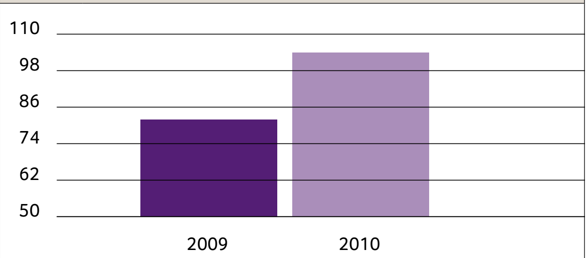
Operating expenses

The effects of the cost reduction programme clearly manifested themselves in the Non-life segment. Operating expenses in this segment showed a sharp drop, falling from € 292 million in 2009 to € 260 million in 2010. The decline was particularly marked in the Other Non-life business. Despite the decrease in revenue, this resulted in a further reduction in the cost-premium ratio of the Non-life segment by 1.7 percentage points to 12.0% in 2010.

Profit for the year

Profit for 2010 of the Non-life segment amounted to € 104 million (2009: € 82 million). This increase could be attributed to the recovery of the financial markets and the combined ratio, which improved from 101.4% in 2009 to 100.3% in 2010 thanks to a decrease in the expense and commission ratios despite a rise in the claims ratio.
The expense ratio improved because of lower operating expenses as a result of the cost savings programme.

PROFIT FOR THE YEAR NON-LIFE (IN MILLIONS OF EUROS)



2009	82
2010	104

- Profit for the year increased by an improved combined ratio and higher investment results

The decline in the commission ratio was due mainly to non-recurring reinsurance income. The higher claims ratio factored into the combined ratio was caused by higher occupational disability claims and motor claims (part of Other Non-life). Causes of the increase in the occupational disability claims ratio included a rise in the number of sickness and loss claims among the self-employed.
The poor weather conditions in 2010 were a factor in an increase in claims at the motor branch of the Other Non-life business. The claims ratio dropped for fire insurance and other product lines.

Outlook for 2011 and subsequent years

Occupational disability business

The market is expected to grow by 2% per year on average until 2015. For the time being, ASR Nederland expects a slight reduction of the market in 2011. The occupational disability insurance market is saturated and will continue to be price-driven in 2011. The occupational disability product line will introduce new fees in 2011 for Individual, both where the existing portfolio and new production are concerned. In addition, further initiatives will be undertaken in the areas of prevention and reintegration in dialogue with occupational health and safety boards and reintegration services. If the economy recovers, ASR Nederland does not expect volumes in the occupational disability insurance market to pick up until after 2012.

Health insurance business

ASR Nederland's health insurance business expects the rise in basic health insurance premiums to cause customers to shop around even more in 2011. Online insurers, which are highly price-focused, are expected to benefit most from this development. The costs of healthcare are likely to rise even further in 2011, resulting in revenue increases for healthcare insurers. The market is otherwise awaiting the Cabinet plans. The introduction of Directly Observed Treatment (DOT) is scheduled for early 2012. ASR Nederland too will prepare thoroughly for this new system. This introduction and the switch to treatment-related pricing in hospitals will raise the importance of sound contracted care. ASR Nederland is also awaiting a Cabinet decision involving the future of the AWBZ (Exceptional Medical Expenses Act). Implementation of changes will be the responsibility of health insurers.

Other Non-life business

Where the Non-life business is concerned, ASR Nederland's ambition is to bring about further growth in premium volume. The Other Non-life business expects to introduce the new Bewust Verzekerd Package in 2011, as well as focusing on the corporate market (up to 500 employees). Another key initiative will be to strengthen the supervisory role that Other Non-life business wants to play in handling large claims. This would include providing immediate practical and material support to victims to make their lives as comfortable as possible in difficult circumstances, for instance by offering them money to pay for a hotel after a fire or providing quick funding for a car. In the first half of 2011, several premium changes will be made, e.g. in home owner's insurance and delivery van insurance, with a view to improving the combined ratio.

Travel and leisure business

Given the number of early-bird bookings at the beginning of the year, Europeesche Verzekeringen is moderately optimistic about 2011, although a true recovery of the market is not expected until 2012. The market for leisure activity insurance will continue to grow thanks to the increasing number of consumers over fifty who spend more time recreating in the Netherlands and abroad. Europeesche Verzekeringen will start to market new products in 2011 and 2012. Front and back-office processes will be streamlined drastically in 2011. The implementation of the new strategy will cause a one-off increase in costs in 2011.

2.2.4 Other segment

- Net result for the year at € 63 million negative (2009: € 75 million negative)
- New mortgage business up 26%, rising to € 1,558 million (2009: € 1,236 million)

KEY FIGURES, OTHER SEGMENT (INCLUDING ELIMINATIONS) (IN MILLIONS OF EUROS)	2010	2009
Total income	**268**	**231**
Operating expenses	**-131**	**-80**
Net result before tax	**-87**	**-89**
Tax	25	19
Net result for the year	**-62**	**-70**
Net result attributable to non-controlling interests	-1	-5
Net result for the year	**-63**	**-75**

Profile

ASR Nederland introduced the Other operating segment in 2010. It comprises the banking operations (ASR Bank and ASR Hypotheken (mortgages)), Ditzo (distribution channel), ASR Vastgoed Ontwikkeling (property development), SOS International and the holding companies.

The Banking product line develops mortgages, savings-linked and unit-linked products that are administrated by ASR Hypotheken and ASR Bank.

In this segment, Ditzo operates as a distributor of insurance contracts via the direct online channel. It offers a broad range of non-complex and transparent non-life products, such as motor, home owners, home contents, travel, legal assistance and liability insurance, as well as road-side assistance. Ditzo's underwriting income is recognized within the Non-life segment.

ASR Vastgoed Ontwikkeling focuses on developing residential properties, offices and retail, and is a top-3 player in the Netherlands.

Finally, the SOS International emergency service offers round-the-clock assistance to policyholders, vacationers, lease car operators, account holders and senior citizens.

Market developments

Banking business

The effects of the financial crisis were still noticeable in the banking business in 2010. In the market for regular savings deposits, top interest rates fell from 3% early in 2010 to 2.6% at the end of the year. This affected the interest rate on the ASR Bank savings account, which stood at 2.2% at year-end 2010. The mortgage market also experienced the aftermath of the financial crisis, which manifested itself in a stagnating housing market and more stringent acceptance criteria. The mortgage market continued to show a surge in tax driven bank savings products. 70% of newly issued mortgages are now tax driven bank savings products.
In addition, the Cabinet released employee savings, which led to a massive withdrawal of these deposits. Nevertheless, the Dutch population managed to increase their savings on average in 2010. The same went for investment volumes, which grew thanks to a rise in equity prices.

ASR Vastgoed Ontwikkeling

ASR Vastgoed Ontwikkeling also felt the implications of the financial crisis in the property development sector. Although the housing market was hit particularly hard, retail and inner-city developments were also slow in coming off the ground.

Strategic targets achieved in 2010

Banking business

A large number of strategic targets for the banking business were achieved in 2010. ASR Bank generated higher than expected earnings thanks in part to a sensible investment strategy and higher interest income. In addition, as part of the multi-funding strategy, ASR Hypotheken replaced its purely external funding to a combination of internal and external funding. This resulted in a better expense ratio. Great strides in efficiency were made by implementing new systems. As far as products go, two and three-year savings deposits were launched in the fourth quarter of 2010. The self-funded, transparent WelThuis endowment mortgage was introduced as part of the launch of the new mortgage system. The Lijfrente Opbouw Rekening, a savings-linked annuity product, was developed in 2010 as well. Its development was given priority over the launch of an online savings product.

ASR Vastgoed Ontwikkeling

Prompted by the economic downturn, ASR Vastgoed Ontwikkeling took drastic measures in 2010 to improve its cost structure and implement a different strategic focus. The division quit its active involvement in developing offices and returned to its regional focus on the Randstad (conurbation consisting of Amsterdam, Rotterdam, The Hague and Utrecht). At the same time, the division boosted its financial position by selling a number of developments late in 2010. Homes and shopping centres were completed across the urbanized western part of the Netherlands, as well as the Scheveningen Nautical Centre, offering retail space and hotel condos. Several of ASR Vastgoed Ontwikkeling's developments were nominated in 2010 for the FGH Property Award (for Mahler 4, Zuidas Amsterdam) and the Annual NRW Retail Space Award (for the Hoge Schie and Vleuterweide shopping centres).

Financial developments

The banking business, which is comprised of ASR Bank and ASR Hypotheken, was fully consolidated into ASR Nederland for the first time in 2010. ASR Bank's portfolio of savings deposits saw a limited decline in 2010 due to the release of employee savings. Total new mortgage business for 2010 stood at € 1,558 million. Most of these mortgages were funded by Direktbank and BNP Paribas Personal Finance. As part of the streamlining of the investment mix, the banking business opted to self-fund a limited share of the new mortgage business. That is why the WelThuis mortgage was launched at the end of September.

ASR Vastgoed Ontwikkeling sold 723 homes in 2010. Overall, the property developer completed nearly 90.000 m2 in properties in 2010. Earnings improved strongly at ASR Vastgoed Ontwikkeling in 2010. After a loss for 2009, a modest profit was posted for 2010.

Net result for the year

The net result for the year in the Other segment improved by 16%, to € 63 million negative. Last year, the net result included the non-recurring income from the conversion of the hybrid financial instruments (TOPrS). On the other hand, in the year under review, these finance costs were charged against the distributable net result for the year rather than continuing to affect earnings. The increase in income of the Other segment was due, on balance, to a strong improvement in earnings at ASR Vastgoed Ontwikkeling. This was largely cancelled out by investments in the new banking operations.

Outlook for 2011 and subsequent years

Banking business

With regard to the banking business, ASR Nederland expects demand for capital accumulation products and mortgages to recover slowly in the long term. Increasingly, different distribution channels will be used. ASR Bank will capitalize on these developments by offering new insurance and tax driven bank savings products that meet today's requirements of transparency, non-complexity and pricing. By extension, ASR Nederland's banking business endeavours to introduce tax driven bank saving products and an online savings account in 2011.

ASR Vastgoed Ontwikkeling

ASR Vastgoed Ontwikkeling will continue to develop into a professional independent entity in 2011, never losing sight of the risks and the capital requirements that are inherent in property development. The division will place further focus on designing residential and retail developments, devising integrated solutions for municipal spatial planning issues, and giving obsolete buildings or declining urban areas a new lease of life. The guiding principle in all its operations is that a development should offer a sustainable contribution to the surrounding area.

'New reality demands different risk management'

Jack Julicher and Jits Berns

Integrated risk management, integrity and security are key concepts in policies that aim to ensure that ASR Nederland meets the modern-day risk conditions. Jits Berns and Jack Julicher, both members of the ASR Nederland Finance & Risk Management Team, are responsible for maintaining and strengthening the financial robustness and the integrity of ASR Nederland. 'Modern integrated risk management in the new financial world is essential in winning back the trust of customers, both now and in the future.'

The risk assessment methods common until recently, such as benchmarks, economic capital and stress tests, were broadened in 2010 with the addition of a new financial and risk framework based on Solvency II, which is designed for risks relevant to insurers. This framework will be introduced in ASR Nederland and its divisions in 2011.

'The financial crisis of 2008 acted like a catalyst for the insurance industry to speed up the introduction of the Solvency II risk framework, the successor to Solvency I, following the example of the Basel Capital Accords for banks,' Jits Berns explains. 'This framework is also primarily the result of demand by insurers. In contrast to Solvency I, which was almost entirely numerical and focused on provisions, Solvency II concerns a focus on capital requirements on the one hand and the implementation of an integrated risk management framework on the other. Solvency II takes account of specific risks in the insurance business, including non-financial risks and governance issues. And that's a good thing.'

Three lines of defence

The internal supervision model is based on the 'three lines of defence' model. The first risk test takes place in the divisions, the second in the group risk management department. The final piece of the jigsaw is Audit. On the role of his department, Jits Berns says: 'Given our central and independent position, we embody, if you will, the integrity of the organization. The importance of that independence is the general lesson that we learned from the past in the Dutch business landscape. Society is no longer willing to accept that incidents happen, and there is a tendency to want to be in control at all times. "Bad luck must go" is the adage.' In Berns's view, this is one of the key drivers behind the greatly increased tendency towards risk management within companies.

Guaranteeing robustness

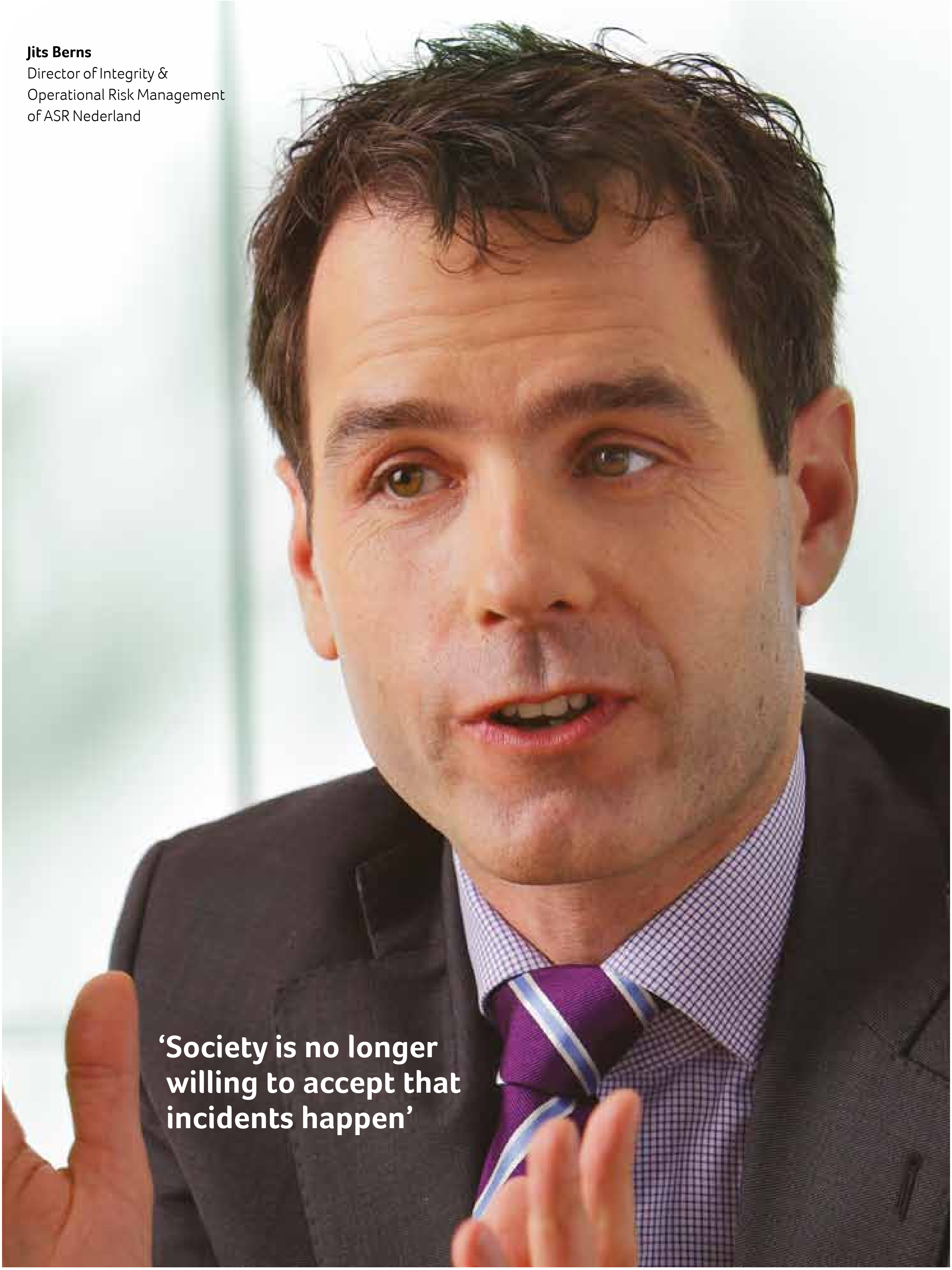
The operational risk management that has now taken shape aims to secure the financial robustness of ASR Nederland. But customer confidence is most important. Berns goes on: 'We want to show that we are a sound, transparent business that operates with integrity. This also includes a strong emphasis on efficiency, ASR Nederland's third strategic pillar.'

'From the risk departments, we focus on establishing frameworks and monitoring financial and non-financial risks at group level. This means assessing the extent to which all group divisions are compliant with laws, rules, ethical standards and the internal standards derived from these. But we also deal with security issues, such as fraud prevention within the business and screening new staff members and intermediaries. In operational risk management, the focus is particularly aimed at examining whether all business processes within ASR Nederland are "in control"', Berns explains.

Jack Julicher
Chief Investment Officer
of ASR Nederland

'In 2010, investment performance of ASR Nederland amply exceeded benchmarks'

Jits Berns
Director of Integrity & Operational Risk Management of ASR Nederland



‘Society is no longer willing to accept that incidents happen’

‘At macro level, all risk categories have been identified’

The divisions themselves always have primary responsibility for risks and their management. Berns goes on: ‘We set out a number of themes for them, such as disaster continuity issues and in-control statements and the Control Risk Self Assessment, in which management describes the risks faced. In terms of efficiency, we closely examine what is going on in the business, making sure there is no wastage. We want to make sure that the “back door of the business” is kept shut as tightly as possible.’

Optimum performance within risk framework

Jack Julicher’s mandate differs from Berns’s. Julicher has to ensure that the investment portfolio, worth around € 30 billion, performs as well as possible within the established risk framework. ‘Our portfolio has been designed so that ASR Nederland should only encounter a problem in less than two in a thousand scenarios. Benchmarks developed specifically for ASR Nederland – objective references used to measure expected performance – are often used to measure the return on the various investment types. In 2010, the investment performance of ASR Nederland amply exceeded these benchmarks,’ Julicher says proudly.

One method of testing financial robustness is the Economic Capital Method, or ECAP. This indicates how much capital is required as a buffer in the two-in-a-thousand cases in which there is insurance risk exposure or the investments perform extremely poorly. ‘To date, this has been managed based on ECAP as a percentage of the market value of investment of ASR Nederland. From now on we will aim towards a required capital level based on both the insurance risks and the investment risks, in accordance with Solvency II principles.’ Another indicator is the stress test for Solvency I capital, which is a measure of the solvency of the business. Julicher explains: ‘After an interest rate shock and a steep drop in the value of shares and corporate bonds, there should still be an adequate margin in terms of the minimum required level of solvency.’

New risk framework in 2010

The new reality in the post-credit crunch world demands more certainties. In 2010, ASR Nederland developed a new framework based on the ECAP Method and the Solvency II requirements. A standard aspect of Solvency II is that the solvency capital requirement is calculated using a confidence interval of 99.5% (or 1 in 200 cases). ASR Nederland aspires to an internal ECAP norm that is higher than the Solvency Capital Requirement, that is to say less than 2 in 1,000 cases. The capital required to absorb risks (market risk, insurance risk, disaster risk, etc.) is then compared to the available capital. The first calculations based on the new framework have uncovered no surprises for ASR Nederland.

ASR Nederland has now reached the stage that a strategic asset mix has been established based on the principles of Solvency II. The ECAP Model will also be rolled out across the divisions. ‘At macro level, all risk categories have been identified. But we can now also calculate our performance per risk category, and see where we can take more or less market risk.’ Julicher calls this ‘managing value’.
‘This ensures that value growth is contained within the risk framework, and the macro investment mix can then be transposed into the ideal investment mix for the divisions.’

Optimization reports

Berns and Julicher emphasize that, in recent years, ASR Nederland has done a lot to optimize its systems and reporting lines. Julicher says: ‘ASR Nederland is currently able to supply a monthly overview with the capital requirement from the perspective of the rating agencies. Necessary capital is calculated based on Solvency II regulations and the aforementioned ECAP-norm. According to Berns and Julicher, ASR Nederland should be ready for Solvency II ahead of the deadline of 1 January 2013.

Jack Julicher, Chief Investment Officer of ASR Nederland, and **Jits Berns**, Director of Integrity & Operational Risk Management of ASR Nederland

2.3 Capital management

Capital policy

Capital management is a key priority within ASR Nederland. It comprises all activities aimed at controlling, managing and overseeing available solvency.

ASR Nederland's capital position is governed by 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. ASR Nederland endeavours to:

- ensure transparency of its capital position in accordance with the chosen methods of measuring capital;
- leverage and utilize its capital position efficiently;
- create a robust capital base that allows it to achieve its targets;
- actively monitor capital ratios and comply with set limits.

Oversight of insurers has changed drastically over the past few years. In addition to traditional oversight in accordance with Solvency I requirements, revised standards, including Solvency II, are being drafted in the pursuit of better solvency ratios. Solvency II demands a different approach to managing required capital. Now that the Solvency II programme has been launched, ASR Nederland has taken significant steps towards aligning its processes to Solvency II.

In addition to capital management under Solvency II, which is the standard model for European insurers, ASR Nederland also developed its own methodology in 2010. This methodology quantifies the integral risk in terms of economic capital (ECAP), while making allowance for Solvency II requirements. It is different from the Solvency II standard model in that it uses self-developed techniques for calculating a number of risks. These techniques are better geared to the specific risks that ASR Nederland incurs. This allows ASR Nederland to gain a more comprehensive understanding of risk exposure and of the capital that is required to mitigate them. Using these two market value-based control mechanisms, ASR Nederland ensures the transparency of its robust financial position. Both models will be fleshed out in 2011 based on regulatory developments.

In addition to these market value-driven methods, ASR Nederland also prioritizes available solvency under Solvency I requirements, available buffer capital and capital norms, while transitioning to the introduction of Solvency II in 2013.

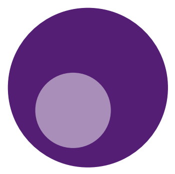
The Treasury department is responsible for capital management, within the Financial Markets department. This includes the responsibility for the Capital, Liquidity and Funding Committee. This set-up creates independence and ensures a segregation of duties.

Capital and solvency

Factoring in the revaluation of property, equity rose from € 2,975 million to € 3,493 million. Disregarding the revaluation of property, equity was up from € 1,955 million to € 2,451 million in 2010. The increase in equity was attributable to the addition of the yearly profit to the reserves (€ 317 million) and a further rise in the revaluation of portfolio investments (€ 289 million). This was offset in part by interest paid on the Tier 1 equity instruments issued in 2009 (€ 39 million negative) and the purchase of shares in the group property management company, which was charged against equity (€ 72 million negative). These shares were acquired from Amlin, formerly known as Fortis Corporate Insurance.

At ASR Nederland N.V. the regulatory solvency ratio, i.e. available capital as a percentage of minimum capital required, dropped from 232% at year-end 2009 to 221% at year-end 2010. At ASR Levensverzekering N.V. this ratio stood at 258% at year-end 2010 (year-end 2009: 277%) and at ASR Schadeverzekering N.V. it landed at 325% at year-end 2010 (year-end 2009: 295%).

SOLVENCY 2010 (IN BILLIONS OF EUROS)



Available DNB solvency € 3,4 bln

Required DNB solvency € 1,5 bln

SOLVENCY	2010	2009
Available DNB solvency	3,412	3,515
Required DNB solvency	1,542	1,512
DNB solvency ratio	**221%**	**232%**
Buffer capital	4,044	4,436
Buffer capital ratio	262%	293%

The drop in solvency in 2010 was attributable in particular to the more than 0.6% decline in interest rates used for this calculation with respect to terms of maturity exceeding twenty years. This led to a rise in the value of insurance liabilities as part of the liability adequacy test, which was offset in part by the related increase in the value of bonds and swaptions. In addition, developments in equity prices and property added to available solvency.

STRESS SCENARIO	STRESS	EFFECT ON SOLVENCY (%)	
		2010	2009
Equities	-20%	-21%p	-20%p
Interest	-1%	-31%p	-9%p
Spread	0.75%	-17%p	-18%p
Property	-10%	-17%p	-19%p
Total (undiversified)		**-86%p**	**-66%p**

Interest rate sensitivity is higher at the end of the year than at the start, despite measures taken. ASR Nederland still considers the level of interest rate sensitivity at 31 December 2010 acceptable. However in 2011, ASR Nederland took additional measures to lower interest rate sensitivity further.

Funding

As an insurer, ASR Nederland has a relatively limited need for funding. Nevertheless, ASR Nederland wants to have a broad spectrum of funding options in order to secure its access to money and capital markets, and to minimize finance costs.

In meeting its funding needs, ASR Nederland can choose between secured financing (use of collateral) and unsecured financing. ASR Nederland already makes use of securities lending, which is a form of secured financing. The options for secured financing were broadened in 2010 by adding repo finance. This type of secured financing adequately supplements the current securities lending activities and offers additional flexibility in respect of terms to maturity and counterparties. As such, this financing instrument helps ASR Nederland to put together a broad spectrum of funding options.

Where unsecured financing is concerned, ASR Nederland does not currently make use of standardized financing programmes. At present, the secured financing programmes that are in place more than amply cover ASR Nederland's relatively limited financing needs. Developments in unsecured financing markets are monitored closely, allowing ASR Nederland to quickly expand its distribution channels as needed.

The funding position and the available scope of the financing programmes were more than sufficient at year-end 2010 to protect the cash position in the time to come. Virtually all financing facilities are freely available. With this in mind, ASR Nederland does not see any immediate cause to secure more financing facilities.

Dividend

It has been proposed to add the full profit to equity and not to distribute any dividend.

Ratings

On 28 October 2010, Standard & Poor's confirmed the 'A' rating of ASR Levensverzekering N.V. and ASR Schadeverzekering N.V. with a negative outlook. On 16 December 2010, Fitch Ratings lowered the IFS rating of ASR Levensverzekering N.V. and ASR Schadeverzekering N.V. from 'A' to 'A-' with a stable outlook. Fitch Ratings awarded ASR Nederland N.V. a rating of BBB with the same outlook.

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

2.4 Risk management

ASR Nederland uses the Enterprise Risk Management (ERM) model to manage risks. This integrated approach is meant to contribute to ASR Nederland's responsible risk management strategy, with the aim of being and remaining a reliable and robust insurer. ERM allows ASR Nederland to gain a full understanding of its risk profile. This helps the company to further improve its business performance and to optimally leverage its potential value for its stakeholders.

The notes to the financial statements give a detailed description of the risk management system and of risk developments in 2010. See page 109 of this annual report.

Integrated Risk Management framework (IRM)

ASR Nederland's IRM framework is based on the Enterprise Risk Management (ERM) Model of the Committee of Sponsoring Organisations of the Treadway Commission (COSO) and is made up of four elements.
1. Risk Management Strategy
2. Risk Management Policy
3. Risk Management Governance
4. Risk Management Systems and Data

Risk management in 2010

In 2010, ASR Nederland further elaborated on its vision of the risk management structure. This has resulted in the implementation of IRM. The vision is aimed at creating an integrated approach to managing risks in the day-to-day operations and in ASR Nederland's strategic plans.
Risk Management offers support by defining risk strategies, formulating risk policy and setting risk limits.

In addition, Risk Management is responsible for preparing, maintaining, communicating and implementing a clear risk framework within which risks are managed and reported.

In 2010, ASR Nederland opted to split the risk management organization into a section that concentrates specifically on financial risks (market risk, counterparty risk and underwriting risk) and a section that focuses on non-financial risks. This two-way split is in keeping with the risk committee structure. Risk Strategy & Policy is responsible for managing the correlations between the different risks.

Another key development within risk management was the development of an Economic Capital (ECAP) Model. This model helps ASR Nederland gain insight into available and required capital based on own parameters that are in keeping with ASR Nederland's risk profile. This gives ASR Nederland a good understanding of risks incurred, allowing the company to improve its focus on risk and return.

Management of financial risks in 2010

What follows is an overview of key financial risk management measures that were taken in 2010.

In 2010, the debt positions of Greece, Ireland, Italy, Portugal and Spain came under pressure, resulting in unrest in the financial markets. This resulted in rating downgrades for some of these countries. Because of these developments, ASR Nederland greatly reduced its corporate bond exposure in these countries from € 606 million at year-end 2009 to € 164 million.

ASR Nederland periodically performs sensitivity analyses to determine the effect of different market risk scenarios on solvency. If all scenarios were to materialize simultaneously, this would lead to a cumulative effect of 86% (2009: 66%) on the solvency ratio.

The year 2010 was also characterized by low interest rates. ASR Nederland manages the interest rate risk by matching fixed-income assets with the profile of the liabilities. ASR Nederland actively purchased swaps and swaptions for that purpose in 2010. The impact of interest rate fluctuations on DNB solvency has increased on 2009 due to lower interest rates. The interest rate sensitivity dropped in the first few months of 2011 because of developments in bond yields. ASR Nederland also decided to take additional measures to renew the terms of fixed-income investments.

As an insurer, ASR Nederland incurs underwriting and other risks. To manage the underwriting risk, ASR Nederland performs periodic tests of the adequacy of the underwriting reserves that are formed to be able to meet its obligations. The underwriting provisions were adequate at year-end 2010.

ASR Nederland has a diversified life insurance portfolio because it maintains a term life insurance portfolio as well as a life insurance portfolio (e.g. pension contracts). Owing to this diversity in the portfolio, the recently amended mortality tables (and resulting higher life expectancy) as published by the Dutch Association of Insurers and the Actuarial Association have only limited impact on ASR Nederland's solvency position.

Higher claims weighed down earnings from Non-life insurance. In 2010, the claims ratio of the non-life insurance portfolio saw a 1.4% point increase, rising to 73%. The combined ratio dropped, however, falling to 100.3% (2009: 101.4%), which was due in particular to lower costs.

Management of non-financial risks in 2010

ASR Nederland placed increased focus on non-financial risks in 2010. The following developments are worth mentioning:

Systems and data are becoming an increasingly critical factor in ASR Nederland's operations. Information security is an essential aspect in this regard. As ASR Nederland increased its focus on information security in 2010, staff access to systems is now better controlled.

ASR Nederland has developed an internal control structure to safeguard the efficiency and effectiveness of processes. The structure entails identifying critical processes, pin-pointing risks and designing controls to mitigate those risks. The internal control structure will be further fleshed out in 2011.

In addition to the annual Control Risk Self Assessment (CRSA), by which process the management of all divisions identify the principal risks that are relevant to them, ASR Nederland also performed an Own Risk Solvency Assessment (ORSA) for the first time in 2010. This is a risk assessment in preparation of Solvency II. Within the context of this risk assessment, scenarios were developed whose impact on the required and available capital was worked out. This is an initial step in drafting the report that will be submitted to the Dutch Central Bank (DNB) in 2011.

Solvency II

Solvency II is the new regulatory framework for European insurers, which is expected to take effect on 1 January 2013.

The framework has 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.

The outlines of the new solvency requirements under Solvency II are becoming increasingly clear. A new European Quantitative Impact Study (QIS5) was performed for Pillar 1 in 2010; ASR Nederland took part in this study. Based on the QIS5 study, ASR Nederland has now taken the first steps towards developing a robust and embedded process to calculate the solvency capital requirements.

ASR Nederland performed a Solvency II readiness test in 2009. In 2010, important subsequent steps were taken to increase the extent to which ASR Nederland is ready to meet the Solvency II requirements. Great strides were made, for instance by implementing IRM, developing the ORSA framework and further professionalizing the risk management function.

At ASR Nederland, 2011 will be the year of implementing the requirements of Pillars 2 and 3. The further development of the ORSA process will be one of the priorities in this regard.

Risk priorities

ASR Nederland operates in dynamic times, where social standards for financial services providers have been re-evaluated. Shifting ideas about oversight of financial institutions lead to changes in risk perception. Sound and effective risk management is becoming increasingly important in this process. In order to keep the right focus in this dynamic world, ASR Nederland has defined the following priorities for 2011:

- The rapid changes in the financial landscape have brought home the increasing importance of responding to the changing wishes and requirements of customers. That is why customer confidence is ASR Nederland's top priority for 2011.
- ICT infrastructure is a key factor in ASR Nederland's operations. Changing laws and complex ICT systems may cause information to reach customers only partially or late. For this reason, development and upgrading of the ICT infrastructure will be an important area of focus in 2011.
- Unit-linked insurance contracts have caused unrest in the insurance sector. ASR Nederland attaches importance to offering an appropriate solution in 2011 to customers who took out a unit-linked contract in the past.
- Competition in the insurance market is stiff. Performing a thorough and sharp risk assessment before launching new products helps ASR Nederland to market only sound products, which benefits its strong competitive position. This will therefore also be a key area of focus in 2011.
- Availability, integrity and confidentiality of information are core values of ASR Nederland. ASR Nederland's customers need to be able to rely on the confidentiality of their personal details. ASR Nederland therefore wants to continue to raise awareness of the importance of information security and continuity management.
- Compliance with amended and new laws and regulations, including the requirements of the Dutch Financial Supervision Act, Solvency II, IFRS and pension laws, is a priority item on ASR Nederland's agenda.

Part III

Governance

3.1 Corporate Governance

General

The Dutch State acquired ASR Nederland N.V. from Fortis on 3 October 2008. The State has been the sole shareholder of ASR Nederland N.V. since that date.

Governance structure

ASR Nederland N.V. is a two-tier company. It is subject to the so-called 'partial two-tier regime' because the State, in its capacity as a legal person under public law, provides 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 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 Nederland as a whole: it makes plans for the future, plots the company strategy and formulates policy. Where required, key decisions by the Executive Board are subject to the prior approval of the Supervisory Board, or the Annual General Meeting of Shareholders (AGM).

The members of the Executive Board are:
Jos Baeten (CEO)
Hans van der Knaap (COO)
Roeland van Vledder (CCO)
Roel Wijmenga (CFO)

Supervisory Board

The Supervisory Board has every authority the law assigns to 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 are:
Kick van der Pol (Chairman)
Annet Aris
Cor van den Bos
Margot Scheltema

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.asrnederland.nl.

Rules for appointing and removing executive and supervisory directors

The AGM appoints the 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 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 recommendation 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 nomination by the Works Council, unless the Supervisory Board raises objections because it considers the recommended person 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 is 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 as an official listing on a stock exchange or similar system. The Code does not apply to the current listing of the bonds on Euronext Amsterdam. Although ASR Nederland N.V. is under no obligation to do so, it endeavours to comply with the Code where possible. As a result, the provisions of the Code were respected when preparing the new Articles of Association and rules of procedure.

For a full overview of how ASR Nederland applies the Dutch Corporate Governance Code, please visit the corporate website (www.asrnederland.nl) for the Corporate Governance Statement.

3.2 Remuneration policy for ASR Nederland Executive Board

ASR Nederland strives towards a carefully constructed, restrained and sustainable remuneration policy that operates in support of ASR Nederland's strategy. The policy is in accordance with the framework established by the Dutch Corporate Governance Code, and in line with national and international standards. The basic principles of the policy are attuned to the principles for a 'restrained remuneration policy' as established by the Netherlands Authority for the Financial Markets (Autoriteit Financiële Markten/AFM), the Dutch Central Bank (De Nederlandsche Bank/ DNB) and the Dutch Banking Code. On 28 May 2010, the Minister of Finance approved the policy for the Executive Board and endorsed the remuneration policy for the senior management.

The basic principles of the remuneration policy are the promotion and maintenance of the integrity and solidity of ASR Nederland, a focus on sustainable, long-term value creation for customers and other stakeholders, and a transparent policy that is applicable to ASR Nederland as a whole in terms of its structure and methodology.

The remuneration is composed of a fixed component and a variable component. The fixed remuneration component is in compliance with the stipulation of the Dutch Banking Code that the remuneration of directors must be below the median of a reference group that is relevant to ASR Nederland. The indexing of the fixed salary is in line with the rises under the collective labour agreement for the insurance industry.

The following agreements apply to the variable remuneration component:
- The annual evaluation of the performance-related targets (the variable remuneration) takes place on the basis of three components, where ⅓ is dependent on individual performance, ⅓ on ASR Nederland's financial performance and ⅓ on customer, broker and employee satisfaction;
- ⅓ of the variable remuneration is paid out annually; ⅔ is deferred for three years;
- The variable remuneration for meeting targets is 60% of the fixed salary, with a maximum of 80% for outstanding performance;
- If no profit is made by ASR Nederland, the short-term variable remuneration will not be payable.

An additional threshold also applies for the payment of the variable remuneration: if less than 75% of a particular target has been achieved, the element of the variable remuneration relating to that target will not be payable.

The severance package for directors is a maximum of one year's fixed salary. For current members of the Executive Board (who have voluntarily waived their existing rights) 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. The Supervisory Board has 'clawback powers' and can apply a reasonableness and fairness test in establishing the variable remuneration.

Remuneration policy for senior management

The remuneration policy for senior management differs from that for the Executive Board on a number of points. The variable remuneration amounts to 45% of the fixed annual salary for performance in line with targets, and 60% for outstanding performance. Two thirds of the variable remuneration will be deferred, just as for the Executive Board. However, a transitional scheme applies here.
A severance package of a maximum one year's fixed salary applies for new senior managers.

Part IV

Report of the Supervisory Board

‘Diversity leads to better decisions’

Margot Scheltema

ASR Nederland is going through a turbulent time.
The privatization of Fortis made it necessary to speed up the development of essential functions such as risk management in-house. Changing customer behaviour necessitates changes in approaching customers, product offering and distribution. At the same time, the prospect of privatization looms ever closer, together with all the demands that this will entail.
This places exceptional demands on the oversight provided by the Supervisory Board.

Margot Scheltema was appointed to the Supervisory Board of ASR Nederland on 15 December 2008. Until 2009, she had worked at Shell for more than twenty years, most recently as CFO of Shell Nederland. An important part of the work of the Supervisory Board is what she calls its ‘agenda-stipulating capacity’. She explains: ‘The annual agenda of the Supervisory Board is automatically filled with recurring items. The supervisory directors have to continually critically examine whether the right issues are being tabled.’ Take the matter of customer focus for instance. ‘I see it as one of the duties of the supervisory directors to drive this principle forward where necessary. If we say that the customer is important, then this needs to be confirmed in the reports. What do customers think of this?
If questions are being asked about ASR Nederland on television in connection with unit-linked investment contracts, it sends a shockwave through the organization. But it also underlines that what ASR Nederland has embarked on in this respect is fundamentally right, however the pace needs to pick up. It is our job, the job of the supervisory directors, to track this.’

Getting to know the organization

Another topic that Margot Scheltema considers to be of great importance, but which does not automatically appear on the agenda of the Supervisory Board, is gaining a correct picture of the organization and the people who work in it. ‘It goes without saying that the supervisory directors talk with the Executive Board. But this is just a small part of the organization. To obtain a good picture of talent development or the continuity of the organization you have to take a closer look at it. And if you gain new understanding in your talks with people from the organization, you also need to feed this back to the management.’

If we say that the customer is important, then this needs to be confirmed in the reports

On the path to privatization

Another important theme in the meetings of the Supervisory Board is the progress that ASR Nederland is making on the path to privatization and the disposal of shares by the Dutch State. Margot Scheltema: ‘The recurring question is, to what extent are we ready for it? We need to assess this based on the solution to a number of difficult issues. We are working hard to simplify and integrate our systems. Take the ICT systems, for instance.

Margot Scheltema
member of the Supervisory Board

‘Now is the time to get it up and running, and check that it works’

They are a burden from the past that weighs down on the entire organization. The aim is to have systems based on uniform databases, that are more readily verifiable, and from which customer data can easily be retrieved and printed. That’s where we need to be.’

One of the key areas of focus within ASR Nederland in 2010 was designing its own risk management system. Risk management had previously been the domain of Fortis, the parent company, but now it is self-contained within ASR Nederland. ‘The risk management framework was set up over the past year.
Now is the time to get it up and running, and check that it works. The Supervisory Board will be monitoring progress on this item closely. If there is something wrong, it needs to be reported internally immediately. Mistakes happen, but only constitute a real problem if they are not reported, or if people do not feel at liberty to report them.’

Diversity is vital

The evaluation of the Supervisory Board’s own performance and the diversity of its composition are topical items in Dutch Corporate Governance regulations. Margot Scheltema says: ‘The current supervisory directors have been working in this configuration for a relatively short time, which is why we have kept the evaluation of our own performance in 2009 and 2010 concise. This year, we intend to do this more thoroughly with some external support. We also want to examine our ability to respect and protect various points of view. We are a small team and we work closely together. We want to keep the individual input recognizable. After all, the concept of diversity means that you are able to make better decisions, because you come from different markets.’
In terms of the diversity of its composition, the Supervisory Board stands out from the national average with two women and two men from diverse backgrounds.

Margot Scheltema, member of the Supervisory Board

Members of the Supervisory Board


4.1 Members of the Supervisory Board

C. (Kick) van der Pol (1949)

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

Kick van der Pol is the Chairman of the Ortec Finance Supervisory Board, Chairman of the Pension Federation board, member of the Supervisory Board of Raet and Chairman of the Syntrus Achmea Advisory Board. In the past, he served as the Vice-Chairman of the Executive Board of Eureko/Achmea and as Chairman of the Interpolis Executive Board.

Term of service: 15 June 2010 - 15 June 2014

A.P. (Annet) Aris (1958)

Chair of the Selection, Appointment and 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 held supervisory directorships for a number of years, including at several Dutch and foreign enterprises and institutions such as V-Ventures B.V., Hansa-Heemann (Hamburg, Germany) and the Sanoma Group (Helsinki, Finland). She is a non-executive member of the OPTA Commission; OPTA is the Dutch telecoms market watchdog. 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 (1952)

Chairman of the Audit Committee

Cor van den Bos was a member of the Executive Board of SNS Reaal NV until August 2008 where he was responsible for all insurance operations. He is the Chairman of the Supervisory Board of CED and Noordwijkse Woningstichting, a housing corporation, and Chairman of the Board of Stichting Verzekeringswetenschap, an insurance science foundation. He is also a member of 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 December 2008 - 15 June 2011

M.A. (Margot) Scheltema (1954)

Member of the Audit Committee

Until 2009, Margot Scheltema served as the CFO of Shell Nederland B.V., prior to which she had held several international management positions at Shell since 1986. She is a supervisory director of Triodos Bank NV and Schiphol Group, a member of the Supervisory Board of the Rijksmuseum and Energie Centrum Nederland (ECN), a member of the Financial Reporting Committee of the Netherlands Authority for the Financial Markets (AFM), and 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

Composition of the Supervisory Board

There was a change in the membership of the Supervisory Board in 2010. Owing to the potential semblance of a conflict of interest, Marieke Bax decided to retire from the Supervisory Board as of 10 March 2010. Kick van der Pol was scheduled to retire on 15 June and was re-appointed for another four-year term on that same date. Annet Aris was appointed to the Supervisory Board on 7 December 2010 on the recommendation of the Works Council. In nominating Annet Aris, specific focus was placed on the competencies included in the Supervisory Board profile. The principle is that every competency, including insurance- and financial knowledge, and an international and socio-political perspective, is represented in at least two Supervisory Board members. With the accession of Annet Aris, the Supervisory Board was especially bolstered with regards to international perspective and knowledge of the retail market.

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 Nederland. Prominent recurring issues for the Supervisory Board were solvency, compliance, customer interests, risk management and strategic options.

Finance/solvency

In its meetings, the Supervisory Board focused heavily on ASR Nederland's financial performance, with particular emphasis being placed on solvency levels and risk mitigating measures. Thanks to targeted policy, ASR Nederland has a robust solvency ratio and exposures to interest rates, for instance, have been reduced. The supervisory directors see this as a positive development.

Compliance

The Supervisory Board was educated extensively about the execution of agreements made within the scope of a compensation scheme for unit-linked investment contracts and other issues relating to regulatory and social requirements. The Supervisory Board considered at length, for instance, a number of specific studies by the Dutch Central Bank (DNB) and the Netherlands Authority for the Financial Markets (AFM), the risk and supervision analyses of the two regulators, and the compliance and other reports by Integrity & Operational Risk Management. The Supervisory Board stresses the importance of a decisive approach to resolving issues relating to rules and regulations. Such issues affect the confidence of customers and other stakeholders, which is why they need to be treated as priorities at the appropriate management level.

Customer interests

ASR Nederland uses the Operational Excellence and Customer Value programmes to work on improving customer focus and gaining a more urgent understanding of what drives and motivates customers. The supervisory directors are pleased with these steps to focus on customers. The Supervisory Board feels that customer-driven organizations should always ask themselves how activities and decisions affect the interests of their customers. The Supervisory Board has concluded that this question is increasingly being addressed in reports and meetings, but is still not self-evident.

Office space

A key issue that the Executive Board submitted to the Supervisory Board was a decision on accommodation. After it was decided in 2009 to concentrate ASR Nederland's activities in one building, in 2010 the Supervisory Board approved the decision to cluster the business operations in the current head office in Utrecht and to refurbish the existing building for this purpose. In its decision-making, the Supervisory Board not only weighed financial motives, but also heavily considered implications for staff and sustainability issues.

Strategic options

A key issue in the meetings between the Supervisory Board and the Executive Board was ASR Nederland's return to the private sector. Topics for discussion included the pros and cons, the feasibility, the preconditions and the threats posed by different scenarios. The Supervisory Board and the Executive Board concluded in unison that the preferred course of action would be an IPO, without excluding other possiblities. The supervisory directors believe that ASR Nederland has sufficient scale to build an independent future and that independence would offer the best options for a successful implementation of the corporate strategy.

ASR Nederland has made progress in preparing for its privatization. Steps were taken in the areas of financial processes and reports, and risk management in particular. The Supervisory Board devoted special attention to improvements in risk management. Among the issues discussed were the different aspects of both financial and non-financial risks, and changes in the risk management structure. The Supervisory Board is happy with the improvements and is confident about the further streamlining of financial processes and risk management in the year to come.

Financial statements and dividend

The financial statements for 2010 were discussed with KPMG, the independent external auditor. The Executive Board submitted the Executive Board Report and the financial statements for 2010 to the Supervisory Board. The Supervisory Board went on to approve the financial statements in its meeting of 26 April 2011. The financial statements were audited by KPMG, who issued an unqualified auditor's report on the statements (see page 188).
The Supervisory Board established that the external auditor was independent from ASR Nederland.
The Supervisory Board submitted the financial statements for adoption to the AGM. The Supervisory Board also reviewed the financial statements and proposed to discharge the members of the Executive Board and the Supervisory Board in respect of their management and supervision respectively. For details on profit appropriation, which was approved by the Supervisory Board, see page 191.

Outlook

A strong financial track record and a future-proof, high-quality level of reporting are key prerequisites for returning to the private sector. In addition, ASR Nederland needs to have a clear-cut strategy in place that offers potential for sustainable value creation. In the Supervisory Board's opinion, the strategy that was formulated last year forms a solid foundation to achieving this aim. To capitalize on market developments, the strategy will be tweaked for a number of specific market segments in 2011.

MEETING DATE	KICK VAN DER POL	ANNET ARIS (FROM 7 DECEMBER)	COR VAN DEN BOS	MARGOT SCHELTEMA
15 March	X		X	X
22 April	X		X	X
3 June	X		X	X
9 July	X		X	X
25 August	X		X	X
10 September (conference call)	X		X	X
29 October	X		X	X
5 November (conference call)	X		X	X
29 November	X		X	X
16 December	X	X	X	X

Supervisory Board meetings

The Supervisory Board met with the Executive Board ten times during the year under review; two of these meetings were conference calls. Once, the Executive Board met one of the Supervisory Board members between meetings. Prior to the plenary sessions, the Supervisory Board met separately to consult about such issues as the remuneration policy for the Executive Board and senior management.
The supervisory directors also met to evaluate its own performance and that of the Executive Board.

All meetings were attended by all members of the Supervisory Board. The meetings on the annual results for 2009 and the interim results for 2010 in April and August respectively were also attended by the independent external auditor.

The supervisory directors learned about Solvency II and the ALM model and their implications during a meeting conducted specifically with that theme in mind. In order for Annet Aris – the new supervisory director – to become familiar with ASR Nederland, in early 2010 several induction sessions were organized for her about market developments and ASR Nederland's strategy and finances.

Performance evaluation

Using a questionnaire, the Chairman of the Supervisory Board met with every supervisory director separately to discuss their performance. The outcome of these interviews served as the basis for a meeting of the Supervisory Board during which the Supervisory Board talked about its composition and performance. Because of the semblance of a potential conflict of interest, Kick van der Pol was not present when an item relating to property was discussed. 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 were discussed by the ASR Nederland Supervisory Board. In 2010, 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 devote itself to its duties fully independently.

Committees

Audit Committee

The Audit Committee, whose members are Cor van den Bos (Chairman) and Margot Scheltema, met seven 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. The meetings focused on the financial performance of every quarter. The Audit Committee discussed the financial performance for the full year based on the annual report, the financial statements and the actuary's report for 2009. The Audit Committee issued a positive report to the Supervisory Board.

The Audit Committee also addressed other issues, such the audit plans for 2010 and 2011 of both the internal Audit department and the independent external auditor, approving them in the process. The Audit Committee also approved the compliance plan for 2011. Other topics for discussion included the independent external auditor reports, and quarterly audit and compliance reports. Besides these seven meetings, the Chairman of the Audit Committee consulted twice with the independent external auditor.

The Audit Committee discussed the budget 2011 and the financial forecast 2012-2013 using the Policy Plan 2011-2013 as a starting point. The approach was based on ASR Nederland's ability to continue as a going concern. A number of strategic issues will be finalized and discussed in the Audit Committee in the first half of 2011. This is expected to result in an adjustment to the financial forecast 2012-2013. The Investment Plan, which is driven by the requirements of QIS5/Solvency II, was also addressed extensively.

In the Committee's opinion, the company built a solid financial basis in 2009 and 2010 for the successful execution of the Policy Plan. Solvency levels are robust and interest rate exposures, for instance, are well under control. The targets set for the cost savings programme that was initiated in 2009 were amply met in 2010. Although the Audit Committee is pleased with those results, it also feels that further steps are required for ASR Nederland to maintain its competitive edge in the future.

ASR Nederland undertakes relatively many projects that relate to the day-to-day operations of the different divisions. New rules and regulations, and various change initiatives to become a more customer-orientated and cost-efficient service provider make great demands on available capacity. For this reason, the Committee periodically monitors progress made on key projects and endorses the importance of strict discipline in their control and execution. The Chairman of the Audit Committee consistently reported the main issues to the Supervisory Board during the Board's next meeting. Moreover, the Audit Committee provided the Supervisory Board with written reports of its deliberations, findings and recommendations.

Selection, Appointment and Remuneration Committee

The Selection, Appointment and Remuneration Committee met three times in 2010. Owing to Marieke Bax's retirement, the Committee temporarily had a different composition in 2010. Margot Scheltema served as Committee Chair in 2010, and Kick van der Pol and Cor van den Bos attended the Committee meetings as members. After Annet Aris's appointment as a supervisory director, the Selection, Appointment and Remuneration Committee reverted back to its original number of members in 2011. Those two members are Annet Aris (Chair) and Kick van der Pol.

The Committee focused on a new remuneration policy for top executives in particular. It helped the Supervisory Board formulate a proposal for a new and sustainable remuneration policy, in keeping with the Dutch Corporate Governance Code, the 'Gentlemen's Agreement' and the recommendations of the Banking Committee. After approval by the Supervisory Board, the policy motion was adopted by the Annual General Meeting of Shareholders (AGM). The policy is in effect from 1 January 2010, retroactively.

In the context of management development, the Committee also discussed the succession of members of the Executive Board and the company's senior managers in 2010.

The Chairman of the Selection, Appointment and Remuneration Committee consistently made oral reports of topics discussed to the Supervisory Board and provided the Supervisory Board with written reports of the Committee's deliberations, findings and recommendations.

Application of remuneration policy

The Supervisory Board concludes that the variable remuneration part of the recently determined remuneration policy, within a year of its ratification, no longer fully suits public perception. Considering public debate, the Supervisory Board chooses to develop a new and future-proof policy in 2011 whereby remuneration fits the nature and size of ASR Nederland and its strategy.

According to the current remuneration policy, ratified by the shareholder on 28 May 2010, the variable remuneration consists of a short-term portion to be paid out immediately (one third) and a long-term portion to be paid out after three years (two thirds), depending on the development of customer satisfaction. At its meeting of 22 April 2011, the Supervisory Board decided, considering the public outcry regarding variable remuneration, not to disburse the short-term portion of the variable remuneration to the members of the Executive Board for the financial year 2010. The Supervisory Board also set a new condition, namely that the long-term portion of variable remuneration to be paid out after three years should fit the remuneration policy still to be developed.

The remuneration based on the current remuneration policy and the Supervisory Board decisions outlined above are shown in the table on page 176.

Contact with Works Council

A varying delegation of the Supervisory Board attended two regular consultative meetings with the Works Council. The supervisory directors found the meetings to be constructive and would express their appreciation of the receptiveness of all Works Council members, as well as their efforts and commitment.

Final comments

The Supervisory Board would like to express its appreciation for the efforts undertaken by the members of the Executive Board and everyone else at ASR Nederland. They again put their expertise and experience to good use in 2010, and were committed to the development of the business.

Utrecht, the Netherlands, 26 April 2011

The Supervisory Board
Kick van der Pol
Annet Aris
Cor van den Bos
Margot Scheltema

Part V

Executive Board Responsibility Statement

5 Executive Board Responsibility Statement

ASR Nederland prepares the consolidated and company financial statements 2010 of ASR Nederland NV 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, 26 April 2011

Executive Board
Jos Baeten
Hans van der Knaap
Roeland van Vledder
Roel Wijmenga

Part VI

Financial Statements

2010 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.

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Consolidated balance sheet

(before profit appropriation)

	NOTE	31 DEC. 2010	31 DEC. 2009
Intangible assets	6	323	371
Deferred acquisition costs	7	447	518
Property, plant and equipment	8	132	151
Investment property	9	1,961	2,157
Associates and joint ventures	10	182	203
Investments	11	19,190	18,352
Investments on behalf of policyholders	11	9,491	8,808
Loans and receivables	11	6,407	6,098
Derivatives	11	572	312
Deferred tax assets	12	196	235
Reinsurance contracts	13	427	545
Other assets	14	799	814
Cash and cash equivalents	15	489	685
Total assets		**40,616**	**39,249**
Share capital	16	100	100
Share premium reserve	16	962	962
Other reserves	16	552	72
Profit for the year	16	317	255
Total equity attributable to shareholders		**1,931**	**1,389**
Other equity instruments	16	515	515
Equity attributable to holders of equity instruments		**2,446**	**1,904**
Non-controlling interests		5	51
Total equity		**2,451**	**1,955**
Subordinated debt	17	20	20
Liabilities arising from insurance contracts	18	22,352	21,886
Liabilities arising from insurance contracts on behalf of policyholders	18	10,488	9,823
Employee benefits	19	2,033	1,946
Provisions	20	28	30
Borrowings	21	99	127
Derivatives	11	81	37
Deferred tax liabilities	12	159	83
Due to customers	22	1,749	1,392
Due to banks	23	76	889
Other liabilities	24	1,080	1,061
Total liabilities		**38,165**	**37,294**
Total liabilities and equity		**40,616**	**39,249**

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

CONSOLIDATED INCOME STATEMENT	NOTE	2010	2009
Gross insurance premiums	25	4,738	4,914
Reinsurance premiums	26	-220	-291
Net premiums		**4,518**	**4,623**
Investment income	27	1,352	1,404
Realized gains and losses	27	178	22
Fair value gains and losses	27	-28	-56
Result on investments on behalf of policyholders		775	1,437
Fee and commission income	28	127	89
Other income	29	336	367
Share of profit/(loss) of associates and joint ventures		4	15
Total income		**2,744**	**3,278**
Insurance claims and benefits	30	-5,136	-5,840
Insurance claims and benefits recovered from reinsurers	30	12	195
Net insurance claims and benefits		**-5,124**	**-5,645**
Operating expenses	31	-672	-652
Acquisition costs	32	-552	-569
Impairments	33	-39	-256
Interest expense	34	-169	-196
Other expenses	35	-285	-253
Total expenses		**-1,717**	**-1,926**
Profit before tax		**421**	**330**
Income tax expense	36	-103	-70
Profit for the year		**318**	**260**
Attributable to:			
- Shareholders		278	242
- Holders of other equity instruments		53	18
- Tax on coupon of other equity instruments		-14	-5
Profit attributable to holders of equity instruments		**317**	**255**
Attributable to non-controlling interests		1	5
Profit for the year		**318**	**260**

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 statement of comprehensive income

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	2010	2009
Profit for the year	**318**	**260**
Unrealized change in value of available-for-sale financial assets	697	1,533
Shadow accounting	-329	-693
Share of other comprehensive income of associates and joint ventures	-7	28
Unrealized change in value of cash flow hedges	1	-3
Exchange rate differences	-	10
Other changes recognized directly in equity	1	-
Income tax relating to components of other comprehensive income	-74	-156
Other comprehensive income for the year, after tax	**289**	**719**
Total comprehensive income	**607**	**979**
Attributable to:		
- Shareholders	567	961
- Holders of other equity instruments	53	18
- Tax on coupon of other equity instruments	-14	-5
Total comprehensive income attributable to holders of equity instruments	**606**	**974**
Attributable to non-controlling interests	1	5
Total comprehensive income	**607**	**979**

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 2009	100	962	-648	-10	668	10	-640	432	-	97	529
Profit for the year	-	-	-	-	-	-	255	255	-	5	260
Total other comprehensive income	-	-	709	10	-	719	-	719	-	-	719
Total comprehensive income	**-**	**-**	**709**	**10**	**-**	**719**	**255**	**974**	**-**	**5**	**979**
Profit carried over from previous financial year	-	-	-	-	-640	-640	640	-	-	-	-
Payments	-	-	-	-	-1	-1	-	-1	-	-5	-6
Repayment on Trust Capital Securities	-	-	-	-	-	-	-	-	-	-50	-50
Increase (decrease) in capital	-	-	-	-	-16	-16	-	-16	-	4	-12
Issue of other equity instruments	-	-	-	-	-	-	-	-	521	-	521
Cost of issue of other equity instruments	-	-	-	-	-	-	-	-	-6	-	-6
At 31 December 2009	**100**	**962**	**61**	**-**	**11**	**72**	**255**	**1,389**	**515**	**51**	**1,955**
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
Coupon on other equity instruments	-	-	-	-	-53	-53	-	-53	-	-	-53
Income tax relating to coupon on other equity instruments	-	-	-	-	14	14	-	14	-	-	14
At 31 December 2010	**100**	**962**	**350**	**-**	**202**	**552**	**317**	**1,931**	**515**	**5**	**2,451**

In the first half of 2010 ASR Nederland acquired a non-controlling interest at its fair value of € 72 million.

Other reserves of € 202 million (2009: € 255 million) primarily consist 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

	2010	2009
Cash and cash equivalents as at 1 January	**685**	**654**
Cash generated from operating activities		
Profit before tax	421	330
Unrealized gains (losses) on investments at fair value through profit or loss	-7	-14
Retained share of profit of associates and joint ventures	6	3
Amortization/depreciation:		
- Intangible assets	26	28
- Deferred acquisition costs	87	108
- Property, plant and equipment	16	13
- Investment property	41	38
Amortization of investments	-12	-16
Impairments	39	256
Net increase/decrease in investment property	126	-284
Net increase/decrease in investments	27	-84
Net increase/decrease in investments on behalf of policyholders	-684	-1,321
Net increase/decrease in derivatives	-215	55
Net increase/decrease in amounts due from and to customers	155	239
Net increase/decrease in amounts due from and to banks	-979	-781
Net increase/decrease in trade and other receivables	42	28
Net increase/decrease in reinsurance contracts	109	-42
Net increase/decrease in liabilities arising from insurance contracts	536	734
Net increase/decrease in liabilities arising from insurance contracts on behalf of policyholders	666	1,560
Net increase/decrease in other operating assets and liabilities	-469	-839
Income tax received/paid	24	-1
Cash flows from operating activities	**-45**	**10**
Cash flows from investing activities		
Investments in associates and joint ventures	-3	-19
Proceeds from sales of associates and joint ventures	6	1
Purchases of property, plant and equipment	-13	-40
Purchases of group companies (less acquired cash positions)	-72	681
Proceeds from sales of property, plant and equipment	17	-3
Purchase of intangible assets	-1	-15
Cash flows from investing activities	**-66**	**605**

Consolidated statement of cash flows

(continued)

	2010	2009
Repayment of subordinated debts	-	-667
Proceeds from issues of borrowings	478	1,512
Repayment of borrowings	-507	-1,893
Coupon to holders of equity instruments	-53	-1
Non-controlling interests	-3	-50
Issue of equity instruments	-	515
Cash flows from financing activities	**-85**	**-584**
Cash and cash equivalents as at 31 December	**489**	**685**
Further details on cash flows from operating activities		
Interest received	1,104	1,165
Interest paid	-182	-254
Dividends received	45	30

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 Nederland's sole shareholder since 3 October 2008.

ASR Nederland N.V. and its group companies ('ASR Nederland' or 'the Group') have 4,333 employees (in FTE) (2009: 4,454 FTE).

ASR Nederland is one of the leading insurance companies in the Netherlands. It sells insurance products under the following labels: ASR Verzekeringen, ASR Pensioenen, De Amersfoortse, Ardanta, Europeesche Verzekeringen and Ditzo. In 2010 the activities of Falcon Leven were integrated into ASR Verzekeringen. On 29 December 2009, ASR Nederland N.V. acquired a 100% interest in ASR Bank N.V., formerly Fortis ASR Bank N.V.

2 Accounting policies

2.1 General

The consolidated financial statements of ASR Nederland 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 has prepared its company financial statements in accordance with the same principles as those used for the consolidated financial statements.

The financial statements for 2010 were approved by the Supervisory Board on 26 April 2011 and will be presented to the Annual General Meeting of Shareholders for adoption. The Executive Board released the financial statements for publication on 29 April 2011.

2.2 Changes in accounting policies

The accounting policies for the financial statements for 2010 are consistent with the principles applied to the financial statements for 2009.

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 2010. Unless stated otherwise, these changes have no material effect on the financial statements of ASR Nederland.

- IFRS 3 (revised), Business Combinations and related revisions to IAS 27, Consolidated and Separate Financial Statements. ASR Nederland decided to early adopt this standard in the financial statements for 2009.
- IFRIC 15, Agreements for the Construction of Real Estate. This interpretation provides clarification and guidance on when revenue from the construction of real estate should be recognized in the financial statements, particularly when a construction agreement is in the scope of IAS 11, Construction Contracts or IAS 18, Revenue.
- Improvements to IFRS 2009. The improvements comprise 15 minor amendments to 12 standards. The IAS Board uses the annual improvements project to make non-urgent amendments to IFRS.

ASR Nederland has adopted 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 Nederland 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.

In addition, the following new standards, amendments to existing standards and interpretations are mandatory for accounting periods beginning on or after 1 January 2010 but are not currently relevant to ASR Nederland:

- IFRIC 12, Service Concession Arrangements;
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation;
- IAS 39 (amended), Financial Instruments: Recognition and Measurement – Eligible Hedged Items;
- IFRS 1 (revised), First-time Adoption of International Financial Reporting Standards;
- IFRIC 17, Distributions of Non-cash Assets to Owners;
- IFRIC 18, Transfers of Assets from Customers;
- IFRS 2 (amended) Share-based Payment – Group Cash-settled Payment Transactions;
- IFRS 1 (amended), First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters.

The following changes in IFRS standards and new IFRIC interpretations adopted for use in the EU apply to accounting periods beginning after 2010 and are not expected to have a material impact on ASR Nederland:

- IAS 32 (amended), 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 Nederland has not currently issued any rights or similar derivatives.
- IFRS 1 (amended), First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters;
- IFRIC 14 IAS 19 (amended), 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 Nederland's profit for the year, total comprehensive income and total equity.

In addition to presentation changes in the balance sheet and the income statement the segment information has been changed. The changes are as follows:

- Entities that were previously allocated to the Life and Non-life segments that do not accept insurance risks have been re-allocated to the segment Other
- Eliminations applied in the reconciliation of the segment information with the consolidated balance sheet and the consolidated income statement are disclosed separately from the segment Other.

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 Nederland 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 Nederland has control in any other manner. Subsidiaries are fully consolidated from the date on which control is acquired by ASR Nederland. 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 Nederland 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 Nederland 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 Nederland's share of profit of associates from the date that ASR Nederland 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 Nederland's, carrying amounts have been changed to ensure that they are consistent with the policies used by ASR Nederland. 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 Nederland 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 Nederland and associates and joint ventures are eliminated to the extent of ASR Nederland's interest in these entities.

2.5 Estimates and assumptions

The preparation of the financial statements requires ASR Nederland 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 Nederland 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 or 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 or 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:

	EXCHANGE RATE AT		AVERAGE EXCHANGE RATE	
1 EURO=	31 DEC. 2010	31 DEC. 2009	2010	2009
US dollar	1.34	1.43	1.33	1.39
Australian dollar	1.31	1.60	1.44	1.77
Turkish lira	2.06	2.15	2.00	2.16
Brazilian real	2.23	2.50	2.33	2.77
South African rand	8.88	10.57	9.69	11.66

2.7 Product classification

Insurance contracts are defined as contracts under which ASR Nederland 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 Nederland offers life insurance contracts and non-life insurance contracts.

Life insurance contracts

Life insurance contracts (in cash) include savings-linked mortgages, annuities, term insurance contracts, 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 Nederland 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 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 Nederland's operations have been divided into operating segments. These segments are: Life, Non-life and Other. The segment Other comprises ASR Bank, ASR Hypotheken, SOS International, Ditzo 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 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 Nederland 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 Nederland participates in security lending transactions under which collateral is received in the form of securities or cash. Cash received 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 Nederland as the lessor
In the context of investment property, ASR Nederland enters into lease agreements with clients. As the risks and rewards incidental to ownership are retained by ASR Nederland, these agreements qualify as operating leases. Consequently, ASR Nederland continues to recognize the leased investment property in its balance sheet. For details, see chapter 2.17, 'Investment property'.

ASR Nederland as the lessee
ASR Nederland 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 Nederland, 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.

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 Nederland 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 Nederland are accounted for using the purchase method. Goodwill represents the excess of the cost of an acquisition over the fair value of ASR Nederland'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 Nederland 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 Nederland 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.

Software

The cost of software is capitalized if it concerns identifiable assets that ASR Nederland 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.

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. As part of this process, allowance is made for the outcome of the mandatory annual liability adequacy test for liabilities arising from insurance contracts. If the carrying amount of the capitalized deferred acquisition costs exceeds the difference between the carrying amount of the liabilities arising from insurance contracts and the liabilities identified as part of the liability adequacy test, the capitalized deferred acquisition costs are further impaired to a level where the values are equal.

2.16 Property, plant and equipment

Property held for own use, buildings under construction 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 their expected useful life and taking account of the 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 Nederland 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 Nederland 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 Nederland holds an insignificant portion for use in the supply of services or for administrative purposes.

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 is assessed at every balance sheet date.

ASR Nederland 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.

Max period in use:

The table below shows the maximum life of components:

(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.

2.18 Associates and joint ventures

Associates

Associates are entities over which ASR Nederland has significant influence on operating and financial policies, without having control. Associates are recognized using the equity method of accounting from the date at which ASR Nederland 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 Nederland's share of the associate's comprehensive income. Comprehensive income is adjusted in accordance with the accounting principles used by ASR Nederland.

Losses are accounted for until the carrying amount of the investment has reached zero. Further losses are recognized only to the extent that ASR Nederland 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 Nederland 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 Nederland 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 Nederland 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 Nederland 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 Nederland 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 Nederland 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 Nederland 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. Loans and receivables are accounted for separately under financial assets (see also chapter 2.21).

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 Nederland 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.

ASR Nederland 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 prices in an active market. A financial instrument is quoted in an active market if:
- quoted prices are readily and regularly available (from an exchange, dealer, broker, sector organization, providers of financial market information, 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 equity and bonds listed on a stock market.

2. Fair value on the basis of observable market data
Determining the fair value at Level 2 is based on valuation techniques that use observable market inputs.
These inputs include:
- quoted prices in active markets for identical assets or liabilities; and
- inputs other than quoted prices, such as interest rate and yield curves, current risk surcharges for different sector-specific risk factors and other market data.

Assets in this category primarily consist of unlisted corporate bonds.

3. Fair value not based on observable market data
At Level 3, the fair value of the assets and liabilities is determined in full or in part using a valuation technique based on unobservable market inputs. 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. They are measured on the basis of management's best estimates. These estimates are based on own sources and generally available information. The basic principle of fair value measurement remains to determine a fair, arm's length price. This category includes, for instance, private equity investments.

Impairment of financial assets
At each balance sheet date, ASR Nederland 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 rebuttable assumption that 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 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.

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 Nederland.

Trade and other receivables

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

Impairment of loans and receivables

At each balance sheet date, ASR Nederland 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 Nederland 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 sureties 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 Nederland uses derivatives for hedging interest rate and exchange rate risks, and for hedging future transactions.

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 or 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 or loss.

Hedge accounting

Hedge accounting means that, on the date that a derivative is agreed, ASR Nederland 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 Nederland currently only applies cash flow hedge accounting.

At the inception of the hedge, ASR Nederland 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 Nederland 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 or loss in the same period or periods during which the hedged firm commitment or highly probable forecast transaction affects results.

If a hedge no longer meets the criteria for hedge accounting or is otherwise discontinued, any cumulative gain or loss existing in equity at that time remains in equity and is 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 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 Nederland 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 Nederland 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 Nederland has transferred the significant risks and rewards incidental 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 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 Nederland'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.

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

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 Nederland that transfer significant insurance risks from the policyholder to ASR Nederland. 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 contract, or for which no more premiums are paid. A provision is formed for the longevity risk associated with all group life insurance contracts.

Additional provisions are generally formed for realized gains or losses on financial assets allocated to:

- insurance contracts with participation features;
- non-participating contracts if and to the extent that the current interest rate is lower than the interest rate that was used in the pricing principles at inception of the insurance contract.

These financial assets include fixed-income financial assets available for sale, specific financial assets designated at fair value through profit or loss (synthetic CDOs), 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 Nederland 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 Nederland qualifying as the reinsurer and with significant insurance risk being transferred, 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 Nederland qualifies as the reinsurer, and with no significant insurance risk being transferred, 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 Nederland. These additional benefits are based on the performance of a specified pool of investment contracts, specific investments held by ASR Nederland 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 Nederland applies shadow accounting in compliance with IFRS 4 to insurance contracts with participation features. Shadow accounting is also applied to non-participating 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 Nederland applies shadow accounting to unrealized value changes in fixed-income financial assets available for sale, specific financial assets designated at fair value through profit or loss (synthetic CDOs), 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 or 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 least quarterly to asses the adequacy of insurance liabilities.
This test corresponds with the liability adequacy test that is prescribed by Dutch law ('Besluit Prudentiële Regels WFT', Article 121). This test is referred to as DNB LAT. If the test indicates that the liabilities are inadequate, ASR Nederland increases its liabilities to adequate levels.

Based on the LAT, the life insurance portfolios have been classified into homogeneous risk groups. This classification is based on the following characteristics:
- individual versus group contracts;
- traditional life insurance contracts with an interest guarantee versus unit-linked contracts;
- unit linked contracts without guarantees versus unit linked contracts with guarantees;
- participation or non-participation features:
- mortality risk versus longevity risk; and
- the existence of a surrender value floor.

Liabilities are adequate if the technical provision recognized in ASR Nederland's balance sheet at least equals the best estimate of the life insurance liabilities including an appropriate risk margin. If applicable, a surrender value floor is applied. Also unrecognized gains and losses from relevant assets that are not carried at fair value in the balance sheet are taken into account. 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 and the Dutch Association of Insurers.

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

The risk margin is calculated for every homogeneous risk group using the cost of capital method. This method requires that insurance risks are measured. ASR Nederland uses the latest standard Solvency II model, as defined in QIS, to quantify these risks. As a result, the risk margin reflects the risk profile of the specific homogeneous risk group. 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.

The diversification benefits between different homogeneous risk groups are distributed proportionally over these risk groups.

Surrender value floor

If surrender is an option in the specific homogeneous risk group, the best estimate is increased to the level of the total surrender value of the contracts, according to the principles of the surrender value floor prescribed by DNB.

Liability Adequacy Test non-life

Where the non-life business is concerned, the LAT is performed for every risk group 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 in the specific risk group. For every risk group, the total of best estimate and risk margin is compared to the technical provision recorded in the balance sheet. If there is a deficiency, the insurance liabilities are increased to adequate levels.

The LAT for the disability portfolio is comparable to the LAT for the life portfolio. The LAT for the disability portfolio is performed for all (six) defined risk groups.

DNB LAT

ASR Nederland has identified the DNB LAT as the trigger for increasing insurance liabilities in case of a deficiency. A margin in the DNB LAT is regarded as part of the solvency margin in accordance with the DNB definition.

In addition, ASR Nederland has defined a LAT for the purpose of calculating buffer capital. This LAT corresponds with the DNB LAT, but does not take into account a surrender value floor. As a result, the buffer capital is at least equal to or higher than the DNB solvency.

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 Nederland 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 Nederland's invest-ment 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 come with 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.

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.

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 Nederland 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 of 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. As this company holds the investments that are meant to cover the employee benefit obligation, 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 Nederland 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 vacation days not taken.

2.32 Provisions

Provisions are obligations containing uncertainties about the amount and timing of the future expenditure required in settlement. ASR Nederland 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.

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 or 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 or 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 Technical 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 Nederland'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 Nederland's control.

3 Risk management

This section describes the way ASR Nederland manages its risks.

The essence of the insurance business is that risk is transferred from policyholders to the insurer in return for premiums. ASR Nederland accepts only those risks that allow it to remain a reliable and solid insurance company, both now and in the future. ASR Nederland seeks to establish the right balance between risk and return. Risk management helps to achieve this goal.

The types of risks ASR Nederland is exposed to are grouped into five categories: market risk, counterparty default risk, insurance risk, strategic risk and operational risk. ASR Nederland has defined its risk preferences and monitors the impact of changes caused by internal and external factors on these risks. 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 2010
The key developments related to risk management within ASR Nederland were:

General
- ASR Nederland further developed its Enterprise Risk Management framework. The framework entails a risk strategy (including risk preferences and risk limits), clear roles and responsibilities with respect to risk governance, risk policies (including risk controls), and supporting systems and data to deliver the necessary reports.

Risk governance
- The risk function instituted departments that are responsible for financial risks (Risk Management) and non-financial risks (Integrity & Operational Risk).
- The risk committee structure, implemented in 2009, was up and running in 2010.

Market risk
- Following the plan to reduce the investment portfolio, ASR Nederland decided to further lower the exposure in Portugal, Ireland, Italy, Greece, Spain, and France and financial institutions to an acceptable risk level.
- ASR Nederland actively managed the impact of the low market interest rates by purchasing swaps and swaptions that mitigate this risk.

Counterparty default risk
- The reduction in exposure in Portugal, Ireland, Italy, Greece and Spain also reduced the counterparty default risk.

Insurance risk – Life
- In general, increased life expectancy requires additional solvency for life insurers. The effect for ASR Nederland is mitigated by its diversified life insurance portfolio.
  The longevity risk in parts of the ASR Nederland insurance portfolio is compensated by the opposite risk, i.e. mortality risk, in other parts of the life portfolio (funeral, term insurance).

Insurance risk – Non-Life
- In the Non-life insurance, an increase in the number of claims in the motor portfolio and disability portfolio negatively impacted the claims ratio.

Strategic risk
- In 2010, ASR Nederland started to implement the Own Risk Solvency Assessment (ORSA). This assessment helps the product lines and the group identify the risks and quantify the impact of these risk on the forward looking solvency position.

Operational risk
- In 2010, ASR Nederland started a project to improve the control of key (business) processes by identifying and documenting principal risks and controls within these processes.
- The main information security initiative this year has been the improvement of logical access control for the main applications in the financial reporting process. The logical access control procedure helps ASR Nederland to prevent fraud by improving segregation of duties and by regular checks of actual access levels within the applications.

Solvency II
- ASR Nederland made progress in embedding an auditable quarterly process for reporting the Solvency Capital Requirement, both on a group level as per insurance entity under supervision.

Capital management and solvency
- ASR Nederland is developing an Economic Capital model that reflects its full risk profile.
- The Economic Capital calculation is applied in determining ASR Nederland's asset allocation.

3.2 Enterprise Risk Management framework
In 2010, ASR Nederland further developed its Enterprise Risk Management (ERM) framework. ERM enables ASR Nederland to understand the inter-relationships between risks and the company's strategic targets.

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

Risk governance

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

Policy

ASR Nederland has developed its own risk classification, which is in line with the FIRM risks as prescribed by the Dutch Central Bank (DNB). ASR Nederland 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 Nederland 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 Nederland uses the following definition of the 'three lines of defence' model:

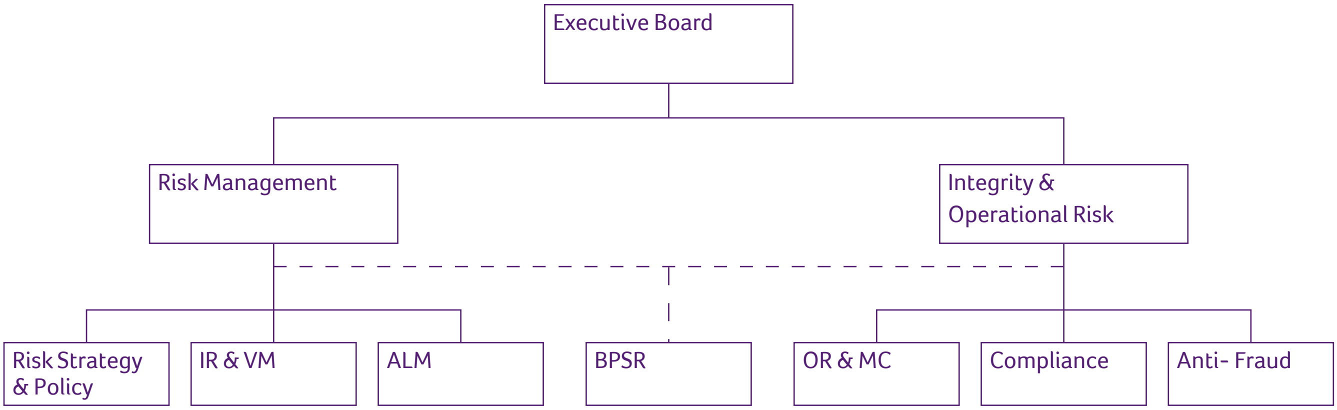
- **First line** – responsible for risks in the product lines and managing these risks. The first line implements risk policies and has the day-to-day responsibility for operations (sales, pricing, underwriting, claims handling, etc.). The Executive Board and the management teams of the business lines are responsible for the first line.
- **Second line** – responsible for supporting and reviewing the integral implementation of risk policies and the operating effectiveness of the first line. The duties of the second line include developing risk policies, supporting and advising the first line, monitoring compliance with internal and external policies, preparing integral risk reports and aggregating the risk profile. The risk departments in the business lines and the central risk management departments (financial risk and non-financial risk) are responsible for the second line.
- **Third line** – responsible for the independent control of the effectiveness of the ERM framework. The third line is executed by the internal audit department. This department is responsible for performing audits of the effectiveness and adequacy of the ERM framework and the operating effectiveness of the internal control system. The department also reviews the transparency of ASR Nederland's risk governance and its compliance with ASR Nederland's requirements.

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 the course of 2010, the structure of the risk management function was further aligned to the committee structure and the three lines of defence model. The Group Risk Management department now focuses on financial risks, including risk policies and strategy. The former Compliance, Security and Operational Risk Management departments have been amalgamated into Integrity & Operational Risk Management, which focuses on non-financial risks. In addition, risk management duties have been embedded in the business lines. In general, risks are now managed by the product 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 Nederland, securing a consistent approach to the management of risks across the organization.

These risk policies define ASR Nederland'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 Nederland's ERM approach. This department works in close dialogue with the other risk departments.



Risk Management
Risk Management is responsible for managing financial risks. The department consists of the following sub-departments:
- Risk Strategy & Policy
- Insurance Risk & Value Management (IR&VM)
- Asset & Liability Management (ALM)

Risk Strategy & Policy
Risk Strategy & Policy is responsible for developing the ERM framework. The ASR Nederland ERM approach involves the further development of ASR Nederland's risk management culture, risk strategy and the related risk preferences, transparent risk governance, risk policies, classification of risk types, development of value management, optimization of risk-adjusted returns within the risk preferences metrics, and value management KPIs. Risk Strategy & Policy is responsible for ASR Nederland's ORSA process, which will be mandatory under Solvency II.

Insurance Risk & Value Management
Insurance Risk & Value Management, 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, Insurance Risk & Value Management is responsible for collecting financial risk information, and performing the ASR Nederland Liability Adequacy Test (LAT).

Asset & Liability Management
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 Nederland's risk limits and risk budget. ALM also assists product lines in product development.

Integrity & Operational Risk
Integrity & Operational Risk Management is responsible for managing non-financial risks. Integrity & Operational Risk has three sub-departments:
- Operational Risk & Management Control (OR&MC)
- Compliance
- Anti-fraud

Operational Risk & Management Control
OR&MC is responsible for improving awareness of operational risk, information security and business continuity. OR&MC does this by setting policies, assisting business lines with the implementation of these policies, and monitoring the quality of the implementation. OR&MC also submits quality reports to the Non-Financial Risk Committee.

OR&MC facilitates the Control Risk Self Assessment (CRSA). This is an annual self-assessment where management identifies the principal risks that prevent them from achieving their targets. Based on the evaluation of management, the Executive Board aggregates the principal risks, designating them as 'Executive Board risk priorities'. These are priorities that need to be resolved or mitigated in order to manage ASR Nederland's principal risks.

Compliance
The compliance function (Compliance) is an independent and centralized function within ASR Nederland. Its main objective is to support the Executive Board in managing compliance risks for ASR Nederland and its subsidiaries. Through its compliance function, ASR Nederland aims to stimulate integrity among the members of the Executive Board, its managers and its

employees. This helps to maintain ASR Nederland'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.

Anti-fraud
The role of the Anti-fraud department is to execute ASR Nederland's zero tolerance policy on fraud. ASR Nederland rejects any unfair practices or fraud. Anti-fraud is responsible for fraud prevention, fraud investigation and repression:

- Fraud prevention: measures are taken to prevent unfair practices or fraud within ASR Nederland. Fraud prevention measures include customer due diligence checks to ensure that ASR Nederland 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.

Business Process Support Risk
Business Process Support Risk (BPSR) 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 data. BPSR also guides Risk Management by the development of new systems and processes or changes in existing systems.

3.3.2 Risk committee structure

The risk committee structure was established at the end of 2009 and was further developed and integrated into the ASR Nederland organization in 2010. The risk committees manage the risks and returns that impact the achievement of ASR Nederland's strategic objectives.

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

The ASR Nederland 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 Nederland'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 determines 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 Nederland Risk Committee.

The Chairman of the FRC is ASR Nederland's CFO and represen-tatives of various key financial departments are members of the Committee, including ASR Nederland's COO (NFRC liaison). The FRC is further supported by the Capital, Liquidity and Funding Committee (CLFC), one of its subcommittees.

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 Nederland Risk Committee.

The members include the ASR Nederland'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 product line. The BRC reports to the FRC and the NFRC. The Chairman of the BRC is the director of the product line and the BRC has key officers as its members.

3.3.3 Central Investment Committee

Next to the risk-committee structure, the Central Investment Committee 'CIC' monitors the tactical decisions and the execution of ASR Nederland's investment policy. It decides on major investment decisions within the boundaries of the strategic asset allocation as agreed in the FRC. Especially, investment decisions within this framework exceeding the limits set for the investment department are the domain of the CIC. The CIC in chaired by an Executive Board member, not being the CFO and reports directly to the Executive Board. Thus, independence of the CIC from both the strategic decision making and the CFO is guaranteed.

3.4 Risk management classification

As mentioned above, ASR Nederland 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 Nederland recognizes five main risk categories[1] , which are described below. The FIRM risks defined by DNB are used as the basis of ASR Nederland'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 Nederland 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. The counterparty default risk is also relevant to reinsurance contracts.
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 invalid or incomplete assumptions and principles were used in the development and premium-setting of a product. ASR Nederland distinguishes two different major types of insurance risk: - life; - non-life.
Strategic risk	Strategic risk is the risk that ASR Nederland 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).

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 Nederland 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 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 is presented in the table below. If the scenarios of the major market risks were to take place simultaneously, a negative effect of 86% would result in a solvency ratio of 135%.

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

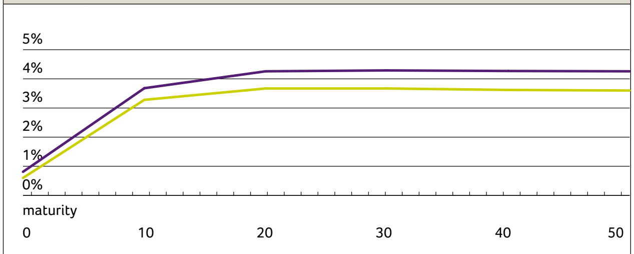
Sensitivities of regulatory capital to market risk:

TYPE RISK	SCENARIO	2010	2009
Equities	-20%	-21%p	-20%p
Interest	-1%	-31%p	-9%p
Spread	0.75%	-17%p	-18%p
Property	-10%	-17%p	-19%p
Total impact		**-86%p**	**-66%p**

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



31 December 2010
31 December 2009

During 2010, interest rates decreased by more than 60 basis points in maturities longer than 20 years. This had a significant impact on the valuation of the best estimate of the insurance liabilities for the LAT.

ASR Nederland 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.

Duration:

	2010	2009
Duration of assets	6.5	5.8
Duration of liabilities	10.5	8.8

The sensitivity of the regulatory solvency ratio to changes in interest rates is monitored on a monthly basis.

Sensitivity of regulatory solvency to interest rate changes:

	INTEREST RATES -1%		INTEREST RATES +1%	
	2010	2009	2010	2009
Assests	1,511	1,192	-1,175	-948
Liabilities	-1,985	-1,326	1,104	932
Regulatory solvency available	-474	-134	-71	-16
Regulatory solvency ratio	-31%	-9%	-5%	-1%

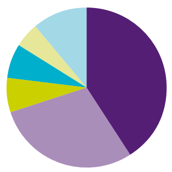
The decrease in the interest rate curve had a stronger impact on the sensitivity of the liabilities than on the sensitivity of the assets. This was attributable to the specific characteristics of the life liabilities, and to long maturities and interest rate guarantees in particular. Moreover, the duration of the assets was increased by the purchase of long term swaps and swaptions.

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 Nederland 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 € 2,142 million at year-end 2010 (2009: € 1,811 million). The increase in the exposure is due to favourable developments in equity prices and acquisitions.

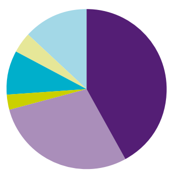
The equities are diversified across the Netherlands (including participating interests) and other European countries.
A limited number of equities consist of Pacific, private equity and hedge funds.

COMPOSITION EQUITY PORTFOLIO 2010



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

COMPOSITION EQUITY PORTFOLIO 2009



	Europe 42%
	Netherlands 29%
	Pacific 3%
	Hegde funds 9%
	Private equity 4%
	Other 13%

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 2009 the sensitivities increased due to an increase in exposure to equities.

Sensitivity of regulatory solvency to equity changes:

CHANGE IN EQUITY PRICES	2010	IN %	2009	IN %
10%	182	12%	148	10%
20%	366	24%	297	20%
-10%	-174	-11%	-148	-10%
-20%	-332	-21%	-297	-20%

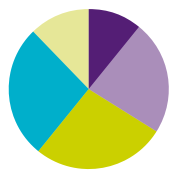
The impact of price changes of equities on the results under IFRS is limited to the value changes of option contracts, equities held at fair value through profit and loss, and the impairment of equities. At a 10% decline in the price of equities, the effect is € 5 million (2009: € -7 million).

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 Nederland has made a number of adjustments for risk purposes to the IFRS classification. In addition, revaluations to the carrying amount have been included (€ 1,390 million). The fair value of property and property-related assets was € 3,767 million at year-end 2010 (2009: € 3,936 million), including property for own use. During 2010, the exposure dropped owing to the de-risking policy and the resulting disposal of property.

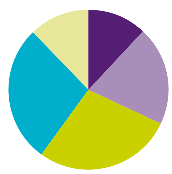
The property is primarily diversified over the rural, residential, office and retail sectors in the Netherlands.

COMPOSITION REAL ESTATE PORTFOLIO 2010



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

COMPOSITION REAL ESTATE PORTFOLIO 2009



	Offices 12%
	Rural 20%
	Retail 28%
	Residential 28%
	Other 12%

The sensitivity of the regulatory solvency to changes in property value is monitored on a monthly basis.

CHANGE IN PROPERTY PRICES	2010	IN %	2009	IN%
10%	259	17%	293	19%
-10%	-259	-17%	-293	-19%

Sensitivity of regulatory solvency to changes in property prices: The impact of changes in the value of property on the results and equity under IFRS is limited to the impairments. At a 10% drop in value, the effect is € 77 million (2009: € 77 million).

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, from a tactical perspective, currency exposures are permitted 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:

2010	AUD	BRL	TRY	USD	ZAR
Assets exposure	247	18	34	210	56
Liabilities exposure	-267	-	-	-124	-16
Net exposure	-20	18	34	86	40

2009	AUD	BRL	TRY	USD	ZAR
Assets exposure	251	26	29	271	42
Liabilities exposure	-235	-	-	-119	-20
net exposure	16	26	29	152	21

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;
- loans to intermediaries.

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

Fixed-income investments

Managing the spread risk on fixed-income investments is based on the credit ratings of these instruments as supplied by rating agencies. A limited number of investments do not have an external rating. These investments are generally awarded an internal rating. The internal rating is based on similar rating classifications as the external one.

Limits are in place for the maximum exposure per rating category. In addition, spread risk is managed based on a portfolio-wide risk gauge for assessing rating and duration.

	2010		2009	
	EXPOSURE	PERCENTAGE	EXPOSURE	PERCENTAGE
AAA	9,298	53%	7,244	43%
AA	1,560	9%	2,242	13%
A	4,440	25%	4,970	29%
BBB	1,613	9%	1,881	11%
	16,911	**96%**	**16,337**	**96%**
lower than BBB	672	4%	623	4%
not rated	43	-	73	-
	17,626	**100%**	**17,033**	**100%**

In the above table, the fixed-income portfolio is split based on rating. The share of 'investment grade' assets (BBB and above) remained constant against year-end 2009. Within the investment grade category, the portfolio improved as a result of de-risking. Within the portfolio, positions with a lower rating were sold to acquire higher-graded assets. In addition, declining interest rates boosted the value of the existing investments in AAA government bonds, especially given the relatively longer duration of government bonds. The improvement in credit quality was realized while the rating agencies lowered credit ratings on average.

	2010		2009	
	EXPOSURE	PERCENTAGE	EXPOSURE	PERCENTAGE
Government	8,289	47%	7,244	42%
Financials	6,432	36%	6,964	41%
Corporates	2,279	13%	2,058	12%
Structured instruments	626	4%	767	5%
	17,626	**100%**	**17,033**	**100%**

2010	GOVERNMENT		FINANCIAL INSTITUTION		CORPORATES		STRUCTURED INSTRUMENTS	
	EXPOSURE	PERCENTAGE	EXPOSURE	PERCENTAGE	EXPOSURE	PERCENTAGE	EXPOSURE	PERCENTAGE
AAA	7,707	93%	1,231	19%	11	-	349	56%
AA	267	3%	900	14%	333	15%	61	10%
A	237	3%	2,638	41%	1,430	63%	134	21%
BBB	32	-	1,218	19%	345	15%	19	3%
	8,243	**99%**	**5,987**	**93%**	**2,119**	**93%**	**563**	**90%**
lower than BBB	46	1%	433	7%	160	7%	32	5%
not rated	-	-	12	-	-	-	31	5%
	8,289	**100%**	**6,432**	**100%**	**2,279**	**100%**	**626**	**100%**

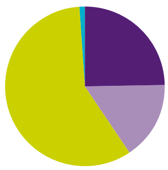
2009	GOVERNMENT		FINANCIAL INSTITUTION		CORPORATES		STRUCTURED INSTRUMENTS	
	EXPOSURE	PERCENTAGE	EXPOSURE	PERCENTAGE	EXPOSURE	PERCENTAGE	EXPOSURE	PERCENTAGE
AAA	5,908	82%	933	13%	11	1%	391	51%
AA	876	12%	972	14%	295	14%	100	13%
A	316	4%	3,258	47%	1,233	60%	164	21%
BBB	112	2%	1,358	20%	393	19%	15	2%
	7,212	**100%**	**6,521**	**94%**	**1,932**	**94%**	**670**	**87%**
lower than BBB	31	-	408	6%	126	6%	60	8%
not rated	1	-	35	-	-	-	37	5%
	7,244	**100%**	**6,964**	**100%**	**2,058**	**100%**	**767**	**100%**

The credit ratings in the fixed-income portfolios present an apparent improvement in AAA government bonds.
Also the relative share of government bonds improved versus the relatively higher risk credit portfolio. The relatively high share of AAA-rated government bonds illustrates a focus on strong eurozone countries, as is illustrated in the table showing developments in governments bonds issued by Portugal, Ireland, Italy, Greece and Spain. The increase is not just due to lower interest rates, but also to the acquisition of more government bonds.

The fair value of the financial credit portfolio decreased due to the proactive sale of Tier 1 bonds, whereas the expansion in covered bonds resulted in an increase in AAA-rated financial institutions. The risk spread for corporate bonds dropped in 2010, illustrating the greater optimism among institutional investors. Over the year, the portfolio in corporate bonds was expanded.

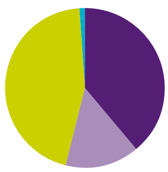
The reduction in structured products was achieved through redemptions and active sale of CDOs. In general, the investment policy is to reduce the portfolio of structured products and of CDOs in particular. The relative share of CDOs was further reduced in relation to securitized mortgages. Given the risk profile of mortgage loans and ASR Nederland's expectations of the Dutch mortgage market, ASR Nederland participated in selective Dutch AAA Residential Mortgage Backed Securities (RMBS) loans for a total of € 181 million. Below the allocation within the structured investment portfolio 2010 is compared to year end 2009. The reduction in CDO exposure in favour of Dutch RMBS is quite significant.

STRUCTURED INSTRUMENTS 2010



	CDO 24%
	CLO 16%
	RMBS 59%
	Subprime 1%

STRUCTURED INSTRUMENTS 2009



	CDO 39%
	CLO 15%
	RMBS 45%
	Subprime 1%

At year end, the exposure to these government bonds issued by Portugal, Ireland, Italy, Greece and Spain was limited. The exposure dropped from € 606 million in 2009 to € 164 million in 2010 and can be broken down as follows:

	2010	2009
Portugal	12	15
Ireland	-	-
Italy	123	242
Greece	15	82
Spain	14	267
Total exposure	**164**	**606**

Deposits
ASR Nederland's total deposits amounted to € 128 million (2009: € 39 million). All deposits have an A rating.

Savings-linked mortgage loans
Savings-linked mortgages have been sold where savings-linked contracts are carried on ASR Nederland'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 on the mortgage loan are linked. At the same time, ASR Nederland 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 value of these loans amounted to € 1,908 million at year-end 2010 (2009: € 1,797 million).

Loans to intermediaries
ASR Nederland applies stringent application and approval procedures to loans issued to intermediaries. 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.

At year-end 2010, the outstanding amount of loans to intermediaries was € 152 million (2009: € 169 million); accumulated impairment losses amounted to € 35 million (2009: € 39 million). The loans are generally secured by collateralizing an insurance portfolio. In total 14% (2009: 21%) of the loans were in arrears.

Outstanding loans to intermediaries:

	2010		2009	
	AMOUNT	PERCENTAGE	AMOUNT	PERCENTAGE
Loan < 75% value under foreclosure	47	31%	48	28%
Loan > 75% value under foreclosure	105	69%	121	72%
Total out-standing loans	**152**	**100%**	**169**	**100%**

3.5.6 Concentration risk
In order to avoid concentrations in a single obligor, ASR Nederland has set limits on maximum exposure. In setting these limits, the rating of the counterparty and the type of assets are taken into account. The limits apply to the total investment portfolio. The CLFC monitors concentration risk on a quarterly basis.

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 Nederland grants mortgages for the account and risk of third parties and for its own account. The ASR Nederland 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 two years, the value of the collateral of most mortgages is higher than at issue date.

Mortgages: loan to value:

	2010		2009	
	AMOUNT	PERCENTAGE	AMOUNT	PERCENTAGE
mortgage with NHG	323	14%	257	13%
mortgage < 75% value under foreclosure (indexed)	1,285	56%	1,293	63%
mortgage > 75% value under foreclosure (indexed)	677	30%	492	24%
	2,285	**100%**	**2,042**	**100%**

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

At year-end 2010, 1.2% (2009: 1.3%) of the mortgages were in arrears.

3.6.2 Derivatives

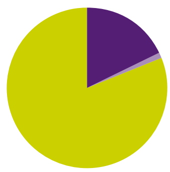
The credit risk attaching to the market value of derivative contracts between ASR Nederland and a counterparty is normally hedged using a Credit Support Annex (CSA), one of the four parts of an International Swaps and Derivatives Association (ISDA) contract. In line with market conventions, a CSA defines the terms or rules under which collateral, such as cash and government bonds, is posted or transferred between the parties to mitigate credit risk.

3.6.3 Reinsurance

When entering into reinsurance contracts for fire and catastrophe, ASR Nederland 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.

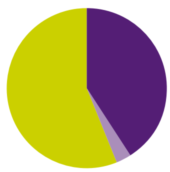
The figure below shows the exposure to reinsurers per rating. The total exposure on reinsurers at year-end 2010 was € 427 million (2009: € 545 million).

DISTRIBUTION RATINGS REINSURANCE 2010



A 18%
No rating 1%
AA 81%

DISTRIBUTION RATINGS REINSURANCE 2009



A 41%
No rating 3%
AA 56%

3.6.4 Receivables

ASR Nederland's receivables amount to € 973 million in total.

	2010	2009
Receivables from policyholders	239	301
Receivables from intermediaries	222	122
Receivables from reinsurance operations	138	105
Other receivables	374	497
	973	**1,025**

An accumulated impairment loss for receivables of € 37 million was recognized in 2010 (2009: € 34 million).

3.6.5 Cash and cash equivalents
The majority of cash equivalents consists of current accounts.

	2010		2009	
	AMOUNT	PERCENTAGE	AMOUNT	PERCENTAGE
AAA	19	4%	20	2%
AA	-	-	-	-
A	470	96%	665	98%
	489	**100%**	**685**	**100%**

3.7 Insurance risk
Insurance risk is the risk that actual claims and benefit payments or their timing differ from expectations. As a result provisions might not be sufficient to cover insurance liabilities to policyholders.

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 both products with mortality risk and longevity risk. The non-life portfolio is represented across the property and casualty, occupational disability and health care sectors. The overall insurance portfolio has a moderate risk profile.

The variability of risk is also improved 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, corrective actions are initiated to adjust the risk profile in line with guidelines agreed at group level.

Every insurance segment within ASR Nederland holds insurance provisions for future claims arising from contracts and assigns assets to cover these insurance liabilities. These provisions are based on assumptions that correspond with assumptions underlying the premiums (mostly in life-business) or based on estimates with respect to claims experience (mostly non-life). These estimates are reviewed at each balance sheet date using statistical analyses based on internal and external historical data.

Inaccuracies in the techniques applied, assumptions made and data used for the statistical analyses are inevitable. ASR Nederland is always exposed to the risk that claims may exceed that available insurance provisions formed to meet the obligations under the insurance contracts. To avoid the risk of ASR Nederland being unable to meet its obligations towards policyholders and others, ASR Nederland holds additional solvency.

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.

Every insurance business in ASR Nederland recognizes insurance liabilities for future claims arising from contracts and assigns assets to cover these insurance liabilities. The insurance liabilities for life and occupational disability risk are based on the principle of premium calculation, taking into account, among other things, market-specific assumptions and assumptions based on social issues. The insurance liabilities for the remaining non-life risk are based on historical claims settlements of the ASR Nederland portfolio. No insurance liabilities are formed for equalization and catastrophes.

3.7.1 Life insurance portfolio
ASR Nederland has a diversified life insurance portfolio.
The portfolio can be divided into two main product types: individual life (including funeral insurance) and group life.
The insurance contracts are sold to retail and wholesale clients through intermediaries. Despite the low interest rates, the ASR Nederland solvency continues to meet external requirements.

Due to ASR Nederland's diversified life insurance portfolio, the longevity risk is limited. The longevity risk in parts of the ASR Nederland insurance portfolio is compensated by the opposite risk (mortality risk) in other parts of the life portfolio (funeral, term insurance).

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 chance that a contract lapses and, if so, when), and the future development of expenses associated with the contract. 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 to cover increases in liabilities due to intrest is regarded as market risk
(see chapter 3.5).

ASR Nederland distinguishes the following life risks:
- **Mortality risk:** Mortality risk is the risk of losses due to the possibility that observed mortality is higher than expected mortality.
- **Longevity risk:** Longevity risk is the risk of a structural increase in the insured's life expectancy.
- **Catastrophe risk:** Catastrophe risk is the risk of losses due to extraordinary events: a large-scale one-off loss due to a single event causing high claims, such as a pandemic.
- **Lapse risk:** Lapse risk is the risk of losses due to policyholders exercising their rights, if any, to surrender their contracts.
- **Expense risk:** Expense risk is the risk of losses due to a change in the level, development or volatility of company expenses.

Life insurance risk is measured with best estimates for the future development of relevant assumptions (mortality and lapse frequencies, expenses) and constant assessment of the adequacy of life insurance liabilities with respect to these best estimate assumptions. The Liability Adequacy Test (LAT) is used to assess the adequacy of insurance liabilities (see chapter 2.29).

Managing life insurance risk
General life insurance risk is mitigated by pricing and underwriting policies.

Pricing is based on profit capacity calculations. In these calculations, the best estimate assumptions of mortality rates, surrenders, expenses and interest rates are also taken into account.

The acceptance of a new insurance contract is assessed on the basis of medical conditions. 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 manner in which the mortality tables are constantly updated. Reinsurance arrangements have been put in place to cover the volatility risk of large losses that might arise from single events, in case of a large insured amount.

Longevity risk
For contracts that guarantee benefits during the lifetime of a policyholder, longevity risk is mainly a trend risk. In pension and annuity portfolios, the longevity risk is constantly monitored.

The adequacy of insurance liabilities is measured using information gathered from the most recent published mortality tables, such as the mortality table of the Dutch Actuarial Association published in 2010. These recent tables contain the latest available data on mortality improvements for the Dutch population. The entire population is taken into account so as to allow a good understanding of longevity risk, the identified differences between mortality rates of the insured population, and of the pension and annuity portfolios.

ASR Nederland longevity risk is for a large part 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 the results.

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 with reduced insured amounts.

A provision is formed for each insurance contract.
After deduction of capitalized deferred acquisition costs if applicable, the provision totals at least the surrender value or the paid-up value of the contract. As a result, there is no direct loss from lapses. Where contracts contribute to future profits, however, lapses impact these future profits. This reduction in future profits is measured using special models based on market value balance sheets.

Expense risk
ASR Nederland constantly analyzes developments in expenses. Product features always 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. ASR Nederland continually monitors and reduces administrative expenses, in which process losses on expenses are expected to be limited.

Prices are based on best estimate assumptions of mortality rates, surrenders, costs, actuarial interest, prudent margins and profit margin. Based on profit capacity calculations, the assumptions are applied to the fair value of the rate, taking into account profit-sharing obligations to clients.

New policyholders are subject to medical screening for individual life. As far as pensions are concerned, policyholders cannot be subjected to medical screening, but limits are set for acceptable risks. These limits are agreed with the reinsurer.

Prices are reviewed retrospectively by determining the value of new contracts by reference to the annually agreed best estimate experience (second order) parameters.

Reinsurance
ASR Nederland 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 Nederland has the following retentions for life insurance:

AMOUNTS IN EUROS X 1,000	2010		2009	
RETENTIONS	HIGHEST RETENTION AT RISK	HIGHEST RETENTION AT EVENT	HIGHEST RETENTION AT RISK	HIGHEST RETENTION AT EVENT
Life	750	3,000	450	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). Any necessary increases in the liabilities are recognized immediately through profit or loss. The ASR Nederland testing policy for the liabilities and processes 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 2010 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 that the contract is issued. The probabilities of death are based on past experience and on the expected future develop-ment of mortality rates according to the latest available tables. Additional liabilities are formed in case of unfavourable trends since 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 2010 can be broken down as follows:

LIFE INSURANCE CONTRACTS:

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

2009	INDIVIDUAL	GROUP	TOTAL
Without profit-sharing	3,475	298	3,773
Contractual profit-sharing (and interest marging participation)	7,242	5,456	12,698
Discreationary profit-sharing	1,880	-	1,880
Total	**12,597**	**5,754**	**18,351**

Insurance contracts on behalf of policyholders:

2010	INDIVIDUAL	GROUP	SAVING FUND INSURANCE	TOTAL
Without guaranteed return	6,475	2,054	819	9,348
With guaranteed return	791	349	-	1,140
Total	**7,266**	**2,403**	**819**	**10,488**

2009	INDIVIDUAL	GROUP	SAVING FUND INSURANCE	TOTAL
Without guaranteed return	5,915	1,668	955	8,538
With guaranteed return	1,101	184	-	1,285
Total	**7,016**	**1,852**	**955**	**9,823**

3.7.2 Non-life insurance portfolio

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

Accident & Health:

- Disability: The 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: The health insurance contracts cover medical expenses incurred by physicians and hospitals, and other medical expenses. The 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 injury liability: Motor vehicle liability is a third-party liability insurance to cover bodily injury, medical care and/or loss of income following a road traffic accident.
- 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: The insurer provides 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 2010, the combined ratio was 100.3% (2009: 101.4%) and the claims ratio was 73.0% (2009: 71.4%). The lower combined ratio was driven by lower costs and lower fees paid to brokers. The claims ratio increased because of higher claims.

Managing non-life insurance risk

Insurance risk is the risk that payments cannot be covered by premiums and/or investment income, or that liabilities and results are threatened because invalid or incomplete assumptions and principles were used in the development and premium-setting of a product. ASR Nederland manages non-life insurance risk by monitoring claims frequency, the size of claims, inflation, handling time, benefit and claims handling costs, and bio-metrical 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 Nederland pursues a selection and acceptance policy based on claims history and risk models. The policy is applied to each client segment and to each type of activity. 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).

The underwriting policy is set by each of the insurance businesses based on a risk assessment and actual claims history. 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.

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 injury or liability claims, can take years. Analyses are performed regularly, based, for instance, on ASR Nederland'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.

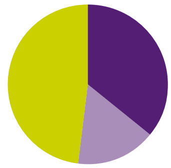
These risks are kept under control by means of regular evaluation of historical claims patterns, expected future developments and price adjustments, obligations and acceptance policy.
ASR Nederland mitigates its occupational disability risk through acceptable criteria, a proactive reintegration policy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

Concentration risk

ASR Nederland'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').

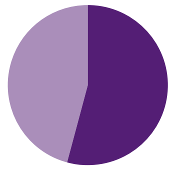
There is also a concentration of risk in group disability schemes. Group disability contracts are underwritten within the scope of Dutch occupational disability cover (WIA).

GROSS PREMIUM INCOME 2010



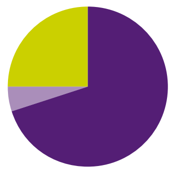
Accident & Health 52.2%
Property & Casualty 47.8%

GROSS PREMIUM INCOME 2009



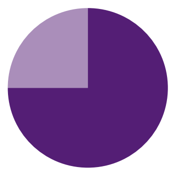
Accident & Health 54.4%
Property & Casualty 45.6%

GROSS CLAIMS RESERVES 2010



Accident & Health 74.5%
Property & Casualty 25.5%

GROSS CLAIMS RESERVES 2009



Accident & Health 75%
Property & Casualty 25%

The above diagrams 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. The rapid settlement of the Property & Casualty portfolio, which generates 48% of premium income, only represents 25% of the total claims reserve.

Total gross premium income from non-life insurance activities in 2010 amounted to € 2,310 million (2009: € 2,346 million). In 2010, € 213 million (2009: € 225 million) was paid in reinsurance premium, i.e. 9.29% (2009: 9.59%) of gross premium income.

Reinsurance
When deemed necessary, ASR Nederland'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 accepted 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. This includes taking account of the cost of the reinsurance on the one hand and of 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.

The table below shows the risk retention for each product:

AMOUNTS IN EUROS X 1,000	2010		2009	
RETENTIONS	HIGHEST RETENTION AT RISK	HIGHEST RETENTION AT EVENT	HIGHEST RETENTION AT RISK	HIGHEST RETENTION AT EVENT
Disability	700	3,000	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	2,000	2,000	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	1000	1000	750	750
Shipping/transport	250	250	250	250

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 or loss, which means that the income is recognized during the same risk period.

Provision for payouts 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, using historical information. This implicitly includes a provision for payable external claims handling costs.

The level of provisions is calculated for each homogenous product group at a reliability degree of at least 95%.
ASR Nederland also holds additional solvency 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 contract terms and conditions, and qualifying periods, as well as chances of recovery and death.

The results of ASR Nederland's basic health insurance ('Basisverzekering') include an estimate related to the expected settlement because of equalization ('verevenings methodiek'). The estimate is made by internal actuaries per years based on the latest updated health information for the Netherlands.
The final settlement is recognized three years after the end of the financial year.

The liabilities for amounts payable and the provision for premiums at year-end 2010 can be broken down as follows:

GROSS TECHNICAL PROVISION (2010)	PROPERTY & CASUALTY	ACCIDENT & HEALTH	TOTAL
Claims provision	762	2,237	2,999
Unearned premium provison	292	244	536
Total	**1,054**	**2,481**	**3,535**

GROSS TECHNICAL PROVISION (2009)	PROPERTY & CASUALTY	ACCIDENT & HEALTH	TOTAL
Claims provision	769	2,248	3,017
Unearned premium provison	293	225	518
Total	**1,062**	**2,473**	**3,535**

Provision for unexpired risk
A provision for unexpired risk is formed to the extent that the future claims and expenses – in respect of current insurance contracts – exceed the 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 2010 that run until 31 December 2010.
This provision is based on the difference between premiums required for accounting and actuarial purposes.

3.8 Strategic and operational risk

ASR Nederland defines strategic risk as the risk that ASR Nederland 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 for operational risk (related to DNB's FIRM risks) are IT, outsourcing, integrity, legal issues and operations.

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

Strategic and operational risk management
In 2010, ASR Nederland focused on the following issues so as to manage and control strategic and operational risks:
- 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 departments of ASR Nederland. Any risks threatening 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 Nederland's principal risk priorities for 2011.
Any progress on the mitigating actions is reported to, and monitored by, ASR Nederland RC.

As part of preparing for Solvency II, ASR Nederland has executed a strategic risk assessment (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 internally reported in an ORSA report. This will be developed further in 2011.

Operational losses
Every department can suffer operating losses. ASR Nederland 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. All crisis teams (per location) were trained in 2010. This course consisted 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 served to clarify the roles, duties and responsibilities of the members of the crisis teams.

Information security
ASR Nederland 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 Nederland 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 Nederland controls the key processes in the organization. In 2010, ASR Nederland started a project to increase transparency of key processes and the risks inherent to these processes, and the required controls for managing these risks were documented. The project has led to enhanced the overall internal control structure.

3.9 Hedge accounting
ASR Nederland has entered into a limited number of cash flow hedges to hedge some of its interest rate risk. These hedge 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 accounted for in the income statement. In the event that changes in fair value of hedged risks are not recognized through income statement, an accounting mismatch occurs, making the results more volatile. In these cases, hedge accounting is applied to mitigate accounting mismatching 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 new regulatory framework for European insurance companies, which is expected to be implemented in 2012. Solvency II sets solvency requirements that are better aligned to the risks insurers face and will form an integral part of the operations management of insurance companies. Solvency II has an enormous impact on the insurance market.
In accordance with Solvency II, the measurement of assets and liabilities is performed on the basis of market value.

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

As part of Solvency II, ASR Nederland will be required to report its standard solvency capital requirements. ASR Nederland focuses on designing and embedding a process for reporting on the capital requirements. In 2010, this report was prepared in accordance with the requirements of the European Quantitative Impact Study (QIS5). Other Solvency II requirements that ASR Nederland focused on in 2010 were related to Pillar 2 activities, such as developing an ORSA. In addition, ASR Nederland's risk management function has been designed to comply with the Solvency II requirements. This means that ASR Nederland 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 2011, ASR Nederland will continue its efforts to implement Solvency II to ensure compliance with Solvency II as required.

4 Capital and liquidity management

4.1 Capital management

4.1.1 Capital management objectives
ASR Nederland is committed to maintaining a strong capital position so as to be a robust insurer for its policyholders and 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 the principal risks. An additional objective is to achieve a combination of capital position and risk profile that is at least in line with an 'A' rating.

ASR Nederland is currently in the process of preparing for the Solvency II capital requirements. In 2010, ASR Nederland started to implement a process to report the Solvency Capital Requirement as defined in the Quantitative Impact Studies (QIS) of Solvency II. ASR Nederland also started the development of an Economic Capital (ECAP) method that better reflects its own risk profile in 2010.

4.1.2 Solvency
ASR Nederland's regulatory solvency and buffer capital at 31 December 2010 can be broken down as follows:

	2010	2009
Required DNB solvency	1,542	1,512
Available DNB solvency	3,412	3,515
DNB solvency ratio	221%	232%
Buffer capital	4,044	4,436
Buffer capital ratio	262%	293%

The solvency ratio was 221%, which is below the target of 250%. 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 86%, with the solvency ratio after stress landing at 135%.

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

	2010	2009
Equity (excluding non-controlling interests)	2,446	1,904
Non-controlling interests	5	51
Adjustment for non-controlling interest in property	-	-47
Revaluation of property (excluding non-controlling interest)	1,042	1,019
Subordinated debt (after adjustment)	5	9
Adjustment for other equity instruments	-22	-29
Goodwill	-14	-38
Intangible assets	-4	-8
Value of business acquired (VOBA)	-227	-241
Adjustment for shadow accounting	14	-132
Test margin	167	1,027
Available DNB solvency	**3,412**	**3,515**
Adjustment in test margin for surrenders	632	921
Buffer capital	**4,044**	**4,436**

With the consent of DNB, the margin on the insurance liabilities (DNB LAT margin) has been taken into account when determining regulatory solvency. The test margin excludes with effect from 2010 the paid up floor. For a description of the adequacy test, see chapter 2.29.

4.2 Rating

On 28 October 2010, Standard & Poor's confirmed the 'A' rating of ASR Levensverzekering N.V. and ASR Schadeverzekering N.V. with a negative outlook. This rating was issued on 20 May 2009. On 16 December 2010, Fitch Ratings reclassified the IFS rating of ASR Levensverzekering N.V. and ASR Schadeverzekering N.V. from 'A' with a negative outlook to 'A-' with a stable outlook.

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

In addition, Fitch Ratings has given a rating to ASR Nederland N.V. of 'BBB' with the same outlook.

4.3 Dividend

ASR Nederland pays annually a stable dividend to the shareholder if the capital management objectives are met.
The dividend is based on a pay out of 40-45% of the net profit after distribution to Hybrid Tier 1 instruments.

4.4 Liquidity management

At all times ASR Nederland 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 (€ 489 million), liquid government bonds (€ 7,953 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. Equity and property risk are not included.

Cashflow:

2010	< 1YEAR	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	-6,061	-5,212	-10,090	-19,196
	571	**4,280**	**2,388**	**-1,043**	**-12,512**

2009	< 1 YEAR	1-5 YEARS	5-10 YEARS	10-20 YEARS	> 20 YEARS
fixed income securities	3,565	12,248	7,731	9,000	5,507
liabilities	-3,821	-5,794	-5,560	-10,371	-18,508
	-256	**6,454**	**2,171**	**-1,371**	**-13,001**

5 Segment information

5.1 General

ASR Nederland 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 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. and other holding companies;
- ASR Bank N.V. (acquired on 29 December 2009);
- ASR Hypotheken B.V.;
- ASR Vastgoed Ontwikkeling N.V.;
- Ditzo B.V.;
- B.V. Nederlandse Hulpverleningsorganisatie-SOS International;
- 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 Nederland 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 Nederland'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. 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	428	101	272	-2	799
Cash and cash equivalents	1,043	-49	97	-602	489
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**

5.2 Segmented balance sheet (continued)

AS AT 31 DEC. 2009	LIFE	NON-LIFE	OTHER	ELIMINATIONS	TOTAL
Intangible assets	327	8	36	-	371
Deferred acquisition costs	433	85	-	-	518
Property, plant and equipment	72	20	59	-	151
Investment property	1,870	241	-	46	2,157
Associates and joint ventures	155	-	48	-	203
Investments	14,730	3,105	2,086	-1,569	18,352
Investments on behalf of policyholders	8,808	-	-	-	8,808
Loans and receivables	5,590	500	506	-498	6,098
Derivatives	302	10	-	-	312
Deferred tax assets	142	92	1	-	235
Reinsurance contracts	5	540	-	-	545
Other assets	439	96	279	-	814
Cash and cash equivalents	982	60	-32	-325	685
Total assets	**33,855**	**4,757**	**2,983**	**-2,346**	**39,249**
Equity attributable to holders of equity instruments	1,946	637	-679	-	1,904
Non-controlling interests	1	2	2	46	51
Total equity	**1,947**	**639**	**-677**	**46**	**1,955**
		-			
Subordinated debt	30	19	20	-49	20
Liabilities arising from insurance contracts	19,920	3,535	-	-1,569	21,886
Liabilities arising from insurance contracts on behalf of policyholders	9,823	-	-	-	9,823
Employee benefits	-	-	1,946	-	1,946
Provisions	-	8	22		30
Borrowings	420	11	404	-708	127
Derivatives	30	1	6	-	37
Deferred tax liabilities	119	-	-36	-	83
Due to customers	481	56	855	-	1,392
Due to banks	881	8	-	-	889
Other liabilities	204	480	443	-66	1,061
Total liabilities	**31,908**	**4,118**	**3,660**	**-2,392**	**37,294**
Total liabilities and equity	**33,855**	**4,757**	**2,983**	**-2,346**	**39,249**
Additions to					
Intangible assets	-	-	15	-	15
Property, plant and equipment	-	-	40	-	40
Total additions	**-**	**-**	**55**	**-**	**55**

5.3 Segmented income statement

2010	LIFE	NON-LIFE	OTHER	ELIMINATIONS	TOTAL
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**

5.3 Segmented income statement (continued)

2009	LIFE	NON-LIFE	OTHER	ELIMINATIONS	TOTAL
Gross insurance premiums	2,692	2,346	-	-124	4,914
Reinsurance premiums	-66	-225	-	-	-291
Net insurance premiums	**2,626**	**2,121**	**-**	**-124**	**4,623**
Investment income	1,259	183	33	-71	1,404
Realized gains and losses	27	-13	8	-	22
Fair value gains and losses	-74	18	-	-	-56
Result on investments on behalf of policyholders	1,437	-	-	-	1,437
Fee and commission income	7	82	-	-	89
Other income	89	11	270	-3	367
Share of profit/(loss) of associates and joint ventures	10	11	-6	-	15
Total income	**2,755**	**292**	**305**	**-74**	**3,278**
Insurance claims and benefits	-4,304	-1,666	-	130	-5,840
Insurance claims and benefits recovered from reinsurers	44	151	-	-	195
Net insurance claims and benefits	**-4,260**	**-1,515**	**-**	**130**	**-5,645**
Operating expenses	-280	-292	-80	-	-652
Acquisition costs	-150	-419	-	-	-569
Impairments	-196	-34	-26	-	-256
Interest expense	-69	-29	-147	49	-196
Other expenses	-110	-21	-141	19	-253
Total expenses	**-805**	**-795**	**-394**	**68**	**-1,926**
Profit before tax	**316**	**103**	**-89**	**-**	**330**
Income tax expense	-68	-21	19	-	-70
Profit for the year	**248**	**82**	**-70**	**-**	**260**
Profit attributable to non-controlling interests	-	-	-	-5	-5
Profit attributable to holders of equity instruments	**248**	**82**	**-70**	**-5**	**255**

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 or 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	2010	2009
Gross premiums written	2,514	2,692
Gross insurance premiums	**2,514**	**2,692**
Reinsurance premiums	-8	-66
Net insurance premiums	**2,506**	**2,626**
Net insurance claims and benefits	-2,762	-2,666
Change in liabilities arising from insurance contracts	-986	-1,594
Fee and commission expense	-126	-149
Technical result	**-1,368**	**-1,783**
Allocated gain (loss) on investments - to technical result	1,764	2,256
Allocated gains or losses - to technical result	58	-52
Allocated other income and expense – to technical result	43	42
Operating expenses	-281	-279
Technical result – before proceeds (loss) from sales of investments	**216**	**184**
Proceeds (loss) from sales of investments	-16	-13
Technical result	**200**	**171**
Non-technical result	156	145
Profit before tax	**356**	**316**

TECHNICAL RESULT, NON-LIFE	2010	2009
Gross premiums written	2,328	2,332
Change in provision for unearned premiums	-18	14
Gross insurance premiums	**2,310**	**2,346**
Reinsurance premiums	-213	-225
Net insurance premiums	**2,097**	**2,121**
Net insurance claims and benefits	-1,422	-1,298
Change in liabilities arising from insurance contracts	-111	-217
Fee and commission expense	-319	-340
Technical result	**245**	**266**
Allocated gain (loss) on investments - to technical result	135	131
Allocated other income and expense – to technical result	-7	-12
Operating expenses	-260	-292
Technical result – before proceeds (loss) from sales of investments	**113**	**93**
Proceeds (loss) from sales of investments	-13	-17
Technical result	**100**	**76**
Non-technical result	52	27
Profit before tax	**152**	**103**

5.5 Non-life insurance per business line

2010	GROSS PREMIUMS WRITTEN	NET EARNED PREMIUMS[1]	NET INSURANCE CLAIMS AND BENEFITS	FEE AND COMMISSION EXPENSE	OPERATING EXPENSES	TECHNICAL RESULT
Accident and health	1,288	1,121	-894	-62	-125	133
Motor	498	459	-348	-110	-57	-33
Fire and other property damage	337	311	-199	-94	-40	-15
Other	253	206	-92	-53	-38	15
Elimination internal reinsurance	-48	-	-	-	-	-
Total	**2,328**	**2,097**	**-1,533**	**-319**	**-260**	**100**

2009	GROSS PREMIUMS WRITTEN	NET EARNED PREMIUMS[1]	NET INSURANCE CLAIMS AND BENEFITS	FEE AND COMMISSION EXPENSE	OPERATING EXPENSES	TECHNICAL RESULT
Accident and health	1,336	1,162	-890	-84	-133	134
Motor	459	448	-324	-103	-71	-44
Fire and other property damage	325	307	-200	-95	-49	-31
Other	255	204	-101	-58	-39	17
Elimination internal reinsurance	-43	-	-	-	-	-
Total	**2,332**	**2,121**	**-1,515**	**-340**	**-292**	**76**

[1] Net of reinsurance.

5.6 Non-life ratios

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

	2010	2009
Claims ratio	73.0%	71.6%
Commission ratio	15.3%	16.1%
Expense ratio	12.0%	13.7%
Combined ratio	**100.3%**	**101.4%**

- 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 an increase in claims, the claims ratio rose by 1.4%. Commissions and other related expenses decreased and as a result, the combined ratio fell to 100.3%. The expense ratio is calculated taking into account investment costs amounting to € 7 million (2009: € 6 million).

Notes to the balance sheet

6 Intangible assets

Intangible assets can be broken down as follows:

	31 DEC. 2010	31 DEC. 2009
Goodwill	14	37
Value Of Business Acquired (VOBA)	303	323
Software and other intangible assets	6	11
Total intangible assets	**323**	**371**

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
Other changes	-	-	-	-
At 31 December	**14**	**303**	**6**	**323**

2009	GOODWILL	VOBA	SOFTWARE	TOTAL
Cost price	64	501	60	625
Accumulated amortisation and impairments	-27	-178	-49	-254
At 31 December	**37**	**323**	**11**	**371**
At 1 January	48	344	15	407
Acquisitions	11	-	4	15
Amortization	-	-19	-9	-28
Impairments	-22	-	-	-22
Other changes	-	-2	1	-1
At 31 December	**37**	**323**	**11**	**371**

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 2010, goodwill decreased by € 23 million as a result of impairments related to ASR Bank N.V and ASR Vastgoed Vermogensbeheer. For the purposes of impairment testing, goodwill is allocated to the cash-generating units of the relevant operating segment.

	ASR NEDERLAND LEVEN	ASR VASTGOED ONTWIKKELING	TOTAL
Carrying amount of goodwill	1	13	14

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 2010, the average remaining amortization period of VOBA was 16 years.

The expected amortization schedule for future years is shown below:

	2011	2012	2013	2014	2015	LATER
Estimated amortization of VOBA	19	19	19	20	20	206

7 Deferred acquisition costs

Movements in deferred acquisition costs (DAC) can be broken down as follows:

	2010	2009
At 1 January	518	646
Capitalized acquisition costs	14	36
Amortization	-87	-108
Impairments	-	-57
Other changes	2	1
At 31 December	**447**	**518**

Amortization of deferred acquisition costs is recorded in acquisition costs in the income statement.

As at 31 December 2010, the total impairment of deferred acquisition costs amounted to € 68 million (2009: € 68 million).

8 Property, plant and equipment

Property, plant and equipment can be broken down as follows:

	31 DEC. 2010	31 DEC. 2009
Land and buildings for own use	117	137
Equipment	15	14
Total property, plant and equipment	**132**	**151**

	LAND AND BUILDINGS FOR OWN USE	INVESTMENT PROPERTY UNDER CONSTRUCTION	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**

	LAND AND BUILDINGS FOR OWN USE	INVESTMENT PROPERTY UNDER CONSTRUCTION	EQUIPMENT	TOTAL
Cost price as at 1 January 2009	203	140	119	462
Additions	27	-	13	40
Transferred to investment property	-	-140	-	-140
Other changes	12	-	5	17
Cost price as at 31 December 2009	**242**	**-**	**137**	**379**
Accumulated depreciation as at 1 January 2009	-88	-	-110	-198
Depreciation	-5	-	-8	-13
Other changes	-12	-	-5	-17
Accumulated depreciation as at 31 December 2009	**-105**	**-**	**-123**	**-228**
Total property, plant and equipment	**137**	**-**	**14**	**151**

Depreciation of property, plant and equipment is recorded in operating and personnel expenses.

At year-end 2010, the fair value of land and buildings for own use amounted to € 186 million (2009: € 205 million). This value is determined annually on the basis of valuations.

As a result of the revision of IAS 40, investment property under development has been reclassified from property, plant and equipment to investment property as of 1 January 2009.

9 Investment property

	2010	2009
Cost price as at 1 January	2,591	2,212
Additions	61	290
Capital improvements	5	58
Disposals	-270	-95
Transferred from other assets	21	-
Transferred from property, plant and equipment	-	140
Other changes	55	-14
Cost price as at 31 December	**2,463**	**2,591**
Accumulated depreciation as at 1 January	-325	-316
Depreciation	-41	-38
Disposals	51	29
Other changes	-75	-
Accumulated depreciation as at 31 December	**-390**	**-325**
Impairments as at 1 January	-109	-57
Impairments	-26	-54
Reversal of impairments	7	-
Reversal of impairments on disposal	26	2
Other changes	-10	-
Impairments as at 31 December	**-112**	**-109**
Total investment property	**1,961**	**2,157**

Investment property is leased to third parties and is primarily diversified over the rural, residential, office and retail sectors in the Netherlands.

At year-end 2010, the fair value of investment property amounted to € 3,260 million (year-end 2009: € 3,486 million). This amount is based on valuations by independent valuators. These valuations are performed annually for the entire portfolio. Nearly all impairments that are recognized relate to residential property.

The amount transferred from property, plant and equipment in 2009 (€ 140 million) is a result of the revision of IAS 40 and involves a reclassification of investment property under development.

Proceeds from the sale of investment properties and rentals are recognized as investment income. For details, see chapter 27. In 2010, rentals amounted to € 183 million (2009: € 179 million).

Direct operating expenses arising from the investment property amounted to € 27 million (2009: € 23 million). In 2010 and 2009 there were almost no vacant properties. 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. 2010	31 DEC. 2009
Deltafort Belegging B.V. - joint venture	144	151
Arboned Holding B.V. - associate	24	29
Other	14	23
Total	**182**	**203**

	DELTAFORT	ARBONED	OTHER	TOTAL
At 1 January 2010	151	29	23	203
Acquisition	-	-	3	3
Disposal	-	-	-6	-6
Share of profit/(loss)	8	-	-4	4
Revaluations	-7	-	-	-7
Impairments	-	-5	-	-5
Dividend	-8	-	-2	-10
Carrying amount at 31 December 2010	**144**	**24**	**14**	**182**

ASSOCIATES AND JOINT VENTURES	INTEREST
Deltafort	50%
Arboned	41%
Other	Ranging from 5% - 50%

Some participating interests in which ASR Nederland has an interest of less than 20% qualify as associates, because ASR Nederland has significant influence.

2010	TOTAL ASSETS	TOTAL LIABILITIES	TOTAL INCOME	TOTAL GAIN OR LOSS
Deltafort	342	-	21	21
Arboned	72	54	124	2
Other	618	593	199	-8
Total	**1,032**	**647**	**344**	**15**

2009	TOTAL ASSETS	TOTAL LIABILITIES	TOTAL INCOME	TOTAL GAIN OR LOSS
Deltafort	393	-	23	23
Arboned	90	73	142	9
Other	663	607	258	16
Total	**1,146**	**680**	**423**	**48**

Deltafort 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 2010, loans to associates amounted to € 35 million (2009: € 25 million). These loans are classified as loans and receivables.

11 Financial assets

Financial assets can be broken down as follows:

	31 DEC. 2010	31 DEC. 2009
Investments		
Available for sale (Chapter 11.1)	19,019	18,048
At fair value through profit or loss (Chapter 11.2)	171	304
Investments on behalf of policyholders		
At fair value through profit or loss (Chapter 11.2)	9,491	8,808
Loans and receivables (Chapter 11.3)	6,407	6,098
Derivatives (Chapter 11.4)	572	312
Cash and cash equivalents (Chapter 15)	489	685
Total financial assets	**36,149**	**34,255**

The table below gives a detailed overview of the types of financial assets held:

	COMPANY INVESTMENTS 31 DEC. 2010	COMPANY INVESTMENTS 31 DEC. 2009	INVESTMENTS ON BEHALF OF POLICYHOLDERS 31 DEC. 2010	INVESTMENTS ON BEHALF OF POLICYHOLDERS 31 DEC. 2009	TOTAL FINANCIAL ASSETS 31 DEC. 2010	TOTAL FINANCIAL ASSETS 31 DEC. 2009
Equities	2,339	1,964	8,679	8,076	11,018	10,040
Fixed-interest securities	16,661	15,982	779	731	17,440	16,713
Loans and receivables	6,407	6,098	1	43	6,408	6,141
Derivatives	572	312	1	-1	573	311
Cash and cash equivalents	489	685	11	6	500	691
Other	190	406	20	-47	210	359
Total	**26,658**	**25,447**	**9,491**	**8,808**	**36,149**	**34,255**

11.1 Investments available for sale

Investments available for sale can be broken down as follows:

	31 DEC. 2010	31 DEC. 2009
Short-term government securities and other discountable securities	37	62
Government bonds	7,665	6,374
Corporate bonds	8,328	8,746
Mortgage-backed securities	273	276
Other asset-backed securities	254	274
Unlisted equities	38	32
Listed equities	2,234	1,878
Other investments	190	406
Total Investments available for sale	**19,019**	**18,048**

CHANGES IN INVESTMENTS AVAILABLE FOR SALE	2010	2009
At 1 January	18,048	16,291
Purchases	5,724	7,348
Repayments	-951	-553
Sold	-4,678	-6,450
Revaluation through profit or loss	29	-105
Revaluation recognized in equity	699	1,462
Impairments	16	-92
Amortization	12	16
Exchange rate differences	40	23
Other changes	80	108
Carrying amount at 31 December	**19,019**	**18,048**

Impairment of investments available for sale
The following table is a breakdown of impairments of investments available for sale:

	2010	2009
At 1 January	-972	-1.020
Increase in impairments through profit or loss	-154	-249
Release of impairments through profit or loss	170	157
Reversal of impairments due to disposal	96	110
Translation differences and other adjustments	-10	30
At 31 December	**-870**	**-972**

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).

11.2 Investments at fair value through profit and loss

A further break down of the Investments at fair value through profit and loss and Investments on behalf of policyholders is included in the fair value hierarchy tables included in chapters 11.5. and 11.6 respectively.

All investments at fair value through profit and loss are designated as such by ASR Nederland upon initial recognition.

ASR Nederland lends equities and bonds in exchange for a fee, with collateral obtained as security. At the end of 2010, the value of the loaned securities was € 7,754 million (2009: € 6,136 million) with the collateral furnished as security representing a value of € 8,908 million (2009: € 7,616 million).

11.3 Loans and receivables

	31 DEC. 2010	31 DEC. 2009
Government and public sector	319	332
Mortgage loans	2,284	2,042
Other loans	381	425
	2,984	**2,799**
Impairments		
Specific credit risks	-33	-37
IBNR	-3	-2
Due from customers	**2,948**	**2,760**
Interest-bearing deposits	28	39
Loans and advances	2,238	2,169
Other	276	160
	2,542	**2,368**
Impairments		
Specific credit risks	-19	-18
Due from banks	**2,523**	**2,350**
Due from policyholders	239	301
Due from intermediaries	222	233
Reinsurance receivables	138	105
Other receivables	374	383
	973	**1,022**
Impairments		
Specific credit risks	-33	-28
IBNR	-4	-6
Trade and other receivables	**936**	**988**
Total loans and receivables	**6,407**	**6,098**

Included in Due from banks is an amount of € 1,908 million (2009: € 1,797 million) related to saving-linked mortgage loans.

Impairment of loans and receivables
The following table breaks down changes in impairments of loans and receivables:

	2010	2009
At 1 January	-93	-49
Increase in impairments through profit or loss	-9	-54
Release of impairments through profit or loss	2	5
Reversal of impairments outside profit or loss	15	9
Translation differences and other adjustments	-8	-4
At 31 December	**-93**	**-93**

The increase in impairments on loans and receivables in 2009 related mainly to intermediary loans. The fair value of the loans and receivables as at 31 December 2010 was € 6,604 million (2009: € 6,276 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 Nederland'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 2010, the derivatives can be broken down as follows:

31 DECEMBER 2010	POSITIVE FAIR VALUE	NEGATIVE FAIR VALUE	NOTIONAL AMOUNT
Derivatives held for trading			
Exchange rate contracts			
Forward contracts	-	-	31
Interest rate and exchange rate 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**

31 DECEMBER 2009	POSITIVE FAIR VALUE	NEGATIVE FAIR VALUE	NOTIONAL AMOUNT
Derivatives held for trading			
Exchange rate contracts			
Forward contracts	1	-	8
Interest rate and exchange rate swaps	9	-	82
Total	**10**	**-**	**90**
Interest rate contracts			
Swaps	30	26	1,795
Options	268	-	10,397
Total	**298**	**26**	**12,192**
Credit derivatives			
Swaps	-	2	95
Total	**-**	**2**	**95**
Total as at 31 December 2009	**308**	**28**	**12,377**
Derivatives held for cash flow hedging			
Interest rate contracts			
Swaps	4	9	97
Total	**4**	**9**	**97**
Total as at 31 December 2009	**312**	**37**	**12,474**

Expected cash flows in connection with interest rate contracts included in derivatives held for cash flow hedging can be broken down as follows:

2010	INFLOW	OUTFLOW	NET CASH FLOW
Within 1 year	1	-	1
Between 1 and 5 years	2	-1	1
After 5 years	-	-	-

No cash flow hedges became ineffective in 2010. 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 the 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 2010	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	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	-	-	38	38
Listed equities	2,142	92	-	2,234
Other investments	190	-	-	190
				19,019
Investments at fair value through profit or loss				
Debt certificates covered by other assets	106	-	-	106
Unlisted equities	-	-	60	60
Listed equities	5	-	-	5
				171
Derivatives				
Exchange rate contracts	-	6	-	6
Interest rate contracts	-	566	-	566
Exchange rate contracts	-	-80	-	-80
Interest rate contracts	-	-1	-	-1
				491
Total	**18,517**	**1,066**	**98**	**19,681**

31 DECEMBER 2009	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	62	-	-	62
Government bonds	6,374	-	-	6,374
Corporate bonds	8,290	456	-	8,746
Debt certificates covered by mortgage	276	-	-	276
Debt certificates covered by other assets	274	-	-	274
Unlisted equities	-	1	31	32
Listed equities	1,809	69	-	1,878
Other investments	406	-	-	406
				18,048
Investments at fair value through profit or loss				
Debt certificates covered by other assets	252	-	-	252
Unlisted equities	-	-	47	47
Listed equities	5	-	-	5
				304
Derivatives				
Exchange rate contracts	-	10	-	10
Interest rate contracts	-	302	-	302
Credit derivatives	-	-2	-	-2
Interest rate contracts	-	-35	-	-35
				275
Total	**17,748**	**801**	**78**	**18,627**

Corporate bonds classified as Level 2 are unlisted fixed-interest preference shares. The financial assets classified as Level 3 comprises private equity investments.

The fair value of private equity investments is determined using valuation techniques based on estimates of future cash flows, net asset values and other information. This information is not based on observable market data, but is supplied by private equity partners.

FAIR VALUE OF FINANCIAL ASSETS ON THE BASIS OF LEVEL 3 VALUATION TECHNIQUE	INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS 2010	INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS 2009	INVESTMENTS AVAILABLE FOR SALE 2010	INVESTMENTS AVAILABLE FOR SALE 2009
At 1 January	47	36	31	45
Changes in value of investments, realized/unrealized gains and losses:				
- Recognized in profit or loss	11	-3	1	11
- Recognized in OCI	-	-	8	-11
Purchases	14	16	3	-
Issues	-	-	-	-
Repayments	-	-	-	-
Sales	-12	-2	-5	-10
Reclassification of investments from/to Level 3 valuation technique	-	-	-	-4
At 31 December	**60**	**47**	**38**	**31**
Total revaluations of investments, held at year-end, recognized in the income statement	11	-6	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 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				
Short-term government securities	-	-	-	-
Government bonds	583	-	-	583
Corporate bonds	57	-	138	195
Debt certificates covered by mortgage	1	-	-	1
Debt certificates covered by other assets	-	-	-	-
Unlisted equities	1,092	-	-	1,092
Listed equities	7,587	-	-	7,587
Other investments	31	2	-	33
Total	**9,351**	**2**	**138**	**9,491**

31 DECEMBER 2009	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				
Short-term government securities	-	-	-	-
Government bonds	500	-	-	500
Corporate bonds	31	-	200	231
Debt certificates covered by mortgage	5	-	-	5
Debt certificates covered by other assets	-	-	-	-
Unlisted equities	969	-	-	969
Listed equities	7,137	-	-	7,137
Other investments	-34	-	-	-34
Total	**8,608**	**-**	**200**	**8,808**

Corporate bonds classified as Level 2 are unlisted fixed-interest preference shares. The financial assets classified as Level 3 comprises private equity investments.

12 Deferred taxes

	31 DEC. 2010	31 DEC. 2009
Deferred tax assets	196	235
Deferred tax liabilities	159	83
Total deferred taxes	**37**	**152**

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 tax rate of 25% (2009: 25.5%) is used when calculating deferred tax. The current tax rate used in the income statement is 25.5%.

	1 JAN. 2010	CHANGES RECOGNIZED IN PROFIT OR 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
Impairment of loans	-	-	-	-	-
Debt certificates and subordinated liabilities	-	-	-	-	-
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**

	1 JAN. 2009	CHANGES RECOGNIZED IN PROFIT OR LOSS	CHANGES RECOGNIZED IN OCI	OTHER	31 DEC. 2009
Financial assets held for trading	-38	30	-	-	-8
Investments	632	-378	-333	-	-79
Investment property	-60	-155	-	-	-215
Property, plant and equipment	-160	152	-	-	-8
Intangible assets	3	-	-	-	3
Premium and claims reserve	172	-169	177	-	180
Impairment of loans	-	-	-	-	-
Debt certificates and subordinated liabilities	-	-	-	-	-
Employee benefits	33	-	-	-	33
Provisions	-2	1	-	-	-1
Amounts received in advance	-105	-4	-	2	-107
Unutilized tax losses	-	353	-	-	353
Other	1	-1	-	1	1
Gross deferred tax	**476**	**-171**	**-156**	**3**	**152**
Write-down of deferred tax assets	-	-	-	-	-
Total deferred taxes	**476**	**-171**	**-156**	**3**	**152**

UNUTILIZED TAX LOSSES	
Total unutilized tax losses as at 31 December 2010	880
Deferred tax assets calculated for unutilized tax losses as at 31 December 2010	220
Total unutilized tax losses as at 31 December 2009	1,386
Deferred tax assets calculated for unutilized tax losses as at 31 December 2009	353

ASR Nederland 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:

	2010	2009
At 1 January	545	523
Changes in provision for unearned premiums	-6	-7
Changes in liabilities arising from insurance contracts (Life)	-3	-13
Changes in provision for claims	-109	42
At 31 December	**427**	**545**

At year-end 2010, reinsurance contracts can be broken down as follows:

	2010	2009
Non-life reinsurance contracts	425	540
Life reinsurance contracts	2	5
At 31 December	**427**	**545**

14 Other assets

The table below shows the composition of other assets:

	31 DEC. 2010	31 DEC. 2009
Deferred investment and interest income	502	503
Property developments	229	239
Tax receivable	-	39
Prepaid costs and other non-financial assets	68	33
Total	**799**	**814**
Impairments of property developments	-	-
Total other assets	**799**	**814**

Capitalized interest expenses are recognized when measuring the property developments. In 2010, € 6 million was capitalized (2009: € 2 million).

15 Cash and cash equivalents

	31 DEC. 2010	31 DEC. 2009
Due from banks	475	554
Due from banks falling due within three months	14	131
Total cash and cash equivalents	**489**	**685**

All cash and cash equivalents are freely available to the Group.

16 Equity

16.1 Share capital

ASR Nederland's share capital can be broken down as follows:

	31 DEC. 2010	31 DEC. 2009
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 State has been ASR Nederland's sole shareholder since 3 October 2008. There were no 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 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**
31 December 2009					
Gross unrealized gains and losses	-205	8	-5	16	-186
Related tax	102	-	1	-	103
Shadow accounting *	193	-	-	-	193
Tax related to shadow accounting	-49	-	-	-	-49
Total	**41**	**8**	**-4**	**16**	**61**

* Includes shadow accounting on segregated investment pools

ASR Nederland 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 Nederland 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	2010	2009	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 do not have a finite life, but can be redeemed by ASR Nederland 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 in 2010 (x € 1,000):

	2010	2009
Hybrid Tier 1 instrument variable interest (3-month Euribor + 2.3%)	2,613	586
Hybrid Tier 1 instrument 6.25% fixed interest	771	303
Hybrid Tier 1 instrument 10% fixed interest	46,780	-
Hybrid Tier 1 instrument 7.25% fixed interest	3,112	-
Total	**53,276**	**889**

17 Subordinated debt

Subordinated debt can be broken down as follows:

	31 DEC. 2010	31 DEC. 2009
Private loans	20	20
Total subordinated debt	**20**	**20**

The repayments of the private loans by ASR Nederland of € 20 million are due on 20 March 2012. The average interest rate on the subordinated loans is 6.6% (2009: 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 2010 was € 20 million (2009: € 22 million).

18 Insurance liabilities

18.1 Liabilities arising from insurance contracts

ASR Nederland's insurance contracts with retained exposure can be broken down as follows:

	31 DEC. 2010	31 DEC. 2009
Life insurance contracts	**18,817**	**18,351**
Provision for unearned premiums	536	518
Provision for claims	2,999	3,017
Non-life insurance contracts	**3,535**	**3,535**
Total liabilities arising from insurance contracts	**22,352**	**21,886**

Changes in liabilities arising from life insurance contracts can be broken down as follows:

	2010	2009
At 1 January	18,457	17,978
Premiums received	1,407	1,576
Interest added	674	683
Benefits	-1,859	-1,828
Technical result	-79	-123
Release of cost recovery	-147	-175
Changes in shadow accounting through equity	275	451
Changes in shadow accounting through income	142	-88
Other changes	27	-17
At 31 December	**18,897**	**18,457**
Interest margin participations to be written down		
At 1 January	-121	-135
Acquisition of insurance portfolios	-	-
Discounts granted in the financial year	-15	-6
Write-down recognized in profit or loss	41	22
Other changes	2	-2
At 31 December	**-93**	**-121**
Provision for profit-sharing, bonuses and discounts		
At 1 January	15	18
Profit-sharing, bonuses and discounts granted in the financial year	-2	-3
At 31 December	**13**	**15**
Total life insurance contracts at year-end	**18,817**	**18,351**

At year-end 2010, the liabilities included a guarantee provision for a carrying amount of € 107 million (2009: € 107 million).

Changes in liabilities arising from non-life insurance contracts can be broken down as follows:

	GROSS		OF WHICH REINSURANCE	
	2010	2009	2010	2009
Provision for unearned premiums				
At 1 January	518	532	21	28
Changes in provision for unearned premiums	18	-13	-6	-7
Other changes	-	-1	-	-
Provision for unearned premiums as at 31 December	**536**	**518**	**15**	**21**
Provision for claims				
At 1 January	3,017	2,757	519	477
Benefits paid	-1,541	-1,397	108	-109
Changes in provision for claims	1,523	1,657	-217	151
Provision for claims as at 31 December	**2,999**	**3,017**	**410**	**519**
Non-life insurance contracts as at 31 December	**3,535**	**3,535**	**425**	**540**

The provision for claims comprises:

	GROSS	
	31 DEC. 2010	31 DEC. 2009
Claims reported	2,739	2,466
IBNR	260	551
Total provision for claims	**2,999**	**3,017**

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 2001 to 2010.

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**

GROSS CLAIMS (CUMULATIVE) AS AT 31 DECEMBER 2009	CLAIMS YEAR										
		2001	2002	2003	2004	2005	2006	2007	2008	2009	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	
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		
Gross claims at 31 December 2009		**954**	**1,100**	**1,079**	**1,083**	**1,013**	**1,067**	**1,262**	**1,480**	**1,731**	
Cumulative gross paid claims		886	1,020	986	994	894	898	978	1,052	783	
Gross outstanding claims liabilities (including IBNR)		**68**	**80**	**93**	**89**	**119**	**169**	**284**	**428**	**948**	**2,278**
Claim liabilities prior years											463
Other claim liabilities											276
Total claim liabilities											**3,017**

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:

	2010
At 1 January	9,823
Premiums received	981
Interest added	227
Benefits	-819
Effect of fair value changes related to financial assets	508
Technical result	-9
Release of cost recovery	-303
Other changes	80
At 31 December	10,488

At year-end 2010, the liabilities included a guarantee provision for a carrying amount of € 126 million (2009: € 128 million) and a provision related to unit-linked insurance contracts for a carrying amount of € 626 million (2009: € 569 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. 2010	31 DEC. 2009
Post-employment benefits pensions (Chapter 19,1)	1,992	1,898
Post-employment benefits other than pensions (Chapter 19,1)	34	41
Post-employment benefit obligation	**2,026**	**1,939**
Other long-term employee benefits (Chapter 19,2)	7	7
Total	**2,033**	**1,946**

ASR Levensverzekering N.V., an insurance company and a group entity, is the administrator 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:

	2010	2009
Post-employment benefits pensions	-135	-123
Post-employment benefits other than pensions	5	-1
Total	**-130**	**-124**
Other long-term employee benefits	-1	-1
Costs of post-employment benefits	**-131**	**-125**

The costs relate to all members of the ASR Nederland post-employment benefit plan. In 2009, a number of employees of former Dutch Fortis entities were also covered by this plan. In 2009, € 3 million of the aforementioned costs were recharged, so that ASR Nederland did not incur them.

19.1 Defined benefit obligation and other post-employment benefits

ASR Nederland 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 turn-over, 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 2006) and the carrying amounts recognized in the balance sheet item for pensions and other post-employment benefits.

AT 31 DECEMBER	PENSION PLANS				
	2010	2009	2008	2007	2006
Present value of funded obligations	-	-	-	1,637	1,700
Present value of unfunded obligations	2,176	1,970	1,707	-	-
Defined benefit obligation	**2,176**	**1,970**	**1,707**	**1,637**	**1,700**
Fair value qualifying plan assets	-	-	-	-1,265	-1,344
Unrecognized past service costs	18	21	24	27	30
Unrecognized actuarial gain (loss)	-202	-93	154	88	48
Net liability (asset)	**1,992**	**1,898**	**1,885**	**487**	**434**
Amounts in the balance sheet:					
Liabilities	1,992	1,898	1,885	487	434
Assets	-	-	-	-	-
Net liability (asset)	**1,992**	**1,898**	**1,885**	**487**	**434**

AT 31 DECEMBER	OTHER POST-EMPLOYMENT BENEFITS				
	2010	2009	2008	2007	2006
Present value of funded obligations	-	-	-	-	-
Present value of unfunded obligations	18	24	23	20	26
Defined benefit obligation	**18**	**24**	**23**	**20**	**26**
Fair value qualifying plan assets	-	-	-	-	-
Unrecognized past service costs	-	-	-	-	-
Unrecognized actuarial gain (loss)	16	17	18	24	19
Net liability (asset)	**34**	**41**	**41**	**44**	**45**
Amounts in the balance sheet:					
Liabilities	34	41	41	44	45
Assets	-	-	-	-	-
Net liability (asset)	**34**	**41**	**41**	**44**	**45**

The post-employment benefit plan for ASR Nederland's employees has been administrated by ASR Levensverzekeringen N.V. since 2008. Assets managed by group companies have not been included in the above figures. At year-end 2010, the fair value of these assets amounted to € 1,623 million (2009: € 1,569 million).

The table below shows movements in the defined benefit obligation:

	PENSION PLANS		OTHER POST-EMPLOYMENT BENEFITS	
	2010	2009	2010	2009
Defined benefit obligation at 1 January	1,970	1,707	24	23
Current service cost, contributions by employer	32	26	-	2
Current service cost, contributions by employee	10	10	-	-
Interest cost	106	98	1	1
Actuarial losses (gains) on liabilities	108	247	-2	-1
Benefits	-74	-80	-1	-1
Curtailments and settlements	-	-	-4	-
Transfer	24	-38	-	-
Defined benefit obligation at 31 December	**2,176**	**1,970**	**18**	**24**

The following table shows the changes in unrecognized past service cost:

	PENSION PLANS		OTHER POST-EMPLOYMENT BENEFITS	
	2010	2009	2010	2009
Unrecognized past service cost as at 1 January	21	24	-	-
Amortization of unrecognized past service cost	-3	-3	-	-
Unrecognized past service cost as at 31 December	**18**	**21**	**-**	**-**

The following table provides an overview of changes in total unrecognized actuarial (gains) losses on assets and liabilities:

	PENSION PLANS		OTHER POST-EMPLOYMENT BENEFITS	
	2010	2009	2010	2009
Unrecognized actuarial gains (losses) at 1 January	-93	154	17	18
Actuarial (gains) losses on defined benefit obligation	-95	-206	2	1
Amortization of unrecognized actuarial (gains) losses on defined benefit obligation	-	-	-3	-2
Transfer	-14	-41	-	-
Unrecognized actuarial gains (losses) at 31 December	**-202**	**-93**	**16**	**17**

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 2006) and the defined benefit obligation.

	PENSION PLANS					OTHER POST-EMPLOYMENT BENEFITS				
	2010	2009	2008	2007	2006	2010	2009	2008	2007	2006
Experience adjustments to qualifying investments, gain (loss)	-	-	-	-82	-23	-	-	-	-	-
As % of qualifying investments as at 31 December'	-	-	-	-6.5%	-1.7%	-	-	-	-	-
Experienced adjustments to defined benefit obligation, loss (gain)	-13	4	-31	60	-11	-1	-1	-	-4	-4
As a % of liabilities as at 31 December	-0.7%	0.2%	-1.8%	3.7%	-0.7%	-2.9%	-2.3%	1.1%	-21.5%	-17.2%

The principal actuarial assumptions at year end were as follows:

	PENSION PLANS		OTHER POST-EMPLOYMENT BENEFITS	
	2010	2009	2010	2009
Discount rate	4.7%	5.1%	3.7%	4.1%
Expected return on plan assets	-	-	-	-
Future salary increases (including price inflation)	2.0%	2.4%	-	-
Future pension increases (including price inflation)	1.9%	2.2%	-	-
Future mortgage interest (in connection with grantable discounts)	-	-	4.5%	4.8%

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	2010	2009
Equities	12%	9%
Fixed-interest securities	81%	86%
Real estate	6%	4%
Other	1%	1%

As a financier of the post-employment benefit plans, ASR Nederland 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 Nederland 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	
	2010	2009	2010	2009
Current service costs	-32	-29	-1	-2
Interest costs	-106	-97	-1	-1
Amortization of unrecognized past service costs	3	3	-	-
Depreciation of unrecognised actuarial losses (gains)	-	-	3	2
Gains on curtailments	-	-	4	-
Total defined benefits expense	**-135**	**-123**	**5**	**-1**

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 2010 amounted to € 66 million (2009: € 64 million). These returns have been recognized in investment income (chapter 27).

As an employer, ASR Nederland 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	74	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:

	2010	2009
Net liability as at 1 January	7	7
Total expenses	1	1
Paid contributions	-1	-1
Net liability as at 31 December	**7**	**7**

The underlying assumptions are as follows:

ACTUARIAL YEAR-END ASSUMPTIONS	2010	2009
Discount rate	4.0%	3.8%
Salary increases	2.0%	2.4%

20 Provisions

The table below shows movements in provisions:

	2010	2009
At 1 January	30	29
Additional foreseen amounts	14	39
Reversal of unused amounts	-2	-12
Usages in course of year	-14	-31
Other changes	-	5
At 31 December	**28**	**30**

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 2009-2010 redundancy plan, and on decisions made by ASR Nederland's management.

Of the provisions, an amount of € 11 million falls due within one year (2009: € 21 million).

21 Borrowings

As at year-end 2010, borrowings were comprised of:

	31 DEC. 2010	31 DEC. 2009
Loans	99	77
Deposits	-	50
Total borrowings	**99**	**127**

As at year-end 2010, the fair value of borrowings was € 99 million (2009: € 127 million). The average interest rate payable on other borrowings was 4.0% (2009: 2.9%).

Borrowings have the following terms to maturity:

	31 DEC. 2010	31 DEC. 2009
Falling due within 1 year	11	55
Falling due between 1 and 5 years	22	25
Falling due after 5 years	66	47
Total borrowings	**99**	**127**

ASR Nederland uses this financing for investment (property, foreign subsidiary Limited Partnership, group pension contracts), balance sheet management, and short-term cash flow management.

22 Due to customers

Amounts owed to customers can be broken down as follows:

	31 DEC. 2010	31 DEC. 2009
Debts to policyholders, agents and intermediaries	594	606
Debts to reinsurers	69	40
Savings	582	570
Other liabilities	504	176
Total due to customers	**1,749**	**1,392**

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. 2010	31 DEC. 2009
Securities lending	27	721
Other debts	49	168
Total due to banks	**76**	**889**

There is no significant difference between the carrying amount of amounts due to banks and the fair value of these liabilities.

Collateral received for securities lending comprises the following:

- A securities lending agreement for € 27 million with ABN AMRO that was taken up in several tranches at year-end 2010.
  The funds drawn have maturities of less than one year and come with an interest rate of 1.366%.
- Items under 'Other debts' include collateral received under ISDAs concluded with counterparties. The average interest rate payable for the collateral received in 2010 is 0.438% (Eonia) (2009: 0.35%). 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. 2010	31 DEC. 2009
Deferred income	304	330
Accrued interest	23	26
Other liabilities	320	353
Short-term employee benefits	61	54
Trade payables	167	166
Tax payable	205	130
Dividends payable	-	2
Total other liabilities	**1,080**	**1,061**

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:

	2010	2009
Life insurance contracts retained exposure	1,447	1,466
Life insurance contracts on behalf of policyholders	981	1,102
Total life insurance contracts	**2,428**	**2,568**
Non-life insurance contracts – gross earned premiums	2,341	2,389
Other premiums and eliminations	-31	-43
Total gross insurance premiums	**4,738**	**4,914**

Non-recurring and regular insurance premiums can be broken down as follows:

PREMIUMS LIFE	2010	2009
Retained exposure Group		
Non-recurring premiums written	113	66
Periodic premiums written	289	206
Group total	**402**	**272**
Individual		
Non-recurring premiums written	566	588
Periodic premiums written	479	606
Individual total	**1,045**	**1,194**
Total contracts retained exposure	**1,447**	**1,466**
On behalf of policyholders Group		
Non-recurring premiums written	39	74
Periodic premiums written	243	167
Group total	**282**	**241**
Individual		
Non-recurring premiums written	18	33
Periodic premiums written	681	828
Individual total	**699**	**861**
Total contracts on behalf of policyholders	**981**	**1,102**
Total life insurance contracts	**2,428**	**2,568**

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	2010	2009
Gross premiums written	2,376	2,375
Changes in provisions for unearned premiums	-35	14
Non-life insurance contracts – gross earned premiums	**2,341**	**2,389**

26 Reinsurance premiums

Reinsurance premiums can be summarized as follows:

	2010	2009
Gross premium, life	-8	-66
Gross premium, non-life	-206	-217
Eliminations	-6	-8
Total reinsurance premiums	**-220**	**-291**

27 Investment income

27.1 Total investment income

The table below shows a breakdown of investment income per category:

	2010	2009
Interest income	1,114	1,181
Dividend and other investment income	238	223
Total investment income	**1,352**	**1,404**

The table below breaks down interest income per category:

	2010	2009
Interest income from receivables due from credit institutions	145	144
Interest income from investments	744	766
Interest income from amounts due from customers	151	154
Interest income from trade receivables and derivatives	62	68
Other interest income	12	49
Total interest income	**1,114**	**1,181**

The effective interest rate method has been applied to an amount of € 1,024 million of the interest income from financial assets not classified as stated at fair value through profit and loss (2009: € 1,037 million).

Interest income includes € 44.7 million (2009: € 40.2 million) in interest received on impaired fixed-income securities.

Dividend and other investment income per category can be broken down as follows:

	2010	2009
Dividend on equities	46	29
Rentals from investment property	183	179
Other investment income	9	15
Total dividend and other investment income	**238**	**223**

27.2 Realized gains and losses

The table below shows a breakdown of realized gains and losses per category:

	2010	2009
Investment property		
Realized gains	199	125
Realized losses	-44	-1
Group companies, associates and joint ventures		
Realized gains	-	3
Realized losses	-	-1
Investments available for sale		
Fixed-interest securities		
Realized gains	109	135
Realized losses	-189	-157
Equities		
Realized gains	127	50
Realized losses	-22	-92
Other investments		
Realized gains	5	2
Realized losses	-7	-42
Total realized gains and losses	**178**	**22**

27.3 Fair value gains and losses

Fair value gains and losses per category can be broken down as follows:

	2010	2009
Derivatives	-43	-82
Financial assets at fair value through profit or loss	15	26
Total fair value gains and losses	**-28**	**-56**

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 purposes 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 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:

	2010	2009
Asset management for third parties	7	3
Commission on reinsurance	109	83
Other fee and commission income	11	3
Total fee and commission income	**127**	**89**

29 Other income

Other income can be broken down as follows:

	2010	2009
Proceeds from property developments	189	118
Proceeds from financial restructuring	-	129
Other income	147	120
Total other income	**336**	**367**

In 2009, income from the restructuring of the non-cumulative guaranteed Trust Capital Securities and the related issue of new hybrid Tier 1 instruments amounted to € 129 million.

30 Net insurance claims and benefits

Net insurance claims and benefits can be summarized as follows:

TOTAL LIFE AND NON-LIFE	2010	2009
Insurance claims and benefits	-5,136	-5,840
Insurance claims and benefits recovered from reinsurers	12	195
Net insurance claims and benefits	**-5,124**	**-5,645**

LIFE	2010	2009
Claims paid	-2,678	-2,628
Changes in liabilities arising from insurance contracts	-232	31
Changes in liabilities arising from insurance contracts on behalf of policyholders	-665	-1,561
Amortization of VOBA (Chapter 6)	-18	-16
Insurance claims and benefits	**-3,593**	**-4,174**
Insurance claims and benefits recovered from reinsurers	**2**	**44**
Net insurance claims and benefits, Life	**-3,591**	**-4,130**

NON-LIFE	2010	2009
Claims paid	-1,541	-1,403
Change in provision for outstanding claims	-	-260
Amortization of VOBA (Chapter 6)	-2	-3
Insurance claims and benefits	**-1,543**	**-1,666**
Insurance claims and benefits recovered from reinsurers	10	151
Net insurance claims and benefits, Non-life	**-1,533**	**-1,515**

31 Operating expenses

Operating expenses can be broken down as follows:

	2010	2009
Salaries and wages	-257	-215
Social security contributions	-29	-25
Pension charges	-23	-27
Employee discounts	-10	-10
Other short-term employee benefits	-26	-53
Total cost of own staff	**-345**	**-330**
Cost of external staff	-102	-105
Consultancy costs and fees	-53	-52
Marketing, advertising and public relations expenses	-37	-38
Technology and system costs	-39	-31
Amortization of software (Chapter 6)	-6	-9
Depreciation of property, plant and equipment (Chapter 8)	-16	-13
Other operating expenses	-74	-74
Total other operating expenses	**-327**	**-322**
Total operating expenses	**-672**	**-652**

Other operating expenses include travel and subsistence, telephone and personnel training expenses.

In 2010, the employee benefit expense increased to € 345 million (2009: € 330 million), despite a reduction in own staff. This was mainly due to the reversal in 2009 of the provision for profit sharing 2008 amounting to € 23 million.

The distribution of ASR Nederland's workforce was as follows at 31 December (in FTEs):

	2010	2009
Life	864	956
Non-life	1,030	1,078
Other	2,439	2,420
Total employees	**4,333**	**4,454**

As a result of cost-cutting programmes, the number of own staff decreased by 121 to 4,333. In 2010, the average work-force numbered 4,383 FTEs (2009: 4,497 FTEs).

Operating expenses are allocated to the life and non-life segments. However, in the presentation of the ASR Nederland's workforce per segment, employees, administrative expenses and over-heads have not been allocated to segments.

32 Acquisition costs

Acquisition costs can be broken down as follows:

	2010	2009
Commission fees	-479	-497
Recognized in deferred acquisition costs	14	36
Amortization of deferred acquisition costs	-87	-108
Total acquisition costs	**-552**	**-569**

33 Impairment of assets

The table below is a summary of impairments:

	2010	2009
Intangible assets	-23	-22
Deferred acquisition costs	-	-57
Investment property	-19	-54
Associates and joint ventures	-5	-
Investments available for sale	16	-92
Loans and receivables	-8	-49
Other assets	-	18
Total impairments	**-39**	**-256**

Due to the credit and financial crises, impairments have been applied to equities, corporate bonds and collateralized debt obligations.

Changes in impairments of financial assets can be broken down as follows:

	2010	2009
Equities	-17	-37
Bonds	-170	-75
Collateralized debt obligations	46	-89
Reversal of impairments on bonds as a result of disposal	157	109
Total impairments in investments	**16**	**-92**

34 Interest expense

The table below is a breakdown of the interest expense:

	2010	2009
Interest on employee benefits	-106	-94
Interest on derivatives	-19	-33
Interest owed to banks	-19	-24
Interest owed to customers	-3	-1
Interest on subordinated debt	-1	-20
Interest on borrowings	-2	-10
Other interest expenses	-19	-14
Total interest expenses	**-169**	**-196**

35 Other expenses

	2010	2009
Costs associated with sale of development property	-160	-141
Operation and depreciation of investment property	-69	-61
Other expenses	-56	-51
Total other expenses	**-285**	**-253**

36 Income tax expense

The income tax expense can be broken down as follows:

	2010	2009
Current tax for financial year	-3	-
Current taxes referring to previous periods	-38	101
Total current tax	**-41**	**101**
Deferred tax for financial year	-61	-171
Impact of change in tax rate	-1	-
Total deferred tax	**-62**	**-171**
Income tax expense	**-103**	**-70**

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 2010, this rate was 25.5% (2009: 25.5%). The enacted tax rate for 2011 will be 25%.

	2010	2009
Profit before tax	421	330
Current tax rates	25,5%	25,5%
Expected income tax expense	**-107**	**-84**
Effects of		
Tax-exempt interest	8	7
Tax-exempt dividends	6	7
Tax-exempt capital gains	14	7
Changes in impairments	-6	-14
Adjustments for taxes due on previous financial years	-17	6
Other effects	-1	1
Income tax expense	**-103**	**-70**

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 Nederland 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 Nederland 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 Nederland Executive Board and Supervisory Board). In the normal conduct of business, ASR Nederland 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 Nederland's related party transactions:
- associates;
- joint ventures;
- other related parties.

	ASSOCIATES		JOINT VENTURES		OTHER RELATED PARTIES		TOTAL	
	2010	2009	2010	2009	2010	2009	2010	2009
Balance sheet items with related parties as at 31 December								
Associates	38	51	144	151	-	-	182	202
Loans & receivables	45	35	-	-	-	-	45	35
Other liabilities	62	36	-	-	-	-	62	36
Transactions in the income statement for the financial year								
Interest income	1	2	-	-	-	-	1	2
Interest expense	1	1	-	-	-	-	1	1

Other assets concern loans including a provision for impairment of € 6,5 million (2009: € 11 million).

Mortgage loans to the Executive Board can be broken down as follows:

AMOUNTS IN EUROS X 1,000			AVERAGE INTEREST %		SETTLEMENT	
EXECUTIVE DIRECTORS	2010	2009	2010	2009	2010	2009
J.P.M. Baeten	738	-	4.0%	-	41	-
R.H.A. van Vledder	450	400	3.3%	3.1%	-	-
Total	**1,188**	**400**			**41**	**-**

During 2010 ASR Nederland, as part of the disentanglement from Fortis, acquired the employee mortgage loans portfolio related to ASR Nederland. The mortgage loans held by the members of the Executive Board are therefore at 31 December 2010 included as part of the total ASR Nederland mortgage portfolio.

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 Nederland N.V.

38.1 Remuneration of supervisory directors

The annual remuneration for members of the ASR Nederland Supervisory Board has been calculated as follows:

AMOUNTS IN EUROS X 1,000	2010			2009		
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
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	30	5	35
A.P. Aris [2]	2	-	2	-	-	-
Total	**115**	**26**	**141**	**135**	**30**	**165**

[1] Joined the Supervisory Board on 12 February 2009 and stepped down on 10 March 2010. [2] Joined the Supervisory Board on 7 December 2010.

38.2 Remuneration of current and former executive directors

The remuneration of current and former executive directors is in accordance with the 2010 remuneration policy. This policy was approved by the shareholder.

Variable remuneration consists of a short-term portion (⅓) and a long-term portion that will be paid out after three years (⅔) depending on the development of customer satisfaction. Considering the public outcry regarding variable remuneration, the Supervisory Board has decided not to pay out the short-term portion of the variable remuneration to the members of the Executive Board for the financial year 2010. The Supervisory Board also set a new condition, namely that the long-term portion of variable remuneration to be paid out after three years should fit the remuneration policy still to be developed.

No variable remuneration was paid in 2010 for the financial year 2009.

According to the remuneration policy, the variable remuneration of the Executive Board is related to customer satisfaction, ASR Nederland's financial performance and the executive director's individual performance. Each of these three factors form one-third of the variable remuneration. In other words, 40% to 60% of the variable remuneration is related to non-financial criteria.

The remuneration can be broken down as follows:

AMOUNTS FOR 2010 IN EUROS X 1,000 EXECUTIVE DIRECTORS	SHORT-TERM EMPLOYEE BENEFITS	POST-EMPLOY-MENT BENEFITS	PENSION BENEFITS [1]	EXPENSE ALLOWANCES	TERMINATION BENEFITS	LONG-TERM VARIABLE REMUNERATION	TOTAL, INCLUDING LONG-TERM VARIABLE REMUNERATION [2]	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. One-third of the variable remuneration concerns the short-term variable remuneration. This part, € 217 in total, will not be disbursed. * Term of service as executive director ended on 01 March 2010. ** Term of service at ASR Nederland ended on 01 September 2010. The termination benefit is determined in accordance with the Dutch Corporate Goverance Code (article II.2.8) and contractual obligations.

AMOUNTS FOR 2009 IN EUROS X 1,000 EXECUTIVE DIRECTORS	SHORT-TERM EMPLOYEE BENEFITS	POST-EMPLOYMENT BENEFITS	PENSION BENEFITS [1]	EXPENSE ALLOWANCES	TERMINATION BENEFITS	VARIABLE REMUNERATION	TOTAL, INCLUDING VARIABLE REMUNERATION	TOTAL DISBURSED REMUNERATION
J.P.M. Baeten	490	-	330	5	-	-	825	825
J.W.M. van der Knaap	327	-	115	5	-	-	447	447
T. Pluijter	327	-	124	5	-	-	456	456
R.H.A. van Vledder	327	-	88	5	-	-	420	420
M.N. Kok *	131	-	32	2	-	-	165	165
J.P. Rijsdijk **	209	-	71	4	-	-	284	284
R.T. Wijmenga ***	232	-	76	5	-	-	313	313
Total	**2,043**	**-**	**836**	**31**	**-**	**-**	**2,910**	**2,910**

[1] This includes pension and VPL. * Term of service at ASR Nederland ended on 27 May 2009. ** Joined ASR Nederland on 1 April 2009. *** Joined ASR Nederland on 1 February 2009.

An amount of € 271,289 was paid in 2010 to former executive directors under existing contractual obligations.

An amount of € 260,000 was paid in 2009 to former executive directors under existing contractual obligations. No variable remuneration was awarded for the financial year 2009.

39 Acquisitions

There were no acquisitions in 2010. On 29 December 2009, ASR Bank N.V. was acquired. This did not have any significant impact on the income statement for 2009.

40 Contingent liabilities

Claims and disputes

ASR Nederland is a respondent in a number of claims, disputes and legal proceedings arising from the normal conduct of business.

ASR Nederland forms provisions for such occurrences if, in management's opinion and after consultation with its legal advisers, ASR Nederland 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 Nederland 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 Nederland can successfully mount a defence against them, or that the outcome of the proceedings is unlikely to result in a significant loss for ASR Nederland.

Securities leasing

ASR Nederland is involved in a number of legal proceedings involving securities leasing products ('Groeivermogen') that have been brought against several ASR Nederland 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 Nederland 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 € 316 million (2009: € 300 million). ASR Vastgoed Ontwikkeling has issued guarantees to third parties for a total amount of € 2.2 million (2009: € 3.0 million) for projects. 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:

	2010	2009
No later than 3 months	2	2
Later than 3 months and no later than 1 year	4	5
Later than 1 year and no later than 5 years	9	8
Total	**15**	**15**

ANNUAL LEASE COSTS	2010	2009
Lease payments	6	6

Company financial statements

41 Company balance sheet

(before profit appropriation)

	NOTE	31 DEC. 2010	31 DEC. 2009
Intangible assets	1	-	11
Subsidiaries, joint ventures and associates	2	3,499	2,841
Loans to group companies	3	611	770
Loans and receivables	5	37	88
Receivables from group companies	6	1,835	1,703
Deferred tax assets		281	401
Other assets		24	16
Cash and cash equivalents	7	18	6
Total assets		**6,305**	**5,836**
Equity			
Share capital	8	100	100
Share premium reserve	8	962	962
Statutory reserves	8	342	45
Other reserves	8	210	27
Profit for the year	8	317	255
Total equity attributable to shareholders		**1,931**	**1,389**
Other equity instruments	8	515	515
Equity attributable to holders of equity instruments		**2,446**	**1,904**
Subordinated debt	9	20	20
Employee benefits	10	2,033	1,946
Provisions	11	21	20
Borrowings	12	150	164
Loans to group companies		418	458
Debts to group companies		1,078	735
Derivatives		1	-
Deposits		-	50
Other liabilities		138	539
Total liabilities		**3,859**	**3,932**
Total liabilities and equity		**6,305**	**5,836**

42 Company income statement

	2010	2009
Share of profit/(loss) of group companies	362	282
Other income and expenses after tax	-45	- 27
Profit for the year	**317**	**255**

43 Notes to the company financial statements

General
The consolidated financial statements of ASR Nederland for 2010 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 Nederland 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 Nederland's consolidated financial statements. The share of profit of group companies is reported in conformity with the accounting policies used in ASR Nederland'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.

Comparative figures
The comparative figures for the year 2009 have been restated to match the current year presentation. In 2010, some of the company's assets and liabilities were reallocated to subsidiaries, affecting the carrying amounts of subsidiaries, receivables and liabilities for 2009. These presentation changes have no impact on total equity and profit for the year.

43.1 Notes to the company balance sheet

Assets

1. Intangible assets

Intangible assets can be broken down as follows:

	31 DEC. 2010	31 DEC. 2009
Goodwill	-	11
Total intangible assets	**-**	**11**

CHANGES IN GOODWILL	2010	2009
Cost price as at 1 January	11	-
Purchased group companies	-	11
Cost price as at 31 December	**11**	**11**
Impairments as at 1 January	-	-
Impairments	-11	-
Impairments as at 31 December	**-11**	**-**
Total intangible assets	**-**	**11**

2. Subsidiaries, joint ventures and associates

	2010	2009
At 1 January	2,841	2,648
Additions to capital	472	153
Reclassification to intangible assets	-	-11
Restructuring of subsidiaries	-	-77
Share of profit	362	282
Dividend received	-465	-872
Revaluations	297	703
Change in DPF component	-8	16
Other changes	-	-1
At 31 December	**3,499**	**2,841**

3. Loans to group companies

	2010	2009
At 1 January	770	739
Issues	2,402	3,104
Repayments	-2,561	-3,073
At 31 December	**611**	**770**

4. Financial assets

Financial assets available for sale can be broken down as follows:

	2010	2009
At 1 January	-	12
Sales	-	12
At 31 December	**-**	**-**

5. Loans and deposits

	2010	2009
At 1 January	88	269
Issues	80	1,575
Repayments	-130	-1,737
Impairments	-1	-18
Other changes	-	-1
At 31 December	**37**	**88**

6. Receivables from group companies

Receivables from group companies are payable on demand. This amount includes the receivable with respect to the unqualified plan assets (see chapter 19) managed by ASR Levensverzekering N.V. amounting to € 1,623 million (2009: € 1,569 million).

7. Cash and cash equivalents

Cash and cash equivalents are stated at face value. They are fully and freely available to the company.

8. 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 2009	**100**	**962**	**-**	**10**	**-640**	**432**	**-**	**432**
Profit for the year	-	-	-	-	255	255	-	255
Unrealized change in value	-	-	703	-	-	703	-	703
Change in reserves required by law	-	-	-658	658	-	-	-	-
Profit carried over from previous financial year	-	-	-	-640	640	-	-	-
Coupon on other equity instruments	-	-	-	-1	-	-1	-	-1
Issue of other equity instruments	-	-	-	-	-	-	521	521
Cost of issue of other equity instruments	-	-	-	-	-	-	-6	-6
At 31 December 2009	**100**	**962**	**45**	**27**	**255**	**1,389**	**515**	**1,904**
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	-	-	-
Coupon on other equity instruments	-	-	-	-53	-	-53	-	-53
Income tax relating to coupon on other equity instruments	-	-	-	14	-	14	-	14
At 31 December 2010	**100**	**962**	**342**	**210**	**317**	**1,931**	**515**	**2,446**

The revaluation reserve relates to investments held by the company. The statutory reserve relates to the revaluation of investments in group companies.

Share capital can be broken down as follows:

	NUMBER OF SHARES		AMOUNT IN MILLIONS OF EUROS	
	31 DEC. 2010	31 DEC. 2009	31 DEC. 2010	31 DEC. 2009
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
In June 2009, ASR Nederland restructured a number of Trust Capital Securities with a principal amount of € 650 million. This restructuring has resulted in the issue of four different hybrid Tier 1 instruments that are classified as equity (chapter 16.3).

9. Subordinated debt
The table below shows the composition of subordinated debt:

	31 DEC. 2010	31 DEC. 2009
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% (2009: 6.6%).

See chapter 17 for more notes on subordinated debt.

10. Employee benefits
Employee benefits can be broken down as follows:

	31 DEC. 2010	31 DEC. 2009
Post-employment benefits pensions	1,992	1,898
Post-employment benefits other than pensions	34	41
Other long-term employee benefits	7	7
Total employee benefits	**2,033**	**1,946**

See chapter 19 for more notes on employee benefits.

11. Provisions
The table below shows movements in provisions:

	2010	2009
At 1 January	20	27
Additional provisions	13	36
Reversal of unused amounts	-	-12
Utilized in course of year	-12	-8
Other changes	-	-23
At 31 December	**21**	**20**

The provisions were formed for:
- tax and legal issues;
- staff redundancies;
- retained disability risk.

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 time required for the settlement of disputes.

12. Borrowings
Borrowings can be summarized as follows:

	31 DEC. 2010	31 DEC. 2009
Borrowings from group companies	150	164
Total borrowings	**150**	**164**

The residual term to maturity of the borrowings is 30 months (2009: 37 months).
The average interest rate is 3.2% (2009: 3.5%).

13. Joint and several liability
Since 3 October 2008, the company and its subsidiaries have been part of the tax entity ASR Nederland 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 Nederland was a member of a VAT tax group of ASR Nederland 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 Nederland 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 2010 and 2009 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	2010	2009
Examining and auditing the financial statements under the articles of association and other group company audits under the articles of association	2,317	2,231
Tax advisory services	74	51
Other non-audit services	1,672	2,273
Total audit fees	**4,063**	**4,555**

Utrecht, the Netherlands, 26 April 2011

Supervisory Board

Kick van der Pol
Annet Aris
Cor van den Bos
Margot Scheltema

Executive Board

Jos Baeten
Hans van der Knaap
Roeland van Vledder
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 2010 of ASR Nederland N.V., Utrecht. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet statement of financial position as at 31 December 2010, the consolidated income statement the consolidated statements of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at 31 December2010, the company profit and loss accountincome 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 Dutch Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Dutch 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 2010 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 Dutch 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 2010 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch 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 Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the management board report, 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 management board report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Utrecht, 26 April 2011

KPMG ACCOUNTANTS N.V.

W. Teeuwissen RA

Events after the reporting date

In 2008, ASR Nederland concluded an agreement with consumer organizations related to the cost compensation scheme for unit-linked insurance contracts. In February 2011, ASR Nederland decided to settle the compensation that unit-linked policyholders are entitled to in 2011 rather than at the end of the contract. Also, ASR Nederland will be offering unit-linked policyholders a free of charge advice from their intermediary, in order to determine the best solution for the individual customer. This may include surrender of the existing unit-linked insurance contract, continuation, or a switch to another ASR Nederland product. In no cases will penalties be charged to the customer following their surrender or switch to a different product.

The financial effect of this decision cannot be reliably estimated because it is dependent on customer behaviour.

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
ASR Nederland 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 Nederland Aanvullende Ziektekostenverzekeringen N.V.[1, 2]	100.00	100.00	Amersfoort	Non-life
ASR Nederland 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 Nederland Ziektekostenverzekeringen N.V. [1, 2]	100.00	100.00	Amersfoort	Non-life
De Amersfoortse Reinsurance Limited [2]	100.00	100.00	Dublin, Ireland	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
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 Nederland Betalingscentrum B.V.[1]	100.00	100.00	Utrecht	Other
ASR Nederland 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 Nederland Pension Fund Services N.V.[1]	100.00	100.00	Utrecht	Other
ASR Nederland 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
Falcon Verzekeringen N.V.[1]	100.00	100.00	Hoofddorp	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 not to distribute any dividend for 2010.

Glossary

Discretionary Participation Feature (DPF)

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.
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
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	European over night index average
Euribor	Euro Interbank Offered Rate
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
OTC	Over The Counter
QIS	Quantitative Impact Studies (Solvency II)
TOPrS	Trust-Originated Preferred Securities, hybrid financial instruments (settled in 2009)
VOBA	Value of Business Acquired

Contact details and publication

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