

# Annual Report 2008

ASR Nederland N.V.



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# Annual Report 2008

ASR Nederland N.V.

## Contents

### Report of the Board of Directors of ASR Nederland N.V.

• Report of the Supervisory Board of ASR Nederland N.V.	8
• Report of the Board of Directors of ASR Nederland N.V.	10

### Consolidated 2008 Financial Statements

• Consolidated balance sheet	16
• Consolidated income statement	17
• Consolidated statement of changes in equity	18
• Consolidated cash flow statement	19

1 General	20
2 Financial reporting principles	21
3 Acquisitions and divestments	42
4 Shareholders' equity	42
5 Non-controlling interests	44
6 Risk management	44
7 Supervision and solvency	69
8 Post-employment benefits and other long-term employee benefits	70
9 Remuneration in shares and options	75
10 Remuneration of Supervisory Board and Board of Directors of ASR	75
11 Auditor's fees	77
12 Transactions with related parties	77
13 Information by segment	78
14 Cash and cash equivalents	82
15 Other assets and receivables	82
16 Investments	84
17 Property, plant and equipment	87
18 Goodwill and other intangible assets	89
19 Accrued interest and other liabilities	91
20 Due to banks	92
21 Liabilities arising from insurance contracts	92
22 Liabilities related to unit-linked contracts	93
23 Other borrowings	93
24 Current and deferred tax liabilities	93
25 Provisions	96
26 Subordinated liabilities	96
27 Non-cumulative guaranteed Trust Capital Securities	96
28 Derivatives	97
29 Fair value of financial assets and financial liabilities	101
30 Insurance premiums	105
31 Interest income	106
32 Dividend and other investment income	106
33 Other income	106
34 Other realised and unrealised gains and losses	107
35 Insurance claims and benefits	108
36 Operating and staff expenses	108
37 Interest expense	109
38 Changes in impairments	109
39 Income tax expense	110
40 Insurance	111
41 Contingent liabilities	114
42 Lease agreements	114
43 Funds under management	115
44 Subsequent events	115

### Company financial statement 2008

• Company balance sheet	118
• Company income statement	120
• Notes to the balance sheet and income statement	120

### Other information

• Auditor's report	125
- Report on the financial statements	
- Management's responsibility	
- Auditor's responsibility	
- Opinion with respect to the consolidated financial statements	
- Opinion with respect to the company financial statements	
- Report on other legal and regulatory requirements	126
• Provisions in the Articles of Association concerning profit appropriation	127
• Appropriation of result	127
• List of associates 2008	128
• Warning with respect to announcements regarding the future	132
• Places where documents may be inspected	132
• Glossary and abbreviations	133

# Report of the Board of Directors of ASR Nederland N.V.

Unless stated otherwise, all amounts presented in the financial statements are in millions of euros.

A few reclassifications have been made in the presentation of previous years in the consolidated financial statements to allow better comparison with the performance of the year under review.

## Report of the Supervisory Board of ASR Nederland N.V.

### Members of Supervisory Board

The composition of the Supervisory Board has changed because of the change to the shareholdership of ASR Nederland N.V. (the former Fortis Verzekeringen Nederland N.V.). The shareholders' meeting appointed four new supervisory directors. Effective 15 December 2008, Mr. Depovere, Mr. De Mey, Mr. Mittler and Mr. Verwilt stepped down from the Supervisory Board.

### Supervisory Board meeting

On 15 December 2008, C. van de Pol, M. Scheltema and C. van den Bos were appointed supervisory directors on the recommendation of the State of the Netherlands in its capacity as a shareholder. The Supervisory Board of ASR Nederland N.V. (hereinafter 'ASR') met for the first time on 15 December 2008. At that meeting the Supervisory Board appointed C. van der Pol as its chairman and decided that the desired size of the Supervisory Board should be four members for the time being. On the recommendation of the Staff Council, M. Bax joined the Supervisory Board on 12 February 2009.

The Supervisory Board has drawn up an annual calendar. Each year the Supervisory Board will meet at least six times. Extra meetings have been scheduled for 2009 mainly to discuss the new strategy of ASR. To give supervisory directors greater insight more quickly into the operations of ASR, several introductory sessions were organised early 2009 and the supervisory directors held individual introductory talks with the members of the Board of Directors and members of the Staff Council.

The Supervisory Board has established two committees and appointed members of the Supervisory Board to them.

- **Audit Committee.**

The members are C. van den Bos (chairman) and M. Scheltema.

There will be at least five regular meetings each year. The CFO will attend the regular meetings. Besides its regular meetings, the Audit Committee will meet at least once each year with the external auditor in the absence of members of the Board of Directors. Each year the Audit Committee will draw up and publish a report on its deliberations and findings.

- **Selection, Appointment and Remuneration Committee.**

The members are M. Bax (chairman) and C. van der Pol.

Each year the Committee will meet at least twice. The Selection, Appointment and Remuneration Committee will each year draw up and publish a report on its deliberations and findings. In 2009, the Committee will submit proposals for a new, sustainable remuneration policy for the Board of Directors.

### Financial statements

The Supervisory Board discussed and adopted the 2008 financial statements at its meeting on 26 May 2009. The annual results were published earlier, on 2 April 2009, in a press release discussed beforehand by the Board of Directors and the Supervisory Board. External auditors KPMG issued an unqualified auditor's report for the 2008 financial statements.

### Future

The Supervisory Board is acutely aware that 2008 was an exceptional year in several respects, one that confronted financial institutions with very turbulent market conditions and saw the recession become perceptible worldwide. The disintegration of Fortis, and the sale of Fortis Verzekeringen Nederland to the State of the Netherlands, made 2008 all the more drastic for ASR Nederland, the new name of Fortis Verzekeringen Nederland.

In this situation the Supervisory Board considers that its duty, besides its primary task as a supervisory body, is to assist the Board of Directors with good counsel. It does so with complete independence and with due observance of all stakeholders of the company.

The Supervisory Board will monitor a swift and careful unbundling from Fortis, the consequences of the financial crisis particularly on ASR's capital position and the far-reaching transformation of the company to an insurer fully capable of solidly fulfilling its 'utility function' for its customers with continuity.

### Remuneration

The Supervisory Board wishes to express its appreciation for the decision by the Board of Directors to refrain from taking variable remuneration for management for 2008.

### Final word

The Supervisory Board wishes to take this opportunity to thank the members of the Board of Directors and all employees for their considerable contribution and effort in the difficult year of 2008.

Utrecht, 26 May 2009

### Supervisory Board

C. van der Pol

M. Bax

C.H. van den Bos

M.A. Scheltema

### C. van der Pol

Chairman of the Supervisory Board

Independent consultant since 2007. From 2005-2006 deputy-chairman of the Board of Management of Eureko/Achmea.

Previous positions include chairman from 2002 to 2005 of the Board of Directors of Interpolis.

### M. Bax

Various board positions at Sara Lee Corporation until 2000, the last five years as head of M&A Europa. Founder and director of TopBrainstorm and currently a member of the Talent to the Top Monitoring Committee.

### C.H. van den Bos

From 2001 to August 2008 member of the Board of Management of SNS Reaal NV, responsible for all insurance activities.

### M.A. Scheltema

From 2004 to April 2009 Chief Financial Officer of Shell Nederland B.V. previously held from 1986 various international management positions at Shell.

## Report of the Board of Directors of ASR Nederland N.V.

This financial report provides a picture not only of developments at our company, but also of the environment in which we operate. In 2008 it was an extraordinarily turbulent environment. The credit crisis, the increasingly perceptible recession, the collapse of Fortis and the influence of new legislation and media pressure impacted severely on our sector and our company. The financial sector now finds itself in a new economic reality.

This is the first time that we are presenting our results under our new name of ASR Nederland (hereinafter 'ASR'). This fact alone indicates the scale of change we experienced in 2008. On 3 October 2008, we ceased to be part of Fortis. To avoid the Dutch parts of the group being hit by the difficulties surrounding the Fortis parent company, the State of the Netherlands purchased the four separate bank and insurance entities. This made us an independent company with the State of the Netherlands as our shareholder, although this does not mean that we received financial aid from the State by means of a capital injection or guarantee arrangement. At the time of preparation of this report, this was still not the case. The government has indicated that its shareholding will be of a temporary nature. Consequently, ownership of ASR will in due course be returned to the private sector, in such a way that ASR is operationally stable and financially solid and possesses a sufficiently robust capital base to operate in the long term based on continuity.

We changed the name of our company to reflect the new situation. The name we chose embeds the long history of the company.

### Profile

ASR is active in the Netherlands and consists of general insurer ASR Verzekeringen and the four specialised insurers De Amersfoortse, Europeesche, Ardanta and Falcon Life. Distribution is effected via several channels: independent intermediaries, consultants working on commission, banks and directly via Ditzo. ASR offers private individuals and companies a wide array of life, non-life, medical and disability insurances, and also mortgage, savings and investment products.

### Gross premiums

Despite the difficult market conditions, gross premiums rose by 10% in 2008 to reach EUR 5,758 million. In the Life sector turnover was EUR 3,491 million, 12% higher than in 2007. At Non-life there was a 7% growth in gross premiums to EUR 2,268 million.

### Life

The life insurance market came under pressure. This stemmed directly from the crisis in the financial markets, which made customers less inclined to purchase life insurance products. There was also a reduced demand for new mortgages, with a direct impact on coupled life insurance products. Nevertheless, the gross premiums in the Life sector rose in 2008 by 12% to EUR 3,491 million. This growth was driven mainly by a few large Group contracts in the first half of 2008. The increase was supported by the individual Life sector, where releases were lower than in previous years.

In the second half of 2008, the developments in the financial markets and, particularly in the final quarter, the negative sentiment with respect to Fortis, put pressure on the further development of ASR's turnover, especially in Group contracts.

### Non-life

Fierce price competition characterised the Dutch market in 2008. Premiums were under pressure in various sectors (including disability and motor). Virtually all product lines contributed to the 7% growth of gross premiums to EUR 2,268 million. The increase at Medical was the largest, thanks to a successful campaign towards the end of 2007.

### Net result

ASR's net result fell in 2008 to a loss of EUR 640 million. The result was adversely affected by more than EUR 1 billion principally by the following factors: turbulence in the financial markets (EUR 615 million), provisions created for guarantee obligations (EUR 186 million), falling stock-market prices and the strengthening of the provision for compensation for life insurance policies with an investment component ('beleggingsverzekeringen') (EUR 248 million) under agreements reached with consumer organisations.

The net result in 2007, an exceptionally good year, was EUR 890 million. The investment result in 2007 was high as a result of the accelerated sale of a large slice of our share portfolio, among other things as part of protective measures against falling prices.

### Life

There was a net loss of EUR (646) million in 2008 compared with a net profit of EUR 657 million in 2007 due to negative results in the financial markets and additions to the guarantee provision and the provision for compensation for life insurance policies with an investment component ('beleggingsverzekeringen'). These same factors explain the fall in the technical result of Life from a loss of EUR (86) million to a loss of EUR (998) million.

### Non-life

The net profit decreased to EUR 6 million. The decrease was caused mainly by lower investment returns (EUR 119 million gross) due to the writing down of fixed-interest securities, a higher Non-life claims burden and exceptionally high added values in 2007.

The combined ratio increased in 2008 by 1.3 percentage points to 94.1% (2007: 92.8%). The increase was driven by a higher Non-life ratio of 2.9 percentage points from 59.2% to 62.1% in 2008. The main drivers of the increase were the claims frequency at Medical and other Non-life. The expense ratio decreased slightly because the cost increase was roughly in line with the increase in premiums.

### Operating costs and personnel

Operating costs (administrative costs) rose by 5% to EUR 591 million, as presented in the combined technical result of Life and Non-life. This was mainly the result of ASR's separation from Fortis. The other increase was caused by investments in the new direct distribution channel and by essential investments in modifications to IT systems, partly due to new legislation. Nevertheless, the net expense ratio at Life decreased to 13.4% (2007: 14.0%) and at Non-life to 15.8% (2007: 15.9%).

The separation from Fortis marked the start of an unbundling process that commenced in the fourth quarter. This mainly concerns head office departments and IT. Operationally, there was only limited interdependence. Therefore, the business impact of unbundling is not particularly large. Unbundling is progressing favourably and will be completed in 2009.

At balance sheet date the number of FTEs had decreased by 86 to from 4,626 to 4,540 compared with 2007. It proved difficult to fill vacancies in 2008 because of the prevailing market conditions.

### Assets and buffer capital

Total assets in 2008 - i.e. equity including the revaluation of real estate - decreased from EUR 3,487 million to EUR 1,757 million. The principal reason for the decrease was a negative revaluation of investments of EUR 1,148 million, besides the addition to the net loss of EUR 640 million.

ASR's buffer capital, expressed as a percentage of the required minimum assets, amounted at year-end to a percentage of 233%. For the calculation of the buffer capital, several additions were made to assets, besides the revaluation of real estate, such as capital securities and the overvalue in the technical provisions - for which the Dutch central bank (DNB) gave its approval - as determined using the IFRS adequacy test. The calculation for 2007 was made using the Fortis Capital Model.

ASR announced on 26 March 2009 that it would not exercise the option to repay early two tranches of outstanding hybrid securities with a par value of EUR 600 million. One of the reasons behind this decision is that we are currently working on unbundling from the Fortis Group. ASR intends to exchange the existing securities.

### Risk management

ASR's insurance activities are subject to various potential risks. The policy and organisational structure of ASR in the risk management field are structured to identify, analyse, measure, address and control these risks. Chapter 6, Risk management, contains more details.

### Revised strategy and focus for 2009

Looking back, 2008 taught the financial sector some hard lessons. This also applies to ASR. We are unable to change the past. But we can change our future. This starts with the lessons that we can learn. With the knowledge that we have today, we would have tackled a number of matters differently. With hindsight we must concede, for example, that the pressure to achieve return and shareholder value called for more counterweight. Risk analyses will have to receive greater attention and lean less one-sidedly towards models and extrapolations from the past. We will be more critical than in the past when it comes to investments with the combination of AAA ratings and high returns. The investment insurance affair strengthened our awareness that transparency and comprehensibility are essential for retaining customer trust. Complying with the prevailing legislation, rules and opinions proved to be inadequate in this respect.

This experience will form part of the basis for our revised strategy that we will present later this year. The core of the strategy will be the need to find a new balance in the value that our company offers to relevant stakeholders, each with their own particular interests: customers, shareholders, employees and society. We must focus swiftly and vigorously on the changing needs of the modern customer. We must be able and willing to discharge accountability for everything that we do, both publicly and politico-socially. This calls for a change of mindset.

Market conditions have changed. To remain competitive a further reduction of our costs/turnover ratio will be essential in any strategy. As the growth of turnover can no longer be taken for granted, the importance of a lower level of costs will increase still further. Therefore, by mid-2010, we will achieve cost savings of EUR 100 million on a total gross cost base of EUR 730 million. Our objective is to lower our expense ratio significantly.

This means that our focus in 2009 will be on growing towards an efficient (as well as cost-efficient) customer-oriented organisation. The pursuit of this objective will be supported by the introduction in 2009 of the next generation of life and non-life products.

Following the separation from Fortis and because ASR wants to continue offering customers savings and investment products, we reached agreement with Fortis Bank Nederland on the acquisition of Fortis ASR Bank as of 1 January 2009.

### Final word

Times have never been tougher for the insurance market in the Netherlands. On the one hand this is the result of the economic conditions, while on the other it is due to developments in society. Unfortunately, we have to admit that the financial sector's reputation has been severely harmed. Therefore, the highest priority must be given to regaining trust. This requires a focused and consistent approach by the sector and by individual companies. For ASR it means, more than before, that we will take our 'utility function' as our baseline and permanent point of reference. This will result in a fundamental and structural adaptation of our business model. We have already taken the first steps in that direction.

Utrecht, 26 May 2009

Board of Directors

### Members of the Board of Directors

The members of the Board of Directors of ASR Nederland are:

#### J.P.M. Baeten

Since 1 December 2001 member of the Board of Management of AMEV Stad Rotterdam Verzekeringsgroep (ASR) N.V., currently chairman of the Board of Directors of ASR Nederland.

#### J.W.M. van der Knaap

Member of the Board of Directors of ASR Nederland since 1 April 2003.

#### M.N. Kok

Member of the Board of Directors of ASR Nederland since 24 July 2006, due to step down as a director of ASR Nederland on 26 May 2009.

#### T. Pluijter

Member of the Board of Directors of ASR Nederland since 5 March 2004.

#### J. Rijdsijk

Member of the Board of Directors of ASR Nederland since 1 April 2009.

#### R.H.A. van Vledder

Member of the Board of Directors of ASR Nederland since 1 January 2006.

#### R. T. Wijmenga

Member of the Board of Directors of ASR Nederland since 1 February 2009.

The members of the Board of Directors hold various positions as executive directors or supervisory directors at various group companies. Mr. Van Harten stepped down as a member of the Board of Directors of ASR Nederland on 26 January 2009.

# Consolidated 2008 Financial Statements

ASR Nederland N.V.



## Consolidated balance sheet

(before profit appropriation)

	Chapter	31 December 2008	31 December 2007	31 December 2006
Cash and cash equivalents	14	654	483	1,004
Other assets and receivables	15	8,677	8,148	8,548
Investments available for sale	16	16,291	15,568	16,059
Investments held at fair value through Profit or Loss	16	410	1,475	1,749
Investment property	16	1,839	1,673	1,625
Investments in associates and joint ventures	16	162	185	211
Investments related to unit-linked contracts		7,487	10,234	9,504
Reinsurance		523	528	568
Property, plant and equipment	17	264	227	329
Goodwill and other intangible assets	18	407	405	428
<b>Assets</b>		<b>36,714</b>	<b>38,926</b>	<b>40,025</b>
Accrued interest and other liabilities	19	3,563	2,634	2,481
Due to banks	20	1,651	1,207	1,690
Liabilities arising from insurance contracts	21	21,150	20,045	20,233
Liabilities related to unit-linked contracts	22	8,263	10,633	9,797
Other borrowings	23	509	1,057	1,323
Current and deferred tax liabilities	24	334	278	417
Provisions	25	29	26	26
Subordinated liabilities	26	686	687	747
<b>Liabilities</b>		<b>36,185</b>	<b>36,567</b>	<b>36,714</b>
Shareholders' equity	4	432	2,262	3,257
Non-controlling interests	5	97	97	54
<b>Total equity</b>		<b>529</b>	<b>2,359</b>	<b>3,311</b>
<b>Total liabilities and equity</b>		<b>36,714</b>	<b>38,926</b>	<b>40,025</b>

## Consolidated income statement

	Chapter	2008	2007	2006
<b>Income</b>				
Insurance premiums	30	5,777	5,197	5,378
Interest income	31	1,331	1,233	1,361
Fee and commission income		120	114	122
Dividend and other investment income	32	301	298	290
Other income	33	316	335	144
Income related to unit-linked contracts		2,359	119	998
Other realised and unrealised gains and losses	34	-17	768	219
Share in result of associates and joint ventures		27	38	31
<b>Total income</b>		<b>10,214</b>	<b>8,102</b>	<b>8,543</b>
<b>Expenses</b>				
Insurance claims and benefits	35	-5,360	-4,288	-4,712
Fee and commission expense		-541	-554	-577
Depreciation and amortisation of tangible and intangible assets		-79	-68	-80
Operating and staff expenses	36	-923	-862	-727
Interest expense	37	-352	-369	-329
Charges related to unit-linked contracts		-2,871	-785	-1,286
Changes in impairments	38	-933	-159	-24
<b>Total expenses</b>		<b>-11,059</b>	<b>-7,085</b>	<b>-7,735</b>
<b>Result before taxation</b>		<b>-845</b>	<b>1,017</b>	<b>808</b>
Income tax expense	39	212	-111	-179
<b>Net result for the period</b>		<b>-633</b>	<b>906</b>	<b>629</b>
Net result attributable to non-controlling interests		-7	-17	-5
<b>Net result attributable to shareholders</b>		<b>-640</b>	<b>889</b>	<b>624</b>

## Consolidated statement of changes in equity

	Share capital	Share premium reserve	Net result attributable to stakeholder	Unrealised gains and losses	Exchange rate differences reserve	Other reserves	Shareholders' equity	Non-controlling interests	Equity
<b>Balance sheet at 1 January 2006</b>	<b>100</b>	<b>962</b>	<b>533</b>	<b>840</b>	<b>-5</b>	<b>66</b>	<b>2,496</b>	<b>51</b>	<b>2,547</b>
Result carried over from previous financial year	0	0	-533	0	0	533	0	0	0
Net result for the period	0	0	624	0	0	0	624	5	629
Dividend	0	0	0	0	0	-250	-250	-3	-253
Exchange rate differences	0	0	0	0	-4	0	-4	0	-4
Revaluation of investments	0	0	0	407	0	0	407	0	407
Other	0	0	0	0	0	-16	-16	1	-15
<b>Balance sheet at 31 December 2006</b>	<b>100</b>	<b>962</b>	<b>624</b>	<b>1,247</b>	<b>-9</b>	<b>333</b>	<b>3,257</b>	<b>54</b>	<b>3,311</b>
Result carried over from previous financial year	0	0	-624	0	0	624	0	0	0
Net result for the period	0	0	889	0	0	0	889	17	906
Dividend	0	0	0	0	0	-1,200	-1,200	-4	-1,204
Increase in capital	0	0	0	0	0	0	0	23	23
Exchange rate differences	0	0	0	0	-3	0	-3	0	-3
Revaluation of investments	0	0	0	-703	0	0	-703	0	-703
Other	0	0	0	0	0	22	22	7	29
<b>Balance sheet at 31 December 2007</b>	<b>100</b>	<b>962</b>	<b>889</b>	<b>544</b>	<b>-12</b>	<b>-221</b>	<b>2,262</b>	<b>97</b>	<b>2,359</b>
Result carried over from previous financial year	0	0	-889	0	0	889	0	0	0
Net result for the period	0	0	-640	0	0	0	-640	7	-633
Dividend	0	0	0	0	0	0	0	-8	-8
Increase in capital	0	0	0	0	0	0	0	0	0
Exchange rate differences	0	0	0	0	2	0	2	0	2
Revaluation of investments	0	0	0	-1,192	0	0	-1,192	0	-1,192
Other	0	0	0	0	0	0	0	1	1
<b>Balance sheet at 31 December 2008</b>	<b>100</b>	<b>962</b>	<b>-640</b>	<b>-648</b>	<b>-10</b>	<b>668</b>	<b>432</b>	<b>97</b>	<b>529</b>

## Consolidated cash flow statement

	2008	2007	2006
<b>Cash and cash equivalents as at 1 January</b>	<b>483</b>	<b>1,004</b>	<b>558</b>
Result before taxation	-845	1,017	808
Net realised (gains) losses on sales	-141	-864	-248
Net unrealised gains (losses)	340	89	-8
Income from associates and joint ventures (netted with received dividends)	4	24	-2
Depreciation, amortisation and interest accrual	168	168	187
Impairments	933	160	34
Assets and liabilities held for trading	-174	-26	-39
Due from banks	72	234	18
Due from customers	179	283	435
Trade and other receivables	106	11	103
Due to banks	444	-483	1,690
Due to customers	43	3	-71
Liabilities arising from insurance and investment contracts	1,147	-39	-35
Net changes to all other operating assets and liabilities	117	171	-185
Income tax paid	-10	-172	-220
<b>Cash flow from operating activities</b>	<b>2,383</b>	<b>576</b>	<b>2,467</b>
Purchases in investments	-12,556	-11,719	-8,481
Proceeds from sales and redemptions	10,758	12,116	7,551
Purchase of investment property	-428	-143	-766
Proceeds from sales of investment property	624	214	497
Investments in associates and joint ventures	-14	-3	6
Proceeds from sales of associates and joint ventures	21	1	2
Purchases of property, plant and equipment	-55	-26	-133
Proceeds from sales of property, plant and equipment	0	0	2
Acquisitions of group companies (less acquired cash positions)	0	-3	94
Divestments of group companies (less sold cash position)	2	2	47
Purchase of intangible assets	-16	-4	-43
Changes in scope	0	0	-11
<b>Cash flow from investing activities</b>	<b>-1,664</b>	<b>435</b>	<b>-1,235</b>
(Re)payment of debt certificates	0	0	0
Proceeds from the issuance of subordinated liabilities	0	0	-8
(Re)payment of subordinated liabilities	0	-59	-556
Proceeds from the issuance of other loans	793	11	97
Repayment of other loans	-1,341	-310	-69
Dividends paid to shareholders	0	-1,200	-250
Non-controlling interests	0	26	0
<b>Cash flow from financing activities</b>	<b>-548</b>	<b>-1,532</b>	<b>-786</b>
<b>Cash and cash equivalents as at 31 December</b>	<b>654</b>	<b>483</b>	<b>1,004</b>

## 1 General

ASR Nederland N.V. (hereafter 'ASR'), established and headquartered at Utrecht, the Netherlands, is a public limited company under Dutch law. The address of its registered office is Archimedeslaan 10, 3584 BA, Utrecht, the Netherlands.

ASR has approximately 4,500 FTEs (2007: 4,600)

Until 3 October 2008, ASR formed part of the Fortis Group (as a subsidiary of Fortis Insurance N.V.). On 3 October, the State of the Netherlands became the sole shareholder. This followed developments surrounding the former parent company. Under an amendment of the articles of association, the name of the company was changed on 5 March 2009 to ASR Nederland N.V.

More information about ASR can be found at the website [www.asrnederland.nl](http://www.asrnederland.nl).

Wherever this report refers to ASR, it means ASR Nederland N.V. or its insurance subsidiaries.

## 2 Financial reporting principles

### 2.1 General

In accordance with the previous financial year, the consolidated financial statements of ASR were prepared in conformity with IFRS, including the International Accounting Standards ('IAS') and interpretations, as accepted within the European Union. Financial reporting principles not specifically mentioned are in conformity with the IFRS standards as accepted within the European Union.

### 2.2 Estimates

Preparation of financial statements under IFRS requires a number of estimates. Management is required to give an opinion of the estimates while preparing this annual report. Actual results may differ from these estimates and assessments.

Estimates and assessments are made mainly in the following fields:

- estimation of realisable value in the event of impairments;
- determination of the fair value of unlisted financial instruments;
- determination of the expected useful life and residual value of property, plant and equipment, investment properties and intangible fixed assets;
- valuation of liabilities under insurance contracts;
- actuarial assumptions regarding the valuation of pension liabilities and pension assets;
- estimation of existing liabilities stemming from past events on recognition of provisions.

### 2.3 Amendments to financial reporting principles

The financial reporting principles applied to prepare the 2008 annual report are consistent with the principles applied to prepare the 2007 financial statements.

The following amendments were made to IFRS standards and IFRIC interpretations in the 2008 financial year (all approved by the European Union, except IFRIC 12) and had no material effect on ASR:

- IFRIC 11, IFRS 2 – Group and Treasury Share Transactions
- IFRIC 12, Concession Arrangements
- IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

On 13 October 2008, IASB issued amendments to IAS 39, Financial Instruments: Recognition and Measurement, and IFRS 7, Financial Instruments: Disclosures (approved by the European Union on 15 October 2008). The amendments to IAS 39 allow reclassifications of the categories 'held for trading' and 'available for sale' to 'loans and receivables' if the entity has the intention and possibility to hold the financial assets for a foreseeable period of time into the future. The amendments also allow reclassification in rare circumstances of financial assets held for trading that are not derivatives. The amendments to IFRS 7 specify the information to be provided in the event of transfers. The amendments take effect on 1 July 2008. ASR has decided not to use these reclassification possibilities.

A number of amendments to IFRS standards and IFRIC interpretations were issued in 2008 with a later application date:

On 10 January 2008, IASB (International Accounting Standards Board) issued a revised version of IFRS 3, Business Combinations and accompanying amendments to IAS 27, Consolidated and Separate Financial Statements (not yet approved by the European Union). In the new version of IFRS 3, transaction costs that can be directly attributed to the acquisition are no longer included in the costs of the business combinations.

IFRS 3 also allows the party making the acquisition to choose to value a non-controlling interest at its fair value on acquisition date or at the proportional interest in the fair value of the identifiable assets and liabilities of the acquired party, on a transaction-by-transaction basis. A partial transfer of an investment in a subsidiary that results in a loss of control necessitates revaluation of the remaining investment according to fair value.

This amendment will apply from the 2010 financial year (earlier application is allowed) and might have an effect on ASR in the event of possible future acquisitions or divestments.

On 17 January 2008, IASB issued an amendment to IFRS 2, Share-based Payment (approved by the European Union on 16 December 2008). This amendment explains that vesting conditions are service conditions and performance conditions only and it introduces conditions unrelated to service and performance conditions. This amendment will come into effect from the 2009 financial year (earlier application is allowed) and is not expected to have any material effect on ASR.

On 14 February 2008, IASB issued amendments with a view to improving reporting on special types of financial instruments with features that resemble ordinary shares but are currently classified as financial liabilities (approved by the European Union on 21 January 2009). The amendments affect IAS 32, Financial Instruments: Presentation, and IAS 1, Presentation of Financial Statements. These amendments will come into effect from the 2009 financial year (earlier application is allowed) and are not expected to have any material effect on ASR.

On 22 May 2008, IASB issued 'Improvements to the IFRSs', a set of minor amendments to a number of IFRS standards (approved by the European Union on 23 January 2009). These amendments have various dates of application and are not expected to have any material effect on ASR.

On the same date, IASB issued an amendment to IFRS 1, First-time application of International Financial Reporting Standards, and IAS 27, Consolidated and Separate Financial Statements (approved by the European Union on 23 January 2009), which are related to the cost price of an investment in a subsidiary in the separate financial reports of a parent company. This amendment will come into effect from the 2010 financial year (earlier application is allowed) and is not expected to have any material effect on ASR.

On 3 July 2008, the IFRIC (International Financial Reporting Interpretation Committee) issued IFRIC 15, Agreements for the Construction of Real Estate (not yet approved by the European Union). IFRIC 15 standardises the presentation of proceeds from the sale of units by project developers across jurisdictions. IFRIC 15 will take effect from the 2009 financial year (earlier application is allowed) and is not expected to have any material effect on ASR.

On the same date, IFRIC issued interpretation IFRIC 16, Hedges of a Net Investment in a Foreign Operation (not yet approved by the European Union). IFRIC 16 provides clarity regarding the risks that must be taken into account when incorporating the hedge. IFRIC 16 will take effect from the 2009 financial year (earlier application is allowed) and is not expected to have any material effect on ASR.

On 31 July 2008, IASB issued amendments to IAS 39, Financial Instruments: Recognition and Measurement (not yet approved by the European Union), providing clarity about two issues concerning the incorporation of hedges: inflation in a financially hedged position, and a one-sided risk in the hedged position. These amendments will take effect from the 2010 financial year (earlier application is allowed) and are not expected to have any material effect on ASR.

On 27 November 2008, IFRIC issued interpretation IFRIC 17, Distributions of Non-Cash Assets (not yet approved by the European Union). IFRIC states that a payable dividend must be presented on approval if it subsequently becomes a liability for the entity. The payable dividend must be carried at the fair value of the distributable net asset, whereby the difference between the paid dividend and the carrying amount of the non-asset must be presented in the income statement. IFRIC 17 will take effect from the 2010 financial year (earlier application is allowed) and is not expected to have any material effect on ASR.

The following IFRS standards and IFRIC interpretations also take effect from the 2009 financial year (all have been approved by the European Union):

- IFRS 8, Operating Segments. This standard requires the identification of operating segments based on internal reports regularly reviewed by the chief operating decision-maker of the entity. This is not expected to have any influence on the way ASR publishes reports on segments.
- IAS 23, Borrowing costs. This standard requires the capitalisation of all borrowing costs. The principles applied by ASR are already in line with this requirement.
- IAS 1, Presentation of Financial Statements, which impacts only on presentation, not on recognition and valuation rules.
- IFRIC 13, Customer Loyalty Programmes. This interpretation deals with presentations by entities that reward customer loyalty and is not expected to have any material effect on ASR.

#### 2.4 Segment information

The business segments reported by ASR provide financial products or services that are subject to various risks and returns.

The principal activities of ASR are the offering of life and non-life products. Transactions or transfers between the business segments are subject to the usual commercial conditions that also apply to unassociated parties.

No geographical segmentation is applied because ASR operates mainly in the Dutch market.

#### 2.5 Consolidation principles

##### Subsidiaries

The consolidated financial statements include the financial statements of ASR and its subsidiaries. Subsidiaries are companies in which ASR is able to control financial and operating policy, directly or indirectly, for the purpose of obtaining benefits from their activities ('control'). Subsidiaries are consolidated from the date at which control effectively transfers to ASR. They are eliminated from consolidation from the date such control ends. Subsidiaries acquired solely with the intention of being resold are presented as 'fixed assets held for sale' (refer to chapter 2.23).

Intercompany transactions, balances and gains and losses on transactions between ASR companies are eliminated. Non-controlling interests in the net assets and net results of consolidated subsidiaries are shown separately in the balance sheet and in income statement. Non-controlling interests are carried at the fair value of the net asset at acquisition date. After acquisition date non-controlling interests consist of the amount calculated at acquisition date and the non-controlling share in equity movements since acquisition date.

When assessing the control that ASR has over another company, the existence and effect of potential voting rights that are exercisable or convertible are taken into account.

##### Joint ventures

These interests are recognised according to the equity method, i.e. the joint venture is initially recognised at cost price. Subsequently, this price is adjusted to make allowance for the change in the share of ASR in the net assets of the joint venture. The result of ASR in the joint venture consists of the share in the result of the joint venture. Joint ventures are contractual arrangements under which ASR and other parties enter into an economic activity over which they jointly have proportionate control.

##### Associates

Investments in associates are recognised according to the equity method. These are investments in which ASR has a significant influence but not predominant control. The share of ASR in the annual net profit is recognised as investment income. The investment in the associate is recognised according to the share of ASR in the net asset of the associate interest. Goodwill that stems from the acquisition of an associate is recognised as part of the investment in the associate.

Profits on transactions between ASR and associates measured according to the equity method are eliminated in proportion to the share of ASR. Losses are also eliminated, unless it appears from the transaction that the transferred asset has been subject to impairment (see chapter 2.10).

The financial statements of associates are adapted if this is necessary to assure consistency with the ASR financial reporting principles.

Losses are recognised until such time as the balance sheet value of the investment is nil. Further losses are recognised only if ASR has a legal or constructive obligation or has made payments that concern the associate.

## 2.6 Foreign currency

The consolidated financial statements are stated in euros, the working currency of ASR.

Foreign currency transactions by individual companies of ASR are recognised at the exchange rate on the date of the transaction. A distinction is made between monetary and non-monetary items.

### Monetary items

At balance sheet date any outstanding balances in foreign currency are recognised at the closing rate for monetary items.

Exchange rate differences that occur on translation of monetary items are recognised in the income statement.

	Year-end exchange rate			Average exchange rate		
	2008	2007	2006	2008	2007	2006
1 euro=						
Pound sterling	0.95	0.73	0.67	0.8	0.68	0.68
US dollar	1.39	1.47	1.32	1.47	1.37	1.26
AUD dollar	2.03	1.67	1.67	1.74	1.63	1.67
Zuid-Afrikaanse rand	12.85	10.03	9.21	11.26	9.66	8.62

### Non-monetary items

The translation of non-monetary items depends on whether they are recognised at historical cost or at fair value:

- non-monetary items recognised at historical cost are translated using the historical exchange rate on transaction date;
- non-monetary items recognised at fair value are translated using the exchange rate on the date of determination of fair value.

The resulting exchange rate differences are recognised as a gain or loss under the exchange rate differences item. This does not apply in the event of a change to the fair value of the non-monetary items recognised as a component of equity.

The distinction between exchange rate differences (which are recognised in the income statement) and realised revaluations of fair values (recognised under equity) on financial assets available for sale is determined according to the following rules:

- the exchange rate differences are determined on the basis of how the exchange rate has developed relative to the previous reporting period;
- the realised results (in terms of fair value) are determined on the basis of the difference between the balances stated in euro of the previous and new reporting periods based on the new exchange rate.

### Translation of foreign currency

On consolidation the income statement and cash flow statement of entities whose working currency is not stated in euro are translated into ASR's presentation currency, i.e. the euro. This is done at the average daily exchange rates for the current year or, in exceptional cases, at the exchange rate on the day of the transaction if the exchange rates fluctuate significantly. Their balance sheets are translated at the closing rate on balance sheet date.

Exchange rate differences resulting from translation are presented under equity.

Exchange rate differences that occur on translation of monetary items that are part of a net investment in a foreign entity are presented in the consolidated financial statements under equity until disposal of the net investment.

Exchange rate differences on borrowed amounts and other foreign currency instruments, designated as hedges for those investments, are presented under equity. This does not apply to the hedging ineffectiveness presented directly in the income statement. On disposal of a foreign entity the exchange rate differences are presented in the income statement as part of the gains or losses on the sale.

Goodwill stemming from the acquisition of a foreign entity and from adjustments of the fair value of assets and liabilities resulting from the acquisition of the foreign activity are treated as assets and liabilities of the foreign entity. They are translated at the closing rate on balance sheet date. All resulting differences are presented under equity (in the 'Exchange rate differences' column). On the sale of the foreign entity there is a transfer to the income statement.

## 2.7 Transaction date and settlement date

All purchases and sales of financial assets and liabilities that must be completed within the period of time prescribed by regulation or market conventions are presented on the basis of the transaction date. This is the date when ASR becomes involved as a party to the contractual provisions of the instrument.

Forward purchases and sales, other than those that must be completed within the period of time prescribed by regulation or market conventions, are presented as derived forward transactions until the time of settlement.

## 2.8 Offsetting

Financial assets and liabilities are offset and the offset amount is reported in the balance sheet if there is a legally enforceable right to net the presented amounts and the intention exists to arrive at a settlement on a net basis or simultaneously to realise the net asset and to settle the liability. Assets are presented (as and when necessary) less an impairment.

## 2.9 Presentation and valuation of financial assets and liabilities

ASR presents financial assets and liabilities according to the purpose of the transactions.

### Financial assets

Financial assets are presented as assets held for trading, investments, receivables from banks and receivables from customers.

The valuation and the presentation of the results depend on the classification of the financial assets, i.e.:

- loans and receivables;
- investments held until maturity;
- financial assets held at fair value through profit or loss;
- financial assets available for sale.

This classification determines the measurement and presentation of the results in the following manner:

- Loans and receivables are measured on the date of their first recognition in the balance sheet at their fair value (including transaction costs). After initial measurement this occurs at amortised cost using the effective interest method. The regular amortisation is recognised in the income statement.
- Investments held until maturity are instruments with fixed or determinable payments and a fixed term. ASR must firmly intend and be able to hold these investments until maturity. The instruments are measured on the date of first recognition in the balance sheet at their fair value (including transaction costs). After initial measurement they are carried at amortised cost using the effective interest method, with the regular amortisation being presented in the income statement.
- Financial assets at fair value with impairments in the income statement include:
  - Financial assets held for trading, including derivatives that do not qualify for 'hedge accounting', and
  - Financial assets that ASR has irrevocably designated on their first recognition or first-time application of IFRS as being held for trading.

These financial assets are carried at fair value, with movements in value affecting the results.

d. Financial assets available for sale are financial assets that are presented as (a) loans and receivables, (b) investments held until maturity, or (c) financial assets carried at fair value with value adjustments in the income statement. Financial assets available for sale are initially carried at fair value including transaction costs. Subsequently, they are carried at fair value with recognition of unrealised gains or losses on fair value movements under equity.

#### Types of financial assets

Shares, participating securities and other non-fixed-interest securities: these are all non-derived financial assets that on first recognition are designated as being available for sale. Financial fixed assets available for sale are initially carried at fair value. Subsequently they are carried at fair value with adjustments under equity.

Bonds and other fixed-interest securities: with the exception of synthetic CDOs (Collateralised Debt Obligations), these investments are designated as available for sale. Initially, the instruments are carried at fair value. Subsequently, they are carried at fair value with movements under equity. The preference shares included under this heading that carry an entitlement solely to a fixed dividend are also carried at fair value with movements under equity. Synthetic CDOs are carried at fair value through profit or loss.

Information about derivatives and hedging can be found in chapter 2.24.

Mortgages and other loans: these investments are initially carried at fair value (including transaction costs) and are subsequently carried at amortised cost using the effective interest method.

Investments in investment pools: these interests are initially carried at fair value and are subsequently carried at fair value with movements under equity.

#### Financial liabilities

Financial liabilities are presented as liabilities held for trading, due to banks, due to customers, debt certificates, subordinated liabilities and other financing.

The valuation and presentation of the results depend on the IFRS classification of the financial liabilities, i.e.:

1. Financial liabilities held at fair value through profit or loss, and
2. Other financial liabilities.

This IFRS classification determines the valuation and presentation of the results in the following way:

1. Financial liabilities at fair value with value changes in the income statement include:
  - a. financial liabilities held for trading, including derivatives that do not qualify for hedge accounting, and
  - b. financial liabilities that ASR irrevocably designated at the time of first recognition or first-time application of IFRS as being carried at fair value through profit or loss.
2. Other financial liabilities are first carried at fair value (including transaction costs). Subsequently they are carried at amortised cost using the effective interest method, with the regular amortisation presented in the income statement.

#### 2.10 Fair value of financial instruments

The fair value of a financial instrument is determined on the basis of published price quotations in an active market. If there is no active market for the financial instrument, the fair value is determined with the aid of measurement methods. Measurement methods make the fullest possible use of market information. However, they are influenced by the assumptions that are made, such as discount rates and estimates of future cash flows. Such methods include market prices of similar investments, present value calculations, option measurement methods and measurement methods for market multiples. In the unlikely case of it not being possible to determine the fair value of a financial instrument, it will be recognised at cost.

ASR uses the following hierarchy to determine the fair value of financial instruments:

- listed (prices quoted in an active market);
- measured according to market information (valuation methods);
- measured according to theoretical models (including valuation at cost price).

On first recognition the fair value of a financial instrument is the transaction price, unless the fair value is evident from recently observed market transactions involving the same instrument, or it will be based on a measurement method with the variables consisting solely of data originating from observable markets.

The most important methods and assumptions that ASR uses to determine the fair value of financial instruments are:

- the fair value of securities available for sale and of securities at fair value with value changes in the income statement is determined by means of market prices in active markets. If quoted prices are unavailable in an active market, the fair value is determined using present value calculations of the cash flows. Discount factors are based on the swap curve plus a spread to reflect the features of the instrument;
- the fair value of derivatives is obtained from active markets or, if applicable, it is determined using net present value calculations of the cash flows and option valuation models;
- the fair value of loans is determined using present value calculations of cash flows based on ASR's prevailing interest rates for loans of the same type. The fair value of loans with a variable interest rate, which have a price that changes frequently and exhibit no identifiable credit risk change, is approximated by the balance sheet value. Option valuation models are used to value an interest-rate ceiling and prepayment options embedded in loans and are presented separately on the basis of IFRS;
- the fair value of unlisted private equity investments is estimated using the applicable market multiples (e.g. net asset value, price/earnings ratios or price/cash flow ratios). These are refined to reflect the specific circumstances of the entity.
- off-balance sheet commitments and guarantees are explained in the financial statements. They are based on the fees currently charged to enter into similar agreements, taking into account the other conditions of the agreements and the creditworthiness of the counterparties;
- for other financial assets and liabilities, such as short-term debts and receivables, it is assumed that the balance sheet value approximates the fair value.

#### 2.11 Measurement of impaired assets

An asset is impaired if its balance sheet value is higher than its realisable value. ASR examines all its assets at each balance sheet date for indicators that might necessitate impairment.

The balance sheet value of impaired assets is lowered to their estimated realisable value. The amount of the movement in the provision in the current reporting period is presented in the income statement. Adjustments, write-offs and reversals of impairments are recognised in the income statement as part of the change to the impairment.

If the amount of the impairments on assets, other than goodwill or equity instruments available for sale, decreases in a subsequent period due to an event that occurs after impairment, the amount is reversed through the income statement.

#### Financial assets

A financial asset (or group of financial assets) is impaired if there are objective indications of impairments because of one or more events that occurred after the first recognition of the asset. The event or events that caused the loss have an effect on the estimated future cash flows from the financial asset (or group of financial assets) that can be estimated reliably.

Objective indicators for impairments of shares include the circumstance that the fair value is significantly below the cost price at balance sheet date or has been below cost price for a long time at balance sheet date.

Depending upon the type of financial asset, the realisable value can be estimated in the following manner:

- fair value using an observable market price;
- present value of expected future cash flows discounted at the original effective interest rate of the financial asset, or
- based on the fair value of collateral furnished.

Impairments allocated to equity instruments available for sale cannot be reversed in subsequent periods via the income statement.

#### Other assets

The realisable value of non-financial assets is determined as the highest of either fair value less selling costs or the value in use. The fair value less selling costs is the amount obtained through the sale of an asset in an arm's-length transaction between knowledgeable and willing parties after deduction of the selling costs. The value in use is the present value of estimated future cash flows likely to stem from continued use of an asset and from disposal at the end of its useful life.

### 2.12 Cash and cash equivalents

#### Contents

Cash and cash equivalents consist of liquidities, freely available balances held with banks and other financial instruments with a due date less than three months from acquisition date. These are carried at face value.

#### Cash flow statement

ASR presents cash flows from operating activities by means of the indirect method. The net result is adjusted with a view to the effects of non-cash transactions, any deferred items for received or future cash receipts or cash payments from operations and income and expense items in connection with investment or financing cash flows.

Interest received and interest paid is presented in the cash flow statement as cash flows from operating activities. Received dividends are presented in the cash flow statement as cash flows from operating activities. Paid dividends are presented as a financing activity.

### 2.13 Due from banks and customers

#### Classification

Receivables from banks and receivables from customers consist of loans initiated by ASR by providing money directly to the borrower or intermediary. This category also includes loans purchased from third parties that are presented at amortised cost. Rights to trade receivables assumed directly from the issuer in the primary market are presented as loans provided that no active market exists for such rights. Loans initiated or purchased with the intention of selling or effectuating them in the short-term are presented as assets held for trading. Loans designated as being held at fair value through profit or loss or as being available for sale are presented as such at the time of first recognition.

#### Impairment

An individual impairment of a loan is acknowledged if there are objective indications that ASR will be unable to collect all outstanding amounts in accordance with the contractual conditions. The amount of the impairment is the difference between balance sheet value and realisable value, either the present value of the expected cash flows or, alternatively, the value of the collateral, if the loan is covered by collateral, less the costs of realising this collateral.

An incurred but not reported (IBNR) impairment of a loan is presented if there are objective indications that losses are present in components of the portfolio of loans, without an impairment having been presented for the loans. The IBNR is estimated on the basis of historical patterns of losses in each segment. This reflects the current economic climate in which borrowers are operating, while allowance is made for a higher risk of payment problems, based on an analysis of the political and economic situation in certain countries.

Impairments are presented as a decrease in the balance sheet value of receivables from banks and receivables from customers.

ASR adopts a portfolio approach to groups of similar loans, such as mortgages and credits, for the determination of impairments. The expected losses are calculated for different periods of arrears based on historical data. The parameters for bad debts are reviewed regularly.

If a specific loan is identified as uncollectible, and all legal and procedural remedies have been exhausted, the loan is deducted from the associated impairment losses; subsequent realisations are recognised under movements in the impairments in the income statement.

### 2.14 Sale and repurchase agreements and the lending/borrowing of securities

Securities covered by a repurchase agreement ('repo') continue to be recognised on the balance sheet. The debt that results from the obligation to repurchase the assets is included in amounts owed to banks or amounts owed to customers, depending upon the counterparty. Securities purchased under a repurchase agreement (reverse repo) are not presented on the balance sheet. The entitlement to the funds of the counterparty is presented as receivables from banks or receivables from customers, depending upon the counterparty. The difference between the selling price and the repurchasing price is presented as interest and allocated over the term of the agreements using the effective interest method.

Securities loaned to counterparties continue to be recognised on the balance sheet. By analogy, borrowed securities are not recognised on the balance sheet. If securities loaned to third parties are sold, the sale proceeds and the debt from the obligation to return the collateral are disclosed. The obligation to return the collateral is carried at fair value. This obligation is presented as a liability held for trading, with movements in value in the income statement.

### 2.15 Assets and liabilities held for trading

A financial asset or a financial liability is presented as being held for trading if it:

- was acquired or entered into mainly for the purpose of selling or buying back the asset or liability in the short term;
- forms part of identified financial instruments that are jointly managed and for which indications exist of a recent, factual pattern of short-term profit-taking;
- is a derivative (except a derivative designated as a hedge instrument and it is an effective hedge).

Assets and liabilities held for trading are recognised at the time of first recognition and thereafter at fair value through profit or loss. The results (realised and unrealised) are presented as 'Other realised and unrealised gains and losses'. Interest received/paid on assets/liabilities held for trading are presented as interest income/interest expense. Dividends received are presented as investment income.

### 2.16 Investment property

Investment property is real estate that is held to realise rent revenues or an increase in value, or both. ASR can use certain investment properties for its own purposes. If the parts used by ASR can be sold or leased individually by means of a financial lease, these parts are presented as property, plant and equipment. If the parts used by ASR cannot be sold individually, the real estate is only treated as an investment property if ASR retains a negligible part for its own use.

Investment properties are carried at cost less accumulated depreciation and impairments. Depreciation is calculated using the straight-line method so as to lower the cost of the assets over their estimated useful life to their residual value. The residual value and the estimated period of use of investment properties are determined separately for each significant part ('component approach'). They are re-examined at each balance sheet date. Depreciation is calculated until the residual value is reached. The residual value is always nil. There is no depreciation on land.

The table below shows the maximum life of components:

(Expressed in years)

Components	Home	Office	Shops	Parking
Land	Not applicable	Not applicable	Not applicable	Not applicable
Skeleton	50	50	40	50
Outer shell	40	30	30	40
Systems	20	20	15	30
Furnishings	15	15	10	15

ASR rents out its investment properties to third-party unassociated companies by means of various rental contracts that cannot be cancelled. Certain contracts contain renewal options for various periods of time. The rent revenues are recognised as investment income on a straight-line basis over the period to which they relate.

Transfers to or from investment properties occur only if there is a change of use:

- in investment properties at the end of use by ASR or at the start of an operating lease to another party or at the end of construction or development;
- from investment properties at the start of use by ASR or at the start of development with a view to sale;
- new purchases in completed construction or development.

#### Projects (investment properties under development)

Investment properties under development consist of projects being developed and projects in progress. Until a start has been made with the sale of the project, it is classified under projects under development. Acquisition costs are deferred only if a feasibility study indicates that there is sufficient certainty that the preparatory costs will result in sufficient economic benefits. Preparatory costs presented at any time as an expense no longer qualify for capitalisation. The investment properties under development are classified under property, plant and equipment as buildings under construction.

If the result of a construction contract can be estimated reliably, the contract revenues and costs associated with the construction contract are presented as income or expense, respectively. This takes place in proportion to the progress of the contract at balance sheet date. If the total construction costs are likely to be higher than the total contract revenues, the expected loss is presented immediately under expense.

##### *Projects under development*

A project under development means real estate that is being built or developed for future use as an investment property. This does not concern existing real estate that is being redeveloped, which continues to be classified as an investment property. Projects under development are carried at acquisition price plus acquisition costs and allocated interest, or at the lower estimated realisable value.

##### *Projects in progress*

A project in progress refers to a project undertaken on behalf of third parties with the intention of selling it. It is not intended for future use as an investment property. Projects in progress are measured in conformity with projects under development, less invoiced instalments.

From such time as a sale contract has been concluded for a project with a third party and the main rights to economic benefits and the main risks have been transferred to this party, the result is recognised in proportion to the progress of the project.

## 2.17 Lease agreements

### ASR as lessee

ASR mainly concludes operating leases for the rental of equipment and land and buildings. Payments resulting from such leasing transactions are presented in the income statement. If an operating lease is terminated before its expiry date, the payments that must be made to the lessor by way of a penalty are recognised as an expense in the reporting period in which termination occurs.

Any benefits received from the lessor in connection with operating lease transactions are recognised on a straight-line basis over the term of the lease as a reduction of the leasing expenses.

If a lease agreement transfers virtually all risks and remunerations attached to ownership of an asset, the lease is presented as a financial lease and the asset concerned is capitalised. At the start of the lease term the asset is recognised at the fair value of the leased asset or, if lower, at the current value of the minimum lease payments. The leased asset is written down over the expected period of its use or over the term of the lease if the latter is shorter. The corresponding lease liability, less financial costs, is recognised under loans. The interest element of the financial costs is recognised in the income statement as an expense over the term of the lease. This creates a constant regular interest rate on the remaining liabilities balance for each reporting period.

### 2.18 Investments related to unit-linked contracts

Investments in unit-linked insurance and investment contracts concern investments held to meet specific investment objectives of the third parties that run the investment risk. These investments are presented at fair value. Unrealised and realised value increases are recognised in the income statement.

### 2.19 Reinsurance, trade and other receivables

#### Reinsurance

Reinsurance receivables consist mainly of balances owed by insurance and reinsurance companies for ceded insurance liabilities. Amounts receivable from reinsurers are estimated in a way compatible with the amounts attached to the reinsured policies and in conformity with the reinsurance contract.

Contracts that transfer a significant insurance risk are presented as reinsurance contracts.

Reinsurance contracts are measured to determine whether a significant insurance risk will be transferred within the contract. Reinsurance contracts that do not transfer any significant insurance risk are recognised using the deposit method under loans (credits or loans) as financial assets or financial liabilities for reinsurance. A financial asset or financial liability for reinsurance is presented at the paid or received amount, less any explicitly identified premiums or fees to which the reinsured party is entitled. The paid or received amounts resulting from these contracts are recognised as deposits using the effective interest method.

#### Trade receivables and other receivables

Trade receivables and other receivables that result from normal operations and arise through actions by ASR are presented at their initial fair value less any impairment.

### 2.20 Property, plant and equipment

All real estate held for ASR's own use and all fixed assets are recognised at cost. This amount is reduced by accumulated depreciation (except for sites not written down) and any accumulated impairments. The cost price is the equivalent of the current price that was paid, or the fair value of the payment given to acquire the asset at the time of acquisition or the construction of the asset.

Depreciation on buildings is calculated on a straight-line basis so as to write down the costs of these assets to their residual value over the expected useful life. The useful life of buildings is determined for each individual part (component approach). This is re-examined at the end of each year. The real estate is split into the following components: land, skeleton, outer shell, systems and furnishings (both rough finishing and detailed finishing).

Refer to the table in section 2.16 for the maximum economic life of components.

IT, office and other equipment and motor vehicles are written down over their respective economic lives as individually determined (usually between three and five years). As a rule the residual values are set to nil, except for land.



Expenditure on repairs and maintenance is recognised in the income statement as an expense in the period the expenditure was incurred. Expenditure that improves or enlarges the benefits of real estate or fixed assets in a way that exceeds their original use is capitalised and then written down.

Information about financing costs for the financing of the construction of property, plant and equipment can be found in chapter 2.36, 'Financing costs'.

## 2.21 Goodwill and other intangible assets

### Intangible assets

An intangible asset is an identifiable non-monetary asset. The intangible asset is recognised at cost if it will produce future economic benefits and the cost of the asset can be determined reliably.

Intangible assets with an indefinite economic life are not written down but are examined at least once each year for impairments. Any identified impairments are recognised in the income statement. Intangible assets with a particular economic life are generally written down on a straight-line basis over their economic life. Intangible assets are recognised on the balance sheet at cost, less any cumulative amortisation and any cumulative impairment. The residual value of the estimated period of use of intangible assets is re-examined at each balance sheet date. With the exception of goodwill, ASR has no intangible assets with an indefinite economic life.

### Goodwill

Acquisitions of companies are presented using the acquisition method. Goodwill represents the positive difference between the cost price (fair value of the assets, liabilities and issued equity instruments) on the one hand and ASR's share in the fair value of the assets, liabilities and provisional liabilities on the other. Goodwill from the acquisition of a subsidiary is recognised on the balance sheet as an intangible asset. Goodwill that arose on business combinations prior to 1 January 2005 has been deducted from the equity and will not be remeasured within the scope of IFRS. At acquisition date the goodwill is allocated to the cash flow generating units that are expected to obtain benefit from the synergy in the business combination. Goodwill is not written down, but it is examined for impairments. Goodwill from the acquisition of a non-controlling interest is presented as a component of the measurement of the non-controlling interest.

The positive difference between the acquired interest in the net fair value of the assets, liabilities and provisional liabilities of the acquired party on the one hand and the acquisition costs on the other are recognised immediately in the income statement.

ASR measures goodwill each year, or more frequently if events or changed circumstances indicate that its balance sheet value might not be realisable. If this occurs the realisable value is determined for the cash flow generating unit to which goodwill has been allocated. If the realisable value of the unit is lower than its balance sheet value, an impairment is recognised immediately in the income statement.

When an impairment occurs ASR first reduces the balance sheet value of the goodwill allocated to the cash flow generating unit. This is followed by that of the other assets of the unit in proportion to the balance sheet value of each asset in the unit. Previously recognised impairments in respect of goodwill are not reversed.

ASR may obtain control over a subsidiary in various steps. If this occurs ASR treats each swap transaction separately. The costs of each transaction are compared with the fair value of each transaction to determine the amount of goodwill attached to the individual transaction. Before ASR obtains control over the entity the transaction may be regarded as an investment in a non-controlling interest and may be recognised using the equity method. As and when necessary, the fair value of the identifiable net assets of the party in which an interest has been acquired is determined by applying the equity method to the investment. This occurs on the date of each first transaction.

### Other intangible assets

Value of Business Acquired (VOBA)

Value of Business Acquired represents the difference between the fair value on acquisition and the carrying amount of a portfolio of contracts acquired as part of an acquisition of a business or portfolio. VOBA is presented as an intangible asset and written down over the period of recognition of the revenues from the acquired portfolio.

#### *Internally generated intangible assets*

Internally generated intangible assets are capitalised if ASR is able to demonstrate all of the following points:

- the technical feasibility of completing the intangible asset, so that it will be available for use or sale;
- the intention to complete the intangible asset and to use or sell it;
- the ability to use or sell the intangible asset;
- the probable generation of future economic benefits by the intangible asset;
- the availability of adequate technical, financial and other means to complete the development and to use or sell the intangible asset;
- the ability to reliably measure the expenditure that may be allocated to the intangible asset during its development.

Intangible assets that arise from research and internally generated goodwill are not capitalised.

#### *Software*

Software for computer hardware that will not work without that specific software, such as the operating system, forms an integral part of the hardware and is treated as property, plant and equipment. If the software is not an integral part of the hardware, the costs incurred in the development phase are capitalised as an intangible asset and written down on a straight-line basis over the estimated economic life, provided that ASR can demonstrate compliance with all the above-mentioned criteria. Software is generally written down over five years at most.

#### *Other intangible assets with a particular economic life*

Other intangible assets, such as those with a particular economic life, such as trademarks and licences, are generally written down on a straight-line basis over their economic life. At each reporting date, intangible assets with a particular economic life are examined for impairments. Such intangible assets generally have an economic life of 10 years at most.

## 2.22 Deferred acquisition costs

The costs of acquiring new and renewed insurances are capitalised and written down. This mainly relates to commission and expenditure concerning intermediaries and the issue of new policies. Costs vary and relate mainly to the production of new insurances. Deferred acquisition costs ('Deferred Acquisition Costs', or DAC) are examined regularly for their realisability on the basis of estimates of future cost mark-ups on the underlying contracts.

For life-insurance products and investment products of the 'life' type without discretionary profit-sharing elements, the deferred acquisition costs are amortised in proportion to the expected premiums or to the mark-up included in the premium for repayment of the acquisition costs. Expected premiums are estimated at policy issue date and are consistently applied during the term of the contracts. Discrepancies between actual results and results estimated on the basis of past experience are recognised in the income statement in the reporting period in which the discrepancies occur. For these contracts the amortisation periods may be equal to the total term of the premium payment or shorter, depending upon the type of insurance.

For short-term contracts the deferred acquisition costs are amortised over the reporting period in which the written premiums will be earned.

## 2.23 Fixed assets held for sale and discontinued business activities

Fixed assets or a group of assets and liabilities that ASR presents as being held for sale are those with a balance sheet value that will be realised mainly in a sales transaction likely to occur within the year and not through their continued use.

A discontinued business activity is a part of ASR that has been disposed of or is recognised as being held for sale and that satisfies the following criteria:

- it represents a separate important activity or geographical location;
- it is a part of a specific coordinated plan to dispose of a separate important sector or geographical business territory; or
- it is a subsidiary acquired solely with the intention of being sold on.

No depreciation is applied to assets (or groups of assets) presented as being held for sale. They are carried at the lower of carrying amount and fair value less selling costs and are presented separately on the balance sheet.

Results of discontinued business activities are recognised separately in the income statement.

## 2.24 Derivatives and hedging

### Recognition and presentation

Derivatives are derived financial instruments such as swaps, forward contracts, futures and (written and sold) options. Such instruments have a value that changes in line with the changes in the underlying instruments or securities. They require little if any net initial investment and are settled at a future time.

All derivatives are first presented on the balance sheet at fair value on the transaction date:

- derivatives held for trading in 'Assets held for trading' and 'Liabilities held for trading';
- derivatives held for hedging in 'Accrued interest and other assets' and 'Accrued interest and other liabilities'.

Subsequent changes to the fair value of derivatives held for trading are recognised in the income statement under 'Other realised and unrealised gains and losses'.

Financial assets or liabilities may include derivatives embedded in a contract. Such financial instruments are often called 'hybrid financial instruments'. If the basic contract is not recognised at fair value through profit or loss and the features and the risks of the derivatives embedded in the contract are not closely aligned to those of the basic contract, the derivative embedded in the contract must be separated from the basic contract and carried at fair value as a stand-alone derivative. Fair value movements are recognised in the income statement. The basic contract is presented and measured by applying the rules of the relevant category of financial instrument.

However, if the basic contract is recognised at fair value through profit or loss, or if the features and risks of the derivatives embedded in a contract are closely aligned to those of the basic contract, the derivative embedded in a contract is not separated and the hybrid financial instrument is measured as a single instrument.

Depending on the situation, the separated derivatives are presented as derivatives held for hedging or as derivatives held for trading.

### Hedge accounting

ASR uses hedge accounting. This means that on the date a derivative is concluded ASR may designate that contract as either a hedge for the fair value of a recognised asset or liability, or as a hedge for future cash flows allocable to a recognised asset or liability or an expected transaction (cash flow hedging). Hedging of defined benefits are hedges at fair value, except hedges of exchange rate risks recognised as cash flow hedges.

At the start of the transaction ASR documents the relationship between hedging instruments and hedged positions. The same occurs with risk management objectives and policy concerning hedge transactions. ASR also documents the assessment, at the start of the hedge and continuously for each reporting date, as to how effective the hedging instrument was in compensating for movements in the fair value of cash flows from the hedged position, as well as its continued expected effectiveness in the future.

Only assets, liabilities, defined benefits or very probable transactions involving a party outside ASR are considered to be hedged positions.

The fair value movement of a hedged position, which is allocable to the hedged risk and the fair value movement of the hedging instrument in a fair value hedge transaction, are recognised in the income statement. The fair value movement of interest-bearing derivatives is recognised separately from the accrued interest.

If the hedge no longer satisfies the hedging criteria or is terminated, the adjustment of the balance sheet value of the hedged interest-bearing financial instrument resulting from hedge accounting is written off. This is done on the basis of a recalculated effective interest rate on the date of termination of the hedging transaction.

Fair value movements of derivatives designated as qualifying as cash flow hedges are recognised under equity as an unrealised gain or an unrealised loss. Ineffective hedges are immediately recognised in the income statement.

If the hedging of an expected transaction or defined benefit results in recognition of a non-financial asset or a non-financial liability, the gains and losses presented earlier under equity are transferred out of equity and included in the first valuation of that non-financial asset or that non-financial liability. Additionally, amounts recognised under equity are transferred to the income statement and recognised as an income or expense in the periods in which the hedged defined benefit or expected transaction influences the income statement.

This is also the case if the hedge no longer satisfies the criteria for hedge accounting or is discontinued in some other manner, but the expected transactions or defined benefits are expected to go ahead. If the expected transactions or defined benefits are not expected to go ahead, the amounts deferred under equity are transferred to the income statement.

Refer to chapter 2.6, Foreign currency, for information on hedging of net investments.

## 2.25 Liabilities arising from insurance contracts

### General

ASR issues contracts that transfer the insurance risk or financial risk, or both, from the insured party to ASR.

Contracts with a significant insurance risk are presented as insurance contracts or reinsurance contracts. These contracts may also transfer a financial risk.

### Life insurance contracts with discretionary profit-sharing element

Most life insurance contracts carry a guaranteed benefit. Some may also include a discretionary profit-sharing element. This element gives the contract holder the right to receive, over and above guaranteed benefits, additional benefits or bonuses:

- that will probably form a substantial part of the total contractual benefits;
- of which the amount and/or timing are contractually subject to an autonomous decision by the Board of Directors of ASR, and/or
- are contractually based on:
  - the performance of a specific pool of contracts or a certain type of contract;
  - realised and/or unrealised investment returns on a specific pool of assets held by ASR, or
  - the profit of ASR, a fund of another entity that issues the contract.

If the profit-sharing decision was taken before the end of the financial year, the profit-sharing will be recognised as a liability.

Current policyholder dividends are allocated to life insurance contracts with discretionary profit-sharing elements. This occurs on the basis of the contractually owed amount according to the net profit, restrictions and instalments in accordance with the articles of association.

**Shadow accounting**

With some of the financial instruments held by ASR, the realised/unrealised gains or losses on assets have a direct effect on the measurement of insurance liabilities (or some of them) or related deferred acquisition costs. ASR uses shadow accounting for the fair value movements in the fixed-interest investments and assets and liabilities held for trading that are related to, and thus have an influence on, the measurement of the insurance liabilities. The measurement of the insurance liabilities after shadow accounting is at least equal to the test provision made under the Financial Supervision Act. The fair value movements, insofar as not limited by the test provision under the Act, will consequently not form part of equity or net result.

Shadow accounting is applied insofar as the aforementioned investments are related to profit-sharing policies.

Shadow accounting takes place for non-profit-sharing policies, insofar as the current level of interest is lower than the actuarial notional interest used to calculate the liability. By applying shadow accounting, the realised/unrealised value changes are also recognised in the provision for insurance liabilities. On balance therefore, the realised/unrealised value changes will not form part of equity or the income statement.

**Adequacy test for liabilities (LAT)**

This test is performed at the end of each year to determine whether the recognised liabilities are adequate. Use is made of the current portfolio returns to estimate future cash flows. The adequacy of the liabilities is tested at the level of homogenous product groups. If the liabilities are inadequate to provide future cash flows, including cash flows such as management costs and cash flows that result from options and guarantees embedded in a contract and depreciation of the deferred acquisition costs (DAC), the deferred acquisition costs will be subject to an extra write-down and/or supplemental liabilities will be recognised on the basis of best possible estimates. As and when necessary, a calculated deficit will be recognised immediately in the income statement.

A similar adequacy test was performed with current market returns of the investment portfolio, excluding unrealised profits, being used to calculate future cash flows.

**Liabilities relating to insurance contracts****Life**

Future liabilities for policy benefits under life insurance contracts are calculated using a net premium method (present value of future net liabilities less present value of future net premiums) by applying the same principles used to determine the insurance premium. For contracts with a future duration of premium payments that is shorter than the future duration of the insurance, or for which no further premiums are being paid, a provision will be recognised for future administrative costs. Profit-sharing policies include any supplementary liabilities for any contractual dividends of profit-sharing.

For certain designated contracts, the future liabilities for policy benefits have been remeasured to take current market interest rates into account.

Acquisition costs are capitalised and written down. See chapter 2.22.

**Non-life**

Claims and claim handling costs are recognised in the income statement at the time claims are reported or arose. Unpaid claims and claim handling costs consist of estimates for reported claims and provisions for claims that occurred but were not reported. Estimates of occurred-but-unreported claims are established based on past experience, current claim trends and prevailing social, economic and legal frameworks. The liability for non-life insurance claims and claim handling costs (less indemnifications, recovered claims, residual values and subrogation) is based on estimates of expected future payments and costs. Allowance is made for management's assessment of the expected level of inflation, costs of handling claims, legal risks and claim trends. Non-life liabilities concerning incapacity for work are presented at their net present value. The presented provisions are sufficient to cover the ultimate costs of claims and claim handling costs. The resulting adjustments are recognised in the income statement. ASR discounts its commitments for non-life only for claims with determinable and fixed payment terms.

**Reinsurance commitments**

Liabilities concerning matters accepted in reinsurance that do not transfer any substantial insurance risk may be regarded as financial liabilities. These liabilities are presented in the same way as the other financial liabilities, as referred to under 29.

The accounting procedures for liabilities from inbound reinsurance contracts with a substantial insurance risk are the same as the procedures that apply to direct, written insurance contracts.

Deposits of reinsurers in respect of matters ceded in reinsurance that transfer a substantial reinsurance risk are the same as the amount outstanding at balance sheet date.

Reinsurance commitments are reported under 'Other liabilities'.

**2.26 Liabilities related to unit-linked contracts**

Unit linked agreements are insurances in investment units. A unit is a share in an investment fund that ASR has purchased on behalf of policyholders using the net premiums paid by policyholders. The benefit on the end-date of the contract equals the present value of the units of that fund. The present value of a unit is the unit value and equals the fair value of the investments of the investment fund divided by the number of units.

The insurance liability for a unit-linked contract equals the number of units of that insurance multiplied by the unit value at that time.

Some of the unit-linked contracts provide a minimum guarantee concerning the level of the benefit at the end-date. For these guarantees an additional liability is recorded on the balance sheet, which depends on the current fund value and on the level of the guarantee. Determination of this liability takes account of actuarial assumptions for the future development of the fund and mortality.

The liability includes a provision in connection with compensation of costs incurred on these insurances. This provision equals the current value of the time-weighted part of the extra benefit expected at the closing date under the compensation arrangements.

**2.27 Debt certificates, subordinated liabilities and other borrowings**

Debt certificates, subordinated debts and other borrowings are recognised at the time of occurrence at fair value without the direct transaction costs. After initial measurement they are carried at amortised cost and as and when necessary the difference between the net proceeds and the repayment price is recognised in the income statement over the period of the loan based on the effective interest method.

**2.28 Staff remuneration****Pension liabilities**

ASR has a number of defined benefit plans for its employees. These are pension schemes that provide for defined benefit. The liabilities are determined by means of regular actuarial calculations.

A defined benefit pension plan is one that gives the employee the assurance of a fixed benefit at pensionable age. This generally depends on several factors, such as age and length of service. Actuaries examine the related pension liabilities at least once a year and derive the pension assets from the statements provided by the asset manager.

The provision for defined benefit plans is the present value of the pension liabilities at balance sheet date less the fair value of the qualifying investments. This provision is adjusted for unrecognised results and costs concerning elapsed years of service. The provision for defined benefit plans is determined using internal and external actuarial models and calculations. The pension liabilities are calculated in accordance with the projected unit credit method. The use of assumptions for discount rates, percentage increase of future salaries and remuneration levels, mortality, trends in healthcare costs, consumer price index and expected investment return are inherent in these actuarial models. The assumptions are updated from year to year and are based on available market information and past investment returns.

The actuarial assumptions can differ considerably from actual results on account of changes in market conditions, economic trends, mortality trends and other assumptions. Each change in these assumptions can impact substantially on the size of the provision for defined benefit plans and the future pension expenses.

Stichting Pensioenfonds Fortis ASR Verzekeringsgroep was liquidated on 1 January 2008. Administration of the pension plan was transferred to ASR Levensverzekering N.V., an insurance company that forms part of the group. Consequently, from 1 January 2008, the fund investments are no longer considered 'qualifying fund investments of pension plans'.

Differences between expected and actual returns on qualifying investments caused by changes in actuarial assumptions and adjustments of experience-based figures are not presented in the income statement. However, they are presented if the totality of the cumulative changes falls outside the 10% corridor of the greater of the liability under the plan or the fair value of the associated qualifying investments. The part that falls outside the corridor is charged or added to the income statement over the expected average remaining number of years of service of the pension plan members.

Pension costs of elapsed length of service are recognised immediately in the income statement. This does not occur if the changes to a pension plan depend on the number of employees that remain in the employ of the company during a certain period of time ('waiting period' or 'vesting period').

The fund investments accompanying the pension liabilities must satisfy certain criteria (they must 'qualify') in order to be presented as 'qualifying fund investments of pension plans'. These criteria concern the circumstance that the fund investments must legally be segregated from ASR and its creditors. If the criteria are not fulfilled, the fund investments are presented in the relevant column of the balance sheet (investments, property, plant and equipment, etc.). If the fund investments do satisfy the criteria (qualify), they are set off against the pension liability.

Set-off of the fair value of fund investments against the present value of the liabilities under pension plans based on defined benefits can result in a negative amount (an asset). If this occurs, the presented asset may not exceed the sum of:

- the cumulative unrecognised actuarial net losses, and
- the pension costs of elapsed length of service, and
- the present value of economic benefits available in the form of repayments from the plan or reductions of future contributions to the plan.

Plans that provide benefits for a long service but are not pension plans are measured at the net present value using the projected unit credit method.

The employer's contributions to pensions under defined contribution plans are recognised in the income statement as an expense in the year to which they relate.

#### **Other liabilities after employment ends**

ASR offers post-employment benefits, such as mortgage loans at favourable interest rates and medical insurance schemes. To be entitled to this remuneration it is generally obligatory for the employee to remain in the company's employ up to and including pensionable age and to have reached a minimum length of service. The expected costs of this remuneration are allocated over the period of the employment. This is done on the basis of a methodology similar to that used for defined benefit plans. The liabilities are determined by means of actuarial calculations.

#### **Remuneration based on shares (or plans for participation in share capital)**

Share options of the former parent company Fortis N.V. were allocated to directors and to employees in recognition of services rendered. The fair value of the rendered services is determined with reference to the fair value of the awarded share options. The compensation costs are measured at allocation date on the basis of the value of the options and the costs recognised during the vesting period of the options. The fair value is determined on the basis of an option measurement. This takes account of the share price and allocation date, the exercise price, the expected term of the option, the expected volatility of the underlying shares and the expected dividends on them, as well as the risk-free interest rate over the expected term of the option. If the options are exercised and new shares are issued, the revenues received are accounted for, less any transaction costs, in the share capital of Fortis N.V. (par value). The surplus is presented under the issue premium (share premium).

#### **Personnel rights**

Personnel rights attached to awarded annual holidays and days of leave earned through long service are recognised when they can be taken by the employees. A liability is created for any days of leave to which employees are entitled but have not taken by the end of the period.

### **2.29 Provisions, provisional liabilities and financial guarantees**

#### **Provisions**

Provisions are liabilities with contingencies in terms of amount and time of payment. Provisions are recognised on the balance sheet if, as a result of past events, there is an existing commitment to transfer economic benefits, such as cash flows, and if it is possible to make a reliable estimate at the balance sheet date. Provisions are created for certain guarantee agreements for which ASR is responsible in the event of non-payment. Provisions are estimated on the basis of all relevant factors and information existing at the balance sheet date and are discounted at the risk-free interest rate.

#### **Provisional liabilities**

Provisional liabilities are the contingencies with an amount that cannot be estimated with sufficient reliability or for which payment is unlikely to be required in order to fulfil a commitment. These events are stated under 'Liabilities not shown on the balance sheet'.

#### **Financial guarantees**

Financial guarantee contracts, which anticipate payments as a result of changes in a particular interest rate, securities price, commodities price, exchange rate, index of prices or interest rates, credit rating or credit index or other variable, are recognised as derivatives. A condition is this must not be specific to one of the parties to the contract in the case of a non-financial variable.

Financial guarantee contracts that provide for particular payments by ASR to the holder as compensation for a loss because a particular debtor is unable to fulfil its commitments are recognised as insurance contracts if a significant insurance risk transfers to ASR.

### **2.30 Equity**

#### **Share capital and company's own shares**

##### *Costs of issuing shares*

Costs that can be directly allocated to the issue of new shares, except those concerning a business combination, are deducted from equity after deduction of any related tax on profit.

##### *Other equity components*

Other elements presented under equity relate to:

- foreign currency (see chapter 2.6);
- financial assets available for sale (see chapter 2.9, Presentation and valuation of financial assets and liabilities);
- cash flow hedges (see 2.2.4, Derivatives and hedging);
- discretionary profit-sharing elements (see 2.2.5, Liabilities related to insurance contracts).

### **2.31 Interest income and expense**

Interest income and expenses are recognised in the income statement for all interest-bearing instruments. It makes no difference whether they have been presented as held until maturity, available for sale, at fair value with value changes in the income statement or as derivatives. The accrual basis is used for presentation by applying the effective interest method based on actual purchase price including direct transaction costs. The earned par value coupon interest is presented under interest income on instruments at fixed or variable rates of interest. The amortisation of share premium or discount according to the effective interest method also falls under this category.

If the value of a financial asset has decreased to its estimated realisable value, the interest income is recognised on the basis of an effective interest rate. This is the interest rate that was used for the discounting of the future cash flows when determining the realisable value.

### 2.32 Insurance premiums, claims and payments

A short-term investment contract (less than one year) is a contract that provides for insurance protection for a short but fixed period of time. It gives the insurer and the customer the possibility of cancelling the contract or amending its provisions on expiry of the contractual term.

A long-term contract is a contract (longer than one year) that is not generally subject to unilateral amendment of the conditions, such as a non-cancellable contract or a contract with predetermined amendments, and for which various services (including insurance protection) are provided for a long period.

Premiums obtained from life insurance policies are presented as revenues if they can be collected from policyholders. The resulting estimated future benefits and expenditure are presented as an expense. This is done so as to realise profits over the estimated term of the policies and matching is achieved by determining the liabilities of the insurance policies and capitalising and then writing down acquisition costs.

For contracts with a term less than one year (mainly non-life), the premiums are recognised as they were charged at the start of the contract. The premiums are presented in the income statement proportionally over the term of the relevant policy cover. The provision for unearned premiums represents the part of the premiums charged that relate to instalments for cover after the balance sheet date.

Medical costs concern short-term contracts that cannot be cancelled by the company.

### 2.33 Realised and unrealised gains and losses

For financial instruments presented as being available for sale, the realised gains or losses on sales and divestments represent the difference between the received proceeds and the (amortised) cost price of the sold asset or liability. This takes place after deduction of any impairments already presented in earlier periods in the income statement and after making allowance for the impact of any adjustments under hedge accounting.

For financial instruments presented in the income statement at fair value through profit or loss, the difference between the balance sheet value at the end of the current reporting period and the previous reporting period is presented under 'Other realised and unrealised gains and losses'.

For derivatives the difference between the fair value excluding accrued interest (clean fair value) at the end of the current reporting period and the previous reporting period is presented under 'Other realised and unrealised gains and losses'.

Unrealised gains and losses incorporated directly into equity in the past (the difference between balance sheet value and amortised cost) are transferred upon sale to the income statement. Realised gains and losses on sales are recognised in the income statement under the 'Realised gains (losses) on investments' column.

### 2.34 Fee and commission income

Fees and commissions for rendered services are generally presented as revenues if the service is performed. If it is unlikely that a particular loan will be allowed and the credit agreement is not regarded as a derivative, the fee/commission is presented under revenues, proportionally over the term of the agreement.

### 2.35 Transaction costs

Transaction costs are presented in the initial measurement of financial assets and liabilities, except the financial assets and liabilities carried at fair value through profit or loss in the income statement. Subsequently, transaction costs incurred when entering into financial assets or liabilities with the effective interest method are recognised as interest income or expense in the income statement. Transaction costs are the extra costs directly allocable to the acquisition or disposal of a financial asset or a financial liability. These include the commissions and fees paid to agents, consultants, brokers and stockbrokers. The same occurs for levies by the regulatory and supervisory bodies and stock exchanges and for various types of transfer tax.

### 2.36 Borrowing costs

Borrowing costs are generally presented as an expense in the period they were incurred. Borrowing costs directly allocable to the acquisition or development of an asset are capitalised as part of the costs of an asset while the asset is under development. The capitalisation of borrowing costs must commence when:

- expenditure is incurred for the asset and the borrowing, and
- work is necessary to ready the asset for its intended use or its sale is in progress.

Capitalisation ends when the asset is almost ready for its intended use or for sale. Capitalisation is deferred if development of the asset is interrupted for a prolonged period of time. If construction is completed in various parts and each individual part is usable while construction of other parts continues, the capitalisation is ended for each part at such time as it is almost completed.

For a loan related to a certain asset, the effective interest rate for the loan is used. In other cases a weighted average of the paid interest rate is used.

### 2.37 Income tax expense

Tax on profits is presented as an expense based on the tax laws applicable in each jurisdiction in the period in which the profits arise. The tax effects of deductible corporation tax losses are recognised as a deferred tax asset if a future taxable profit is likely to exist against which the losses can be offset.

Deferred taxes are recognised using the balance sheet method for all temporary differences between the balance sheet value of the assets and liabilities in the consolidated financial statements and their fiscal balance sheet value.

Deferred tax claims are recognised to the extent that a future taxable profit is likely to exist against which the temporary differences can be offset.

Deferred tax liabilities and tax claims are determined at the tax rates at which these positions are likely to be settled.

A deferred tax liability is recognised for taxable temporary differences related to investments in subsidiaries, non-controlling interests and interests held in joint ventures. This method is used unless the time at which the temporary difference is settled can be determined and it is unlikely that the temporary difference will be settled in the near future.

Tax on profits and deferred taxes relating to remeasurement at fair value of associates available for sale and cash flow hedges incorporated directly as income or expense under equity are also recognised directly as an income or expense under equity. Subsequently they are presented together with the deferred profit or deferred loss in the income statement.

### 3 Acquisitions and divestments

Acquisitions and divestments mean the buying or selling of legal persons over which ASR exercises influence, including but not confined to subsidiaries and other companies (associates and joint ventures).

If material or substantial changes occur, the assets and liabilities resulting from the acquisitions and divestments are stated in this chapter.

There were no acquisitions or divestments in 2008 (2007: nil) that led to material or substantial changes in the assets and liabilities of the organisation as a whole.

### 4 Shareholders' equity

The table below shows the composition of Shareholders' equity at 31 December 2008:

Shareholders' equity	2008
Ordinary shares; 200,000 issued at a par value of EUR 500	100
Share premium reserve	962
Net result attributable to shareholder	-640
Unrealised gains and losses	-648
Exchange rate differences	-10
Other reserves	668
	<b>432</b>

The table below shows a breakdown of ASR's share capital as at 31 December 2008:

Authorised capital	
- Ordinary shares: 1,000,000 at a par value of EUR 500	500
Subscribed and paid-up capital	
- Ordinary shares: 200,000 at a par value of EUR 500	100
Unsubscribed shares	400

The States of the Netherlands became ASR's sole shareholder on 3 October 2008.

No further share capital changes occurred during the financial year.

#### 4.1 Unrealised gains and losses included in Shareholders' equity

The table below shows the unrealised gains and losses recognised in equity in 2008, 2007 and 2006:

	Investments available for sale	Revaluation of associates	Cash flow hedge reserve	DPF component	Total
<b>31 December 2008</b>					
Gross	-1,721	-21	-1	0	<b>-1,743</b>
Related tax	435	0	0	0	<b>435</b>
Shadow accounting	886	0	0	0	<b>886</b>
Tax related to shadow accounting	-226	0	0	0	<b>-226</b>
Non-controlling interest	0	0	0	0	<b>0</b>
DPF	0	0	0	0	<b>0</b>
<b>Total</b>	<b>-626</b>	<b>-21</b>	<b>-1</b>	<b>0</b>	<b>-648</b>
<b>31 December 2007</b>					
Gross	382	5	-1	0	<b>386</b>
Related tax	-39	0	0	0	<b>-39</b>
Shadow accounting	264	0	0	0	<b>264</b>
Tax related to shadow accounting	-67	0	0	0	<b>-67</b>
Non-controlling interest	0	0	0	0	<b>0</b>
DPF	-43	0	0	43	<b>0</b>
<b>Total</b>	<b>497</b>	<b>5</b>	<b>-1</b>	<b>43</b>	<b>544</b>
<b>31 December 2006</b>					
Gross	1,535	11	-1	0	<b>1,545</b>
Related tax	-213	0	0	0	<b>-213</b>
Shadow accounting	-110	0	0	0	<b>-110</b>
Tax related to shadow accounting	25	0	0	0	<b>25</b>
Non-controlling interest	0	0	0	0	<b>0</b>
DPF	-65	0	0	65	<b>0</b>
<b>Total</b>	<b>1,172</b>	<b>11</b>	<b>-1</b>	<b>65</b>	<b>1,247</b>

ASR enters into insurance contracts that, in addition to guaranteed participating benefit features of which the size and time of awarding fall solely under the responsibility of ASR. Depending upon contractual and legal terms and conditions, unrealised value changes in the fair value of the asset mix related to such contracts are recognised, after applying shadow accounting, in a separate discretionary participation feature component (DPF) as part of the unrealised gains and losses under equity.

#### 4.2 Dividend

Various ASR companies are subject to legal restrictions regarding the amount of dividends that they may distribute to their shareholders. The Netherlands Civil Code stipulates that dividends may only be distributed by Dutch companies insofar as the equity of the company exceeds the total of paid-up and called-up capital and the reserves required by law or under the articles of association. The freely distributable reserves are determined on the basis of the other reserves and the undistributed profit for the 2008 financial year as contained in the separate financial statements. Therefore, ASR had no freely distributable reserves at year-end 2008. Also refer to the notes to the separate balance sheet in the chapter headed 'Separate financial statements 2008'.

#### Proposed dividend for 2008

The Board of Directors will recommend to the General Meeting of Shareholders not to distribute any dividend over 2008.

## 5 Non-controlling interests

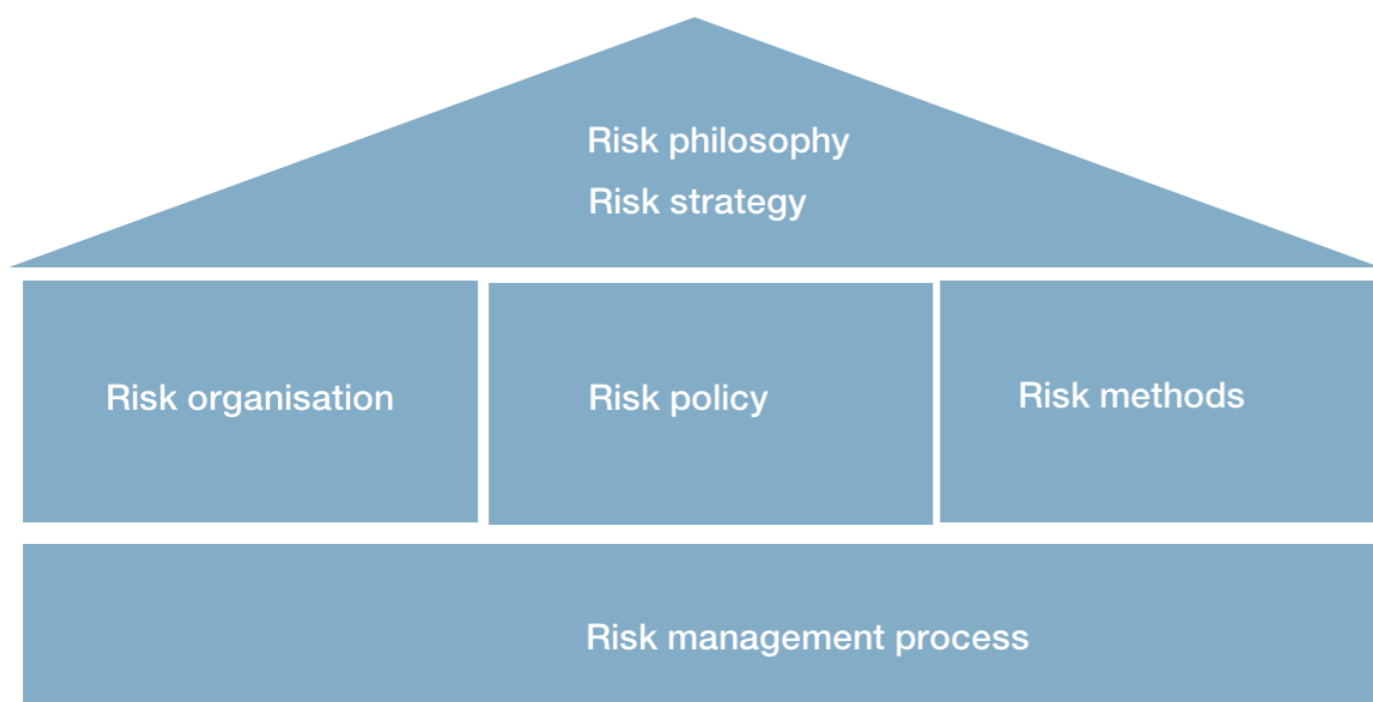
Group company	Size of non-controlling interest	Amount at 31 December 2008	Amount at 31 December 2007	Amount at 31 December 2006
Fortis Fixed Rate Quarterly Capital Funding Trust		50	50	50
ASR Nederland Vastgoed Maatschappij N.V.	5%	44	43	0
Other		3	4	4
<b>Total</b>		<b>97</b>	<b>97</b>	<b>54</b>

See chapter 27 for more information about Capital Funding Trust.

## 6 Risk management

### 6.1 Introduction

ASR has a cohesive risk management framework that covers all levels of the organisation. Within this framework ASR determines its risk strategy and controls risk-bearing activities. Aspects of the core policy, methods and processes are aligned to broadly-based supervision of risk management quality at group and business level. ASR is continually working on evaluating and improving its risk management framework to assure harmonisation with its long-term strategy. This is based on the company's own best practices and generally accepted best practices. The figure below is a diagrammatic representation of the ASR governance framework.



Each component of the risk management framework is explained below, together with a quantitative and qualitative overview of the risks to which ASR is exposed.

### 6.2 Philosophy, strategy and principles for solid risk management

#### 6.2.1 Risk philosophy

ASR defines risk as variances from expected results that may potentially impact on the value, capital and income of ASR. The risks to which ASR is exposed consist of external and internal risk factors that stem from a wide array of business activities. Taking a risk is an essential element of the objective of ASR to create value. ASR endeavours to enter into risks that are transparent and that can be adequately controlled both at individual and at portfolio level. ASR exposes itself actively to risks if deemed efficient and profitable for the organisation. Risks that are not actively sought, but arise during the normal conduct of business, are limited to an acceptable level. Moreover, ASR considers it to be its duty to satisfy the expectations of its stakeholders by entering into risks in a controlled and transparent way.

#### 6.2.2 Risk management principles

Risk management at ASR is based on four guiding principles derived from the risk governance framework:

*Optimisation of risk-return in a controlled manner at a high quality level:* ASR is a professional risk-taker, both actively and passively. Taking risks is inherent in the way that ASR creates value. To ensure that ASR creates added value, risk management has been organised at business level.

*Clarity about responsibility and liability:* ASR acts in accordance with the principle of delegated authority. Individuals and business units are completely responsible for their decisions, with the proviso that the interests and stimuli must be compatible with the business objectives of ASR.

*Independent and resolute risk management functions:* entering into a risk requires an impartial vision of the risk management functions. An independent and resolute risk management function, clearly segregated from business decisions, is essential to avoid conflicts of interest. This function assures the organisation of adequate risk management and ultimately ratifies ASR's risk policy.

*Open risk culture to convey confidence:* risk transparency and adaptability are essential elements of the ASR corporate culture. Formal processes have been put in place to stimulate the sharing of knowledge of risk management, with internal and external stakeholders.

#### 6.2.3 Risk strategy

ASR's risk strategy describes which risks and how many risks ASR wishes to take in the pursuit of its business objectives. The strategy also describes how undesirable risks will be limited or avoided. Risk tolerance and willingness are fundamental aspects of the risk strategy. The risk strategy is not an isolated matter but is derived from the business strategy of ASR and is in line with its strategic objectives. The risk strategy is ultimately translated into the budgeting and capital management control processes of ASR.

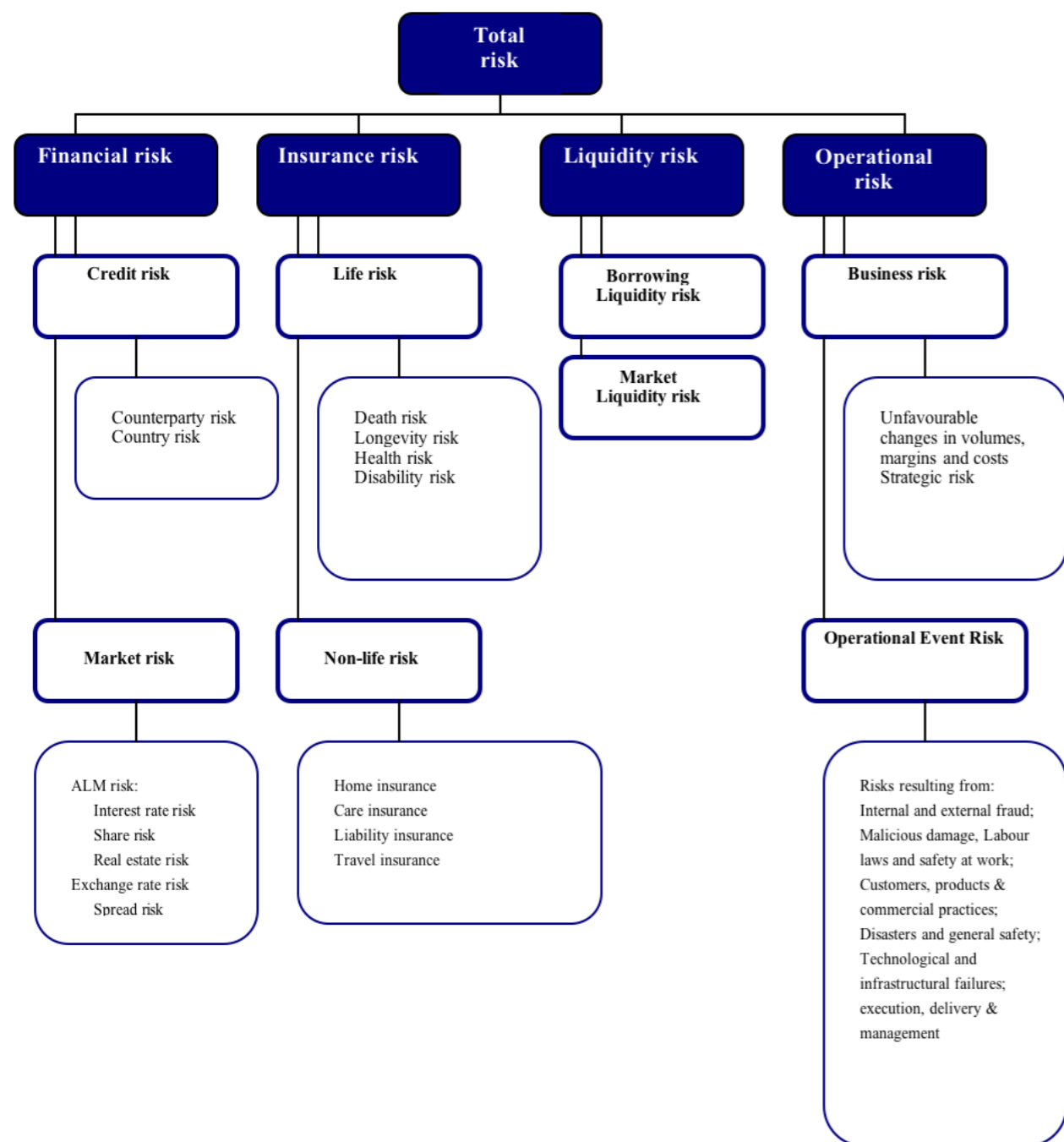
The stance that ASR adopts to risks demonstrates how and to what extent the company is willing to take, limit or avoid certain risks. ASR has placed the risks to which it is exposed in the following categories:

*Core risks:* risks to which ASR actively exposes itself, if it is efficient to do so for the group, provided that the risks are controllable on an individual basis and at portfolio level. ASR continuously strives to complete and refine its insight into risks so as to control them as effectively as possible. The most important subcategories of core risks for ASR are credit risk, market risk (ALM risk) and technical insurance risk. The technical insurance risk can be subdivided into non-life risks and life, accident and medical risks.

*Non-core risks:* these are risks that the company does not actively seek in principle, but come about through the normal conduct of business. These include operational risks. They consist of business risks and event risks. The risks have been reduced to acceptable proportions, taking into account cost/benefit analyses. ASR endeavours to control its operational risks and to protect its reputation by meeting the highest standards of integrity in the conduct of its business, in accordance with its internal code of conduct.

In addition to the strategic distinction between core and non-core risks, ASR uses a standard risk classification (taxonomy) that covers all material risks. The taxonomy is evaluated annually and revised to ensure that all material risks are identified, defined and embedded in the risk governance framework.

The current ASR risk taxonomy is shown in the table below:



A detailed explanation of each type of risk is provided in the description of the risk management framework below.

### 6.3 Risk management organisation

The risk management organisation of ASR exists to implement the company's risk strategy and to achieve the following objectives:

- clearly defined responsibility and liability for risk management;
- independent risk management functions;
- transparent and cohesive decision-making process within ASR, covering all risks in the ASR risk taxonomy model.

### 6.3.1 Risk management and supervision

Risk management and supervision are carried out within ASR using a system of delegated responsibilities from central and local risk management bodies, Financial Risk & Value Management and Operational Risk & Management Control.

#### 6.3.1.1 Financial Risk & Value Management

The Financial Risk & Value Management (FR&VM) department is headed by the Chief Risk Officer. The role of this department is to ensure that the organisation continuously satisfies the highest qualitative standards of risk management, increase awareness of and insight into the risks taken by management, stimulate an optimum risk/return ratio, measure economic capital and approve risk models. Moreover, FR&VM supports the businesses in risk matters and the work of various risk committees. The department also coordinates implementation of risk initiatives and risk communication.

##### 6.3.1.1.1 Asset & Liability Management

Asset & Liability Management (ILM) is responsible for keeping a close watch on ALM-related risks in the balance sheet of ASR and its insurance entities. ALM does this in accordance with decisions taken by the ALCO (Asset and Liability Management Committee) with due observance of the guidelines of ASR and external regulators. ALM defines risk tolerance and controls risks by establishing guidelines and standards. ILM endeavours to apply best practices in risk management, as required by external regulators and rating agencies.

##### 6.3.1.1.2 Insurance Risk & Value Management

Insurance Risk & Value Management (IR&VM) is responsible for keeping a close watch on technical insurance risks entered into by ASR entities. IR&VM does this in accordance with decisions taken by the IRC (Insurance Risk Committee). It observes the guidelines of ASR and external regulators. IR&VM defines risk tolerance and controls risks by establishing guidelines and standards. IR&VM endeavours to apply best practices in risk management, as required by external regulators and rating agencies.

##### 6.3.1.1.3 Reinsurance

Reinsurance is responsible for formulating and implementing the reinsurance policy, in accordance with ASR.

#### 6.3.1.2 Operational Risk & Management Control

Insurance Risk & Value Management (IR&VM) is responsible for keeping a sharp watch on technical insurance risks entered into by ASR entities. IR&VM does this in accordance with decisions taken by the IRC (Insurance Risk Committee). It observes the guidelines of ASR and external regulators. IR&VM defines risk tolerance and controls risks by establishing guidelines and standards. IR&VM endeavours to apply best practices in risk management, as required by external regulators and rating agencies.

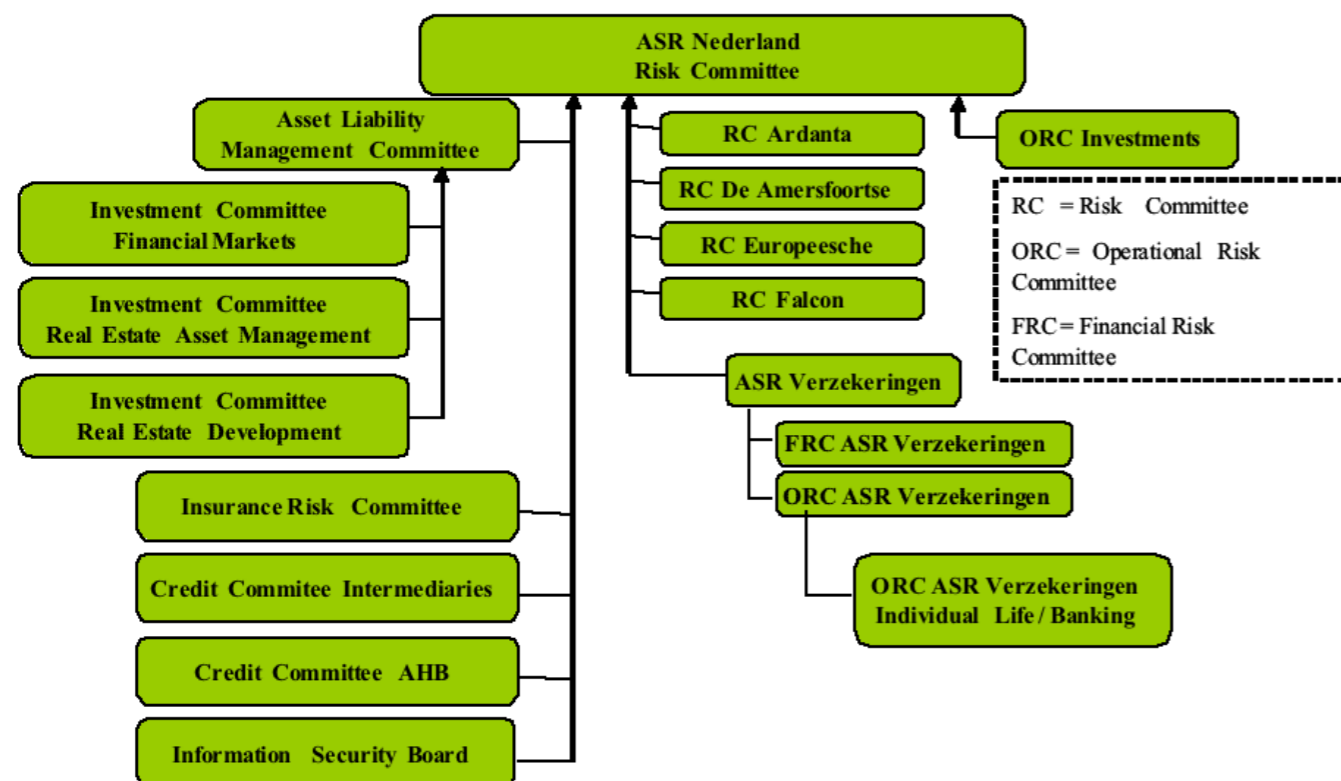
#### 6.3.1.3 Audit ASR

The Operational Risk & Management Control (OR&MC) department is responsible for controlling and mitigating operational risks across the various business units/legal entities. As laid down in the central ASR risk structure, however, the businesses are primarily responsible for controlling operational risks. Proper risk management requires embedding of risk management in the lower levels of the organisation.



### 6.3.2 Structure of ASR risk committees

A comprehensive structure of the risk committees ensures that decisions are taken at the right level.



General Risk responsibility rests with the Board of Directors of ASR. To fulfil the mission of Risk the Board of Directors is supported by various risk committees.

#### 6.3.2.1 Risk Committees

##### 6.3.2.2 ASR Risk Committee

The ASR Risk Committee (ASRRC) provides assurances to enable ASR to identify the most important risks and to possess a comprehensive risk management mechanism. A key function of ASRRC is to ensure that a consistent policy is conducted group-wide and that all risk aspects are addressed.

##### 6.3.2.3 Business Risk Committees

For each label in which the insurance activities have been accommodated, there is a Business Risk Committee (BRC) with a task similar to that of ASRRC for its own field of attention. Where necessary there is a separate Operational Risk Committee and sometimes a Financial Risk Committee. An Operational Risk Committee has also been established within the Asset Management function.

#### 6.3.2.3 Supporting Risk Committees

##### 6.3.2.3.1 Asset and Liability Management Committee (ALCO)

The ALCO determines the strategic asset allocation and oversees the ALM risk. The responsibilities concern managing, addressing and controlling ALM risks. The committee approves investment risks of new products that will be launched by the business departments. ALCO is assisted by investment committees that carry out the tactical and day-to-day policy of investments in financial instruments, real estate and real estate development.

##### 6.3.2.3.2 Insurance Risk Committee

The Insurance Risk Committee (IRC) monitors pricing by the businesses, acceptance and claims handling guidelines, volatility in the insurance portfolios and the adequacy of technical facilities.

##### 6.3.2.3.3 Intermediaries Credit Committee

The Intermediary Credit Committee (KC) determines policy and processes for credit risks that stem from relationships maintained with our intermediaries. The committee decides on new credits, monitors the quality of the credit portfolio and ensures compliance with credit limits.

##### 6.3.2.3.4 AHB Credit Committee

The AHB Credit Committee determines policy and processes for financing real estate of small investors. The committee decides on new credits, monitors the quality of the credit portfolio and ensures compliance with the credit limits.

##### 6.3.2.4.5 Information Security & Business Continuity Board

The Information Security & Business Continuity (IS&BC) Board determines, on behalf of the Board of Directors, the information security and business continuity policy of ASR. The board monitors implementation and determines where necessary the measures that must be taken.

##### 6.3.2.4.6 ASR Audit Committee

The ASR Audit Committee is not a risk committee, but supports the Supervisory Board in fulfilling its supervision and monitoring responsibilities for internal control in the widest sense within ASR, including internal control of financial reporting.

### 6.4 Financial risks

Financial risks can be divided into two categories, i.e. credit risk and market risk.

#### 6.4.1 Credit risk

Credit risk is defined as the risk with respect to the result or equity that occurs if a debtor is unable to fulfil its contractual obligations.

##### 6.4.1.1 Credit risk management

Within ASR credit risk is controlled by means of various rules, guidelines, principles and procedures for identifying, measuring, approving and reporting risks. This concerns risks in the form of direct issue of credit or through other activities that give rise to a credit risk, such as investment activities and/or reinsurance claims. Given the characteristics of an insurance company, the emphasis is on managing the credit risk in the investment portfolio.

##### 6.4.1.2 Outstanding credit risk

The total outstanding credit risk of ASR is measured and presented as the sum of balance sheet totals and potential off-balance sheet balances of customers and counterparties as at 31 December<sup>1</sup>. The outstanding credit risk is presented on the basis of the classification used in the balance sheet. The basic principle is that this best portrays the nature and the characteristics of the outstanding credit risk.

<sup>1)</sup> Investments regarding unit linked contracts are not included in the outstanding credit risk analysis because of the fact that those risk are for the account of the policyholder.

The table below shows the positions that are subject to credit risk.

	<b>2008</b>	<b>2007</b>
Cash and cash equivalents (see chapter 14)	654	483
Impairments	0	0
<b>Total net cash and cash equivalents</b>	<b>654</b>	<b>483</b>
<i>Assets held for trading (see chapter 15)</i>		
Bonds	0	0
Derivatives *)	371	183
<b>Total assets held for trading</b>	<b>371</b>	<b>183</b>
<i>Due from banks</i>		
Interest-bearing deposits	156	179
Loans and advances	558	606
Other	157	158
<b>Total due from banks (see chapter 15)</b>	<b>871</b>	<b>943</b>
Impairments	0	0
<b>Total net due from banks</b>	<b>871</b>	<b>943</b>
<i>Due from customers (see chapter 15)</i>		
Government and public sector	382	436
Mortgage loans	2,179	2,364
Loans to private individuals	14	16
Loans to companies	1,855	1,808
Other	0	0
<b>Total due from customers</b>	<b>4,430</b>	<b>4,624</b>
Impairments	-24	-34
<b>Total net due from customers</b>	<b>4,406</b>	<b>4,590</b>
<i>Interest-bearing investments (see chapter 16)</i>		
Government securities	2	49
Government bonds	6,353	3,457
Corporate bonds	7,918	7,498
Structured credit instruments	1,255	2,341
<b>Total interest-bearing investments</b>	<b>15,528</b>	<b>13,345</b>
Impairments	-749	-126
<b>Total net interest-bearing investments</b>	<b>14,779</b>	<b>13,219</b>
Reinsurance and other receivables	1,554	1,647
Impairments	-26	-23
<b>Total net reinsurance and other receivables</b>	<b>1,528</b>	<b>1,624</b>
<b>Total credit risk on balance sheet (gross)</b>	<b>23,408</b>	<b>21,225</b>
Impairment	-798	-183
<b>Total credit risk on balance sheet (net)</b>	<b>22,610</b>	<b>21,042</b>

\*) For derivatives held for trading cash positions have been received totalling EUR 150 million.

The duration of impairments, i.e. the period between the first moment of impairment and 31 December, is mostly less than one year.

#### 6.4.1.3 Concentration of credit risk

The concentration of credit risk means an outstanding interest at a counterparty or a collection of outstanding interests at positively correlated (e.g. the tendency to remain in default under similar conditions) counterparties. These interests can produce a substantial loss if the counterparties remain in default.

The avoidance of concentrations is a fundamental part of the credit risk strategy of ASR. It is important to maintain widely distributed, liquid and diversified portfolios.

ASR applies the 'total one obligor' concept to avoid a concentration of credit risk. This means that groups of related counterparties are regarded as a single counterparty for the purpose of credit risk management. The credit risk policy concerning concentration of credits is aimed at spreading this risk across various counterparties, sectors and countries.

The table below shows the sector concentration of the investment portfolio of receivables due from customers as at 31 December.

Industry sector	2008		2007	
	Carrying amount of receivables due from customers	Total %	Carrying amount of receivables due from customers	Total %
Private individuals	3,280	74.44%	3,630	79.08%
Financial services	921	20.91%	531	11.57%
Public and social services	157	3.57%	210	4.58%
Real estate	19	0.42%	118	2.57%
Electricity, gas and water	17	0.39%	30	0.65%
Other sectors	12	0.19%	71	1.55%
<b>Total net receivables from customers</b>	<b>4,406</b>	<b>100%</b>	<b>4,590</b>	<b>100%</b>
Impairments	-24		-34	
<b>Total gross receivables from customers</b>	<b>4,430</b>		<b>4,624</b>	

The table below shows the concentration of balance sheet credit risk as at 31 December according to the place of residence of the customer and the type of counterparty.

Customer's place of residence	2008		2007	
	Credit risk on balance sheet	Percentage	Credit risk on balance sheet	Percentage
Benelux	12,034	51.41%	11,103	52.31%
Other European countries	9,563	40.85%	8,231	38.78%
North America	1,220	5.21%	1,282	6.04%
Asia	131	0.56%	125	0.59%
Others	460	1.97%	484	2.28%
<b>Total</b>	<b>23,408</b>	<b>100%</b>	<b>21,225</b>	<b>100%</b>

The table below contains a breakdown of the balance sheet credit risk as at 31 December, according to the place where the customer resides and the type of counterparty with which the transaction was concluded.

	Government and public sector	Credit institutions	Business customers	Retail customers	Other	Total
<b>31 December 2008</b>						
Balance sheet						
Benelux	2,694	2,288	4,126	2,192	734	12,034
Other European countries	3,887	4,016	1,570	0	90	9,563
North America	56	602	562	0	0	1,220
Asia	0	86	45	0	0	131
Other	102	319	39	0	0	460
<b>Total balance sheet</b>	<b>6,739</b>	<b>7,312</b>	<b>6,341</b>	<b>2,192</b>	<b>824</b>	<b>23,408</b>
<b>31 December 2007</b>						
Balance sheet						
Benelux	1,530	2,398	4,249	2,379	547	11,103
Other European countries	2,194	4,033	1,985	0	19	8,231
North America	93	410	779	0	0	1,282
Asia	8	73	44	0	0	125
Other	118	214	152	0	0	484
<b>Total balance sheet</b>	<b>3,943</b>	<b>7,128</b>	<b>7,209</b>	<b>2,379</b>	<b>566</b>	<b>21,225</b>

#### 6.4.1.4 Credit risk rating

ASR controls the credit risk in its investment portfolio with the aid of credit ratings such as those issued by external rating agencies.

All business segments possess adequate measurement instruments, guidelines and procedures to control credit risk, including a completely independent process for examining credits and setting creditworthiness limits and a process for maintaining supervision.

The table below provides an overview of credit quality itemised according to investment quality of debt certificates as at 31 December, based on external ratings.

	2008		2007	
	Carrying amount	Percentage	Carrying amount	Percentage
<i>Investment quality</i>				
AAA	6,165	41.71%	4,100	31.02%
AA	2,247	15.20%	2,553	19.31%
A	4,819	32.61%	5,026	38.02%
BBB	1,244	8.42%	1,108	8.38%
<b>Total investment quality</b>	<b>14,474</b>	<b>97.94%</b>	<b>12,787</b>	<b>96.73%</b>
Less than investment quality	203	1.37%	290	2.19%
Without credit rating	102	0.69%	142	1.08%
<b>Total net investments in interest-bearing securities</b>	<b>14,779</b>	<b>100%</b>	<b>13,219</b>	<b>100%</b>
Impairments	-749		-126	
<b>Total gross investments in interest-bearing securities</b>	<b>15,528</b>		<b>13,345</b>	

#### 6.4.1.5 Reduction of credit risk

Risk avoidance is the technique of lowering the credit risk by hedging or by obtaining securities (pledges or collateral). Hedging is a financial technique that seeks to reduce or eliminate risks caused by products or activities.

A pledge is any promise or any privilege of the counterparty, or a third party, to which ASR can seek recourse for limiting reductions in the value of receivables if the counterparty remains in default. Lending is never purely or solely based on pledges or hedging. These forms of risk avoidance are invoked only in the second instance.

The following forms of pledges have been received by ASR: homes (under the issue of mortgages), liquidities (under derivative contracts), financial assets and liquidities (under contracts for security lending). Received liquidities (cash collateral) are explained in section 20 of the financial statements.

The table below shows the pledges and guarantees received as security for financial receivables and agreements.

	Carrying amount	Pledges received			Added value of pledges relative to impairments <sup>1)</sup>	Non guaranteed outstanding amount
		Financial instruments	Property, plant and equipment	Other pledges and guarantees		
<b>2008</b>						
Cash and cash equivalents	654	0	0	0	0	654
Interest-bearing investments	14,779	0	0	0	0	14,779
Due from banks	871	0	0	0	0	871
<i>Due from customers</i>						
Government and public sector, total	382	0	0	0	0	382
Mortgage loans	2,179	0	2,029	0	607	149
Loans to private individuals	14	0	0	0	0	14
Loans to companies	1,832	0	0	237	112	1,707
Other	0	0	0	0	0	0
Total receivables due from customers	4,407	0	2,029	237	719	2,252
Other receivables	1,528	0	0	0	0	1,528
<b>Total</b>	<b>22,239</b>	<b>0</b>	<b>2,029</b>	<b>237</b>	<b>719</b>	<b>20,084</b>
Total off-balance sheet	3	0	0	0	0	3
<b>Total credit risk</b>	<b>22,242</b>	<b>0</b>	<b>2,029</b>	<b>237</b>	<b>719</b>	<b>20,087</b>

<sup>1)</sup> The amount of received securities and guarantees that exceeds the actual credit risk (calculated on contract basis).

	Carrying amount	Pledges received			Added value of pledges relative to impairments <sup>1)</sup>	Non guaranteed outstanding amount
		Financial instruments	Property, plant and equipment	Other pledges and guarantees		
<b>2007</b>						
Cash and cash equivalents	483	0	0	0	0	483
Interest-bearing investments	13,219	0	0	0	0	13,219
Due from banks	943	0	0	0	0	943
<i>Due from customers</i>						
Government and public sector, total	436	0	0	0	0	436
Mortgage loans	2,364	0	2,565	0	617	416
Loans to private individuals	16	0	0	0	0	16
Loans to companies	1,774	0	0	191	79	1,662
Other	0	0	0	0	0	0
Total receivables due from customers	4,590	0	2,565	191	696	2,530
Other receivables	1,624	0	0	0	0	1,624
<b>Total</b>	<b>20,859</b>	<b>0</b>	<b>2,565</b>	<b>191</b>	<b>696</b>	<b>18,799</b>
Total off-balance sheet	0	0	0	0	0	0
<b>Total credit risk</b>	<b>20,859</b>	<b>0</b>	<b>2,565</b>	<b>191</b>	<b>696</b>	<b>18,799</b>

<sup>1)</sup> The amount of received securities and guarantees that exceeds the actual credit risk (calculated on contract basis).

#### 6.4.1.6 Impairment of financial asset

In the ASR investment portfolio investment instruments are presented as held at fair value through profit or loss or as available for sale. In the case of instruments presented as being held at fair value through profit or loss, the changes in market value are shown directly in the results of ASR. In the case of instruments available for sale, the market value change is included under equity. For these instruments an impairment test is used to determine whether a permanent impairment should be recognised in the results of ASR. A financial asset is considered to be impaired if one or more events can potentially cause a negative effect on the future expected cash flows of the financial asset.

ASR applies a number of objective and subjective criteria that can result in the 'impaired' status. Objective criteria include bankruptcy, financial restructuring or payment arrears of more than 30 days. Circumstances that require a more detailed assessment include negative equity, regular payment problems, incorrect use of credit facilities, deterioration of creditworthiness (rating) and legal steps taken by other creditors.

An impairment for specific credit risks occurs if there are objective indications that ASR will be unable to collect all outstanding amounts in accordance with the contractual conditions. The scale of the impairment is the difference between carrying amount and realisable value, or the present value of the expected cash flow and the value of security less the costs that must be incurred to realise the security.

#### Subordinated debt instruments

There is currently great uncertainty in the financial markets about the situation concerning financial institutions' subordinated debt instruments. This uncertainty is being fuelled by all kinds of speculations by analysts, rating agencies and the media about the possibility that interest payments will be missed and call options will not be exercised, and on the other hand by reassuring words by the entities themselves, indicating that interest payments will be met. This uncertainty is causing an absence of liquidity in the market and, by consequence, the extremely low valuation of subordinated loans.

ASR has a widely-spread portfolio of subordinated loans from financial institutions. Therefore, it is not inconceivable that ASR will be affected by actual losses on some items in this portfolio. At present there are no instruments in the portfolio where cash flows are lacking, despite the usually low market valuation.

To control the risks in its investment portfolio, ASR applies an internal classification of debt instruments from financial institutions according to 'levels of concern'. The classification of the levels of concern is based in part on the triggering events for impairments referred to in IAS 39.59. The set of events surrounding a company and features of a specific instrument are weighed up to determine the level of concern. All investments are classified in level of concern 0, 1, 2 or 3, with level 0 implying no major causes of concern and level 3 possibly resulting in the taking of an impairment.

The table below provides an overview of all positions in the fixed interest portfolio of ASR where a heightened risk is recognised based on the assessed level of concern. For positions with level of concern 3 it is assumed that there is likely to be a permanent and unavoidable reduction of value leading to an impairment.

ASR Level Of Concern	Face value	Market value
1	921	697
2	2,794	1,797
3	1,083	252
<b>Total</b>	<b>4,798</b>	<b>2,746</b>

**Total credit risk on balance sheet (net)**

**22,610**

**Market value relative to credit risk (as percentage of)**

**12.15%**

In line with IAS 39.70, ASR will apply the principle that the positive price changes of impaired instruments will be reversed in the income statement as soon as a change has occurred in the impairment trigger (impairment reversal). An increase in the fair value of an impaired fixed-interest instrument will not lead automatically to reversal of an impairment in the income statement. Internally, ASR applies the principle that on the alteration of the Level of Concern from 3 to a lower level there must be a change in the impairment trigger and as a consequence of a major, irreversible and objectively identifiable positive development in the instrument, meaning that by reasonable standards no further doubt can exist about the collectability of the instrument. In the event of positive price changes in an impaired instrument that retains 'Level of Concern 3' status, there will be a reversal of the impairment only to the extent that the price change is a result of the discontinuation of the initial impairment trigger.

#### Structured credit instruments

The investments corresponding with long-term liabilities require not only stable and balanced risks, but also high financial revenues. Structured credit instruments, including CDOs, exist to generate fixed, relatively high revenues on a diversified and highly valued portfolio of asset classes for terms of 5 to 10 years.

As a result of the international credit crisis, the portfolio of structured credit instruments has been affected by substantial write-downs which, in the case of instruments held at fair value through profit or loss, are immediately noticeable in the financial statements or, in the case of instruments available for sale, have resulted in the incurrence of impairments.

'Held at fair value through profit or loss' applies to synthetic instruments with embedded derivatives. In 2002, EUR 358.0 million of the decrease in the fair value of these instruments was attributable to changes to the credit risk attached to the instruments. The ASR portfolio of structured credit instruments was reduced sharply in 2008 as a result of repayments, thus further lowering the risks in structured credit instruments. Management is vigilantly watching the remaining exposure. No new investments were made in structured credit instruments in 2008.

The table below provides information about the period of arrears since the due date of financial assets that have not yet undergone any impairment.

	2008				Total	2007				Total
	Carrying of amount assets (classified without impairment)	< 30 days arrears	< 30 days & <= 60 days arrears	>60 days arrears		Carrying of amount assets (classified without impairment)	< 30 days arrears	< 30 days & <= 60 days arrears	>60 days arrears	
Cash and cash equivalents	654	6	0	0	6	483	0	0	0	0
Interest-bearing investments	14,507	0	0	0	0	13,008	0	0	0	0
Due from banks	871	0	0	0	0	943	0	0	0	0
<i>Due from customers</i>										
Government and public sector	382	0	0	0	0	436	0	0	0	0
Mortgage loans	2,165	0	19	16	35	2,350	27	0	0	27
Loans to private individuals	13	0	0	0	0	16	0	0	0	0
Loans to companies	1,801	0	0	0	0	1,718	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
Total receivables due from customers	4,361	0	0	0	0	4,520	27	0	0	27
Other receivables	1,528	0	0	0	0	1,425	0	0	0	0
<b>Total</b>	<b>21,921</b>	<b>6</b>	<b>19</b>	<b>16</b>	<b>41</b>	<b>20,379</b>	<b>27</b>	<b>0</b>	<b>0</b>	<b>27</b>

#### 6.4.2 Market risk

Market risk concerns losses that may arise through unfavourable movements in the market that are related to trading in of holding a position in financial instruments. Market risk stems from a variety of factors, such as:

- interest-rate fluctuations that influence bonds, other assets with interest-sensitive income and insurance liabilities;
- changes to securities prices that influence the value of investment portfolios and insurance liabilities;
- exchange rate fluctuations that influence non-hedge cash flows;
- changes in the volatility of interest rate levels and securities prices that influence options and other derivatives.

Market risk falls into two categories: ALM risk and trading risk, depending on the term. Trading risk concerns positions taken to make a short-term profit. This does not occur at ASR, so no further attention will be devoted to this risk. ALM risk includes all other positions.

ALM risk is the risk that the difference in market value of assets and liabilities will change because of changes in interest rates, credit spreads, share prices, exchange rates, real estate prices and other market factors. The difference in market value between assets and liabilities is measured from an economic point of view of the group's equity. A decrease in the difference between the market value of the assets and the liabilities has a direct effect on the total economic value of the company. This is even the case if, on the basis of income and cash flows, no losses are incurred.

##### 6.4.2.1 ALM risk management

ALM risk is managed and measured by means of an independent framework using consistent methods (such as calculation of share values, stress tests, value at risk, worst-case sensitivities, etc.). The mission of the ALM function is to support management accurately and frequently in obtaining an insight into the market risk positions that have been taken on the consolidated balance sheet and at underlying entities. This includes ensuring an assets allocation that is appropriate to the strategy and applying guidelines and limits for all market risks related to the balance sheet. The ALM committee is the decision-making body for controlling ALM risks.

##### 6.4.2.2 ALM risk evaluation

All amounts stated in this section of the report are amounts before taxation. ALM risks are assessed, monitored and reported according to four types of risks: interest rate risk, exchange rate risk, share risk and real estate risk. The risk of volatility and credit spread changes has been disregarded in these figures.

The ALM risk is monitored and controlled with the aid of Value at Risk (VaR). VaR is a statistical estimate that indicates the potential maximum loss within a certain reliability interval and time period. The method is usable for all types of risks.

The table below shows the maximum loss in the worst-case scenario<sup>2</sup>, related to the fair value of the equity. This is calculated using a VaR model with a time horizon of one year and a reliability interval of 99.97%. VaR includes risk mitigating instruments (swap options, put options).

Value at Risk	2008	2007
share risk	13%	24%
Interest risk	44%	12%
Real estate risk	11%	14%
Exchange rate risk	0%	1%

Share risk decreased in 2008 because on balance shares were sold. Additionally, put options mitigated the share risk. The interest rate risk has increased because of the lower interest rate and lower fair value of equity.

The various risk categories are discussed below.

##### 6.4.2.2.1 Interest rate risk

The strategic policy is to align the fixed-rate cash flow of investments with the liabilities. Part of the risk that stems from the options in the liabilities is also hedged by means of swaptions. The interest rate risk is measured as part of the VaR. Additional insight is obtained by means of the duration of equity and interest sensitivity of equity criteria.

##### Duration of equity

Duration (or modified duration) is a criterion for the interest rate sensitivity of a portfolio with assets or liabilities. Duration is calculated as the relative value change in the event of a minor parallel shift of the interest rate  $\Delta i$ :

$$\frac{\Delta \text{Value}}{\text{Value}} = - \text{Duration} \cdot \Delta i$$

Duration has the following features:

- a positive (negative) duration results in a decrease (increase) of the value if the interest rate increases ( $\Delta i$  is positive);
- the higher the absolute value of the duration, the higher will be the sensitivity of the value to interest-rate movements.

Duration of equity is an application of the duration analysis used to measure the consolidated interest rate sensitivity. Duration of equity is calculated as the weighted duration of the assets and liabilities. The more the fair value of equity decreases, the more the absolute value of the duration of equity will increase. The calculation assumes that shares and real estate have no duration.

The insurance business generally has a negative duration of equity. This means an interest rate increase leads to a higher value of equity and vice versa.

	2008	2007
Duration of equity	-27	-4

<sup>2)</sup> Worst-case scenario's are based on assumptions related to probabilities based on 10 year historical observations.

Duration of equity decreased sharply in 2008. This is explained by the fall of the fair value of equity and by the increased duration of liabilities as a result of the lower interest rates.

Duration of equity measures the sensitivity of the value to minor interest rate movements. ASR is naturally also interested in the value variation in the event of sharper interest rate decreases or increases. This matter is discussed in the next section.

#### Interest rate sensitivity of the fair value of equity

The table below illustrates the effect of a shift of 100 basis points (plus or minus) of the interest curve on the fair value of equity as at 31 December. In other words, the table shows the impact on the fair value of all assets, less the impact on the fair value of all liabilities.

Interest sensitivity of equity	2008	2007
-100 bps	-34%	-6%
+100 bps	21%	3%

The fair value of the insurance liabilities is determined as the net present value of the expected cash flows including options (embedded options) such as profit-sharing. In conformity with this normal market valuation, the contractual cash flows are discounted on the basis of the risk-free interest, while non-contractual cash flows are measured as profit-sharing in accordance with risk-neutral principles. The embedded options make the insurance liabilities convex. This is reflected by the asymmetrical sensitivity of the value to a shift of 100 basis points in the interest curve: a 21% increase if the interest rate rises and a 34% decrease if the interest rate falls.

#### 6.4.2.2.2 Exchange rate risk

The policy is for exchange rate risks to be hedged in principle. This can be set aside if:

- the impact of exchange rate volatility is relatively limited;
- there is a conviction that a value increase of foreign currency will exceed any interest in euro less any additional hedging fees (such as non-deliverable forwards);
- an (effective) hedge is not operationally possible.

The table below shows the main foreign currency positions as at 31 December 2008 translated into euros (millions).

Foreign currency position	AUD	BRL	GBP	TRY	USD	ZAR
Investments	228	19	2	24	133	58
Liabilities	-210	0	0	0	-125	-16
Of foreign currency position (for foreign currency forward transactions)	18	19	2	24	8	43
Foreign currency forward transactions	0	-20	0	-25	-9	-19
Foreign currency position (net)	18	-1	2	-1	-1	24

The main foreign currency positions at 31 December 2007 are shown below.

These are net positions (assets less liabilities), after hedging.

Currency	NOK	BRL	GBP	TRY	USD	ZAR
	9	25	36	31	142	65

#### 6.4.2.2.3 Share risk

Some investments consist of shares with the aim of achieving an extra return. To control the share risk the strategic allocation depends on the value at risk (related to the fair value of equity) and solvency. The share risk is reducible by selling shares or by hedging the share position with put options. The share risk is measured as part of the value at risk.

#### 6.4.2.2.4 Real estate risk

Some investments consist of real estate with the aim of achieving an extra return. To control the real estate risk the strategic allocation depends on the value at risk (related to the fair value of equity) and solvency. The real estate risk is measured as part of the value at risk.

#### 6.4.2.3 Risk mitigation

ALM risk is mitigated by means of various instruments. The most important ones are summarised below.

#### Put options

Exercise price	Market value of the shares	Expiry
277	309	Q1 2009
326	418	Q2 2009

Put options limit the downward risk of a decrease in market of more than 10-22%.

#### Interest risk: swaptions

Swaptions are sold to mitigate some of the risk of falling interest rates. The characteristics of the swaptions (exercise price, option term, swap term) are geared to the characteristics of the insurance products (guaranteed interest rate, interest, systematic profit-sharing).

#### Swaptions

Exercise price	Average term of option (in years)	Average term of swap (in years)	Underlying par value amount
3,00%	6,4	8,8	3,893
3,25%	1,5	12,2	81
4,00%	8,8	9,2	4,105

The duration of fixed-interest investments was lengthened in 2008 by the purchase of long-term government bonds and interest rate swaps.

#### 6.5 Liquidity risk

Liquidity risk is the risk that occurs if it is not possible to fulfil current (and potential) liabilities or pledged liabilities on the due date. It consists of two components:

1. Finance liquidity risk: the risk that it is not possible to meet expected and unexpected demand for cash by policyholders and other contractual parties without incurring unacceptable losses or damaging the conduct of business.
2. Market liquidity risk: the risk related to an inability to convert assets to cash flows because of unfavourable market conditions or because of market disruptions. In a certain sense it has to do with market risk. Market liquidity risk concerns the liquid value sensitivity of a portfolio due to changes in the size of the corrections to the cash flows and changes in market value. It is also related to the uncertain timeline in realising the liquid value of assets.

#### 6.5.1 Management of liquidity risks

Management of liquidity risk is a combination of managing financing sources on the one hand and ensuring sufficient liquidity for the investment portfolio on the other. Investments can be liquidated to provide cover against unexpected payments.

In the insurance sector the liquidity risk has always been limited. Payments made to policyholders are highly predictable, and there is hardly ever an unexpected demand for payments without acceptable losses on the liquidation of investments. At year-end 2008, the cash position was EUR 0.6 billion and the portfolio included EUR 6.3 billion of liquid government bonds.

The following table shows the contractual cash flows of the investments and liabilities. For the technical provisions, account has been taken of the natural turnover and expected decay in the portfolio. Shares and real estate have not been included.

**Cash flows**

As at 31 December 2008	< 1 year	1-5 years	5-10 years	10-20 years	> 20 years
Investments	3,200	12,353	9,315	7,039	4,361
Liabilities	-1,223	-5,253	-4,944	-9,962	-17,369
Difference	1,977	7,100	4,370	-2,923	-13,007

**Cash flows**

As at 31 December 2007	< 1 year	1-5 years	5-10 years	10-20 years	> 20 years
Investments	3,480	11,358	9,033	5,201	3,536
Liabilities	-4,638	-6,788	-4,956	-9,259	-15,683
Difference	-1,158	4,570	4,077	-4,058	-12,147

As the investments on average have a shorter term than the long-term insurance liabilities, there is a positive cash flow gap in the terms up and including ten years.

**6.6 Technical insurance risk**

The technical insurance risk concerns all risks associated with liabilities that stem from insurance activities. This excludes components that are included under market risk factors (such interest rates) or under operational risk factors (such as cost risks and commutation risks).

All technical insurance risks are modelled and measured in a consistent manner. They are based on determination of the fair value of assets and liabilities. Another key factor is the development of a model for a value spread around the best possible estimate in response to life and non-life technical insurance risk.

The technical insurance risk is subdivided into two groups: life risk and non-life risk:

- life risk includes the following (not exhaustive) causes of variation in the insurance value of the liabilities: longevity risk, mortality risk, health risk and disability risk. These risks are sometimes called biometric risks;
- non-life risk includes the following (not exhaustive) causes of variation in the insurance value of the liabilities: home and ownership risk<sup>3</sup>, motor-vehicle risk, third-party liability risk, accident risk, risk of interruption of business continuity, travel risk.

The most important components of all types of technical insurance risks can be placed into the following categories:

- Volatility: the risk of arbitrary fluctuations in the frequency and scale of the technical insurance risk. If the risks are of an independent and homogenous nature, the volatility of the portfolio will decrease in step with the size of the portfolio. Examples are:
  - in the case of life: the arbitrary fluctuations of annual mortality rates relative to the modelled trend;
  - in the case of non-life: the arbitrary fluctuations of annual motor-vehicle claims relative to the expected average.
- Uncertainty: the risk that the actual outcomes will differ from the outcomes predicted by the model. This might occur on the one hand because the circumstances may have changed since the model was developed and on the other hand because the model and its parameters have not been specified up to a certain level. Examples are:
  - in the case of life: a greater than expected increase in life expectancy as a result of medical advances, or because the random sample on which the models were based is not representative of the company's portfolio;
  - in the case of non-life: higher-than-expected general insurance claims because of changes in customer behaviour or because of a legal decision not predicted in the model.
- Extreme events: these are events that do not occur very often, but have a major impact when they do occur. These are one-off shock movements at the unfavourable end of the distribution of probability. In effect, this is an extreme form of volatility. But these events are identified individually on account of their impact (they often carry a heavy weight in the risk measurement, especially in the high reliability intervals) and because they require specific modelling. Examples are:
  - in the case of life: a major accident at a company with which group insurance has been concluded leading to the death of a large number of people, or a revolutionary medicine against cancer that leads to a substantial adjustment of life expectancy;
  - in the case of non-life: a catastrophic natural disaster like a very severe storm, or man-made disasters like a car that causes a train accident.

3) Also referred to as the fire risk.

When contracts roll over into the next accounting period, the entire insurance modelling will be subdivided in the following way:

- Reserve risk: this is related to liabilities that arise from events that have already occurred and for which a provision had already been explicitly created<sup>4</sup>.
- Premium risk: this is related to the liabilities that arise from events covered by the existing contracts but that have not yet occurred<sup>5</sup>;
- New business risk: this is related to liabilities that arise from events covered under new or renewed contracts. Based on the approach with a time horizon of one year, only new or renewed policies that fall within the one-year horizon will be factored into the economic capital calculations.

Reinsurance and other forms of risk mitigation can alter the form of the value distribution. They are used to reduce or limit the volatility of income or to spread the negative impact on value as an alternative to capital.

**6.6.1 Insurance risk management**

ASR manages the insurance risk through a combination of acceptance policy, pricing, provisions and reinsurance agreements.

The departments charged with risk management are required at each insurance company to evaluate and manage the insurance risks associated with policies. They do this on the basis of the policy and guidelines laid down at ASR level. The technical insurance risk is managed, together with the other risks (such as ALM) and other departments (such as investments).

**6.6.2 Acceptance policy**

Each insurance company sets its acceptance policy locally as part of general management of the insurance risk. Actuarial employees examine the risks and evaluate the claims history. To improve the pattern of claims and/or to ensure that pricing is adjusted correctly, the acceptance policy is refined by means of a number of indicators and statistical analyses.

**6.6.3 Pricing**

ASR determines the level of premiums in such a way that the amount of premiums, together with the investment income that they generate, is larger than the total amount of claims, claim-handling costs and management costs. The setting of premiums for policies (pricing) is done by means of statistical analyses based on internal and external historical data. The correctness of pricing is tested using techniques and key performance indicators appropriate to the portfolio concerned. This takes place beforehand (e.g. through an examination of profitability) and afterwards (e.g. embedded value, combined ratio).

The factors taken into account in pricing insurance differ from product to product. They depend on the offered cover and benefits. Generally speaking the following factors are concerned:

- expected claims by insured parties, the expected payments and their timing;
- the degree and nature of the variance from the expected payments. Among other things this means that analyses are made of claims statistics that factor in the development of jurisprudence and economic climate and demographic developments;
- other production costs for the product concerned, such as distribution, marketing and administrative costs;
- financial circumstances that reflect the time value of money;
- legislation concerning solvency;
- targets for profitability;
- conditions in the insurance market, primarily the prices charged by competitors for similar products.

4) Also called the 'written business'.

5) Also called the 'unwritten business'.

#### 6.6.4 Policy on provisions

Each insurance company within ASR creates its own provisions for future claims under policies and earmarks assets for the provisions. This involves making estimates and assumptions that in the coming year may influence assets, liabilities, equity and results. The estimates are evaluated at each reporting date with the aid of statistic analyses based on internal and external historical data.

Periodically there is an evaluation of the extent to which the insurance liabilities are adequate. Any increases in the liabilities found to be necessary are recognised immediately and charged to the income statement. The ASR testing policy for liabilities and processes satisfies the IFRS requirements. They were laid down to give management the assurance that sufficient assets are being held to cover the liabilities. This is done by means of the best possible estimate, on an economic basis and with a high degree of reliability. A mechanism that provides early warnings ensures that appropriate action will be taken. This occurs if the critical level of additional caution (i.e. assets held higher than the best possible estimated level of the liabilities) drops below the 95% reliability interval. Policy also ensures that all legal obligations and obligations in relation to the regulatory authority are met at both the group and local level.

The general adequacy of the liabilities under the insurance contracts as at 31 December 2008 was confirmed by internal and certificated external actuaries.

At year-end 2008, ASR switched to the adjusted ECB AAA-rated government curve for performance of the test. This adjustment lies in durations after 30 years.

Potential inaccuracies are inherent in the techniques, assumptions and data used to make statistical analyses. Consequently, the risk that claims will ultimately turn out to be higher than the liabilities created under the insurance contracts cannot be eliminated entirely. To reduce the risk that ASR will no longer be able to fulfil commitments to insured parties and others, ASR maintains a resilience capability. This capability is equal to the IFRS equity, plus (among other things) the remeasurement of real estate and the excess value in the technical provisions. This excess value was determined with the factoring in of a risk margin.

#### 6.6.5 Reinsurance

If necessary the ASR insurance companies conclude reinsurance contracts to limit the technical insurance risks. Reinsurance can take place for each individual policy (for each risk) or on a portfolio basis (for each event). This latter occurs when the risk concerning the individual insured parties is within the local limits but there is an unacceptable risk. This occurs because of an accumulation of claims at group level (catastrophic risk). These events are generally related to extreme weather conditions or arise through human action. The selection of reinsurance companies is based mainly on considerations concerning pricing and management of the risk that the counterparty represents. The risk that the counterparty represents is integrated in the total credit risk management.

Reinsurance is used mainly to reduce the influence of natural disasters. In the Netherlands this means severe storms, large single claims under policies with a high limit and multiple claims stemming from one and the same event caused by human action.

The table below provides an overview of the limits and retention of the risk for each product.

(in euro)	2008			2007		
	Highest retention at risk <sup>1</sup>	Highest retention per event	Lowest purchased cover per event	Highest retention at risk <sup>1</sup>	Highest retention per event	Lowest purchased cover per event
Product segments						
Life/disability	700,000	3,000,000	60,000,000	600,000	5,000,000	15,000,000
Industrial accidents	250,000	500,000	6,250,000	250,000	250,000	1,250,000
Accidents (travel)	500,000	500,000	9,500,000	500,000	500,000	9,500,000
Third-party motor	1,000,000 <sup>2</sup>	1,000,000	Unlimited	1,000,000 <sup>2</sup>	1,000,000	Unlimited
Comprehensive motor	1,500,000	1,500,000	17,500,000	1,500,000	1,500,000	17,500,000
Damage to property	2,500,000	15,000,000 <sup>3</sup>	145,000,000 <sup>3</sup>	2,500,000	15,000,000 <sup>3</sup>	145,000,000 <sup>3</sup>
Third-party insurance	500,000	500,000	59,500,000	500,000	500,000	55,000,000
Shipping	250,000	250,000	7,250,000	250,000	250,000	7,250,000

<sup>1</sup>) Reinsurance in accordance with acceptance guidelines and policy limits.

<sup>2</sup>) Unlimited third-party cover for motor vehicles.

<sup>3</sup>) External agencies provide the risk models for natural disasters and catastrophes caused by human action in Western Europe. Cover is within a probability interval of 99%.

The table below provides an overview of the premiums paid at product to reinsurers in 2008.

Insurance sector	2008	
	Written premiums	Reinsurance premiums
Accident and medical	1,312	-207
Motor	442	-7
Fire and other damage to property	318	-18
Other	248	-37
<b>Total</b>	<b>2,320</b>	<b>-269</b>

Insurance sector	2007	
	Written premiums	Reinsurance premiums
Accident and medical	1,163	-192
Motor	429	-5
Fire and other damage to property	320	-20
Other	232	-32
<b>Total</b>	<b>2,145</b>	<b>-249</b>

Insurance sector	2006	
	Written premiums	Reinsurance premiums
Accident and medical	996	-171
Motor	427	-6
Fire and other damage to property	315	-20
Other	238	-18
<b>Total</b>	<b>1,976</b>	<b>-216</b>



### 6.6.6 Technical Insurance risk

#### 6.6.6.1 Non-life risk

The time necessary to identify and resolve an insurance claim is an important factor in the non-life risk. Claims with a short lead time, such as motor claims and property claims, are usually reported within a few days or weeks and resolved shortly afterwards. But it can take years to resolve claims with a long lead time, such as bodily injury or liability. In the case of claims with a long lead time, the nature of the claim means that information about the event (such as the required medical treatment) is not always immediately available. Moreover, claims with a long lead time are more difficult to analyse. Therefore, more detailed work is necessary. Moreover, the degree of uncertainty is greater than in the case of a claim with a short lead time.

To limit the claim risk the insurance company applies a selection and acceptance policy based on claims history and risk models. This is done for each customer segment and each type of activity. The risk of unexpected large claims is confined by policy limits, concentration risk management and specially established risk transfer agreements (like reinsurance).

Liabilities for non-life claims are created for claim events that have already occurred but have not yet been resolved (expired risks). Generally speaking, ASR establishes liabilities for claims for each product category, cover and year. It does so by taking into account cautious, non-discounted benefit estimates concerning past claims and estimates of claims that have not (yet) occurred. Allowance is also made for the costs for resolving the claim and for inflation.

Current risks for claims for which premiums have been received but the risk has not yet ceased to exist are covered by the unearned premiums. The adequacy of the liabilities is tested at least once a year against group policy. Any adjustments that ensue from changes to the estimates of liabilities for insurance contracts are reflected in the current operating result.

The table below provides a prudent estimate of the development of claims over time and an insight into the adequacy of claims liabilities.

#### Analysis of historical development of claims

##### Year of claim

As at 31 December 2008

(in euro x 1,000)

All key figures have not been discounted

#### Gross claims (cumulative) for fire, damage to property and other damage and accident and health:

	2001 & Earlier	2002	2003	2004	2005	2006	2007	2008	Total
At end of first claims year		1,235,388	1,305,018	1,405,213	1,258,127	1,200,729	1,399,220	1,570,779	
2002			1,194,656						
2003				1,144,732	1,179,877				
2004					1,117,185	1,092,367	1,220,656		
2005						1,111,948	1,068,156	1,113,277	1,140,574
2006							1,120,045	1,081,593	1,093,106
2007								1,001,738	1,075,633
2008									1,304,262
<b>Gross claims at 31 December 2008</b>		<b>1,123,901</b>	<b>1,082,970</b>	<b>1,092,316</b>	<b>1,001,738</b>	<b>1,075,633</b>	<b>1,304,262</b>	<b>1,570,779</b>	
Cumulative gross paid claims at									
31 December 2008	529,338	1,000,775	977,067	984,331	843,883	863,498	932,913	675,987	
<b>Gross outstanding claims liabilities (including IBNR)</b>	<b>529,338</b>	<b>123,126</b>	<b>105,903</b>	<b>107,986</b>	<b>157,855</b>	<b>212,135</b>	<b>371,350</b>	<b>894,792</b>	<b>2,502,484</b>
Other claim liabilities (not included in the above claims)									254,815
Claims concerning incapacity for work (disability) and health									
<b>Total claim liabilities</b>									<b>2,757,299</b>

#### 6.6.6.2 Mortality/longevity risk

Pricing, acceptance policy and regular evaluation of mortality tables play an important role in managing the longevity risk. Mortality tables are used for pricing, forming provisions, limiting the contractual term and adapting prices on policy renewal. ASR creates extra provisions if longevity is found to be increasing faster than indicated by the mortality tables. Wherever possible the premium tables are then adjusted.

The life expectancy of the insured population is expected to continue increasing. Therefore, the probability of an unexpected increase in the mortality risk in the existing activities at portfolio level is not considered significant at this stage. However, there is a chance of an extreme value in the mortality risk as a result of epidemics, an industrial disaster or terrorist attacks. This kind of mortality risk is reduced by conducting acceptance policy, responding alertly to mortality tables and having various insurance excesses and reinsurance agreements for major disasters.

### 6.6.6.3 Disability risk

The disability (incapacity for work) risk concerns the uncertainty about claims resulting from higher-than-expected disability percentages and levels. This may occur, for example, in portfolios with disability and medical expenses policies and accident insurance for workers.

Economic climate, government intervention, medical advances and costs influence the occurrence of disability and recovery. The standards applied in assessing disability also play a role. This risk is managed by regular evaluation of historical claims patterns, expected future developments, adjustment of pricing, liabilities and acceptance policy. ASR limits the disability risk also by medical selection strategies and appropriate reinsurance.

The table below provides information about sensitivity to the most important technical insurance risks. The sensitivities for the life sector were chosen in accordance with the sensitivities used in the embedded value publication.

Life Sensitivities	Effect on value as at 31 December 2008	Effect on value as at 31 December 2007 <sup>1)</sup>
Mortality ratio -5%	-16	7
Expenses -10%	174	130
Communication ratio -10%	38	31

Non-life Sensitivities	Effect on profit before tax as at 31 December 2008	Effect on value before tax as at 31 December 2007 <sup>1)</sup>
Expenses -10%	100	63
Accrued claims +5%	-164	-56

<sup>1)</sup> Value determined using fair value method. Also see ALM insurance selection for more information about the ASR fair value method.

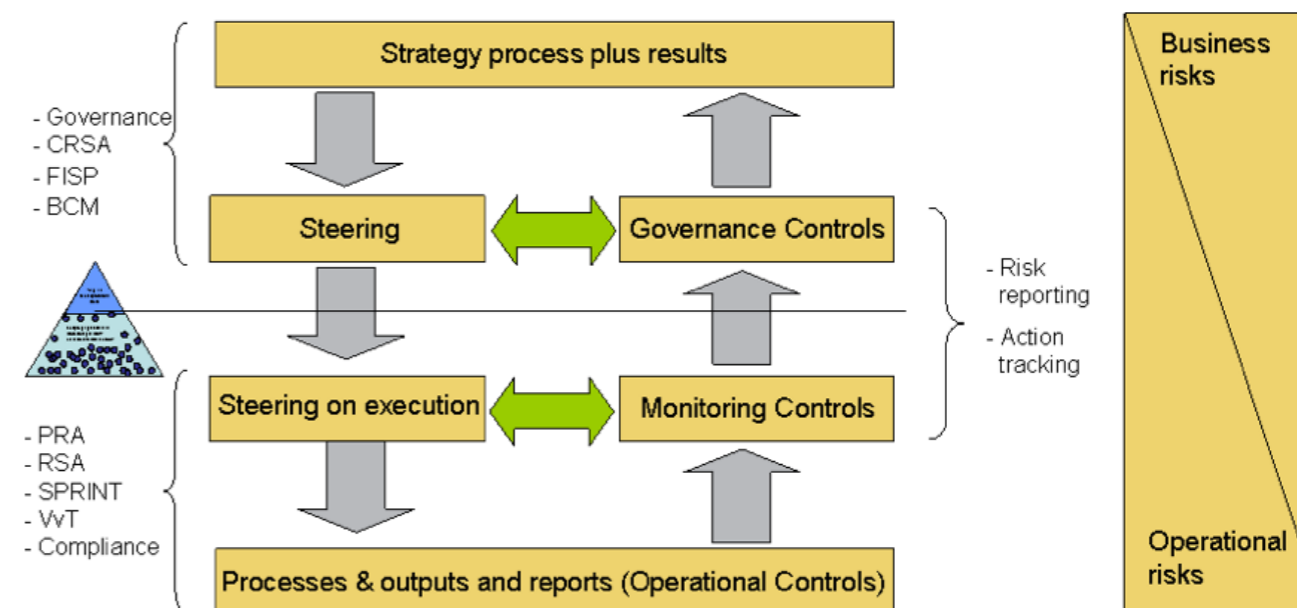
## 6.7 Operational risk

The Operational Risk & Management Control department supports management in managing operational risks within ASR. Operational risks may occur due to external factors or uncontrolled internal factors. A distinction is made within operational risk between event risk and business risk. Event risk concerns on the one hand the risk of losses through inadequate or failing internal processes, people and systems and on the other the risk of losses resulting from external events. Legal risks are considered part of event risk, while the strategic risk and reputational risk fall outside the scope. The event risk is controlled internally and can be limited by using the right control processes and controls.

Business risk concerns the risk of losses that result from events that can cause damage to a business activity or from the business environment, such as legal or fiscal changes. The effect generally takes the form of changes in volumes, pricing or margins in relation to a fixed cost level. The business risk is controlled externally but can be limited by effective management.

### 6.7.1 Operational Risk & Management Control

Within the specialised area of Operational Risk & Management Control, a distinction is made between five relevant areas, i.e.: Operational Event Risk, Management Control, Information Security, Business Continuity and Corporate Insurance. Implementation of these specialised areas at ASR always follows the management control framework. The management control framework makes a distinction between a top-down approach whereby ASR draws up standards for these areas and a bottom-up approach whereby the business units discharge responsibility through a 'comply or explain' approach. This framework has been implemented, but must be given more concrete substance in various respects. The figure below is a schematic representation of the management control framework:



### 6.7.2 Operational Event Risk

Operational event risk is a field of attention with the following goals:

- identify, measure and control operational risk;
- manage and implement the Operational Risk Framework for Solvency II and the underlying methods like Risk Self Assessment and Loss Data Collection;
- calculate the Economic Capital in order to cover the operational (event and business) risk for ASR;
- ensure that the Operational Risk Framework and its implementation satisfy the applicable laws and regulations such as Solvency II and the Tabaksblat corporate governance code.

The following instruments and techniques are used to support effective and efficient identification and control of operational risks:

- gathering of loss data;
- risk evaluations;
- major risk indicators;
- equity requirements.

### 6.7.3 Management Control

Whereas management of the Operational Event Risk places an emphasis on operational event risks that cause a cash outflow, Management Control focuses primarily on the business risk (including strategic and reputational matters). However, the management of operational risk and management control are closely interrelated:

- The risk estimation methods, assessment of degree of control and approach to weaknesses take place in a similar manner:
  - business risk (including strategic risk and reputational risk): estimations are made via Control Risk Self Assessments (CRSAs) carried out annually by senior management and Process Risk Analyses (PRAs) performed by the responsible operational management;
  - Operational Event Risk: estimations are made by means of Risk Self Assessments (RSAs) performed by the responsible operational management.
- The results obtained from these risk analyses serve as input for the annual procedure leading to management control statements.

The management teams sign off their management control statements and formulate, if necessary, plans of action for improving control. The OR&MC department coordinates reporting on the status and progress of the action plans.

At the end of each year, the Management Control Statements serve as affirmation of the functioning of risk management and internal control systems. The MCS process covers the entire ASR organisation.

#### 6.7.4 Business continuity management

Business Continuity Management (BCM) is the entirety of activities focused on ensuring the continuity of business. It provides a framework for building a resilient organisation capable of reducing the impact of effectuated threads and responding effectively to them so as to protect the interests of stakeholders, reputation, brand and value-creating activities.

As ASR is an organisation that provides financial services, the company recognises the importance of BCM. ASR's policy is based on international legislation and guidelines for best practices, as described by:

- The Business Continuity Institute: Good Practice Guidelines (BCI GPG);
- The British Standards Institute<sup>6</sup>.

The Business Continuity Officer works within the OR&MC department, functionally controlling the local business continuity officers within the different labels and horizontal functions of ASR.

#### 6.7.5 Information Security

Information is crucially important to a financial service provider like ASR. This is because a financial service provider has a high intensity of knowledge and information and reliable information is vitally important. Information must be properly protected all the time against a wide range of threats. ASR does this by ensuring a sufficient degree of information confidentiality, integrity and availability by means of a structured approach to information security.

The ASR Information Security Policy (ISP) sets out the organisational structure, its control and the responsibilities and the mandatory guidelines to be followed for information security for ASR and the third parties with which it exchanges information. The ISP of ASR is based on international best practices like ISO/IEC 27001 and ISO/IEC 17799-2005.

ASR implements the Information Security policy according to the comply-or-explain principle. This requires the accountability of business units by means of a standardised process. Responsibility for designing and implementing information security has been delegated to the Information Security & Business Continuity Board (IS&BC Board).

The Information Security Officer of ASR works at the OR&MC department, with functional control of the local business information security officers (BISOs) within the various labels, horizontal functions and corporate departments of ASR.

#### 6.7.6 Risk transfer by means of insurance: Corporate Insurance

ASR considers insurance a useful instrument for mitigating operational risks. More specifically, ASR is insured against financial loss caused by fraud, computer crime, corporate liability and personal liability.

Entirely in line with established practices in the industry, the following insurance agreements have been concluded with third parties:

- corporate liability insurance;
- directors' liability insurance;
- fraud insurance.

## 7 Supervision and solvency

As a financial institution ASR is subject to supervision by regulatory authorities. Supervision is exercised at the level of ASR and also at the level of individual operating companies.

ASR's buffer capital was composed in the following manner as at 31 December 2008:

Share capital and reserves	1,720
Net result attributable to shareholders	-640
Unrealised gains and losses	-648
<b>Shareholders' equity</b>	<b>432</b>
Non-controlling interests	97
Revaluation of real estate to fair value	1,228
<b>Total available capital including remeasured real estate</b>	<b>1,757</b>
Goodwill	-48
Intangible assets	-16
Value of business acquired (VOBA)	-256
Correction for third-party interest in real estate	-45
Correction for shadow accounting	-404
Innovative capital instruments	598
Subordinated liabilities	88
Test margin	851
<b>Total available capital according to DNB solvency</b>	<b>2,525</b>
Correction for test margin for commutation	876
Correction for test margin for prudential filter	51
<b>Buffer capital</b>	<b>3,452</b>
Required minimum capital	1,484
Buffer capital as percentage of required minimum capital	233%

ASR implemented a new solvency model following its unbundling from Fortis in 2008, which means that ASR is no longer required to comply with requirements of the Belgian regulator. The solvency model was based in 2008 on calculation of buffer capital. In 2007, the solvency model was based on the Fortis Capital Model (FCM). In contrast with the FCM model, the new model takes into account unrealised results of debt certificates.

Permission was obtained in 2008 from the Dutch central bank, DNB, to make allowance for the adequacy test for technical provisions (test margin). In connection with the correction of the shadow accounting provision for determination of solvency, the determination of the test margin is based on a balance sheet provision without shadow accounting. In conformity with DNB guidelines, the test margin in the determination of the DNB solvency is limited by the commutation value requirement, which requires that the test provision must at least equal the commutation value for each homogenous risk group. The test margin is capped by a prudential filter, based on a prudent reinvestment level of 3% (for items closed after 1 August 1999) or 4%.

The Liability Adequacy Test under IFRS, for buffer capital purposes, is equal to the outcome of the DNB adequacy test, except for the influences of the surrender floor requirement and the prudential filter. The table above makes allowance for taxation affects.

Refer to chapter 27 for notes on the innovative asset instruments.

6) Standaard BS25999-1: Code of practice for Business Continuity Management en BS25999-2: Specifications for Business Continuity Management.

## 8 Post-employment benefits and other long-term employee benefits

The costs of post-employment benefits and other long-term employee benefits are stated in the table below.

	2008	2007	2006
Defined benefit plans	-113	-59	-102
Other post-employment benefits	-1	-1	23
<b>Total post-employment benefits</b>	<b>-114</b>	<b>-60</b>	<b>-79</b>
Other long-term employee benefits	-1	-1	-1
<b>Total</b>	<b>-115</b>	<b>-61</b>	<b>-80</b>

The costs of pension plans based on defined benefits are higher because of the changed treatment of pension investments. The expense would come to EUR 39 million instead of EUR 113 million if these investments were to be treated the same as in previous years.

The costs concern all members of an ASR pension plan, including a number of employees of (former) Dutch Fortis entities. In 2008, EUR 4 million of the aforementioned costs (2007: EUR 3 million; 2006: EUR 7 million) were charged on and were not for the account of ASR.

### 8.1 Defined benefit pension plans and other post-employment benefits

ASR provides defined benefit pension plans for its employees. These plans are financed partly by premiums paid by employees. The benefits under these plans are based on the number of years of service and the salary level. The pension obligations are determined using mortality figures, employee turnover, wage drift and economic assumptions as inflation, revenues of the 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 liability. Besides pension benefits, the costs of the defined benefits plans include personnel concessions for financial products (such as mortgages) which are kept in place after retirement.

The foundation Stichting Pensioenfonds Fortis ASR was liquidated on 1 January 2008. Administration of the pension plan has been transferred to ASR Verzekeringen, an insurance company that forms part of the group. Consequently, the fund investments ceased to be considered 'qualifying fund investments for pension plans' on 1 January 2008. Revenues of fund investments in 2008 have been recognised under revenues of non-qualifying assets.

The pension costs and other costs of post-employment benefits are stated in the table below

	Pension plans			Other post-employment benefits		
	2008	2007	2006	2008	2007	2006
Service costs	-32	-39	-50	-2	-2	-3
Interest costs	-86	-82	-76	-1	-1	-2
Expected return on plan assets	0	58	46	0	0	0
Costs of elapsed length of service	3	3	-20	0	0	0
Amortisation of unrecognised actuarial losses (gains)	2	0	-2	2	2	0
Settlements and curtailments	0	0	0	0	0	28
<b>Total defined pension right expense</b>	<b>-113</b>	<b>-60</b>	<b>-102</b>	<b>-1</b>	<b>-1</b>	<b>23</b>
Actual return on plan assets	0	-24	23	0	0	0

Under IFRS, assets managed by insurance companies that form part of the group do not count as qualifying assets. Therefore, the revenues of these assets have not been included in the above figures. The expected returns on these investments in 2008 came to EUR 74 million (2007: EUR 11 million; 2006: EUR 10 million). These revenues have been recognised under the investment revenues.

If the non-qualifying investments were allowed to be considered plan assets, the pension expense would come to EUR 39 million.

The tables below provide further information about gross liabilities, qualifying plan assets and the amounts recognised in the balance sheet for pensions and other post-employment benefits.

	Pension plans				
	2008	2007	2006	2005	2004
Present value of liabilities with qualifying plan assets	0	1,637	1,700	1,923	1,799
Present value of liabilities without qualifying plan assets	1,707	0	0	0	0
<b>Liability for defined benefits plans</b>	<b>1,707</b>	<b>1,637</b>	<b>1,700</b>	<b>1,923</b>	<b>1,799</b>
Fair value qualifying plan assets	0	-1,265	-1,344	-1,302	-1,404
Unrecognised pension income (expense) of elapsed length of service	24	27	30	0	0
Unrecognised actuarial gain (loss)	154	87	48	-212	-142
<b>Net liabilities (assets)</b>	<b>1,885</b>	<b>486</b>	<b>434</b>	<b>409</b>	<b>253</b>

*Balance sheet amounts:*

Liabilities	1,885	486	434	409	253
Assets	0	0	0	0	0
<b>Net liabilities (assets)</b>	<b>1,885</b>	<b>486</b>	<b>434</b>	<b>409</b>	<b>253</b>

	Other post-employment benefits				
	2008	2007	2006	2005	2004
Present value of liabilities with qualifying plan assets	0	0	0	0	0
Present value of liabilities without qualifying plan assets	23	20	26	91	81
<b>Liability for defined benefits plans</b>	<b>23</b>	<b>20</b>	<b>26</b>	<b>91</b>	<b>81</b>
Fair value of qualifying plan assets	0	0	0	0	0
Unrecognised pension income (expense) of elapsed length of service	0	0	0	0	0
Unrecognised actuarial gain (loss)	18	24	19	-21	-16
<b>Net liabilities (assets)</b>	<b>41</b>	<b>44</b>	<b>45</b>	<b>70</b>	<b>65</b>

*Balance sheet amounts:*

Liabilities	41	44	45	70	65
Assets	0	0	0	0	0
<b>Net liabilities (assets)</b>	<b>41</b>	<b>44</b>	<b>45</b>	<b>70</b>	<b>65</b>

Assets managed by insurance companies that form part of the group have not been included in the above figures. As at year-end 2008, the fair value of these assets came to EUR 1,350 million (2007: EUR 183 million; 2006: EUR 208 million).

The table below shows movements in the liabilities for defined benefit plans:

	Pension plans		Other post-employment benefits	
	2008	2007	2008	2007
<b>Liabilities for defined benefits plans at 1 January</b>	<b>1,637</b>	<b>1,700</b>	<b>20</b>	<b>26</b>
Service costs, employer's part	28	36	2	2
Service costs, employee's part	9	7	0	0
Interest expense	86	81	1	1
Actuarial losses (gains) on defined benefit obligation	26	-125	1	-6
Benefits paid	-66	-65	-2	-3
Past service cost non-vested benefits	0	0	0	0
Restrictions and settlements	0	0	0	0
Buying and selling of subsidiaries	0	0	0	0
Transfer	-14	3	0	0
Other	1	0	0	0
<b>Liabilities for defined benefits plans at 31 December</b>	<b>1,707</b>	<b>1,637</b>	<b>22</b>	<b>20</b>

The table below provides an overview of changes in the fair value of qualifying plan assets:

	Pension plans		Other post-employment benefits	
	2008	2007	2008	2007
<b>Fair value of qualifying plan assets as at 1 January</b>	<b>1,265</b>	<b>1,343</b>	<b>0</b>	<b>0</b>
Expected return on qualifying plan assets	0	57	0	0
Actuarial gains (losses) on qualifying plan assets	93	-81	0	0
Employer contributions	-1,345	3	0	0
Employee contributions	9	7	0	0
Benefits	0	-65	0	0
Settlements	0	0	0	0
Buying and selling of subsidiaries	0	0	0	0
Transfer	-22	0	0	0
Other	0	1	0	0
<b>Fair value of qualifying plan assets as at 31 December</b>	<b>0 1,265</b>	<b>0</b>	<b>0</b>	<b>0</b>

There are no longer any qualifying plan assets as a result of the transfer of the pension plan to ASR Life with effect from 1 January 2008.

The following table shows the changes in unrecognised costs of elapsed length of service:

	Pension plans		Other post-employment benefits	
	2008	2007	2008	2007
<b>Unrecognised: past service-cost as at 1 January</b>	<b>27</b>	<b>30</b>	<b>0</b>	<b>0</b>
Past service cost non-vested benefits	0	0	0	0
Amortisation of unrecognised past service cost	-3	-3	0	0
Buying and selling of subsidiaries	0	0	0	0
Transfer	0	0	0	0
Other	0	0	0	0
<b>Unrecognised past service cost at 31 December</b>	<b>24</b>	<b>27</b>	<b>0</b>	<b>0</b>

The following table provides an overview of changes to the total of unrecognised actuarial (gains) losses on assets and liabilities:

	Pension plans		Other post-employment benefits	
	2008	2007	2008	2007
<b>Unrecognised actuarial gains (losses) at 1 January</b>	<b>87</b>	<b>48</b>	<b>24</b>	<b>19</b>
Actuarial (gains) losses on the defined benefit obligation	-26	121	-1	5
Actuarial (gains) losses on qualifying assets	93	-82	0	0
Amortisation of unrecognised actuarial (gains) losses on the defined benefit obligation	-2	0	-2	-2
Amortisation of unrecognised actuarial (gains) losses on qualifying plan assets	0	0	0	0
Buying and selling of subsidiaries	0	0	0	0
Transfer	2	0	-2	0
Other	0	0	1	2
<b>Unrecognised actuarial gains (losses) at 31 December</b>	<b>154</b>	<b>87</b>	<b>18</b>	<b>24</b>

Experience-based adjustments are the actuarial gains and losses occasioned by differences between the actuarial assumptions at the start of the year and the actual outcomes during the year. The following table provides information about experience-based adjustments concerning qualifying plan assets and liabilities for defined benefit plans.

	Pension plans				Other post-employment benefits			
	2008	2007	2006	2005	2008	2007	2006	2005
Experienced-based adjustments to qualifying plan assets, gain (loss)	93	-82	-23	41	-	-	-	-
As % of qualifying plan assets as at 31 December	-	-6.5%	-1.7%	3.1%	-	-	-	-
Experienced-based adjustments to defined benefit obligation, loss (gain)	-31	60	-11	-28	0	-4	-4	3
As % of liabilities as at 31 December	-1.8%	3.7%	-0.7%	-1.5%	1.1%	-21.5%	-17.2%	3.8%

The table below shows the assumptions applied at year-end.

	Pension plans			Other post-employment benefits		
	2008	2007	2006	2008	2007	2006
Discount rate	5.60	5.35	4.60	5.00	5.05	4.15-4.25
Expected return on plan assets	-	4.90	4.28	0	0	0
Future salary increases (including price inflation)	2.60	2.30	2.10	-	2.30	2.10
Future pension increases (including price inflation)	2.20	1.90	1.80	-	0	0
Future mortgage interest (in connection with grantable discounts)	-	-	-	5.90	5.25	4.55

The pension plan assets consist primarily of fixed-interest securities and investment contracts concluded with insurance companies. ASR wants to gradually adapt its asset allocation policy to arrive at a better match between the duration of the assets and the duration of the pension liabilities.

ASR uses the IRS curve as a reference for the expected return on bonds and adds to that return a risk premium for shares and real estate.

The composition of the pension plan investments (qualifying and non-qualifying investments) is:

Asset category	2008	2007	2006
Shares	4%	11%	12%
Debt certificates	0%	0%	0%
Fixed-interest securities	89%	85%	84%
Real estate	5%	4%	4%
Liquidities	1%	0%	0%
Other	1%	0%	0%

As a financier of pension plans, ASR has drawn up general guidelines for asset allocation based on criteria such as geographical allocation and ratings. To ensure that the investment strategy remains in line with the structure of pension liabilities, ASR regularly conducts Asset Liability Management Studies. Asset allocation is determined on the basis of these guidelines and the outcomes of the studies.

The assets are generally invested worldwide in shares and bonds.

As an employer ASR is likely to pay the following contributions into these plans in the coming financial year for the purpose of post-employment benefits:

	Pension plans with defined benefits	Other post-employment benefits
Expected contributions for next year	96	3

## 8.2 Other long-term employee benefits

The other long-term employee benefits consist of the employer's liabilities arising from long-service disbursements. The table below shows the liabilities for these disbursements recognised in the balance sheet.

	2008	2007	2006
Present value of the defined benefit liability	6.8	6.5	6.0
Fair value of plan assets	0,0	0,0	0,2
<b>Net recognised liabilities</b>	<b>6.8</b>	<b>6.5</b>	<b>6.2</b>

Actuarial year-end assumptions:

	2008	2007	2006
Discount rate	4.70%	5.00%	4.20%
Salary increase	2.60%	2.30%	2.10%

The table below provides an overview of the costs of other long-term employee benefits.

	2008	2007	2006
Service cost	0.6	0.6	0.7
Interest costs	0.3	0.3	0.2
Net actuarial loss (gain) recognised immediately	0.0	0.0	-0.3
<b>Total expense</b>	<b>0.9</b>	<b>0.9</b>	<b>0.6</b>

The table below shows the changes to liabilities concerning other long-term employee benefits during the year.

	2008	2007	2006
Net liability as at 1 January	-6.5	-6.2	-6.2
Total expenses	-0.9	-0.9	-0.6
Benefits paid	0.5	0.4	0.6
Other	0.1	0.2	0.0
<b>Net liability as at 31 December</b>	<b>-6.8</b>	<b>-6.5</b>	<b>-6.2</b>

## 9 Remuneration in shares and options

Over the past years Fortis offered shares in Fortis N.V. to a select group of senior managers to secure their loyalty and to align their interests to those of the company. Options are generally exercisable five years after the date of being awarded, regardless of whether they are awarded conditionally or unconditionally.

As part of the option plan, 437,400 Fortis shares were offered to employees in 2008 (2007: 402,300; 2006: 154,283). The costs related to the 2008 option plan amount to EUR 1,446,779 (2007: EUR 1,971,270; 2006: EUR 730,765).

## 10 Remuneration of Supervisory Board and Board of Directors of ASR

Every proposal, every recommendation and every decision concerning remuneration of members of the Board of Directors was subject in 2008 to the provisions of the Fortis Governance Statement. This statement sets out remuneration policy.

### 10.1 Remuneration of members of the Supervisory Board

The members of the former Supervisory Board received no remuneration over 2008 (as in 2007).

The table below shows the annual remuneration - from 15 December 2008 - for the new members of the Supervisory Board of ASR Nederland:

Gross amounts in euros  
x 1,000

	As member of Supervisory Board	As member of a committee	Total
<b>Supervisory directors</b>			
C. van der Pol	45	5	50
C.H. van den Bos	30	10	40
M. Scheltema	30	10	40
M. Bax <sup>7</sup>	30	5	35
<b>Total</b>	<b>135</b>	<b>30</b>	<b>165</b>

### 10.2 Remuneration of directors and former directors

The remunerations paid to directors and old directors were:

Gross amounts in euros  
x 1,000

	Regular remuneration	Remuneration payable over time <sup>8</sup>	Profit-sharing and bonuses	Total
<b>Directors</b>				
J.P.M. Baeten	474	270	0	744
J.W.M. van der Knaap	317	125	0	442
T. Pluijter	317	129	0	446
R.H.A. van Vledder	317	105	0	422
M.N. Kok	317	102	0	419
<b>Total</b>	<b>1,742</b>	<b>731</b>	<b>0</b>	<b>2,473</b>

<sup>7</sup> Joined the Supervisory Board on 12 February 2009.

<sup>8</sup> This concerns pension expenses and career-break schemes.

The Board of Directors decided not to accept variable remuneration for the 2008 financial year. An amount of EUR 223,526 was paid in 2008 to former directors under existing contractual obligations.

Gross amounts in euros  
x 1,000

	Regular remuneration	Remuneration payable over time <sup>8</sup>	Profit-sharing and bonuses	Total
<b>Directors</b>				
J.P.M. Baeten	468	167	319	<b>954</b>
J.W.M. van der Knaap	311	102	160	<b>573</b>
T. Pluijter	311	103	160	<b>574</b>
R.H.A. van Vledder	311	91	180	<b>582</b>
M.N. Kok	311	75	150	<b>536</b>
<b>Total</b>	<b>1,712</b>	<b>538</b>	<b>969</b>	<b>3,219</b>

Former directors received an amount totalling EUR 209,646 in 2007 under existing contractual obligations.

### 10.3 Option rights for directors and former directors

Directors and former directors were awarded the following option rights to shares in Fortis N.V.:

Name of director	'Restricted shares'	Options awarded in 2008	Options exercised in 2008	Options outstanding at 31-12-2008	Options exercise-price	Options expiry date
J.P.M. Baeten	8,362	-	-	9,628	12.44	28-04-2009
	3,315	-	-	5,071	15.31	12-04-2010
	12,907	-	-	17,476	18.65	10-04-2011
	9,544	-	-	13,940	24.68	02-04-2012
	10,380	-	-	12,339	28.62	01-04-2013
	2,840	2,590	-	2,590	16.46	01-04-2014
J.W.M. van der Knaap	4,145	-	-	4,778	12.44	28-04-2009
	2,759	-	-	4,229	15.31	12-04-2010
	10,679	-	-	14,460	18.65	10-04-2011
	7,167	-	-	10,452	24.68	02-04-2012
	7,788	-	-	9,258	28.62	01-04-2013
	2,130	1,940	-	1,940	16.46	01-04-2014
T. Pluijter	2,759	-	-	4,229	15.31	12-04-2010
	10,679	-	-	14,460	18.65	10-04-2011
	7,167	-	-	10,452	24.68	02-04-2012
	7,788	-	-	9,258	28.62	01-04-2013
	2,130	1,940	-	1,940	16.46	01-04-2014
R.H.A. van Vledder	7,167	-	-	10,452	24.68	02-04-2012
	7,788	-	-	9,258	28.62	01-04-2013
	2,130	1,940	-	1,940	16.46	01-04-2014
M.N. Kok	-	-	-	4,181	18.65	10-04-2011
	-	-	-	8,959	24.68	02-04-2012
	7,788	-	-	9,258	28.62	01-04-2013
	2,130	1,940	-	1,940	16.46	01-04-2014

<sup>8</sup> Betreft pensioenlasten en levensloop.

Name of director	'Restricted shares'	Options awarded in 2008	Options exercised in 2008	Options outstanding at 31-12-2008	Options exercise-price	Options expiry date
J.C. van Ek	16,078	-	-	18,545	12.44	28-04-2009
	6,206	-	-	9,484	15.31	12-04-2010
	27,964	-	-	37,866	18.65	10-04-2011
V.I. Goedvolk	10,010	-	-	11,539	12.44	28-04-2009
	1,935	-	-	2,950	15.31	12-04-2010
P.B.G. van Harten	5,752	-	-	6,630	12.44	28-04-2009
	3,315	-	-	5,071	15.31	12-04-2010
	15,535	-	-	21,036	18.65	10-04-2011
	20,259	-	-	29,577	24.68	02-04-2012
	24,954	-	-	29,660	28.62	01-04-2013
	7,350	6,715	-	6,715	16.46	01-04-2014
T. Meinders	4,145	-	-	4,778	12.44	28-04-2009
	2,759	-	-	4,229	15.31	12-04-2010
	10,679	-	-	14,460	18.65	10-04-2011

Options awarded in 2008 concern options granted in recognition of performance over 2007.

## 11 Auditor's fees

The fees paid to accountants for the years of 2008, 2007 and 2006 fall into the following categories:

- fees for auditing: these include the fees for auditing the consolidated financial statements, quarterly reports and other reports under the articles of association;
- other fees unrelated to auditing: these include the costs of providing support and advice on acquisitions.

A breakdown of the auditor's fees is provided below:  
(in millions of euros)

	2008	2007	2006
Audit fees	2	2	2
Other non-audit fees	1	2	1
<b>Total</b>	<b>3</b>	<b>4</b>	<b>3</b>

## 12 Transactions with related parties

Parties related with ASR include non-controlling interests, pension funds, joint ventures, members of the Board of Directors, members of the Supervisory Board and immediate family members of the aforementioned persons. These parties further include entities over which the aforementioned persons exercise control or exercise substantial influence and other related entities.

ASR regularly enters into transactions with related parties during the conduct of its business. The transactions concern mainly loans, deposits, commission and reinsurance contracts and are carried out under the commercial and market conditions applied to non-related parties.

The remuneration and combined share ownership of the members of the Board of Directors are described in chapter 10, Remuneration of the members of the Board of Directors and Supervisory Board of ASR.

During the normal conduct of business ASR entities may issue business credits, loans or bank guarantees to members of the Board of Directors, members of the Supervisory Board or to immediate family members of those Boards.

The table below shows the financial scope of the activities ASR entered into with the following related parties:

- associates;
- joint ventures;
- other related parties.

Up to and including 3 October 2008, related parties also included the former parent company Fortis Insurance N.V. and Fortis N.V. and former Fortis group companies.

<b>Balance sheet items with related parties as at 31 December:</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Investments in associates	143	326	172
Other assets	34	1,345	1,741
Debt certificates, subordinated liabilities and other loans		2,161	2,505
Other liabilities	1	109	184

<b>Transactions in the income statement for the financial year</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Interest income	96	131	140
Interest expense	108	208	151
Insurance premiums, net after reinsurance (earned)	-16	20	9
Fee and commission income	35	50	63
Other income	70	69	198
Operating, administrative and other costs	155	154	131

The change in balance sheet items with related parties compared with the 2007 financial year was caused by the circumstance that as of 3 October 2008 ASR ceased to be part of the Fortis group. The income and expense items recognise transactions with the Fortis group up to and including 3 October 2008.

## 13 Information by segment

ASR is a financial service provider active in insurance. ASR provides products and services and operates in market segments that are subject to different levels of profitability, growth opportunities, future prospects and risks.

The segment report of ASR reflects the complete economic contribution of the various segments. ASR makes a distinction between Life and Non-life segments. The purpose of this report is the full allocation of all items in the balance sheet and income statement to the segments that hold complete management responsibility for them.

The segment information is prepared in accordance with the valuation principles used in the preparation of the consolidated financial statements of ASR (refer to chapter 2).

Transactions between the various segments occur under normal market conditions (at arm's length).

### 13.1 Insurances

ASR cultivates the market through independent intermediaries and offers its business and private customers a wide range of life, non-life, medical and disability insurances plus mortgages and savings products.

#### Allocation rules

In accordance with the ASR business model, the service-providing activities of the insurance companies are not reported separately.

Balance sheet items are allocated to segments according to the products sold to external customers.

For balance sheet items that cannot be related to products sold to customers, a modified allocation that applies to all reporting segments is used.

### 13.2 Income statement for Life and Non-life business

<b>Income, 2008</b>	<b>Life</b>	<b>Non-life</b>	<b>Eliminations</b>	<b>Total</b>
Insurance premiums	3,491	2,288	-2	5,777
Interest income	1,164	177	-10	1,331
Fee and commission income	20	100	0	120
Dividend and other investment income	277	24	0	301
Other income	197	120	-1	316
Income related to unit-linked contracts	2,359	0	0	2,359
Other realised and unrealised gains and losses	40	-57	0	-17
Share in result of associates and joint ventures	28	-1	0	27
<b>Total income</b>	<b>7,576</b>	<b>2,651</b>	<b>-13</b>	<b>10,214</b>

<b>Expenses</b>				
Insurance claims and benefits	-3,751	-1,611	2	-5,360
Fee and commission expense	-128	-414	1	-541
Depreciation and amortisation of tangible and intangible assets	-70	-9	0	-79
Operating and staff expenses	-554	-369	0	-923
Interest expense	-303	-59	10	-352
Expenses related to unit-linked contracts	-2,871	0	0	-2,871
Changes in impairments	-754	-179	0	-933
<b>Total expenses</b>	<b>-8,431</b>	<b>-2,641</b>	<b>13</b>	<b>-11,059</b>

<b>Result before taxation</b>	<b>-855</b>	<b>10</b>	<b>0</b>	<b>-845</b>
Income tax expense	216	-4	0	212
<b>Net result for the period</b>	<b>-639</b>	<b>6</b>	<b>0</b>	<b>-633</b>
Net result attributable to non-controlling interests	-7	0	0	-7
<b>Net result attributable to shareholders</b>	<b>-646</b>	<b>6</b>	<b>0</b>	<b>-640</b>

<b>Income, 2007</b>	<b>Life</b>	<b>Non-life</b>	<b>Eliminations</b>	<b>Total</b>
Insurance premiums	3,108	2,091	-2	5,197
Interest income	1,082	157	-6	1,233
Fee and commission income	19	95	0	114
Dividend and other investment income	276	22	0	298
Other income	184	151	0	335
Income from investments related to unit-linked contracts	119	0	0	119
Other realised and unrealised gains and losses	685	83	0	768
Share in result of associates and joint ventures	38	0	0	38
<b>Total income</b>	<b>5,511</b>	<b>2,599</b>	<b>-8</b>	<b>8,102</b>

<b>Expenses</b>				
Insurance claims and benefits	-2,831	-1,459	2	-4,288
Fee and commission expense	-153	-401	0	-554
Depreciation and amortisation of tangible and intangible assets	-62	-6	0	-68
Operating and staff expenses	-495	-367	0	-862
Interest expense	-314	-61	6	-369
Expenses related to unit-linked contracts	-785	0	0	-785
Changes in impairments	-130	-29	0	-159
<b>Total expenses</b>	<b>-4,770</b>	<b>-2,323</b>	<b>8</b>	<b>-7,085</b>

<b>Result before taxation</b>	<b>741</b>	<b>276</b>	<b>0</b>	<b>1,017</b>
Income tax expense	-67	-44	0	-111
<b>Net result for the period</b>	<b>674</b>	<b>232</b>	<b>0</b>	<b>906</b>
Net result attributable to non-controlling interests	-17	0	0	-17
<b>Net result attributable to shareholders</b>	<b>657</b>	<b>232</b>	<b>0</b>	<b>889</b>



**13.3 Balance sheet for Life and Non-life business**

The table below shows the balance sheet data itemised according to life and non-life as at 31 December.

<b>Assets 31 December 2008</b>	<b>Life</b>	<b>Non-life</b>	<b>Eliminations</b>	<b>Total</b>
Cash and cash equivalents	905	206	-457	654
Other assets and receivables	7,816	989	-128	8,677
Investments available for sale	13,414	2,877	0	16,291
Investments held at fair value through profit or loss	298	112	0	410
Investment property	1,623	216	0	1,839
Investments in associates and joint ventures	146	16	0	162
Investments related to unit-linked contracts	7,487	0	0	7,487
Reinsurance	18	505	0	523
Property, plant and equipment	244	20	0	264
Goodwill and other intangible assets	396	11	0	407
<b>Total Assets</b>	<b>32,347</b>	<b>4,952</b>	<b>-585</b>	<b>36,714</b>
<b>Liabilities</b>				
Accrued interest and other liabilities	3,182	408	-27	3,563
Due to banks	1,651	0	0	1,651
Liabilities arising from insurance contracts	17,861	3,289	0	21,150
Liabilities related to unit-linked contracts	8,263	0	0	8,263
Other borrowings	589	465	-545	509
Current and deferred tax liabilities	268	66	0	334
Provisions	21	8	0	29
Subordinated liabilities	90	609	-13	686
<b>Liabilities</b>	<b>31,925</b>	<b>4,845</b>	<b>-585</b>	<b>36,185</b>
Shareholders' equity	422	107	-97	432
Non-controlling interests	0	0	97	97
<b>Equity</b>	<b>422</b>	<b>107</b>	<b>0</b>	<b>529</b>
<b>Total liabilities and equity</b>	<b>32,347</b>	<b>4,952</b>	<b>-585</b>	<b>36,714</b>

<b>Assets 31 December 2007</b>	<b>Life</b>	<b>Non-life</b>	<b>Eliminations</b>	<b>Total</b>
Cash and cash equivalents	428	115	-60	483
Other assets and receivables	7,324	878	-54	8,148
Investments available for sale	13,059	2,509	0	15,568
Investments held at fair value through profit or loss	1,169	306	0	1,475
Investment property	1,260	413	0	1,673
Investments in associates and joint ventures	175	10	0	185
Investments related to unit-linked contracts	10,234	0	0	10,234
Reinsurance	35	493	0	528
Property, plant and equipment	206	21	0	227
Goodwill and other intangible assets	391	14	0	405
<b>Total assets</b>	<b>34,281</b>	<b>4,759</b>	<b>-114</b>	<b>38,926</b>
<b>Liabilities</b>				
Accrued interest and other liabilities	2,372	273	-11	2,634
Due to banks	1,207	0	0	1,207
Liabilities arising from insurance contracts	16,922	3,123	0	20,045
Liabilities related to unit-linked contracts	10,633	0	0	10,633
Other borrowings	831	135	91	1,057
Current and deferred tax liabilities	231	47	0	278
Provisions	25	1	0	26
Subordinated liabilities	91	610	-14	687
<b>Liabilities</b>	<b>32,312</b>	<b>4,189</b>	<b>66</b>	<b>36,567</b>
Shareholders' equity	1,969	570	-277	2,262
Non-controlling interests	0	0	97	97
<b>Equity</b>	<b>1,969</b>	<b>570</b>	<b>-180</b>	<b>2,359</b>
<b>Total liabilities and equity</b>	<b>34,281</b>	<b>4,759</b>	<b>-114</b>	<b>38,926</b>

# Notes to the balance sheet

## 14 Cash and cash equivalents

Cash positions include cash on hand and other financial instruments with terms of less than three months after acquisition date. The cash positions as at 31 December consisted of:

	2008	2007	2006
Due from banks	580	561	682
Other	74	-78	322
<b>Total</b>	<b>654</b>	<b>483</b>	<b>1,004</b>

## 15 Other assets and receivables

Other assets and receivables as at 31 December were:

	2008	2007	2006
Derivatives held for trading	371	183	160
Due from banks	871	943	1,177
Due from customers	4,406	4,592	4,887
Trade and other receivables	1,005	1,095	1,029
Accrued interest and other assets	2,024	1,335	1,295
<b>Other assets and receivables</b>	<b>8,677</b>	<b>8,148</b>	<b>8,548</b>

### 15.1 Derivatives held for trading

Derivative financial instruments held for trading as at 31 December were:

	2008	2007	2006
Derivative financial instruments:			
Unlisted	334	181	149
Listed	37	2	11
<b>Total derivative financial instruments</b>	<b>371</b>	<b>183</b>	<b>160</b>

The details of the derivatives are described in chapter 28, 'Derivatives'. Chapter 29, 'Fair values of financial assets and financial liabilities', provides further details of the calculation of fair values.

The hedging strategies are described in chapter 6, 'Risk management'.

### 15.2 Due from banks

Receivables due from banks as at 31 December were:

	2008	2007	2006
Interest-bearing deposits	156	179	188
Loans and advances	558	606	835
Other	157	158	154
<b>Total due from banks</b>	<b>871</b>	<b>943</b>	<b>1,177</b>

Receivables due from banks concern business loans and deposits. They are carried at amortised value, if necessary less a provision for bad debts.

### 15.3 Due from customers

Receivables due from customer as at 31 December were:

	2008	2007	2006
Government and official institutions	382	436	463
Mortgage loans	2,179	2,366	2,616
Private loans	0	0	163
Business loans	1,855	1,808	1,692
Policy loans	14	16	18
<b>Total due from customers</b>	<b>4,430</b>	<b>4,626</b>	<b>4,952</b>
Less impairments			
- Specific credit risks	-21	-31	-65
- Incurred but not reported (IBNR)	-3	-3	0
<b>Net due from customers</b>	<b>4,406</b>	<b>4,592</b>	<b>4,887</b>

The loans concern business credits and are carried at par value, if necessary less a provision for bad debts.

### 15.4 Trade and other receivables

Trade and other receivables as at 31 December were:

	2008	2007	2006
Due from insured parties	320	313	321
Due for operating leases	1	1	1
Due from intermediaries	141	121	145
Due from reinsurance actions	187	221	217
Other	381	462	382
<b>Total, gross</b>	<b>1,030</b>	<b>1,118</b>	<b>1,066</b>
Impairment	-25	-23	-37
<b>Total</b>	<b>1,005</b>	<b>1,095</b>	<b>1,029</b>

### 15.5 Accrued interest and other

Accrued interests and other assets as at 31 December were:

	2008	2007	2006
Deferred acquisition costs	646	678	689
Deferred investment and interest revenues	504	435	395
Buildings held for sale	220	173	128
Deferred tax claims	612	17	12
Immediate tax claims	6	7	8
Other	53	42	63
<b>Total, gross</b>	<b>2,041</b>	<b>1,352</b>	<b>1,295</b>
Impairment	-17	-17	0
<b>Total</b>	<b>2,024</b>	<b>1,335</b>	<b>1,295</b>

All purchases and sales of financial assets with obligatory delivery within a period of time prescribed by regulation or market convention are recognised at transaction date. This is the date at which ASR enters into the contractual provisions of the instrument. The 'Other' line contains mainly the balance of the temporary difference between the amounts at purchase date and at delivery date.

**Changes to deferred acquisition costs**

The table below shows movements in deferred acquisition costs in connection with insurance contracts over the year.

	2008	2007	2006
<b>Balance sheet at 1 January</b>	<b>678</b>	<b>689</b>	<b>709</b>
Deferred acquisition costs	90	118	123
Depreciation	-123	-130	-128
Group company purchases	1	0	9
Other adjustments including translation differences	0	1	-24
<b>Balance sheet at 31 December</b>	<b>646</b>	<b>678</b>	<b>689</b>

**16 Investments**

Financial assets and liabilities, including derivatives, are brought together in specific portfolios within the defined investment strategies. Their performance and risk are controlled and evaluated based on fair value.

As at 31 December the composition of investments was:

	2008	2007	2006
<i>Investments</i>			
Available for sale	17,311	15,781	16,164
Held at fair value through profit or loss	410	1,475	1,749
Investment property	1,896	1,711	1,654
Investments in associates and joint ventures	162	185	211
<b>Total, gross</b>	<b>19,779</b>	<b>19,152</b>	<b>19,778</b>
Impairments	-1,077	-251	-134
<b>Total</b>	<b>18,702</b>	<b>18,901</b>	<b>19,644</b>

**16.1 Investments available for sale**

The table below shows the fair value and amortised cost price and related unrealised gains and losses of investments available for sale as at 31 December:

	Historical amortised cost price	Revaluation	Impairment	Fair values
<b>31 December 2008</b>				
<i>Investments available for sale</i>				
Short-term government securities and other discountable securities	2	0	0	2
Government bonds	6,115	238	0	6,353
Corporate bonds	9,545	-1,625	-510	7,410
Debt certificates covered by mortgage	370	-42	0	328
Debt certificates covered by other assets	644	-91	-239	314
Private equities and venture capital	23	25	-2	46
Other shares	1,893	-220	-269	1,404
Other investments	441	-7	0	434
<b>Total</b>	<b>19,033</b>	<b>-1,722</b>	<b>-1,020</b>	<b>16,291</b>

Measured on the basis of market information	603
Listed	15,688
Measured on the basis of theoretical models	0
<b>Total</b>	<b>16,291</b>

	Historical amortised cost price	Revaluation	Impairment	Fair values
<b>31 December 2007</b>				
<i>Investments available for sale</i>				
Short-term government securities and other discountable securities	49	0	0	49
Government bonds	3,495	-38	0	3,457
Corporate bonds	7,824	-387	-17	7,420
Debt certificates covered by mortgage	333	-9	0	324
Debt certificates covered by other assets	656	-26	-109	521
Private equities and venture capital	13	112	-1	124
Other shares	2,453	725	-86	3,092
Other investments	581	0	0	581
<b>Total</b>	<b>15,404</b>	<b>377</b>	<b>-213</b>	<b>15,568</b>

**31 December 2006**

*Investments available for sale*

Short-term government securities and other discountable securities	99	0	0	99
Government bonds	3,767	57	0	3,824
Corporate bonds	6,657	114	0	6,771
Debt certificates covered by mortgage	379	0	0	379
Debt certificates covered by other assets	688	-2	-1	685
Private equities and venture capital	80	83	-14	149
Other shares	2,411	1,283	-90	3,604
Other investments	548	0	0	548
<b>Total</b>	<b>14,629</b>	<b>1,535</b>	<b>-105</b>	<b>16,059</b>

**Impairments of investments available for sale**

The following table shows the changes of investments available for sale:

	2008	2007	2006
<b>Balance sheet as at 1 January</b>	<b>-213</b>	<b>-105</b>	<b>-135</b>
Increase in impairments	-956	-139	-3
Release through sale	157	0	34
Translation differences and other adjustments	-8	31	-1
<b>Balance sheet as at 31 December</b>	<b>-1,020</b>	<b>-213</b>	<b>-105</b>

The increase in translation differences and other adjustments stem mainly from exchange rate differences on investments available for sale.

**16.2 Investments held at fair value through profit or loss**

The table below contains details of the investments held at fair value with the incorporation of unrealised impairments in the income statement as at 31 December:

	2008	2007	2006
Debt certificates covered by other assets	410	1,475	1,749
Measured on the basis of market information	41		
Listed	369		
Measured on the basis of theoretical models	0		
<b>Total</b>	<b>410</b>		

Debt certificates covered by other assets are mainly synthetic collateralised debt obligations with embedded derivatives.

The decreases in 2008 and 2007 were caused mainly by the writing down of the value of the CDOs as a result of changed market conditions caused by the credit crisis.

Of the debt certificates covered by other assets, an amount of EUR 373 concern 'other asset backed securities'. The table below itemises the movements:

	2008	2007	2006
<b>Position as at 1 January</b>	<b>1,387</b>	<b>1,680</b>	<b>1,585</b>
purchase/sales	-649	-170	91
unrealised result	-344	-82	9
realised result	-50	-4	0
other	29	-37	-5
<b>Position as at 31 December</b>	<b>373</b>	<b>1,387</b>	<b>1,680</b>

### 16.3 Investment property

Investments in real estate concern mainly land, homes, offices, shops and car parks, primarily in the Netherlands. Real estate investments as at 31 December were:

	2008	2007	2006
<b>Cost price as at 1 January</b>	<b>2,074</b>	<b>2,022</b>	<b>1,769</b>
Additions	708	133	870
Improvements	14	9	4
Reversal through divestments	-593	-163	-544
Transfer to (from) real estate for own use	2	121	-77
Other	7	-48	0
<b>Cost price as at 31 December</b>	<b>2,212</b>	<b>2,074</b>	<b>2,022</b>
<b>Cumulative depreciation as at 1 January</b>	<b>-363</b>	<b>-368</b>	<b>-357</b>
Depreciation	-33	-29	-36
Reversal of depreciation through divestments	69	14	25
Other changes	11	20	0
<b>Cumulative depreciation as at 31 December</b>	<b>-316</b>	<b>-363</b>	<b>-368</b>
<b>Impairments as at 1 January</b>	<b>-38</b>	<b>-29</b>	<b>-30</b>
Increase in impairments	-26	-16	-4
Reversal of impairments	7	7	5
Other	0	0	0
<b>Impairments as at 31 December</b>	<b>-57</b>	<b>-38</b>	<b>-29</b>
<b>Net Investment property</b>	<b>1,839</b>	<b>1,673</b>	<b>1,625</b>

Depreciation on buildings is calculated on a straight-line basis. Costs are written down over the estimated useful life to the residual value. Real estate investments have been divided into the following components: land, skeleton, outer shell, systems, furnishings (both rough finishing and detailed finishing) and long lease.

The maximum useful life of the components can be found in the financial reporting principles in the property, plant and equipment section (chapter 2.20).

At year-end 2008, the fair value of investment property amounted to EUR 3,381 million (year-end 2007: EUR 3,059 million; year-end 2006: EUR 2,927 million).

### 16.4 Investments in associates and joint ventures

The table below provides an overview of the carrying amount of the main investments in associates and joint ventures:

	2008	2007	2006
<i>Joint ventures</i>			
Deltafort	127	149	171
<i>Associates</i>			
Other	35	36	40
<b>Total</b>	<b>162</b>	<b>185</b>	<b>211</b>

The table below shows the interests held by ASR in the associates and joint ventures based on a 100% interest at 31 December 2008:

	Total assets	Total liabilities	Total income	Total expense
Deltafort	346	0	21	0
Other	742	613	523	467
<b>Total</b>	<b>1,088</b>	<b>613</b>	<b>544</b>	<b>467</b>

## 17 Property, plant and equipment

Property, plant and equipment as at 31 December:

	2008	2007	2006
Land and buildings for own use	115	113	114
Inventory and motor vehicles	9	12	10
Buildings under construction	140	102	205
<b>Total</b>	<b>264</b>	<b>227</b>	<b>329</b>

### Changes to property, plant and equipment

The table below shows changes to Property, plant and equipment in the years of 2006, 2007 and 2008.

2008	Land and buildings for own use	Inventory and motor vehicles	Buildings under construction	Total
<b>Cost price as at 1 January</b>	<b>191</b>	<b>117</b>	<b>102</b>	<b>410</b>
Additions	3	3	49	55
Reversal through divestments	0	0	0	0
Transfer of investment property	9	0	-11	-2
Other	0	-1	0	-1
<b>Cost price as at 31 December</b>	<b>203</b>	<b>119</b>	<b>140</b>	<b>462</b>
<b>Cumulative depreciation as at 1 January</b>	<b>-78</b>	<b>-105</b>	<b>0</b>	<b>-183</b>
Depreciation	-10	-6	0	-16
Reversal through divestments	0	0	0	0
Other	0	1	0	1
<b>Cumulative depreciation as at 31 December</b>	<b>-88</b>	<b>-110</b>	<b>0</b>	<b>-198</b>
<b>Impairments as at 1 January</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Impairments charged to				
Result	0	0	0	0
Reversal of impairments	0	0	0	0
Other	0	0	0	0
<b>Impairments as at 1 December</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Property, plant and equipment</b>	<b>115</b>	<b>9</b>	<b>140</b>	<b>264</b>

2007	Land and buildings for own use	Inventory and motor vehicles	Buildings under construction	Total
<b>Cost price as at 1 January</b>	<b>187</b>	<b>110</b>	<b>205</b>	<b>502</b>
Additions	-4	11	18	25
Reversal through divestments	0	-3	0	-3
Transfer of investment property	0	0	-121	-121
Other	8	-1	0	7
<b>Cost price as at 31 December</b>	<b>191</b>	<b>117</b>	<b>102</b>	<b>410</b>
<b>Cumulative depreciation as at 1 January</b>	<b>-73</b>	<b>-100</b>	<b>0</b>	<b>-173</b>
Depreciation	-5	-9	0	-14
Reversal through divestments	0	3	0	3
Other	0	1	0	1
<b>Cumulative depreciation as at 31 December</b>	<b>-78</b>	<b>-105</b>	<b>0</b>	<b>-183</b>
<b>Impairments as at 1 January</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Impairments charged to result	0	0	0	0
Reversal of impairments	0	0	0	0
Other	0	0	0	0
<b>Impairments as at 31 December</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Property, plant and equipment</b>	<b>113</b>	<b>12</b>	<b>102</b>	<b>227</b>
<b>2006</b>				
<b>Cost price as at 1 January</b>	<b>189</b>	<b>173</b>	<b>0</b>	<b>362</b>
Additions	2	4	128	134
Reversal through divestments	-4	-70	0	-74
Transfer of investment property	0	0	77	77
Other	0	3	0	3
<b>Cost price as at 31 December</b>	<b>187</b>	<b>110</b>	<b>205</b>	<b>502</b>
<b>Cumulative depreciation at 1 January</b>	<b>-68</b>	<b>-131</b>	<b>0</b>	<b>-199</b>
Depreciation	-5	-11	0	-16
Reversal through divestments	0	44	0	44
Other	0	-2	0	-2
<b>Cumulative depreciation as at 31 December</b>	<b>-73</b>	<b>-100</b>	<b>0</b>	<b>-173</b>
<b>Impairments as at 1 January</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Impairments charged to the result	0	0	0	0
Reversal of impairments	0	0	0	0
Other	0	0	0	0
<b>Impairments as at 31 December</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Property, plant and equipment</b>	<b>114</b>	<b>10</b>	<b>205</b>	<b>329</b>

Depreciation on buildings is calculated on a straight-line basis. Costs over the estimated useful life are written down to residual value. Land and buildings for ASR's own use are divided into the components of land, skeleton, outer shell, systems and furnishings (rough finishing and detailed finishing). The maximum useful life of the components can be found in the financial reporting principles in the Property, plant and equipment section (chapter 2.20).

Depreciation on IT, office equipment and other equipment and motor vehicles takes place over three to five years.

The fair value of land and buildings for ASR's own use at year-end 2008 amounted to EUR 261 million (2007: EUR 241 million; 2006: EUR 237 million).

## 18 Goodwill and other intangible assets

Intangible assets as at 31 December were:

	2008	2007	2006
Goodwill	48	36	26
Value of business acquired (VOBA)	344	363	385
Software and other intangible assets	15	6	17
<b>Total goodwill and other intangible assets</b>	<b>407</b>	<b>405</b>	<b>428</b>

### Changes in goodwill and other intangible assets

The table below shows the changes in goodwill and other intangible assets in the years of 2008, 2007 and 2006:

2008	Goodwill	Value of business acquired (VOBA)	Software and other intangible assets	Total
<b>Cost price as at 1 January</b>	<b>41</b>	<b>502</b>	<b>44</b>	<b>587</b>
Purchased	0	0	16	16
Other	12	0	-4	8
<b>Cost price as at 31 December</b>	<b>53</b>	<b>502</b>	<b>56</b>	<b>611</b>
<b>Cumulative amortisation as at 1 January</b>	<b>0</b>	<b>-134</b>	<b>-37</b>	<b>-171</b>
Amortisation	0	-19	-5	-24
Other	0	0	2	2
<b>Cumulative amortisation as at 31 December</b>	<b>0</b>	<b>-153</b>	<b>-40</b>	<b>-193</b>
<b>Impairments as at 1 January</b>	<b>-5</b>	<b>-5</b>	<b>-1</b>	<b>-11</b>
Impairments	0	0	0	0
<b>Impairments as at 31 December</b>	<b>-5</b>	<b>-5</b>	<b>-1</b>	<b>-11</b>
<b>Net intangible assets</b>	<b>48</b>	<b>344</b>	<b>15</b>	<b>407</b>

2007	Goodwill	Value of business acquired (VOBA)	Software and other intangible assets	Total
<b>Cost price as at 1 January</b>	<b>31</b>	<b>500</b>	<b>56</b>	<b>587</b>
Purchased group companies	11	0	-7	4
Other	-1	2	-5	-4
<b>Cost price as at 31 December</b>	<b>41</b>	<b>502</b>	<b>44</b>	<b>587</b>
<b>Cumulative amortisation as at 1 January</b>	<b>0</b>	<b>-113</b>	<b>-39</b>	<b>-152</b>
Amortisation	0	-20	-4	-24
Other	0	-1	6	5
<b>Cumulative amortisation as at 31 December</b>	<b>0</b>	<b>-134</b>	<b>-37</b>	<b>-171</b>
<b>Impairments as at 1 January</b>	<b>-5</b>	<b>-2</b>	<b>0</b>	<b>-7</b>
Impairments	0	-3	-1	-4
<b>Impairments as at 31 December</b>	<b>-5</b>	<b>-5</b>	<b>-1</b>	<b>-11</b>
<b>Net intangible assets</b>	<b>36</b>	<b>363</b>	<b>6</b>	<b>405</b>
<b>2006</b>				
<b>Cost price as at 1 January</b>	<b>2</b>	<b>502</b>	<b>33</b>	<b>537</b>
Purchased group companies	25	0	15	40
Other	4	-2	8	10
<b>Cost price as at 31 December</b>	<b>31</b>	<b>500</b>	<b>56</b>	<b>587</b>
<b>Cumulative amortisation as at 1 January</b>	<b>0</b>	<b>-97</b>	<b>-25</b>	<b>-122</b>
Amortisation	0	-20	-9	-29
Other	0	4	-5	-1
<b>Cumulative amortisation as at 31 December</b>	<b>0</b>	<b>-113</b>	<b>-39</b>	<b>-152</b>
<b>Impairments as at 1 January</b>	<b>-1</b>	<b>0</b>	<b>0</b>	<b>-1</b>
Impairments	-4	-2	0	-6
<b>Impairments as at 31 December</b>	<b>-5</b>	<b>-2</b>	<b>0</b>	<b>-7</b>
<b>Net intangible assets</b>	<b>26</b>	<b>385</b>	<b>17</b>	<b>428</b>

Amortisation on intangible assets takes place according to the expected useful life. There is no amortisation on goodwill, in accordance with IFRS. At least once a year there is an evaluation of whether there is an impairment by comparing the carrying amount with the fair value.

Software and other intangible assets generally have a useful life of three years at most.

#### Amortisation schedule for Value of Business Acquired (VOBA)

VOBA is recognised at the time of acquisition of an insurance company or an insurance portfolio. VOBA is written down over the expected term of the acquired portfolio. At least once a year there is an evaluation of whether there is an impairment. This occurs by comparing the carrying amount with the fair value. The expected amortisation schedule for future years is shown below.

	2009	2010	2011	2012	2013	Later
Estimated amortisation of VOBA	20	20	19	19	19	246

## 19 Accrued interest and other liabilities

Accrued interest and other liabilities as at 31 December were:

	2008	2007	2006
Derivatives held for hedging	1	1	1
Derivatives held for trading	36	22	25
Debt certificates	4	5	5
Due to customers	59	16	13
Accrued interest and other liabilities	3,463	2,590	2,437
<b>Total</b>	<b>3,563</b>	<b>2,634</b>	<b>2,481</b>

### 19.1 Due to customers

Debts owed tot customers as at 31 December were:

	2008	2007	2006
Deposits of reinsurers	5	5	6
Other liabilities	54	11	7
<b>Total</b>	<b>59</b>	<b>16</b>	<b>13</b>

### 19.2 Accrued interest and other liabilities

Accrued interest and other liabilities as at December 31 were:

	2008	2007	2006
Deferred revenues	12	6	5
Accrued interest	55	124	110
Other employee benefits	108	108	89
Pension liabilities	1,885	486	434
Trade debts	84	179	184
Debts to agents, policyholders and intermediaries	481	791	765
VAT and other payable taxes	17	2	6
Payable dividend	5	2	0
Debts to reinsurers	82	91	117
Other liabilities	734	801	727
<b>Total</b>	<b>3,463</b>	<b>2,590</b>	<b>2,437</b>

Further details of pension liabilities can be found in chapter 8, 'Post-employment benefits and other long-term employee benefits. Other employee benefits concern such matters as other long-term employee benefits (see chapter 8), other post-employment benefits (see chapter 8), social security charges, severance schemes and accrued holiday entitlements.

All purchased and sold financial assets with obligatory delivery within a period of time prescribed by regulation or market convention are recognised at transaction date. This is the date ASR entered into the contractual provisions of the instrument.

## 20 Due to banks

Amounts owed to banks as at 31 December were:

	2008	2007	2006
Bank deposits			
Payable on demand	0	0	121
Term deposits	0	0	567
<b>Total deposits</b>	<b>0</b>	<b>0</b>	<b>688</b>
Loaned out securities	1,501	1,207	1,000
Other	150	0	2
<b>Total</b>	<b>1,651</b>	<b>1,207</b>	<b>1,690</b>

There is no significant difference between the carrying amount of the liabilities held at fair value through profit or loss in the income statement and the face value of the liabilities.

Collateral received for security lending consists of three deposits and one loan, i.e.:

- Deposit: EUR 483 million, due date 6 January 2009, interest 2.898%
- Deposit: EUR 250 million, due date 12 January 2009, interest 3.147%
- Deposit: EUR 168 million, due date 9 February 2009, interest 4.69% and
- Loan: EUR 600 million, due date 19 October 2009, interest 5.17%.

Items under 'Other' concern collateral received under ISDAs concluded with counterparties. Interest is paid over received collateral. The interest rates for the collateral of EUR 136 million and EUR 14 million are 1.86% and 1.84%, respectively. There are no specific terms, because the term depends upon the development of the value of the instrument, which in principle is determined from week to week.

## 21 Liabilities arising from insurance contracts

Liabilities arising from insurance contracts as at 31 December were:

	2008			2007			2006		
	Life	Non-life	Total	Life	Non-life	Total	Life	Non-life	Total
<b>Gross</b>									
Liability for future benefits	18,385	0	18,385	17,280	0	17,280	17,168	0	17,168
Liability for claims	0	2,757	2,757	0	2,570	2,570	0	2,416	2,416
Unearned premiums	0	532	532	0	550	550	0	532	532
Liability for profit-sharing	17	0	17	20	0	20	24	0	24
Shadow accounting adjustment	-541	0	-541	-378	3	-375	94	-1	93
	<b>17,861</b>	<b>3,289</b>	<b>21,150</b>	<b>16,922</b>	<b>3,123</b>	<b>20,045</b>	<b>17,286</b>	<b>2,947</b>	<b>20,233</b>
Reinsurance	-18	-505	-523	-35	-493	-528	-106	-462	-568
<b>Net</b>	<b>17,843</b>	<b>2,784</b>	<b>20,627</b>	<b>16,887</b>	<b>2,630</b>	<b>19,517</b>	<b>17,180</b>	<b>2,485</b>	<b>19,665</b>

The table below shows the movements of liabilities arising from insurance contracts:

	Life insurance- contracts
<b>Balance sheet as at 1 January 2006</b>	<b>17,176</b>
Additions charged to the income statement	450
Shadow accounting adjustment	-446
<b>Balance sheet as at 1 January 2006</b>	<b>17,180</b>
Additions charged to the income statement	179
Shadow accounting adjustment	-472
<b>Balance sheet as at 1 January 2007</b>	<b>16,887</b>
Additions charged to the income statement	1,119
Shadow accounting adjustment	-163
<b>Balance sheet as at 1 January 2008</b>	<b>17,843</b>

## 22 Liabilities related to unit-linked contracts

The table below shows movement of liabilities related to unit-linked contracts based on insurance contracts.

	2008	2007	2006
<b>Balance sheet as at 1 January</b>	<b>10,633</b>	<b>9,797</b>	<b>8,658</b>
Premiums	1,189	1,475	1,142
Other changes	-3,559	-639	-3
<b>Balance sheet as at 31 December</b>	<b>8,263</b>	<b>10,633</b>	<b>9,797</b>

Impairments on investments, interest and dividend income and commutations are presented under 'Other changes'. The sharp increase in the other changes compared with 2007 is due to a sharp increase in impairments of investments as a result of the turbulence in the financial markets in 2008.

Liabilities related to unit-linked contracts include the guarantee provision and transparency provision.

## 23 Other borrowings

Other borrowings as at 31 December were:

	2008	2007	2006
<b>Total other borrowings</b>	<b>509</b>	<b>1,057</b>	<b>1,323</b>

This item mainly concerns privately placed loans. ASR furnished no security for the outstanding privately placed loans.

## 24 Current and deferred tax liabilities

The table below shows the taxation position:

	2008			2007			2006		
	Current	Deferred	Total	Current	Deferred	Total	Current	Deferred	Total
Assets	6	612	618	7	17	24	8	12	20
Liabilities	198	136	334	37	241	278	224	193	417
<b>Net position</b>	<b>-192</b>	<b>476</b>		<b>-30</b>	<b>-224</b>		<b>-216</b>	<b>-181</b>	

Current and deferred tax receivables are included under 'Accrued interest and other assets' (chapter 15.5).

	Balance sheet as at		
	2008	2007	2006
<i>Deferred tax assets:</i>			
Assets held for trading (securities trading portfolio/derivative financial instruments/other trading assets)	76	10	2
Investments (held until maturity/available for sale)	570	40	1
Investment property	8	4	0
Property, plant and equipment	0	0	3
Intangible assets (excluding goodwill)	3	0	1
Insurance policy and claim reserves	174	140	278
Impairment on loans	0	0	0
Debt certificates and subordinated liabilities	0	0	1
Provisions for pensions and benefits after employment ends	33	33	66
Other Provisions	0	1	3
Deferred costs and revenues received in advance	29	17	8
Unused compensable losses	0	0	0
Other	22	7	18
<b>Gross deferred tax assets</b>	<b>915</b>	<b>252</b>	<b>381</b>
Write-down of deferred tax assets	0	0	0
<b>Total deferred tax assets, net of write-down</b>	<b>915</b>	<b>252</b>	<b>381</b>

	Balance sheet as at		
	2008	2007	2006
<i>Deferred tax liabilities:</i>			
Trading assets (securities trading portfolio/derivative financial instruments/other trading assets)	39	25	5
Trading liabilities (sold securities/derivative financial instruments/other trading liabilities)		0	0
Investments (held to maturity/available for sale)	14	31	214
Investment property	69	35	39
Property, plant and equipment	161	166	138
Intangible assets (excluding goodwill)	0	0	0
Due from customers	0	0	0
Debt certificates and subordinated loans	0	0	0
Other provisions	2	2	-1
Prepaid costs and deferred assets	137	137	132
Other	17	80	35
<b>Total deferred tax liabilities</b>	<b>439</b>	<b>476</b>	<b>562</b>
<b>Net deferred taxes</b>	<b>476</b>	<b>-224</b>	<b>-181</b>

As deferred taxes on profits may be netted under fiscal regimes, they have been presented in the balance sheet in the following manner:

	2008	2007	2006
Deferred tax liabilities	612	17	12
Deferred tax debts	136	241	193
<b>Net deferred taxes</b>	<b>476</b>	<b>-224</b>	<b>-181</b>

	Income statement		
	2008	2007	2006
<i>Deferred tax assets:</i>			
Assets held for trading (securities trading portfolio/derivative financial instruments/other trading assets)	65	0	2
Investments (held until maturity/available for sale)	84	4	-4
Investment property	4	1	-1
Property, plant and equipment	0	0	0
Intangible assets (excluding goodwill)	0	0	0
Insurance policy and claim reserves	-50	-46	-60
Impairment on loans	0	-1	0
Debt certificates and subordinated liabilities	0	-1	-4
Provisions for pensions and benefits after employment ends	0	-33	-10
Other provisions	-1	-2	-2
Deferred costs and revenues received in advance	12	9	6
Unused compensable losses	0	0	0
Other	19	-3	-152
<b>Gross deferred tax assets</b>	<b>133</b>	<b>-72</b>	<b>-225</b>
Write-down of deferred tax assets	0	0	0
<b>Total deferred tax assets, net of write-down</b>	<b>133</b>	<b>-72</b>	<b>-225</b>

	Income statement		
	2008	2007	2006
<i>Deferred tax liabilities:</i>			
Trading assets (securities trading portfolio/derivative financial instruments/other trading assets)	14	20	0
Trading liabilities (sold securities/derivative financial instruments/other trading liabilities)	0	0	-6
Investments (held until maturity/available for sale)	-19	-42	-14
Investment property	23	-3	14
Property, plant and equipment	-14	28	-15
Intangible assets (excluding goodwill)	0	0	0
Insurance policy and claim reserves	-213	1	0
Due from customers	0	-1	-3
Debt certificates and subordinated loans	0	0	0
Other provisions	0	3	2
Prepaid costs and deferred assets	1	-6	-41
Other	-63	53	28
<b>Total deferred liabilities</b>	<b>-271</b>	<b>53</b>	<b>-35</b>
<b>Deferred tax income</b>	<b>404</b>	<b>-125</b>	<b>-190</b>

The final figures for deferred revenues reconcile with chapter 39, 'Income tax expense'.



## 25 Provisions

The table below shows the movements in provisions:

	2008	2007	2006
<b>Balance sheet as at 1 January</b>	<b>26</b>	<b>26</b>	<b>39</b>
Additional foreseen amounts	28	9	9
Reversal of unused amounts	-7	0	-1
Usages in course of year	-12	-10	-28
Other	-6	1	7
<b>Balance sheet as at 31 December</b>	<b>29</b>	<b>26</b>	<b>26</b>

The provisions were created for:

- fiscal and legal matters;
- premature departure of personnel;
- increasing the quality of management;
- costs incurred for unbundling from Fortis.

The provision for legal matters is based on the best possible estimates available at year-end. They take account of the recommendations of legal advisers. The time of the outgoing cash flows related to these provisions is uncertain by definition. This is because of the unpredictability of the outcome of and the time required for the settlement of disputes.

The provisions for premature departure of personnel are based on arrangements agreed in the collective labour agreement and are created at the time of conclusion of the agreement. The outgoing cash flows have the same time horizon as the collective labour agreement.

Of the provisions an amount of EUR 17 million has a term less than one year.

## 26 Subordinated liabilities

Subordinated liabilities as at 31 December were:

	2008	2007	2006
Subordinated liabilities	687	687	747

The average interest rate on the subordinated loans was 4.9% (2007: 4.9%; 2006: 5.0%).

The subordinated liabilities include an amount of EUR 600 million in non-cumulative guaranteed Trust Capital Securities. Of the remaining EUR 87 million, EUR 67 million has a term less than one year. The other EUR 20 million has a term of between one and five years.

## 27 Non-cumulative guaranteed Trust Capital Securities

To strengthen the capital base of insurance operations, ASR issued non-cumulative guaranteed Trust Capital Securities in April 1999 for an amount of EUR 650 million. A subsidiary was established especially for this purpose in the United States. The subsidiary is only allowed to possess debts or other securities owed by ASR group companies. The Trust Capital Securities are guaranteed by parent companies and have a perpetual term. However, after ten years ASR is allowed to make cash repayment on the payment date.

The issue consisted of three tranches:

- a tranche of EUR 400 million with a variable coupon of 3-month Euribor plus 1.30% for the first 10 years and an interest-rate of 3-month Euribor plus 2.30% in the subsequent years;
- a tranche of EUR 200 million with a fixed coupon of 5.50% for the first 10 years and an interest rate of 3-month Euribor plus 2.30% in the subsequent years;

- a tranche of EUR 50 million with a fixed interest rate of 6.25% per year. This applies to the entire term of the instrument, which has been classified as a non-controlling interest (for information refer to chapter 5, 'Non-controlling interests').

The tranche of EUR 50 million has been classified as a non-controlling interest. The tranches of EUR 400 million and EUR 200 million have been classified as subordinated liabilities.

In the past, this was done with the expectation that these tranches would be repaid on the contractual date of interest rate change. However, it has since been decided not to make use of the early repayment. ASR expects to put forward a proposal in the coming months for exchanging the existing securities.

## 28 Derivatives

Derivatives includes swaps, futures, forward contracts and options contracts. The value of all derivative types is derived from underlying interest rates, exchange rates, commodities prices or share prices.

A derivative contract is tradable on the stock market or over-the-counter ('OTC'). Derivatives traded on the stock market, such as futures and options, are standardised. As a result of the margin obligations imposed by the various stock exchanges they do not generally carry any significant counterparty risk. Derivative contracts traded over-the-counter are agreed mutually by the contractual parties. Other derivatives include the derivatives embedded in some contracts. The hybrid instrument also includes a non-derivative host contract. Consequently, certain cash flows of the hybrid instrument vary in the same way as a separate derivative.

The notional amounts are not recognised as assets or liabilities in the balance sheet. They do not reflect the potential gain or loss that can accompany such a transaction. The risk that ASR runs if a counterparty is unable to fulfil its obligations is limited to the positive net replacement value of the OTC contracts.

Interest rate swaps are contractual agreements between two parties under which interest cash flows are exchanged in the same currency. These liabilities are calculated based on different interest types. For most interest rate swaps there is a net exchange of cash flows. This consists of the difference between the fixed and variable interest payments. ASR uses interest rate swaps among other things to alter the interest features of certain assets and liabilities. For long-term liabilities, for example, an interest swap can be entered into so as to convert an interest instrument with a fixed interest rate to one with a variable rate with a view to reducing the interest rate mismatch. Additionally, ASR uses interest rate swaps to hedge the risk of price fluctuations in the commercial portfolio of securities.

In their most simple form currency swaps are contractual agreements under which payments in different currencies are exchanged regularly or once-only. The value of the contracts depends on the expiry date, interest rates, exchange rates and timing of payments.

Exchange rate contracts, including spot, forward and future contracts, are agreements for exchanging payments in different currencies on a certain date at a pre-agreed exchange rate. The purpose of these contracts is to hedge the net investment and foreign exchange positions.

Swaptions are presented under the options of interest rate contracts. These are option contracts in order to conclude interest rate swaps at expiry date. ASR concludes these contracts to hedge the risk of a low interest rate.

Share derivatives concern share swaps, options, futures and forward contracts. A share swap is a swap whereby the exchanged cash flows are based on the total revenues of a certain stock market index and an interest rate (fixed or variable). Share options carry the right to purchase (in the case of a call option) or sell (in the case of a put option) a fixed amount of shares, at a predetermined price, before or on a deadline.

**28.1 Derivatives held for trading**

The table below shows derivatives held for trading as at 31 December:

	Fair values	Assets notional amount	Fair values	Liabilities notional amount
<b>2008</b>				
<i>Exchange rate contracts</i>				
Forward contracts	3	76	1	74
Interest rate and exchange rate swaps	17	177	4	157
<b>Total</b>	<b>20</b>	<b>253</b>	<b>5</b>	<b>231</b>
<i>Interest rate contracts</i>				
Swaps	7	1,762	31	1,762
Options	287	8,080	0	8,079
<b>Total</b>	<b>294</b>	<b>9,842</b>	<b>31</b>	<b>9,841</b>
<i>Capital and indexation contracts</i>				
Forwards and futures	0	0	0	0
Options and warrants	57	624	0	0
<b>Total</b>	<b>57</b>	<b>624</b>	<b>0</b>	<b>0</b>
<b>Composition as at 31 December 2008</b>	<b>371</b>	<b>10,095</b>	<b>36</b>	<b>10,072</b>
Listed	38	604	0	0
Measured on the basis of market information	333	9,491	36	10,072
Measured on the basis of theoretical models	0	0	0	0
<b>Total</b>	<b>371</b>	<b>10,095</b>	<b>36</b>	<b>10,072</b>
<b>2007</b>				
<i>Exchange rate contracts</i>				
Forward contracts	2	177	0	174
Interest rate and exchange rate swaps	41	316	0	263
<b>Total</b>	<b>43</b>	<b>493</b>	<b>0</b>	<b>437</b>
<i>Interest rate contracts</i>				
Swaps	4	3,740	23	3,735
Options	66	8,680	0	8,680
<b>Total</b>	<b>70</b>	<b>12,420</b>	<b>23</b>	<b>12,415</b>
<i>Capital and indexation contracts</i>				
Forwards and futures	0	7	0	17
Options and warrants	70	309	0	0
<b>Total</b>	<b>70</b>	<b>316</b>	<b>0</b>	<b>17</b>
<b>Composition as at 31 December 2007</b>	<b>183</b>	<b>13,229</b>	<b>23</b>	<b>12,869</b>
Listed	2	295	0	17
Measured on the basis of market information	181	12,934	23	12,852
Measured on the basis of theoretical models	0	0	0	0
<b>Total</b>	<b>183</b>	<b>13,229</b>	<b>23</b>	<b>12,869</b>

	Fair values	Assets notional amount	Fair values	Liabilities notional amount
<b>2006</b>				
<i>Exchange rate contracts</i>				
Forward contracts	1	186	4	188
Interest rate and exchange rate swaps	22	210	1	191
<b>Total</b>	<b>23</b>	<b>396</b>	<b>5</b>	<b>379</b>
<i>Interest rate contracts</i>				
Swaps	5	3,799	20	3,784
Options	73	5,577	0	5,578
<b>Total</b>	<b>78</b>	<b>9,376</b>	<b>20</b>	<b>9,362</b>
<i>Capital and indexation contracts</i>				
Options and warrants	59	788	0	24
<b>Total</b>	<b>59</b>	<b>788</b>	<b>0</b>	<b>24</b>
<b>Composition as at 31 December 2006</b>	<b>160</b>	<b>10,560</b>	<b>25</b>	<b>9,765</b>
Listed	11	766	0	24
Measured on the basis of market information	149	9,794	25	9,741
Measured on the basis of theoretical models	0	0	0	0
<b>Total</b>	<b>160</b>	<b>10,560</b>	<b>25</b>	<b>9,765</b>

**28.2 Derivatives held for hedging purposes**

Derivatives held for hedging consist mainly of cash flow hedges. ASR uses derivatives, especially interest rate swaps, to hedge positions in the management of its own assets and liabilities portfolios and to hedge structural positions. This allows ASR to limit the market risk that would otherwise occur through structural disparities between the terms and other features of its assets and liabilities.

The table below shows the derivatives held for hedging as at 31 December:

	Fair values	Assets notional amount	Fair values	Liabilities notional amount
<b>2008</b>				
<i>Exchange rate contracts</i>				
Forward contracts	0	0	0	0
Interest rate and exchange rate swaps	0	0	0	0
Options	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Interest rate contracts</i>				
Swaps	0	31	1	31
<b>Total</b>	<b>0</b>	<b>31</b>	<b>1</b>	<b>31</b>
<b>Balance sheet as at 31 December 2008</b>	<b>0</b>	<b>31</b>	<b>1</b>	<b>31</b>
Measured on the basis of market information	0	31	1	31
<b>Total</b>	<b>0</b>	<b>31</b>	<b>1</b>	<b>31</b>

	Fair values	Assets notional amount	Fair values	Liabilities notional amount
<b>2007</b>				
<i>Exchange rate contracts</i>				
Forward contracts	0	0	0	0
Interest rate and exchange rate swaps	0	0	0	0
Options	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Interest rate contracts</i>				
Swaps	0	123	1	123
<b>Total</b>	<b>0</b>	<b>123</b>	<b>1</b>	<b>123</b>
<b>Balance sheet as at 31 December 2007</b>	<b>0</b>	<b>123</b>	<b>1</b>	<b>123</b>
Measured on the basis of market information	0	123	1	123
<b>Total</b>	<b>0</b>	<b>123</b>	<b>1</b>	<b>123</b>
	Fair values	Assets notional amount	Fair values	Liabilities notional amount
<b>2006</b>				
<i>Exchange rate contracts</i>				
Forward contracts	0	0	0	0
Interest rate and exchange rate swaps	0	42	0	38
Options	0	0	0	0
<b>Total</b>	<b>0</b>	<b>42</b>	<b>0</b>	<b>38</b>
<i>Interest rate contracts</i>				
Swaps	0	100	1	100
<b>Total</b>	<b>0</b>	<b>100</b>	<b>1</b>	<b>100</b>
<b>Balance sheet as at 31 December 2006</b>	<b>0</b>	<b>142</b>	<b>1</b>	<b>138</b>
Measured on the basis of market information	0	142	1	138
<b>Total</b>	<b>0</b>	<b>142</b>	<b>1</b>	<b>138</b>

## 29 Fair value of financial assets and financial liabilities

The table below shows the carrying amount and the fair value of financial assets and financial liabilities that are not carried at their fair value on the consolidated balance sheet of ASR. The table has been fleshed out with a description of the methods used to determine the fair value of financial instruments.

	Carrying amount	Fair value
<b>2008</b>		
<i>Assets</i>		
Cash and cash equivalents	654	654
Due from banks	871	957
Due from customers	4,406	4,489
Reinsurance, trade and other receivables	1,528	1,528
<b>Total financial assets</b>	<b>7,459</b>	<b>7,628</b>
<i>Liabilities</i>		
Due to banks	1,651	1,651
Due to customers	59	59
Debt certificates	4	4
Subordinated liabilities	687	446
Other borrowings	509	509
<b>Total financial liabilities</b>	<b>2,910</b>	<b>2,669</b>
<b>2007</b>		
<i>Assets</i>		
Cash and cash equivalents	483	483
Due from banks	943	996
Due from customers	4,592	4,510
Reinsurance, trade and other receivables	1,623	1,623
<b>Total financial assets</b>	<b>7,641</b>	<b>7,612</b>
<i>Liabilities</i>		
Due to banks	1,207	1,207
Due to customers	16	16
Debt certificates	5	5
Subordinated liabilities	687	726
Other borrowings	1,057	1,058
<b>Total financial liabilities</b>	<b>2,972</b>	<b>3,012</b>
<b>2006</b>		
<i>Assets</i>		
Cash and cash equivalents	1,004	1,004
Due from banks	1,177	1,300
Due from customers	4,887	5,032
Reinsurance, trade and other receivables	1,597	1,597
<b>Total financial assets</b>	<b>8,665</b>	<b>8,933</b>
<i>Liabilities</i>		
Due to banks	1,690	1,690
Due to customers	13	13
Debt certificates	5	5
Subordinated liabilities	747	751
Other borrowings	1,323	1,332
<b>Total financial liabilities</b>	<b>3,778</b>	<b>3,791</b>

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction.

ASR uses the following hierarchy to determine the fair value of financial instruments:

- Listed (quoted prices in an active market);
- Measured on the basis of market information (measurement methods);
- Measured on the basis of theoretical models (including measurement at cost price).

If a financial instrument is traded in an active and liquid market, the quoted price or value is the best indicator of the fair value. This will then be applied. The fair value of a large holdings of shares will not be adjusted, unless a binding agreement has been made to sell the shares at a price other than the market price. The most appropriate market price for an asset held or a liability to be issued is the current bid price and for an asset to be acquired or a liability held, the asking price. If ASR holds assets and liabilities with offsetting market risks, mid-market prices are used as a basis for determining the fair value.

If a market price in an active market is unavailable, the fair value is calculated based on the present value or some other valuation method. This will be based on the market conditions prevailing at reporting date. If a valuation method is customarily used in the market to determining the price of an instrument and it has been demonstrated that this method produces a reliable estimate of the price in an actual market transaction, ASR will use this method.

Generally accepted methods in the financial market are recent market transactions, discounted cash flows and option pricing models. An accepted valuation method embodies all factors that market players consider important for pricing purposes. The method must also be consistent with accepted economic models for pricing financial instruments.

The basic principles for determining fair value are:

- maximisation of market influences and minimisation of internal estimates and forecasts;
- adjustment of the estimation method (valuation method) occurs only if an improvement of the valuation can be demonstrated, or if the valuation is necessary because insufficient information is available.

The fair value presented is the fair value excluding accrued interest ('clean fair value'). Accrued interest is presented separately.

The methods and assumptions used to determine fair value depend largely on whether the instrument is traded in a financial market and which information is available to be incorporated into valuation models. A summary is provided below of the various financial instruments with the applied fair value method.

Quoted prices must be used for financial instruments traded in a market with quoted prices.

Unlisted financial instruments are often traded in over-the-counter (OTC) markets where the market prices are obtainable from traders or other intermediaries.

Market quotations are obtainable from various sources for a number of financial instruments regularly traded on an OTC market. Examples of such sources include the financial press, stock market publications and information from individual market makers.

Quoted market prices are the most reliable fair values for derivatives traded on the market. Fair value for derivatives not traded on a recognised exchange is considered to be the value that could be realised through termination or assignment of the derivative.

Customary methods for valuing an interest rate swap (IRS) compare the yield of the swap with the current market yield. The swap yield curve is derived from the quoted swap yields. For customary IRSs buy and sell prices are generally available for parties with a rating.

Factors that influence the valuation of individual derivatives include the credit risk of the counterparty and the complexity of the derivative. If these factors differ from the basic factors, there will be consideration of whether an adjustment of the quoted price is necessary.

The calculation of the fair value of financial instruments not traded actively in financial markets is summarised below.

<b>Type of instrument</b>	<b>ASR Products</b>	<b>Fair value calculation</b>
Instruments with no stated maturity	On-demand accounts (current account), savings accounts, etc.	Nominal value.
Instruments without optional features	Straight loans, deposits, etc.	Discounted cash flow methodology; discounting yield curve is the swap curve plus spread (assets) or the swap curve minus spread (liabilities); spread is based on commercial margin computed based on the average on new production during the last three months.
Instruments with optional features	Preference shares convertible to ordinary shares	Fair value.
Subordinated liabilities	Subordinated liabilities	Discounted cash flow methodology in which spread is based on subordination cost for ASR based on market quotations.
Private equity	Private equity and non-quoted participations investments	In general based on the European Venture Capital Association valuation guidelines, using amongst others Enterprise Value/EBITDA, Price/Cash flow and Price/Earnings..
Preference shares (unquoted)	Preference shares	Discounted cash flow method

ASR has formulated a policy for quantifying and monitoring the uncertainties concerning the calculation of fair value by means of valuation methods and internal models. Related uncertainties are named in the 'model risk' concept.

Model risk occurs when the product pricing requires valuation techniques which are not yet standardised or for which input data cannot be directly observed in the market leading to assumptions on the input data themselves.

The development of new, sophisticated products in the market is resulting in the development of mathematical models to price them. These models depend in turn upon assumptions regarding the stochastic behaviour of underlying variables, numerical algorithms and other possible approximations needed to replicate the complexity of the option pay off.

Furthermore, the underlying hypotheses of a model are depending on the general market conditions (specific interest rates, volatilities, etc.) prevailing at the moment of its development. There is no guarantee that the model will continue to give adequate results, should market conditions change drastically.

The ASR fair value adjustment policy goes beyond existing procedures aiming to assess the quality of regular fair valuations processes. Any related model uncertainty is quantified as best as possible and is the basis in adjusting the fair value calculated by the valuation techniques and internal models.

## Notes to the income statement

### 30 Insurance premiums

The table below shows the structure of the Insurance premiums presented in the income statement.

	2008	2007	2006
<i>Earned Insurance premiums:</i>			
Life insurance products	3,491	3,108	3,437
Non-life products	2,338	2,124	1,977
Other and eliminations	-52	-35	-36
<b>Total gross premiums</b>	<b>5,777</b>	<b>5,197</b>	<b>5,378</b>
Reinsurance premiums	-260	-239	-230
<b>Total net premiums</b>	<b>5,517</b>	<b>4,958</b>	<b>5,148</b>

Reinsurance premiums are presented in the consolidated income statement under 'Insurance claims and benefits'.

The table below shows the single and regular insurance premiums:

	2008	2007	2006
<b>Unit-linked contracts</b>			
<i>Group business</i>			
Single premiums written	105	360	41
Regular premiums written	162	141	93
<b>Group business total</b>	<b>267</b>	<b>501</b>	<b>134</b>
<i>Individual business</i>			
Single premiums written	52	101	139
Regular premiums written	870	873	868
<b>Individual business total</b>	<b>922</b>	<b>974</b>	<b>1,007</b>
<b>Unit-linked contracts total</b>	<b>1,189</b>	<b>1,475</b>	<b>1,141</b>
<b>Non-unit-linked products</b>			
<i>Group business</i>			
Single premiums written	578	93	718
Regular premiums written	215	160	242
<b>Group business total</b>	<b>793</b>	<b>253</b>	<b>960</b>
<i>Individual business</i>			
Single premiums written	904	808	767
Regular premiums written	605	572	569
<b>Individual business total</b>	<b>1,509</b>	<b>1,380</b>	<b>1,336</b>
<b>Non-unit-linked products total</b>	<b>2,302</b>	<b>1,633</b>	<b>2,296</b>
<b>Total written premiums</b>	<b>3,491</b>	<b>3,108</b>	<b>3,437</b>

The table below provides an overview of the gross earned non-life insurance premiums. Insurance premiums for motor, fire and other have been combined under 'Other Non-life'.

	Accident and health	Other non-life	Total
<b>2008</b>			
Gross premiums	1,312	1,008	2,320
Changes in provisions for unearned premiums	11	7	18
<b>Gross earned premiums</b>	<b>1,323</b>	<b>1,015</b>	<b>2,338</b>
<b>2007</b>			
Gross premiums	1,163	981	2,144
Changes in provisions for unearned premiums	-21	1	-20
<b>Gross earned premiums</b>	<b>1,142</b>	<b>982</b>	<b>2,124</b>
<b>2006</b>			
Gross premiums	996	981	1,977
Changes in provisions for unearned premiums	-6	6	0
<b>Gross earned premiums</b>	<b>990</b>	<b>987</b>	<b>1,977</b>

Gross premiums after elimination come to EUR 2,268 million.

## 31 Interest income

The table below shows a breakdown of interest income per product:

	2008	2007	2006
Interest income on cash equivalents	42	22	22
Interest income on receivables due from credit institutions	60	70	66
Interest income on investments	778	670	573
Interest income from receives due from customers	291	281	370
Other interest income	160	190	330
<b>Total interest income</b>	<b>1,331</b>	<b>1,233</b>	<b>1,361</b>

Other interest income concerns mainly derivatives.

## 32 Dividend and other investment income

The table below itemises dividend and other investment income:

	2008	2007	2006
Dividend on shares	107	110	114
Rent revenues from investment property	187	175	174
Other revenues from investments	7	13	2
<b>Total dividend and other investment income</b>	<b>301</b>	<b>298</b>	<b>290</b>

## 33 Other income

Other income consists of the following components:

	2008	2007	2006
Share of reinsurers in paid claims	126	125	179
Share of reinsurers in changes to liabilities	0	23	-140
Sale revenues from investment property under development	112	127	60
Other	78	60	45
<b>Total other income</b>	<b>316</b>	<b>335</b>	<b>144</b>

## 34 Other realised and unrealised gains and losses

The table below shows other realised and unrealised gains and losses on investments:

	2008	2007	2006
Realised (gains) losses on investments	197	867	231
Other realised and unrealised gains and losses	-214	-99	-12
<b>Total other realised and unrealised gains and losses on investments</b>	<b>-17</b>	<b>768</b>	<b>219</b>

### 34.1 Realised (gains) losses on investments

The table below itemised the realised and unrealised (gains) losses on investments.

	2008	2007	2006
Debt certificates	-38	-26	42
Shares	91	818	101
Real estate	107	72	89
Group companies, associates and joint ventures	37	3	-1
<b>Realised and unrealised (gains) losses on investments</b>	<b>197</b>	<b>867</b>	<b>231</b>

### 34.2 Other realised and unrealised gains and losses

Other realised and unrealised gains and losses presented in the income statement concern:

	2008	2007	2006
Assets/liabilities held for trading and derivatives	179	2	-11
Assets/liabilities at fair value with impairments in the income statement	-394	-95	-2
Other	1	-6	1
<b>Other realised and unrealised gains/losses</b>	<b>-214</b>	<b>-99</b>	<b>-12</b>

All changes to the fair value as presented here are changes to the clean fair value. This is the value without taking into account the allocated interest recognised under interest income and interest expense.

Assets and liabilities held for trading will have been purchased specifically with a view to achieving a gain through short-term fluctuations in the price or the trading margin. The initial valuation is made at acquisition price, including transaction costs of the acquisition of the assets liabilities. After the initial valuation the valuation takes place at fair value, as determined based on the market. The realised and unrealised difference between carrying amount and fair value is presented under other realised and unrealised income and expense.

Derivatives held for trading include all derivatives not held for hedging purposes (hedge accounting). The changes to the fair value of derivatives held for trading are presented in this section.

All changes to the fair value of assets and liabilities held at fair value with value changes in the income statement are presented in this column. They include unrealised gains and losses through revaluation and realised gains and losses on the sale of assets or the settlement of liabilities.

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 to the fair value of the hedging instruments.

For the portfolio hedging of interest rate risks (macro hedging), the initial difference between the fair value and the carrying amount of the hedged item is amortised on allocation of the hedge relationship over the remaining term of the hedged item.

## 35 Insurance claims and benefits

The table below shows the structure of claims and benefits presented in the income statement:

	2008	2007	2006
Life insurance products	-3,749	-2,831	-3,524
Non-life products	-1,611	-1,459	-1,237
Other and eliminations	0	2	49
<b>Total claims expense and benefits</b>	<b>-5,360</b>	<b>-4,288</b>	<b>-4,712</b>

The table below shows details of the net claims expense and benefits for life Insurance:

	2008	2007	2006
Commutations and expiration, Gross	-2,538	-2,439	-2,939
Changes to life insurance liabilities, gross	-1,173	-364	-559
Issued reinsurances premiums	-38	-28	-26
<b>Total claims expense and benefits, Life</b>	<b>-3,749</b>	<b>-2,831</b>	<b>-3,524</b>

The table below shows details of the net claims expense and benefits for non-life Insurance:

	2008	2007	2006
Claims and changes to provision for payable claims	-1,203	-1,093	-986
Changes to unearned premiums	-185	-154	-24
Changes to liabilities arising from insurance contracts	-223	-212	-227
<b>Total claims expense and benefits, Non-life</b>	<b>-1,611</b>	<b>-1,459</b>	<b>-1,237</b>

## 36 Operating and staff expenses

The table below itemises operating expenses and staff expenses:

	2008	2007	2006
Operating expenses	-600	-567	-426
Staff expenses	-323	-295	-301
<b>Total operating expenses and staff expenses</b>	<b>-923</b>	<b>-862</b>	<b>-727</b>

### 36.1 Operating expenses

The table below itemises operating expenses.

	2008	2007	2006
Rent and related costs of operating lease	-5	-5	-5
Rent and other direct costs for property investment	-27	-26	-27
Consultancy costs	-47	-45	-39
Changes to deferred acquisition costs	-32	-12	5
Marketing, advertising and public relations	-33	-32	-22
Technology and system costs	-17	-33	-32
Other investment costs	31	32	9
Maintenance and repair costs	-1	-2	-1
Temporary workers	-119	-125	-82
Cost price of sales of investment property under development	-91	-106	-43
Other	-259	-213	-189
<b>Total operating expenses</b>	<b>-600</b>	<b>-567</b>	<b>-426</b>

The Other item includes travel & subsistence, Telephone, staff training and depreciation costs.

### 36.2 Staff expenses

The table below itemises staff expenses:

	2008	2007	2006
Salaries	-232	-212	-208
Social security expenses	-26	-22	-22
Pension expenses	-25	-34	-66
Other	-40	-27	-5
<b>Total staff expenses</b>	<b>-323</b>	<b>-295</b>	<b>-301</b>

The decrease in staff expenses in 2008 compared with 2007 is due mainly to the higher discount rate than in 2007. The other costs increase because of expenses allowances and commuting reimbursements.

The personnel establishment at 31 December (in FTEs) was:

	2008	2007	2006
Employees	4,540	4,626	4,210

The average number of employees (FTEs) in 2008 came to 4,588.

## 37 Interest expense

The table below shows the interest expenses according to product:

	2008	2007	2006
Interest due to credit institutions	-68	-71	-17
Interest due to customers	-3	0	-1
Interest expense on subordinated liabilities	-37	-37	-57
Interest expense on other loans	-22	-47	-71
Interest expense on trading liabilities and derivatives	-126	-180	-78
Other interest expenses	-96	-34	-105
<b>Total interest expenses</b>	<b>-352</b>	<b>-369</b>	<b>-329</b>

The other interest expenses mainly concern derivatives.

## 38 Change in impairments

The table below itemises changes in impairments:

	2008	2007	2006
Due from customers	0	10	-7
Investments	-902	-139	-3
Real Estate investments	-21	-16	-3
Reinsurance, trade and other receivables	-9	-1	-6
Goodwill and other intangible assets	0	-2	-3
Other assets	-1	-11	-2
<b>Total changes in impairments</b>	<b>-933</b>	<b>-159</b>	<b>-24</b>

Due to the credit and financial crises, impairments have been applied to shares, corporate bonds and structured products. The change in impairments in investments is specified below.

	2008	2007	2006
Shares	-265	-14	-2
Bonds	-493	-17	0
Asset backed securities	-144	-108	-1
<b>Total change in impairments in investments</b>	<b>-902</b>	<b>-139</b>	<b>-3</b>

Impairments on investments rose sharply by EUR 763 million, due entirely to the volatile financial markets.

## 39 Income tax expense

This table shows the components of income tax expenses:

	2008	2007	2006
Tax over current financial year	-196	-76	-151
Entered adjustment of tax expenses previous years	4	90	154
Previously unrecognised tax losses, tax credits and other temporary differences that reduce present profit taxation	0	0	8
<b>Total current tax expenses</b>	<b>-192</b>	<b>14</b>	<b>11</b>
Deferred tax over current financial year	406	-125	-172
Influence on tax rate changes on deferred taxes	0	0	-6
Deferred taxes arising from write-down or reversal of a write-down of a deferred tax liability	0	0	0
Previously unrecognised tax losses, tax credits and other temporary differences that reduce deferred tax expenses	-2	0	-12
<b>Total deferred tax expense (income)</b>	<b>404</b>	<b>-125</b>	<b>-190</b>
<b>Total tax expense</b>	<b>212</b>	<b>-111</b>	<b>-179</b>

The table below shows a reconciliation of expected profit taxation with actual profit taxation. The expected profit taxation was determined by relating the result before tax to the tax rate in the Netherlands. In 2008 the rate was 25.5% (2007: 25.5%; 2006: 29.6%).

	2008	2007	2006
Result before taxation	-845	1,017	808
Prevailing tax rates	25.5%	25.5%	29.6%
<b>Expected income tax expense</b>	<b>216</b>	<b>-259</b>	<b>-239</b>

*Increase/decrease of tax through:*

Tax-free interest	9	11	17
Tax-free dividends	13	19	23
Tax-free added values	24	102	14
Changes in impairments	-51	-4	0
Business and administrative expenses that cannot be set off	0	-1	1
Previously unrecognised tax losses and temporary differences	-7	-75	-144
Impact of tax rate changes or temporary differences	0	0	-6
Adjustments for current tax of previous financial years	4	90	154
Other	4	6	1
<b>Actual income tax expenses</b>	<b>212</b>	<b>-111</b>	<b>-179</b>

The change in the previously unrecognised tax losses and the adjustments for owed tax concern mainly the resolution of disputed items with the tax authorities for which a deferred tax liability and an immediate debt were recognised.

# Other notes to the consolidated income statement

## 40 Insurance

### 40.1 Technical result

ASR analyses the results of its insurance activities partly on the basis of life and non-life products. The Life segment includes insurance contracts that cover the life and death of insured parties. Life further includes investment contracts with and without a discretionary profit-sharing component (DPF). The Non-life segment includes accidents, health, motor, fire and other insurances that cover the risk of loss of property or claim liabilities. The technical result is used for this analysis.

The table below shows the technical result in each sector.

	2008		2007		2006	
	Life	Non-life	Life	Non-life	Life	Non-life
Life	-998		-86		276	
Accident and health		139		169		192
Motor		-36		23		38
Fire		2		3		27
Other		-31		5		15
<b>Total technical result</b>	<b>-998</b>	<b>74</b>	<b>-86</b>	<b>200</b>	<b>276</b>	<b>272</b>
Allocated added values	54	-25	316	44	39	9
<b>Operating margin</b>	<b>-944</b>	<b>49</b>	<b>230</b>	<b>244</b>	<b>315</b>	<b>281</b>
Other non-technical result	89	-39	511	31	196	16
<b>Result before taxation</b>	<b>-855</b>	<b>10</b>	<b>741</b>	<b>275</b>	<b>511</b>	<b>297</b>

The costs and revenues are allocated to the various life and non-life products to determine the technical result. The investment revenues, less the investment costs, are allocated based on the investment profile that covers the insurance liabilities of the product. Investment revenues include the added values that influence the valuation of insurance liabilities and also related deferred acquisition costs and other intangible assets.

The realised and unrealised added values in the investment portfolio that cover the insurance liability and that are not allocated to the technical result are recognised in the operating margin. This concerns among other things the realised added values on the CPPI model (refer to chapter 6.4.2, 'Market risk', under 'ALM strategies for reducing risks').

The costs are allocated based on the relationship with the product. The non-technical results include all unallocated revenues and costs such as unallocated added values and certain general costs.



**Technical result Life**

The table below shows the technical result for Life:

	2008	2007	2006
Insurance premiums	3,491	3,108	3,437
Investment result allocated to non-technical result	-38	30	53
Other technical account, after reinsurance	-2,598	854	2,043
Other revenues	-30	-16	26
	<b>825</b>	<b>3,976</b>	<b>5,559</b>
Benefits and surrenders	-2,538	-2,438	-2,939
Changes in liabilities related to Insurance and investment contracts	1,186	-1,149	-1,845
<i>Business costs</i>			
Acquisition costs	-146	-175	-212
Change in deferred acquisition costs	-49	-27	-16
Administrative costs	-263	-259	-256
Reinsurance commissions and profit-sharing	-13	-14	-15
	<b>-1,823</b>	<b>-4,062</b>	<b>-5,283</b>
<b>Result of technical account for life Insurance before taxes</b>	<b>-998</b>	<b>-86</b>	<b>276</b>
<b>Technical result Non-life</b>			
The table below shows the technical result for Non-life:			
	<b>2008</b>	<b>2007</b>	<b>2006</b>
Net written premiums	2,051	1,895	1,760
Investment result allocated to non-technical result	-47	72	113
Other revenues	0	-8	-5
	<b>2,004</b>	<b>1,959</b>	<b>1,868</b>
<i>Claim benefits, own account</i>			
Paid claims, Gross	-1,221	-1,111	-986
Share of reinsurers	108	125	59
	<b>-1,113</b>	<b>-986</b>	<b>-927</b>
Change in provisions for claims, gross	-185	-154	-24
Share of reinsurers	17	29	-26
	<b>-168</b>	<b>-125</b>	<b>-50</b>
Changes in other technical provisions, after reinsurance	14	-17	-10
<i>Business costs</i>			
Acquisition costs	-414	-401	-391
Change in deferred acquisition costs	0	-1	-1
Administrative costs	-328	-301	-297
VOBA	-3	-7	0
Reinsurance commissions and profit-sharing	82	79	80
	<b>-649</b>	<b>-631</b>	<b>-609</b>
<b>Result of technical account for non-life Insurance before taxes</b>	<b>74</b>	<b>200</b>	<b>272</b>

The administrative costs, for Life and Non-life totalling EUR 591 million, form part of the operating expenses and staff expenses (see chapter 36).

**40.2 Non-life Insurance per sector**

The table below shows for each sector selected information about Non-life insurance business:

	Gross written premiums	Gross earned premiums	Gross claims expences	Gross operating costs	Reinsurance balance
					<b>2008</b>
Accident and health	1,312	1,323	-861	-141	-24
Motor	442	442	-287	-94	1
Fire and other property damage	318	326	-158	-52	-18
Other	248	247	-99	-41	-25
<b>Total</b>	<b>2,320</b>	<b>2,338</b>	<b>-1,405</b>	<b>-328</b>	<b>-66</b>
					<b>2007</b>
Accident and health	1,163	1,142	-719	-138	-9
Motor	429	430	-247	-74	-2
Fire and other property damage	320	320	-180	-50	-1
Other	232	232	-119	-40	-2
<b>Total</b>	<b>2,144</b>	<b>2,124</b>	<b>-1,265</b>	<b>-302</b>	<b>-14</b>
					<b>2006</b>
Accident and health	996	990	-488	-146	59
Motor	427	433	-255	-64	8
Fire and other property damage	315	319	-151	-45	7
Other	238	235	-116	-54	10
<b>Total</b>	<b>1,976</b>	<b>1,977</b>	<b>-1,010</b>	<b>-309</b>	<b>84</b>

**40.3 Non-life ratios**

The table below provides an overview of ratios in each Insurance segment.

	2008	2007	2006
Claims ratio	62.1	59.2	55.8
Expense ratio	32.1	33.6	34.8
<b>Combined ratio</b>	<b>94.1</b>	<b>92.8</b>	<b>90.6</b>

Claims ratio: the cost of claims, net of reinsurance in non-life, as a percentage of the earned premiums, excluding the internal costs of handling non-life claims.

Expense ratio: expenses, i.e. costs plus net commissions charged to the year, less internal investment costs as a percentage of the earned premiums, net of reinsurance. The expense ratio is used for non-life insurance companies only.

Combined ratio: the sum of the claims and operating ratio.

# Notes to off-balance sheet transactions

## 41 Contingent liabilities

### Claims & disputes

ASR is involved as defendant in a number of claims, disputes and legal proceedings arising from the normal conduct of business.

ASR provides for such matters when, in the opinion of the management and after consultation with its legal advisors, it is likely that ASR will have to make payments and the payable amount can be reasonably estimated (see chapter 25, 'Provisions').

With regard to further claims and legal proceedings against ASR known to the management (and for which, in accordance with the defined principles, no provision has been created), the management is of the opinion, after obtaining professional advice, that the claims have no chance of succeeding, or that ASR can successfully mount a defence against them or that the outcome of the cases is unlikely to result in a significant loss for ASR.

### Groeivermogen

ASR is involved in a number of legal proceedings concerning the products of Groeivermogen (equity lease products) that have been launched against certain ASR operating companies by individuals or consumer organisations. The claims are based on one or more of the following accusations:

- violation of the duty of care;
- absence of the second signature required for hire purchase agreements;
- absence of a sales licence required under the Financial Supervision Act for the products in question.

The current assessment of the legal risks stemming from this case do not provide any reason for ASR to create a material provision.

### Investment liabilities and guarantees

In connection with the development of real estate, there are investment liabilities at Real Estate Asset Management totalling EUR 451 million.

Real Estate Development has issued guarantees to third parties for a total amount of EUR 3.1 million for projects. The guarantees were issued by principals in connection with the performance of projects in favour of the clients of these projects.

## 42 Lease agreements

The table below shows liabilities as at 31 December for non-cancellable operating lease agreements.

	2008	2007	2006
Less than 3 months	2	2	1
More than 3 months but less than 1 year	6	6	2
More than 1 year but less than 5 years	11	9	1
More than 5 years	0	0	0
<b>Total</b>	<b>19</b>	<b>17</b>	<b>4</b>
<i>Annual rental expenses:</i>			
Lease payments	4	3	3
<b>Total</b>	<b>4</b>	<b>3</b>	<b>3</b>

## 43 Funds under management

'Funds under management for customers' presents the investments for customers that are not already on the ASR balance sheet and for which ASR receives a management or advice fee. The managed assets consist of investments in real estate.

The table below shows the changes in the management asset customers.

	2008	2007	2006
<b>Balance sheet as at 1 January</b>	<b>1,026</b>	<b>960</b>	<b>228</b>
Inflow and outflow	-37	-18	683
Market gains/losses	14	84	49
<b>Balance sheet as at 31 December</b>	<b>1,003</b>	<b>1,026</b>	<b>960</b>

## 44 Subsequent events

There have been no material events after the balance sheet date that would require adjustment to the consolidated financial statements of ASR as at 31 December 2008.

On 12 May 2009, the Board of Directors examined the financial statements and approved them for publication. The financial statements will be submitted to the General Meeting of Shareholders on 19 June 2009 for adoption.

Utrecht, 26 May 2009

### Supervisory Board

C. van der Pol

M. Bax

C.H. van den Bos

M.A. Scheltema

### Board of Directors

J.P.M. Baeten

J.W.M. van der Knaap

M.N. Kok

T. Pluijter

J. Rijsdijk

R.H.A. van Vledder

R. Th. Wijmenga

# Company financial statements 2008

ASR Nederland N.V.

## Company balance sheet

(before profit appropriation)

	Reference	31 December 2008	31 December 2007	31 December 2006
<b>Assets</b>				
<i>Investments</i>				
Group companies and associates	1	3,387	3,944	5,825
Shares	2	0	38	145
Other loans		62	32	36
Deposits		207	135	210
Derivatives		12	14	10
		<b>3,668</b>	<b>4,163</b>	<b>6,226</b>
<i>Current assets</i>				
Receivables due from group companies	3	1,829	831	1,633
Deferred taxes		54	0	85
Taxes and social security contributions		15	114	0
Other receivables	4	0	79	0
		<b>1,898</b>	<b>1,024</b>	<b>1,718</b>
Liquidities	5	2	5	6
Deferred assets	4	66	6	21
<b>Total assets</b>		<b>5,634</b>	<b>5,198</b>	<b>7,971</b>

	Reference	31 December 2008	31 December 2007	31 December 2006
<b>Liabilities</b>				
<i>Equity</i>	6			
Paid-up and called-up capital	7	100	100	100
Share premium reserve	8	962	962	962
Reserves of associates required by law	9	0	464	1,075
Unrealised gains and losses	9	0	23	98
Other reserves	9	10	-176	398
Net result attributable to shareholders	9	-640	889	624
		<b>432</b>	<b>2,262</b>	<b>3,257</b>
<i>Provisions</i>				
Pensions	10	1,933	530	479
Other provisions	11	27	22	23
		<b>1,960</b>	<b>552</b>	<b>502</b>
<i>Subordinated liabilities</i>	12	687	687	753
<i>Long-term liabilities</i>				
Private loans		18	518	591
<i>Short-term liabilities</i>				
Debts owed to group companies	13	1,326	626	1,957
Deposits of group companies	14	589	293	773
Deposits	15	272		
Taxes and social security contributions	16	67	0	4
Deferred taxes		0	20	0
Other liabilities		99	18	44
		<b>2,353</b>	<b>957</b>	<b>2,778</b>
Deferred liabilities		184	222	90
<b>Total liabilities</b>		<b>5,634</b>	<b>5,198</b>	<b>7,971</b>

## Company income statement

	2008	2007	2006
Profit from group companies	-512	892	686
Other results after taxes	-128	-3	-62
<b>Net result</b>	<b>-640</b>	<b>889</b>	<b>624</b>

## Notes to the balance sheet and income statement

### General

The consolidated financial statements of ASR for 2008 were prepared in accordance with IFRS - including the International Accounting Standards (IAS) and Interpretations - as accepted within the European Union.

The consolidated ASR financial statements for 2008 were prepared on the basis of IFRS as approved by the European Union. Under Section 2:362(8) of the Netherlands Civil Code, the Board of Directors of ASR decided to use the principles for valuation and determination of the result used for the ASR consolidated financial statements for its separate financial statements, commencing in 2005.

The interests held in group companies are carried at net asset value, in accordance with the valuation principles used in the consolidated financial statements of ASR. The share in the results of the interests held in group companies are reported in conformity with principles for valuation and determination of the result used for the consolidated financial statements of ASR.

ASR invoked Section 2:402 of the Netherlands Civil Code to prepare the income statement, which makes it possible to suffice with an abridged income statement.

Unless otherwise stated, all amounts presented in these financial statements are in millions of euros.

## Notes to the balance sheet

### 1 Group companies and associates

	2008	2007	2006
Participating interest in group companies	2,648	3,465	4,957
Loans to group companies	117	147	316
Deposits with group companies	622	332	552
<b>Total group companies and associates</b>	<b>3,387</b>	<b>3,944</b>	<b>5,825</b>

The table below shows movements in 2008 in the balance sheet item for participating interests held in group companies:

	2008	2007	2006
<b>Balance sheet value as at 1 January</b>	<b>3,465</b>	<b>4,957</b>	<b>4,728</b>
Additions to capital	862	30	0
Restructuring of associates	1	-245	0
Share in result of associates	-512	889	685
Received dividend	0	-1,561	-830
Revaluation of associates	-1,124	-609	377
Change in DPF component	-43	-22	0
Other changes	-1	26	-3
<b>Balance sheet value as at 31 December</b>	<b>2,648</b>	<b>3,465</b>	<b>4,957</b>

### Loans to group companies

	2008	2007	2006
<b>Balance sheet value as at 1 January</b>	<b>147</b>	<b>316</b>	<b>320</b>
Reclassifications	-30	0	0
Issues	2	0	0
Repayments	-2	-169	-4
<b>Balance sheet value as at 31 December</b>	<b>117</b>	<b>147</b>	<b>316</b>

### 2 Shares

The cost price of the share as at 31 December was:

	2008	2007	2006
Cost price	0	15	50

### 3 Receivables due from group companies

The increase in receivables due from group companies in 2008 is related to the increase in pensions.

### 4 Other receivables and deferred assets

The concerns receivables under investments and interest yet to be received on the investments and liquidities. All other receivables have a maturity shorter than one year.

### 5 Cash and cash equivalents

Cash and cash equivalents are carried at face value and are at the disposal of the company.

## 6 Shareholders' equity

The table below shows movements in shareholders' equity.

	2008	2007	2006
<b>Balance sheet value as at 1 January</b>	<b>2,262</b>	<b>3,257</b>	<b>2,496</b>
Result current financial year	-640	889	624
Revaluation of investments	-1,124	-686	393
Paid dividend	0	-1,200	-250
Other changess	-66	2	-6
<b>Balance sheet value at 31 December</b>	<b>432</b>	<b>2,262</b>	<b>3,257</b>

## 7 Paid-up and called-up capital

Movements in paid-up and called-up capital were:

Subscribed capital as at 1 January 2007: 200,000 shares	100
Subscribed capital as at 31 December 2007: 200,000 shares	100
Subscribed capital as at 31 December 2008: 200,000 shares	100

The par value of ordinary shares is EUR 500 per share. The shares have been fully paid up.

## 8 Share premium reserve

The following movements occurred in the share premium reserve:

Position as at 1 January 2007	962
Position as at 31 December 2007	962
Position as at 31 December 2008	962

## 9 Reserves

The table below shows movements in reserves:

	Net result attributable to shareholder	Statutory reserves of associates	Unrealised gains and losses	Other reserves	Total other reserves
<b>Balance sheet as at 1 January 2006</b>	<b>533</b>	<b>698</b>	<b>82</b>	<b>121</b>	<b>1,434</b>
Result carried over from previous financial year	-533	0	0	533	0
Net result current financial year	624	0	0	0	624
Dividend	0	0	0	-250	-250
Revaluation of investments	0	377	16	0	393
Realised revaluation	0	0	0	0	0
Other	0	0	0	-6	-6
<b>Balance sheet as at 31 December 2006</b>	<b>624</b>	<b>1,075</b>	<b>98</b>	<b>398</b>	<b>2,195</b>
Result carried over from previous financial year	-624	0	0	624	0
Net result current financial year	889	0	0	0	889
Dividend	0	0	0	-1,200	-1,200
Revaluation of investments	0	-611	-10	0	-621
Realised revaluation	0	0	-65	0	-65
Other	0	0	0	2	2
<b>Balance sheet at 31 December 2007</b>	<b>889</b>	<b>464</b>	<b>23</b>	<b>-176</b>	<b>1,200</b>
Result carried over from previous financial year	-889	0	0	889	0
Net result current financial year	-640	0	0	0	-640
Dividend	0	0	0	0	0
Revaluation of investments	0	-1,123	-8	0	-1,131
Realised revaluation	0	0	-15	0	-15
Addition to statutory reserves of associates	0	658	0	-658	0
Other	0	0	0	-45	-45
<b>Balance sheet as at 31 December 2008</b>	<b>-640</b>	<b>0</b>	<b>0</b>	<b>10</b>	<b>-631</b>

## 10 Pensions

	2008
Pension plans	1,885
Other benefits after employment ends	41
Other	7
<b>Total pensions</b>	<b>1,933</b>

For notes to pension liabilities see chapter 8, 'Post-employment benefits and other long-term employee benefits'.

## 11 Other Provisions

	2008	2007	2006
<b>Balance sheet value as at 1 January</b>	<b>22</b>	<b>23</b>	<b>35</b>
Additions	21	2	2
Reclassifications	-9	0	0
Withdrawals	-7	-3	-14
<b>Balance sheet value as at 31 December</b>	<b>27</b>	<b>22</b>	<b>23</b>

## 12 Subordinated liabilities

Subordinated liabilities as at 31 December were:

	2008	2007	2006
Subordinated loans	688	687	753

The average interest rate on the subordinated loans was 5.5% (2007: 5.5%; 2006: 5.6%). An amount of EUR 600 million in the subordinated loans concerns hybrid securities with a first possibility for early repayment on 26 April 2009. This possibility will not be used. ASR will put forward a proposal in the near future for exchanging the existing securities. The other subordinated loans amounting to EUR 88 million have an average remaining term of 11 months.

## 13 Current liabilities

### 13 Debts owed to group companies

The increase in the debts owed to group companies in 2008 is related to the capital additions to participating interests in group companies.

### 14 Deposits of group companies

The increase in group company deposits in 2008 is related to the increase in the group company deposits recognised under group companies and associates (assets). These deposits expire in the first quarter of 2009.

### 15 Deposits

The increase in group company deposits in 2008 concerns mainly deposits with associated companies. These deposits expire in the first quarter of 2009.

### 16 Taxes and social security contributions

This concerns corporation tax payable for tax returns of previous years that have not yet been settled.

### 17 Option plans

A description of the option plans for the shares of former parent company Fortis can be found in the financial statements of ASR in chapter 9, 'Remuneration in shares and options', in the notes to the consolidated financial statements of ASR.

## 18 Liabilities not shown on the balance sheet

### Guarantee statements

ASR has stated, under Section 403(1f) of Book 2 of the Netherlands Civil Code, that it is liable for debts that result from legal acts of the legal persons listed in the list of associates with their names and registered offices appended as additional information to this annual report (under 'Additional information', List of associates) and indicated as such.

### Tax on profit

Since 3 October 2008, ASR and its subsidiaries have been part of the corporation tax entity of ASR Nederland N.V. Up to and including 2 October 2008, ASR and its subsidiaries formed part of the Fortis Utrecht N.V. corporation tax entity. By law the individual companies are jointly and severally liable for corporation tax owed by the tax entity as a whole.

For value added tax purposes, ASR formed up to and including 31 December 2008 part of a tax entity with ASR companies and other former group companies of Fortis with their registered offices in the Netherlands. Since 1 January 2009, there has been a new tax entity with ASR companies for value added tax purposes. By law the individual companies in the tax entity are jointly and severally liable for one another's VAT debts.

## Notes to the income statement

### General

The result consists mainly of the share in the result of the associates. The other results consist of interest income and interest expense under receivables from and debts owed to group companies, results of investments in shares and financial expenses and results under the provision of pensions.

Utrecht, 26 May 2009

### Supervisory Board

C. van der Pol

M. Bax

C.H. van den Bos

M.A. Scheltema

### Board of Directors

J.P.M. Baeten

J.W.M. van der Knaap

M.N. Kok

T. Pluijter

J. Rijsdijk

R.H.A. van Vledder

R. Th. Wijmenga

# Other information

## Auditor's report

### Report on the financial statements

We have audited the accompanying financial statements 2008 of ASR Nederland N.V., Utrecht. The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2008, the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The company financial statements comprise the company balance sheet as at 31 December 2008, the company profit and loss account for the year then ended and the notes.

### Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 2008, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

### Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of ASR Nederland N.V. as at 31 December 2008, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

**Report on other legal and regulatory requirements**

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Utrecht, 26 May 2009

H.P. van der Horst RA

## Provisions in the Articles of Association concerning profit appropriation

These provisions come from article 21 of the articles of association.

1. The company may make payments to shareholders and other parties entitled to the distributable profit only to the extent that the equity of the company exceeds the sum of the paid-up and called-up part of the capital of the company, plus the reserves that must be held by law.
2. Distribution of profit cannot take place until after adoption of the financial statements shows that such distribution is permissible. The profit shown in the adopted financial statements shall be at the disposal of the general meeting of shareholders.
3. The general meeting of shareholders may make in the interim distributions charged to the profit over the current financial year only if the requirement of paragraph 1 has been met according to an interim capital statement within the meaning of Section 105(4) of Book 2 of the Netherlands Civil Code and prior permission has been obtained from the Supervisory Board.
4. There shall be no distribution in favour of the company on shares obtained by the company in its own capital.
5. The calculation of profit distribution shall disregard shares on which, under the provisions of clause 4, no distributions may be made in favour of the company.
6. Entitlement to distribution shall cease to exist on expiry of a period of five years starting from the date payment is made available.

## Appropriation of result

The Board of Directors proposes to withdraw from the other reserves the 2008 loss of EUR 640 million.



## List of associates 2008

Company name	Fin. %	Registered office
* "Het Regentenhuis" Verzekeringen N.V.	100.00	Rotterdam
* Administratie- en Adviesbureau voor Belegging en Krediet (A.B.K.) B.V.	100.00	Amersfoort
Aktiva Financiële Dienstverleners B.V.	25.00	Dordrecht
Ambachtsheerlijkheid Cromstrijen	99.22	Numansdorp
* Amersfoortse Verzekeringen N.V.	100.00	Amersfoort
* Amstar B.V.	100.00	Amersfoort
* Amsterdamsche Grond- en Huizenexploitatie Maatschappij B.V.	100.00	Rotterdam
ArboNed Holding B.V.	17.96	Utrecht
* Ardanta N.V.	100.00	Enschede
* ASAM N.V.	100.00	Utrecht
* ASR Aanvullende Ziektekostenverzekeringen N.V.	100.00	Amersfoort
* ASR Basis Ziektekostenverzekeringen N.V.	100.00	Amersfoort
* ASR Beleggingsconsortium. Maatschappij voor Beleggen en Verzekeren N.V.	100.00	Utrecht
* ASR Betalingscentrum B.V.	100.00	Utrecht
ASR CVE II B.V.	100.00	Utrecht
* ASR Deelnemingen N.V.	100.00	Rotterdam
ASR Dutch Residential Fund I C.V.	97.51	Utrecht
ASR Dutch Residential General Partner I B.V.	100.00	Utrecht
ASR Dutch Residential General Partner II B.V.	100.00	Utrecht
ASR Dutch Retail Fund I C.V.	97.51	Utrecht
* ASR Financiële Dienstverlening B.V.	100.00	Rotterdam
* ASR Levensverzekering N.V.	100.00	Utrecht
ASR Nederland Beleggingsbeheer N.V.	100.00	Utrecht
* ASR Nederland Vastgoed Maatschappij N.V.	95.01	Utrecht
* ASR Pension Fund Services N.V.	100.00	Utrecht
ASR Property Fund N.V.	100.00	Utrecht
* ASR Schadeverzekering N.V.	100.00	Utrecht
* ASR Service Maatschappij N.V.	100.00	Rotterdam
ASR Vastgoed B.V.	100.00	Utrecht
ASR Vastgoed Exploitatie Bodegraven-Oost B.V.	100.00	Utrecht
ASR Vastgoed Exploitatie Ede B.V.	100.00	Utrecht
ASR Vastgoed Exploitatie Gnephoek B.V.	100.00	Utrecht
ASR Vastgoed Exploitatie Haarlemmermeer-West B.V.	100.00	Utrecht
ASR Vastgoed Exploitatie Opstal Ede B.V.	100.00	Utrecht
ASR Vastgoed Exploitatie Schalkwijk B.V.	100.00	Utrecht
ASR Vastgoed Exploitatie Sint Michielsgestel B.V.	100.00	Utrecht
ASR Vastgoed Exploitatie Zuidplas B.V.	100.00	Utrecht
ASR Vastgoed Mahler B.V.	100.00	Utrecht
ASR Vastgoed Ontwikkeling (55) B.V.	100.00	Utrecht
ASR Vastgoed Ontwikkeling N.V.	100.00	Utrecht
ASR Vastgoed Ontwikkeling Winkelcentrum Vleuterweide B.V.	100.00	Utrecht
ASR Vastgoed Ontwikkeling Winkelcentrum Vleuterweide Beheer B.V.	100.00	Utrecht
ASR Vastgoed Participatie Bodegraven-Oost B.V.	100.00	Utrecht
ASR Vastgoed Participatie Ede B.V.	100.00	Utrecht
ASR Vastgoed Participatie Gnephoek B.V.	100.00	Utrecht
ASR Vastgoed Participatie Haarlemmermeer-West B.V.	100.00	Utrecht
ASR Vastgoed Participatie Opstal Ede B.V.	100.00	Utrecht
ASR Vastgoed Participatie Schalkwijk B.V.	100.00	Utrecht
ASR Vastgoed Participatie Sint Michielsgestel B.V.	100.00	Utrecht
ASR Vastgoed Participatie Zuidplas B.V.	100.00	Utrecht
* ASR Verzekeringen N.V.	100.00	Utrecht
* ASR Ziektekostenverzekeringen N.V.	100.00	Amersfoort

Company name	Fin. %	Registered office
* Assurantie Maatschappij "De Nieuwe Prudentia" N.V.	100.00	Rotterdam
Assure-Money B.V.	30.00	IJsselstein
AXI-Plan Beheer B.V.	30.00	Capelle a/d IJssel
* B.V. Dordrechtse Landbouwonderneming	100.00	Utrecht
B.V. Nederlandse Hulpverleningsorganisatie-SOS International	100.00	Amsterdam
Banville B.V.	100.00	Utrecht
Beheer- en Beleggingsmaatschappij Europlaza B.V.	100.00	Amsterdam
* Beheermaatschappij Verenigd Bezit N.V.	100.00	Rotterdam
* Beleggingsmaatschappij "De Hoofdpoort" N.V.	100.00	Rotterdam
* Bewaarmaatschappij ASR Vastgoed Kantorenfonds B.V.	100.00	Utrecht
* Bewaarmaatschappij ASR Vastgoed Winkelfonds B.V.	100.00	Utrecht
Breedijk & Biesenbeek Fin. Dienstverl. B.V.	45.00	Amsterdam
C.V. Prisma Bleiswijk	21.00	Bleiswijk
Campri Vastgoed B.V.	75.00	Utrecht
* Caprilande B.V.	95.01	Utrecht
CED Holding B.V.	15.96	Capelle a/d IJssel
Combinatie Abel Tasmanstraat	50.00	Rotterdam
Combinatie Oostzijde Stationsplein Schiedam C.V.	49.50	Utrecht
DAS Holding N.V.	18.14	Amsterdam
* De Amersfoortse Beleggingen B.V.	100.00	Amersfoort
* De Amersfoortse Onroerend Goed B.V.	100.00	Amersfoort
De Amersfoortse Reinsurance Limited	100.00	Dublin, Ierland
De Woerd V.O.F.	40.75	Amersfoort
* Defensio 1 B.V.	100.00	Utrecht
* Defensio 2 B.V.	100.00	Utrecht
Deltafort Beleggingen I B.V.	50.00	Amsterdam
* Detachering & Support B.V.	100.00	Zeist
Dinytei B.V.	19.95	Amsterdam
* Ditzo B.V.	100.00	Zeist
Eerste Tocht Beheer B.V.	25.00	Nieuwegein
Eerste Tocht C.V.	24.50	Nieuwegein
Europeesche Verzekering Maatschappij N.V.	100.00	Amsterdam
* Falcon Leven N.V.	100.00	Hoofddorp
* Falcon Verzekeringen N.V.	100.00	Utrecht
Fortis ASR Fonds	99.84	Luxembourg, Luxemburg
Fortis Capital Funding LP	100.00	Delaware, USA
Fortis Dutch Retail General Partner I B.V.	100.00	Utrecht
FRM Ontwikkeling B.V.	33.33	Utrecht
Garant 4 2 N.V.	50.50	Amersfoort
Gebiedsontwikkelingsmaatschappij Zuidplaspolder Beheer B.V.	20.00	Utrecht
Gebiedsontwikkelingsmaatschappij Zuidplaspolder C.V.	19.60	Utrecht
GEM Vleuterweide C.V.	11.31	Vleuten
GEM Vleuterweide Beheer B.V.	11.78	Vleuten
GHW Beleggingen B.V.	25.00	Nijmegen
Grondbank Bennekomseweg Ede Beheer B.V.	50.00	Nieuwegein
Grondbank Bennekomseweg Ede C.V.	49.00	Nieuwegein
HB Holding B.V.	20.00	Nieuwegein
Herendael B.V.	49.00	Haarlem
HerstelVerzekerd B.V.	25.00	Utrecht
Hoge Erasmus V.O.F.	50.00	Rotterdam
* Interlloyd Levensverzekering Maatschappij N.V.	100.00	Hoofddorp
Jasonpark OmFor B.V.	50.00	Utrecht

Company name	Fin. %	Registered office
Keerpunt B.V.	50.00	Hilversum
Klanderij I B.V.	95.01	Utrecht
Klanderij II B.V.	95.01	Utrecht
Leidsche Rijn Centrumplan B.V.	78.00	Utrecht
Meetingpoint B.V.	16.67	Hilversum
Multizorg B.V.	14.29	IJsselstein (Ut)
* N.V. Amersfoortse Algemene Verzekerings Maatschappij	100.00	Amersfoort
* N.V. Amersfoortse Levensverzekering Maatschappij	100.00	Amersfoort
N.V. Bergkwartier Mij tot Stadsherstel	10.91	Deventer
* N.V. Maatschappij voor Sparen en Beleggen "Voorzorg Van 1838"	100.00	Amersfoort
* N.V. Polder Jannezeand	100.00	Utrecht
N.V. Stadsherstel Leeuwarden	0.63	Leeuwarden
* N.V. Verzekering Maatschappij "Johan de Witt"	100.00	Utrecht
N.V. Zeedijk	2.43	Amsterdam
Nautisch Centrum Scheveningen B.V.	50.00	Utrecht
Neude 11 Monumenten B.V.	95.01	Utrecht
NFP Finance B.V.	49.05	Nieuw Vennepe
* Onderlingehulp Verzekeringen N.V.	100.00	Enschede
* Onroerende Goederen Maatschappij Stad Rotterdam N.V.	100.00	Rotterdam
Ontwikkelingscombinatie AmFor Bodegraven - Oost Beheer B.V.	50.00	Nieuwegein
Ontwikkelingscombinatie AmFor Bodegraven - Oost C.V.	49.00	Nieuwegein
Ontwikkelingscombinatie AmFor Gnephoek Beheer B.V.	50.00	Nieuwegein
Ontwikkelingscombinatie AmFor Gnephoek C.V.	50.00	Nieuwegein
Ontwikkelingscombinatie AmFor Schalkwijk Beheer B.V.	50.00	Nieuwegein
Ontwikkelingscombinatie AmFor Schalkwijk C.V.	49.00	Nieuwegein
Ontwikkelingscombinatie Haarlemmermeer-West Beheer B.V.	40.00	Utrecht
Ontwikkelingscombinatie Haarlemmermeer-West C.V.	39.00	Utrecht
Ontwikkelingscombinatie Heeze-Zuid JaFor B.V.	50.00	Utrecht
Ontwikkelingsmaatschappij Berghem B.V.	50.00	Utrecht
Ontwikkelingsmaatschappij De Monarch B.V.	50.00	Den Haag
Ontwikkelingsmaatschappij De Monarch C.V.	49.50	Den Haag
Ontwikkelingsmaatschappij Kalvermarkt B.V.	90.00	Den Haag
Oosterheem V.O.F.	19.84	Rotterdam
OSPS Beheer B.V.	50.00	Utrecht
Plan Brenthof Beheer B.V.	50.00	Geffen
Plan Brenthof C.V.	49.50	Geffen
Pluswoning B.V.	100.00	Utrecht
PoliService B.V.	100.00	Zeist
PreF Obligatie Groei Fonds N.V.	100.00	Utrecht
Prisma Bleiswijk Beheer B.V.	22.00	Bleiswijk
RiverStone Gebiedsontwikkeling B.V.	50.00	Velp
* Servicemaatschappij "De Hoofdpoort" N.V.	100.00	Rotterdam
S-Gravenhaagsche Passage Maatschappij B.V.	97.39	Utrecht
* SR-Beheer B.V.	100.00	Rotterdam
Stadsherstel Amsterdam N.V.	5.48	Amsterdam
Stadsherstel Den Haag en Omgeving N.V.	11.31	Den Haag
Stadsherstel Historisch Rotterdam N.V.	4.42	Rotterdam
Stichting SR Bewaarder	100.00	Rotterdam
Super Winkel Fonds B.V.	3.39	Zeist
* Sycamore 5 B.V.	100.00	Utrecht
* Sycamore 6 B.V.	100.00	Utrecht
* Sycamore Insurance 5 B.V.	100.00	Utrecht
t Financieel Spectrum Holding B.V.	49.00	Hillegom
Triple IP B.V.	35.00	Amsterdam
* United Reforce I B.V.	100.00	Utrecht

Company name	Fin. %	Registered office
Utrechtse Maatschappij tot Stadsherstel N.V.	13.03	Utrecht
V&P Holding B.V.	31.00	Valkenswaard
V.O.F. Mahler 4	33.33	Amsterdam
* Van Dalen Vastgoed B.V.	100.00	Utrecht
Vandenende Adviesgroep B.V.	25.00	Huis ter Heide
VanKlaverenStigter B.V.	5.00	Spijkenisse
Verenigde Assurantiebedrijven Nederland N.V.	14.35	Rijswijk
Villa Academica Monumenten B.V.	100.00	Utrecht
Vleuterweide Centrumplan Beheer B.V.	50.00	Gouda
Vleuterweide Centrumplan C.V.	49.00	Gouda
Vlieg Advies Groep B.V.	30.29	Alkmaar
VOF Bouwfonds-Fortis Vastgoed Ontwikkeling Leidsche Rijn	50.00	De Meern
* VSB Leven N.V.	100.00	Utrecht
Wester IJ-Dock Beheer B.V.	100.00	Utrecht
Wester IJ-Dock C.V.	100.00	Utrecht
William House LIV B.V.	50.00	Utrecht
William House LX B.V.	100.00	Utrecht
William House VII B.V.	50.00	Utrecht
William House VIII B.V.	50.00	Utrecht
William House XIV B.V.	50.00	Utrecht
William House XIX B.V.	50.00	Utrecht
William House XLI B.V.	100.00	Utrecht
William House XLIII B.V.	100.00	Utrecht
William House XLIX B.V.	100.00	Utrecht
William House XLVI B.V.	50.00	Utrecht
William House XVIII B.V.	50.00	Utrecht
William Properties B.V.	100.00	Utrecht
Wonen op Enka Beheer B.V.	50.00	Nieuwegein
Wonen op Enka C.V.	49.00	Nieuwegein
Woodpecker Investments B.V.	100.00	Utrecht

\*) This concerns companies for which a 403 statement has been issued.

## Warning with respect to announcements regarding the future

This annual report contains certain forward-looking statements, including but not confined to the statements made in the sections headed 'Report of the Board of Directors' and 'Note 6, Risk management', and other forward-looking statements that are based on present views, estimates and assumptions of the management regarding such future events. The statements are made subject to risks and uncertainties that may result in actual results, performances or events differing materially from those explicitly or implicitly presented in the statements. More general factors capable of influencing results include but are not confined to:

- 1) general economic conditions, including specific economic conditions in the core market in the Netherlands;
- 2) changes in interest rate levels and in the performances of financial markets;
- 3) frequency and scale of insurance claims;
- 4) level and development of mortality and health figures and the robustness of the insurance portfolio;
- 5) exchange rates, including the exchange rate of the euro against the US dollar;
- 6) changes in competition and price climate, including an increase in competition in the Netherlands;
- 7) amendments to Dutch and foreign laws, regulations and taxes;
- 8) regional or general changes in the valuation of assets;
- 9) major natural or other disasters;
- 10) the ability to reinsure certain risks in an economically responsible manner;
- 11) the adequacy of loss reserves;
- 12) amendments to legislation concerning the insurance sector;
- 13) changes in the policy of regulators and/or foreign authorities;
- 14) general competition factors on a national scale.

## Places where documents may be inspected

The articles of association of ASR may be inspected at the Utrecht Chamber of Commerce and at the company's head office. The financial statements will be lodged with the Utrecht Chamber of Commerce.

## Glossary and abbreviations

### **Subordinated liability (loan)**

A loan (or security) ranked lower in the order of liabilities that qualify for assets and income.

### **Basis point (BP)**

One-hundredth of one percent (0.01%).

### **Investment contract**

A life insurance contract that transfers the financial risk, but not a significant insurance risk.

### **Embedded derivative (in a contract)**

A component of a hybrid instrument that also includes a non-derivative basic contract. The basic contract may be a bond or share, a lease agreement, an insurance contract or a buy or sell contract.

### **Gross written premiums**

Total premiums (earned or otherwise) for insurance contracts entered into or obtained in a certain period of time, without deduction of the reinsured premiums.

### **Cash flow hedge**

A hedge of the risk of fluctuations in the cash flows of an asset or liability or of an expected future transaction that stem from variable rates prices.

### **Clean fair value**

The fair value, excluding the unrealised part of the interest to date.

### **Discounted Cash Flow Method**

A valuation method whereby the expected future cash flows are discounted at an interest rate that expresses the time value of the money and also a risk premium that reflects the extra revenues that investors require to compensate for the risk of lower-than-expected cash flows.

### **Participating interests**

An entity in which ASR possesses significant influence but that is not a subsidiary or an interest in a joint venture.

### **Derivative**

A financial instrument (traded on or off the stock market) with a price that depends directly ('derived from') the value of one or more underlying values, such as share price indices, securities, commodities prices, other derived instruments or another agreed price index or arrangement.

### **Discretionary Participation Feature**

The right of holders of certain insurance contracts and/or financial instruments to get an additional return (besides a guaranteed benefit). The time and/or level of this return depend on the decision of the issuer.

### **Subsidiary**

Subsidiaries are companies in which ASR is able to steer, directly or indirectly, the financial and operating policy in order to obtain benefits from these activities ('control').

### **Securities transactions**

A loan of a security by one party to another party, who in turn must deliver back the security on the final due date of the transaction. Such a loan is usually guaranteed. Transactions of this kind give the owner of the security a possibility to achieve an additional return.

**Embedded value**

The present value of all future cash flows of an existing portfolio.

**Employee benefits**

The entirety of non-obligatory insurances and other facilities that employees receive, in addition to their salary, in return for the services they perform.

**Financial lease**

A lease agreement that transfers virtually all of the risks and remunerations attached to the ownership of an asset. This ownership may ultimately be transferred or may not be transferred.

**Amortised cost price**

The amount at which the financial asset or the financial liability is stated in the balance sheet at the time of first recognition. This amount is minus repayments on the principal, plus or minus the accumulated depreciation determined via the effective interest method of the difference between that first amount and the repayment amount, and minus any write-downs on account of impairments or uncollectability.

**Goodwill**

Goodwill represents the positive difference between the fair value of the assets, liabilities and issued equity instruments on the one hand and the interest of ASR in the fair value of the assets, liabilities and provisional liabilities on the other.

**Hedge accounting**

Accounting for the compensating effects of changes in the fair value of the hedging instruments and the fair value of the hedged instrument in the income statement of the same period.

**IFRS**

Abbreviation for International Financial Reporting Standards (previously International Accounting Standards, IAS). The standard international accounting rules for preparing financial statements as of 1 January 2005 applicable to all listed companies in the European Union. They make annual results easier to compare and provide a better insight into the financial position and results.

**Intangible asset**

An identifiable, non-monetary asset without physical form.

**Joint venture**

Strategic cooperation between two or more parties, which contribute capital and knowledge but at the same time continue to operate independently.

**Core capital**

The total capital available at group level, based on the definition of Tier 1 capital (core capital expressed as a percentage of the risk-weighted balance sheet total).

**Market capitalisation**

Market value. Market capitalisation equals the number of outstanding shares multiplied by the prevailing price of the share.

**Notional amount**

An expression of a number of units of a currency, a financial instrument, a certain volume or weighting that is specified in a transaction with derivatives.

**Operating lease**

An agreement that allows the use of a good in return for regular payments, but does not provide for the transfer of title to its ownership. The financial risk remains with the creditor or lessee.

**Operating margin**

Operating result divided by net earned premiums. The operating result is the profit or the loss on all activities, including the technical and investment results.

**Option**

The right, but not the obligation, to buy (call option) or to sell (put option) a security during a certain period of time at a certain date in return for a certain price.

**Deferred acquisition costs**

The costs of acquiring new and renewed insurances, mainly commissions and expenditure concerning underwriting, intermediaries and the issue of new policies. These costs vary and relate mainly to the conclusion of new contracts.

**Private equity**

Securities of companies that are not listed on a stock exchange. The sale of private equity is subject to strict rules. Because of the absence of a market an investor must personally find a buyer if he wishes to sell his share in such a company.

**Fair value**

The amount for which an asset (liability) can be obtained (entered into) or sold (settled up) in a market-consistent transaction (at arm's length) between knowledgeable and willing parties.

**Fair value hedge**

A hedge to limit exposure to fluctuations in the fair value of an asset, a liability or an established agreement. The fluctuation of fair value is related to a specific risk and influences the reported net profit.

**Shadow accounting**

Under IFRS 4 insurers are allowed, but not obliged, to amend their financial reporting principles in such a way that the influence of a recognised part of the unrealised gain or unrealised loss on these valuations is the same as that of a realised gain or an unrealised loss. The related adjustment of the insurance liability (or deferred acquisition costs of intangible assets) must be recognised in the equity if and only if the unrealised gains or losses are incorporated directly into equity.

**Transaction date**

The date at which ASR enters into the contractual provisions of an instrument.

**Value of Business Acquired (VOBA)**

The present value of future profits (sometimes defined as 'Value of Business Acquired', or 'VOBA) from acquired insurance contracts is presented as an intangible asset and written down over the period of recognition of the premium or gross profit of the acquired policies.

**VaR**

Abbreviation of Value at Risk, a technique based on statistical analysis of historical market developments and fluctuations. The VaR determines the probability that the loss on a portfolio will exceed a certain amount.

**Investment property**

Real estate held to obtain the rent revenues or an increase in the capital value.

**Insurance contracts**

Contracts that transfer to one party (ASR) a substantial insurance risk from another party (the insuring party) by agreeing to reimburse the insuring party for an unforeseen event that harms the insured party.

**Provision**

A liability of a certain size or with an uncertain point in time. Provisions are recognised as liabilities if it is likely that an outflow of funds that carry economic benefits will be required in order to deal with the liabilities, always assuming that a reliable estimate can be made.

**Impairment**

The amount by which the carrying amount of an asset exceeds its realisable value. In such cases the carrying amount will be reduced to its fair value via the income statement.

**Abbreviations**

<b>ALM</b>	Asset and liability management
<b>DPF</b>	Discretionary participation features
<b>Euribor</b>	Euro inter bank offered rate
<b>IBNR</b>	Incurred but not reported
<b>IFRIC</b>	International Financial Reporting Interpretations Committee
<b>IFRS</b>	International Financial Reporting Standards
<b>LAT</b>	Liability adequacy test
<b>OTC</b>	Over the counter