2015
Annual Report

Nationale-Nederlanden Levensverzekering Maatschappij N.V.

Annual Report contents

Composition of the Boards

The composition of the Management Board and the Supervisory Board of Nationale-Nederlanden Levensverzekering Maatschappij N.V. (NN Leven) as at 31 December 2015 was and currently is as follows:

Management Board

Composition as at 31 December 2015

M.F.M. (Michel) van Elk (1962), CEO and chairperson

P.J. (Patrick) Dwyer (1956), CFO

J.J. (Hans) Bonsel (1963), CRO[1]

T. (Tjeerd) Bosklopper (1975)[2]

A.J. (Arthur) van der Wal (1972)

Resigned in 2015

A.P. (Annemarie) Mijer-Nienhuis (1970), CRO[3]

E. (Edwin) van Tricht (1973)[4]

Supervisory Board

Composition as at 31 December 2015

D.E. (Dorothee) van Vredenburch (1964), chairperson

D. (Delfin) Rueda (1964), vice-chairperson

S.D. (Doug) Caldwell (1969)

D.E. (David) Knibbe (1971)

1 Appointment as per 1 June 2015 at the General Meeting on 29 May 2015.
2 Appointment as per 1 September 2015 at the General Meeting on 31 August 2015.
3 Resignation as per 10 March 2015 by resignation letter.
4 Resignation as per 1 June 2015, acknowledged at the General Meeting on 29 May 2015.

NN Group and NN Leven at a glance

NN Leven is part of NN Group N.V.

NN Group

NN Group N.V. ("NN Group") is an insurance and asset management company active in more than 18 countries with a leading position in the Netherlands and a strong presence in a number of European markets and Japan. NN Group includes Nationale-Nederlanden, NN Insurance Europe, NN Investment Partners and NN Life Japan.

Our roots lie in the Netherlands, with a rich history that stretches back more than 170 years. With about 11,500 employees, NN Group is committed to helping people secure their financial futures, offering high-quality retirement services, insurance, investments and banking products to retail, SME, large corporate and institutional customers.

NN Group is a public limited liability company ("naamloze vennootschap") incorporated under the laws of the Netherlands. The shares in the share capital of NN Group are listed on Euronext Amsterdam. As at 31 December 2015, ING Groep N.V. ("ING Group") held 25.8% of the shares in the share capital of NN Group. On 19 April 2016, ING Group sold its remaining interest in NN Group.

NN Leven

NN Leven offers a range of group life and individual life insurance products. Its group life policies are primarily group pension products. Through NN Leven's Pension division, the company provides pension solutions to businesses of all sizes. It offers insured and non-insured pension solutions, bundled and unbundled options and works in close cooperation with pension administrator AZL and NN Investment Partners. Its individual life insurance business primarily consists of the closed-block operation of the individual life portfolios (comprising a range of discontinued products sold prior to 2012) of NN Leven, RVS Levensverzekering N.V. (RVS Leven) and NN Services.

NN Leven has a strong position in the Dutch pension market. It is NN Group's largest business and the second largest Dutch life insurer measured by gross premium income.

NN Leven's business centres around people and trust by acting with professionalism and behaving with integrity and skill. NN Leven believes it can build and maintain the confidence of our customers and other stakeholders. Our values: 'we care, we are clear, we commit' set the standard for conduct and serve as a compass for decision making.

NN Leven is a fully owned subsidiary of Nationale-Nederlanden Nederland B.V. (NN Nederland) which in turn is a fully owned subsidiary of NN Insurance Eurasia N.V. (formerly named ING Insurance Eurasia N.V.). NN Insurance Eurasia N.V. is fully owned by NN Group.

On 31 December 2015, NN Leven entered into a legal merger with NN Services N.V., at that time a public limited liability company (naamloze vennootschap) incorporated under the laws of the Netherlands. As a result of this merger, NN Services ceased to exist and NN Leven acquired all assets and liabilities of NN Services under universal title of succession, as per 1 January 2016.

Financial Developments

Analysis of results[1]

Amounts in millions of euros	2015	2014
Investment margin	838	605
Fees and premium-based revenues	310	362
Technical margin	207	102
Operating income	**1,355**	**1,069**
Administrative expenses	390	410
DAC amortisation and trail commissions	48	64
Expenses	**438**	**474**
Operating result	**917**	**595**
Non-operating items:	280	50
of which gains/losses and impairments	312	-98
of which revaluations	50	109
of which market and other impacts	-82	39
Special items before tax	-11	-352
Result before tax	**1,186**	**293**
Taxation	116	37
Net result	**1,070**	**256**

1 In this table only the NN Leven share in the partially owned subsidiaries (Private Equity investments II B.V. and REI Investment I B.V.) has been taken into account. Therefore only the Net result reconciles with the Net result attributable to shareholder of the parent in the Consolidated profit and loss account.

Key figures

Amounts in millions of euros	2015	2014
New sales life insurance (APE)	253	247
Value of new business (VNB)[1]	6	14
Internal rate of return (IRR)	8.5%	11.2%
Total administrative expenses	390	410
Net operating ROE[2]	11.5%	7.7%
NN Leven Solvency I ratio[3]	294%	257%
NN Leven Solvency II ratio[3]	216%	n.a

1 The new business metrics for 2015 have been calculated in line with NN Leven's pricing methodology. The 2014 new business metrics have been restated for comparability.
2 Net operating ROE is calculated as the (annualised) net operating result, divided by the average allocated equity adjusted for the revaluation reserves.
3 The solvency ratios are not final until filed with the regulators. The Solvency II ratio is based on the partial internal model. The NN Leven solvency ratios reflect the merger of Nationale-Nederlanden Levensverzekeringen Maatschappij N.V. and Nationale-Nederlanden Services N.V. The comparative figures from 2014 have been restated accordingly. The NN Leven solvency ratios at the end of 2015 reflect a dividend of EUR 150 million paid to Nationale-Nederlanden Nederland B.V. in March 2016.

The operating result of NN Leven increased to EUR 917 million in 2015 from EUR 595 million in 2014, supported by a higher investment margin and a higher technical margin.

The investment margin increased to EUR 838 million in 2015 from EUR 605 million in 2014 driven by EUR 195 million of large private equity dividends.

Fees and premium-based revenues in 2015 decreased to EUR 310 million from EUR 362 million in 2014, reflecting the individual life closed book run-off and lower margins in the pension business.

The technical margin increased to EUR 207 million in 2015 from EUR 102 million in 2014 supported by a total of EUR 52 million of benefits following updates to certain technical provisions, while 2014 was negatively impacted by a EUR 43 million addition to the unit-linked guarantee provision primarily due to a decrease in interest rates.

Administrative expenses decreased to EUR 390 million in 2015 compared with EUR 410 million in 2014, supported by lower staff costs.

DAC amortisation and trail commissions were down to EUR 48 million in 2015 compared with EUR 64 million in 2014, reflecting the run-off of the individual life closed book and regulatory changes.

The 2015 result before tax increased to EUR 1,186 million compared with EUR 293 million in 2014, reflecting higher operating results, and non-operating results while 2014 included a EUR -322 million charge as a special item.

The non-operating items increased to EUR 280 million compared with EUR 50 million in 2014, mainly driven by capital gains on public and private equity and debt securities. This was partly offset by impairments on public equity and movements in the provision for guarantees on separate account pension contracts (net of hedging).

Gains/losses and impairments increased to EUR 312 million from a loss of EUR 98 million in 2014 mainly driven by capital gains on public and private equity and debt securities, partly offset by impairments on equities.

Revaluations were EUR 50 million in 2015 compared with EUR 109 million in 2014. In 2015 the positive revaluations on real estate more than offset the negative revaluations on private equity reflecting revaluations of those investments that paid out as dividends which were recognised in the operating result.

Market and other impacts were a loss of EUR 82 million compared with EUR 39 million in the 2014, mainly reflecting movements in the provision for guarantees on separate account pension contracts (net of hedging).

Special items before tax were EUR -11 million compared with a loss of EUR 352 million in 2014 which included a EUR -322 million charge related to the agreement to make ING's closed defined benefit pension plan in the Netherlands financially independent.

New sales (APE) were relatively flat at EUR 253 million compared with EUR 247 million in 2014. A EUR 420 million single premium relating to the pension fund buy-out of a large company pension fund was offset by lower group pension renewals and lower sales of individual contracts.

The value of new business (VNB) in 2015 decreased to EUR 6 million from EUR 14 million in 2014, which included the renewal of a few large group pension contracts on more favourable terms in 2014. For the same reasons, the internal rate of return (IRR) decreased to 8.5% in 2015 from 11.2% in 2014.

The Solvency I ratio of NN Leven improved to 294% at 31 December 2015 from 257% at 31 December 2014, primarily reflecting positive revaluations on equity and real estate investments, tightening of credit spreads and operating performance offset by dividends paid.

The Solvency II ratio of NN Leven based on the Partial Internal Model was 216% at the end of 2015.

Both the NN Leven Solvency I and Solvency II ratios at 31 December 2015 already reflected the dividend of EUR 150 million paid to Nationale-Nederlanden Nederland B.V. in March 2016.

Business developments

NN Leven operates in a complex economic, business and regulatory environment. The Dutch government continues to drive pension reforms aimed at keeping the country's pension system on a long-term sustainable footing. Low interest rates and increasing longevity have increased employers' funding costs for defined benefit schemes. This environment and a shift in responsibilities to individuals is encouraging a change from defined benefit to defined contribution pension schemes. NN Leven is actively shaping its strategy to improve efficiency and capture business opportunities in the pensions area.

The individual life segment remains characterized by a declining market, driven by the shift to alternative savings solutions such as bank savings. The company's focus is managing down expenses in its individual life closed book operations.

Our customers

NN Leven wants to help people secure their financial futures with our strategy to deliver an excellent customer experience, based on great services and long-term relationships. We offer our customers value for money and an experience that is straightforward, personal and caring. We create transparent, easy to understand products and we empower our customers with the knowledge and tools they need to make sound financial decisions.

NN Leven measures and analyses its Net Promoter Score results and complaints, adjusting processes in line with customers' feedback and expectations. In its individual life business operation, NN Leven has driven improved customer experience combined with cost reductions over the last few years.

In 2015 NN Leven was selected as the best pension insurer by business magazine 'MT Finance' for the second year in a row. At the same time customer satisfaction has been under pressure in the Pensions area, partly due to the heavy operational burden of implementing pension legislation changes. NN Leven is committed to delivering the service levels required by our customers, and will continue transferring its active customer base to its modern service platforms.

NN Leven affirmed its position as a leading pension provider in a national mass media campaign launched in second quarter of 2015. The focus of the campaign was on increasing pension awareness, illustrating the issue of value transfers for people with pension rights connected to different employers.

Innovation

In 2014 NN Leven developed the 'Mijn Pensioencoach' application for mobile users. During the 2015 Pensioen3daagse (national pension awareness days) NN Leven expanded the functionality, enabling users to upload all their pension schemes from the industry wide 'Pension registry'. The mobile app gives insight into the impact that decisions such as working fewer hours a week, have on a person's pension. The app also has the ability to generate scenarios based on a user's personal situation which allows users to make adjustments to their pension plan in order to reach their goals. The Mijn Pensioencoach app is an integral part of NN Leven's focus on raising pension awareness in society. The Mijn Pensioencoach app was nominated for the pension communication award issued by the 'Ministry of Social Affairs and Employment' and consumer platform 'Wijzer in Geldzaken'.

Products and services

NN Leven offers modern pension solutions in both defined benefit and defined contribution plans, with and without guarantees. This enables employers and employees to change their retirement arrangements at a pace and with a risk profile that meets their current needs and long-term goals. This product suite consists of a focused set of more transparent, web-based and cost-efficient pension products, delivered through modern service platforms. The steady growing portion of business being directed to our defined contribution offerings Essentiepensioen and Bewustpensioen contributed to the managing of the liability risks of NN Leven's business. This trend has led to an increased proportion of products in our book of business that have lower capital requirements. NN Leven also continued to offer a competitive defined benefit proposition ('Comfortpensioen').

Distribution

NN Leven took steps to improve product distribution by improving its distribution approach with actuarial consultancies and specialised pension intermediaries. Specialised pension advisors and international advisory firms continued to play an increasingly important role in our distribution strategy. In pensions, distribution via this type of intermediary partners accounted for 72% of our premium income in 2015, compared to 66% in 2014.

Our employees

At NN Leven, people really matter. We genuinely believe we can better serve our customers and achieve our business goals if our people are encouraged to put their different talents, personalities and expertise to work. We know that we can only be the insurance company we want to be if our people are skilled, motivated and energised by their work. Their personal success is our common success. This requires a culture that welcomes and respects all people, and focuses on empowerment and entrepreneurship.

Employees are encouraged to invest in themselves and in their employment prospects. To increase economic and job opportunities, we invest in employability, by stimulating our employees to develop and grow through training, coaching and job rotations. NN Leven offers students and graduates the opportunity to gain work experience within the company providing internship positions. In 2015, NN Leven launched its renewed traineeship programme together with the other Dutch NN entities. The traineeship provides general management and specialised tracks (Finance, Risk or IT) for talent.

Report of the Management Board – continued

To underline their commitment to their customers, NN Leven managers and employees signed the Financial Sector oath. This oath is an industry-wide commitment, and all employees of NN Leven committed to uphold these standards in line with the NN Group statement of living our values.

Our role in society

At NN Leven, we are committed to improving people's financial well-being, and to responsibly managing the assets entrusted to us by our customers as well as our own assets. We aim to be a positive force in the lives of our customers. We believe this also includes taking responsibility for the well-being of the wider society and supporting the communities in which we operate.
NN Leven contributes to the wider society through investment in our local communities, purchasing goods and services from suppliers and managing our direct environmental footprint. Our values guide us in fulfilling our role as a good corporate citizen.

Activities range from financial education to health and well-being initiatives. They involve raising funds and employees donating their time for projects such as charity runs (for instance the Rotterdam to Paris Roparun) or 'Kracht on Tour', a national campaign to improve the financial position of women.

Embedding sustainability in core activities and processes remains a key priority. NN Leven strives in its daily actions and decision making to strike a balance between financial interest and the impact on society and the environment. This entails amongst others offering products and services that are suitable, transparent and contribute to the financial well-being of our customers.

In the field of responsible investing, NN Leven wants to invest both its own assets and its customers' assets in a responsible manner. This involves for example active asset management, with environmental and social aspects and good governance integrated in our investment processes, and offering Socially Responsible Investment Funds and custom solutions for responsible investments. NN Leven has made a commitment to uphold the Sustainable Investing Code drawn up by the Dutch Association of Insurers.

Solvency II

During 2015 NN Leven prepared for the introduction of Solvency II reporting starting in 2016. As part of the preparations NN Group submitted a request at DNB to use a Partial Internal Model for the reporting of Solvency Capital Requirement, including NN Leven. In December 2015 DNB approved the use of the Partial Internal Models for NN Group and for NN Leven.

The Partial Internal Model better reflects the company's risk profile of the underlying business and provides additional insight for risk management purposes.

Risk management

For information regarding risk management reference is made to Note 43 "Risk management".

Dutch unit-linked products

In the Netherlands, Dutch unit-linked products have received negative public attention since the end of 2006. We have taken this criticism to heart, as our aim is to support our customers as best we can. In recent years, NN Leven has made significant progress in reaching out to ('activeren') individual customers who purchased unit-linked products in the past, addressing vulnerable customer groups with priority. In 2012 and in the first quarter of 2013 customers were informed about their compensation under the agreement with several consumer interest groups ('Tegemoetkomingsregeling').

Reaching out to customers means helping them to gain insight into the difference between the projected value of their policy and their target capital and giving them an overview of possible improvements, to encourage and enable such customers to take steps to improve their individual financial situation. NN Leven helps customers to assess whether the product stills meets their objectives and whether the product is aligned with the customer's risk absorption capacity and appetite. If customers so choose, they have the option to switch to another product free of charge.

To date, we reached out to 100% of customers with non-accumulating policies and mortgage related policies. Before the end of 2016, all customers with annuity-related policies will be contacted. NN Leven will reach out to the remaining group before 1 January 2018. From a total of almost one million individual unit-linked policies sold up to 2006, approximately 322,000 policies were still active on 31 December 2015. In a limited number of cases (less than 400 by the end of 2015), NN Leven has settled disputes with individual customers. These are tailor-made solutions. A limited number of individual customers have put forward their cases at the Dutch Complaints Committee Kifid or at the civil courts.

Conclusion and ambitions

NN Leven set out on a course to become a more cost-effective and customer-oriented insurer with modern IT systems and excellent services. The transformation of NN Leven, set out at the IPO of NN Group, is ongoing and will improve current processes, rationalising legacy systems, reduce costs and further refine our customer focus.

The pension system is in the process of fundamental changes, brought on by the economic developments combined with persistent low-interest rates and new capital requirements. In light of these developments, many companies in the Netherlands have started looking for affordable, transparent pension plans for their staff. In order to meet customer demand NN Leven expects to continue the evolution of its products and services to provide employers with appropriate and transparent solutions.

In 2016 NN Group plans to launch an 'Algemeen Pensioenfonds' (APF), a general pension fund administering and managing several ring-fenced pension contracts of multiple employers. NN Investment Partners, AZL and NN Leven are joining forces in bringing this new proposition to the market.

One of the major challenges in 2016 for NN Leven will be the implementation of changes in legal requirements. These changes concentrate on the Pension Communication Act ("Wet Pensioencommunicatie"). This act aims to increase the focus on employees, enable more tailor-made and digital communication solutions as well as align information on certain risks across pension providers. Going forward NN Leven intends to contribute actively in the ongoing discussion with regard to the future pension reforms.

Corporate governance

Board composition

NN Leven aims to have an adequate and balanced composition of the Management Board and Supervisory Board ('Boards'). Annually, the Supervisory Board assesses the composition of the Boards. NN Leven aims to have a gender balance by having at least 30% men and at least 30% women amongst the members of the Management Board and the Supervisory Board. However, as NN Leven needs to balance several relevant selection criteria when composing the Boards, the composition of the Boards did not meet the above mentioned gender balance in 2015. NN Leven will continue to strive for an adequate and balanced composition of the Boards in future appointments, by taking into account all relevant selection criteria including but not limited to gender balance, executive experience, experience in corporate governance and experience in the political and social environment.

Audit committee

NN Leven is exempt from the requirement to set up an audit committee pursuant to the Decree of 26 July 2008 (Bulletin of Acts and Decrees 2008, no. 323). NN Leven is an indirect subsidiary of NN Group that has its own Audit Committee that satisfies all the statutory requirements concerning its composition, organisation and tasks. The Supervisory Board assumes the responsibility of the Audit Committee.

More information about the Audit Committee can be found at www.nn-group.com and in the NN Group 2015 Consolidated annual accounts.

Financial reporting process

As NN Leven is an indirect subsidiary of NN Group, its policies and procedures for establishing and maintaining adequate internal control over financial reporting are the same as those applied by NN Group. Our internal control over financial reporting is a process designed under the supervision of our principal executive and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

External auditor

On 13 May 2013, the General Meeting of ING Group extended the appointment of Ernst & Young Accountants LLP (EY) as external auditor of ING Group and its subsidiaries including NN Leven, for the financial years 2014 and 2015, to report on the outcome of these audits to the Management Board and the Supervisory Board and to provide an audit opinion on the financial statements. On 14 June 2013 the General Meeting of NN Leven appointed EY as external auditor for the financial years 2014 and 2015. The external auditor attended the meeting of the Supervisory Board on 27 May 2015.

On 28 May 2015, the General Meeting of NN Group appointed KPMG Accountants N.V. as the external auditor of NN Group and its subsidiaries including NN Leven, for the financial years 2016 through 2019. On 4 June 2015, the General Meeting of NN Leven appointed KPMG Accountants N.V. as external auditor for the financial years 2016 through 2019.

More information on NN Group's policy on external auditor independence is available on the website of NN Group.

Code of Conduct for Insurers

In June 2011, NN Leven signed up to the revised Code of Conduct for Insurers. The Code of Conduct is elaborated by the integration of the Governance Principles on 9 December 2015. The Code of Conduct for Insurers is a cornerstone of NN Leven's operations. The Code of Conduct for Insurers contains three core values: "providing security", "making it possible" and "social responsibility". These core values ensure that we never lose sight of the essence of what we do: adding value for our customers and society. NN Leven aims to offer security in both the short and the long term by bolstering continuity and boosting confidence. The Code of Conduct for Insurers (in English) is available on the website of the Dutch Association of Insurers (www.verzekeraars.nl).

NN Leven adheres to the NN statement of Living our Values that addresses customer care elements such as seeing customers as the starting point, using understandable language and carefully explaining conditions, risks, returns and costs of products and services.

Rotterdam, 26 April 2016

The Management Board

Nationale-Nederlanden Levensverzekering Maatschappij N.V.

Consolidated balance sheet

Amounts in thousands of euros, unless stated otherwise

Consolidated balance sheet

As at 31 December

	Notes	2015	2014[1]	2013[1]
Assets				
Cash and cash equivalents	2	169,309	91,243	85,072
Financial assets at fair value through profit or loss:	3			
– trading assets				
– investments for risk of policyholders		18,006,193	20,879,843	17,583,262
– non-trading derivatives		3,057,161	5,356,174	1,757,399
– designated as at fair value through profit or loss		137,147	86,356	74,964
Available-for-sale investments	4	48,068,892	45,701,697	36,422,153
Loans	5	18,819,967	18,722,154	17,941,805
Reinsurance contracts	14	1,192,584	1,156,605	1,193,128
Associates and joint ventures	6	2,174,992	2,296,267	1,949,310
Real estate investments	7	1,569,114	1,154,893	777,068
Equipment		124	226	239
Intangible assets	8	9,358	6,741	12,058
Deferred acquisition costs	9	264,577	293,571	331,551
Other assets	10	1,514,495	1,552,213	2,215,099
Total assets		**94,983,913**	**97,297,983**	**80,343,108**
Equity	11			
Shareholder's equity (parent)		13,831,344	14,207,014	9,431,486
Minority interests		529,981	409,332	418,138
Undated subordinated loan		450,000	450,000	
Total equity		**14,811,325**	**15,066,346**	**9,849,624**
Liabilities				
Subordinated debt	12	600,000	600,000	
Other borrowed funds	13	2,053,759	747,555	1,453,370
Insurance and investment contracts	14	73,138,484	74,513,167	66,038,551
Financial liabilities at fair value through profit or loss:	15			
– non-trading derivatives		538,624	1,612,842	612,214
Other liabilities	16	3,841,721	4,758,073	2,389,349
Total liabilities		**80,172,588**	**82,231,637**	**70,493,484**
Total equity and liabilities		**94,983,913**	**97,297,983**	**80,343,108**

1 As restated. Reference is made to Note 1 "Accounting policies" paragraph "Changes in comparative figures" .

References relate to the notes starting on page 15. These form an integral part of the Consolidated annual accounts.

Consolidated profit and loss account

Consolidated profit and loss account

For the year ended 31 December

	Notes		2015		2014[1]
Gross premium income	17		2,864,490		3,268,971
Investment income	18		2,597,084		2,370,356
– gross fee and commission income		23,999		32,229	
– fee and commission expenses		-109,480		-97,213	
Net fee and commission income	19		-85,481		-64,984
Valuation results on non-trading derivatives	20		-60,738		306,242
Foreign currency results and net trading income	21		55,525		55,970
Share of result from associates and joint ventures	6		472,297		254,512
Other income			-874		-669
Total income			**5,842,303**		**6,190,398**
– gross underwriting expenditure		4,815,126		8,869,420	
– investment result for risk of policyholders		-652,557		-3,836,936	
– reinsurance recoveries		-164,150		-224,415	
Underwriting expenditure	22		3,998,419		4,808,069
Staff expenses	23		231,741		576,432
Interest expenses	24		151,437		263,813
Other operating expenses	25		201,627		216,659
Total expenses			**4,583,224**		**5,864,973**
Result before tax			1,259,079		325,425
Taxation	27		118,298		42,484
Net result			**1,140,781**		**282,941**
Net result attributable to:					
Shareholder of the parent			1,069,827		255,607
Minority interests			70,954		27,334
Net result			**1,140,781**		**282,941**

1 As restated. Reference is made to Note 1 "Accounting policies" paragraph "Changes in comparative figures" .

Consolidated statement of comprehensive income

Consolidated statement of comprehensive income

For the year ended 31 December

	2015	2014
Net result	**1,140,781**	**282,941**
Items that may be reclassified subsequently to the profit and loss account:		
– Unrealised revaluations available-for-sale investments and other	-712,045	5,438,359
– Realised gains/losses transferred to the profit and loss account	-71,502	-14,903
– Changes in cash flow hedge reserve	-435,285	1,675,480
– Deferred interest credited to policyholders	543,317	-2,616,167
– Exchange rate differences	9,297	62,691
Total other comprehensive income	**-666,218**	**4,545,460**
Total comprehensive income	**474,563**	**4,828,401**
Comprehensive income attributable to:		
– Shareholder of the parent	399,314	4,799,514
– Minority interests	75,249	28,887
Total comprehensive income	**474,563**	**4,828,401**

Reference is made to Note 27 “Taxation” for the disclosure on the income tax effects on each component of Other comprehensive income.

Consolidated statement of cash flows

For the year ended 31 December

	Notes	2015	2014
Result before tax		1,259,079	325,425
Adjusted for:			
– depreciation		390	10,797
– deferred acquisition costs		78,594	117,986
– underwriting expenditure (change in insurance liabilities)		-1,243,744	-1,104,655
– other		90,264	376,730
Taxation paid		-184,057	-82,638
Changes in:			
– trading assets			
– non-trading derivatives		-205,858	-12,154
– other financial assets at fair value through profit or loss		-44,366	34,731
– loans		142,828	-50,701
– other assets		120,460	18,904
– other liabilities		-557,953	561,091
Net cash flow from operating activities		**-544,363**	**195,516**
Investments and advances:			
– associates and joint ventures		-90,347	-801,375
– available-for-sale investments		-5,522,649	-4,052,272
– real estate investments		-389,180	-397,888
– investments for risk of policyholders		-2,437,960	-2,966,482
– other investments		-4,405,235	-3,766,012
Disposals and redemptions:			
– associates and joint ventures		708,494	696,511
– available-for-sale investments		2,274,658	1,516,839
– real estate investments		10	48,682
– equipment		49	-237
– investments for risk of policyholders		5,820,585	6,180,584
– other investments		4,148,140	3,036,268
Net cash flow from investing activities		**106,565**	**-505,382**
Proceeds from issuance of undated subordinated loan			450,000
Proceeds from issuance of subordinated debt			600,000
Proceeds from other borrowed funds		2,058,089	665,531
Repayments of other borrowed funds		-756,885	-1,372,513
Dividend paid	26	-765,000	-15,000
Coupon on undated subordinated loan		-20,340	-11,981
Net cash flow from financing activities		**515,864**	**316,037**
Net cash flow		**78,066**	**6,171**
Cash and cash equivalents at beginning of the period		91,243	85,072
Cash and cash equivalents at end of the period		**169,309**	**91,243**

Consolidated statement of changes in equity

Consolidated statement of changes in equity

	Share capital	Share premium	Reserves	Total share-holder's equity (parent)	Minority interest	Undated sub-ordinated loan	Total equity
Balance as at 1 January 2015	**22,689**	**3,703,030**	**10,481,295**	**14,207,014**	**409,332**	**450,000**	**15,066,346**
Unrealised revaluations Available-for-sale investments and other			-716,340	-716,340	4,295		-712,045
Realised gains/losses transferred to the profit and loss account			-71,502	-71,502			-71,502
Changes in cash flow hedge reserve			-435,285	-435,285			-435,285
Deferred interest credited to policyholders			543,317	543,317			543,317
Share of other comprehensive income of associates and joint ventures							
Exchange rate differences			9,297	9,297			9,297
Other changes							
Total amount recognised directly in equity (Other comprehensive income)			**-670,513**	**-670,513**	**4,295**		**-666,218**
Net result			1,069,827	1,069,827	70,954		1,140,781
Total comprehensive income			**399,314**	**399,314**	**75,249**		**474,563**
Changes in the composition of the group			5,271	5,271	45,400		50,671
Dividend		-475,000	-305,255	-780,255			-780,255
Balance as at 31 December 2015	**22,689**	**3,228,030**	**10,580,625**	**13,831,344**	**529,981**	**450,000**	**14,811,325**

	Share capital	Share premium	Reserves	Total share-holder's equity (parent)	Minority interest	Undated sub-ordinated loan	Total equity
Balance as at 1 January 2014	**22,689**	**3,646,984**	**5,761,813**	**9,431,486**	**443,424**		**9,874,910**
Opening adjustment private equity					-25,286		-25,286
Balance as at 1 January 2014 after adjustment	22,689	3,646,984	5,761,813	9,431,486	418,138		9,849,624
Unrealised revaluations available-for-sale investments and other			5,437,098	5,437,098	1,261		5,438,359
Realised gains/losses transferred to the profit and loss account			-14,903	-14,903			-14,903
Changes in cash flow hedge reserve			1,675,480	1,675,480			1,675,480
Deferred interest credited to policyholders			-2,616,167	-2,616,167			-2,616,167
Share of other comprehensive income of associates and joint ventures							
Exchange rate differences			63,720	63,720	1,098		64,818
Other changes[1]		56,046	-57,367	-1,321	-806		-2,127
Total amount recognised directly in equity (Other comprehensive income)		**56,046**	**4,487,861**	**4,543,907**	**1,553**		**4,545,460**
Net result			255,607	255,607	27,334		282,941
Total comprehensive income		**56,046**	**4,743,468**	**4,799,514**	**28,887**		**4,828,401**
Issuance of undated subordinated loan						450,000	450,000
Changes in the composition of the group					28,149		28,149
Dividend			-23,986	-23,986	-65,842		-89,828
Balance as at 31 December 2014	**22,689**	**3,703,030**	**10,481,295**	**14,207,014**	**409,332**	**450,000**	**15,066,346**

1 Other changes relates to the reclassification of share premium from the other reserves to the share premium reserve for a former subsidiary.

Notes to the Consolidated annual accounts

Nationale-Nederlanden Levensverzekering Maatschappij N.V. ("NN Leven") is a public limited liability company (naamloze vennootschap) incorporated under Dutch law. NN Leven has its statutory seat and its office address in Rotterdam, the Netherlands. NN Leven is recorded in the Commercial Register, no. 24042211. The principal activities of NN Leven are described in the section "NN Group and NN Leven at a glance".

1 Accounting policies

NN Leven prepares its Consolidated annual accounts in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS-EU") and Part 9 of Book 2 of the Dutch Civil Code. In the annual accounts the term "IFRS-EU" is used to refer to these standards, including the decisions NN Leven made with regard to the options available under IFRS-EU. IFRS-EU provides a number of options in accounting policies. The key areas in which IFRS-EU allows accounting policy choices, and the related NN Leven accounting policy, are summarised as follows:

- Under IFRS 4, an insurer may continue to apply its existing pre-IFRS accounting policies for insurance contracts, provided that certain minimum requirements are met. Upon adoption of IFRS in 2008, NN Leven decided to adopt IFRS-EUR as was already applied by its parent company as of 2005. For the recognition and measurement of the insurance liabilities this included a continuation of the accounting standards generally accepted in the Netherlands (Dutch GAAP) as of 2005. Changes in Dutch GAAP subsequent to the adoption of IFRS-EU are considered for adoption on a case-by-case basis. If adopted, the impact thereof is accounted for as a change in accounting policy under IFRS-EU.
- NN Leven's accounting policy for Real estate investments is fair value, with changes in the fair value reflected immediately in the Consolidated profit and loss account.

NN Leven's accounting policies under IFRS-EU and its decision on the options available are included below. Except for the options included above, the principles are IFRS-EU and do not include other significant accounting policy choices made by NN Leven. The accounting policies that are most significant to NN Leven are included in the section "Critical accounting policies".

The preparation of the Consolidated annual accounts requires the use of estimates and assumptions. These estimates and assumptions affect the reported amounts of the assets and liabilities and the amounts of the contingent liabilities at the balance sheet date, as well as reported income and expenses for the year. The actual outcome may differ from these estimates.

The presentation of, and certain terms used in, the Consolidated balance sheet, Consolidated profit and loss account, Consolidated statement of cash flows, Consolidated statement of changes in equity and the notes was changed to provide additional and more relevant information or, for changes in comparative information, to better align with the current period presentation. The impact of these changes is explained in the respective notes when significant.

Upcoming changes in IFRS-EU

In 2015, no changes to IFRS-EU became effective that had any impact on the annual accounts of NN Leven. Upcoming changes in IFRS-EU effective after 2015 relevant for NN Leven mainly relate to IFRS 9 "Financial Instruments".

IFRS 9 "Financial Instruments"

IFRS 9 "Financial Instruments" was issued by the IASB in July 2014. IFRS 9 replaces most of the current IAS 39 "Financial Instruments: Recognition and Measurement", and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting. IFRS 9 is effective in 2018, if endorsed by the EU. However, if the recently published Exposure Draft "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts" is finalised, NN Leven could have the possibility to postpone implementation of IFRS 9 until the effective date of the expected insurance contracts standard or 1 January 2021, whichever is the earliest.

Classification and measurement

The classification and measurement of financial assets under IFRS 9 will depend on NN Leven's business model and the instrument's contractual cash flow characteristics. These may result in financial assets being recognised at amortised cost, at fair value through other comprehensive income (equity) or at fair value through profit or loss. In many instances, the classification and measurement under IFRS 9 will be similar to IAS 39, although certain differences will arise. The classification of financial liabilities remains unchanged.

Impairment

The recognition and measurement of impairment under IFRS 9 is intended to be more forward-looking than under IAS 39. The new impairment requirements will apply to all financial assets measured at amortised cost and at fair value through other comprehensive income (equity). Initially, a provision is required for expected credit losses resulting from default events that are expected within the next twelve months. In the event of a significant increase in credit risk, a provision is required for expected credit losses resulting from all possible default events over the expected life of the financial asset.

Hedge accounting

The hedge accounting requirements of IFRS 9 aim to simplify hedge accounting.

NN Leven is currently assessing the impact of the new requirements. The implementation of IFRS 9, if and when endorsed by the EU, may have a significant impact on Shareholder's equity, Net result and/or Other comprehensive income.

Other

IFRS 15 "Revenue from Contracts with Customers"

This standard becomes effective as of 1 January 2018, subject to endorsement by the EU. IFRS 15 provides more specific guidance on recognising revenue other than insurance contracts and financial instruments. The implementation of IFRS 15, if and when endorsed by the EU, is not expected to have a significant impact on the Consolidated annual accounts of NN Leven.

IFRS 16 "Leases"

IFRS 16 is effective for annual periods beginning on or after 1 January 2019, subject to endorsement by the EU. IFRS 16 contains a new accounting model for lessees. The implementation of IFRS 16, if and when endorsed by the EU, is not expected to have a significant impact on the Shareholder's equity and Net result of NN Leven.

Changes in comparative figures

Merger of NN Leven and NN Services

In 2015 Nationale-Nederlanden Levensverzekering Maatschappij N.V. and Nationale-Nederlanden Services N.V. legally merged. It is expected that the merger will lead to a more efficient organisation and a simplification of the administrative function. As a result of this legal merger NN Leven assumed all assets, liabilities and obligations of NN Services under universal succession of title and NN Services ceased to exist.

The merger represents a combination of entities that are under common control and is accounted for at existing book values. The financial information of NN Services is included in the financial statements of NN Leven as of 1 January 2015. The comparatives for 2014 have been restated to reflect the situation as if NN Leven and NN Services had always been a merged entity. Reference is made to the tables below for the 2013 and 2014 balance sheets and the 2014 income statement of the merged entities.

Restatement of comparative figures for private equity investments

In 2015, NN Leven changed the accounting for its private equity investments held through Parcom Capital B.V. Until 2014 the individual underlying private equity investments were recognised by NN Leven. As of 2015 this was corrected and, instead of recognising the individual underlying private equity investments, the related investment entities were recognised as available-for-sale investments from 2009 until 2013 and are recognised as associates as of 2013. From 2009 to 2013 NN Leven had no influence and from 2013 NN Leven had significant influence but not control over these investment entities. The reason for the change in 2013 was related to a change in the Benelux organisation (including NN Leven). The management structure, going forward, was aligned with the legal structure and the Parcom Capital Management's CFO started reporting functionally to the NN Leven CFO. The consequence was that NN Leven demonstrated significant influence.

The accounting treatment was corrected in 2015 and the comparative figures have been adjusted accordingly. The restatement of the result for the years 2009 to 2013 resulted in a reclassification within shareholder's equity between Revaluation reserves and Retained earnings of EUR 74 million. The net impact on Shareholder's equity as at 31 December 2014 and 2013 was nil. The impact on the 2014 result attributable to the shareholder of the parent was EUR 2,185 thousand. The impact on reported net results for the years 2009, 2010, 2011, 2012 and 2013 are EUR -36 million, EUR -112 million, EUR -72 million, EUR -70 million and EUR 366 million respectively.Reference is made to the tables below for the impact on the 2013 and 2014 balance sheets and the 2014 income statement.

Effect on balance sheet (31 December 2013)

	NN Leven	NN Services	Adjustments Merger	Adjustments private equity	Adjusted balance sheet
Assets					
Cash and cash equivalents	119,327	881		-35,136	85,072
Financial assets at fair value through profit or loss	18,954,446	1,184,920		-723,741	19,415,625
Available-for-sale investments	36,013,697	608,265		-199,809	36,422,153
Loans	16,765,053	1,299,520		-122,768	17,941,805
Reinsurance contracts	1,184,405	8,723			1,193,128
Associates and joint ventures	891,968			1,057,342	1,949,310
Real estate investments	777,068				777,068
Equipment	239				239
Intangible assets	12,058				12,058
Deferred acquisition costs	331,494	57			331,551
Other assets	2,178,536	42,205		-5,642	2,215,099
Total assets	**77,228,291**	**3,144,571**		**-29,754**	**80,343,108**
Liabilities					
Other borrowed funds	1,453,370				1,453,370
Insurance and investment contracts	63,050,882	2,987,669			66,038,551
Financial liabilities at fair value through profit or loss	612,214				612,214
Other liabilities	2,355,968	37,849		-4,468	2,389,349
Total liabilities	**67,472,434**	**3,025,518**		**-4,468**	**70,493,484**
Minority interests	**443,424**			**-25,286**	**418,138**
Shareholder's equity (parent)	**9,312,433**	**119,053**			**9,431,486**
Of which:					
– Share capital	22,689	7,261	-7,261		22,689
– Share premium	3,639,723		7,261		3,646,984
– Revaluation reserve	3,060,836	79,938		-73,571	3,067,203
– Currency translation reserve	-148,607				-148,607
– Other reserves	2,737,792	31,854		73,571	2,843,217

Effect on balance sheet (31 December 2014)

	NN Leven	NN Services	Adjustments Merger	Adjustments private equity	Adjusted balance sheet
Assets					
Cash and cash equivalents	93,368	13		-2,138	91,243
Financial assets at fair value through profit or loss	25,745,969	1,166,034		-589,630	26,322,373
Available-for-sale investments	45,322,840	548,332		-169,475	45,701,697
Loans	17,471,671	1,264,276	-122	-13,671	18,722,154
Reinsurance contracts	1,150,613	5,992			1,156,605
Associates and joint ventures	1,594,228			702,039	2,296,267
Real estate investments	1,154,893				1,154,893
Equipment	226				226
Intangible assets	6,741				6,741
Deferred acquisition costs	293,571				293,571
Other assets	1,534,931	21,636		-4,354	1,552,213
Total assets	**94,369,051**	**3,006,283**	**-122**	**-77,229**	**97,297,983**
Liabilities					
Subordinated debt	600,000				600,000
Other borrowed funds	747,555				747,555
Insurance and investment contracts	71,817,640	2,828,527	-133,000		74,513,167
Financial liabilities at fair value through profit or loss	1,615,622			-2,780	1,612,842
Other liabilities	4,721,030	46,358	33,220	-42,535	4,758,073
Total liabilities	**79,501,847**	**2,874,885**	**-99,780**	**-45,315**	**82,231,637**
Minority interests	**441,246**			**-31,914**	**409,332**
Undated subordinated loan	**450,000**				**450,000**
Shareholder's equity (parent)	**13,975,958**	**131,398**	**99,658**		**14,207,014**
Of which:					
– Share capital	22,689	7,261	-7,261		22,689
– Share premium	3,695,769		7,261		3,703,030
– Revaluation reserve	7,519,606	97,801		-75,755	7,541,652
– Currency translation reserve	-84,887				-84,887
– Other reserves	2,822,781	26,336	99,658	75,755	3,024,530

Effect on profit and loss account (2014)

	NN Leven	NN Services	Adjustments Merger	Adjustments private equity	Adjusted profit and loss account
Gross premium income	3,088,333	180,638			3,268,971
Investment income	2,309,101	96,632	-9,535	-25,842	2,370,356
Net fee and commission income	-71,592	-801		7,409	-64,984
Valuation results on non-trading derivatives	296,556	460		9,226	306,242
Foreign currency results and net trading income	178,418	959		-123,407	55,970
Share of result from associates and joint ventures	129,416			125,096	254,512
Other income	-986	317			-669
Total income	**5,929,246**	**278,205**	**-9,535**	**-7,518**	**6,190,398**
Underwriting expenditure	4,710,370	230,699	-133,000		4,808,069
Staff expenses	552,617	23,815			576,432
Interest expenses	263,570	283		-40	263,813
Other operating expenses	208,986	9,433		-1,760	216,659
Total expenses	**5,735,543**	**264,230**	**-133,000**	**-1,800**	**5,864,973**
Result before tax	193,703	13,975	123,465	-5,718	325,425
Taxation	7,814	3,803	30,867		42,484
Net result	**185,889**	**10,172**	**92,598**	**-5,718**	**282,941**
Minority interests	**35,237**			**-7,903**	**27,334**
Net result attributable to the shareholder of the parent	**150,652**	**10,172**	**92,598**	**2,185**	**255,607**

Adjustments as a result of the merger

Reserve adequacy

In the 2014 financial statements, NN Leven recognised a strengthening of the insurance liabilities of EUR 133 million in order to remain adequate under its reserve adequacy test. The insurance liabilities of the combined entities were adequate as at 31 December 2014. Therefore, the reserve strengthening in the NN Leven entity for the year 2014 was reversed in the figures of the merged entity.

Intercompany transactions

NN Leven and NN Services have made intercompany transactions with regard to Available-for-sale investments and Loans. The impact of these intercompany transactions has been excluded in the comparative figures of the merged entity.

Critical accounting policies

NN Leven has identified the accounting policies that are most critical to its business operations and to the understanding of its results. These critical accounting policies are those which involve the most complex or subjective decisions or assessments, and relate to insurance contracts, deferred acquisition costs the determination of the fair value of real estate and financial assets and liabilities and impairments. In each case, the determination of these items is fundamental to the financial condition and results of operations, and requires management to make complex judgements based on information and financial data that may change in future periods. As a result, determinations regarding these items necessarily involve the use of assumptions and subjective judgements as to future events and are subject to change, as the use of different assumptions or data could produce significantly different results. For a further discussion of the application of these accounting policies, reference is made to the applicable notes to the Consolidated annual accounts and the information below.

Reference is made to Note 43 “Risk management” for a sensitivity analysis of Net result in relation to changes in certain assumptions.

Insurance contracts and Deferred acquisition costs (DAC)

The determination of insurance liabilities and DAC is an inherently uncertain process, involving assumptions about factors such as social, economic and demographic trends, inflation, investment returns, policyholder behaviour, court decisions, changes in laws and other factors, and, in the life insurance business, assumptions concerning mortality and morbidity trends. Specifically, assumptions related to these items that could have a significant impact on financial results include interest rates, mortality, morbidity, investment yields on equity and real estate and foreign currency exchange rates.

Insurance liabilities also include the impact of minimum guarantees which are contained within certain products. This impact is dependent upon the difference between the potential minimum benefits payable and the total account balance, expected mortality and surrender rates. The determination of the potential minimum benefits payable also involves the use of assumptions about factors such as inflation, investment returns, policyholder behaviour, mortality and morbidity trends and other factors. The use of different assumptions about these factors could have a significant effect on insurance liabilities and underwriting expenditure.

The use of different assumptions could have a significant effect on insurance liabilities, DAC and underwriting expenditure. Changes in assumptions may lead to changes in insurance liabilities over time.

The adequacy of insurance liabilities, net of DAC, is evaluated regularly. The test involves comparing the established insurance liabilities with current best estimate assumptions about factors such as social, economic and demographic trends, inflation, investment returns, policyholder behaviour, mortality and morbidity trends, court decisions, changes in laws and other factors. The use of different assumptions in this test could lead to a different outcome.

Fair value of real estate

Real estate investments are reported at fair value. The fair value of real estate investments is based on regular appraisals by independent, qualified valuers. The fair value is established using valuation methods such as comparable market transactions, capitalisation of income methods or discounted cash flow calculations. The underlying assumption used in the valuation is that the properties are let or sold to third parties based on the actual letting status. The discounted cash flow analysis and capitalisation of income method are based on calculations of the future rental income in accordance with the terms in existing leases and estimations of the rental values for new leases when leases expire and incentives like rent free periods. The cash flows are discounted using market based interest rates that reflect appropriately the risk characteristics of real estate investments.

Reference is made to Note 29 "Fair value of non-financial assets" for more disclosure on fair value of real estate investments at the balance sheet date.

The use of different assumptions and techniques could produce significantly different valuations.

Fair value of financial assets and liabilities

The fair value of financial assets and liabilities is based on unadjusted quoted market prices at the balance sheet date where available. Such quoted market prices are primarily obtained from exchange prices for listed instruments. Where an exchange price is not available, market prices may be obtained from independent market vendors, brokers or market makers. In general, positions are valued taking the bid price for a long position and the offer price for a short position. In some cases positions are marked at mid-market prices.

When markets are less liquid there may be a range of prices for the same security from different price sources; selecting the most appropriate price requires judgement and could result in different estimates of the fair value.

For certain financial assets and liabilities quoted market prices are not available. For these financial assets and liabilities, fair value is determined using valuation techniques, based on market conditions existing at each balance sheet date. These valuation techniques range from discounting of cash flows to valuation models, where relevant pricing factors including the market price of underlying reference instruments, market parameters (volatilities, correlations and credit ratings) and customer behaviour are taken into account. All valuation techniques used are subject to internal review and approval.

Valuation techniques are subjective in nature and significant judgement is involved in establishing the fair value for certain financial assets and liabilities. Valuation techniques involve various assumptions regarding pricing factors. The use of different valuation techniques and assumptions could produce significantly different estimates of the fair value.

Reference is made to Note 28 “Fair value of financial assets and liabilities” for more disclosure on fair value of financial assets and liabilities at the balance sheet date.

Impairments

Impairments are especially relevant with regard to Available-for-sale debt and equity securities.

All debt and equity securities (other than those carried at fair value through profit or loss) are subject to impairment testing every reporting period. The carrying value is reviewed in order to determine whether an impairment loss has been incurred. Evaluation for impairment includes both quantitative and qualitative considerations. For debt securities, such considerations include actual and estimated incurred credit losses indicated by payment default, market data on (estimated) incurred losses and other current evidence that the issuer may be unlikely to pay amounts when due. Equity securities are impaired when management believes that, based on a significant or prolonged decline of the fair value below the acquisition price, there is sufficient reason to believe that the acquisition cost may not be recovered. "Significant" and "prolonged" are interpreted on a case-by-case basis for specific equity securities. Generally 25% and six months are used as triggers. Upon impairment of Available-for-sale debt and equity securities the full difference between the (acquisition) cost and fair value is removed from equity and recognised in Net result. Impairments on debt securities may be reversed if there is a decrease in the amount of the impairment which can be objectively related to an observable event after the impairment. Impairments on equity securities cannot be reversed.

The identification of impairments is an inherently uncertain process involving various assumptions and factors, including financial condition of the counterparty, expected future cash flows, statistical loss data, discount rates, observable market prices, etc. Estimates and assumptions are based on management’s judgement and other information available. Significantly different results can occur as circumstances change and additional information becomes known.

General accounting policies

Consolidation

NN Leven comprises Nationale-Nederlanden Levensverzekering Maatschappij N.V. and all its subsidiaries. The Consolidated annual accounts of NN Leven comprise the accounts of Nationale-Nederlanden Levensverzekering Maatschappij N.V. and all entities over which NN Leven has control. NN Leven has control over an entity when NN Leven is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The assessment of control is based on the substance of the relationship between NN Leven and the entity and considers existing and potential voting rights that are substantive. For a right to be substantive, the holder must have the practical ability to exercise that right.

For interests in investment entities, the existence of control is determined taking into account both NN Leven's financial interests for own risk and its role as asset manager. Financial interests for risk of policyholders are not taken into account when the policyholders decide on the investment allocations of their insurance policies (i.e. the policyholder has the “power”) and assume all risks and benefits on these investments (i.e. the policyholder assumes the variable returns).

The results of the operations and the net assets of subsidiaries are included in the profit and loss account and the balance sheet from the date control is obtained until the date control is lost. On disposal, the difference between the sales proceeds, net of directly attributable transaction costs, and the net assets is included in Net result.

All intercompany transactions, balances and unrealised gains and losses on transactions between group companies are eliminated. Where necessary, the accounting policies used by subsidiaries are changed to ensure consistency with NN Leven policies. In general, the reporting dates of subsidiaries are the same as the reporting date of NN Leven.

A list of principal subsidiaries is included in Note 38 "Principal subsidiaries".

Foreign currency translation

Functional and presentation currency

Items included in the annual accounts of each of NN Leven's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Consolidated annual accounts are presented in euros, which is NN Leven's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transactions. Exchange rate differences resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account, except when deferred in equity as part of qualifying cash flow hedges or qualifying net investment hedges.

Exchange rate differences on non-monetary items, measured at fair value through profit or loss, are reported as part of the fair value gain or loss. Exchange rate differences on non-monetary items measured at fair value through Other comprehensive income (equity) are included in the revaluation reserve in equity.

Exchange rate differences in the profit and loss account are generally included in Foreign currency results and Net trading income. Exchange rate differences relating to the disposal of Available-for-sale debt and equity securities are considered to be an inherent part of the capital gains and losses recognised in Investment income.

Recognition and derecognition of financial instruments

Financial assets are generally (de)recognised at trade date, which is the date on which NN Leven commits to purchase or sell the asset. Loans and receivables are recognised at settlement date, which is the date on which NN Leven receives or delivers the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where NN Leven has transferred substantially all risks and rewards of ownership. If NN Leven neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, it derecognises the financial asset if it no longer has control over the asset.

Realised gains and losses on investments are determined as the difference between the sales proceeds and (amortised) cost. For equity securities the cost is determined using a weighted average per portfolio. For debt securities, the cost is determined by specific identification.

Fair value of financial assets and liabilities

The fair values of financial instruments are based on unadjusted quoted market prices at the balance sheet date where available. The quoted market price used for financial assets held by NN Leven is the current bid price; the quoted market price used for financial liabilities is the current offer price.

The fair values of financial instruments that are not traded in an active market are determined using valuation techniques, based on market conditions existing at each balance sheet date.
Reference is made to Note 28 "Fair value of financial assets and liabilities" for the basis of determination of the fair value of financial instruments.

Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset, and the net amount reported in the balance sheet when NN Leven has a current legally enforceable right to set off the recognised amounts and intends to either settle on a net basis or to realise the asset and settle the liability simultaneously.

Impairments of financial assets

NN Leven assesses periodically and at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, but before the balance sheet date, (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the specific case of equity investments classified as Available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. "Significant" and "prolonged" are interpreted on a case-by-case basis for specific equity securities; generally 25% and six months are used as triggers.

In certain circumstances NN Leven may grant borrowers postponement and/or reduction of loan principal and/or interest payments for a temporary period of time to maximise collection opportunities and, if possible, avoid default, foreclosure or repossession. When such postponement and/or reduction of loan principal and/or interest payments is executed based on credit concerns it is also referred to as "forbearance". In general, forbearance represents an impairment trigger under IFRS-EU. In such cases, the net present value of the postponement and/or reduction of loan principal and/or interest payments is taken into account in the determination of the appropriate level of Loan loss provisioning as described below. If the forbearance results in a substantial modification of the terms of the loan, the original loan is derecognised and a new loan is recognised at its fair value at the modification date.

In determining the impairment loss, expected future cash flows are estimated on the basis of the contractual cash flows of the assets in the portfolio. NN Leven first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and then individually or collectively for financial assets that are not individually significant.

If there is objective evidence that an impairment loss on an asset carried at amortised cost has occurred, the amount of the loss is measured as the difference between the asset's carrying value and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying value of the asset is reduced through the use of an allowance account ("Loan loss provisions") and the amount of the loss is recognised in the profit and loss account in "Investment income". If the asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. When a loan is uncollectable, it is written off against the related loan loss provision. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the provision. The amount of the reversal is recognised in the profit and loss account.

If there is objective evidence that an impairment loss on Available-for-sale debt and equity investments has occurred, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in Net result – is removed from equity and recognised in the profit and loss account.

Impairment losses recognised on equity instruments can never be reversed. If, in a subsequent period, the impairment loss on a loan or a debt instrument classified as Available-for-sale reverses, which can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss account, the impairment loss is reversed through the profit and loss account.

Maximum credit risk exposure

The maximum credit risk exposure for items on the balance sheet is generally the carrying value for the relevant financial assets. For the off-balance sheet items the maximum credit exposure is the maximum amount that could be required to be paid. Reference is made to Note 36 "Contingent liabilities and commitments" for these off-balance sheet items. Collateral received is not taken into account when determining the maximum credit risk exposure. The manner in which NN Leven manages credit risk and determines credit risk exposures is explained in Note 43 "Risk management".

Leases

The leases entered into by NN Leven as a lessee are primarily operating leases. The total payments made under operating leases are recognised in the profit and loss account on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any penalty payment to be made to the lessor is recognised as an expense in the period in which termination takes place.

Taxation

NN Leven is part of the Dutch fiscal unity for corporate income tax purposes of NN Group making it jointly and severally liable for the total tax payable by the fiscal unity. The tax receivables and payables concern the receivables and payables of NN Group.
Some of the subsidiaries of REI Investment I B.V. are not part of the fiscal unity of NN Group.

Income tax on the result for the year comprises current and deferred tax. Income tax is generally recognised in the profit and loss account, but is recognised directly in equity if the tax relates to items that are recognised directly in equity.

Deferred tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the balance sheet. Deferred tax is determined using tax rates (and laws) applicable in the jurisdictions in which NN Leven is liable to taxation, that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets and liabilities are not discounted.

Deferred tax assets are recognised where it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax is provided on temporary differences arising from investments in subsidiaries and associates and interests in joint ventures, except where the timing of the reversal of the temporary difference is controlled by NN Leven and it is probable that the difference will not reverse in the foreseeable future. The tax effects of income tax losses available for carry forward are recognised as an asset where it is probable that future taxable profits will be available against which these losses can be utilised.

Notes to the Consolidated annual accounts – continued

Offsetting deferred tax assets with deferred tax liabilities is allowed as long as there is a legally enforceable right to offset current tax assets against current tax liabilities and the deferred taxes relate to income taxes levied by the same taxation authority on the same entity or on the same fiscal unity.

Employee benefits

Defined contribution pension plans

For defined contribution plans NN Leven pays contributions to the NN CDC Pensioenfonds on a contractual basis. NN Leven has no further payment obligations once the contributions have been paid. The contributions are recognised in the line staff expenses in the profit and loss account when they are due. Prepaid contributions are recognised as an asset to the extent a cash refund or a reduction in future payments is available.

Reorganisation provisions

Reorganisation provisions include employee termination benefits when NN Leven is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Provisions are discounted when the effect of the time value of money is significant, using a before tax discount rate. The determination of provisions is an inherently uncertain process involving estimates regarding amounts and timing of cash flows.

Share-based payments

Share-based payment expenses, based on the share plan for NN Group, are recognised as staff expenses over the vesting period.

Interest income and expenses

Interest income and expenses are recognised in the profit and loss account using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expenses over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts throughout the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying value of the financial asset or financial liability. When calculating the effective interest rate, NN Leven estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. All interest income and expenses from non-trading derivatives are classified as interest income and interest expenses in the profit and loss account. Changes in the "clean fair value" are included in Valuation results on non-trading derivatives.

Statement of cash flows

The Consolidated statement of cash flows is prepared in accordance with the indirect method, classifying cash flows as cash flows from operating, investing and financing activities. In the net cash flow from operating activities, the result before tax is adjusted for those items in the profit and loss account, and changes in balance sheet items, which do not result in actual cash flows during the year.

Cash and cash equivalents comprise balances with less than three months maturity from the date of acquisition. Investments qualify as a cash equivalent if they are readily convertible into a known amount of cash and are not subject to a significant risk of changes in value.

Cash flows arising from foreign currency transactions are translated into the functional currency using the exchange rates at the date of the cash flows.

Parent company profit and loss account

The parent company profit and loss account is drawn up in accordance with Article 402, Book 2 of the Dutch Civil Code.

Accounting policies for specific items

Financial assets and liabilities at fair value through profit or loss (Note 3 and 15)

A financial asset or liability is classified as at fair value through profit or loss if it is acquired principally for the purpose of selling in the short-term or if designated by management as such. Management will make this designation only if this eliminates a measurement inconsistency or if the related assets and liabilities are managed on a fair value basis.

Transaction costs on initial recognition are expensed as incurred. Interest income from debt securities and loans and receivables classified as at fair value through profit or loss is recognised in the profit and loss account using the effective interest method. Dividend income from equity instruments classified as at fair value through profit or loss is recognised in the profit and loss account when the dividend has been declared.

Investments for risk of policyholders

Investments for risk of policyholders are investments against insurance liabilities for which all changes in the fair value of invested assets are offset by similar changes in insurance liabilities. Investments for risk of policyholders are recognised at fair value; changes in fair value are recognised in the profit and loss account.

Derivatives and hedge accounting

Derivatives are recognised at fair value. Derivatives are presented as assets when the fair value is positive and as liabilities when the fair value is negative.

Certain derivatives embedded in other contracts are measured as separate derivatives when;

- Their economic characteristics and risks are not closely related to those of the host contract.
- The host contract is not carried at fair value through profit or loss.
- If a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative (unless the embedded derivative meets the definition of an insurance contract).

These embedded derivatives are measured at fair value with changes in fair value recognised in the profit and loss account. An assessment is carried out when NN Leven first becomes party to the contract. A reassessment is carried out only when there is a change in the terms of the contract that significantly modifies the expected cash flows.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. NN Leven designates certain derivative hedges of highly probable future cash flows attributable to a recognised asset or liability or a forecast transaction (cash flow hedge), or hedges of a net investment in a foreign operation. Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

At the inception of the hedge transaction NN Leven documents the relationship between hedging instruments and hedged items, its risk management objectives, together with the methods selected to assess hedge effectiveness. In addition NN Leven documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair value or cash flows of the hedged items.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in Other comprehensive income (equity) in the Cash flow hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in the profit and loss account. Amounts accumulated in equity are recycled to the profit and loss account in the periods in which the hedged item affects Net result. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the profit and loss account. When a forecast transaction is no longer expected to occur, the cumulative gain or loss in equity is transferred immediately to the profit and loss account.

Net investment hedges

Hedges of net investments in foreign operations are accounted for in a similar way to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in Other comprehensive income (equity) and the gain or loss relating to the ineffective portion is recognised immediately in the profit and loss account. Gains and losses in equity are included in the profit and loss account when the foreign operation is disposed.

Non-trading derivatives that do not qualify for hedge accounting

Derivatives that are used by NN Leven as part of its risk management strategies, that do not qualify for hedge accounting under NN Leven's accounting policies, are presented as non-trading derivatives. Non-trading derivatives are measured at fair value with changes in the fair value taken to "Valuation results on non-trading derivatives" in the profit and loss account.

Available-for-sale investments (Note 4)

Available-for-sale financial assets include Available-for-sale debt securities and Available-for-sale equity securities. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. For Available-for-sale debt securities, the difference between cost and redemption value is amortised. Interest income is recognised using the effective interest method. Available-for-sale financial assets are subsequently measured at fair value. Interest income from debt securities classified as Available-for-sale is recognised in Investment income in the profit and loss account. Dividend income from equity instruments classified as Available-for-sale is recognised in Investment income in the profit and loss account when the dividend has been declared.

Unrealised gains and losses arising from changes in the fair value are recognised in Other comprehensive income (equity). On disposal, the related accumulated fair value adjustments are included in the profit and loss account as Investment income. For impairments of Available-for-sale financial assets reference is made to the section "Impairments of financial assets".

Loans (Note 5)

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value plus transaction costs. Subsequently, they are carried at amortised cost using the effective interest method less any impairment losses. Interest income from loans is recognised in Investment income in the profit and loss account using the effective interest method.

Associates and joint ventures (Note 6)

Associates are all entities over which NN Leven has significant influence but not control. Significant influence generally results from a shareholding of 20% or more of the voting rights, but also the ability to participate in the financial and operating policies through situations including, but not limited to, one or more of the following:

- Representation on the board of directors.
- Participation in the policy making process.
- Interchange of managerial personnel.

Joint ventures are all entities in which NN Leven has joint control.

Associates and joint ventures are initially recognised at cost (including goodwill) and subsequently accounted for using the equity method of accounting.

Subsequently, NN Leven's share of profits or losses is recognised in the profit and loss account and its share of changes in reserves is recognised in Other comprehensive income (equity). The cumulative changes are adjusted against the carrying value of the investment. When NN Leven's share of losses in an associate or joint venture equals or exceeds the book value of the associate or joint venture, NN Leven does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

Unrealised gains and losses on transactions between NN Leven and its associates and joint ventures are eliminated to the extent of NN Leven's interest. Accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies of NN Leven. The reporting dates of all significant associates and joint ventures are consistent with the reporting date of NN Leven.

For interests in investment entities the existence of significant influence is determined taking into account both NN Leven's financial interests for own risk and its role as asset manager.

Associates include interests in real estate funds and private equity funds. The underlying assets of both the real estate and the private equity funds are measured at fair value. The fair value of underlying real estate in real estate funds is determined as set out below for Real estate investments. The fair value of underlying private equity investments in private equity funds is generally based on a forward-looking market approach. This approach uses a combination of company financials and quoted market multiples. In the absence of quoted prices in an active market, fair value is estimated on the basis of an analysis of the investee's financial position and results, risk profile, prospects, price, earnings comparisons and by reference to market valuations for similar entities quoted in an active market. Valuations of private equity investments are mainly based on an "adjusted multiple of earnings" methodology on the following basis:

- Earnings: Reported earnings are adjusted for non-recurring items, such as restructuring expenses, for significant corporate actions and, in exceptional cases, for run-rate adjustments to arrive at maintainable earnings. The most common measure is earnings before interest, tax, depreciation and amortisation ("EBITDA"). Earnings used are usually management forecasts for the current year, unless data from management accounts for the 12 months preceding the reporting period or the latest audited annual accounts provide a more reliable estimate of maintainable earnings.
- Earnings multiples: Earnings multiples are derived from comparable listed companies or relevant market transaction multiples for companies in the same industry and, where possible, with a similar business model and profile in terms of size, products, services and customers, growth rates and geographic focus. Adjustments are made for differences in the relative performance in the group of comparable companies.
- Adjustments: A marketability or liquidity discount is applied based on factors such as alignment with management and other investors and NN Group's investment rights in the deal structure.

Real estate investments (Note 7)

Real estate investments are measured at fair value. Changes in the carrying value resulting from revaluations are recognised in the profit and loss account. On disposal the difference between the sales proceeds and carrying value is recognised in the profit and loss account. The fair value of real estate investments is based on regular appraisals by independent qualified valuers. For each reporting period every property is valued either by an independent valuer or internally. Market transactions and disposals made by NN Leven are monitored as part of the validation procedures to test the valuations. Valuations performed earlier in the year are updated if necessary to reflect the situation at the year-end. All properties are valued independently at least every five years but more frequently in practice.

The fair value represents the estimated amount for which the property could be exchanged on the date of valuation between a willing buyer and willing seller in an at-arm's-length transaction after proper marketing wherein the parties each acted knowledgeably, prudently and without compulsion. The fair value is based on appraisals using valuation methods such as: comparable market transactions, capitalisation of income methods or discounted cash flow calculations. The underlying assumption used in the valuation is that the properties are let or sold to third parties based on the actual letting status. The discounted cash flow analysis and capitalisation of income method are based on calculations of the future rental income in accordance with the terms in existing leases and estimations of the rental values for new leases when leases expire and incentives like rent-free periods. The cash flows are discounted using market-based interest rates that reflect appropriately the risk characteristics of real estate. The valuation of real estate investments takes (expected) vacancies into account. Occupancy rates differ significantly from investment to investment. For real estate investments held through (minority shares in) real estate investment funds, the valuations are performed under the responsibility of the funds' asset manager.

Subsequent expenditures are recognised as part of the asset's carrying value only when it is probable that future economic benefits associated with the item will flow to NN Leven and the cost of an item can be measured reliably. All other repairs and maintenance costs are recognised immediately in the profit and loss account.

Equipment

Equipment is stated at cost less accumulated depreciation and any impairment losses. The cost of the assets is depreciated on a straight-line basis over its estimated useful life, which is generally as follows: two to five years for data processing equipment, and four to ten years for fixtures and fittings. Expenditure incurred on maintenance and repairs is recognised in the profit and loss account as incurred. Expenditure incurred on major improvements is capitalised and depreciated. The difference between the proceeds on disposal and net carrying value is recognised in the profit and loss account in Other income.

Intangible assets (Note 8)

Intangible assets consists of computer software that has been purchased or generated internally for own use and is stated at cost less amortisation and any impairment losses. Amortisation is calculated on a straight-line basis over its useful life. This period will generally not exceed three years. Amortisation is included in Other operating expenses.

Intangible assets are reviewed for impairments at least annually if events indicate that impairments may have occurred. They are tested for impairment by comparing the carrying value with the best estimate of the recoverable amount of the individual intangible asset.

Deferred acquisition costs (Note 9)

Deferred acquisition costs (DAC) represent costs of acquiring insurance and investment contracts that are deferred and amortised. The deferred costs, all of which vary with (and are primarily related to) the production of new and renewal of business, consist principally of commissions, certain underwriting and contract issuance expenses, and certain agency expenses.

For the majority of the life insurance contracts DAC is amortised over a fixed period of time. For other types of life insurance contracts DAC is amortised over the lives of the policies in relation to the emergence of estimated gross profits. Amortisation is adjusted when estimates of current or future gross profits, to be realised from a group of products, are revised.

DAC is evaluated for recoverability at issue. Subsequently it is tested on a regular basis together with the life insurance liabilities. The test for recoverability is described in the section "Insurance and investment contracts, reinsurance contracts".

For certain products DAC is adjusted for the impact of unrealised results on allocated investments through equity.

Subordinated debt, Other borrowed funds (Note 12 and 13)

Subordinated debt and Other borrowed funds are recognised initially at their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between proceeds, net of transaction costs, and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

If NN Leven purchases its own debt, it is derecognised from the balance sheet, and the difference between the carrying value of the liability and the consideration paid is recognised in the profit and loss account.

Financial liabilities include only instruments of which the terms and conditions represent a contractual obligation to pay interest and/or principal. Instruments that are similar in substance, but of which the terms and conditions do not include a contractual obligation to pay interest and principal are classified as equity.

Insurance and investment contracts, reinsurance contracts (Note 14)

Insurance liabilities are established in accordance with IFRS 4 "Insurance Contracts". Under IFRS 4, an insurer may continue its existing pre-IFRS accounting policies for insurance contracts, provided that certain minimum requirements are met. Upon adoption of IFRS-EU in 2008, NN Leven decided to adopt IFRS-EU as was already applied by its parent company as of 2005. For the recognition and measurement of the insurance contracts this included a continuation of the accounting standards generally accepted in the Netherlands (Dutch GAAP) as of 2005. Changes in Dutch GAAP subsequent to the adoption of IFRS-EU are considered for adoption on a case-by-case basis. If adopted, the impact thereof is accounted for as a change in accounting policies under IFRS-EU.

Insurance contracts

Insurance policies which bear significant insurance risk and/or contain discretionary participation features are presented as insurance contracts. Insurance liabilities represent estimates of future payouts that will be required for insurance claims, including expenses relating to such claims. In addition, for certain specific products or components thereof, NN Leven applies the option in IFRS 4 to measure (components of) insurance contracts using market consistent interest rates and other current estimates and assumptions. Unless indicated otherwise below, changes in the insurance liabilities are recognised in the profit and loss account.

Life insurance liabilities

The life insurance liabilities are generally calculated on the basis of a prudent prospective actuarial method.

Insurance liabilities on traditional life policies are calculated using various assumptions, including assumptions on mortality, morbidity, expenses, investment returns and surrenders. Assumptions for insurance liabilities on traditional life insurance contracts, including traditional whole-life and term-life insurance liabilities, are based on best estimate assumptions including margins for adverse deviations. Generally, these assumptions are set initially at the policy issue date and remain constant throughout the life of the policy.

Insurance liabilities for universal life, variable life contracts, unit-linked contracts, etc. are generally set equal to the balance that accrues to the benefit of the policyholders. Certain contracts contain minimum (interest) guarantees on the amounts payable upon death and/or maturity. The insurance liabilities include the impact of these minimum (interest) guarantees, taking into account the difference between the potential minimum benefit payable and the total account balance, expected mortality and surrender rates.

Unamortised interest rate rebates on periodic and single premium contracts are deducted from the life insurance contract liabilities. Interest rate rebates granted during the year are amortised in conformity with the anticipated recovery pattern and are recognised in the profit and loss account.

Deferred profit sharing

For insurance contracts with discretionary participation features a deferred profit sharing amount is recognised for the full amount of the unrealised revaluation on allocated investments. Upon realisation, the profit sharing on unrealised revaluations is reversed and a deferred profit sharing amount is recognised for the share of realised results on allocated investments that is expected to be shared with policyholders. The deferred profit sharing amount is reduced by the actual allocation of profit sharing to individual policyholders. The change in the deferred profit sharing amount on unrealised revaluation (net of tax) is recognised in the revaluation reserve in Other comprehensive income (equity).

Life insurance liabilities for risk of policyholders

Life insurance Liabilities for risk of policyholders are generally shown at the balance sheet value of the related investments.

Reinsurance contracts

Reinsurance premiums, commissions and claim settlements, as well as the reinsurance element of insurance contracts are accounted for in the same way as the original contracts for which the reinsurance was concluded. If the reinsurers are unable to meet their obligations, NN Leven remains liable to its policyholders for the portion reinsured. Consequently, provisions are recognised for receivables on reinsurance contracts which are deemed uncollectable. Both reinsurance premiums and reinsurance recoveries are included in Underwriting expenditure in the profit and loss account.

Adequacy test
The adequacy of the insurance liabilities, net of unamortised interest rate rebates and DAC is evaluated regularly. The test involves comparing the established insurance liability with current best estimate reserve including a risk margin. The best estimate reserve makes assumptions about factors such as social, economic and demographic trends, inflation, investment returns, policyholder behaviour, mortality and morbidity trends, court decisions, changes in laws, and other factors. Three key assumptions impacting the best estimate reserve are future mortality trends, expenses and future reinvestment rates. The best estimate assumption for mortality takes into account both data from the CBS mortality tables for the Dutch population and data from the insured portfolio of NN Leven. The projected expenses take into account normalised maintenance expenses (unit costs per policy) and an add-on for incidental expenses. The assumed investment returns are a combination of the run-off of current portfolio yields on existing assets and estimated future reinvestment rates in relation to maturing assets and anticipated new premiums.

If the net insurance liabilities are not adequate using a prudent (90%) confidence level the shortfall is recognised immediately in the profit and loss account.

If the net insurance liabilities are determined to be adequate at above the 90% confidence level, no reduction in the net insurance liabilities is recognised.

Investment contracts
Insurance policies without discretionary participation features which do not bear significant insurance risk are presented as Investment contracts. Investment contract liabilities are determined at amortised cost, using the effective interest method (including certain initial acquisition expenses), or at fair value.

Gross premium income (Note 17)
Premiums from life insurance policies are recognised as income when due from the policyholder. Receipts under investment contracts are not recognised as gross premium income, instead deposit accounting is applied.

Net fee and commission income (Note 19)
Fees and commissions are generally recognised as the service is provided. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts as the service is provided. Asset management fees related to investment funds and investment contract fees are recognised on a pro-rata basis over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time.

2 Cash and cash equivalents

Cash and cash equivalents

	2015	2014
Cash and bank balances	165,676	85,830
Short-term deposits	3,633	5,413
Cash and cash equivalents	**169,309**	**91,243**

3 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss

	2015	2014
Investments for risk of policyholders	18,006,193	20,879,843
Non-trading derivatives	3,057,161	5,356,174
Designated as at fair value through profit or loss	137,147	86,356
Financial assets at fair value through profit or loss	**21,200,501**	**26,322,373**

Investments for risk of policyholders

	2015	2014
Equity securities	17,185,092	20,288,670
Debt securities	23,879	
Loans and receivables	797,222	591,173
Investments for risk of policyholders	**18,006,193**	**20,879,843**

Investments in investment funds (with underlying investments in debt and equity securities, real estate and derivatives) are included in Equity securities.

Non-trading derivatives

	2015	2014
Derivatives used in:		
- cash flow hedges	2,704,877	3,557,125
- hedges of net investments in foreign operations	46	235
Other non-trading derivatives	352,238	1,798,814
Non-trading derivatives	**3,057,161**	**5,356,174**

Other non-trading derivatives mainly consist of interest rate swaps for which no hedge accounting is applied.

Designated as at fair value through profit or loss

	2015	2014
Equity securities	128,292	73,943
Debt securities	3,800	5,195
Other	5,055	7,218
Designated as at fair value through profit or loss	**137,147**	**86,356**

Notes to the Consolidated annual accounts – continued

4 Available-for-sale investments

Available-for-sale investments

	2015	2014
Equity securities	5,579,932	5,397,073
Debt securities	42,488,960	40,304,624
Available-for-sale investments	**48,068,892**	**45,701,697**

The cost price of the equity securities amounts to EUR 4,444 million (2014: EUR 4,565 million). The cost price of the debt securities amounts to EUR 34,341 million (2014: EUR 30,602 million).

Changes in available-for-sale investments

	Equity securities		Debt securities		Total	
	2015	2014	2015	2014	2015	2014
Available-for-sale investments - Opening balance	5,397,073	5,004,952	40,304,624	31,617,010	45,701,697	36,621,962
Adjustment private equity		-199,809				-199,809
Available-for-sale investments - Opening balance after adjustment	5,397,073	4,805,143	40,304,624	31,617,010	45,701,697	36,422,153
Additions	662,773	1,312,946	4,753,582	2,686,844	5,416,355	3,999,790
Amortisation			-51,779	-27,549	-51,779	-27,549
Transfers and reclassifications	-1,499	-305,407			-1,499	-305,407
Changes in unrealised revaluations	612,485	147,584	-1,330,817	6,987,548	-718,332	7,135,132
Impairments	-101,971	-135,957			-101,971	-135,957
Disposals and redemptions	-1,008,420	-442,975	-1,280,874	-1,035,457	-2,289,294	-1,478,432
Exchange rate differences	19,201	18,166	94,234	76,228	113,435	94,394
Other changes	290	-2,427	-10		280	-2,427
Available-for-sale investments - Closing balance	**5,579,932**	**5,397,073**	**42,488,960**	**40,304,624**	**48,068,892**	**45,701,697**

Transfers and reclassifications in 2014 concerns transfers of investments in real estate funds from available-for-sale investments to associates and joint ventures.

NN Leven's total exposure to debt securities is included in the following balance sheet lines:

Total exposure to debt securities

	2015	2014
Available-for-sale investments	42,488,960	40,304,624
Loans	2,822,269	4,866,542
Available-for-sale investments and Loans	**45,311,229**	**45,171,166**
Investments for risk of policyholders	23,879	
Designated as at fair value through profit or loss	3,800	5,195
Financial assets at fair value through profit or loss	**27,679**	**5,195**
Debt securities	**45,338,908**	**45,176,361**

Notes to the Consolidated annual accounts – continued

NN Leven's total exposure to debt securities included in Available-for-sale investments and Loans of EUR 45,311 million (2014: EUR 45,171 million) is specified as follows by type of exposure:

Debt securities by type

	Available-for-sale investments		Loans		Total	
	2015	2014	2015	2014	2015	2014
Government bonds	36,182,247	34,756,204			36,182,247	34,756,204
Corporate bonds	4,565,303	3,247,738			4,565,303	3,247,738
Financial institution bonds	1,741,410	2,300,682			1,741,410	2,300,682
ABS portfolio			2,822,269	4,866,542	2,822,269	4,866,542
Debt securities - Available-for-sale investments and Loans	**42,488,960**	**40,304,624**	**2,822,269**	**4,866,542**	**45,311,229**	**45,171,166**

Available-for-sale equity securities

	2015	2014
Listed	3,372,871	3,132,196
Unlisted	2,207,061	2,264,877
Available-for-sale equity securities	**5,579,932**	**5,397,073**

Reclassifications to Loans (2009)

As per reclassification date	**Q2 2009**
Fair value	5,712,651
Range of effective interest rates	1.4% - 24.8%
Expected recoverable cash flows	6,978,293
Unrealised fair value losses in Shareholder's equity (before tax)	-924,808
Recognised fair value gains/(losses) in Shareholder's equity (before tax) between the beginning of the year in which the reclassification occurred and the reclassification date	98,684
Recognised fair value gains /(losses) in Shareholder's equity (before tax) in the year prior to reclassification	-1,049,252
Impairments (before tax) between the beginning of the year in which the reclassification occurred and the reclassification date	nil
Impairments (before tax) in the year prior to reclassification	nil

Years after reclassification	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**
Carrying value	522,839	796,838	930,110	1,721,627	3,009,888	4,391,927	5,462,723
Fair value	659,778	968,824	1,083,842	1,679,254	2,837,313	4,521,162	5,779,623
Unrealised fair value gains/losses in shareholder's equity (before tax)	-200,991	-210,361	-246,935	-184,081	-303,041	-484,620	-723,307
Effect on shareholder's equity (before tax) if reclassification had not been made	136,939	171,986	153,732	-42,373	-172,575	129,234	316,900
Effect on result (before tax) if reclassification had not been made	nil	nil	nil	nil	nil	nil	nil
Effect on result (before tax) after the reclassification (interest income and sales results)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	111,187
Effect on result (before tax) for the year (mainly interest income)	1,724	3,849	-20,669	52,702	88,918	80,436	n.a.
Impairments (before tax)	nil	nil	nil	nil	nil	nil	nil
Provisions for credit losses (before tax)	nil	nil	nil	nil	nil	nil	nil

Reclassifications out of Available-for-sale investments to Loans are allowed under IFRS-EU as of the third quarter of 2008. In the second quarter of 2009 NN Leven reclassified certain financial assets from Available-for-sale investments to Loans. NN Leven identified assets, eligible for reclassification, for which at the reclassification date it had the intention to hold for the foreseeable future. The table above provides information on this reclassification made in the second quarter of 2009. Information is provided for this reclassification as at the date of reclassification and as at the end of the subsequent reporting periods. This information is disclosed under IFRS-EU for as long as the reclassified assets continue to be recognised in the balance sheet.

5 Loans

Loans

	2015	2014
Loans secured by mortgages	11,735,243	10,259,569
Unsecured loans	4,006,177	3,311,295
Asset-backed securities	2,822,269	4,866,542
Deposits	210,370	200,854
Policy loans	23,013	27,723
Other	72,016	99,871
Loans before Loan loss provisions	**18,869,088**	**18,765,854**
Loan loss provisions	-49,121	-43,700
Loans	**18,819,967**	**18,722,154**

Changes in Loans secured by mortgages

	2015	2014
Loans secured by mortgages – Opening balance	10,259,569	9,497,830
Additions/ origination	2,474,434	1,428,973
Redemption	-855,115	-650,542
Amortisation	-46,264	-14,969
Transfer to/from assets/liabilities	-90,154	4,782
Impairments and write-offs	-7,227	-6,505
Loans secured by mortgages – Closing balance	**11,735,243**	**10,259,569**

Changes in Loan loss provisions

	2015	2014
Loan loss provisions - Opening balance	43,700	62,193
Write-offs	-8,605	-26,214
Recoveries	681	582
Increase in Loan loss provisions	21,357	7,139
Other changes	-8,012	
Loan loss provisions - Closing balance	**49,121**	**43,700**

The Loan loss provisions relate for EUR 34,809 thousand (2014: EUR 22,459 thousand) to Loans secured by mortgages.

6 Associates and joint ventures

Associates and joint ventures (2015)

	Interest held (%)	Balance sheet value	Total assets	Total liabilities	Total income	Total expenses
CBRE Dutch Office Master Fund I C.V.	27	292,164	1,335,260	235,997	221,983	46,979
Parcom Investment Fund III B.V.	100	216,152	233,430	17,278	64,573	6,058
CBRE UK Property Fund LP	23	200,823	892,157		133,257	28,143
Parcom Investment Fund II B.V.	100	185,731	205,290	19,558	98,076	916
CBRE Retail Property Fund Iberica LP	31	183,877	1,315,670	712,332	226,843	41,997
Parcom Buy Out Fund IV B.V.	100	144,451	163,271	18,094	161,208	6,058
CBRE Property Fund Central Europe LP	25	116,469	885,339	419,463	71,342	465
Allee Center Kft	50	103,128	223,531	17,276	26,633	7,954
CBRE European Industrial Fund LP	27	100,890	573,335	191,418	64,957	22,680
Fiumaranuova S.r.l.	50	87,082	199,334	37,958	22,567	8,060
Parquest Capital B FPCI	40	62,364	167,709	18,088	5,102	6,900
SNC Le Havre Lafayette	50	57,712	139,192	23,768	21,314	4,127
DPE Deutschland II B GmbH & Co KG	34	54,072	161,092	280	12,961	910
CBRE Property Fund Central and Eastern Europe FGR	21	52,226	618,579	364,931	42,570	47,189
The Capital (London) Fund	20	51,062	255,310		30,226	
Other		266,789				
Associates and joint ventures		**2,174,992**				

The above associates and joint ventures mainly consist of non-listed investment entities, investing in real estate and private equity.

Significant influence exists for certain associates in which the interest held is below 20%, based on the combination of NN Leven's financial interest for own risk and other arrangements, such as participation in the relevant boards.

Other represents a large number of associates and joint ventures with an individual balance sheet value of less than EUR 50 million.

The amounts presented in the table above could differ from the individual annual accounts of the associates due to the fact that the individual amounts have been brought in line with NN Leven's accounting principles.

The reporting dates of all significant associates and joint ventures are consistent with the reporting date of NN Leven.

The associates and joint ventures of NN Leven are subject to legal and regulatory restrictions regarding the amount of dividends that can be paid to NN Leven. These restrictions are, for example, dependent on the laws in the country of incorporation for declaring dividends or as a result of minimum capital requirements imposed by industry regulators in the countries in which the associates and joint ventures operate. In addition, the associates and joint ventures also consider other factors in determining the appropriate levels of equity needed. These factors and limitations include, but are not limited to, rating agency and regulatory views, which can change over time.

Notes to the Consolidated annual accounts – continued

Associates and joint ventures (2014)

	Interest held (%)	Balance sheet value	Total assets	Total liabilities	Total income	Total expenses
Parcom Investment Fund II B.V.	100	292,681	336,129	43,443	47,527	2,477
CBRE Dutch Office Master Fund I C.V.	28	255,480	1,202,697	298,277	111,869	49,974
Parcom Buy Out Fund IV B.V.	100	209,046	229,669	1,309	53,887	2,982
CBRE UK Property Fund LP	27	188,116	785,540	75,134	122,242	18,441
Parcom Investment Fund III B.V.	100	177,525	188,898	3,900	20,840	2,323
CBRE Retail Property Fund Iberica LP	31	151,159	1,094,911	598,843	215,275	51,670
CBRE Property Fund Central Europe LP	25	107,307	887,879	458,652	66,674	22,979
Allee Center Kft	50	102,808	224,810	18,781	15,758	5,536
Fiumaranuova s.r.l.	50	90,688	202,666	21,291	10,839	3,763
CBRE Retail Property Fund France Belgium C.V.	15	84,868	1,288,619	722,833	147,003	68,849
CBRE European Industrial Fund LP	22	72,974	503,986	175,274	52,537	22,315
Dolphin Capital B FPCI	40	68,453	175,221	209	5,228	2,579
CBRE French Residential Fund C.V.	42	59,442	211,812	56,400	-14,968	8,905
CBRE Property Fund Central and Eastern Europe FGR	21	51,810	657,158	405,530	49,023	51,354
Other		383,910				
Associates and joint ventures		**2,296,267**				

Changes in Associates and joint ventures

	2015	2014
Associates and joint ventures - Opening balance	2,296,267	891,968
Opening adjustment private equity		1,057,342
Associates and joint ventures - Opening balance after adjustment	2,296,267	1,949,310
Additions	90,347	493,437
Disposals	-278,520	-176,228
Transfer to/from Available-for-sale investments		307,834
Revaluations	10,355	7,168
Share of results	472,297	254,512
Dividends received	-183,983	-78,659
Capital repayments	-245,991	-441,624
Exchange rate differences	14,220	14,407
Changes in the composition of the group and other changes		-33,890
Associates and joint ventures - Closing balance	**2,174,992**	**2,296,267**

Disposals in 2015 mainly relate to the sale of investments in real estate funds.

7 Real estate investments

Changes in Real estate investments

	2015	2014
Real estate investments - Opening balance	1,154,893	777,068
Additions	389,180	397,888
Disposals	-10	-9,830
Transfer to/from Other assets	1,160	-1,683
Fair value gains/losses	22,333	-11,523
Other changes	1,558	2,973
Real estate investments - Closing balance	**1,569,114**	**1,154,893**

Notes to the Consolidated annual accounts – continued

The total amount of rental income recognised in the profit and loss account for the year ended 31 December 2015 is EUR 119 million (2014: EUR 80 million).The total amount of direct operating expenses (including repairs and maintenance) in relation to Real estate investments for the year ended 31 December 2015 is EUR 33 million (2014: EUR 22 million).

Real estate investments by year of most recent appraisal

	2015	2014
Most recent appraisal in current year	100%	100%

NN Leven's total exposure to real estate is included in the following balance sheet lines:

Real estate exposure

	2015	2014
Real estate investments	1,569,114	1,154,893
Available-for-sale investments	1,054,379	1,039,798
Associates and joint ventures	1,436,274	1,448,305
Other assets - Property obtained from foreclosures	3,712	4,174
Real estate exposure	**4,063,479**	**3,647,170**

Furthermore, the exposure is impacted by third-party interests, leverage in funds and off-balance commitments, resulting in an overall exposure of EUR 5.0 billion (2014: EUR 4.8 billion). Reference is made to Note 43 “Risk management”.

8 Intangible assets

Changes in Intangible assets

	2015	2014
Intangible assets - Opening balance	6,741	12,058
Additions	45	2,855
Capitalised expenses	2,900	3,900
Amortisation	-330	-13,817
Other changes	2	1,745
Intangible assets - Closing balance	**9,358**	**6,741**
Gross carrying value	34,550	31,603
Accumulated amortisation	-25,192	-24,862
Net carrying value	**9,358**	**6,741**

Intangible assets consist of software (in development). The amortisation is included in the profit and loss account in “Other operating expenses”.

9 Deferred acquisition costs

Changes in Deferred acquisition costs

	2015	2014
Deferred acquisition costs - Opening balance	293,571	331,551
Capitalised	13,016	18,535
Amortisation	-42,502	-56,255
Exchange rate differences	492	-260
Deferred acquisition costs - Closing balance	**264,577**	**293,571**

The capitalisation of deferred acquisition costs in 2014 and 2015 is completely related to the Czech business.

10 Other assets

Other assets

	2015	2014
Insurance and reinsurance receivables	138,509	272,942
Deferred tax assets	54	
Property obtained from foreclosures	3,712	4,174
Income tax receivable	62,565	11,270
Accrued interest and rents	973,539	1,031,407
Other accrued assets	8,950	3,205
Other	327,166	229,215
Other assets	**1,514,495**	**1,552,213**

Disclosures in respect of Deferred tax assets are provided in Note 27 "Taxation".
Other contains EUR 114 million (2014: EUR 55 million) of current accounts with NN Group companies.

Insurance and reinsurance receivables

	2015	2014
Receivables on account of direct insurance from:		
- policyholders	99,356	246,979
- intermediaries	3,469	4,466
Reinsurance receivables	35,684	21,497
Insurance and reinsurance receivables	**138,509**	**272,942**

The allowance for uncollectable insurance and reinsurance receivables amounts to EUR 7,611 thousand as at 31 December 2015 (2014: EUR 12,158 thousand). The receivable is presented net of this allowance.

11 Equity

Total equity

	2015	2014
Share capital	22,689	22,689
Share premium	3,228,030	3,703,030
Revaluation reserve	6,868,901	7,548,711
Currency translation reserve	-75,590	-84,887
Other reserves	3,787,314	3,017,471
Shareholder's equity (parent)	**13,831,344**	**14,207,014**
Minority interests	529,981	409,332
Undated subordinated loan	450,000	450,000
Total equity	**14,811,325**	**15,066,346**

Share capital

	Shares (in number)		Ordinary shares	
	2015	2014	2015	2014
Authorised share capital	22,689,015	22,689,015	113,445	113,445
Unissued share capital	18,151,212	18,151,212	90,756	90,756
Issued share capital	**4,537,803**	**4,537,803**	**22,689**	**22,689**

Ordinary shares

All shares are in registered form. No share certificates have been issued. Shares may be transferred by means of a deed of transfer, subject to the approval of the shareholders meeting. The par value of ordinary shares is EUR 5. The authorised ordinary share capital of NN Leven consists of 22,689,015 shares, of which as at 31 December 2015, 4,537,803 shares have been issued and fully paid.

Distributable reserves

NN Leven and its Dutch group companies are subject to legal restrictions regarding the amount of dividends they can pay to their shareholders. The Dutch Civil Code contains the restriction that dividends can only be paid up to an amount equal to total shareholders' equity less the issued and outstanding capital and less the reserves required by law. In case of negative balances for individual reserves legally to be retained, no distributions can be made out of retained earnings to the level of these negative amounts.

The Revaluation reserve, Share of associates reserve (included in Other reserves) and Currency translation reserve cannot be freely distributed. For information on the Share of associates reserve reference is made to the Parent company annual accounts.

Changes in Share premium

	2015	2014
Share premium - Opening balance	3,703,030	3,646,984
Dividend	-475,000	
Other changes[1]		56,046
Share premium - Closing balance	**3,228,030**	**3,703,030**

1 In 2014 Other changes relates to the reclassification of share premium from the other reserves to the share premium reserve for a former subsidiary.

Changes in Revaluation reserve (2015)

	Available-for-sale reserve	Cash flow hedge reserve	Total
Revaluation reserve - Opening balance	3,145,036	4,403,675	7,548,711
Unrealised revaluations	-716,340		-716,340
Realised gains/losses transferred to the profit and loss account	-71,502		-71,502
Changes in cash flow hedge reserve		-435,285	-435,285
Deferred interest credited to policyholders	543,317		543,317
Revaluation reserve - Closing balance	**2,900,511**	**3,968,390**	**6,868,901**

Changes in Revaluation reserve (2014)

	Available-for-sale reserve	Cash flow hedge reserve	Total
Revaluation reserve - Opening balance	412,579	2,728,195	3,140,774
Opening adjustment private equity	-73,571		-73,571
Revaluation reserve - Opening balance after adjustment	339,008	2,728,195	3,067,203
Unrealised revaluations	5,437,098		5,437,098
Realised gains/losses transferred to the profit and loss account	-14,903		-14,903
Changes in cash flow hedge reserve		1,675,480	1,675,480
Deferred interest credited to policyholders	-2,616,167		-2,616,167
Revaluation reserve - Closing balance	**3,145,036**	**4,403,675**	**7,548,711**

Deferred interest credited to policyholders reflects the change in the deferred profitsharing liabilities (net of deferred tax). References are made to note 14 "Insurance and investment contracts, Reinsurance contracts".

Changes in Currency translation reserve

	2015	2014
Currency translation reserve - Opening balance	-84,887	-148,607
Exchange rate differences	9,297	63,720
Currency translation reserve - Closing balance	**-75,590**	**-84,887**

Notes to the Consolidated annual accounts – continued

Changes in Other reserves (2015)

	Retained Earnings	Share of associates reserve	Total
Other reserves - Opening balance	2,852,269	165,202	3,017,471
Net result	1,069,827		1,069,827
Transfer to/from Share of associates reserve	-127,778	127,778	
Dividend	-305,255		-305,255
Other changes	19,091	-13,820	5,271
Other reserves - Closing balance	**3,508,154**	**279,160**	**3,787,314**

Changes in Other reserves (2014)

	Retained Earnings	Share of associates reserve	Total
Other reserves - Opening balance	2,737,299	32,347	2,769,646
Opening adjustment private equity	13,395	60,176	73,571
Other reserves - Opening balance after adjustment	2,750,694	92,523	2,843,217
Net result	255,607		255,607
Transfer to/from Share of associates reserve	-72,679	72,679	
Dividend	-23,986		-23,986
Other changes[1]	-57,367		-57,367
Other reserves - Closing balance	**2,852,269**	**165,202**	**3,017,471**

1 In 2014 Other changes mainly relates to the reclassification of share premium from the other reserves to the share premium reserve for a former subsidiary.

Undated subordinated loan

Interest rate	Year of issue	Due date	Notional amount	Balance sheet value	
				2015	2014
4.520%	2014	Perpetual	450,000	**450,000**	450,000

On 30 May 2014, NN Leven issued a EUR 450 million perpetual subordinated loan to NN Group. The loan is callable after 5 years and every quarter thereafter (subject to regulatory approval). The coupon is fixed at 4.520% per annum for the first 10 years and will be floating thereafter. As this loan is undated and includes optional deferral of interest at the discretion of NN Leven, this is classified under IFRS-EU as equity. Coupon payments are distributed out of equity if and when paid or contractually due.

12 Subordinated debt

Subordinated debt

Interest rate	Year of issue	Due date	First call date	Notional amount		Balance sheet value	
				2015	2014	2015	2014
5.600%	2014	10-Feb-44	10-Feb-24	**600,000**	600,000	**600,000**	600,000

On 10 February 2014, NN Leven issued a EUR 600 million subordinated loan to NN Group. This loan is callable after 10 years and every quarter thereafter (subject to regulatory approval). The coupon is fixed at 5.600% per annum for the first 10 years and will be floating thereafter.

Notes to the Consolidated annual accounts – continued

13 Other borrowed funds

Changes in Other borrowed funds

	2015	2014
Other borrowed funds – Opening balance	747,555	1,453,370
Additions	2,105,106	665,531
Disposals	-798,902	-1,371,346
Other borrowed funds – Closing balance	**2,053,759**	**747,555**

In 2015 NN Leven entered into a short-term borrowing facility with Nationale-Nederlanden Interfinance B.V. This borrowing facility has a maximum amount of EUR 1,500 million of which EUR 1,500 million was drawn as per 31 December 2015. The cash was used to fund investment transactions in the fourth quarter of 2015 and was paid back in January 2016.

In 2014 NN Leven entered into a short-term borrowing facility with Nationale-Nederlanden Interfinance B.V. This borrowing facility has a maximum amount of EUR 700 million of which EUR 450 million was drawn as per 31 December 2014. The cash was used to fund investment transactions in December 2014 and was paid back in January 2015.

14 Insurance and investment contracts, Reinsurance contracts

Insurance and investment contracts, Reinsurance contracts

	Liabilities net of reinsurance and investment contracts		Reinsurance contracts		Insurance and investment contracts	
	2015	2014	2015	2014	2015	2014
Non-participating life policy liabilities	5,130,510	5,222,801	55,115	66,106	5,185,625	5,288,907
Participating life policy liabilities	42,194,924	39,838,610	645,497	654,857	42,840,421	40,493,467
Liabilities for (deferred) profit sharing and rebates	5,952,082	6,657,469			5,952,082	6,657,469
Life insurance liabilities excluding liabilities for risk of policyholders	**53,277,516**	**51,718,880**	**700,612**	**720,963**	**53,978,128**	**52,439,843**
Life insurance liabilities for risk of policyholders	17,954,505	20,843,326	458,400	435,642	18,412,905	21,278,968
Life insurance liabilities	**71,232,021**	**72,562,206**	**1,159,012**	**1,156,605**	**72,391,033**	**73,718,811**
Investment contracts for risk of company	713,879	743,724			713,879	743,724
Investment contracts for risk of policyholders		50,632	33,572		33,572	50,632
Investment contracts liabilities	**713,879**	**794,356**	**33,572**		**747,451**	**794,356**
Insurance and investment contracts, reinsurance contracts	**71,945,900**	**73,356,562**	**1,192,584**	**1,156,605**	**73,138,484**	**74,513,167**

The “Liabilities for insurance and investment contracts” is presented gross in the balance sheet as “Insurance and investment contracts”. The related reinsurance is presented as “Reinsurance contracts” under Assets in the balance sheet.

The NN Leven insurance liabilities are approximately adequate at the 90% confidence level.

Changes in Life insurance liabilities

	Net life insurance liabilities[1]		Net liabilities for risk of policyholders[2]		Reinsurance contracts		Life insurance liabilities	
	2015	2014	2015	2014	2015	2014	2015	2014
Life insurance liabilities – Opening balance	51,718,880	45,953,687	20,843,326	18,057,721	1,156,605	1,193,128	73,718,811	65,204,536
Current years liabilities	1,881,650	2,004,693	601,174	898,460	9,707	9,996	2,492,531	2,913,149
Change in deferred profit sharing liability	-725,493	3,468,536					-725,493	3,468,536
Prior year liabilities								
-benefit payments to policyholders	-3,723,163	-3,781,390	-1,801,666	-1,311,134	-11,808	-14,658	-5,536,637	-5,107,182
-interest accrual and changes in fair value of liabilities	2,378,451	2,168,780			1,127	1,158	2,379,578	2,169,938
-valuation changes for risk of policyholders			652,691	3,813,900			652,691	3,813,900
Exchange rate differences	25,297	-939	10,435	-4,713	206	154	35,938	-5,498
Other changes[3]	1,721,894	1,905,513	-2,351,455	-610,908	3,175	-33,173	-626,386	1,261,432
Life insurance liabilities – Closing balance	**53,277,516**	**51,718,880**	**17,954,505**	**20,843,326**	**1,159,012**	**1,156,605**	**72,391,033**	**73,718,811**

1 Net of reinsurance and liabilities for risk of policyholders.
2 Net of reinsurance.
3 Other changes include insurance contracts for risk of policyholders with guarantees that were extended as general account contracts, and the transfer of certain insurance contracts. Furthermore, Other changes includes in 2014 EUR 1.3 billion related to a change in presentation of certain insurance liabilities for risk of policyholders that were previously presented net under Investments for risk of policyholders.

Where discounting is used in the calculation of life insurance liabilities, the rate is within the range of 1.8% to 4% (2014: 2.3% to 4%).

The reinsurance mainly concerns the reinsurance of the insurance operations of the branch in the Czech Republic.

To the extent that the assuming reinsurers are unable to meet their obligations, NN Leven is liable to its policyholders for the portion reinsured. Consequently, provisions are made for receivables on reinsurance contracts which are deemed uncollectable.

As at 31 December 2015, the total Reinsurance exposure, including Reinsurance contracts and Receivables from reinsurers (presented in Other assets) amounts to EUR 1,228 million (2014: EUR 1,178 million). There was no provision for uncollectable reinsurance.

Changes in Investment contracts

	2015	2014
Investment contracts - Opening balance	794,356	834,015
- payments to contract holders	-48,566	-39,790
- valuation changes for risk of policyholders	418	790
Exchange rate differences	1,243	-659
Investment contracts - Closing balance	**747,451**	**794,356**

Liabilities for (deferred) profit sharing and rebates

	2015	2014
Profit sharing for policyholders	259,195	241,361
Deferred profit sharing liability (individual)	5,692,887	6,416,108
Liabilities for (deferred) profit sharing and rebates	**5,952,082**	**6,657,469**

Notes to the Consolidated annual accounts – continued

Changes in Liabilities for (deferred) profit sharing and rebates

	2015	2014
Profit sharing for policyholders		
Liabilities for (deferred) profit sharing and rebates - Opening balance	241,361	266,973
Profit sharing allocated to policyholders	-48,582	-63,297
Profit sharing dependent on business results	66,625	36,441
Other changes	-209	1,244
Liabilities for (deferred) profit sharing and rebates - Closing balance	**259,195**	**241,361**
Deferred profit sharing liability (individual)		
Deferred profit sharing liability (individual) - Opening balance	6,416,108	2,948,596
Allocation of share in unrealised revaluations	-725,493	3,468,536
Other changes	2,272	-1,024
Deferred profit sharing liability (individual) - Closing balance	**5,692,887**	**6,416,108**

15 Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes only non-trading derivatives.

Non trading derivatives

	2015	2014
Derivatives used in:		
- cash flow hedges	173,293	107,947
- hedges of net investments in foreign operations		12,986
Other non-trading derivatives	365,331	1,491,909
Non-trading derivatives	**538,624**	**1,612,842**

Other non-trading derivatives mainly consist of interest rate swaps for which no hedge accounting is applied.

16 Other liabilities

Other liabilities

	2015	2014
Deferred tax liabilities	1,875,737	2,137,057
Income tax payable		57,233
Other staff-related liabilities	240	95
Other taxation and social security contributions	46,111	58,470
Deposits from reinsurers	1,114,555	1,077,796
Accrued interest	74,771	144,040
Costs payable	26,696	12,627
Amounts payable to brokers	2,056	2,313
Amounts payable to policyholders	509,859	494,384
Reorganisation provisions	9,055	27,454
Other provisions	10,317	15,586
Amounts to be settled	124,750	245,103
Other	47,574	485,915
Other liabilities	**3,841,721**	**4,758,073**

Disclosures in respect of Deferred tax liabilities are provided in Note 27 "Taxation".
Other mainly relates to year-end accruals in the normal course of business. In 2014 this included a one-off amount of EUR 420 million amount for the acquisition of a pension contract.

Changes in Reorganisation provisions

	2015	2014
Reorganisation provisions - Opening balance	27,454	65,061
Additions	9,280	10,867
Releases	-1,077	-13,763
Charges	-26,602	-33,279
Other changes		-1,432
Reorganisation provisions - Closing balance	**9,055**	**27,454**

In 2012 and 2013 reorganisation provisions were recognised for the insurance operations in the Netherlands following the initiative to accelerate the transformation programme in preparation for the stand-alone future of NN Group. In response to changing customer preferences and market dynamics, NN Group undertook actions to regain customer trust, diversify distribution channels, implement a new product range and increase efficiency.

In 2015 EUR 9,280 thousand (2014: EUR 10,867 thousand) was added to the reorganisation provision, due to additional initiatives announced during 2015. The remaining provision at the balance sheet date represents the best estimate of the expected future redundancy costs and is expected to be sufficient to cover the remaining costs of the restructuring programme.

17 Gross premium income

Premiums written – net of reinsurance

	Gross		Reinsurance		Net of reinsurance	
	2015	2014	2015	2014	2015	2014
Insurance for risk of insurer	2,098,784	2,162,909	97,079	100,814	2,001,705	2,062,095
Insurance for risk of policyholders	765,706	1,106,062	88,263	95,872	677,443	1,010,190
Total	**2,864,490**	**3,268,971**	**185,342**	**196,686**	**2,679,148**	**3,072,285**

Gross premium income (2015)

	Insurance for risk of insurer			Insurance for risk of policyholders		
	Gross	Reinsurance	Net of reinsurance	Gross	Reinsurance	Net of reinsurance
Regular premiums						
Individual						
– without profit sharing	256,104	43,088	213,016	282,486	72,945	209,541
– with profit sharing	493,110	52,685	440,425			
	749,214	**95,773**	**653,441**	**282,486**	**72,945**	**209,541**
Group						
– without profit sharing	14,688		14,688	169,136		169,136
– with profit sharing	441,492	1,303	440,189	196,350	199	196,151
	456,180	**1,303**	**454,877**	**365,486**	**199**	**365,287**
Total regular premiums	**1,205,394**	**97,076**	**1,108,318**	**647,972**	**73,144**	**574,828**
Single premiums						
Individual						
– without profit sharing	92,289		92,289	18,387	15,119	3,268
– with profit sharing	224,740	3	224,737			
	317,029	**3**	**317,026**	**18,387**	**15,119**	**3,268**
Group						
– without profit sharing	14,718		14,718	37,904		37,904
– with profit sharing	561,643		561,643	61,443		61,443
	576,361		**576,361**	**99,347**		**99,347**
Total single premiums	**893,390**	**3**	**893,387**	**117,734**	**15,119**	**102,615**
Total Gross premium income	**2,098,784**	**97,079**	**2,001,705**	**765,706**	**88,263**	**677,443**

Gross premium income is presented before deduction of reinsurance and retrocession premiums. Gross premium income excludes premium received for investment contracts, for which deposit accounting is applied.

Gross premium income (2014)

	Insurance for risk of insurer			Insurance for risk of policyholders		
	Gross	Reinsurance	Net of reinsurance	Gross	Reinsurance	Net of reinsurance
Regular premiums						
Individual						
– without profit sharing	288,400	44,439	243,961	330,065	80,575	249,490
– with profit sharing	590,220	55,815	534,405			
	878,620	**100,254**	**778,366**	**330,065**	**80,575**	**249,490**
Group						
– without profit sharing	3,045	8	3,037	210,441		210,441
– with profit sharing	459,414	528	458,886	294,783	245	294,538
	462,459	**536**	**461,923**	**505,224**	**245**	**504,979**
Total regular premiums	**1,341,079**	**100,790**	**1,240,289**	**835,289**	**80,820**	**754,469**
Single premiums						
Individual						
– without profit sharing	112,936		112,936	19,303	15,052	4,251
– with profit sharing	401,960	24	401,936			
	514,896	**24**	**514,872**	**19,303**	**15,052**	**4,251**
Group						
– without profit sharing	5,183		5,183	49,414		49,414
– with profit sharing	301,751		301,751	202,056		202,056
	306,934		**306,934**	**251,470**		**251,470**
Total single premiums	**821,830**	**24**	**821,806**	**270,773**	**15,052**	**255,721**
Total life insurance premiums	**2,162,909**	**100,814**	**2,062,095**	**1,106,062**	**95,872**	**1,010,190**

Geographical segmentation of gross premium income

	2015	2014
Netherlands	2,689,086	3,084,334
Other EU member states	175,404	184,637
Total	**2,864,490**	**3,268,971**

Reference is made to Note 22 “Underwriting expenditure” for disclosure on reinsurance ceded.

18 Investment income

Investment income

	2015	2014
Interest income from investments in debt securities	1,113,752	1,093,273
Interest income from loans:		
- unsecured loans	138,936	166,813
- mortgage loans	452,790	445,744
- policy loans	1,383	1,825
- other	75,588	147,520
Interest income from investments in debt securities and loans	**1,782,449**	**1,848,036**
Realised gains/losses on disposal of Available-for-sale debt securities	113,198	-7,084
Realised gains/losses of Available-for-sale debt securities	**113,198**	**-7,084**
Realised gains/losses on disposal of Available-for-sale equity securities	214,129	6,110
Impairments of Available-for-sale equity securities	-101,971	-135,957
Realised gains/losses and impairments of Available-for-sale equity securities	**112,158**	**-129,847**
Interest income on non-trading derivatives	325,891	454,438
Income from real estate investments	86,412	58,427
Dividend income	176,002	157,909
Increase in loan loss provisions	-21,357	-7,139
Change in fair value of real estate investments	22,331	-11,523
Investment income	**2,597,084**	**2,370,356**

19 Net fee and commission income

Net fee and commission income

	2015	2014
Asset management fees	20,200	27,400
Other	3,799	4,829
Gross fee and commission income	**23,999**	**32,229**
Asset management fees	-107,221	-94,839
Insurance brokerage and advisory fees	-2,211	-2,257
Other	-48	-117
Fee and commission expenses	**-109,480**	**-97,213**
Net Fee and commission income	**-85,481**	**-64,984**

20 Valuation results on non-trading derivatives

Valuation results on non-trading derivatives

	2015	2014
Change in fair value of derivatives relating to:		
- cash flow hedges (ineffective portion)	-27,417	-31,780
- other non-trading derivatives	-37,643	334,613
Net result on non-trading derivatives	**-65,060**	**302,833**
Valuation results on assets and liabilities designated as at fair value through profit or loss (excluding trading)	4,322	3,409
Valuation results on non-trading derivatives	**-60,738**	**306,242**

Included in Valuation results on non-trading derivatives are the fair value movements on derivatives used to economically hedge exposures, but for which no hedge accounting is applied. These derivatives hedge exposures in insurance contract liabilities. The fair value movements on the derivatives are influenced by changes in the market conditions, such as share prices, interest rates and currency exchange rates. The change in fair value of the derivatives is largely offset by changes in insurance contract liabilities, which are included in Underwriting expenditure.

Reference is made to Note 22 "Underwriting expenditure".

Valuation results on non-trading derivatives are reflected in the Consolidated statement of cash flows in the section "Result before tax", in the line item "Adjusted for: other".

Reference is made to Note 30 "Derivatives and hedge accounting".

21 Foreign currency results and net trading income

Foreign currency results and net trading income

	2015	2014
Foreign currency results	71,920	75,164
Net trading income	-16,395	-19,194
Foreign currency results and net trading income	**55,525**	**55,970**

22 Underwriting expenditure

Underwriting expenditure

	2015	2014
Gross underwriting expenditure		
- before effect of investment result for risk of policyholders	4,162,569	5,032,484
- effect of investment result for risk of policyholders	652,557	3,836,936
Gross underwriting expenditure	**4,815,126**	**8,869,420**
Investment income for risk of policyholders	-652,557	-3,836,936
Reinsurance recoveries	-164,150	-224,415
Underwriting expenditure	**3,998,419**	**4,808,069**

The investment income and valuation results regarding investments for risk of policyholders is EUR 653 million (2014: EUR 3,837 million), This amount is recognised in "Underwriting expenditure". As a result it is shown together with the equal amount of related change in life insurance liabilities for risk of policyholders.

Notes to the Consolidated annual accounts – continued

Underwriting expenditure

	2015	2014
Reinsurance and retrocession premiums	185,342	196,686
Gross benefits	4,562,831	4,870,579
Reinsurance recoveries	-164,150	-224,415
Change in life insurance liabilities	-681,588	-192,865
Costs of acquiring insurance business	53,760	67,731
Other underwriting expenditure	15,267	65,705
Profit sharing and rebates	26,957	24,648
Underwriting expenditure	**3,998,419**	**4,808,069**

Gross Benefits

	2015	2014
Surrenders	930,188	1,162,768
Payments upon maturity	1,688,088	1,714,803
Payments upon death	158,000	158,858
Annuities and other periodic payments	1,761,348	1,806,445
Other	25,207	27,705
Gross benefits	**4,562,831**	**4,870,579**

Costs of acquiring insurance business

	2015	2014
Changes in acquisitions costs	30,746	37,717
Brokerage fee	22,181	29,994
Other commissions	833	20
Costs of acquiring insurance business	**53,760**	**67,731**

Profit sharing and rebates

	2015	2014
Distributions on account of interest or underwriting results	-39,668	-11,792
Bonuses added to policies[1]	66,625	36,440
Profit sharing and rebates	**26,957**	**24,648**

1 The Bonuses added to policies consists of NN Leven and RVS Leven policyholders' share in the profit, whereby both profit sharing schemes are being maintained. For more information reference is made to the section "Profit sharing for policyholders".

23 Staff expenses

Staff expenses

	2015	2014
Salaries	116,408	136,436
Pension costs	23,523	346,579
Social security costs	16,392	19,973
Share-based compensation arrangements	1,345	484
External staff costs	67,261	66,025
Education	1,892	2,341
Other staff costs	4,920	4,594
Staff expenses	**231,741**	**576,432**

NN Leven staff are employed by NN Insurance Personeel B.V. NN Leven is charged for its staff expenses by NN Insurance Personeel B.V., under a service level agreement. Although these costs are not paid out in the form of staff expenses by NN Leven, they do have the characteristics of staff expenses and they are therefore recognised as such. A provision for holiday entitlement and bonuses is recognised by NN Insurance Personeel B.V. Actual costs will be charged to NN Leven as per when accrued by NN Insurance Personeel B.V.

Pension costs

Defined benefit plans

In February 2014, ING Group reached an agreement with the various stakeholders to transfer all future funding and indexation obligations under the defined benefit plan in the Netherlands to the Dutch ING DB Pension Fund. The agreement made the Dutch ING DB Pension Fund financially independent. In 2014, NN Group recognised a charge of EUR 541 million in profit or loss related to the Dutch defined benefit pension plan settlement. Of this impact EUR 322 million was allocated as a charge to NN Leven.

Defined contribution plans

NN Leven is one of the sponsors of the NN Group’s defined contribution plan (NN CDC Pensioenfonds). The assets of all NN Group’s defined contribution plans are held in independently administered funds. Contributions are generally determined as a percentage of pay. These plans do not give rise to balance sheet provisions, other than relating to short-term timing differences included in other assets/liabilities.

Number of employees

	2015	2014
Netherlands - average number of employees on full-time equivalent basis	1,711	1,926
Rest of Europe - average number of employees on full-time equivalent basis	271	282
Number of employees	**1,982**	**2,208**

Remuneration of Management Board and Supervisory Board

Reference is made to Note 41 “Key management personnel compensation”.

Share plans

NN Group has granted shares to a number of senior executives of NN Leven. The purpose of the share schemes is, to attract, retain and motivate senior executives.

The entitlement to the share awards is granted conditionally. If the participant remains in employment for an uninterrupted period between the grant date and the vesting date, the entitlement becomes unconditional. In addition to the employment condition, the performance shares contain a performance condition. A one year retention period applies from the moment of grant respectively vesting of these awards. .

Per the date of settlement of the IPO in 2014, all outstanding share awards on ING Groep N.V. shares, NN Group's ultimate parent company in 2014, were converted into awards on NN Group N.V. shares (for employees in active employment with NN Group on the IPO date). The outstanding option awards on ING Groep N.V. shares which are all fully vested, remained unchanged.

Share awards on NN Group shares (2015)

	Share awards (in number)	Weighted average grant date fair value (in euros)
Share awards outstanding - Opening balance	81,703	14.41
Granted	35,751	26.38
Performance effect	2,501	15.06
Vested	-64,091	15.45
Forfeited	-2,592	15.65
Share awards outstanding- Closing balance	**53,272**	**19.47**

In 2015, 21,592 share awards on NN Group shares were granted to the members of the Management Board of NN Leven. To other employees of NN Leven 14,159 share awards on NN Group shares were granted.

As at 31 December 2015 the share awards on NN Group shares consist of 53,272 share awards relating to equity-settled share based payment arrangements.

NN Group grants NN Group shares to employees of NN Leven. NN Leven accounts for these share awards as equity-settled. The expenses of these share awards are allocated over the vesting period of the share awards and included in the Staff expenses with a corresponding increase in shareholder's equity.

As at 31 December 2015 total unrecognised compensation costs related to share awards amount to EUR 405 thousand. These costs are expected to be recognised over an average period of 1.4 years.

Sharesave Plan

In August 2014, NN Group introduced a "Sharesave" plan, which is open to all employees. Under the plan, from August 2014, eligible employees can save a fixed monthly amount of between EUR 25 and EUR 250 for a period of three years. At the end of the three-year period, employees will receive their savings together with a gross gain, if at the end of the three-year period the NN Group share price exceeds the initial trading price of NN Group shares on the Amsterdam Stock Exchange on 7 July 2014. The gross gain is limited to a 100% increase in the share price and is paid in cash. If an employee leaves the plan or if the share price is equal to or less than the initial trading price, the amount contributed by the employee is repaid.

The plan is accounted for as a cash-settled share-based payment plan. The expense recognised in Staff expenses by NN Leven for the "Sharesave Plan" amounts to EUR 531 thousand (2014: EUR 199 thousand).

Notes to the Consolidated annual accounts – continued

24 Interest expenses

Interest expenses

	2015	2014
Interest expenses on non-trading derivatives	103,008	218,526
Other interest expenses	48,429	45,287
Interest expenses	**151,437**	**263,813**

Other interest expenses mainly consists of interest on the Subordinated debt.

In 2015, total interest income and total interest expenses for items not valued at fair value through profit or loss were EUR 1,782 million and EUR 48 million respectively (2014: EUR 1,848 million and EUR 45 million respectively),

Interest income and expenses are included in the following profit and loss account lines:

Total net interest income

	Notes	2015	2014
Investment income	18	2,108,340	2,302,474
Interest expenses on non-trading derivatives		103,008	218,526
Other interest expenses		48,429	45,287
Total net interest income		**2,259,777**	**2,566,287**

25 Other operating expenses

Other operating expenses

	2015	2014
Depreciation of equipment	60	806
Amortisation of software	330	13,817
Computer costs	48,736	54,097
Office expenses	26,508	36,674
Travel and accommodation expenses	3,401	1,654
Advertising and public relations	8,804	6,588
External advisory fees	17,860	25,767
Additions/releases for reorganisation provisions	8,203	-2,896
Allocated staff expenses head office support functions	30,202	25,431
Allocated staff expenses services	38,768	46,944
Other	18,755	7,777
Other operating expenses	**201,627**	**216,659**

For Additions/releases for reorganisation provisions reference is made to the disclosure on the reorganisation provisions in Note 16 “Other liabilities”.

26 Interest and dividend included in net cash flow

Interest and dividend received or paid

	2015	2014
Interest received	2,197,106	2,272,096
Interest paid	-151,559	-263,853
Dividend received	359,985	236,568
Dividend paid	-765,000	-15,000

Interest received, interest paid and dividend received are included in operating activities in the Consolidated statement of cash flows. Dividend paid is included in financing activities in the Consolidated statement of cash flows.

27 Taxation

NN Leven is part of the Dutch fiscal unity for corporate income tax purposes of NN Group making it jointly and severally liable for the total tax payable by the fiscal unity. The tax receivables and payables concern the receivables and payables of NN Group. "Income tax payable" concerns tax payable to NN Group for the most recent quarter.

Deferred tax (2015)

	Net liability 2014[1]	Changes through equity	Changes through net result	Other changes	Exchange rate differences	Net liability 2015[1]
Investments	2,535,758	-357,108	-46,986	-2,505	465	2,129,624
Real estate investments	92,416		39,384	8,129		139,929
Acquisition costs	50,840		2,634		58	53,532
Fiscal equalisation reserve	337					337
Depreciation	-241		-78		-6	-325
Insurance liabilities	-1,993,012	180,421	46,534	-414	-561	-1,767,032
Cash flow hedges	1,458,837	-142,033				1,316,804
Other provisions	-7,120		4,420		-9	-2,709
Receivables	-1,102		184		-25	-943
Loans	-2,175					-2,175
Unused tax losses carried forward	-14,834		-14,836	-3,255		-32,925
Other	17,353	-3,824	28,149	-197	85	41,566
Deferred tax	**2,137,057**	**-322,544**	**59,405**	**1,758**	**7**	**1,875,683**
Presented in the balance sheet as:						
Deferred tax	2,137,057					1,875,737
Deferred tax assets						-54
Deferred tax	**2,137,057**					**1,875,683**

1 positive amounts are liabilities, negative amounts are assets.

Notes to the Consolidated annual accounts – continued

Deferred tax (2014)

	Net liability 2013[1]	Changes through equity	Changes through net result	Other changes	Exchange rate differences	Net liability 2014[1]
Investments	608,625	1,754,055	-1,165	174,450	-207	2,535,758
Real estate investments	282,423		7,191	-197,198		92,416
Acquisition costs	46,635		4,235		-30	50,840
Fiscal equalisation reserve	337					337
Depreciation	-167		-77		3	-241
Insurance liabilities	-1,145,613	-862,528	14,877		252	-1,993,012
Cash flow hedges	883,105	575,732				1,458,837
Other provisions	-16,053		8,929		4	-7,120
Receivables	-1,313		198		13	-1,102
Loans	-2,156	1,216	8	-1,243		-2,175
Unused tax losses carried forward	-17,388		-929	3,483		-14,834
Other	33,426	-17,293	1,409	-154	-35	17,353
Deferred tax	**671,861**	**1,451,182**	**34,676**	**-20,662**	**0**	**2,137,057**

Presented in the balance sheet as:		
Deferred tax liabilities	671,995	2,137,057
Deferred tax assets	-134	
Deferred tax	**671,861**	**2,137,057**

1 positive amounts are liabilities, negative amounts are assets.

The portion of the provision for deferred taxes, that relates to REI Investment I B.V. and is not part of the fiscal unity, amounts to EUR 39,811 (a liability) (2014: EUR 19,362 (an asset)).

Deferred tax on unused tax losses carried forward

	2015	2014
Total unused tax losses carried forward	195,571	195,517
Unused tax losses carried forward not recognised as a deferred tax asset[1]	-76,866	-151,601
Unused tax losses carried forward recognised as a deferred tax asset[2]	**118,705**	**43,916**
Average tax rate	27.7%	33.8%
Deferred tax asset	**32,925**	**14,834**

1 Unused tax losses carried forward that are not recognised as a deferred tax asset come from the subsidiaries Private Equity investments II B.V and REI Investment I B.V. This item is not recognised as a deferred tax asset due to uncertainty as to whether it can be used to offset tax gains in the future.
2 Unused tax losses carried forward that are recognised as a deferred tax asset come from the subsidiaries Private Equity Investments II B.V. and REI Investment I B.V.

Tax losses carried forward will expire as follows as at 31 December:

Total unused tax losses carried forward analysed by expiry items

	No deferred tax asset recognised		Deferred tax asset recognised	
	2015	2014	2015	2014
Within 1 year		28,686		
More than 1 year but less than 5 years	10,216	61,892	63,200	
Unlimited	66,650	61,023	55,505	43,916
Total	**76,866**	**151,601**	**118,705**	**43,916**

Deferred tax assets are recognised for temporary deductible differences, for tax losses carried forward and unused tax credits only to the extent that realisation of the related tax benefit is probable.

Notes to the Consolidated annual accounts – continued

Taxation on result

	2015	2014
Current tax	58,893	7,808
Deferred tax	59,405	34,676
Taxation on result	**118,298**	**42,484**

The 2015 taxation changed by EUR 76 million to EUR 118 million from EUR 42 million in the previous year. This increase was mainly caused by higher result before tax compared with 2014.

Reconciliation of the weighted average statutory tax rate to NN Leven's effective tax rate

	2015	2014
Result before tax	1,259,079	325,425
Weighted average statutory tax rate	25.0%	25.0%
Weighted average statutory tax amount	**314,770**	**81,357**
Associates exemption	-153,087	-13,618
Other income not subject to tax	-24,422	-18,804
Expenses not deductible for tax purposes	-78	-907
Impact on deferred tax from change in tax rates	42	-1,472
Deferred tax benefit from previously not recognised amounts	-15,800	
Adjustments to prior periods	-3,127	-4,072
Effective tax amount	**118,298**	**42,484**
Effective tax rate	**9.4%**	**13.1%**

The weighted average statutory tax rate in 2015 was 25% (2014: 25%).

The effective tax rate in 2015 of 9.4% was significantly lower than the weighted average statutory tax rate of 25.0% and the effective tax rate in 2014 of 13.1%. This is mainly a result of (higher) non-taxable income (mainly the tax exempt income on results from associates) as well as the recognition in 2015 of certain deferred tax assets on unused tax losses carried forward that were previously not recognised.

Taxation on components of other comprehensive income

	2015	2014
Unrealised revaluations Available-for-sale investments and other	358,888	-1,256,748
Realised gains/losses transferred to the profit and loss account	-1,183	-132,112
Changes in cash flow hedge reserve	145,968	-320,707
Deferred interest credited to policyholders	-180,421	521,059
Exchange rate differences		2,403
Income tax	**323,252**	**-1,186,105**

28 Fair value of financial assets and liabilities

The following table presents the estimated fair value of NN Leven's financial assets and liabilities. Certain balance sheet items are not included in the table, as they do not meet the definition of a financial asset or liability. The aggregation of the fair value presented below does not represent, and should not be construed as representing, the underlying value of NN Leven.

Fair value of financial assets and liabilities

	Estimated fair value		Balance sheet value	
	2015	**2014**	**2015**	**2014**
Financial assets				
Cash and cash equivalents	169,309	91,243	169,309	91,243
Financial assets at fair value through profit or loss:				
– trading assets				
– investments for risk of policyholders	18,006,193	20,879,843	18,006,193	20,879,843
– non-trading derivatives	3,057,161	5,356,174	3,057,161	5,356,174
– designated as at fair value through profit or loss	137,147	86,356	137,147	86,356
Available-for-sale investments	48,068,892	45,701,697	48,068,892	45,701,697
Loans	20,631,259	20,004,353	18,819,967	18,722,154
Other assets[1]	1,448,164	1,536,769	1,448,164	1,536,769
Financial assets	**91,518,125**	**93,656,435**	**89,706,833**	**92,374,236**
Financial liabilities				
Subordinated debt	639,420	661,560	600,000	600,000
Other borrowed funds	2,034,339	747,555	2,053,759	747,555
Investment contracts for risk of company	755,652	814,318	713,879	743,724
Investment contracts for risk of policyholders	33,572	50,632	33,572	50,632
Financial liabilities at fair value through profit or loss:				
– non-trading derivatives	538,624	1,612,842	538,624	1,612,842
Other liabilities[2]	1,900,261	2,462,178	1,900,261	2,462,178
Financial liabilities	**5,901,868**	**6,349,085**	**5,840,095**	**6,216,931**

1 Other assets does not include (deferred) tax assets and property obtained from foreclosures.
2 Other liabilities does not include (deferred) tax liabilities, insurance liabilities, other provisions and other taxation and social security contributions.

The estimated fair value represents the price at which an orderly transaction to sell the financial asset or to transfer the financial liability would take place between market participants at the balance sheet date ("exit price"). The fair value of financial assets and liabilities is based on unadjusted quoted market prices, where available. Such quoted market prices are primarily obtained from exchange prices for listed instruments. Where an exchange price is not available market prices are obtained from independent market vendors, brokers or market makers. Because substantial trading markets do not exist for all financial instruments, various techniques have been developed to estimate the approximate fair value of financial assets and liabilities that are not actively traded. The fair value presented may not be indicative of the net realisable value. In addition, the calculation of the estimated fair value is based on market conditions at a specific point in time and may not be indicative of the future fair value.

The following methods and assumptions were used by NN Leven to estimate the fair value of the financial instruments:

Cash and cash equivalents
Cash and cash equivalents are recognised at their nominal value which approximates the fair value.

Financial assets and liabilities at fair value through profit or loss and Available-for-sale investments

Derivatives
Derivative contracts can either be exchange-traded or over the counter (OTC). The fair value of exchange-traded derivatives is determined using quoted market prices in an active market and those derivatives are classified in Level 1 of the fair value hierarchy. For those instruments that are not actively traded, the fair value is estimated based on valuation techniques. OTC derivatives and derivatives trading in an inactive market are valued using valuation techniques because quoted market prices in an active market are not available for such instruments. The valuation techniques and inputs depend on the type of derivative and the nature of the underlying instruments. The principal techniques used to

value these instruments are based on discounted cash flows, Black-Scholes option models and Monte Carlo simulation. These valuation models calculate the present value of expected future cash flows, based on “no arbitrage” principles. These models are commonly used in the financial industry. Inputs to valuation models are determined from observable market data where possible. Certain inputs may not be observable in the market directly, but can be determined from observable prices via valuation model calibration procedures. The inputs used include prices available from exchanges, dealers, brokers or providers of pricing, yield curves, credit spreads, default rates, recovery rates, dividend rates, volatility of underlying interest rates, equity prices and foreign currency exchange rates. These inputs are determined with reference to quoted prices, recently executed trades, independent market quotes and consensus data, where available.

Equity securities
The fair value of publicly traded equity securities is determined using quoted market prices when available. Where no quoted market prices are available, fair value is determined based on quoted prices for similar securities or other valuation techniques. In the absence of quoted prices in an active market, fair value is estimated on the basis of an analysis of the investee’s financial position and results, risk profile, prospects, price, earnings comparisons and revenue multiples and by reference to market valuations for similar entities quoted in an active market.

Debt securities
The fair value for debt securities is based on quoted market prices, where available. Quoted market prices may be obtained from an exchange, dealer, broker, industry group, pricing service or regulatory service. If quoted prices in an active market are not available, fair value is based on an analysis of available market inputs, which may include values obtained from one or more pricing services or by a valuation technique that discounts expected future cash flows using market interest rate curves, referenced credit spreads, maturity of the investment and estimated prepayment rates where applicable.

Loans
For loans and advances that are repriced frequently and have had no significant changes in credit risk, carrying values represent a reasonable estimate of the fair value. The fair value of other loans is estimated by discounting expected future cash flows using a discount rate that reflects credit risk, liquidity and other current market conditions. The fair value of mortgage loans is estimated by taking into account prepayment behaviour. Loans with similar characteristics are aggregated for calculation purposes.

Other assets
Other assets are stated at their carrying value which is not significantly different from their fair value.

Subordinated debt
The fair value of the Subordinated debt is estimated using discounted cash flows based on interest rates and credit spreads that apply to similar instruments.

Other borrowed funds
The fair value of Other borrowed funds is generally based on quoted market prices or, if not available, on estimated prices by discounting expected future cash flows using a current market interest rate and credit spreads applicable to the yield, credit quality and maturity.

Investment contracts
For Investment contracts for risk of company the fair value is estimated using a discounted cash flow approach based on interest rates currently being offered for similar contracts with maturities consistent with those remaining for the contracts being valued. For investment contracts for risk of policyholders the fair value generally equals the fair value of the underlying assets.

Other liabilities
The Other liabilities are stated at their carrying value which is not significantly different from their fair value.

Financial assets and liabilities at fair value
The fair value of the financial instruments carried at fair value was determined as follows:

Methods applied in determining the fair value of financial assets and liabilities (2015)

	Level 1	Level 2	Level 3	Total
Financial assets				
Investments for risk of policyholders	14,868,136	2,325,021	813,036	18,006,193
Non-trading derivatives	4,555	3,052,606		3,057,161
Financial assets designated as at fair value through profit or loss	53,644	81,346	2,157	137,147
Available-for-sale investments	35,944,244	10,896,854	1,227,794	48,068,892
Financial assets	**50,870,579**	**16,355,827**	**2,042,987**	**69,269,393**
Financial liabilities				
Investment contracts for risk of policyholders		33,572		33,572
Non-trading derivatives	3,845	534,779		538,624
Financial liabilities	**3,845**	**568,351**		**572,196**

Methods applied in determining the fair value of financial assets and liabilities (2014)

	Level 1	Level 2	Level 3	Total
Financial assets				
Investments for risk of policyholders	17,194,296	3,071,418	614,129	20,879,843
Non-trading derivatives	223	5,355,951		5,356,174
Financial assets designated as at fair value through profit or loss	48,582	37,774		86,356
Available-for-sale investments	35,986,763	8,503,419	1,211,515	45,701,697
Financial assets	**53,229,864**	**16,968,562**	**1,825,644**	**72,024,070**
Financial liabilities				
Investment contracts for risk of policyholders		50,632		50,632
Non-trading derivatives	3,157	1,609,685	0	1,612,842
Financial liabilities	**3,157**	**1,660,317**	**0**	**1,663,474**

NN Leven has categorised its financial instruments that are either measured in the balance sheet at fair value or for which the fair value is disclosed, into a three level hierarchy based on the priority of the inputs to the valuation. The fair value hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to valuation techniques supported by unobservable inputs. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide reliable pricing information on an ongoing basis.

The fair value hierarchy consists of three levels, depending on whether the fair value is determined based on (unadjusted) quoted prices in an active market (Level 1), valuation techniques with observable inputs (Level 2) or valuation techniques that incorporate inputs which are unobservable and which have a more than insignificant impact on the fair value of the instrument (Level 3). Financial assets in Level 3 include, for example, illiquid debt securities, complex OTC and credit derivatives, certain complex loans (for which current market information about similar assets to use as observable, corroborated data for all significant inputs into a valuation model is not available), mortgage loans and investments in real estate funds.

Observable inputs reflect market data obtained from independent sources. Unobservable inputs are inputs which are based on NN Leven's own assumptions about the factors that market participants would use in pricing an asset or liability, developed based on the best information available in the circumstances. Unobservable inputs may include volatility, correlation, spreads to discount rates, default rates and recovery rates, prepayment rates and certain credit spreads. Transfers into and transfers out of levels in the fair value hierarchy are recognised on the date of the event or change of circumstances that caused the transfer.

Notes to the Consolidated annual accounts – continued

Level 1 – (Unadjusted) quoted prices in active markets
This category includes financial instruments whose fair value is determined directly by reference to published quotes in an active market that NN Leven can access. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions with sufficient frequency and volume to provide reliable pricing information on an ongoing basis.

Level 2 – Valuation technique supported by observable inputs
This category includes financial instruments whose fair value is determined using a valuation technique (e.g. a model), where inputs in the model are taken from an active market or are observable. If certain inputs in the model are unobservable the instrument is still classified in this category, provided that the impact of those unobservable inputs elements on the overall valuation is insignificant. Included in this category are items whose value is derived from quoted prices of similar instruments, but for which the prices are modified based on other market observable external data and items whose value is derived from quoted prices but for which there was insufficient evidence of an active market.

Level 3 – Valuation technique supported by unobservable inputs
This category includes financial instruments whose fair value is determined using a valuation technique (e.g. a model) for which more than an insignificant part of the inputs in terms of the overall valuation are not market observable. This category also includes financial assets and liabilities whose fair value is determined by reference to price quotes but for which the market is considered inactive. An instrument is classified in its entirety as Level 3 if a significant portion of the instrument's fair value is driven by unobservable inputs. Unobservable in this context means that there is little or no current market data available from which the price at which an orderly transaction would likely occur can be derived.

Changes in Level 3 Financial assets (2015)

	Investments for risk of policyholders	Financial assets designated as at fair value through profit or loss	Available-for-sale investments	Total
Level 3 Financial assets - Opening balance	614,129		1,377,711	1,991,840
Amounts recognised in the profit and loss account during the year	3,623		11,170	14,793
Revaluations recognised in Other comprehensive income (equity) during the year			63,402	63,402
Purchases of assets	45,513		214,649	260,162
Sale of assets	-7,202		-203,984	-211,186
Maturity/settlement			-27,025	-27,025
Transfers into Level 3	156,973			156,973
Transfers out of Level 3			-176,507	-176,507
Changes in the composition of the group and other changes		2,157	-39,045	-36,888
Exchange rate differences			7,423	7,423
Level 3 Financial assets - Closing balance	**813,036**	**2,157**	**1,227,794**	**2,042,987**

Notes to the Consolidated annual accounts – continued

Changes in Level 3 Financial assets (2014)

	Trading assets	Investments for risk of policyholders	Available-for-sale investments	Total
Level 3 Financial assets - Opening balance after adjustment	720,200	560,572	1,620,349	2,901,121
Adjustment private equity	-720,200		-172,343	-892,543
Level 3 Financial assets - Opening balance after adjustment	0	560,572	1,448,006	2,008,578
Amounts recognised in the profit and loss account during the year		25,922	-73,762	-47,840
Revaluations recognised in Other comprehensive income (equity) during the year			111,730	111,730
Purchases of assets		28,047	78,071	106,118
Sale of assets		-412	-58,002	-58,414
Transfers into Level 3				
Transfers out of Level 3			-307,937	-307,937
Other changes				
Changes in the composition of the group and other changes				
Exchange rate differences			13,409	13,409
Level 3 Financial assets - Closing balance	**0**	**614,129**	**1,211,515**	**1,825,644**

Level 3 - Amounts recognised in the profit and loss account during the year (2015)

	Held at balance sheet date	Derecognised during the year	Total
Financial assets			
Investments for risk of policyholders	3,623		3,623
Available-for-sale investments	-6,555	17,725	11,170
Amounts recognised in the profit and loss account during the year	**-2,932**	**17,725**	**14,793**

Level 3 - Amounts recognised in the profit and loss account during the year (2014)

	Held at balance sheet date	Derecognised during the year	Total
Financial assets			
Investments for risk of policyholders	25,922		25,922
Available-for-sale investments	-73,762		-73,762
Amounts recognised in the profit and loss account during the year	**-47,840**		**-47,840**

Level 3 Financial assets at fair value

Financial assets measured at fair value in the balance sheet as at 31 December 2015 of EUR 69,269 million (2014: EUR 72,335 million) include an amount of EUR 2,043 million (2.9 %) that is classified as Level 3 (2014: EUR 1,826 million (2.5 %)). Changes in Level 3 are disclosed above in the table “Level 3 Financial assets”.

Financial assets in Level 3 include both assets for which the fair value was determined using valuation techniques that incorporate unobservable inputs and assets for which the fair value was determined using quoted prices, but for which the market was not actively trading at or around the balance sheet date. Unobservable inputs are inputs which are based on NN Leven’s own assumptions about the factors that market participants would use in pricing an asset, developed based on the best information available in the circumstances. Unobservable inputs may include volatility, correlation, spreads to discount rates, default rates and recovery rates, prepayment rates and certain credit spreads. Fair values that are determined using valuation techniques using unobservable inputs are sensitive to the inputs used. Fair values that are determined using quoted prices are not sensitive to unobservable inputs, as the valuation is based on unadjusted external price quotes. These are classified in Level 3 as a result of the illiquidity in the relevant market, but are not significantly sensitive to NN Leven’s own unobservable inputs.

Notes to the Consolidated annual accounts – continued

Unrealised gains and losses that relate to Level 3 financial assets are included in the profit and loss account as follows:

- those relating to investments for risk of policyholders are included in Underwriting expenditure;
- those relating to non-trading derivatives are included in Valuation results on non-trading derivatives; and
- those relating to financial assets designated as at fair value through profit or loss are included in Valuation results on non-trading derivatives - Valuation results on assets and liabilities designated as at fair value through profit or loss (excluding trading).

Unrealised gains and losses that relate to Available-for-sale investments are recognised in Other comprehensive income (equity) and included in Reserves in the line Unrealised revaluations Available-for-sale investments and other.

Investments for risk of policyholders

Of the EUR 2,043 million (2014: EUR 1,826 million), Level 3 investments EUR 813 million (2014: EUR 614 million) relates to investments for risk of policyholders. Therefore Net result is unaffected by reasonable changes in the fair value of these investments.

Available-for-sale investments

The Available-for-sale investments of EUR 1,228 million classified as level 3 Financial assets as at 31 December 2015 (2014: EUR 1,378 million) mainly consists of investments in debt securities and shares in real estate investment funds of which the fair value is determined using (unadjusted) quoted prices in inactive markets for the securities or quoted prices obtained from the asset managers of the funds. It is estimated that a 10% change in valuation of these investments would have no impact on Net result but would increase or reduce Shareholder's equity by EUR 123 million (2014: EUR 138 million), being approximately 0.8% (before tax) (2014: 0.9% (before tax), of total equity.

Financial assets and liabilities at amortised cost

The fair value of the financial instruments carried at amortised cost in the balance sheet (where fair value is disclosed) was determined as follows:

Methods applied in determining the fair value of financial assets and liabilities (2015)

	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	169,309			169,309
Loans	40,274	3,780,651	16,810,334	20,631,259
Financial assets	**209,583**	**3,780,651**	**16,810,334**	**20,800,568**
Financial liabilities				
Subordinated debt		639,420		639,420
Other borrowed funds	1,782,609	251,730	-	2,034,339
Investment contracts for risk of company			755,652	755,652
Financial liabilities	**1,782,609**	**891,150**	**755,652**	**3,429,411**

Methods applied in determining the fair value of financial assets and liabilities (2014)

	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	91,243			91,243
Loans	24,006	3,383,390	16,596,957	20,004,353
Financial assets	**115,249**	**3,383,390**	**16,596,957**	**20,095,596**
Financial liabilities				
Subordinated debt		661,560		661,560
Other borrowed funds	472,220	262,555	12,780	747,555
Investment contracts for risk of company			814,318	814,318
Financial liabilities	**472,220**	**924,115**	**827,098**	**2,223,433**

29 Fair value of non-financial assets

The following table presents the estimated fair value of NN Leven's non-financial assets and liabilities that are measured at fair value in the balance sheet.

Fair value of non-financial assets

	Estimated fair value		Balance sheet value	
	2015	2014	2015	2014
Real estate investments	**1,569,114**	1,154,893	**1,569,114**	1,154,893

The fair value of the non-financial assets were determined as follows:

Methods applied in determining the fair value of non-financial assets (2015)

	Level 1	Level 2	Level 3	Total
Real estate investments			1,569,114	**1,569,114**

Methods applied in determining the fair value of non-financial assets (2014)

	Level 1	Level 2	Level 3	Total
Real estate investments			1,154,893	**1,154,893**

Level 3 Non-financial assets

	Real estate investments	
	2015	2014
Level 3 Non-financial assets - Opening balance	1,154,893	777,068
Purchase of assets	389,180	397,888
Sale of assets	-10	-9,830
Amounts recognised in the profit and loss account during the year	22,333	-11,523
Changes in the composition of the group and other changes	2,718	1,290
Level 3 Non-financial assets - Closing balance	**1,569,114**	**1,154,893**

Level 3 - Amounts recognised in the profit and loss account during the year (2015)

	Held at balance sheet date	Derecognised during the year	Total
Real estate investments	22,333		**22,333**

Level 3 - Amounts recognised in the profit and loss account during the year (2014)

	Held at balance sheet date	Derecognised during the year	Total
Real estate investments	-11,523		**-11,523**

Real estate investments

Valuation methodology

The fair value of real estate is based on regular appraisals by independent, qualified valuers. The fair value is established using valuation methods that take into account recent comparable market transactions, capitalisation of income methods and/or discounted cash flow calculations. As volumes of actual transactions have been lower in recent years, more emphasis has been placed on discounted cash flow analysis and capitalisation of income method.

The underlying assumption used in the valuation is that the properties are let or sold to third parties based on the actual letting status. Future rental income is taken into account in accordance with the terms in existing leases, (expected) vacancies, estimations of the rental values for new leases when leases expire and incentives like rent-free periods. These estimated cash flows are discounted using market-based discount rates that reflect appropriately the risk characteristics of the real estate investment.

Notes to the Consolidated annual accounts – continued

Key assumptions
Key assumptions in the valuation of real estate include the estimated current rental value per square metre, the estimated future rental value per square metre (ERV), the net initial yield and the vacancy rate. These assumptions were in the following ranges:

Significant assumptions

	Fair value	Valuation technique	Current rent/m2	ERV/m2	Net initial yield (%)	Vacancy (%)	Average lease term in years
The Netherlands							
Industrial	44,080	DCF	48 - 56	48 - 56	6.4 - 7.6		4.3
Office	71,700	Income Capitalisation	462	329	10.8		3.1
Germany							
Industrial	198,600	Income Capitalisation	42-118	43-102	5.5 - 7.8	10	5.6
Retail	154,100	Income Capitalisation	190 - 362	201 - 393	5.2	2	6.0
	147,500	DCF	240	243	5.1	2	8.9
Office	52,900	Income Capitalisation	260	256	4.8		3.1
France							
Industrial	119,030	Income Capitalisation	42 - 79	42 - 74	6.7 - 11.7	2	4.6
Office	135,200	Income Capitalisation	428 - 497	473 - 612	3.5 - 5.6		4.5
Spain							
Retail	249,970	DCF	184 - 271	188 - 284	5.8 - 6.0	8	7.4
Italy							
Retail	148,300	DCF	508	490	6.2	1	3.0
Office	69,600	DCF	-20 - 23	230	-4.8 - 0.4	34	4.7
Belgium							
Industrial	22,250	DCF	55	45	8.8		2.3
Retail	124,095	DCF	107 - 268	125 - 282	4.8 - 6.4	2	5.0
Denmark							
Industrial	16,348	DCF	148	125	6.4		14.2
Real estate under construction and other	15,441						
Total Real estate	**1,569,114**					**4.6**	**5.5**

Sensitivities
Significant increases (decreases) in the estimated rental value and rent growth in isolation would result in a significantly higher (lower) fair value of the real estate investments. Significant increases (decreases) in the long-term vacancy rate and discount rate in isolation would result in a significantly lower (higher) fair value of the real estate investments.

30 Derivatives and hedge accounting

Use of derivatives and hedge accounting

NN Leven uses derivatives (mainly interest rate swaps and cross currency interest rate swaps) for economic hedging purposes in the management of its asset and liability portfolios. The objective of economic hedging is to enter into positions with an opposite risk profile to an identified exposure to reduce that exposure and efficient portfolio management.

The accounting treatment of hedge transactions varies according to the nature of the instrument hedged and whether the hedge qualifies under the IFRS-EU hedge accounting rules. Derivatives that qualify for hedge accounting under IFRS-EU are classified and accounted for in accordance with the nature of the instrument hedged and the type of IFRS-EU hedge model that is applicable. NN Leven applies cash flow hedge accounting and net investment hedge accounting as applicable under IFRS-EU. The company's detailed accounting policies for these hedge models are set out in Note 1 "Accounting policies" in the section on "Accounting policies for specific items".

To qualify for hedge accounting under IFRS-EU, strict criteria must be met. Certain hedges that are economically effective from a risk management perspective do not qualify for hedge accounting under IFRS-EU. The fair value changes of derivatives relating to such non-qualifying hedges are taken to the profit and loss account. However, in certain cases, NN Leven mitigates the profit and loss account volatility by designating hedged assets and liabilities at fair value through profit or loss. If hedge accounting is applied under IFRS-EU, it is possible that during the hedge a hedge relationship no longer qualifies for hedge accounting and hedge accounting cannot be continued, even if the hedge remains economically effective. As a result, the volatility arising from undertaking economic hedging in the profit and loss account may be higher than would be expected from an economic point of view.

With respect to exchange rate and interest rate derivative contracts, the notional or contractual amount of these instruments is indicative of the nominal value of transactions outstanding at the balance sheet date; however they do not represent amounts at risk.

Cash flow hedge accounting

NN Leven's hedge accounting consists mainly of cash flow hedge accounting. NN Leven's cash flow hedges mainly consist of (forward) interest rate swaps and cross-currency interest rate swaps that are used to protect against its exposure to variability in future interest cash flows on assets that bear interest at variable rates or are expected to be refunded or reinvested in the future. The amounts and timing of future cash flows, representing both principal and interest flows, are projected per specific portfolio of financial assets, based on contractual terms and other relevant factors including estimates of prepayments and defaults.

Gains and losses on the effective portions of derivatives designated under cash flow hedge accounting are recognised in Shareholder's equity. Interest income and expenses on these derivatives are recognised in the profit and loss account in interest result consistent with the manner in which the forecast cash flows affect Net result. The gains and losses on ineffective portions of such derivatives are recognised immediately in the profit and loss account.

For the year ended 31 December 2015, NN Leven recognised EUR -435 million (2014: EUR 1,676 million) in equity as effective fair value changes on derivatives under cash flow hedge accounting. The balance of the cash flow hedge reserve in equity as at 31 December 2015 is EUR 5,268 million (2014: EUR 5,836 million) gross and EUR 3,951 million (2014: EUR 4,404 million after deferred tax). This cash flow hedge reserve will fluctuate with the fair value of the underlying derivatives and will be reflected in the profit and loss account under Interest income/expenses over the remaining term of the underlying hedged items. The cash flow hedge reserve relates to a large number of derivatives and hedged items with varying maturities up to 41 years with the largest concentrations in the range of one year to eight years. Accounting ineffectiveness on derivatives designated under cash flow hedge accounting resulted in EUR 27 million expenses (2014: EUR 32 million expenses) which was recognised in the profit and loss account.

As at 31 December 2015, the fair value of outstanding derivatives designated under cash flow hedge accounting was EUR 2,590 million (2014: EUR 3,460 million), presented in the balance sheet as EUR 2,705 million (2014: EUR 3,557 million) positive fair value under assets and EUR 173 million (2014: EUR 108 million) negative fair value under liabilities.

As at 31 December 2015 and 2014, there were no non-derivatives designated as hedging instruments for cash flow hedge accounting purposes.

Included in Interest income and Interest expenses on non-trading derivatives is EUR 235 million (2014: EUR 261 million) and EUR 22 million (2014: EUR 36 million), respectively, relating to derivatives used in cash flow hedges.

31 Assets by contractual maturity

Amounts presented in these tables by contractual maturity are the amounts as presented in the balance sheet.

Assets by contractual maturity (2015)

	Less than 1 month [1]	1–3 months	3–12 months	1–5 years	Over 5 years	Maturity not applicable	Total
Assets							
Cash and cash equivalents	169,309						169,309
Financial assets at fair value through profit or loss:							
– trading assets							
– investments for risk of policyholders[2]						18,006,193	18,006,193
– non-trading derivatives	5,171	6,659	14,006	150,644	2,880,681		3,057,161
– designated as at fair value through profit or loss		57	126	9,448	1,381	126,135	137,147
Available-for-sale investments	272,939	243,867	573,111	4,181,867	37,217,178	5,579,930	48,068,892
Loans	260,431	160,596	632,306	3,465,947	14,300,687		18,819,967
Reinsurance contracts	12,967	21,048	63,098	322,176	314,895	458,400	1,192,584
Intangible assets	257	514	2,313	6,274			9,358
Deferred acquisition costs	1,623	3,329	16,421	70,430	172,774		264,577
Other assets	671,938	254,070	495,577	27,658	60,798	4,454	1,514,495
Remaining assets (for which maturities are not applicable)[3]						3,744,230	3,744,230
Total assets	**1,394,635**	**690,140**	**1,796,958**	**8,234,444**	**54,948,394**	**27,919,342**	**94,983,913**

1 Includes assets on demand.
2 Investments for risk of policyholders are managed on behalf of policyholders on a fair value basis. Although individual instruments may (or may not) have a maturity depending on their nature, this does not impact the liquidity position of NN Leven.
3 Included in remaining assets for which maturities are not applicable are Associates and joint ventures, Real estate investments and Equipment. Due to their nature remaining assets consist mainly of assets expected to be recovered after more than 12 months.

Assets by contractual maturity (2014)

	Less than 1 month[1]	1–3 months	3–12 months	1–5 years	Over 5 years	Maturity not applicable	Total
Assets							
Cash and cash equivalents	91,243						91,243
Financial assets at fair value through profit or loss:							
– trading assets							
– investments for risk of policyholders[2]						20,879,843	20,879,843
– non-trading derivatives	47	39,415	19,005	181,462	5,116,245		5,356,174
– designated as at fair value through profit or loss				12,413		73,943	86,356
Available-for-sale investments	75,354	113,561	461,071	3,004,226	36,480,937	5,566,548	45,701,697
Loans	190,266	409,082	1,473,513	4,251,105	12,384,829	13,359	18,722,154
Reinsurance contracts	11,471	19,415	74,184	335,948	279,944	435,643	1,156,605
Intangible assets	186	371	1,670	4,514			6,741
Deferred acquisition costs	2,115	4,392	22,348	77,467	187,249		293,571
Other assets	800,423	200,023	490,084	11,420	49,143	1,120	1,552,213
Remaining assets (for which maturities are not applicable)[3]						3,451,386	3,451,386
Total assets	**1,171,105**	**786,259**	**2,541,875**	**7,878,555**	**54,498,347**	**30,421,842**	**97,297,983**

1 Includes assets on demand.
2 Investments for risk of policyholders are managed on behalf of policyholders on a fair value basis. Although individual instruments may (or may not) have a maturity depending on their nature, this does not impact the liquidity position of NN Leven.
3 Included in remaining assets for which maturities are not applicable are Associates and joint ventures, Real estate investments and Equipment. Due to their nature remaining assets consist mainly of assets expected to be recovered after more than 12 months.

32 Liabilities by maturity

The tables below include all financial liabilities by maturity based on contractual, undiscounted cash flows. Furthermore, the undiscounted future coupon interest on financial liabilities payable is included in a separate line and in the relevant maturity bucket. Derivative liabilities are included on a net basis if cash flows are settled net. For other derivative liabilities the contractual gross cash flow payable is included.

Non-financial liabilities, including insurance and investment contracts, are included based on a breakdown of the (discounted) balance sheet amounts by expected maturity. Reference is made to the Liquidity Risk paragraph in Note 43 “Risk management” for a description on how liquidity risk is managed.

Liabilities by maturity (2015)

	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Maturity not applicable	Adjustment[1]	Total
Liabilities								
Subordinated debt[2]					600,000			600,000
Other borrowed funds	1,810,021		4,429	35,162	204,147			2,053,759
Financial liabilities at fair value through profit or loss:								
– non-trading derivatives	4,503	-14,240	-9,347	-173,963	-1,020,873		1,752,544	538,624
Financial liabilities	**1,814,524**	**-14,240**	**-4,918**	**-138,801**	**-216,726**		**1,752,544**	**3,192,383**
Insurance and investment contracts	231,533	431,739	2,262,737	11,242,079	40,530,013	18,440,383		73,138,484
Other liabilities	726,863	108,967	47,878	338,665	1,942,472	676,876		3,841,721
Non-financial liabilities	**958,396**	**540,706**	**2,310,615**	**11,580,744**	**42,472,485**	**19,117,259**		**76,980,205**
Total liabilities	**2,772,920**	**526,466**	**2,305,697**	**11,441,943**	**42,255,759**	**19,117,259**	**1,752,544**	**80,172,588**
Coupon interest due on financial liabilities[3]	-1,223	33,536	-1,175	126,110	166,708			323,956

1 This column reconciles the contractual undiscounted cash flow on financial liabilities to the balance sheet values. The adjustments mainly relate to the impact of discounting and, for derivatives, to the fact that the contractual cash flows are presented gross basis (unless the cash flows are actually settled net).
2 Subordinated debt maturities are presented based on first call date. For legal date of maturity reference is made to Note 12 “Subordinated debt”.
3 For some of the Other borrowed funds NN Leven receives a discount on the interest paid. Given the low interest rates this resulted in negative amounts on the interest due for some periods.

Liabilities by maturity (2014)

	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Maturity not applicable	Adjustment [1]	Total
Liabilities								
Subordinated debt[2]					600,000			600,000
Other borrowed funds	450,000			82,220	215,335			747,555
Financial liabilities at fair value through profit or loss:								
– non-trading derivatives	30,963	-53,762	123,241	561,163	2,419,319		-1,468,082	1,612,842
Financial liabilities	**480,963**	**-53,762**	**123,241**	**643,383**	**3,234,654**		**-1,468,082**	**2,960,397**
Insurance and investment contracts	475,936	777,446	3,791,932	11,334,775	36,834,039	21,299,039		74,513,167
Other liabilities	1,115,651	176,342	156,595	358,762	2,268,053	682,670		4,758,073
Non-financial liabilities	**1,591,587**	**953,788**	**3,948,527**	**11,693,537**	**39,102,092**	**21,981,709**		**79,271,240**
Total liabilities	**2,072,550**	**900,026**	**4,071,768**	**12,336,920**	**42,336,746**	**21,981,709**	**-1,468,082**	**82,231,637**
Coupon interest due on financial liabilities[3]	-957	33,563	-1,277	127,417	165,335			324,081

1 This column reconciles the contractual undiscounted cash flow on financial liabilities to the balance sheet values. The adjustments mainly relate to the impact of discounting and, for derivatives, to the fact that the contractual cash flows are presented gross basis (unless the cash flows are actually settled net).
2 Subordinated debt maturities are presented based on first call date. For legal date of maturity reference is made to Note 12 "Subordinated debt".
3 For some of the Other borrowed funds NN Leven receives a discount on the interest paid. Given the low interest rates this resulted in negative amounts on the interest due for some periods.

33 Assets not freely disposable

The assets not freely disposable relate primarily to investments of EUR 192 million (2014: EUR 255 million) provided as guarantees for certain contingent liabilities. There are no significant terms and conditions relating to the collateral represented by such guarantees.

Assets relating to securities lending are disclosed in Note 34 "Transferred, but not derecognised financial assets".

34 Transferred, but not derecognised financial assets

The majority of NN Leven's financial assets, that have been transferred, but do not qualify for derecognition are debt instruments used in securities lending. NN Leven retains substantially all risks and rewards of those transferred assets. The assets are transferred in return for other financial assets. These other financial assets are not recognised in the balance sheet.

Transfer of financial assets not qualifying for derecognition

	2015	2014
Transferred assets at carrying value:		
Available-for-sale investments	2,242,017	1,763,292
Associated liabilities at carrying value:		
Other borrowed funds	262,555	262,555

35 Offsetting of financial assets and liabilities

The following tables include information about rights to offset and the related arrangements. The amounts included consist of all recognised financial instruments that are presented net in the balance sheet under the IFRS-EU offsetting requirements (legal right to offset and intention to settle on a net basis) and amounts presented gross in the balance sheet but subject to enforceable master netting arrangements or similar agreements.

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements (2015)

					Related amounts not offset in the balance sheet		
Balance sheet line item	**Financial instrument**	**Gross financial assets**	**Gross financial liabilities offset in the balance sheet**	**Net financial assets in the balance sheet**	**Financial instruments**	**Cash and financial instruments collateral**	**Net amount**
Non-trading derivatives	Derivatives	3,057,013		3,057,013	-417,832	-710	2,638,471
Financial assets at fair value through profit or loss		**3,057,013**		**3,057,013**	**-417,832**	**-710**	**2,638,471**
Available-for-sale	Other	130,025		130,025	-37,733		92,292
Investments		**130,025**		**130,025**	**-37,733**		**92,292**
Total financial assets		**3,187,038**		**3,187,038**	**-455,565**	**-710**	**2,730,763**

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements (2014)

					Related amounts not offset in the balance sheet		
Balance sheet line item	**Financial instrument**	**Gross financial assets**	**Gross financial liabilities offset in the balance sheet**	**Net financial assets in the balance sheet**	**Financial instruments**	**Cash and financial instruments collateral**	**Net amount**
Non-trading derivatives	Derivatives	5,356,174		5,356,174	-1,484,387		3,871,787
Financial assets at fair value through profit or loss		**5,356,174**		**5,356,174**	**-1,484,387**		**3,871,787**
Available-for-sale	Other	93,204		93,204			93,204
Investments		**93,204**		**93,204**			**93,204**
Total financial assets		**5,449,378**		**5,449,378**	**-1,484,387**		**3,964,991**

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements (2015)

					Related amounts not offset in the balance sheet		
Balance sheet line item	Financial instrument	Gross financial liabilities	Gross financial assets offset in the balance sheet	Net financial liabilities in the balance sheet	Financial instruments	Cash and financial instruments collateral	Net amount
Non-trading derivatives	Derivatives	417,832		417,832	-417,832		0
Financial liabilities at fair value through profit or loss		**417,832**		**417,832**	**-417,832**		**0**
Other items where offsetting is applied in the balance sheet		37,733		37,733	-37,733		0
Total financial liabilities		**455,565**		**455,565**	**-455,565**		**0**

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements (2014)

					Related amounts not offset in the balance sheet		
Balance sheet line item	Financial instrument	Gross financial liabilities	Gross financial assets offset in the balance sheet	Net financial liabilities in the balance sheet	Financial instruments	Cash and financial instruments collateral	Net amount
Non-trading derivatives	Derivatives	1,490,102		1,490,102	-1,484,387	-5,715	0
Financial liabilities at fair value through profit or loss		**1,490,102**		**1,490,102**	**-1,484,387**	**-5,715**	**0**
Other items where offsetting is applied in the balance sheet							
Total financial liabilities		**1,490,102**		**1,490,102**	**-1,484,387**	**-5,715**	**0**

36 Contingent liabilities and commitments

In the normal course of business NN Leven is party to activities whose risks are not reflected in whole or in part in the Consolidated annual accounts. In response to the needs of its customers, NN Leven offers financial products related to loans. These products include traditional off-balance sheet credit-related financial instruments.

Contingent liabilities and commitments (2015)

	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Maturity not applicable	Total
Commitments	182,135	305,558	1,095,188	561,339	152,899		2,297,119
Guarantees							
Contingent liabilities and commitments	**182,135**	**305,558**	**1,095,188**	**561,339**	**152,899**		**2,297,119**

Contingent liabilities and commitments (2014)

	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Maturity not applicable	Total
Commitments	9,049	33,806	285,318	141,654	23,819	39,354	533,000
Guarantees		375		5,676	1,370	1,524	8,945
Contingent liabilities and commitments	**9,049**	**34,181**	**285,318**	**147,330**	**25,189**	**40,878**	**541,945**

The commitments mainly concern mortgage offers issued, investment-related liabilities (Private Equity Investments II B.V and REI Investment I B.V.) and future rental commitments. The guarantees, other than those included in Insurance contracts, are expected to expire without being drawn on and therefore do not necessarily represent future cash outflows.

Furthermore, NN Leven leases assets from third parties under operating leases as lessee. The future rental commitments to be paid under non-cancellable operating leases are as follows:

Future rental commitments for operating lease contracts

	2015
2016	5,844
2017	4,797
2018	4,797
2019	4,797
2020	4,797
years after 2020	22,447

In addition to the items include in contingent liabilities, NN Leven has issued guarantees as a participant in collective arrangements of national industry bodies and as a participant in government required collective guarantee schemes.

Tax liabilities

NN Leven is part of the fiscal unity for corporate income tax purposes of NN Group making it jointly and severally liable for the total tax payable by the fiscal unity. The tax receivables and payables concern the receivables and payables of NN Group.

Together with the other group companies that are part of the fiscal unity, NN Leven is jointly and severally liable for income tax payable by NN Group. The income tax receivable by NN Group at the end of 2015 amounts to EUR 20,624 (2014: EUR 16,601 receivable).

37 Legal proceedings

General
NN Leven is involved in litigation and other binding proceedings in the Netherlands involving claims by and against NN Leven which arise in the ordinary course of its business, including in connection with its activities as insurer, investor and its position as employer and taxpayer. In certain of such proceedings, very large or indeterminate amounts are sought. While it is not feasible to predict or determine the ultimate outcome of all pending or threatened legal and regulatory proceedings, NN Leven believes that some of the proceedings set out below may have or have in the recent past had a significant effect on the financial position, profitability or reputation of NN Leven.

Dutch unit-linked products
Since the end of 2006, unit-linked products (commonly referred to in Dutch as "beleggingsverzekeringen") have received negative attention in the Dutch media, from the Dutch Parliament, the Netherlands Authority for the Financial Markets (Autoriteit Financiële Markten) and consumer protection organisations. Costs of unit-linked products sold in the past are perceived as too high and Dutch insurers are in general being accused of being less transparent in their offering of such unit-linked products. The criticism on unit-linked products led to the introduction of compensation schemes by Dutch insurance companies that have offered unit-linked products. In 2008, NN Group's Dutch insurance subsidiaries, among which NN Leven, reached an outline agreement with two main consumer protection organisations to offer compensation to their unit-linked policyholders where individual unit-linked policies had a cost charge in excess of an agreed maximum and to offer similar compensation for certain hybrid insurance products. At 31 December 2008, costs of the settlements were valued at EUR 365 million for which adequate provisions have been established and of which a substantial portion has been paid out. The remaining unpaid part of the provision as per 31 December 2015 is solely available to cover costs relating to the settlements agreed in 2008. A full agreement on implementation was reached in 2010 with one of the two main consumer protection organisations, with the second main consumer protection organisation signing its agreement in June 2012. In addition, NN Group's Dutch insurance subsidiaries, among which NN Leven, announced additional measures (flankerend beleid) that comply with the "Best in Class" criteria as formulated on 24 November 2011 by the Dutch Minister of Finance. In December 2011 this resulted in an additional agreement on these measures with the two main consumer protection organisations. In 2012 almost all unit-linked policyholders were informed about the compensation. The agreements with the two consumer protection organisations are not binding to policyholders. Consequently, neither the implementation of the compensation schemes nor the additional measures offered by NN Leven prevent individual policyholders from initiating legal proceedings against NN Leven and making claims for damages.

In November 2013, the so-called "Vereniging Woekerpolis.nl", an association representing the interests of policyholders, initiated a so-called "collective action", requesting the District Court in Rotterdam to declare that NN's Dutch insurance subsidiaries, among which NN Leven, sold products in the market, which are defective in various respects (e.g. on transparency regarding cost charges and other product characteristics, and included risks for which the insurer failed to warn, such as considerable stock depreciations, the inability to realise the projected final policy value, unrealistic capital projections due to difference in geometric versus arithmetic returns). These claims have been rejected by NN and it defends itself in these proceedings.

Apart from the aforementioned "collective action", several other claim organisations and initiatives were established on behalf of policyholders, such as the organisation Wakkerpolis. This organisation primarily concentrates on the recovery of initial costs for policyholders, based on an interim ruling of the KiFiD issued on 13 May 2013 in an individual case. In this case, the KiFiD concluded that there is no contractual basis for charging initial costs (which are costs charged to the policy during a limited period of time). Apart from the initial costs, it can be derived from the interim ruling – in accordance with past rulings of the KiFiD – that an insurer is obliged to warn against the leverage and capital consumption effect (which is the effect caused by the dependency of life insurance premium on the value of the policy; the lower the value of the policy, the higher the life insurance premium). On 29 March 2016 KiFiD issued its final ruling (in first instance) in line with its conclusions made in its interim ruling of 13 May 2013. NN Leven believes that both the interim ruling and final ruling are incorrect on several legal grounds.

In proceedings that were pending before the District Court in Rotterdam, the Court upon request of the parties, including NN Leven, submitted preliminary questions to the European Court of Justice to obtain clarity on principal legal questions with respect to cost transparency related to unit-linked policies. On 29 April 2015 the European Court of Justice issued its ruling on these preliminary questions submitted in relation to unit-linked products. The main preliminary question considered by the European Court of Justice was whether European law permits the application of information requirements based on general principles of Dutch law that extend beyond information requirements as explicitly prescribed by laws and regulations in force at the time the policy was written. The European Court of Justice ruled that the information requirements prescribed by the applicable European directive may be extended by additional information requirements included in national law, provided that these requirements are necessary for a policyholder to understand the essential characteristics of the commitment and are clear, accurate and foreseeable. Although the European Court does not decide on the applicable standards in specific cases and solely provides clarification on the interpretation of the applicable European directive, the ruling of the European Court of Justice has given clarification on this question of legal principle which is also the subject of other legal proceedings in the Netherlands. Dutch courts will need to take the interpretation of the European Court of Justice into account in relevant proceedings. In legal proceedings in the Netherlands which were suspended pending the outcome of the European procedure, rulings in first instance are expected in the first half of 2016.

NN's Dutch insurance subsidiaries, among which NN Leven, have issued, sold or advised on approximately one million individual unit-linked policies. There has been for some time and there continues to be political, regulatory and public attention focused on the unit-linked issue in general. Elements of unit-linked policies are being challenged or may be challenged on multiple legal grounds in current and future legal proceedings. There is a risk that one or more of those legal challenges will succeed.

Customers of NN's Dutch insurance subsidiaries, among which NN Leven, have claimed, among others, that (a) the investment risk, costs charged or the risk premium was not, or not sufficiently, made clear to the customer, (b) the product costs charged on initial sale and on an ongoing basis were so high that the expected return on investment was not realistically achievable, (c) the product sold to the customer contained specific risks that were not, or not sufficiently, made clear to the customer (such as the leverage capital consumption risk) or was not suited to the customer's personal circumstances, (d) NN owed the customer a duty of care which NN has breached, or (e) the insurer failed to warn of the risk of not realising the projected policy values. These claims may be based on general standards of contract or securities law, such as reasonableness and fairness, error, duty of care, or standards for proper customer treatment or due diligence, such as relating to the fairness of terms in consumer contracts and may be made by customers, or on behalf of customers, holding active policies or whose policies have lapsed, matured or been surrendered. There is no assurance that further proceedings for damages based on aforementioned legal grounds or other grounds will not be brought. The timing of reaching any finality on these legal claims and proceedings is uncertain and such uncertainty is likely to continue for some time.

Rulings or announcements made by courts, including the European Court of Justice and advisory opinions issued by the Attorney General to such Court on questions being considered by such Court, or decision-making bodies or actions taken by regulators or governmental authorities against NN Leven or other Dutch insurance companies in respect of unit-linked products, or settlements or any other actions to the benefit of customers (including product improvements or repairs) by other Dutch insurance companies towards consumers, consumer protection organisations, regulatory or governmental authorities or other decision making bodies in respect of the unit-linked products, may affect the (legal) position of NN Leven and may force NN Leven to take (financial) measures that could have a substantial impact on the financial condition, results of operations, solvency or reputation of NN Leven. As a result of the public and political attention the unit-linked issue has received, it is also possible that sector-wide measures may be imposed by governmental authorities or regulators in relation to unit-linked products in the Netherlands. The impact on NN Leven of rulings made by courts or decision-making bodies, actions taken by regulators or governmental bodies against other Dutch insurance companies in respect of unit-linked products, or settlements or any other actions to the benefit of customers (including product improvements or repairs), may be determined not only by market share but also by product features, portfolio composition and other factors. Adverse decisions or the occurrence of any of the developments as described above could result in outcomes materially different than if NN Leven or its products had been judged or negotiated solely on their own merits.

NN Leven's book of policies dates back many years, and in some cases several decades. Over time, the regulatory requirements and expectations of various stakeholders, including customers, regulators and the public at large, as well as standards and market practice, have developed and changed, increasing customer protection. As a result, policyholders and consumer protection organisations have initiated and may in the future initiate proceedings against NN Leven alleging that products sold in the past fail to meet current requirements and expectations. In any such proceedings, it cannot be excluded that the relevant court, regulator, governmental authority or other decision-making body will apply current norms, requirements, expectations, standards and market practices on laws and regulations to products sold, issued or advised on by NN Leven.

Although the financial consequences of any of these factors or a combination thereof could be substantial for the Dutch insurance business of NN Leven and, as a result, may have a material adverse effect on NN Leven's business, reputation, revenues, results of operations, solvency, financial condition and prospects, it is not possible to reliably estimate or quantify NN Leven's exposures at this time.

38 Principal subsidiaries

The principal subsidiaries and their statutory place of incorporation or primary place of business are as follows:

Principal subsidiaries of NN Leven

		Proportion of ownership interest held by NN Leven	
Subsidiary	**Statutory place**	**2015**	**2014**
REI Investment I B.V.	The Hague, the Netherlands	88.4%	90.6%
Private Equity investments II B.V.[1]	The Hague, the Netherlands	86.3%	86.3%
Private Equity Investments B.V.	The Hague, the Netherlands	100%	100%
Infrastructure Debt Investments B.V.	The Hague, the Netherlands	100%	100%
Korea Investment Fund B.V.	The Hague, the Netherlands	100%	100%
FI Pensions PNNLA B.V.[2]	The Hague, the Netherlands	100%	
Mittelstand Senior Debt Investment B.V.	The Hague, the Netherlands	100%	100%

1 Parcom Capital B.V. was renamed to Private Equity Investments II B.V. per 17 December 2015.
2 Parcom NN Leven Assets B.V. was founded per 31 July 2015 and renamed to FI Pensions PNNLA B.V. as per 31 December 2015.

Notes to the Consolidated annual accounts – continued

Principal subsidiaries of REI Investment I B.V.

Subsidiary	Statutory place	Proportion of ownership interest held by REI Investment I B.V. 2015	2014
Arnhem-Staete B.V.	The Hague, the Netherlands	100%	100%
REI Belgium Warande B.V.	Schiphol, the Netherlands	100%	100%
REI Belgium Puurs	Brussels, Belgium	100%	100%
ING Real Estate Evere	Brussels, Belgium	100%	100%
Grupo Berkley Tres S.L.	Madrid, Spain	100%	100%
REI Spain Vitoria	Madrid, Spain	100%	100%
REI Vitoria S.L.	Vitoria-Gasteiz, Spain	100%	100%
Bodio 1 S.R.L.	Milan, Italy	100%	100%
Bodio 2 S.R.L	Milan, Italy	100%	100%
Bodio 3 S.R.L	Milan, Italy	100%	100%
Galleria Commerciale Limbiate S.r.l	Milan, Italy	100%	100%
Stadtgalerie Heilbronn GmbH & Co KG	Frankfurt, Germany	95%	95%
REI Altenwerder GmbH & Co KG	Frankfurt, Germany	95%	95%
LZA III Mobi GmbH	Frankfurt, Germany	100%	95%
LZA III Altenwerder Grundstückverwaltung GmbH	Frankfurt, Germany	95%	95%
REI Kaiserkai GmbH & Co KG	Frankfurt, Germany	95%	95%
REI Germany Bergkirchen B.V.	The Hague, the Netherlands	100%	100%
REI Logistics Bergkirchen GmbH & Co KG	Frankfurt, Germany	94%	94%
REI Kaiserkai PM GmbH	Frankfurt, Germany	100%	100%
REI Falkensee GmbH & Co KG	Frankfurt, Germany	100%	100%
INS Holding France	Paris, France	94%	100%
INS Bonneuil	Paris, France	100%	100%
Seratna	Paris, France	100%	100%
INS Investment France	Paris, France	100%	100%
INS II	Paris, France	100%	100%
INS III	Paris, France	100%	100%
INS Jonage	Paris, France	100%	100%
INS Criquebeuf	Paris, France	100%	100%
INS Pusignan	Paris, France	100%	100%
INS MER	Paris, France	100%	100%
INS Saint Priest	Paris, France	100%	100%
INS Saint-Vulbas	Paris, France	100%	100%
INS Satolas	Paris, France	100%	100%
REI Netherlands B.V.	The Hague, the Netherlands	100%	100%
REI Netherlands Venlo Zonneveld B.V.	The Hague, the Netherlands	100%	100%
REI Fund Netherlands B.V.	The Hague, the Netherlands	100%	100%
Bouwfonds Nationale–Nederlanden B.V.	The Hague, the Netherlands	100%	100%
Nationale-Nederlanden Intervest XII B.V.	The Hague, the Netherlands	100%	100%
Vrijdagmarkt Real Estate N.V.	Brussels, Belgium	100%	
Constellation N.V.	Brussels, Belgium	100%	
REI Denmark Copenhagen ApS	Copenhagen, Denmark	100%	
REI Germany Lurup Center B.V.	The Hague,the Netherlands	100%	100%
REI Germany Logistics B.V.	The Hague,the Netherlands	100%	100%
REI Germany Neu Ulm B.V.	The Hague,the Netherlands	100%	

For each of the subsidiaries listed above, the voting rights held equal the proportion of ownership interest.

39 Structured entities

NN Leven's activities involve transactions with structured entities in the normal course of business. A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. NN Leven's involvement in these entities varies and includes both debt financing and equity financing of these entities as well as other relationships. Based on its accounting policies, as disclosed in Note 1 "Accounting policies", NN Leven establishes whether these involvements result in no significant influence, significant influence, joint control or control over the structured entity.

The structured entities over which NN Leven can exercise control are consolidated. NN Leven may provide support to these consolidated structured entities as and when appropriate, however this is fully reflected in the Consolidated annual accounts of NN Leven as all assets and liabilities of these entities are included in the consolidated balance sheet and off-balance sheet commitments are disclosed.

Third party managed structured entities

As part of its investment activities, NN Leven invests both in debt and equity instruments of structured entities originated by third parties.

Most of the investments in debt instruments of structured entities relates to asset-backed securities (ABS) classified as loans. Reference is made to Note 5 "Loans" where the ABS portfolio is disclosed.

The majority of the investments in equity instruments of structured entities relate to interests in investment funds that are not originated or managed by NN Leven.

NN Leven has significant influence over some of its real estate investment funds as disclosed in Note 6 "Associates and joint ventures".

40 Related parties

In the normal course of business, NN Leven enters into various transactions with related parties. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operating decisions. Transactions between related parties have taken place on an arm's length basis, and include rendering and receiving of services, leases, transfers under finance arrangements and provisions of guarantees or collateral. There are no significant provisions for doubtful debts or individually significant bad debt expenses recognised on outstanding balances with related parties.

NN Leven conducts transactions with its parent company and its subsidiaries. NN Leven is part of NN Group. The following categories of transactions are conducted under market-compliant conditions with related parties belonging to NN Group:

- Reinsurance activities through NN Re (Netherlands) N.V.
- NN Insurance Personeel B.V. Reference is made to Note 23 "Staff expenses".
- Transactions with NN Group concerning the payment of taxes as NN Group heads the fiscal unity. Reference is made to Note 35 "Contingent liabilities and commitments".
- Transactions relating to the remuneration of board members. Reference is made to Note 41 "Key management personnel compensation" .
- The management of financial instruments takes place via a management agreement with NN Investment Partners Holding N.V.
- Facility services carried out by group companies.
- The derivatives transactions are conducted mainly via Nationale-Nederlanden Interfinance B.V. The unrealised revaluations of derivatives recognised in the result of NN Leven for the 2015 financial year amount to EUR 32 million (2014: EUR 334 million).

Main transactions in 2015:

- NN Leven entered into a short-term borrowing facility with Nationale-Nederlanden Interfinance B.V. for a total amount of EUR 1,500 million.
- Dutch mortgages, with a nominal value of EUR 745 million, were transferred from NN Bank to NN Leven.
- NN Leven purchased commercial real estate loans from ING Bank N.V (ING Bank) for a total amount of EUR 383 million.

Reinsurance activities through NN Re (Netherlands) N.V.

The results of the insurance activities of the Czech Republic branch are fully reinsured through NN Re (Netherlands) N.V.

Given that the Czech branch reported a positive result of EUR 16 million (2014: EUR 14 million), an expense of EUR 15 million (2014: EUR 13 million) under the reinsurance contract is recognised in the result of NN Leven. The difference of EUR 0,8 million (2014: EUR 1 million) relates to interest income for NN Leven on capital made available to our Czech operations.

The overall balance of outstanding reinsurance receivables from NN Re (Netherlands) N.V. amounts to EUR 1,115 million (2014: EUR 1,078 million).

Notes to the Consolidated annual accounts – continued

Income and expenses from NN Leven recharged to NN Group companies

	Parent company		Other group companies		Total	
	2015	2014	2015	2014	2015	2014
Expenses	1,631	1,080	10,432	49,022	12,063	50,102
Investment income		662	353,476	3,130,660	353,476	3,131,322
Income and expenses from NN Leven recharged to NN Group companies	**1,631**	**1,742**	**363,908**	**3,179,682**	**365,539**	**3,181,424**

Income and expenses from NN Group companies recharged to NN Leven

	Parent company		Other group companies		Total	
	2015	2014	2015	2014	2015	2014
Expenses	175,791	209,138	227,724	699,186	403,515	908,324
Investment income	6	38	651,671	-9,413	651,677	-9,375
Income and expenses from NN Group companies recharged to NN Leven	**175,797**	**-209,175**	**879,395**	**-689,773**	**1,055,192**	**-898,949**

Financial assets and liabilities with related parties

	Parent company		Other group companies		Total	
	2015	2014	2015	2014	2015	2014
Financial assets						
Cash and cash equivalents			47,226	74,708	47,226	74,708
Financial assets at fair value through profit or loss:						
– non-trading derivatives			3,055,945	5,941,811	3,055,945	5,941,811
Loans			205,129	1,388,179	205,129	1,388,179
Other assets	230,294	92,779	6,043	5,906	236,337	98,685
Financial assets	**230,294**	**92,779**	**3,314,343**	**7,410,604**	**3,544,637**	**7,503,383**
Financial liabilities						
Subordinated loan	600,000	600,000	-		600,000	600,000
Other borrowed funds			1,536,184	479,479	1,536,184	479,479
Financial liabilities at fair value through profit or loss:						
– non-trading derivatives			581,186	1,710,898	581,186	1,710,898
Other liabilities		11,678	1,126,412	642,144	1,126,412	653,822
Financial liabilities	**600,000**	**611,678**	**3,243,782**	**2,832,521**	**3,843,782**	**3,444,199**

41 Key management personnel compensation

Transactions with key management personnel (Management Board and Supervisory Board) are transactions with related parties. These transactions are disclosed in more detail as required by Part 9 Book 2 of the Dutch Civil Code.

Management Board

	2015	2014
Fixed compensation:		
– Base salary	1,595	1,500
– Pension costs[1]	401	276
– Other benefits	141	182
Variable compensation:		
– Upfront cash	198	191
– Upfront shares	198	191
– Deferred cash	185	191
– Deferred shares	185	191
Fixed and variable compensation	**2,903**	**2,722**

1 As per 1 January 2015, the pension scheme for the members of the Management Board changed as a result of new pension legislation (Witteveen kader 2015). The pension costs consist of an amount of employer contribution (EUR 115 thousand) and an individual savings allowance (EUR 286 thousand, which is 27.3% of the amount of base salary above EUR 100 thousand).

Remuneration of the members of the Management Board is recognised in the profit and loss account in Staff expenses as part of Total expenses. The NN Leven Supervisory Board members do not receive any other compensation for their activities. The Supervisory Board members hold remunerated (board) positions within NN Group but not within NN Leven. Their remuneration is part of the allocation of head quarter expenses and they do not receive any (additional) allowances for their role as Supervisory Board members

The total remuneration as disclosed in the table above (for 2015: EUR 2,903 thousand) includes all variable remuneration related to the performance year 2015. Under IFRS-EU, certain components of variable remuneration are not recognised in the profit and loss account directly, but are allocated over the vesting period of the award. The comparable amount recognised in Staff expenses in 2015, and therefore included in Total expenses in 2015, relating to the fixed expenses of 2015 and the vesting of variable remuneration of earlier performance years, is EUR 2,610 thousand (2014: EUR 2,694 thousand).

Due to the enactment of new Dutch pension legislation, the pension arrangements of the members of the Management Board have been amended as per 1 January 2015. A defined contribution pension scheme was provided to the members of the Management Board until 31 December 2014. New legislation limits pension contributions to standard tax deferred pension schemes. To meet the requirements of this new legislation, the members of the Management Board joined the same new pension arrangements as applicable to all staff of NN Group in the Netherlands. The arrangements comprise a collective defined contribution (CDC) plan up to the new tax limit and a taxable individual savings allowance on pensionable fixed remuneration exceeding the tax limit.

Remuneration policy

As an indirect subsidiary of NN Group, NN Leven is in scope of the NN Group Remuneration Framework. NN Leven is well aware of the public debate about pay in the financial industry and the responsibility the industry is taking in that light. The remuneration policies of NN Group take into account all applicable regulations and codes, including the former Insurers' Code. The NN Group Remuneration Framework strikes a balance between interests of its customers, employees, shareholder and society at large, and supports the long-term objective of the company.

Notes to the Consolidated annual accounts – continued

The general principles underpinning the NN Group Remuneration Framework are (amongst others) as follows:

- Enhance focus on the long term interest of NN Group and the interests of customers.
- Align with company values, business strategy and risk appetite.
- Promote and align with robust and effective risk management.
- Comply with and support the spirit of the (inter)national regulations on remuneration policies.
- Aim to avoid improper treatment of customers and employees.
- Create a balanced compensation mix with a reduced emphasis on variable compensation.
- Claw back and hold back arrangements.
- Attract and retain talented personnel.

The variable remuneration is linked to clear targets. These targets are for a large part non-financial.

Loans and advances to key management personnel

	Amount outstanding 31 December		Average interest rate		Repayments	
	2015	2014	2015	2014	2015	2014
Management Board members [1]	663	564	4.1%	3.5%	179	19
Supervisory Board members	743	825	4.7%	4.4%	83	
Loans and advances to key management personnel	**1,406**	**1,389**			**262**	**19**

1 Please note that the composition of the board changed during 2015.

The loans and advances provided to members of the Executive and Management Board consist of mortgage loans. The total amount of redemptions of these mortgage loans during 2015 was EUR 262 thousand (2014: EUR 19 thousand).

42 Subsequent events

In March 2016 NN Leven made a dividend distribution of EUR 150 million from the Other reserves to its shareholder Nationale-Nederlanden Nederland B.V. The reported solvency figures as per 31 December 2015 take into account this distribution.

43 Risk management

Introduction
Risk taking is integral to the business model for an insurance organisation such as NN Leven. NN Leven has developed and implemented a risk management structure that is designed to identify, assess, control and monitor the risks associated with its business. By working within this structure, NN Leven seeks to meet its obligations to policyholders, other customers and creditors, to manage its capital efficiently, and to comply with applicable laws and regulations.

On 31 December 2015, NN Leven entered into a legal merger with NN Services. The financial information of NN Services is included in the Risk management note of NN Leven as of 1 January 2015. The comparatives for 2014 have been restated to reflect the situation as if NN Leven and NN Services had always been a merged entity. The merger did not lead to significant changes in the risk profile. For more information please refer to Note 1 "Accounting policies" paragraph "Changes in comparative figures" .

NN Leven offers insurance products in the Czech Republic. These activities and the related risks of these activities are reinsured with NN Re. NN Re deposited collateral with NN Leven to cover the credit risk. Therefore, these activities and relating risks are not included in the remainder of this Risk management note. For the deposits from reinsurers reference is made to Note 16 "Other liabilities".

NN Leven's approach to risk management is based on the following components:

- *Risk management structure and governance systems.* NN Leven's risk management structure and governance systems follow the "three lines of defence" model, which outlines the decision-making, execution and oversight responsibilities for the implementation of NN Leven's risk management. These structure and governance systems are embedded throughout the organisation.
- *Risk management framework.* NN Leven's risk management framework takes into account the relevant elements of risk management, including its integration into NN Leven's strategic planning cycle, the management information generated, and a granular risk assessment.
- *Risk management policies, standards and processes.* NN Leven has a comprehensive set of risk management policies, standards and processes. These are updated regularly to align with market leading practices, applicable laws and regulations, and to changes in NN Leven's business and risk profile. These risk management policies, standards and processes apply throughout NN Leven and are used by NN Leven to establish, define, and evaluate NN Leven's risk tolerance levels and risk control processes and to ensure that the tolerance levels and policies are communicated throughout the organisational structure.

Organisational risk management structure
Board of NN Leven and its (sub) committees
The Board of NN Leven, hereafter the 'Board', is responsible for defining, installing, and monitoring the risk management organisation in order to ensure its control systems are effective.

The Board or its (sub)committees approves all risk management policies as well as the quantitative and qualitative elements of NN Leven's risk appetite. The Board reports and discusses these topics with the Supervisory Board, on a regular basis.

While the Board retains responsibility for risk management, it has delegated certain responsibilities to committees which are responsible for day-to-day risk and finance related management decision-making, processes and controls. The following committees, aligned with the NN Group committees, are in place: the Asset & Liability committee, the Non-Financial Risk committee(s), the Product Risk committee, the Model committee, and the Crisis committee. Representation in the various committees is provided from the relevant risk departments.

Chief executive officer and chief risk officer
The Chief Executive Officer (CEO), the chairman of the Board, bears overall responsibility and the Chief Risk Officer (CRO) is responsible for risk management and entrusted with the day-to-day execution of the following tasks:

- Implementing risk policies.
- Formulating the risk management strategy and ensuring that it is implemented throughout NN Leven.
- Monitoring compliance with NN Leven's overall risk policies.
- Supervising the operation of NN Leven's risk management and business control systems.
- Reporting of NN Leven's risks and the processes and internal business controls.
- Making risk management decisions with regard to matters which may have an impact on the financial results of NN Leven or its reputation, without limiting the responsibility of each individual member of the Board in relation to risk management.

The CEO is primarily responsible for the communication of risk-related topics to the NN Group Management Board and NN Leven's Supervisory Board.

The Supervisory Board is responsible for supervising the Board and the general affairs of the company and its business and for providing advice to the Board.

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Three lines of defence model

The three lines of defence model, on which NN Leven's risk management structure and governance is based, defines three risk management levels, each with distinct roles, decision authorities, execution responsibilities, and oversight responsibilities. This framework ensures that risk is managed in line with the risk appetite as defined by the Board, ratified by the Supervisory Board, and cascaded throughout NN Leven.

- First line of defence: the CEO of NN Leven and the other Board members have primary accountability for the performance of the business, operations, compliance and effective control of risks affecting their businesses. They underwrite the insurance products that reflect the needs of their customers, thus know their customers and are well-positioned to act in both the customers' and NN Leven's best interest.
- Second line of defence: oversight functions with a major role for the risk management organisation, legal and the compliance function. The CEO and CRO steer a functional, independent risk organisation, which supports the commercial departments in their decision-making, but which also has sufficient countervailing power to prevent risk concentrations and other forms of unwanted or excessive risks. These oversight functions include:
  - developing the policies and guidance for their specific risk and control area;
  - encouraging and objectively challenging/monitoring sound risk management throughout the organisation and coordinate the reporting of risks;
  - supporting the first line of defence in making proper risk-return trade-offs; and
  - escalation power in relation to business activities that are judged to present unacceptable risks to NN Leven.
- Third line of defence: Corporate Audit Services (CAS). CAS provides an independent assessment of the standard of internal control with respect to NN Leven's business and support processes, including governance, risk management and internal controls.

Risk management framework

NN Leven's risk management framework comprises a series of sequential steps, through which NN Leven seeks to identify, measure and manage the risks to which it is exposed. The diagram below sets out these steps.

- *Objective setting.* Business planning and priority setting is undertaken through an annual medium term planning (MTP) process, which is integrated in NN Leven's own risk and solvency assessment (ORSA) process. At the start of the MTP process, NN Leven establishes strategic objectives in alignment with the NN Group objectives. Those strategic objectives are used to establish and define NN Leven's risk appetite, which consists of quantitative and qualitative statements defining those risks NN Leven wishes to take, to avoid, to retain and/or to remove. The strategic objectives are cascaded through the business plans and evaluated against the risk appetite.
- *Event identification.* NN Leven identifies events that may potentially impact its risk position, recognising that uncertainties exist, and that NN Leven cannot know with certainty which events will occur and when, or what the outcome or impact would be if it occurs. As part of event identification, NN Leven considers both external and internal factors that affect event occurrence. External factors include changes in economy, competitive environment, natural environment, political, demographic, social and technological factors. Internal factors reflect NN Leven's choices and concern matters such as infrastructure, personnel, processes and technology.
- *Risk assessment.* NN Leven considers how events identified in the previous step might affect the achievement of the strategic objectives. Key risks are assessed on a regular basis and, where appropriate, this analysis is supported by models. NN Leven conducts regular top-down assessments of its key risks.
- *Risk response and control.* Once risks are assessed, NN Leven identifies potential responses to those risks and analyses the mitigating impact of those responses. Taking into account the risk tolerances set out in the risk appetite framework NN Leven designs its response for each assessed risk. Risk and control activities are performed throughout NN Leven, at all organisational levels.

- *Information and communication.* Communication of information is a key part of NN Leven's risk management framework. Risk management officers, departments, and committees within NN Leven are informed regularly of NN Leven's position compared to its strategic objectives and its risk appetite to enable them to monitor developments and to timely take appropriate decisions. Comprehensive reports on NN Leven's financial and insurance risks, and on its non-financial risks, are prepared and discussed every quarter. These reports analyse, amongst others, developments in financial markets and their impact on the capital position, the effectiveness of the control environment, and any incidents that may have occurred.
- *Monitoring.* The effectiveness of NN Leven's risk management itself is also monitored. Regular monitoring ensures that risk management is maintained at all organisational levels and is carried out by all three lines of defence.

Risk management policies, standards and processes

NN Leven has implemented a comprehensive set of risk management policies, standards and processes. These policies, standards and processes are regularly updated to align with industry practices and changes in the business profile, and to comply with applicable laws and regulations. Key areas of risk management for which NN Leven has established policies, standards and processes are set out below.

Risk appetite framework

NN Leven's risk appetite framework determines which risks NN Leven takes, avoids, retains and/or removes. The risk limits are derived from the NN Group risk appetite. The risk appetite framework consists of qualitative and quantitative statements pertaining to risk preferences, risk tolerances, risk limits and risk controls. The NN Group risk appetite framework is cascaded down to NN Leven by means of risk limits:

- Own Funds at Risk – limiting the impact to NN Leven's capital (Own Funds) in a 1-in-20 event; NN Leven quantifies the cash requirement to do so using capital sensitivities to Solvency II Basic Own Funds across it businesses.
- Earnings at risk - limiting the impact of a 1-in-20 annual risk sensitivity on the IFRS net result; NN Leven quantifies this risk using sensitivities on the IFRS results after tax.

In addition to the key quantitative measures, qualitative statements form part of the risk appetite framework. Together they serve to guide risk taking conduct in the areas of underwriting, Asset and Liability management (ALM), investing and operations. These statements support NN Leven's strategy, diminish unwanted or excessive risk taking, and further optimise the use of capital. The qualitative risk appetite statements are organised under the following categories:

- Managing underwriting. Underwriting and product development are essential to the insurance business. NN Leven offers a comprehensive range of easy to understand and transparent value-for-money products that can be effectively risk managed over the expected life of the contract.
- Asset and Liability Management. NN Leven matches its asset portfolio to its liabilities with optimal strategic asset allocation and by limiting any mismatches to an acceptable degree. The ALM process is integral in ensuring adequate liquidity for policyholder obligations.
- Managing investments. NN Leven's appetite for investments provides an appropriate risk and return for NN Leven's policyholders and shareholder.
- Managing operations. Under this category, NN Leven specifies requirements for managing reputation, business continuity, processes and controls, as well as for providing a safe and engaging work environment that supports qualified and motivated colleagues.

Risk limits

The quantitative risk appetite statements are translated into quantitative risk limits pertaining to Basic Own Funds (Solvency II capital) and IFRS earnings (net result) and – where necessary – additional risk limits. NN Leven reports regularly on its risk profile compared to applicable risk appetite and risk limits.

Risk policy framework

NN Leven's risk policy framework ensures that all risks are managed consistently and that NN Leven as a whole operates within its risk tolerances. The policies/minimum standards focus on risk measurement, risk management and risk governance. To ensure that policies are efficient and effective they are governed by the risk committee structure. Potential waivers to the policies have to be approved through the respective risk committees.

Product approval and review process

The product approval and review process (PARP) has been developed to enable effective design, underwriting, and pricing of all products as well as to ensure that they can be managed throughout their lifetime. This process establishes requirements as to the product risk profile features to ensure that products are aligned with NN Leven's strategy. The PARP takes into account customer benefits and product suitability, expected sales volumes, value-oriented pricing metrics and relevant policies. It includes requirements and standards to assess risks as per the risk categories, as well as the assessment of the administration and accounting aspects of the product.

New investment class and investment mandate process

NN Leven maintains a new investment class approval and review process (NICARP) for approving new investment classes of assets. At the holding level, NN Group establishes a global list of asset classes in which NN Leven may invest. NN Leven also maintains a local asset list that is a subset of the global asset list. The local asset list includes asset allocation parameters, which prescribe the relative proportions in which NN Leven may invest in different asset classes, as well as asset, industry, regional, and credit concentration limits.

Non-financial risks

Operational, compliance, legal and related second order reputation risks are monitored in their mutual relationship as “Non-Financial Risk” (NFR). As non-financial risks are diverse in nature, NN Leven has a framework in place governing the process of identifying, assessing, mitigating, monitoring and reporting non-financial risks. Important elements in this framework are NFR risk assessments, action tracking, key risk indicators, key control registers, incident reporting, NFR Committees and the NFR Dashboard.

Own Risk and Solvency Assessment and Internal Capital Adequacy Assessment Process

NN Leven prepares an own risk and solvency assessment (ORSA) at least once a year. In the ORSA, NN Leven articulates its strategy and risk appetite, describes its key risks and how they are managed, analyses whether or not its risks and capital are appropriately modelled and evaluates how susceptible the capital position is to shocks through stress and scenario testing. Stress testing examines the effect of exceptional but plausible scenarios on the capital position of NN Leven. Stress testing can also be initiated outside ORSA, either internally or by external parties such as De Nederlandsche Bank (DNB) and European Insurance and Occupational Pensions Authority (EIOPA). The ORSA includes a forward looking overall assessment of NN Leven’s solvency position in light of the risks it holds.

Model governance and validation

NN Leven’s model governance and validation function seeks to ensure that the models are fit for their intended purpose. Models and their disclosed metrics are approved by the NN Leven Model Committee and where appropriate by the NN Group Model Committee (MoC). The findings of the model validation function are also regularly reported to the NN Leven Model Committee. This committee is responsible for modelling policies, processes, methodologies, and parameters which are applied within NN Leven. Central models are developed at Group level, but NN Leven is involved in the design through the Model Board and performs a fit-for-local-use assessment to ensure a fit to the NN Leven risk profile. Furthermore, the model validation function carries out validations of risk and valuation models in particular those related to Solvency II. Any changes to models that affect NN Leven’s risk figures above a certain materiality threshold are presented to the NN Group Risk and Finance Committee and significant changes are presented to DNB.

Recovery planning

NN Leven has determined a set of measures for early detection of and potential response to a financial or non-financial crisis should it occur. These include monitoring indicators which are expected to provide early-warning of emerging crises, advance preparation of options to raise or release capital, allocation of roles and responsibilities in case of a crisis, and other practical arrangements that may be required depending on the type of crisis.

Risk Profile

As described under the Risk Appetite section, NN Leven manages the level of risk exposures by measuring and limiting the impact of a 1-in-20 year scenario on the Solvency II capital (Own Funds). The loss of Own Funds in a 1-in-20 year scenario is referred to as Own Funds at Risk (OFaR), the metric is used to describe the risk profile throughout the remaining note.

NN Leven uses an internal model to measure OFaR. The underlying model used to calculate OFaR is based on the (Partial) internal model (PIM) approved by the DNB, but with several differences:

- OFaR measures losses in a 1-in-20 year event (or 95% level of confidence), whereas the PIM measures losses in a 1-in-200 year event, (or 99.5% level of confidence).
- The credit spread model used for OFaR shocks the Volatility Adjustment applied to the liabilities to measure specific spread risk related to Own Funds, whereas the PIM assumes no change in the Volatility Adjustment in a shocked-event but factors the illiquidity of liabilities into the asset shocks in order to ensure appropriate risk capital relative to the riskiness of the underlying assets.
- For OFaR, mortgages are shocked under the counterparty default risk module, whereas mortgages are captured under the spread risk module for the PIM.

NN Leven integrates the OFaR model into decision-making through the application of OFaR in the risk appetite and risk limit framework.

OFaR sensitivities provide management with information as to how Own Funds could be impacted under less severe shocks then the 1-in-200 used for Solvency Capital Requirement purposes, but under more likely stress scenarios for which management is more likely to need to respond. Where necessary, such as interest rate risk or hedging of separate account guarantees, additional limits are applied to align with the goal of hedging on a more granular economic basis. Within this section, OFaR is used to elaborate on the risk profile of NN Leven.

The table below provides an overview of OFaR per major risk category.

OFaR overview[1]

	2015	2014
Insurance risk	1,435,037	1,404,962
Business risk	700,984	734,536
Market and credit risk[1]	1,133,507	1,101,129
Diversification between modelled risks	-1,096,732	-1,012,138
Operational risk	121,291	114,929
Loss-absorbing capacity of deferred taxes	-544,099	-556,510
Total	**1,749,988**	**1,786,908**

1 In the OFaR amount for market and credit risk diversification between own account and separate account is included.

The breakdown of the OFaR for market and credit risk is presented in the table below.

OFaR overview Market and Credit risk

	2015	2014
Own Account	1,090,442	1,013,459
Separate Account	227,918	401,080
Diversification benefit	-184,853	-313,410
Total	1,133,507	1,101,129

There is a diversification benefit between insurance risk, business risk, and market and credit risk. No diversification is applied with operational risk and the loss-absorbing capacity of tax.

OFaR for operational risk is based on Solvency II standard formula calculation. To be relevant, however, for a 1-in-20 year event (or 95% level of confidence), the 95% figure is derived from the 99.5% SCR using an assumed underlying distribution.

In line with Solvency II, a loss-absorbing capacity of deferred taxes (or LACDT) is recognised. NN Leven's total loss in a 1-in-20 adverse event would be partially offset by tax recoveries and these are recognized to the extent to be expected to be recoverable.

In past years, Economic Capital has been disclosed to demonstrate the risk profile of the NN Leven business. With the introduction of Solvency II, NN Leven has de-emphasised Economic Capital as a management metric due to the significant overlap with the Solvency Capital Requirement (SCR) of Solvency II. However, the SCR for NN Leven is based on a partial internal model with various risks on an internal model in line with our Economic Capital model and other risks on the Standard Formula as defined within Solvency II. Further, there is an increased management focus on managing the risks to regulatory capital which under Solvency II are much more closely aligned to economic risks and economic capital than under Solvency I. Based on this analysis NN Leven places greater emphasis on Own Funds at Risk.

Main types of risks

The following principal types of risk are associated with NN Leven's business:

- *Insurance risk*. Insurance risks are the risks related to the events insured by NN Leven and comprise actuarial and underwriting risks such as mortality, longevity and morbidity, which result from the pricing and acceptance of insurance contracts.
- *Business risk*. Business risks are the risks related to the management and development of the insurance portfolio but exclude risks directly connected to insured events. Business risk includes policyholder behaviour risks and expense risks. Business risks can occur because of internal, industry, regulatory/ political, or wider market factors.
- *Market and credit risk*. Market risk is the risk of potential losses due to adverse movements in financial market variables. Counterparty default risk is the risk of potential losses due to default by NN Leven's debtors (including bond issuers), trading counterparties or mortgage holders. Market and credit risks include (i) equity risk, (ii) real estate risk, (iii) interest rate risk, (iv) credit spread risk, (v) counterparty default risk and (vi) foreign exchange risk. In relation to market and credit risk, NN Leven distinguishes between own account business and separate account business.
  - Own account business. In the case of own account business, NN Leven directly bears the market and credit risk of its invested assets and liabilities.
  - Separate account business. The separate account businesses are those in which the policyholder bears the majority of the market and credit risk. NN Leven's earnings from the separate account businesses are primarily driven by fee income. In the case of guaranteed separate account business, NN Leven retains the risk associated with the guarantees provided to its policyholders. Businesses in this

separate account category are (i) the group pension business for which guarantees are provided and (ii) other separate account business, primarily the unit linked business.

- *Operational risk*. Operational risk is a non-financial risk that includes direct or indirect losses resulting from inadequate or failed internal processes (including as a result of fraud and other misconduct), systems failure (including information technology and communications systems), human error, and certain external events.
- *Liquidity risk*. Liquidity risk is the risk that NN Leven does not have sufficient liquid assets to meet its financial obligations when they become due and payable, at reasonable cost and in a timely manner.
- *Compliance risk*. Compliance risk is the risk of impairment of NN Leven's integrity. It is a failure (or perceived failure) to comply with the NN Leven Statement of Living our Values and the Compliance risk related laws, regulations and standards that are relevant to the specific financial services offered by a business or its ensuing activities, which could damage NN Leven's reputation and lead to legal or regulatory sanctions and financial loss..

Insurance Risk

Insurance risks are the risks related to the events insured by NN Leven and comprise actuarial and underwriting risks such as mortality, longevity and morbidity risks, which result from the pricing and acceptance of insurance contracts.

Risk profile

Mortality risk occurs when claims are higher due to higher mortality experience (for instance in relation to term insurance). Longevity risk is the risk that insured persons live longer than expected due to mortality improvements. While NN Leven is exposed to both longevity and mortality risks, these risks do not fully offset one another as the impact of the longevity risk in the pension business is significantly larger than the mortality risk in the other businesses, not only due to the size of the business but also due to the current low interest rate environment. Changes in mortality tables impact the future expected benefits to be paid. The present value of these future impacts is reflected directly in measures like Own Funds.

Morbidity risk is related to disability insurance products, that pay out fixed amounts or reimburses losses (e.g. loss of income) related to a certain event or certain illness or disability. Morbidity risk is of marginal importance, as the disability products are only sold as riders to life insurance policies.

Risk mitigation

Proper pricing, underwriting, claims management and diversification are the main risk mitigating actions for insurance risks.

By expanding insurance liabilities to cover multiple product benefits and lengths of contracts, NN Leven reduces the likelihood that a single risk event will have a material impact on NN Leven's financial condition.

Management of the insurance risks is done by ensuring that the terms and conditions of the insurance policies that NN Leven underwrites are correctly aligned with the intended policyholder benefits to mitigate the risk that unintended benefits are covered. This is achieved through NN Leven's underwriting standards, product design requirements, and product approval and review processes.

Insurance risks are diversified with other risk components. Risks not sufficiently mitigated by diversification are managed through concentration, exposure limits and through reinsurance:

- Tolerance limits for life insurance risks are set per insured life and significant mortality event affecting multiple lives such as pandemics.
- Reinsurance is used to manage risk levels.
- Reinsurance creates credit risk which is managed in line with the reinsurance credit risk policy of NN Leven.
- NN Leven participates in the 'Nederlandse Herverzekeringsmaatschappij voor Terrorismeschade' to mitigate the risk from terrorism.

Risk measurement

The table below sets out NN Leven's OFaR for insurance risk.

OFaR for insurance risk

	2015	2014
Mortality risk (including longevity)	1,434,907	1,404,618
Morbidity risk	14,255	22,478
Diversification benefit	-14,126	-22,134
Total	**1,435,036**	**1,404,962**

The OFaR for insurance risks is mostly mortality risk, in particular longevity risk in the pension business. Given the long-term nature of the longevity portfolio, the underlying risks – specifically trend uncertainty – are sensitive to interest rates (due to the discounting impact). At the end of 2015, interest rates were slightly higher than 2014 which had a lowering effect on the OFaR for insurance risks. Portfolio developments, like buyouts, transfers from the separate account and growth of individual annuities, increased the mortality (longevity) risk capital, partially offset by the increasing interest rates in 2015. The OFaR amount for morbidity risk decreased, due to a model change from internal model to standard formula. NN Leven has a waiver to use the standard formula for morbidity risk

Note that NN Leven calculates insurance risks to fit a 99.5% level of confidence. The OFaR figure (on a 95% confidence level) is derived from the 99.5% level using an assumed underlying distribution.

Business Risk

Business risks are the risks related to the management and development of the insurance portfolio but exclude risks directly connected to insured events. Business risk includes policyholder behaviour risks and expense risks. Business risks can occur because of internal, industry, or wider market factors.

Risk profile

Policyholder behaviour risk

Policyholder behaviour risk is the risk that policyholders use options available in the insurance contracts in a way that is different from that expected by NN Leven. Depending on the terms and conditions of the insurance policy and the laws and regulations applicable to the policy, policyholders could have the option to surrender, change premiums, change investment fund selections, extend their contracts, take out policy loans, make choices about how to continue their annuity and pension savings contracts after the accumulation phase, or even change contract details. Policyholder behaviour therefore affects the profitability of the insurance contracts. The risk that employers maintain their contracts longer than NN Leven has assumed is specific for both the own and separate account business when guarantees are higher than the value of the underlying pension contract.

Changes in tax laws and regulations can affect policyholder behaviour, particularly when the tax treatment of their products affects the attractiveness of these products for customers. A change in policyholder behaviour assumptions would result in an immediate change in the present value of the liabilities used to determine Own Funds. The OFaR calculations for policyholder behaviour risk take into account the present value impact of changes in assumptions.

Expense risk

Total administrative expenses for NN Leven in 2015 amounted to EUR 390 million. Part of these expenses is variable, depending on the size of the business and sales volumes, and part is fixed and cannot immediately be adjusted to reflect changes in the size of the business. Expense risk relates to the risk that the actual expenses in the future exceed the expected expenses and consists of starting level risk and expense inflation risk. The risk related to the starting level aggregates three risks: the risk that the level of the actual expenses turns out to be different from the level of the best estimate expenses, the risk of not being able to make all expenses variable in strategic closed-book situations; and the risk of insufficient coverage of acquisition expenses if the sales volume in the following 12 months is below the assumptions.

The risk regarding the expense inflation relates to the actual expense development over time not being aligned with the best estimate inflation assumed. A part of the fixed expenses is still incurred in the closed block operations. Furthermore, the valuation of the group pension business includes long-term best estimate expense assumptions, discounted over a long period of time.

Risk mitigation

Policyholder behaviour risk

Policyholder behaviour risks are managed through the product development, product approval and review processes and by ensuring that appropriate advice is given to the customer, not only at the point of sale but also during the lifetime of the product. The policyholder behaviour experience of in-force policies is assessed at least annually.

As part of its strategy, NN Leven has put several programmes in place to own and improve the customer experience. These programmes improve the match between customer needs and the benefits and options provided by NN Leven’s products. Over time, NN Leven’s understanding and anticipation of the choices policyholders are likely to make will improve, thereby decreasing the risk of a mismatch between actual and assumed policyholder behaviour.

Expense risk

Ongoing initiatives are in place to manage expenses as can be seen in many parts of the business. These initiatives make expenses variable to be in line with the underlying contracts in place. This is particularly relevant for the closed blocks of business that can only reduce in number of contracts.

Risk measurement

The table below sets out NN Leven's OFaR for business risk.

OFaR for business risk[1]

	2015	2014
Persistency and calamity risk	187,334	183,219
Expense risk	663,673	694,049
Diversification benefit	-150,023	-142,733
Total	**700,984**	**734,535**

1 Note that NN Leven calculate business risks at a 99.5% level. The OFaR figure (on a 95% confidence level) is derived from the 99.5% level using scaling with an assumed underlying distribution.

The OFaR amount for persistency risk increased due to an increase of investments in mortgages bearing persistency risk, and is partly offset by the higher interest rates in 2015. The majority of the expense risk capital is driven by expense inflation risk. The decrease in the OFaR amount related to expense risk is primarily attributable to higher interest rates in 2015 for the relevant part of the curve and lower expense assumptions for unit costs and overlay costs.
The diversification in business risk is driven by the fact that policyholder behaviour and expense risk are largely uncorrelated and therefore receive a diversification benefit given the low likelihood that relatively severe stresses from both will occur concurrently.

Market and credit risk: Own account

Market and credit risks are the risks related to the financial assets on NN Leven's balance sheet. NN Leven distinguishes between market and credit risks on NN Leven's own investment asset portfolio (own account) and portfolios (or businesses) where the majority of such risks are primarily borne by policyholders (separate account). Counterparty default risk and basis risk are included in market and credit risk.

This section refers to own account assets and liabilities.

For OFaR, each investment class is in scope. The fixed income bonds are in scope of spread risk and interest rate risk calculations, the fixed income loans (to the extent applicable and including mortgages) are in scope of counterparty default risk calculations. For the non-fixed income assets, NN Leven uses asset-specific risk models to calculate OFaR.

The table below sets out NN Leven's OFaR for the own account.

OFaR for market and credit risk: Own account

	2015	2014
Equity risk	1,010,523	996,877
Real estate risk	265,957	254,997
Interest rate risk	817,535	766,547
Credit spread risk including the Volatility Adjustment	1,338,928	1,125,718
Foreign exchange risk	72,770	118,714
Inflation risk	33,222	35,017
Counterparty default risk	82,939	138,696
Diversification benefit	-2,531,431	-2,393,106
Total	**1,090,443**	**1,013,460**

Within NN Leven's own account, market risks are driven by the fixed income portfolio that generates spread risk and interest rate risk for duration mismatches. While it constitutes a smaller asset allocation, equity investments also generate equity risk, interest rate risk and currency risk as these risks cannot be directly offset by the liabilities. By the end of 2015, the total market and credit risk had increased along with a gain of diversification benefits as the effects of the Volatility Adjustment negatively correlate within credit spread risk, and also with equity risk and real estate risk.

Notes to the Consolidated annual accounts – continued

The table below sets out NN Leven's asset class values. The values in these tables may differ from those included in the consolidated IFRS balance sheet as derivatives are excluded and due to classification and valuation differences to reflect a risk management view.

Investment assets

	Total assets 2015	% assets 2015	Total assets 2014	% assets 2014
Fixed income	**60,825,984**	**86.2%**	**57,025,325**	**85.8%**
Government bonds	35,337,101	50.0%	34,696,605	52.3%
Government loans	627,127	0.9%	541,574	0.8%
Financial bonds	1,522,878	2.2%	1,403,454	2.1%
Financial loans	746,690	1.1%	626,369	0.9%
Corporate bonds	4,726,935	6.7%	3,312,007	5.0%
Corporate loans	3,073,762	4.4%	2,551,438	3.8%
Asset backed securities	2,968,877	4.2%	5,063,257	7.6%
Mortgages[1]	11,708,425	16.5%	8,717,000	13.1%
Other retail loans	114,189	0.2%	113,621	0.2%
Non-Fixed income	**9,450,597**	**13.3%**	**9,196,144**	**13.9%**
Common and preferred stock	2,956,700	4.2%	2,661,636	4.0%
Private equity	803,416	1.1%	826,696	1.3%
Real estate[2]	3,963,339	5.6%	3,780,373	5.7%
Mutual funds	1,727,142	2.4%	1,927,439	2.9%
Cash	**351,130**	**0.5%**	**175,033**	**0.3%**
Total Investments	**70,627,711**	**100.0%**	**66,396,502**	**100.0%**

1 Mortgages are valued at amortised cost.
2 In this figure Q-Park is not taken into account since Q-Park is classified as an equity participation.

The increase in total investment asset exposure is predominantly caused by a transfer of the separate account business to the own account. This explains the increase in government bonds which will be transferred to other asset classes and in line with the Strategic Asset Allocation (SAA).

Additional investments were executed in mortgages, loans, direct real estate and corporate/financial bonds. Redemptions in asset backed securities were not replaced in line with the SAA.

The following sections provide more detail per risk type.

Equity risk

As shown in the asset tables above, equity play a role in the general account – providing diversification and up-side return potential. This does present a risk which is measured as the impact of changes in prices of directly held equities and equity derivatives such as futures and options.

Risk profile

The table below sets out the market value of NN Leven's equity assets.

Equity assets

	2015	2014
Common and preferred stock	2,956,700	2,661,636
Private equity	803,416	826,696
Mutual funds[1]	1,727,142	1,927,439
Total	**5,487,258**	**5,415,771**

1 Mutual funds are not taken into account in equity risk. Using the look through principle, these funds mainly consist of fixed income instruments.

Within the own account, NN Leven is mostly exposed to public listed equity, but also invests in private equity funds and equity exposures through mutual funds. Note that mutual funds are classified as equity in the table above, but include predominantly fixed income funds.

As shown in the market and credit risk table – and depicted in the investments listed above – equity risk increased over the course of 2015. This was primarily due to higher equity markets and a move to higher yielding assets in line with the strategic asset allocation.

Risk mitigation
Equity exposures belong to a well-diversified asset portfolio of an insurance company with long-term illiquid liabilities. The concentration risk on individual issuers is mitigated under relevant investment mandates.

There is no natural hedge for equity risk on the liability side of the balance sheet, but when necessary, NN Leven protects the downside risk of the equity portfolio by buying put options and other hedge instruments.

Risk measurement
The OFaR for equity risk increased from EUR 997 million to EUR 1,011 million due to a higher direct equity risk exposure (in 2015: EUR 3,760 million and in 2014: EUR 3,488 million).

Real estate risk
With the long-term nature of the liabilities of NN Leven's own account, illiquid assets such as real estate can play an important role in the strategic allocation. Real estate risk is the risk of loss of market value of real estate assets. Market values are driven by a change in rental prices, required investor yield, and/ or other factors.

Risk profile
NN Leven's real estate exposure decreased from EUR 4,024 million at 31 December 2014 to EUR 3,963 million as at 31 December 2015 (excluding Q-Park). NN Leven has a majority interest in REI Investment I B.V., indirectly resulting in an exposure in two different categories of real estate: (i) investments in real estate funds, and (ii) real estate directly owned. Several of the real estate funds owned by NN Leven include leverage and therefore the actual real estate exposure within these funds is larger than NN Leven's actual real estate assets.

The real estate portfolio is held for the long-term and is illiquid. Furthermore there are no hedge instruments available in the market to effectively reduce the impact of market volatility.

The table below sets out NN Leven's real estate exposure by sector type excluding leverage. Real estate is valued at fair value in the OFaR model. Fair value revaluations for 78% of the real estate portfolio directly affect the IFRS result before tax. During 2015 NN Leven redeemed its share in several real estate funds and re-invested the proceeds in direct real estate exposure, resulting in a shift from real estate exposure "valued through equity" to "valued through P&L".

Real estate assets by sector[1]

	Revalued through P&L 2015	Not revalued through P&L 2015	Revalued through P&L 2014	Not revalued through P&L 2014
Residential	17,626	353,670	99,426	677,031
Office	782,876	38,960	769,092	77,236
Retail	1,905,617	579,045	1,738,381	448,421
Industrial	672,879	84,108	600,309	1,905
Other	44,375	302,696	30,049	305,238
Total	**3,423,373**	**1,358,479**	**3,237,257**	**1,509,831**

1 Real estate assets are presented including Q-Park.

Risk mitigation
Real estate exposures belong to a well-diversified asset portfolio of an insurance company holding long-term illiquid liabilities. The concentration risk on individual issuers is mitigated under relevant investment mandates. According to the SAA NN Leven increases the investments in real estate, however properties in the French residential fund as well as shares in Vesteda were sold leading to a slight increase in the direct real estate exposure.

Risk measurement
The OFaR for real estate risk slightly increased from EUR 255 million to EUR 266 million mainly attributable to new investments and acquisitions.

Interest rate risk
Interest rate risk is the impact of interest rate changes on Own Funds as a result of the associated change in the value of the assets and liabilities.

Risk profile
The table below provides an overview of NN Leven's insurance business' undiscounted best estimate policyholder liability cash flows (net of expenses and commissions) by maturity. The total of the liabilities increased in size mainly due to the growth in pension buyout contracts and own account liabilities as a result of the transfer of separate account contracts, but the risk profile in itself is comparable to that of 2014.

Liabilities' annual undiscounted cash flows (net of expenses and commissions)[1]

Maturities in years	2015	2014
0-1	-1,468,646	-1,641,079
1-2	-2,772,135	-2,699,992
2-3	-4,172,279	-4,495,084
3-5	-5,475,373	-5,005,261
5-10	-13,386,492	-12,110,945
10-20	-22,317,706	-20,994,254
20-30	-14,797,588	-14,019,541
30+	-14,949,902	-13,431,223
Total	**-79,340,121**	**-74,397,379**

1 The "minus" sign in the table means cash outflow from NN Leven to the policyholders, agents, intermediaries, and other expense related outflow.

To effectively match its assets to liabilities, NN Leven looks at the liability cash flows and then determines which assets to purchase to reduce interest rate risk. As can be seen in the table, the liabilities have a significant amount of long-term liability cash flows, that relate primarily to the pension business.

Risk mitigation
NN Leven hedges its interest rate exposure by investing in long-term bonds matching liability maturities and further reduces the remaining interest rate gap from time to time by additional interest rate derivatives and/ or hedge accounting programs. Interest rate risk is also mitigated through a disciplined pricing and renewal strategy in the corporate pensions business.

Risk measurement
For purposes of discounting liabilities under Solvency II – therefore relevant for OFaR, NN Leven uses a swap curve plus Volatility Adjustment minus credit risk adjustment. The Volatility Adjustment is treated as part of the credit spread risk. In line with Solvency II, NN Leven extrapolates the EUR swap curve from the 20 year point onwards to the UFR (Ultimate Forward Rate). The OFaR for interest rate risk primarily depends on the level of cash flow matching between assets and liabilities and in addition, from the 20 year point, the difference between the swap curve and the curve extrapolated to the UFR for longer cash flows. NN Leven uses additional interest rate risk limits for the day-to-day management of this risk.

NN Leven's Own Funds are more at risk (higher OFaR) when the Volatility Adjustment increases and when rates are low. Both these elements pose a distortion to the economic curve (leading to different liability valuation than asset valuation) and thereby increase risk to Own Funds. At the end of 2015, interest rates were higher than at the end of 2014; the difference between the Solvency II curve and the curve used for interest rate risk matching was reduced, accordingly exhibiting a lower risk to Own Funds.

The OFaR for interest rate risk increased from EUR 767 million at year-end 2014 to EUR 818 million at year-end 2015 mainly due to portfolio developments. NN Leven is well cash flow matched on assets and liabilities up to the 20 year maturity.

OFaR does not currently include the change in value of the risk margin due to interest rate shocks. This is deemed to be conservative as the risk margin has the effect of lowering the risk under the Solvency II curve with the UFR.

Credit spread risk
Credit spread risk reflects the impact of credit spreads widening (or narrowing) due to changes in expectation of default, illiquidity and any other risk premiums priced into the market value of bonds. Credit spread risk takes into account both the impact on the asset side as well as the corresponding interaction with the Volatility Adjustment on the liabilities. The Own Funds are subject to volatility, which is captured in the OFaR calculation, due to the fact the asset portfolio has a different asset mix compared to the reference portfolio for the Solvency II Volatility Adjustment, and due to the fact the duration of the liabilities is different than the assets or the assumptions in the Volatility Adjustment.

Notes to the Consolidated annual accounts – continued

Risk profile

The table below sets out the market value of NN Leven's fixed income bonds which are subject to credit spread risk OFaR by type of issuer.

Fixed-income bonds by type of issuer[1]

	Market value		Percentage	
	2015	2014	2015	2014
Government bonds	35,337,101	34,696,605	79.3%	78.0%
Asset backed securities	2,968,877	5,063,257	6.7%	11.4%
Financial institutions	1,522,878	1,403,454	3.4%	3.1%
Utilities	720,273	825,996	1.6%	1.9%
Telecom	802,570	627,501	1.8%	1.4%
Transportation and logistics	346,429		0.8%	
Chemicals, health and pharmaceuticals		310,296		0.7%
Food, beverages and personal care	58,526	436,704	0.1%	1.0%
Natural resources	199,483	285,940	0.5%	0.6%
Other[2]	2,599,654	825,572	5.8%	1.9%
Total	**44,555,791**	**44,475,325**	**100.0%**	**100.0%**

1 Excluding loans.
2 "Other" is comprised of general Industries, automotive, retail, builders, and contractors.

NN Leven primarily uses long-term bonds issued by central governments and other public agencies of governments to match its long-term liabilities. As such, bonds are amongst the few tradable fixed income securities generating cash flows for 20 years and longer. The table below sets out the market value of NN Leven's assets invested in government bond by country and maturity.

2015 Market value government bond exposures

		Market value of government bond exposures 2015 by number of years to maturity								
	Rating[1]	0-1	1-2	2-3	3-5	5-10	10-20	20-30	30+	Total 2015
Germany	AAA	6,570	219	120,131	65,842	971,024	3,524,200	3,555,073		8,243,059
Netherlands	AAA		4,543	31,853	50,806	1,042,934	1,495,846	4,315,064	346,260	7,287,306
France	AA					38,041	1,195,449	1,974,140	3,389,925	6,597,555
Austria	AA+	2,623			219,113	542,221	1,401,908	1,221,017	576,392	3,963,274
Belgium	AA		128		134,156	544,581	1,465,489	1,438,971		3,583,325
Finland	AAA		188		209,081	325,648	53,940	546,908		1,135,765
Italy	BBB						848,407			848,407
Spain	BBB+					49,824	202,850	549,429		802,103
European Union[1]	AAA	60,003		1,506	91,008	146,634	215,606	567,743		1,082,500
Ireland	A-					245,785	127,470			373,255
United Kingdom	AA+					191,468	165,140			356,608
Poland	A					0	282,238			282,238
United States	AAA	5,460	5,925		1,059	3,504		260,106		276,054
Japan	A+					199,988				199,988
Other		11,997	16,558		35,373	62,729	179,007			305,664
Total		**86,653**	**27,561**	**153,490**	**806,438**	**4,364,381**	**11,157,550**	**14,428,451**	**4,312,577**	**35,337,101**

1 NN Leven uses the second best rating of Fitch, Moody's and S&P to determine the credit rating label of its bonds.
2 Includes EIB, ECB, EFSF, EU and ESM.

2014 Market value government bond exposures

		Market value of government bond exposures 2014 by number of years to maturity								
	Rating[1]	**0-1**	**1-2**	**2-3**	**3-5**	**5-10**	**10-20**	**20-30**	**30+**	**Total 2014**
Germany	AAA		6,919	226	185,423	1,022,607	3,702,025	4,163,307		9,080,507
Netherlands	AAA	6,035		10,756	83,697	1,031,378	1,607,203	4,437,258	107,613	7,283,940
France	AA					40,815	55,669	3,081,366	3,082,490	6,260,340
Austria	AAA	1,630	2,721		86,392	693,666	1,451,279	1,219,445	541,247	3,996,380
Belgium	AA			134	8,376	678,403	797,827	1,715,764	124,520	3,325,024
Finland	AAA			192	49,946	206,251	346,451	418,919		1,021,759
European Union[2]	AAA		60,060		52,362	170,050	220,571	506,016		1,009,059
Italy	BBB						815,552			815,552
Spain	BBB+						205,796	230,800		436,596
United Kingdom	AA+					188,869	162,849			351,718
Poland	A							281,266		281,266
Other		9,493	16,886	22,076	11,805	256,394	274,521	243,289		834,464
Total		**17,158**	**86,586**	**33,384**	**478,001**	**4,288,433**	**9,639,743**	**16,297,430**	**3,855,870**	**34,696,605**

1 NN Leven uses the second best rating of Fitch, Moody's and S&P to determine the credit rating label of its bonds.
2 Includes EIB, ECB, EFSF, EU and ESM.

Of the EUR 16 billion German and Dutch government bonds held by NN Leven, almost half will mature after year 20; more than 80% of the EUR 6,6 billion of French government bonds held by NN Leven will mature after year 20. These long-term government bonds are sensitive to sovereign credit spread movements versus EUR swap rates.

The table below sets out the market value of non-government fixed income securities (excluding mortgages and derivatives) by rating and maturity. The AAA securities are primarily asset-backed securities.

2015 Market value non-government fixed income securities[1]

	Market value of non-government fixed income securities 2015 by number of years to maturity								
Rating[1]	**0-1**	**1-2**	**2-3**	**3-5**	**5-10**	**10-20**	**20-30**	**30+**	**Total 2015**
AAA	30,711	34,298	270,531	169,710	867,280	385,310	952,807	1,174,753	3,885,400
AA	152,330	106,025	193,371	380,689	369,475	526,709	292,111	42,987	2,063,697
A	304,308	475,410	369,320	526,300	797,506	99,426	235,608	652,976	3,460,854
BBB	161,125	236,800	164,584	743,768	1,333,212	275,360	30,887	85,300	3,031,036
BB	14,232	45,548	21,357	117,788	81,581	10,583		70,402	361,491
B		3,125	3,519	96,753	131,241				234,638
CCC			995		990			40	2,025
Total	**662,706**	**901,206**	**1,023,677**	**2,035,008**	**3,581,285**	**1,297,388**	**1,511,413**	**2,026,458**	**13,039,141**

1 Including loans.

2014 Market value non-government fixed income securities[1]

Rating[1]	0-1	1-2	2-3	3-5	5-10	10-20	20-30	30+	Total 2014
	Market value of non-government fixed income securities 2014 by number of years to maturity								
AAA	34,429	97,132	176,635	505,838	1,041,605	606,935	1,091,420	1,815,474	5,369,468
AA	6,595	177,593	58,975	140,604	705,617	433,246	195,337	111,228	1,829,195
A	310,406	308,023	252,547	546,893	624,904	177,700	369,083	57,862	2,647,418
BBB	83,078	185,510	269,168	438,686	847,880	208,726	27,677	229,273	2,289,998
BB	8,305	13,580	28,854	27,002	35,443			177,499	290,683
B				7,999	20,175				28,174
CCC	299,141				1,016	9,598			309,755
Total	**741,954**	**781,838**	**786,179**	**1,667,022**	**3,276,640**	**1,436,205**	**1,683,517**	**2,391,336**	**12,764,691**

1 Including loans.

The table below sets out NN Leven's holdings of asset-backed securities by market value of asset type and the percentage of NN Leven's total asset-backed securities portfolio. The asset backed securities will be replaced by corporate bonds and corporate loans in line with the SAA.

Asset backed securities

	Market Value 2015	% of total 2015	Market value 2014	% of total 2014
RMBS	2,209,734	74.4%	3,252,476	64.2%
Car loans	300,589	10.1%	819,291	16.2%
Student loans	165,354	5.6%	184,924	3.7%
Credit cards	164,048	5.5%	320,022	6.3%
Consumer loans	115,300	3.9%	57,538	1.1%
SME loans	13,851	0.5%	25,651	0.5%
Other[1]	1	0.0%	403,355	8.0%
Total	**2,968,877**	**100.0%**	**5,063,257**	**100.0%**

1 Including CMBS and equipment loans.

Risk mitigation
NN Leven aims to maintain a well diversified fixed income portfolio. NN Leven has a policy of maintaining a high quality investment grade portfolio while avoiding large risk concentrations. In order to reduce the credit spread risk, NN Leven has increased its investments in mortgages, corporate loans and corporate bonds. The volatility in NN Leven's credit spread risk will continue to have possible short-term negative effects on the balance sheet. However, in the long run, these investments will back the long-dated and illiquid liabilities adequately. The concentration risk on individual issuers is managed using rating-based issuer limits effectively managing the default risk of the issuers.

Risk measurement
The OFaR for credit spread risk reflects, with 95% level of confidence, the risk of Own Funds to spread movements – impacting fixed income assets held in the own account and the liabilities in the own account due to the Solvency II Volatility Adjustment. Fixed income assets are shocked with severity linked to a 1-in-20 year event (or 95% level of confidence) and credit spreads are stressed depending on the credit class, rating, and duration. Given that the own account liabilities are valued using the Solvency II Volatility Adjustment, the Volatility Adjustment is calculated at the same level of confidence by applying shocks to the reference portfolio to determine the level at which the liabilities will be valued in the same scenario. This has a positive impact on Own Funds, offsetting the impact on the asset-side. In this regard, the OFaR spread model identifies mismatches (basis difference) between the own account assets and the Volatility Adjustment and seeks the worst case loss within the desired level of confidence – in this case 95% - and region, to determine the OFaR for spread risk. Furthermore, the Volatility Adjustment on the liabilities is stressed to reflect the corresponding liability valuation in the stressed scenario – thereby dampening the impact of credit spread stresses on the assets, since the liabilities are often illiquid. As such the OFaR spread model shows the risk to Own Funds expected from spread movements in a 1-in-20 year event.

Note that the spread model used for OFaR assesses the impact on Own Funds under adversity and follows the dynamics of the balance sheet valuation. The spread model under the PIM used for determining capital requirements (described in the capital management section) includes a simpler and less volatile offset due to the liability illiquidity.

The table below sets out NN Leven's OFaR for credit spread risk.

OFaR for spread risk: Own Account

	2015	2014
Credit spread risk assets	3,206,729	2,981,552
Impact of Volatility Adjustment offset on liabilities	1,650,428	1,007,994
Credit spread risk net of Volatility Adjustment (after diversification)	**1,338,928**	**1,125,718**

The OFaR for credit spread risk assets increased mainly by a higher exposure in corporate bonds and the shift/migration of allocation within government bonds (from AAA to AA+ – example downgrade of Austria) partly offset by the lower exposure in asset backed securities. With changes in allocation during the year – increased exposure to equity, mortgages and cash – the basis difference between own account assets and the Volatility Adjustment reference portfolio assets has increased. Furthermore corporate spreads widen and the reference portfolio of the Volatility Adjustment consists of almost 50% corporates versus approximately 10% in the NN Leven portfolio thereby leading to a higher net spread risk after diversification.

Counterparty default risk

Counterparty default risk is the risk of loss of investments due to unexpected default, or deterioration in the credit standing, of the counterparties and debtors (including reinsurers) of NN Leven. The OFaR for counterparty default risk is primarily based on the associated issuer's probability of default (PD) and the estimated loss-given-default (LGD) on each individual asset combined with diversification across assets.

The counterparty default risk module covers credit exposures which are not covered in the spread risk sub-module. For each counterparty, the counterparty default risk module takes account of the overall counterparty risk exposure pertaining to that counterparty.

The counterparty default risk exposure is split in Type I and Type II exposures. The class of Type I exposures covers the exposures which may not be diversified and where the counterparty is likely to be (externally) rated, e.g. reinsurance contracts, derivatives, and money market exposures. The class of Type II exposures covers the exposures which are usually diversified and where the counterparty is likely to be unrated, predominantly term lending not covered in Type I, for example mortgage loans. These two classes form the basis for the respective capital treatment in the counterparty default risk module.

Risk profile

Counterparty default risk is dominated by Type II assets in terms of exposure and current allocated capital. The largest Type II exposure is mortgages (EUR 11,743 million). Other sources of counterparty default risk include the claims on counterparties from over-the-counter derivatives and reinsurance.

Counterparty default risk (assets exposure)

	2015	2014
Type I[1]		
Cash	351,130	96,620
Reinsurance	105,022	92,953
Type II		
Mortgages	11,708,425	8,717,175
All Other Loans[2]	4,561,768	3,833,001

1 Derivatives exposure is also included in the counterparty default risk (CPD) type I calculation. Given Collateral agreements in place, a conservative estimate of 20% of the exposure is included in the counterparty default risk module.
2 All other loans consists of government, financial, corporate, policy, and consumer loans.

The mortgage exposure increase is explained by the growth in the number of mortgages and the fact that the amounts compared with last year include exposure fully secured by savings insurance policies (EUR 1,080 million in 2014). The increase in 'All other loans' is primarily due to an increase in corporate loan exposure which is in line with the SAA.

Risk mitigation

NN Leven uses different credit risk mitigation techniques. For retail lending portfolios, pledges of insurance policies or retaining the investment accounts of clients are all important elements of credit risk mitigation. For OTC derivatives, the use of International Swaps and Derivatives Associations master agreements accompanied with credit support annexes is an important example of risk mitigation. Other forms of credit risk mitigation include reinsurance collateral. For cash and money market funds, limits per counterparty are put in place.

The Loan-to-Value (LTV) for residential mortgages, which is based on the net average loan to indexed value, stands at 87%, due to the high proportion of interest-only mortgages. With the change in the tax regime in 2013 with regards to mortgage interest deductibility, a shift from essentially interest-only mortgages to annuity and linear payment type mortgages is being observed. The inherent credit risk is compensated primarily by means of the underlying property, but also through the inclusion of mortgages guaranteed by the Nationale Hypotheek Garantie (NHG) and other secondary covers like savings, investments, and life insurance policies. Mortgages with NHG accounted for 20% at 31 December 2015.

Notes to the Consolidated annual accounts – continued

The credit portfolio is under regular review to ensure troubled assets are identified early and managed properly. The loan is categorised as a non-performing loan (NPL) if the arrear still exists after 90 days. A loan is re-categorised as a performing loan again when the amount past due has been paid. The increase in non-performing loans is due to portfolio developments and a delayed effect of the economic recession on mortgage paying ability of households.

All loans not classified at initial recognition as being either (1) assets at fair value through profit-or-loss, (2) assets held for trading, or (3) assets available-for-sale are measured against amortised cost and are subject to impairment review.

Credit quality: NN Leven mortgage portfolio, outstanding[1]

	2015	2014
Performing mortgage loans	10,376,160	8,550,585
Non-performing mortgage loans	169,865	166,590
Total[2]	**10,546,025**	**8,717,175**

1 Risk figures and parameters do not include mortgages fully collateralised by savings insurance contracts although they are on the balance sheet of NN Leven (total EUR 1.5 billion).
2 Mortgages based on nominal value.

Aging analysis (past due but not impaired): NN Leven mortgage portfolio, outstanding

	2015	2014
Past due 0 days	10,210,461	8,448,054
Past due for 1–30 days	47,469	132,837
Past due for 31–60 days	109,278	37,013
Past due for 61–90 days	42,016	15,707
Past due for > 90 days	136,801	83,564
Total	**10,546,025**	**8,717,175**

Collateral on mortgage loans

	2015	2014
(0) Balance account	10,546,026	8,717,175
(1) Secondary cover value	557,158	732,522
(2) NHG Cover value	1,836,411	1,588,114
(3) Indexed market value primary cover	13,062,300	11,193,032
(2b) Capped NHG cover value minimum of (2) and ((0) – (1))	1,808,765	1,560,336
(3b) Capped indexed market value primary cover, minimum of (3) and ((0) – (1) – (2))	7,767,010	6,032,200
Remaining exposure at risk: (0) – (1) – (2b) – (3b)	413,093	392,117

The table above shows the mitigating credit risk factors related to NN Leven's mortgage portfolios. Please note that the NHG cover value is lower than the exposure that is flagged as NHG. The reason is that the NHG cover value decreases in time following an annuity scheme. For example: for interest only loans, the exposure is stable while the NHG cover value decreases.

Next to the total value of the different covers, also the remaining exposure at risk is presented. This risk measure (and risk measure 2b and 3b) is calculated at loan level without double counting any cover value. The remaining exposure at risk can be seen as blank credit. The figures in the table above are aggregated results of the calculations at loan level.

- The NHG value per mortgage loan is capped at the net mortgage exposure (balance amount minus secondary cover value). When a client has made prepayments or has deposited a large initial amount for the secondary cover, the net mortgage exposure can be lower than the NHG cover value.
- The market value of the primary cover is capped at the balance amount minus secondary cover value and minus the NHG cover value. For example: when the cover value of a NHG mortgage loan is higher than the net mortgage exposure, the capped market value of the primary cover is zero.

Risk measurement

The Counterparty Default module comprises two sub-modules:

- CDR Type I: applicable to exposures which might not be diversified and where the counterparty is likely to be (externally) rated. The underlying model is the Ter Berg model (basis for Standard Formula under Solvency II);
- CDR Type II: applicable to exposures that are usually (well) diversified and where the counterparty is likely to be unrated. The underlying model is based on the Basel regulatory model.

The capital charges for CDR Type I and CDR Type II exposures are calculated separately and aggregated using a diversification effect. Despite a significant increase in exposure to mortgages over the course of 2015, OFaR for counterparty default risk decreased from EUR 139 million at year-end 2014 to EUR 83 million at year-end 2015. This decrease is mainly due to a change in data source during 2015. With increased granularity and a different indexation source, this data change led to an increase in property values – reducing the loss given default.

Foreign exchange risk

Foreign exchange (FX) risk measures the impact of losses in available capital related to changes in currency exchange rates.

Risk profile

FX transaction risk can occur when items included in the financial statements are measured using the country's local currency instead of NN Leven's reporting currency, the euro.

Risk mitigation

The FX risk is mitigated by hedging the FX risk in liabilities that are sensitive to changes in FX rates and by limiting investment in non-euro-denominated assets. As a result of this, FX risk marginally contributes to the OFaR of NN Leven.

Risk measurement

The decrease in OFaR for foreign exchange risk from EUR 119 million at year-end 2014 to EUR 73 million at year-end 2015 is caused by a lower exposure to the Korean Won and a well-diversified REI Investment I B.V. portfolio.

Market and credit risk: Separate account

The separate account businesses are those in which the policyholder bears the majority of the market and credit risk. NN Leven's earnings from the separate account businesses are primarily driven by fee income. However, in the case of guaranteed separate account business, NN Leven retains risk associated with the guarantees provided to its policyholders. Businesses in this separate account category are (i) the pension business for which guarantees are provided and (ii) other separate account business, primarily the unit linked business. This section refers to the separate account business only.

NN Leven determines OFaR for the market and credit risks of the separate account business through modelling the risks of the fee income and the guarantees including the impact of the hedge programs.

The table below sets out the OFaR for the market and credit risk of the separate account businesses.

OFaR for the separate account business

	2015	2014
Separate account guaranteed group pension business	284,959	473,793
Other separate account business (unit-linked)	69,453	79,416
Diversification benefit	-126,495	-152,129
Total	**227,917**	**401,080**

The decrease in OFaR in the group pension business was mainly due to contracts moving from the separate account to the own account and the risk management actions following the changing risk profile of the remaining separate account business. The other separate account business (unit linked) benefits from the economic environment. The higher long term interest rates result in a higher return, while the decrease in short term interest rates increases the value of the underlying short duration funds.

Notes to the Consolidated annual accounts – continued

Separate account business

Risk profile
The table below sets out the separate account guaranteed group pension business.

Separate account guaranteed group pension business

	2015	2014
Account value	8,630,266	10,694,880
Additional IFRS provision for guarantee	583,982	722,229

In the separate account pension portfolio, investments are held in separate accounts on behalf of the sponsor employer who concluded their contract with NN Leven. Regardless of actual returns on these investments, NN Leven guarantees pension benefits for the beneficiaries under the contract. Contracts are typically re-negotiated every five years, but the guarantee obligations to the beneficiaries survive termination of the contract with the sponsor employer unless otherwise agreed.

In principle, the sponsor employer selects the investments based on a basket of equity, fixed income, and real estate and pays a fee for the guarantee. The value of the guarantee that NN Leven provides is sensitive to interest rates, movements in the underlying funds, and the volatility of those funds.

Over the course of 2015, EUR 1.7 billion in account value of the Leven Pension business was transferred from the separate account to the own account. Furthermore, increasing interest rates decreased the value of the fixed income assets as well.

Risk mitigation
NN Leven currently hedges the value of the guarantees it provided under NN Leven pension contracts. For the purpose of hedging, the liability exposure taking into account these guarantees is discounted at the swap curve without the extrapolation to the UFR. The hedge program includes bond futures, FX forwards, interest rate swaps, interest rate swaptions, equity (basket) options, equity futures and fixed income total return swaps. Upon contract renewal, NN Leven offers policyholders defined contribution products with investments in portfolios that NN Leven can more easily hedge, thus reducing the risk.

Other separate account business

Risk profile
The other separate account business primarily consists of unit-linked insurance policies, which provide policyholders with fund selection combined with an insurance cover. In a unit-linked policy, the investment risk is borne by the policyholder, although there are some unit-linked products where NN Leven has provided guarantees on the performance of specific underlying funds. Unit-linked products without guarantees do not expose NN Leven to market risk, except to the extent that the present value of future fees is affected by market movements of the underlying policyholder funds.

Risk mitigation
The market risks of the unit-linked and other separate account business are managed during the design phase of the product. Currently NN Leven does not hedge the market risks related to the present value of future fee income derived from this business on a product level, except a small FX hedge. Hedging the market risks resulting from this business is part of managing NN Leven's risk position as a whole.

Liquidity risk
Liquidity risk is the risk that NN Leven does not have sufficient liquid assets to meet its financial obligations when they become due and payable, at reasonable cost and in a timely manner. Liquidity in this context is the availability of funds, or certainty that funds will be available without significant losses, to honour all commitments when due. NN Leven manages liquidity risk via a liquidity risk framework: ensuring that – even after shock – NN Leven's businesses can meet immediate cash obligations.

Risk profile
NN Leven identifies two related liquidity risks: funding liquidity risks and market liquidity risks. Funding liquidity risk is risk that a company will not have the funds to meet its financial obligations when due. Market liquidity risk is the risk that an asset cannot be sold without significant losses. The connection between market and funding liquidity stems from the fact that when payments are due, and not enough cash is available, investment positions need to be converted into cash. When market liquidity is low, this would lead to a loss.

Risk mitigation
NN Leven's Liquidity Management Principles include the following:
- Interbank funding markets should be used to provide liquidity for day-to-day cash management purposes;
- A portion of assets must be invested in unencumbered marketable securities that can be used for collateralised borrowing or asset sales;
- Strategic asset allocation reflects the expected and contingent liquidity needs of liabilities;
- Adequate and up-to-date contingency liquidity plans are in place to enable management to act effectively and efficiently in times of crisis.

NN Leven defines three levels of Liquidity Management. Short-term liquidity or cash management covers the day-to-day cash requirements under normal business conditions and targets funding liquidity risk. Long-term liquidity management considers business conditions, in which market liquidity risk materialises. Stress liquidity management looks at the company's ability to respond to a potential crisis situation. Two types of liquidity crisis events can be distinguished: a market event and an NN Leven specific event. These events can be short-term or long-term and can both occur on a local, regional or global scale. The liquidity position of NN Leven is monitored on an ongoing basis in line with the internal risk management liquidity framework.

Risk measurement
Liquidity risk is measured through several metrics including ratios and cash flow scenario analysis, in the base case and under several stressed scenarios. The liquidity risk metrics indicate that liquidity resources would be sufficient to meet expected liquidity uses under the scenarios tested. NN Leven manages liquidity risk via a liquidity risk framework: ensuring that – even after shock – NN Leven's businesses can meet immediate obligations. Accordingly, NN Leven does not calculate a specific OFaR for liquidity risk as liquidity is sufficiently available.

Operational risk
Operational risk is a non-financial risk that includes direct or indirect losses resulting from inadequate or failed internal processes (including as a result of fraud and other misconduct), systems failure (including information technology and communications systems), human error, and certain external events.

Risk profile
The operational risk management areas are defined as:

- *Control and processing risk*: the risk of financial or reputational loss due to non-adherence with business policies or guidelines as well as the risk of loss due to unintentional human error during (transaction) processing.
- *Fraud risk*: the risk of financial or reputational loss due to abuse of procedures, systems, assets, products or services of NN Leven by those who intend to unlawfully benefit themselves or others.
- *Information (technology) risk*: the risk of financial or reputational loss due to inadequate information security, resulting in a loss of data confidentiality, integrity and availability.
- *Continuity and security risk*: the risk of threats that might endanger the continuity of business operations and the security of our employees.
- *Unauthorised activity risk*: the risk of misuse of procedures, systems, assets, products and services.
- *Employment practise risk*: the risk of financial or reputational loss due to acts inconsistent with employment, health or safety laws, agreements and from payment of personal injury claims or diversity/discrimination events.

Risk mitigation
Operational risk assessments are done based on historic data as well as on a forward looking basis in order to capture future risks. Once mitigating measures have been implemented and proven to be effective through monitoring and testing, the residual risk becomes the managed risk.

Mitigation of operational risks can be preventive in nature (e.g. training and education of employees, preventive controls, etc.) or can be implemented upon discovery of a risk (e.g. enforcement of controls, disciplinary measures against employees). Risk mitigating actions or controls are based on a balance between the expected cost of implementation and the expected benefits.

NN Leven conducts regular operational risk and control monitoring to measure and evaluate the effectiveness of key controls. It determines whether the risks are within the norms for risk appetite and in line with the ambition levels and policies and standards. Operational risks are monitored through the Non-Financial Risk Dashboard (NFRD) process at all levels in the organisation. The NFRD is one tool which provides management at all organisational levels with information about key operational, compliance and legal risks and incidents. The exposure of NN Leven to non-financial risks is regularly assessed through risk assessments and monitoring. After identification of the risks, each risk is assessed as to its likelihood of occurrence as well its potential impact, should it occur. Actions required to mitigate the risks are identified and tracked until the risk is either reduced, if such a reduction is possible, or accepted as a residual risk if the risk cannot be mitigated.

The business process owners are responsible for the actual execution of the controls and for assessing the adequacy of their internal controls. Operational risk management, as part of the second line of defence, is responsible for providing management with an objective assessment of the effectiveness and efficiency of NN Leven's risks and controls.

Risk measurement
NN Leven's OFaR for operational risk was EUR 121 million and EUR 115 million as at 31 December 2015 and 2014, respectively. As it is additional to the modelled OFaR, it should be considered as net of diversification with other NN Leven risks.

Compliance risk
Compliance risk is the risk of impairment of NN Leven's integrity. It is a failure (or perceived failure) to comply with the NN Leven Statement of Living our Values and the related laws, regulations and standards that are relevant to the specific financial services offered by a business or its ensuing activities, which could damage NN Leven's reputation and lead to legal or regulatory sanctions and financial loss.

Risk profile
Through NN Leven's retirement services and insurance products, NN Leven is committed to helping our customers secure their financial future. To fulfil this purpose, we base our work on three core values: care, clear, commit. Our Values set the standard for conduct and provide a compass for decision making. Further, NN Leven is committed to the preservation of its reputation and integrity through compliance with applicable laws, regulations and ethical standards in each of the markets in which it operates ("Compliance Risk"). All employees are expected to adhere to these laws, regulations and ethical standards, and management is responsible for embedding the compliance related rules. Compliance is therefore an essential ingredient of good corporate governance. NN Leven continuously enhances its compliance risk program to ensure that NN Leven complies with international standards and laws.

Risk mitigation
NN Leven separates compliance risk into four risk areas: client conduct, personal conduct, organisational conduct, and financial services conduct. In addition to effective reporting systems, NN Leven has a whistle blower procedure as well which protects and encourages staff to "speak up" if they know of or suspect a breach of external regulations, internal policies or our values. NN Leven also has policies and procedures regarding anti-money laundering, sanctions and anti-terrorist financing, gifts and entertainment, anti-bribery, customer suitability, conflicts of interest and confidential and inside information, as well as a code of conduct for its personnel. Furthermore, NN Leven designates specific countries as high risk and prohibits client engagements and transactions (including payments or facilitation) involving those countries.

NN Leven performs a product review process when developing products and continuously invests in the maintenance of risk management, legal and compliance procedures to monitor current sales practices. Customer protection regulations as well as changes in interpretation and perception of acceptable market practices by both the public at large and governmental authorities might influence customer expectations. The risk of potential reputational and financial impact from products and sales practices exists because of the market situation, customer expectations, and regulatory activity. The compliance function and the business work closely together with the aim to anticipate changing customers' needs.

Risk measurement
There is no specific compliance risk capital calculated for OFaR, however, it is considered to be part of the Operational Risk OFaR.

Earnings Sensitivity analysis
Following the risk appetite described earlier, NN Leven calculates sensitivities of IFRS net result. These risk sensitivities are designed to estimate a 1-in-20 year risk for the various risk factors with impact on the IFRS P&L. The following table sets out the shocks to parameters used to assess the sensitivities.

One-Year Sensitivity Descriptions

	IFRS net result
Interest rate risk	Measured by non-parallel and asymmetric upward and downward 1-in-20 shocks in interest rates. Under IFRS-EU, NN Leven values its policyholder liabilities using a discount rate that is set when the policies are sold, and subjects them to a reserve adequacy test using current interest rates. As a result, changes in interest rates do not affect IFRS net result through liability valuations, unless the adequacy of the insurance liabilities falls below the 90th percentile level. Apart from a few exceptions, interest rate movements do not impact IFRS result before tax as investment income for fixed income assets is recorded at amortised cost. A few derivative instruments not used in hedge accounting could cause volatility in IFRS result before tax due to changes in interest rates.
Equity risk	Measured by the maximum loss between a 31% upward and downward shock in equity prices. Equity shocks can impact IFRS net results due to (amongst others): impairment losses, fair value accounting, and fee income in unit-linked accounts.
FX risk	Measured by the impact of the worst of a 20% upward or downward movement in all currencies compared to the euro. IFRS net result can be impacted by FX movements in coupons, positions designated as Trading, or the amortised cost part of Assets classified as available-for-sale investments.
Credit spread risk	Determined using 1-in-20 Value at Risk shocks for marked-to-market individual assets. AAA government bonds are also shocked for this sensitivity calculation.
Counterparty default risk	Determined using 1-in-20 shocks for (i) fixed income assets at amortised cost (that do not fall under spread risk) and (ii) for derivatives, reinsurance, money market [type I], and Loans, including residential mortgages [type II].
Real estate price risk	This is measured by the impact of an 8% decrease in real estate prices only for the minority holdings and for all real estate re-valued through P&L. Other holdings will be included in case of possible impairments caused by a decrease in prices.
Mortality (including longevity) Morbidity Persistency and calamity	IFRS net result can be impacted by 1-in-20 year insurance shocks to the extent that they are within a one-year horizon.

Sensitivities of IFRS net result

The table below sets out various market and insurance risk impacts of one year 1-in-20 year sensitivities for IFRS net result.

Estimated IFRS net result sensitivities

		2015	2014
	Interest Rate Upward Shock	94,763	-2,448
	Interest Rate Downward Shock	-55,964	5,399
	Equity –31%	279,665	339,299
	Equity +31%	-15,209	-121,646
Market risk and credit risk	Real estate –8%	202,232	225,814
	FX –20%	78,015	-6,241
	Counterparty default	42,431	35,000
	Mortality	21,876	33,739
Insurance risk	Morbidity	10,691	16,858
	Persistency &Calamity	0	0

Interest rate risk mainly changes due to a changed interest rate sensitivity of the separate account book. Since the separate account business is managed on a fair value basis, the IFRS interest rate sensitivities of the separate account business are quite volatile. Equity and FX risk mainly change as a result of a pre-hedge position regarding the separate account book to anticipate on a changing risk profile in 2016. Furthermore, equity risk down decreases because of lower impairment risk. Real estate risk is lower as the portfolio contains less real estate positions with participation larger than 20%, resulting in less real estate exposure "valued through P&L". Counterparty default risk increases due to a higher mortgage exposure.

Due to the differences between IFRS and Solvency II accounting, the IFRS net result has different sensitivities under a 1-in-20 than the Solvency II Own Funds (as measured by OFaR). In general:

- Market shocks only flow through to IFRS net result to the extent the underlying asset/ liability is market-valued under IFRS and/or impairments would need to be taken.
- Non-market risks are only impacted by higher claims in one year and not normally by a reassessment of best estimate actuarial assumptions in the provisions as may be the case under Solvency II.

Another source of difference, including volatility in IFRS sensitivities, comes from the hedging programs for the guaranteed separate account pension business as the economic risk of the guarantee is the basis for hedging while the IFRS liability has a different valuation. Given the impact of these hedges on IFRS net result and sensitivities, the changes in these sensitivities between 2014 and 2015 are largely driven by the guaranteed separate account pension business.

Mortality risk (excluding longevity) and morbidity risk mainly decreased due to the higher interest rates.

44 Capital management

Objective
Capital Management involves the management, planning and execution of transactions concerning the capital position of NN Leven.

NN Leven is a Dutch life insurance company and is therefore supervised by the Dutch regulator, DNB. The supervision takes place based on rules and regulations, as defined in the Dutch Financial Supervision Act (Wet op het financieel toezicht; Wft) and further DNB guidelines. During 2015 NN Leven complied with the Solvency I directive, however, NN Leven also assessed its capital position anticipating the Solvency II directive, which is effective as from 1 January 2016.

Regulatory developments
In 2015, the formal solvency requirements under Dutch law were based on the Solvency I framework. As from 1 January 2016 the Solvency II directive is the basis for the solvency ratio.

As from 1 January 2015, the TSC (also known as "Solvency 1.5") ceased to apply in Dutch regulations in anticipation of Solvency II.

Processes for managing capital
Capital management takes place within the framework set by the NN Group Management Board for its subsidiaries on the basis of policy documents, guidelines and procedures.

The solvency position of NN Leven is evaluated in two perspectives: the point in time perspective and a dynamic forward looking perspective. The point in time perspective considers if NN Leven fulfils the solvency requirements. The dynamic perspective (also referred to as capital creation) considers how the solvency position develops over time, taking into account the development of the technical provisions including risk margin, in relation to the development of the assets.

Main events in 2015
Over 2015, the Solvency I ratio of (the pro forma merged entity) NN Leven improved from 257% to 294% at 31 December 2015, supported mainly by positive revaluations on equity and real estate investments, tightening of credit spreads and operating performance offset by dividends of EUR 415 million.

In February 2015 NN Leven paid EUR 350 million out of the share premium account to Nationale-Nederlanden Nederland B.V. This amount was reflected in the capitalisation and ratios per year end 2014, in accordance with provisions in the Wft regarding dividend payments.

In July, October and December 2015 further dividends of each EUR 125 million were paid by NN Leven. NN Services paid EUR 40 million dividend in September. The dividend in July was paid out of the share premium account, the other dividends were paid out of the other reserves. All these dividend payments were based on a careful evaluation of the actual and prospective financial position.

NN Leven received permission from DNB to consider the perpetual subordinated debt of EUR 450 million Tier 1 basic own funds and the dated subordinated debt of EUR 600 million Tier 2 basic own funds, for a period of 10 years starting 1 January 2016. The total coupon paid on subordinated debt in 2015 amounts to EUR 40 million post-tax. In the Solvency ratio II ratios these instruments were taken into account accordingly.

In December 2015, DNB approved NN Group's Partial Internal Model to determine the Solvency II capital requirements and approved the use of the Partial Internal Model for NN Leven.

Subsequent events
In March 2016 NN Leven made a dividend distribution of EUR 150 million from the Other reserves to its shareholder Nationale-Nederlanden Nederland B.V. This amount is deducted from the capitalisation and ratios per year end 2015, in accordance with the Solvency I and Solvency II directives.

Capital adequacy assessment (Solvency I)
The capital position of NN Leven met all regulatory solvency requirements following the Solvency I directive throughout 2015.

Under the Solvency I directive, the available regulatory capital reporting is based on IFRS-EU accounting, adjusted for a test of adequacy and some further adjustments, as have been set in Wft and DNB regulations. NN Leven performs a test of adequacy on its technical provisions based on DNB regulations, which include the discount curve to be used. NN Leven uses the swap curve provided by DNB as basis for valuation in the test of adequacy. The discount curve makes use of a mechanism whereby the forward rate converges from year 20 over a period of 40 years to a so-called Ultimate Forward Rate (UFR) of 4.2%. The capital requirements are based on fixed percentages applied to the technical provisions and sum-at-risk amounts.

Notes to the Consolidated annual accounts – continued

The following table provides the reconciliation between the IFRS shareholder's equity and the regulatory solvency position under Solvency I.

Capitalisation and ratios

	2015	2014
IFRS shareholder's equity	13,831,344	14,207,014
Adjustments to equity:		
– Revaluation reserve for derivatives	-2,304,726	-2,519,442
– Intangible assets (after taxation)	-7,018	-5,055
– Undated subordinated loan	450,000	450,000
– Subordinated debt	600,000	600,000
– Capital distribution in the first quarter of the subsequent year	-150,000	-350,000
– Surplus/deficit in adequacy test (+/-)	-3,722,055	-4,568,256
Capital available for financial supervision purposes	8,697,545	7,814,261
Solvency required for financial supervision purposes	2,960,780	3,037,534
NN Leven Solvency I ratio	294%	257%

Capital adequacy assessment (Solvency II)

NN Leven meets all regulatory solvency requirements following the Solvency II directive.

Under the Solvency II regime, the valuation of the balance sheet items are based on market values and a market consistent valuation of the liabilities, based on Solvency II requirements. The own funds result from this calculation basis.

The required capital (Solvency Capital Requirement) is risk-based and calculated as the post-tax value-at-risk at the confidence interval of 99.5% on a one-year horizon. The Solvency II directive requires that insurance undertakings hold Eligible Own Funds covering the Solvency Capital Requirement.

NN Leven's Solvency II ratio was 216% at 31 December 2015.

The following table provides the reconciliation between the IFRS shareholder's equity and the Eligible Own Funds under Solvency II.

	2015
IFRS shareholder's equity	13,831,344
Removal of deferred acquisitions costs and other intangible assets	-256,692
Adjustments to other assets	1,828,797
Adjustments to liabilities, including insurance and investment contracts	-10,910,863
Change in deferred tax due to valuation differences	2,335,177
Excess of assets over liabilities	6,827,763
Subordinated loans	1,050,000
Foreseeable dividends and distributions	-150,000
Basic Own Funds	7,727,763
Non-eligible Own Funds	163,152
Eligible Own Funds	7,564,611
Solvency Capital Requirement	3,501,485
NN Leven Solvency II ratio	216%

Solvency II restricts the amount of Tier 2 and Tier 3 capital included in the capital adequacy assessment. Tier 3 funds exceeding 15% of SCR are reported as Non-eligible Own Funds. Under the Solvency II regime the net DTA position is treated as Tier 3 capital instrument. As the net DTA exceeds 15% of the SCR this leads to a Non-eligible part of the Own Funds.

Solvency II capital requirements for NN Group are based on the approved Partial Internal Model. The group capital model is named as such due to the fact that the standard formula is used to calculate capital requirements for operational risk (across the group) and capital requirements for the international businesses that fall under Solvency II. NN Leven is a business for which DNB has approved the use of the Partial Internal Model.

The Partial Internal Model is more appropriate for NN Leven as it better reflects the risk profile of the underlying business and provides additional benefits for risk management purposes. In particular:

- For NN Leven the impact of the Partial Internal Model is significant for the life risk module. We believe the Partial Internal Module provides a better view on the life risks, as the Partial Internal Model considers more life risks then the Standard Formula and it takes a more granular approach with regard to age and gender.
- The Partial Internal Model approach better reflects the specific assets and therefore the market risk in the portfolio of NN Leven e.g. sovereign and other credit spread risks.

The Solvency II capital ratio is still subject to final interpretations of Solvency II regulations including the treatment of tax in the SCR. The Solvency II capital ratio of NN Leven does not include any contingent liability potentially arising from unit-linked products sold, issued or advised on in the past, as this potential liability cannot be reliably estimated or quantified at this point.

The following table shows the NN Leven capital requirements:

	2015
Market risk (including basis risk)	**2,813,467**
Non-market risk	**2,900,723**
Market / Non-market risk diversification	**-1,451,137**
BSCR	4,263,053
Operational risk	303,228
Loss absorbing capacity of technical provisions	-38,625
Loss absorbing capacity of deferred taxes	-1,026,171
NN Leven PIM SCR	**3,501,485**

External credit rating

On 30 September 2015, Standard & Poor's confirmed its rating of NN Leven as A+ with a stable outlook. The rating of NN Leven is determined taking into account the financial position of NN Group. The rating reflects only the view of Standard & Poor's at the time the rating was issued, and any explanation of the significance of a rating may be obtained only from the rating agency. There are no other external rating assessments for NN Leven.

Authorisation of the Consolidated annual accounts

The Consolidated annual accounts of Nationale-Nederlanden Levensverzekering Maatschappij N.V. for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the Management Board on 26 April 2016. The Management Board may decide to amend the Consolidated annual accounts as long as these are not adopted by the general meeting of shareholders.

The general meeting of shareholders may decide not to adopt the Consolidated annual accounts, but may not amend these during the meeting. The general meeting of shareholders can decide not to adopt the Consolidated accounts, propose amendments and then adopt the Consolidated annual accounts after a normal due process.

Rotterdam, 26 April 2016

The Supervisory Board

D.E. (Dorothee) van Vredenburch, chairperson
D. (Delfin) Rueda, vice-chairperson
S.D. (Doug) Caldwell
D.E. (David) Knibbe

The Management Board

M.F.M. (Michel) van Elk, CEO and chairperson
P.J. (Patrick) Dwyer, CFO
J.J. (Hans) Bonsel, CRO
A.J. (Arthur) van der Wal
T. (Tjeerd) Bosklopper

Confirmed and adopted by the General Meeting of Shareholders, dated 8 June 2016.

Parent company balance sheet

Amounts in thousands of euros, unless stated otherwise

Parent company balance sheet

As at 31 December before appropriation of result

	Notes	2015	2014
Assets			
Intangible assets		9,358	6,741
Investments in subsidiaries and associates:			
– Investments in subsidiaries	2	4,083,901	3,683,901
– Bonds issued by and receivables from subsidiaries	3	394,879	275,516
– Other associates	4	19,287	88,096
Other financial investments:			
– Bonds and other fixed-income securities		42,488,960	40,304,623
– Shares, units of participation and other variable-income securities	5	4,359,713	4,193,178
– Interests in investment pools	6	130,905	80,067
– Receivables from mortgages		11,700,425	10,237,110
– Receivables from other loans	7	6,868,766	8,260,380
– Deposits with credit institutions	8	210,370	200,543
Deposits with insurers		133	116
Derivatives	9	3,057,161	5,356,174
Investments for risk of policyholders	10	18,012,435	20,886,085
Reinsurance contracts	15	1,192,584	1,156,605
Receivables:			
– Receivables from insurance and reinsurance		102,824	251,446
– Other receivables	11	239,951	195,435
– Income tax receivable		15,934	
Other assets:			
– Other assets		1,336	1,900
– Cash and cash equivalents	12	23,396	36,330
Accrued assets:			
– Accrued interest	13	972,270	1,030,002
– Deferred acquisition costs		264,577	293,571
– Other accrued assets		961	1,873
Total assets		**94,150,126**	**96,539,692**

References relate to the notes starting on page 106. These form an integral part of the parent company annual accounts.

Parent company balance sheet – continued

Parent company balance sheet – continued

As at 31 December before appropriation of result

	Notes	2015	2014[1]
Equity	14		
Share capital		22,689	22,689
Share premium		3,228,030	3,703,030
Legal reserves		921,940	769,237
Revaluation reserves		6,726,927	7,412,949
Other reserves		1,861,931	2,043,502
Unappropriated profit		1,069,827	255,607
Shareholder's equity		13,831,344	14,207,014
Undated subordinated loan		450,000	450,000
Total equity		**14,281,344**	**14,657,014**
Liabilities			
Subordinated debt		600,000	600,000
Technical provisions	15		
– Technical provisions for life insurance		45,447,422	43,939,763
– Technical provisions for profit sharing and rebates		10,728,236	12,018,268
– Other technical provisions		228,871	252,073
Technical provisions for insurance for risk of policyholders		15,986,504	17,508,707
Derivatives	16	535,901	1,599,857
Deferred tax liabilities	17	1,647,835	1,896,258
Other provisions	18	764,389	829,836
Deposits from reinsurers		1,114,555	1,077,796
Liabilities:			
– Liabilities from direct insurance		602,401	602,504
– Other bonds and private loans	19	2,034,972	739,104
– Other liabilities	20	100,500	226,140
– Income tax payable			26,167
Accrued liabilities	21	77,196	566,205
Total liabilities		**79,868,782**	**81,882,678**
Total equity and liabilities		**94,150,126**	**96,539,692**

1. As restated. Reference is made to Note 1 "Accounting policies" paragraph "Changes in comparative figures" in the Consolidated annual accounts .

References relate to the notes starting on page 106. These form an integral part of the parent company annual accounts.

Parent company profit and loss account

Parent company profit and loss account

For the year ended 31 December

	2015	2014[1]
Result of group companies after tax	483,975	303,015
Other results after tax	585,852	-47,408
Net result	**1,069,827**	**255,607**

1. As restated. Reference is made to Note 1 "Accounting policies" paragraph "Changes in comparative figures" in the Consolidated annual accounts .

Parent company statement of changes in equity

Parent company statement of changes in equity

	Share capital	Share premium	Legal reserves	Revaluation reserve	Other reserves [1]	Undated sub-ordinated loan	Total
Balance as at 1 January 2015	**22,689**	**3,703,030**	**769,237**	**7,412,949**	**2,299,109**	**450,000**	**14,657,014**
Revaluations			25,733	-1,187,638			-1,161,905
Changes in cash flow hedge reserve				-569,097			-569,097
ABS reserve amortisation				9,371			9,371
Deferred profit sharing liability				725,493			725,493
Transfer to legal reserves			499,385		-499,385		
Dividend from associates			-361,212		361,212		
Other changes			-11,203		-1,084		-12,287
Exchange rate differences				11,459	699		12,158
Changes in deferred taxes				324,390	6,635		331,025
Total amount recognised directly in equity (other comprehensive income)			**152,703**	**-686,022**	**-131,923**		**-665,242**
Issuance of undated subordinated loan							
Dividend paid		-475,000			-305,255		-780,255
Net result					1,069,827		1,069,827
Balance as at 31 December 2015	**22,689**	**3,228,030**	**921,940**	**6,726,927**	**2,931,758**	**450,000**	**14,281,344**

1 Other reserves include Retained earnings and Unappropriated result.

	Share capital	Share premium	Legal reserves	Revaluation reserve	Other reserves [1]	Undated sub-ordinated loan	Total
Balance as at 1 January 2014	**22,689**	**3,646,984**	**893,715**	**2,997,713**	**1,870,385**		**9,431,486**
Revaluations			127,779	7,002,722			7,131,501
Changes in cash flow hedge reserve				2,303,412			2,303,412
ABS reserve amortisation				36,574			36,574
Deferred profit sharing liability				-3,468,536			-3,468,536
Transfer to legal reserves			200,241		-200,241		
Dividend from associates			-426,165		426,165		
Other changes		56,046	-27,333		-25,895		2,818
Exchange rate differences				4,691	-457		4,234
Changes in deferred taxes				-1,463,627	-2,469		-1,466,096
Total amount recognised directly in equity (other comprehensive income)		**56,046**	**-124,478**	**4,415,236**	**197,103**		**4,543,907**
Issuance of undated subordinated loan						450,000	450,000
Dividend paid					-23,986		-23,986
Net result					255,607		255,607
Balance as at 31 December 2014	**22,689**	**3,703,030**	**769,237**	**7,412,949**	**2,299,109**	**450,000**	**14,657,014**

1 Other reserves include Retained earnings and Unappropriated result.

Merger of NN Leven and NN Services

In 2015 Nationale-Nederlanden Levensverzekering Maatschappij N.V. and Nationale-Nederlanden Services N.V. legally merged. The financial information of NN Services is included in the financial statements of NN Leven as of 1 January 2015. The comparatives for 2014 have been restated to reflect the situation as if NN Leven and NN Services had always been a merged entity. For more information on the merger reference is made to Note 1 “Accounting policies” paragraph “Changes in comparative figures” in the Consolidated annual accounts.

Assets and liabilities of the merging entities per 31 December 2014

	NN Leven	NN Services	Adjustments of the merger	Combined balance sheet
Assets				
Intangible assets	6,741			6,741
Investments in subsidiaries and associates	4,047,513			4,047,513
Other financial investments	61,463,415	1,812,608	-122	63,275,901
Deposits with insurers	116			116
Derivatives	5,356,174			5,356,174
Investments for risk of policyholders	19,720,051	1,166,034		20,886,085
Reinsurance contracts	1,150,613	5,992		1,156,605
Receivables	434,532	12,349		446,881
Other assets	38,217	13		38,230
Accrued assets	1,316,159	9,287		1,325,446
Total assets	**93,533,531**	**3,006,283**	**-122**	**96,593,692**
Equity				
Equity	14,425,958	131,398	99,658	14,657,014
Total equity	**14,425,958**	**131,398**	**99,658**	**14,657,014**
Liabilities				
Subordinated debt	600,000			600,000
Technical provisions	54,682,946	1,660,158	-133,000	56,210,104
Technical provisions for insurance for risk of policyholders	16,340,338	1,168,369		17,508,707
Derivatives	1,599,857			1,599,857
Deferred tax liabilities	1,843,086	19,952	33,220	1,896,258
Other provisions	828,967	869		829,836
Deposits with reinsurers	1,077,796			1,077,796
Liabilities	1,576,352	17,563		1,593,915
Accrued liabilities	558,231	7,974		566,205
Total liabilities	**79,107,573**	**2,874,885**	**-99,780**	**81,882,678**
Total equity and liabilities	**93,533,531**	**3,006,283**	**-122**	**96,539,692**

Profit and loss account of the merging entities per 31 December 2014

	NN Leven	NN Services	Adjustments	Combined profit and loss[1]
Result of group companies after tax	200,245	10,172	92,598	303,015
Other results after tax	-47,408			-47,408
Net result	**152,837**	**10,172**	**92,598**	**255,607**

1 As restated. Reference is made to Note 1 “Accounting policies” paragraph “Changes in comparative figures” in the Consolidated annual accounts .

1 Accounting policies

The parent company accounts of NN Leven are prepared in accordance with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code. The accounting policies applicable to presentation and disclosures are in accordance with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code. The principles of valuation and determination of results stated in connection with the Consolidated balance sheet and profit and loss account are also applicable to the parent company balance sheet and profit and loss account with the exception of investments in group companies and associates which are recognised at net asset value with goodwill, if any, recorded under intangible assets.

The profit and loss account is drawn up in accordance with Article 402, Book 2 of the Dutch Civil Code.

A list containing the information referred to in Article 379 (1), Book 2 of the Dutch Civil Code has been filed with the office of the Commercial Register of the Chamber of Commerce, in accordance with Article 379 (5), Book 2 of the Dutch Civil Code. Reference is made to the list filed by NN Group N.V.

Changes in balance sheet values due to changes in the Revaluation reserves of associates are reflected in the Share of associates reserve, which forms part of Shareholder's equity. Changes in balance sheet values due to the results of these associates, accounted for in accordance with NN Leven accounting policies, are included in the profit and loss account. Other changes in the balance sheet value of these associates, other than those due to changes in share capital, are included in the Share of associates reserve.

A legal reserve is carried at an amount equal to the share in the results of associates since their first inclusion at net asset value less the amount of profit distributions to which rights have accrued in the interim. Profit distributions which can be repatriated to the Netherlands without restriction are likewise deducted from the Share of associates reserve, which forms part of Shareholder's equity.

Insurance contracts

Other insurance provisions

The "Other technical provisions" item contains the longevity provision. The longevity provision is an additional provision alongside the provision for life insurance liabilities that was formed in the past to cover the longevity risk of the group portfolio. No further additions are made. As contracts are renewed, conversion of the provision to the new rate assumptions is funded from the provision for longevity risk.

Notes to the parent company annual accounts – continued

2 Investments in subsidiaries

Investments in subsidiaries

	2015	2014
REI Investment I B.V.	3,256,072	2,867,751
Private Equity Investments II B.V. [1]	607,041	654,405
Korea Investment Fund B.V.	144,175	159,868
Private Equity Investments B.V.	75,895	789
Other	718	1,088
Investments in subsidiaries	**4,083,901**	**3,683,901**

1 Parcom Capital B.V. was renamed to Private Equity Investments II B.V. per 17 December 2015.

Changes in Investments in subsidiaries

	2015	2014
Investments in subsidiaries - Opening balance	3,683,901	3,349,371
Investments	242,659	428,467
Result of subsidiaries	489,975	192,428
Dividend	-358,913	-414,762
Revaluations	26,279	128,397
Investments in subsidiaries - Closing balance	**4,083,901**	**3,683,901**
Breakdown of balance sheet value:		
Cost	3,206,831	2,944,886
Cumulative revaluations	877,070	739,015
Investments in subsidiaries	**4,083,901**	**3,683,901**

3 Bonds issued by and receivables from subsidiaries

Bonds issued by and receivables from subsidiaries

	2015	2014
REI Investment I B.V.	211,411	213,779
Private Equity Investments B.V.	108,588	47,837
Mittelstand Senior Debt Investment B.V.	42,980	
Infrastructure Debt Investments B.V.	31,900	13,900
Bonds issued by and receivables from subsidiaries	**394,879**	**275,516**

4 Other associates

In 2014 Other associates mainly consists of Dolphin Capital B FPCI which was divested in 2015. For information on Dolphin Capital B FPCI reference is made to Note 6 Associates and joint ventures in the Consolidated annual accounts.

Notes to the parent company annual accounts – continued

5 Shares, units of participation and other variable-income securities

Changes in Shares, units of participation and other variable-income securities

	2015	2014
Shares, units of participation and other variable-income securities - Opening balance	4,193,178	3,364,720
Investments	449,748	1,543,125
Disposals	-669,996	-669,175
Revaluations	256,377	19,064
Impairments	-95,790	-62,195
Realised result	214,465	-7,100
Exchange rate differences	11,778	4,757
Other changes	-47	-18
Shares, units of participation and other variable-income securities - Closing balance	**4,359,713**	**4,193,178**
Breakdown of balance sheet value:		
– Cost	3,353,837	3,464,387
– Cumulative revaluations	1,005,876	728,791
Shares, units of participation and other variable-income securities	**4,359,713**	**4,193,178**
Listed	3,361,577	3,170,544
Unlisted	998,136	1,022,634
Shares, units of participation and other variable-income securities	**4,359,713**	**4,193,178**

6 Interest in investment pools

Changes in Interest in investment pools

	2015	2014
Interest in investment pools - Opening balance	80,067	68,712
Investments	50,270	44,563
Disposals	-8,553	-37,658
Revaluations	4,327	3,409
Changes in current-account balances	4,538	1,240
Exchange rate differences	256	-199
Interest in investment pools - Closing balance	**130,905**	**80,067**

Notes to the parent company annual accounts – continued

7 Receivables from other loans

Changes in Receivables from other loans

	2015	2014
Receivables from other loans - Opening balance	8,272,765	8,287,751
Investments	1,886,493	1,867,247
Disposals	-270,369	-25,611
Redemptions	-3,008,606	-2,368,488
Transfer from/to other assets		419,698
Amortisation	2,912	50,797
Realised result	-124	65
Other changes		41,306
Receivables from other loans – before Provision for doubtful debts	**6,883,071**	**8,272,765**
Provision for doubtful debts	-14,305	-12,385
Receivables from other loans - Closing balance	**6,868,766**	**8,260,380**

Changes in Provision for doubtful debts

	2015	2014
Provision for doubtful debts - Opening balance	12,385	14,849
Withdrawal	1,920	-2,464
Provision for doubtful debts - Closing balance	**14,305**	**12,385**

8 Deposits with credit institutions

Changes in Deposits with credit institutions

	2015	2014
Deposits with credit institutions - Opening balance	200,543	187,097
Investments	11,089	13,944
Disposals	-1,262	-498
Deposits with credit institutions - Closing balance	**210,370**	**200,543**

9 Derivatives

Changes in Derivatives

	2015	2014
Derivatives - Opening balance	5,356,174	1,757,399
Investments		10,178
Disposals	-858,841	-40,293
Revaluations	-1,440,172	3,628,890
Derivatives – closing balance	**3,057,161**	**5,356,174**
Breakdown of balance sheet value		
- cost	110,858	164,017
- cumulative revaluation	2,946,303	5,192,157
Derivatives	**3,057,161**	**5,356,174**

Notes to the parent company annual accounts – continued

10 Investments for risk of policyholders

Changes in Investments for risk of policyholders

	2015	2014
Investments for risk of policyholders - Opening balance	20,886,085	18,058,891
Investments	2,437,960	2,966,481
Disposals	-5,820,585	-6,180,584
Revaluations	-2,124,081	3,574,561
Realised result	2,856,695	-5372
Exchange rate differences	11,670	
Other changes	-235,309	2,472,108
Investments for risk of policyholders - Closing balance	**18,012,435**	**20,886,085**

Other changes in 2014 includes EUR 2014: EUR 1.3 billion related to a change in presentation of certain insurance liabilities for risk of policyholders that were previously presented under investments for risk of policyholders.

11 Other receivables

Other receivables

	2015	2014
Receivables and trade accounts receivable	86,224	124,951
Current-account balance with co-insurers	35,685	21,699
Current-account with related parties	118,119	47,474
Other		2,047
Other receivables – before Provision for doubtful debts	**240,028**	**196,171**
Provision for doubtful debts	-77	-736
Other receivables - Closing balance	**239,951**	**195,435**

Changes in Provision for doubtful debts

	2015	2014
Provision for doubtful debts - Opening balance	736	975
Withdrawal	-200	-14
Release	-459	-225
Provision for doubtful debts - Closing balance	**77**	**736**

12 Cash and cash equivalents

Cash and cash equivalents

	2015	2014
Bank balances	19,756	30,913
Deposits	3,633	5,413
Cash resources	7	4
Cash and cash equivalents	**23,396**	**36,330**

Notes to the parent company annual accounts – continued

13 Accrued interest

Accrued interest

	2015	2014
Bonds and other fixed-income securities	759,990	758,546
Derivatives	132,976	207,132
Receivables from mortgages	38,034	34,657
Receivables from other loans	41,270	29,667
Accrued interest	**972,270**	**1,030,002**

14 Equity

Equity

	2015	2014
Share capital	22,689	22,689
Share premium	3,228,030	3,703,030
Legal reserves	921,940	769,237
Revaluation reserve	6,726,927	7,412,949
Other reserves	1,861,931	2,043,502
Unappropriated profit	1,069,827	255,607
Shareholder's equity	**13,831,344**	**14,207,014**
Undated subordinated loan	450,000	450,000
Total equity	**14,281,344**	**14,657,014**

Share capital

	Shares (in number)		Ordinary shares	
	2015	2014	2015	2014
Authorised share capital	22,689,015	22,689,015	113,445	113,445
Unissued share capital	18,151,212	18,151,212	90,765	90,756
Issued share capital	**4,537,803**	**4,537,803**	**22,689**	**22,689**

Changes in Share premium

	2015	2014
Share premium - Opening balance	3,703,030	3,646,984
Capital repayment / dividend	-475,000	
Other changes [1]		56,046
Share premium - Closing balance	**3,228,030**	**3,703,030**

1 Other changes relates to the reclassification of share premium from the other reserves to the share premium reserve for a former subsidiary.

Legal reserves

	2015	2014
Intangible assets reserve	9,358	6,741
Associates reserve	912,582	762,496
Legal reserves	**921,940**	**769,237**

Notes to the parent company annual accounts – continued

Changes in Intangible assets reserve

	2015	2014
Intangible assets reserve - Opening balance	6,741	12,058
Capital costs	2,944	5,377
Amortisation	-327	-10,694
Intangible assets reserve - Closing balance	**9,358**	**6,741**

Changes in Associates reserve

	2015	2014
Associates reserve - Opening balance	762,496	881,657
Revaluations	25,733	128,779
Result for the financial year	499,385	200,241
Dividend received / paid	-361,212	-426,165
Changes in the composition of the group	-13,820	-22,016
Associates reserve - Closing balance	**912,582**	**762,496**

Revaluation reserves

	2015	2014
Bond revaluation reserve	1,791,144	2,323,997
Share revaluation reserve	978,092	704,438
Hedge reserve	3,957,691	4,384,514
Revaluation reserves	**6,726,927**	**7,412,949**

Changes in Bond revaluation reserve

	2015	2014
Bond revaluation reserve - Opening balance	2,323,997	-341,219
Revaluations	-1,444,015	6,985,218
Change on account of deferred profit sharing liability	725,493	-3,468,536
Amortisation of ABS bond revaluation	9,371	36,574
Deferred tax changes over the financial year	176,125	-887,969
Exchange rate differences	173	-71
Bond revaluation reserve - Closing balance	**1,791,144**	**2,323,997**

Changes in Share revaluation reserve

	2015	2014
Share revaluation reserve - Opening balance	704,438	681,977
Revaluations	256,377	17,504
Deferred tax changes over the financial year	5,991	195
Exchange rate differences	11,286	4,762
Share revaluation reserve - Closing balance	**978,092**	**704,438**

Changes in Hedge reserve

	2015	2014
Hedge reserve - Opening balance	4,384,514	2,656,955
Revaluations	-569,097	2,303,412
Deferred tax changes over the financial year	142,274	-575,853
Hedge reserve - Closing balance	**3,957,691**	**4,384,514**

Notes to the parent company annual accounts – continued

Changes in Other reserves

	2015	2014
Other reserves - Opening balance	2,043,502	1,256,150
Transfer of unappropriated profit from previous financial year	255,607	614,235
Dividend from associates	361,212	426,165
Change in deferred taxes	6,635	-2,469
Withdrawal from legal reserves	-499,385	-200,241
Changes in the composition of the group		-25,204
Dividend paid	-305,255	-23,986
Exchange rate differences	699	-457
Other changes	-1,084	-691
Other reserves - Closing balance	**1,861,931**	**2,043,502**

Unappropriated profit
The unappropriated profit consists entirely of the result after tax for the financial year.

Distributable reserves
NN Leven is subject to legal restrictions regarding the amount of dividends it can pay to its shareholders. The Dutch Civil Code contains the restriction that dividends can only be paid up to an amount equal to total shareholder's equity less the issued and outstanding capital and less the reserves required by law. In case of negative balances for individual reserves legally to be retained, no distributions can be made out of retained earnings to the level of these negative amounts. The paid up share capital, revaluation reserves and statutory reserves cannot be used for dividend payments to the shareholders. Apart from these restrictions, the possibility to pay out dividends is also restricted by the laws and regulations governing prudential insurance supervision.

Legally distributable reserves, determined in accordance with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code, from NN Leven and its associates and joint ventures are as follows:

Distributable reserves with regard to capital protection based on the Dutch Civil Code

		2015		2014
Shareholder's equity at the end of the year		13,831,344		14,207,014
share capital	-22,689		-22,689	
- revaluation reserve for bonds	-1,791,144		-2,323,997	
- revaluation reserve for shares	-978,092		-704,438	
- revaluation reserve for hedge (net)	-3,957,691		-4,384,514	
- legal reserves	-921,940		-769,237	
Total capital subject to claims on account of the Civil Code		**-7,671,556**		**-8,204,875**
Total freely distributable capital on the basis of the Civil Code		**6,159,788**		**6,002,139**

The Dutch supervisory rules and regulations stemming from the Dutch Financial Supervision Act (Wet op het financieel toezicht) provide a second restriction on the possibility to distribute dividends. Total freely distributable reserves is the minimum of the freely distributable reserves based on the Financial Supervision Act and the Civil Code

Freely distributable capital

		2015		2014
Solvency requirement under the Financial Supervision Act	2,960,780		3,037,534	
Capital available for financial supervision purposes[1]	8,697,545		7,814,261	
Total freely distributable capital on the basis of the Financial Supervision Act		5,736,765		4,776,727
Total freely distributable capital on the basis of the Civil Code		6,159,788		6,002,139
Total freely distributable capital (lowest of the above values)		5,736,765		4,776,727

1 Reference is made to Note 44 "Capital management" for the calculation of the "Capital available for financial supervision purposes".

Internal solvency objectives
During 2015 the target solvency position was 250% Solvency I required capital.

15 Technical provisions

Technical provisions

	Provision net of reinsurance		Reinsurance contracts		Technical provisions	
	2015	2014	2015	2014	2015	2014
Technical provisions for life insurance net of interest and rebates	44,786,405	43,323,740	599,823	608,481	45,386,228	43,932,221
Unamortised acquisition costs	-247,441	-272,345	-10,505	-13,392	-257,946	-285,737
Unamortised interest rebates	61,171	7,482	22	60	61,194	7,542
Technical provisions for life insurance[1]	44,600,136	43,058,877	589,340	595,149	45,189,476	43,654,026
Technical provisions for (deferred) profit sharing and rebates	10,616,964	11,892,455	111,272	125,813	10,728,236	12,018,268
Other technical provisions	228,871	252,073			228,871	252,073
Provision for investment contracts	-33,572		33,572			
Technical provisions for life insurance for risk of policyholders[2]	15,521,473	17,065,230	458,400	435,643	15,979,873	17,500,873
Technical provisions	**70,933,872**	**72,268,635**	**1,192,584**	**1,156,605**	**72,126,456**	**73,425,240**

1 To reconcile the Technical provisions for life insurance EUR 45,189 million (2014: EUR 43,654 million) with the financial statements EUR 45,447 million (2014: EUR 43,940 million) the acquisition costs EUR 258 million (2014: EUR 286 million) have to be added.
2 To reconcile the Technical provisions for life insurance for risk of policyholders EUR 15,980 million (2014: EUR 17,501 million) with the financial statements EUR 15,987 million (2014: EUR 17,509 million) the acquisition costs EUR 7 million (2014: EUR 8 million) have to be added.

Changes in Technical provisions for life insurance for risk of policyholders

	2015	2014
Technical provisions for life insurance for risk of policyholders - Opening balance	17,508,707	18,810,822
Current year provisions	613,544	868,459
Prior year provisions:		
– benefit payments to policyholders	-1,769,010	-1,253,321
– valuation changes for risk of policyholders	1,699,346	-299,604
Exchange rate differences	10,637	-4,557
Other changes[1]	-2,076,720	-613,092
Technical provisions for life insurance for risk of policyholders - Closing balance	**15,986,504**	**17,508,707**

1 Other changes includes insurance contracts for risk of policyholders with guarantees that were extended as general account contracts, and the transfer of certain insurance contracts. Furthermore,

Changes in Unamortised interest rate rebates net of reinsurance

	2015	2014
Unamortised interest rate rebates net of reinsurance - Opening balance	-7,482	73,285
Change during the financial year	-49,803	-52,473
Amortisation of interest rate rebate granted in the financial year	-9,440	-34,563
Amortisation of interest rate rebates capitalised in previous financial years	5,567	6,294
Exchange rate differences	-13	-25
Unamortised interest rate rebates net of reinsurance - Closing balance	**-61,171**	**-7,482**

Changes in Other technical provisions

	2015	2014
Other technical provisions - Opening balance	252,073	280,894
Allocation	291	6,008
Withdrawal	-23,493	-34,829
Other technical provisions - Closing balance	**228,871**	**252,073**

Notes to the parent company annual accounts – continued

Changes in Technical provisions for profit sharing and rebates

	2015	2014
Technical provisions for profit sharing and rebates - Opening balance	12,018,268	3,963,750
Valuation changes for risk of policyholders	-4,012	-8,397
Allocation of share in unrealised revaluations	-725,493	3,468,536
Paid up additions	-48,583	-63,297
Interest accrual prior year provisions	66,406	42,477
Allocation of share in surplus interest	-2,528,247	2,861,299
Addition/withdrawal through P&L	759,435	528,890
Exchange rate differences	2,971	-1,350
Other changes	1,187,491	1,226,360
Technical provisions for profit sharing and rebates - Closing balance	**10,728,236**	**12,018,268**

Other changes includes EUR 1.2 billion (2014: EUR 1.4 billion) related to a change in presentation of certain insurance liabilities for risk of policyholders that were previously presented net under Investments for risk of policyholders.

16 Derivatives

Changes in Derivatives

	2015	2014
Derivatives - Opening balance	1,599,857	608,658
Disposals	-255,114	-30,457
Revaluations	-808,842	1,021,656
Derivatives – closing balance	**535,901**	**1,599,857**
Breakdown of balance sheet value		
- cost	2,905	3,700
- cumulative revaluation	532,996	1,596,157
Derivatives	**535,901**	**1,599,857**

Notes to the parent company annual accounts – continued

17 Deferred tax liabilities

Changes in Deferred tax liabilities (2015)

	Net liability 2014	Change through equity	Change through Net result	Exchange rate differences and other changes	Other	Net liability 2015
Investments	2,362,167	-359,264	1,321		-7,526	1,996,698
Financial assets and liabilities at fair value through profit or loss	1,461,360	-142,274				1,319,086
Deferred acquisition costs	48,317		3,240			51,557
Technical provisions	-1,969,867	177,404	46,585			-1,745,878
Unused tax losses carried forward						
Other	-5,719	306	32,495	7	-717	26,372
Deferred tax liabilities	**1,896,258**	**-323,828**	**83,641**	**7**	**-8,243**	**1,647,835**
Comprising:						
– deferred tax liabilities	3,905,094					3,367,341
– deferred tax assets	-2,008,836					-1,719,506
Comprising:	**1,896,258**					**1,647,835**

Changes in Deferred tax liabilities (2014)

	Net liability 2013	Change through equity	Change through Net result	Exchange rate differences and other changes	Other	Net liability 2014
Investments	613,017	1,745,432	2,507	1,211		2,362,167
Financial assets and liabilities at fair value through profit or loss	885,508	575,852				1,461,360
Deferred acquisition costs	43,974		4,343			48,317
Technical provisions	-1,125,606	-858,471	14,210			-1,969,867
Unused tax losses carried forward						
Other	-17,739	2,732	10,503	-1,215		-5,719
Deferred tax liabilities	**399,154**	**1,465,545**	**31,563**	**-4**		**1,896,258**
Comprising:						
– deferred tax liabilities	1,542,499					3,905,094
– deferred tax assets	-1,143,345					-2,008,836
Comprising:	**399,154**					**1,896,258**

18 Other provisions

Other provisions

	2015	2014
Provision for investment contracts	747,451	794,356
Restructuring provisions	9,055	27,454
Other	7,883	8,026
Other provisions	**764,389**	**829,836**

For Addition/(releases) with regard to the Restructuring provisions reference is made to the disclosure on the reorganisation provisions in Note 16 "Other liabilities" in the consolidated annual accounts.

Notes to the parent company annual accounts – continued

19 Other bonds and private loans

Changes in Other bonds and private loans

	2015	2014
Other bonds and private loans - Opening balance	739,104	1,467,981
Investments	2,000,021	599,419
Disposals	-704,153	-1,339,458
Changes in the composition of the group		11,162
Other bonds and private loans - Closing balance	**2,034,972**	**739,104**

Specification of other bonds and private loans

	2015	2014
Loans from related companies[1]	1,508,595	457,259
Other loans	13,801	13,770
Other	512,576	268,075
Other bonds and private loans	**2,034,972**	**739,104**

1 The average interest rate on Loans from related companies is -0.108% (2014: 0.0%).

20 Other liabilities

Other liabilities

	2015	2014
Current-account balance with related companies	7,482	24,870
Taxation and social security contributions	47,274	58,079
Deposits for mortgages and private loans		90,563
Securities accounts payable	22,777	28,729
Other	22,967	23,899
Other Liabilities	**100,500**	**226,140**

Current-account balance with related companies

	2015	2014
Parent companies		11,677
Other group companies	7,482	13,193
Current-account balance with related companies	**7,482**	**24,870**

NN Leven receives or pays interest in line with market rates on the current account balance. The rate is based on the average 1-month Euribor rate plus or minus a liquidity spread.

21 Accrued liabilities

Accrued liabilities

	2015	2014
Costs payable	7,723	415,892
Interest payable	69,473	143,225
Other deposits		7,088
Accrued liabilities	**77,196**	**566,205**

Payable costs in 2014 concerned a prepayment received for an insurance contract starting in 2015.

22 Other

Assets not freely disposable

For further explanation of the assets that are not freely disposal reference is made to Note 33 "Assets not freely disposable" in the Consolidated annual accounts.

Related parties

For further explanation of the related parties reference is made to Note 40 "Related parties" in the Consolidated annual accounts.

Fiscal unity

NN Leven is part of the Dutch fiscal unity for corporate income tax purposes of NN Group, making it jointly and severally liable for the total tax payable by the fiscal unity. The tax receivables and payables concern the receivables and payables of NN Group.

Analysis of the result of the former NN Leven portfolio

Profit sources 2015

2015	Non-unit linked policies: Individual insurance contracts	Non-unit linked policies: Group insurance contracts	Unit-linked policies: Individual insurance contracts	Unit-linked policies: Group insurance contracts	Total
Investment income allocated to insurance contracts	829,419	1,066,198	227,160	138,481	2,261,258
Less: Interest credited to technical provisions	-584,625	-791,150	- 624	-242,652	-1,619,051
Less: Movement resulting from change in interest rate structure					
Less: Movement resulting from change in package costs and package					
Profit or loss on interest	**244,794**	**275,048**	**226,536**	**-104,171**	**642,207**
Release of expenses from premiums	82,619	16,045	24,065	36,548	159,277
Release of expenses from technical provisions	23,381	32,455	424	7,221	63,481
Expenses debited to technical provisions					
Operating expenses	-138,715	-131,808	-26,921	-67,975	-365,419
Less: Movement resulting from change in expenses					
Profit or loss on expenses	**-32,715**	**-83,308**	**-2,432**	**-24,206**	**-142,661**
Profit or loss on probability rate systems	48,599	30,729	-20,658	61,414	120,084
Movement resulting from change in probability rate systems					
Profit or loss on technical analysis	**48,599**	**30,729**	**-20,658**	**61,414**	**120,084**
Less: Increase in negative balance of technical provisions to zero					
Total profit or loss on assumptions	**260,678**	**222,469**	**203,446**	**-66,963**	**619,629**
Profit sharing:					
Contractual	-3,983	-519	-227,271	193,856	-37,917
Dependent on operating profits	-45,000				-45,000
Amortisation of interest rate rebate	89	-7,250			-7,161
Other					
Total amount made available for profit sharing	**-48,894**	**-7,769**	**-227,271**	**193,856**	**-90,078**
Profit or loss on assumptions after profit sharing	**211,784**	**214,700**	**-23,825**	**126,893**	**529,552**
Movement in other technical provisions, net of reinsurance					**23,202**
Net other technical income/charges					
Interest credited to other technical provisions					
Balance on the technical account					**552,754**

Notes to the parent company annual accounts – continued

Analysis of the result of the former RVS Leven portfolio

Profit sources 2015

2015	Non-unit linked policies: Individual insurance contracts	Non-unit linked policies: Group insurance contracts	Unit-linked policies: Individual insurance contracts	Unit-linked policies: Group insurance contracts	Total
Investment income allocated to insurance contracts	200,689		63,957		264,646
Less: Interest credited to technical provisions	-165,156		-22		-165,178
Less: Movement resulting from change in interest rate structure					
Less: Movement resulting from change in package costs and package					
Profit or loss on interest	**35,533**		**63,935**		**99,468**
Release of expenses from premiums	60,691		5,081		65,772
Release of expenses from technical provisions	4,825		498		5,323
Expenses debited to technical provisions					
Operating expenses	-57,923		-7,792		-65,715
Less: Movement resulting from change in expenses					
Profit or loss on expenses	**7,593**		**-2,213**		**5,380**
Profit or loss on probability rate systems	40,979		12,382		53,361
Movement resulting from change in probability rate systems					
Profit or loss on technical analysis	**40,979**		**12,382**		**53,361**
Less: Increase in negative balance of technical provisions to zero					
Total profit or loss on assumptions	**84,105**		**74,104**		**158,209**
Profit sharing:					
Contractual	-9		-62,527		-62,536
Dependent on operating profits	-21,228				-21,228
Amortisation of interest rate rebate					
Other					
Total amount made available for profit sharing	**-21,237**		**-62,527**		**-83,764**
Profit or loss on assumptions after profit sharing	**62,868**		**11,577**		**74,445**
Movement in other technical provisions, net of reinsurance					
Net other technical income/charges					
Interest credited to other technical provisions					
Balance on the technical account					**74,445**

Notes to the parent company annual accounts – continued

Analysis of the result of the former NN Services portfolio

Profit sources 2015

2015	Non-unit linked policies: Individual insurance contracts	Non-unit linked policies: Group insurance contracts	Unit-linked policies: Individual insurance contracts	Unit-linked policies: Group insurance contracts	Total
Investment income allocated to insurance contracts	98,348		216,374		314,722
Less: Interest credited to technical provisions	-77,154				-77,154
Less: Movement resulting from change in interest rate structure					
Less: Movement resulting from change in package costs and package					
Profit or loss on interest	**21,194**		**216,374**		**237,568**
Release of expenses from premiums	7,666		6,210		13,876
Release of expenses from technical provisions	1,472				1,472
Expenses debited to technical provisions					
Operating expenses	-11,354		-9,158		-20,512
Less: Movement resulting from change in expenses					
Profit or loss on expenses	**-2,216**		**-2,948**		**-5,164**
Profit or loss on probability rate systems	7,126		7,594		14,720
Movement resulting from change in probability rate systems					
Profit or loss on technical analysis	**7,126**		**7,594**		**14,720**
Less: Increase in negative balance of technical provisions to zero					
Total profit or loss on assumptions	**26,104**		**221,020**		**247,124**
Profit sharing:					
Contractual			-215,451		-215,451
Dependent on operating profits					
Amortisation of interest rate rebate	-198				-198
Other					
Total amount made available for profit sharing	**-198**		**-215,451**		**-215,649**
Profit or loss on assumptions after profit sharing	**25,906**		**5,569**		**31,475**
Movement in other technical provisions, net of reinsurance					
Net other technical income/charges					
Interest credited to other technical provisions					
Balance on the technical account					**31,475**

Authorisation of the parent company annual accounts

Rotterdam, 26 April 2016

The Supervisory Board

D.E. (Dorothee) van Vredenburch, chairperson
D. (Delfin) Rueda, vice-chairperson
S.D. (Doug) Caldwell
D.E. (David) Knibbe

The Management Board

M.F.M. (Michel) van Elk, CEO and chairperson
P.J. (Patrick) Dwyer, CFO
J.J. (Hans) Bonsel, CRO
A.J. (Arthur) van der Wal
T. (Tjeerd) Bosklopper

Confirmed and adopted by the General Meeting of Shareholders, dated 8 June 2016.

Independent auditor's report

To: the Shareholder and Supervisory Board of Nationale-Nederlanden Levensverzekering Maatschappij N.V.

Report on the audit of the 2015 annual accounts

Our opinion

We have audited the accompanying 2015 annual accounts of Nationale-Nederlanden Levensverzekering Maatschappij N.V., based in Rotterdam ("NN Leven" or "the Company") as set out on pages 10 to 123. The annual accounts include the consolidated annual accounts and the parent company annual accounts.

In our opinion:

- The consolidated annual accounts give a true and fair view of the financial position of NN Leven as at 31 December 2015 and of its result and its cash flows for 2015 in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and with Part 9 of Book 2 of the Dutch Civil Code.
- The parent company annual accounts give a true and fair view of the financial position of NN Leven as at 31 December 2015 and of its result for 2015 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated annual accounts comprise:

- The following statements for 2015: the consolidated balance sheet as at 31 December 2015, the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of cash flows, and the consolidated statement of changes in equity.
- The notes comprising a summary of the significant accounting policies and other explanatory information.

The parent company annual accounts comprise:

- The parent company balance sheet as at 31 December 2015, the parent company profit and loss account, and the parent company statement of changes in equity for 2015.
- The notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the Our responsibilities for the audit of the annual accounts section of our report.

We are independent of NN Leven in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Planning Materiality	€120 million
Benchmark used	approximately 2% of NN Leven's Shareholder's equity, excluding revaluation reserves
Rationale for the benchmark applied	NN Leven's equity and solvency, and the ability to pay dividends and meet policyholder liabilities, are key indicators for the users of its financial statements. As such, we have based materiality on NN Leven's Shareholder's equity, adjusted for the revaluation reserve. The revaluation reserve can fluctuate significantly based on changes in interest rates and spreads; it has therefore been excluded.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the annual accounts for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of EUR 6 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

NN Leven is at the head of a group of entities, including the principal subsidiaries as set out in note 38 of the annual accounts. The financial information of this group is included in the consolidated annual accounts of NN Leven.

We are responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for the reporting units based on their size and or the risk profile.

Following our assessment of the risk of material misstatement to NN Leven's annual accounts, we have selected the entities Nationale-Nederlanden Levensverzekering Maatschappij N.V., including branch office NN Czech Branch, REI Investment I B.V., and Private Equity Investments II B.V for our audit, which account for 98% of equity and 100% of NN Leven's profit before tax. We have used the work of other EY auditors when auditing these reporting units in and outside the Netherlands.

For the entities were we have used the work of other EY auditors, the NN Leven audit team provided detailed instructions to each component team to serve as the basis for audit procedures to be performed, which included areas of audit emphasis. We also executed oversight procedures to select component teams and engaged in regular communication that has been designed to confirm that the audit progress and findings for each of the in-scope locations were discussed between the NN Leven audit team and the component team. By performing the procedures mentioned above at group entities, together with additional procedures at NN Leven level, we have been able to obtain sufficient and appropriate audit evidence regarding NN Leven's financial information as a whole to provide a basis for our opinion on the consolidated annual accounts.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the annual accounts as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	Our audit response
Merger Nationale-Nederlanden Services N.V. with Nationale-Nederlanden Levensverzekering Maatschappij N.V.	
On 1 January 2016, Nationale-Nederlanden Levensverzekering Maatschappij N.V. legally merged with Nationale-Nederlanden Services N.V. The merger has been accounted for in the 2015 annual accounts using the pooling method of accounting for business combinations under common control. The comparative numbers have been adjusted, which resulted in elimination of the EUR 133 million reserve adequacy charge recorded in NN Leven's 2014 annual accounts as in a combined entity no deficit would have existed.	As part of our audit procedures we assessed NN Leven's documentation regarding the merger, including the merger contract, NN Leven's accounting analysis and underlying supporting documentation. Furthermore we have audited the adjustments made to the 2014 comparatives. We also considered whether NN Leven's disclosure in respect of this merger is compliant with the relevant accounting requirements. We focused on the adequacy of disclosure in section Merger of NN Leven and NN Services of the annual accounts.
Adjustment Parcom private equity accounting	
NN Leven has adjusted the accounting for its Parcom private equity investments in the 2015 annual accounts, and restated the comparative information accordingly. NN Leven concluded that it did not have significant influence or control over Parcom's private equity investments in the period from 2009 to 2013 and should not have consolidated the investments. As a result of an internal restructuring and reallocation of responsibilities in June 2013, NN Leven did obtain significant influence over the related investments. The evaluation whether a company has significant influence or control depends on facts and circumstances and is subject to judgment. The restatement includes a reclassification in 2014 opening equity, between revaluations and retained earnings, of EUR 74 million and an adjustment of EUR 25 million to minority interests reported.	Our audit procedures included: • An assessment of NN Leven's updated analysis over the period 2009-2014, including supporting documentation, about whether or not NN Leven had control or significant influence over the related investments in those years. • An assessment of the effects of the adjustment for each of the years concerned in connection to the relevant disclosure in the 2015 annual accounts. • Verification of the adjustments made to comparative information. We also considered whether NN Leven's disclosure in respect of the adjustment, including the impact on prior years, primarily note 1 to the annual accounts, is compliant with IFRS requirements.

Independent auditor's report

Key audit matter	Our audit response
Estimates used in calculation of insurance contract liabilities and Reserve Adequacy Test (RAT)	
NN Leven has insurance and investment contract liabilities of €73.1 billion representing 90% of its total liabilities. The measurement of insurance contract liabilities involves judgement over uncertain future outcomes, mainly the ultimate total settlement value of long-term liabilities, including those for guarantees provided to policyholders. Various economic and non-economic assumptions are being used to estimate these long-term liabilities, both in the insurance contract liabilities as reported in the balance sheet and in the reserve adequacy test. The insurance liabilities of NN Leven are calculated based on a prospective actuarial method. For traditional business, assumptions are initially set at the policy issue date. For other investment type products, assumptions are based on management's best estimate at the reporting date. NN Leven's IFRS reserve adequacy test is performed in order to confirm that insurance contract liabilities, net of deferred acquisition cost, are adequate in the context of expected future cash outflows. NN Leven's reserve adequacy test in respect of the individual life and group pension business requires the application of significant judgement in the setting of the longevity, expense and reinvestment rate assumptions.	We involved internal actuarial specialists in performing the audit procedures in this area, which included among others: • Assessing the appropriateness of assumptions used in the valuation of the individual life and pension contracts by reference to company and industry data and expectations of investment returns, future longevity and expense developments. Further key audit procedures included assessing NN Leven's methodology for calculating the insurance liabilities, assessing the changes in the company's approach to reserve adequacy testing and an assessment of internal controls in this respect, including the analyses of the movements in insurance contracts liabilities and reserve adequacy surplus during the year. We assessed whether the movements are in line with the changes in assumptions adopted by NN Leven, our understanding of developments in the business and our expectations derived from market experience. We considered whether NN Leven's disclosures in the annual accounts in relation to insurance contract liabilities in note 14 and liability adequacy test results in note 14 comply with the relevant accounting requirements.
Fair value measurement of investments and related disclosures	
NN Leven invests in various asset classes, of which 77% is carried at fair value in the balance sheet. Fair value measurement can be subjective, and more so for areas of the market reliant on model based valuation or with weak liquidity. Valuation techniques for real estate, private equity investments and for non-listed bonds, equities and derivatives involve setting various assumptions regarding pricing factors. The use of different valuation techniques and assumptions could produce significantly different estimates of fair value. Associated risk management disclosure is complex and dependent on high quality data. Specific areas of focus include the valuation of fair value Level 2 assets, and Level 3 assets where valuation techniques are applied in which unobservable inputs are used.	We assessed and tested the design and operating effectiveness of the controls over valuation, independent price verification and model approval. We performed additional procedures for areas of higher risk and estimation, involving our valuation specialists. This included, where relevant, comparison of judgements made to current and emerging market practice and re-performance of valuations on a sample basis. We also assessed the impact of other sources of fair value information including gains or losses on disposal. Finally, we assessed and tested the design and operating effectiveness of the controls over related disclosures including the disclosures in notes 28 and 29.

Key audit matter	Our audit response
Solvency	
In the Capital management section of the annual accounts included in note 44, NN Leven provides disclosures on its capital position in accordance with Solvency I, which was effective as at 31 December 2015, and the new supervisory regime Solvency II, which has come into force on 1 January 2016. The Solvency II calculations are based on NN Leven’s partial internal model, which was approved by supervisor DNB in December 2015. As disclosed in the Capital management paragraph in section Capital adequacy assessment (Solvency II), there are uncertainties in the final interpretation of the Solvency II requirements, most notably with respect to the loss absorbing capacity of deferred taxes in the calculation of the Solvency Capital Requirement. Further, in the calculation of the Solvency II ratio, NN Leven has not provided for the contingent liability in respect of the unit-linked issue in the Netherlands as no reliable estimate can be made of the outcome at this moment. Changes to the interpretation of the Solvency II requirements of the loss absorbing capacity of deferred taxes and the accounting for contingent liability for the unit linked issue can materially impact the Solvency II ratio disclosed.	We involved internal regulatory, tax and actuarial specialists in performing our audit procedures in this area, which included among others consideration of the methodology applied and assessment of the models used, the scenarios and economic and non-economic assumptions applied, risk margins added and the diversification benefits calculated. As part of our audit procedures, we have assessed the design and operating effectiveness of the internal controls over the solvency calculations, including NN Leven’s methodology, model and assumption approval processes and management review controls. Also, where relevant, comparison of judgements was made to current and emerging market practice and re-performance of calculations on a sample basis. We considered whether NN Leven’s disclosures in note 44 comply with the relevant accounting requirements.
Reliability and continuity of electronic data processing	
NN Leven is highly dependent on its IT infrastructure for the continuity of the operations. NN Leven continues to invest in its IT infrastructure and processes to meet clients’ needs and business requirements. NN Leven is continuously improving the efficiency and effectiveness of its IT infrastructure and the reliability and continuity of the electronic data processing, including its defense against cyber-attacks. An area of attention is the ongoing development of IT systems and processes to meet regulatory reporting requirements under Solvency II.	As part of our audit procedures we have assessed the changes in the IT infrastructure and have tested the reliability and continuity of electronic data processing within the scope of the audit of the annual accounts. For that purpose we have included IT auditors in our team. Our procedures included testing of controls with regards to IT systems and processes relevant for financial reporting.
Unit-linked exposure	
Holders of the NN Leven unit-linked products (where the customer bears all or part of the investment risk), or consumer protection organisations on their behalf, have filed claims or initiated proceedings against NN Leven and may continue to do so. A negative outcome of such claims and proceedings in respect of unit-linked products, settlements or any other actions for the benefit of customers by other insurers and sector-wide measures could result in substantial losses for NN Leven relating to compensation. The financial consequences of these legal proceedings cannot be reliably estimated or quantified at this point. Refer to note 37 of the annual accounts.	We involved our own specialists in performing the audit procedures in this area, which included: • An assessment of NN Leven’s governance, processes and internal controls with respect to unit-linked exposures. • A review of the documentation and a discussion about the unit-linked exposures with management and its internal and external legal advisors. • A detailed consideration of the recognition and measurement requirements to establish provisions under NN Leven’s accounting framework. We also considered whether NN Leven’s disclosure in respect of this legal exposure is compliant with the relevant accounting requirements. We focused on the adequacy of disclosure of the related risks and assumptions in note 37 to the annual accounts.

Responsibilities of the Management Board and the Supervisory Board for the annual accounts

The Management Board is responsible for the preparation and fair presentation of the annual accounts in accordance with IFRS-EU and Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Management Board is responsible for such internal control as management determines is necessary to enable the preparation of the annual accounts that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the annual accounts, the Management Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Management Board should prepare the annual accounts using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Management Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the annual accounts.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the annual accounts

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and fraud.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included, among others:

- Identifying and assessing the risks of material misstatement of the annual accounts, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of the Management Board's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the annual accounts, including the disclosures.
- Evaluating whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Report on other legal and regulatory requirements

Report of the Management Board and the other information

Pursuant to legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the Report of the Management Board and other information):

- We have no deficiencies to report as a result of our examination whether the Report of the Management Board, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed
- We report that the Report of the Management Board, to the extent we can assess, is consistent with the annual accounts

Engagement

We have been the external auditor of NN Leven and its predecessors for many years, and were reappointed as external auditor at the Nationale-Nederlanden Levensverzekering Maatschappij N.V.'s General Meeting held on 14 June 2013 as confirmed by NN Group's General Meeting on 28 May 2015. We will mandatorily rotate off of the NN Leven audit for purpose of the 2016 annual accounts in accordance with Dutch law.

Amsterdam, 26 April 2016
Ernst & Young Accountants LLP

Signed by J.G. Kolsters

Proposed appropriation of result

Pursuant to Article 21 of the Articles of Association of NN Leven, the appropriation of result shall be determined by the general meeting of shareholders, having heard the advice of the Management Board and the Supervisory Board.

The result is appropriated pursuant to Article 21 of the Articles of Association of NN Leven, the relevant stipulations of which state that the appropriation of result shall be determined by the General Meeting of Shareholders, having heard the advice of the Management Board and the Supervisory Board. It is proposed to add the 2015 net result of EUR 1,070 million minus the cash dividends (paid from the result current year) to the Retained earnings.

Dividend 2015

In 2015, NN Leven paid a 2015 interim cash distribution of EUR 475 million from the share premium reserve and EUR 290 million from the result current year to its shareholder Nationale-Nederlanden Nederland B.V. From these amounts EUR 40 million was paid by the former Nationale-Nederlanden Services N.V.

Coupon payments undated subordinated notes

In 2015, Coupon payments on the undated subordinated notes of EUR 15 million have been distributed out of Other reserves.

Subsequent events

In March 2016 NN Leven made a dividend distribution of EUR 150 million from the Other reserves to its shareholder Nationale-Nederlanden Nederland B.V. The reported solvency figures as per 31 December 2015 take into account this distribution.

Guidelines profit sharing for policies with a participation feature

The guidelines with the details, in Dutch, with regard to profit-sharing for policies with a participation feature can be found at www.nn.nl/winstdelingsrichtlijn. Below is some information on the merger of the NN Leven and RVS Leven portfolios as well as the merger of the NN Leven and Nationale-Nederlanden Services N.V. portfolios.

Legal merger of NN Leven and RVS Leven

On the 28th of December 2011 NN Leven has merged with RVS Leven. This merger has not led to any changes in the existing contractual rights and obligations of policyholders. The profit sharing for policies with a participation feature was not affected by this merger either. The existing profit-sharing schemes for policies with a participation feature, in both the pre-merger NN Leven portfolio and the pre-merger RVS Leven portfolio, will remain unchanged. The principles and methods of these schemes differ from each other. The administrative and management measures needed to ensure these schemes can be maintained were taken prior to the merger.

Both profit-sharing schemes stipulate that profit appropriation is to be performed in accordance with NN Leven's current articles of association. These articles of association were left unchanged during the merger, but were changed per 13 December 2013 and per 23 March 2015. However, the content of the articles stipulating the appropriation of profit remained unchanged, only the numbering of these articles changed. The articles of association of (the former) RVS Leven contained comparable provisions governing profit appropriation

Article 21, paragraph 3 (formerly article 20, paragraph 2), of the articles of association stipulates that the appropriation of the profit is determined by the general meeting of shareholders after having heard the advice of the Management Board and the Supervisory Board. Article 21, paragraph 4 (formerly article 20, paragraph 3), of the articles of association stipulates that the general meeting of shareholders can, having heard the Management Board and the Supervisory Board, decide on a unanimous vote to set apart a portion of the profits for certain insurance policies with a participation feature. The Management Board sets the criteria determining how any profit separated in this way should be subdivided among the different insurance policies and the manner in which this profit will be made available.

In connection with the decision to maintain the existing profit-sharing schemes of NN Leven and (the former) RVS Leven, two guidelines exist for the determination of profit sharing for policyholders by the general meeting of shareholders: one guideline for insurance policies taken out with NN Leven prior to the merger, and one guideline for insurance policies taken out with RVS Leven prior to the merger. The guideline for NN Leven also applies to insurance policies with a participation feature taken out with NN Leven after the merger

Legal merger of NN Leven and NN Services

On the 31st of December 2015, NN Leven has merged with NN Services. This merger has not led to any changes in the existing contractual rights and obligations of policyholders. The profit sharing for policies with a participation feature within NN Leven was not affected by this merger either. The aforementioned guidelines with regard to profit sharing for policies with a participation feature are not applicable to the pre-merger NN Services portfolio. Policies within this portfolio do not have such a participation feature.

Contact and legal information

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Nationale-Nederlanden Levensverzekering Maatschappij N.V. is part of NN Group N.V.

Disclaimer

Certain of the statements in this 2015 Annual Report are not historical facts, including, without limitation, certain statements made of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

Actual results, performance or events may differ materially from those in such statements due to, without limitation:(1) changes in general economic conditions, in particular economic conditions in NN Leven's core markets, (2) changes in performance of financial markets, including developing markets, (3) consequences of a potential (partial) break-up of the euro, (4) the implementation of the EC Restructuring Plan, (5) changes in the availability of, and costs associated with, sources of liquidity as well as conditions in the credit markets generally, (6) the frequency and severity of insured loss events, (7) changes affecting mortality and morbidity levels and trends, (8) changes affecting persistency levels, (9) changes affecting interest rate levels, (10) changes affecting currency exchange rates, (11) changes in investor, customer and policyholder behaviour, (12) changes in general competitive factors, (13) changes in laws and regulations, (14) changes in the policies of governments and/or regulatory authorities, (15) conclusions with regard to accounting assumptions and methodologies, (16) changes in ownership that could affect the future availability to us of net operating loss, net capital and built-in loss carry forwards, (17) changes in credit and financial strength ratings, (18) NN Leven's ability to achieve projected operational synergies and (19) the other risks and uncertainties detailed in the Risk Factors section contained in recent public disclosures made by NN Group and/or related to NN Group.

Any forward-looking statements made by or on behalf of NN Leven speak only as of the date they are made, and, NN Leven assumes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or for any other reason. This document does not constitute an offer to sell, or a solicitation of an offer to buy, any securities.