



Embedded  
Value Report  
2013

# Contents

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# Management summary

Embedded value is the economic value of a life insurance business at a certain moment, such as year-end. It is calculated by adding together the company's net asset value (assets minus liabilities) and the value of all future profits that a company expects to make from current life policies. It does not take into account the value of any business that may be generated in the future.

In 2013 the embedded value increased by €111 million to €4,223 million, comprising a Value of In-Force business of €123 million, a required capital of €3,063 million and a free surplus of €1,036 million.

The increase of €111 million, the embedded value profits, arises from operating and economic profits and adjustments. The main drivers behind this increase are:

- a reduced cost of capital percentage from 6.0% to 4.5% caused an increase of €241 million
- a changed risk environment in combination with using Solvency II standard formula correlations increased the required capital and therefore increases the cost of capital. This decreased the embedded value by €106 million
- lower investment and operating expenses increased the embedded value by €236 million
- a change in economic conditions with as most significant change the lower illiquidity premium (effect €- 143 million) caused a decrease of €217 million
- the most recent insights for the mortality, persistency and expense assumptions caused an increase of €87 million.

The value of new business in 2013 decreased to €- 25 million (2012: €- 21 million). New business covers both new contracts and renewal of pensions insurance contracts. The volume of new business, measured as the value of the expected total premiums from new business acquired in 2013, is €945 million (2012: €1,584 million). Therefore, the margin on new business is -2.8% (2012: -1.3%).

The embedded value is sensitive to changes in assumptions. A 10% decrease in best-estimate expense assumptions for example increases the embedded value by 5%. A shift in the market value of equity and property impacts the net asset value immediately. A 10% decrease has a negative impact on the embedded value of 4%.

# Embedded value results

## CONTENT OF THIS REPORT

This report presents the embedded value of the life business (specifically the 'covered business') of Achmea Group ('Achmea') at 31 December 2013 and shows the development of the value of the life business during 2013. Embedded value supports shareholders' understanding of the value of their interests in the company. It enables them to assess the company's financial performance over time.

Achmea reports the embedded value based on Market Consistent (MCEV) principles, in which explicit cost of risks are combined with the revaluation of the liabilities using market values. Achmea uses the CRO forum principles with some adjustments made specifically to meet its situation.

The embedded value at 31 December 2013 is presented in the section "Embedded value results".

The development of the embedded value is explained in more detail in the chapters "Value added by new business" and "Analysis of change"

## EMBEDDED VALUE RESULTS

The embedded value by the end of 2013 is €4,223 million. The embedded value is specified in Table 1.

Of the total net asset value of €4,100 million, an amount of

### 1. MARKET CONSISTENT EMBEDDED VALUE (MCEV) (€MILLION)

	31-12-'13	31-12-'12	△
Free surplus	1,036	1,464	(428)
Required capital	3,063	2,358	705
<b>MCEV Net Asset Value</b>	<b>4,100</b>	<b>3,822</b>	<b>277</b>
Value of In-Force before cost of capital	1,010	1,375	(365)
Cost of capital	(887)	(1,085)	198
<b>Value of In-Force business</b>	<b>123</b>	<b>290</b>	<b>(167)</b>
<b>Market Consistent Embedded value</b>	<b>4,223</b>	<b>4,112</b>	<b>110</b>

€3,063 million is needed to protect the insurance liabilities in case of unexpected losses (the required capital). The remaining net asset value of €1,036 million (the free surplus) can be considered as attributable to shareholders. The Value of In-Force business is €123 million. This is the value of future profits available to shareholders from the In-Force business after deduction of taxes, expenses and costs of holding required capital for risks which are not hedgeable in financial markets.

# Value added by new business

The value of new business is the value of current and future profits from new business that was written in the year. New business arises from the sale of new contracts and the renewal of group pensions insurance contracts. Table 2 specifies the value of new business of the Achmea life business.

## 2. MARKET CONSISTENT VALUE OF NEW BUSINESS (MCVNB)

	(€MILLION)		
	2013	2012	△
Life	3	5	(2)
Pension	(28)	(26)	(2)
<b>Value of new business</b>	<b>(25)</b>	<b>(21)</b>	<b>(4)</b>
New business APE (Annual premiums + 10% of Single Premiums)	118	211	(93)
Value added by new business as a % of APE	-21.4%	-9.8%	-11.6%
Present value of new business premiums	910	1,584	(674)
New business margin	-2.8%	-1.3%	-1.5%

The value of new business in 2013 decreased to €- 25 million (2012: €- 21 million). A negative value of new business indicates that the initial losses incurred to acquire the new business (€16 million) are not expected to be earned back by the value of future profits from this business, adjusted for the costs of holding required capital (€9 million loss). The volume of total premiums from new business decreased by 43% to €910 million (2012: €1,584 million). Therefore, new business margin, the ratio of the value of new business to the present value of new business premiums, decreased to -2.8% (2012: -1.3%).

The value of new business for both life and pensions business decreases slightly compared to 2012. This is primarily the result of significant investments in 2013 related to new products, i.e. new administrative systems and new processes. New production volumes were lower as the new products were introduced during the year.

# Analysis of change

In 2013, the embedded value increased by €111 million, from €4,112 million at the beginning of 2013 to €4,223 million by the end of 2013. In Table 3 the development of the embedded value is shown.

3. ANALYSIS OF CHANGE OF MCEV		(€MILLION)	
	2013	2012	
<b>Embedded value at start of year</b>	<b>4,112</b>	<b>4,231</b>	
Opening adjustments	438	(1)	
Operating profits	(110)	395	
Economic profits	(217)	(465)	
Closing adjustments	(0)	(48)	
<b>Embedded value at end of year</b>	<b>4,223</b>	<b>4,112</b>	

The embedded value profits are the change in embedded value after adjusting for capital movements and foreign exchange rates. There were no capital movements in 2013. The total profits can be split into operating and economic profits and adjustments. The profits from operating the life business are €- 110 million. The economic profits stem from changes in economic conditions such as interest rate. The economic profits caused a loss in the embedded value of €217 million.

## OPENING ADJUSTMENTS

The opening adjustments are mainly caused by the following changes.

- The percentage for cost of capital is changed from 6.0% to 4.5%. This new percentage is a better representation of the shareholders requirement. This results in an increase of the embedded value of €241 million.
- The level of investment expenses is updated with the latest data. This has led to a significantly lower cost level. The embedded value increased by €158 million.

## OPERATING PROFITS

The operating profits yielded a change in the embedded value of €- 110 million. Operating profits are results of life insurance operations. These consist of the elements shown in Table 4. As specified in the section "Value added by New Business" the value added by new contracts and contract renewals is €- 25 million.

## 4. BREAKDOWN OF OPERATING PROFITS (€MILLION)

	2013	2012	△
Value added by new business	(25)	(21)	(5)
Expected Return	35	69	(35)
Operating Return in excess of expected (experience variance)	(100)	119	(219)
Change in operating assumptions	(20)	227	(247)
<b>Total Operating Profits</b>	<b>(110)</b>	<b>395</b>	<b>(505)</b>

The expected return (unwinding of discount rate) has a positive impact of €35 million.

The deviation from expected results has a negative impact of €100 million. This is specified in Table 5.

## 5. BREAKDOWN OPERATING RETURN IN EXCESS OF EXPECTED (€MILLION)

	2013	2012	△
Mortality variances	(13)	(15)	2
Persistency variances	(1)	6	(7)
Expense and commission variances	29	7	22
Other operating variances	(116)	121	(237)
<b>Total Operating assumption changes</b>	<b>(100)</b>	<b>119</b>	<b>(219)</b>

Experience variances on mortality and persistency have an impact of €- 14 million. Due to the further implementation of the expense reduction program the realised expenses in 2013 are lower than the assumptions used and therefore the embedded value increases with €29 million. The most important part of the other variances is the ending of a significant Managed Pension Fund contract as at 31 December 2013. This Managed Pension Fund is transferred into new contracts at employer level. This has a negative effect of €22 million. The remaining other variances of €- 94 million are caused by portfolio movements not included in the expected return, including the effect of these on profits in future years.

## Analysis of Change

The change in the assumed operating assumptions causes a loss of €20 million. This is specified in Table 6.

### 6. BREAKDOWN OPERATING ASSUMPTION CHANGES

	(€MILLION)		
	31-12-'13	31-12-'12	△
Mortality assumption change	(64)	30	(94)
Persistency assumption change	73	(41)	114
Expense and commission assumption change	78	344	(266)
Required capital assumption change	(106)	(105)	(0)
Other operating assumption change	(1)	(0)	(1)
<b>Total Operating assumption changes</b>	<b>(20)</b>	<b>227</b>	<b>(247)</b>

The assumptions for mortality and persistency have been updated with recent experience information, where for mortality especially the longevity experience causes the change in embedded value.

In the change of the expenses the further implementation of the expense reduction program is visible as an increase of the embedded value.

The cost of capital has changed because the required capital has been updated to the most recent risk environment. In addition, the required capital has been brought into line with the Solvency II standard formula with higher correlations than previously assumed. Taken together these effects cause the required capital to increase by €709 million, which results in an increase of the cost of capital and therefore decreases the embedded value with €106 million.

### ECONOMIC PROFITS

The economic profits are €- 217 million, caused by changes in economic conditions. The decrease in the valuation of the assets decreases the embedded value with €759 million.

The change of the liabilities valuation is not fully matched to the change of the asset valuation due to spread mismatches that are not hedgeable. The change of the valuation rate (swap) led to an increase in the Value of the In-Force business of €684 million but this was reduced by the lower illiquidity premium which led to economic losses of €143 million.

### CLOSING ADJUSTMENTS

There are no closing adjustment.

# Sensitivities

The embedded value will change, when the assumptions change. The sensitivities of the embedded value under different changes in the assumptions are shown in Table 7.

## 7. SENSITIVITIES MCEV (€MILLION)

	31-12-'13	31-12-'12	△
<b>Base scenario</b>	<b>4,223</b>	<b>4,112</b>	
<b>SENSITIVITY TESTS</b>			
<b>Market risks</b>			
Parallel shift yield up 100bp	4,045	4,105	(177)
Parallel shift yield down 100bp	4,318	4,077	95
Market Values of Equity and Property - 10%	4,007	3,849	(216)
Increase of 25% in market implied swaption volatility	4,143	4,076	(79)
<b>Expense risk</b>			
Maintenance Expenses - 10%	4,388	4,263	166
<b>Insurance risk</b>			
Lapses - 10%	4,230	4,070	7
Mortality and Morbidity (Life Insurance) - 5%	4,236	4,149	13
Mortality and Morbidity (Annuity Business) - 5%	4,047	3,976	(175)

Possible changes in the assumptions reflect three types of risks: market, expense and insurance risk. These risks influence the embedded value, through the assets and/or the liabilities.

### MARKET RISK

The embedded value is not significantly influenced by changes in interest rates. Achmea's Dutch business actively manages the interest rate risk using interest rate derivatives to reduce the sensitivity of the shareholder value to interest rate movements. A change in the liabilities due to interest rate changes will be broadly compensated by an opposite change in the assets as was experienced in 2013.

For the same reasons, the embedded value is only marginally effected by an increase in the volatility of interest rates.

The embedded value will decrease in case of a loss on equity, property and alternatives, as the effect on asset values will not be mirrored in the liabilities.

### EXPENSE RISK

The embedded value will increase, when the assumed unit maintenance expenses decrease.

### INSURANCE RISKS

The embedded value is relatively insensitive to lower lapse frequencies. The slight decrease indicates that there is a small net profit on lapse.

The life insurance business is based on assuming mortality risk, and a decrease in the mortality rates will decrease the expected death benefits, and hence increase the embedded value.

The pensions and annuity business is subject to longevity risk. Here, a decrease in the mortality rates will increase the expected pension payments, and decrease of the embedded value. This effect is substantially more significant than the effect on the life assurance business.



# Methodology

## COVERED BUSINESS

The covered business in this report is all business reported as life business to the local regulators. Achmea has insurance activities in The Netherlands (Achmea) and internationally in Greece (InterAmerican), Ireland (Friends First) and Slovakia (Union). Romania (Eureko) being Held for Sale at 31 December 2013 is valued at Net Asset Value.

## EMBEDDED VALUE

The embedded value provides an estimate of the value of the shareholders' interest in a life insurance operation, excluding any value that may be generated from future new business. The embedded value is the sum of the net asset value and the value of in-force business.

Equivalently, the embedded value is the difference on a market value balance sheet between the value of assets and the value of liabilities.

## NET ASSET VALUE

The net asset value is the value of the net assets in the life companies attributable to shareholders.

The net asset value in embedded value terms of €4,100 million is €107 million higher than the net asset value on the IFRS balance sheet for the Achmea Life business. This is caused by differences in valuations and parts of the Life Segments not being in scope for the embedded value as shown in Table 8.

### 8. RECONCILIATION OF IFRS WITH MCEV NET ASSET VALUE (€MILLION)

	31-12-'13	31-12-'12	△
<b>IFRS Net Asset Value</b>	<b>3,993</b>	<b>4,046</b>	<b>(53)</b>
Elimination of non-covered business	222	(67)	289
Elimination of DAC/Goodwill	(123)	(151)	28
Other revaluations	7	(6)	13
<b>MCEV Net Asset Value</b>	<b>4,100</b>	<b>3,822</b>	<b>278</b>

The net asset value can be split into the required capital and the free surplus.

## REQUIRED CAPITAL

The required capital at the calculation date is determined at Operating Company level as the greater of the total balance sheet requirement under a regulatory approach or under an economic approach. The regulatory approach is equal to the current minimum statutory solvency margin.

The economic capital calculation models the capital required to cover all risks at legal entity level at 99.5% confidence over a period of 1 year, including an allowance for model risk. Full diversification within the legal entities is taken into account.

This approach for the determination of required capital uses a level based on risk-based solvency calculations.

## FREE SURPLUS

The free surplus is the market value of that part of the net assets attributable to shareholders, which is not required capital.

## VALUE OF IN-FORCE BUSINESS

The Value of In-Force business is the present value of the projected stream of future profits available to shareholders from the In-Force business after deduction of taxes, expenses and costs of holding required capital for risks which are not hedgeable on financial markets.

## CALCULATION OF EMBEDDED VALUE

The embedded value is the difference on a market value balance sheet between the value of the assets and the value of the liabilities. The value of the insurance liabilities is determined as the sum of the best estimate liabilities, including the time value of options and guarantees, and the cost of non hedgeable risks. Allowance is made for tax. Other liabilities are included at IFRS value.

The Value of In-Force business is defined so that the sum of the Value of In-Force business and the net asset value is equal to the embedded value.

# Methodology

## BEST ESTIMATE LIABILITIES

The liability cashflows, that is the net cashflow of benefits and expenses (including investment expenses) less premiums are valued deterministically using the reference rate.

## TIME VALUE OF OPTIONS AND GUARANTEES

The time value of options and guarantees is the additional value of the liabilities arising from profit-sharing and other options which is not captured in the deterministic valuation. The assumptions used are calibrated to financial markets, consistent with the deterministic valuation and consistent with the profit-sharing rules applying in each portfolio. Several of Achmea's individual products include a profit-sharing option which has been valued explicitly using a closed form model, calibrated to a set of economic scenario's. Guarantees on segregated pension insurance contracts are valued with a stochastic valuation model. The other operating companies also perform explicit valuation of the profit-sharing options.

## COST OF RESIDUAL NON-HEDGEABLE RISKS

Non-financial residual risks like underwriting, operational and business risks are not hedgeable on financial markets. These risks may influence future profits for the shareholder. In determining market value of liabilities, an allowance is made to take these costs of residual non hedgeable risks into account.

The cost of residual non hedgeable risks is measured as follows. The economic capital needed to cover the residual non hedgeable risks in a year is projected for the existing business. The cost of capital rate is then applied for holding these capital levels in each year. The resulting costs are discounted to the valuation date.

The cost of capital rate is assumed also to cover the frictional cost of required capital. This is different from the MCEV principles of the CRO forum.

## REINSURANCE

Reinsured business is included in the value of the liabilities and, with a small deduction for default risk, in the value of the assets. The net effect is immaterial.

## CONSOLIDATION ADJUSTMENTS

The embedded value includes the value of Holding Company expenses that are not charged to the operating companies but are attributable to Life business.

## VALUE OF NEW BUSINESS

New business is defined as

- New individual life contracts
- Premium increases which are not contractual, if sales effort is required
- Additional single premiums which are not contractual, if sales effort is required
- New pensions insurance contracts
- Renewals of pensions insurance contracts

The value of new business is the present value at point of sale (assumed end of month of issue) of the projected stream of future profits available to shareholders from new business after deduction of taxes, expenses and costs of holding required capital for risks which are not hedgeable on financial markets.

## REVIEW AND REPORT

Unlike the principles of the CRO forum there has been no external review of the MCEV results.

This report contains limited disclosures compared to that required by the CRO forum principles.

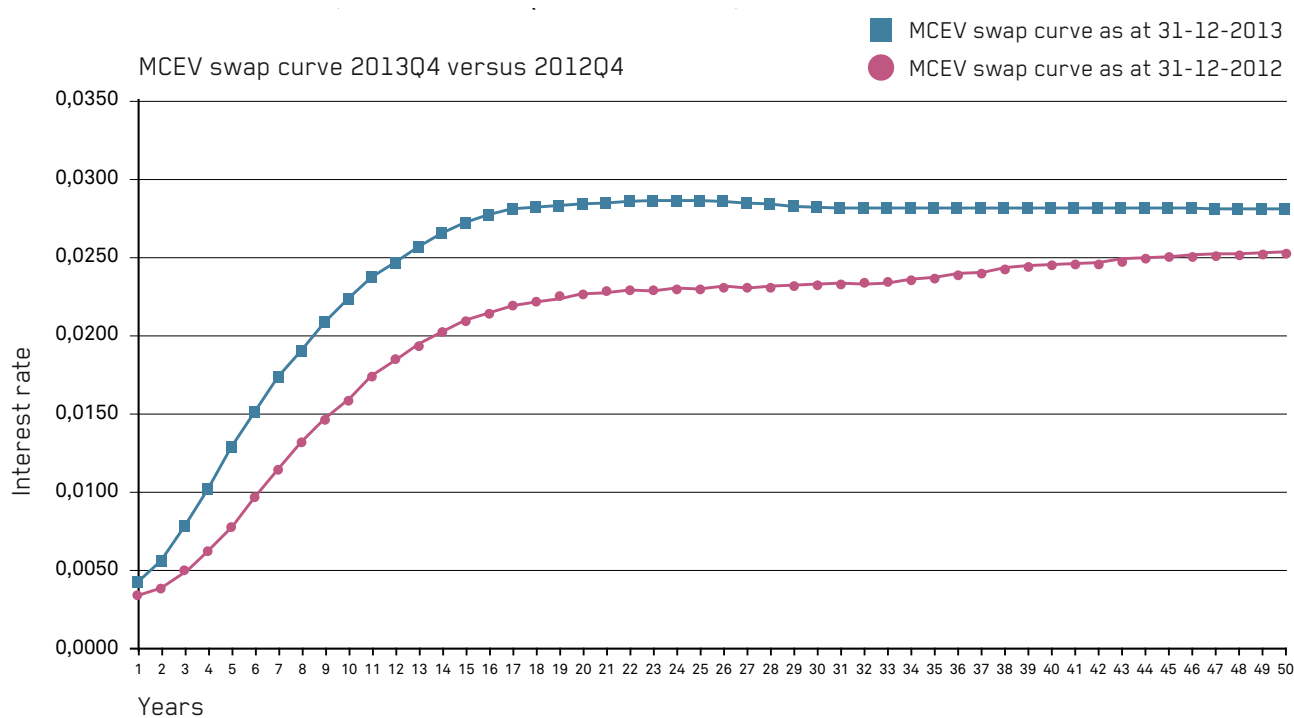
# Assumptions

## ECONOMIC ASSUMPTIONS

The reference rates are based on the swap yield curves to which an illiquidity premium is added. The illiquidity premium varies between 0% and 100% per product group.

The graph below shows the swap curves as at 31 December 2013 and 31 December 2012.

### 9. SWAP CURVES (EXCLUDING ILLIQUIDITY PREMIUM)



The illiquidity premium is shown in Table 10.

### 10. ILLIQUIDITY PREMIUM

	31-12-'13	31-12-'12	△
Illiquidity Premium	0.222%	0.366%	(0.144%)
Applicable for			
Annuities	100%	100%	0%
Savings - single premium	75%	75%	0%
Pension Insurance contracts	25%	25%	0%
Whole Life	25%	25%	0%
Other	0%	0%	0%

For the determination of the cost of residual non hedgeable risks, the illiquidity premium is excluded. The cost of capital rate is set to 4.5%. This is assumed to also cover the frictional cost of required capital (the present value of future investment costs and future taxation on investment returns on the assets backing required capital).

Expense inflation is based on available data and forecasts for long-term price inflation. This is adjusted to reflect the proportion of staff costs contained in expenses and the expected difference between wage and price inflation.

Current tax legislation and rates have been assumed to continue unaltered, except where changes in future tax rates have been announced.

# Assumptions

## 11. APPLICABLE TAX RATES

	31-12-'13	31-12-'12
Netherlands	25.00%	25.00%
Ireland	12.50%	12.50%
Greece	26.00%	26.00%
Slovakia	23.00%	23.00%

## NON-ECONOMIC ASSUMPTIONS

The assumed rates of mortality, morbidity, lapse, surrender, conversion to paid-up and early retirement have been derived from analyses of the life operations' recent operating experience and published industry studies.

Expense assumptions are based on expenses expected for 2015, and, for Achmea pensions insurance business, expenses expected for 2016. These are therefore updated compared to 2012. Expenses have been split between expenses relating to the acquisition of new business and to the maintenance of business in-force. The value added by new business is calculated using actual 2013 acquisition costs. The cost of investment in development of certain strategic systems is charged against in-force business at the beginning of the year. Some of these expenses have been treated as non-recurring. Because expenses are based on the year 2015 (pensions 2016) a cost overrun is added to implement the higher costs over the years 2014 and 2015.

It has been assumed that there will be no changes to the methods and bases used to determine statutory reserves and policy benefits.

# Glossary of terms

Annual premium equivalent (APE)	The total amount of annual premium from new regular premium business plus 10% of the total amount of single premium business written during the year and included in the new business count.
Closed forms	A method for measuring the value of options and guarantees. Formula approaches, such as Black & Scholes, to the stochastic calculation of required values, e.g. financial options, as an alternative to Monte Carlo simulation or direct valuation of a replicating portfolio.
In-Force business	Policies or contracts that are effective at the valuation date. Paid-up policies are included.
New business margin	Indicator of the profitability of new business that is calculated as a ratio of the present value of the net-of-tax profits from new business in the period and the present value of expected new business premiums.
Reference rate	The rate which is used for discounting the future cash flows back to valuation date.
Stochastic techniques	A method for measuring the value of options and guarantees Method of estimating the range of outcomes where there is uncertainty about the future development of one or more variables.

# Appendix

Below the shown tables are split between the Netherlands and the International business.

## 1. MARKET CONSISTENT EMBEDDED VALUE (MCEV)

(€MILLION)

	31-12-2013			31-12-2012			△		
	NETHER- LANDS	INTER- NATIONAL	TOTAL	NETHER- LANDS	INTER- NATIONAL	TOTAL	NETHER- LANDS	INTER- NATIONAL	TOTAL
Free surplus	855	181	1,036	1,332	132	1,464	(477)	49	(428)
Required capital	2,901	162	3,063	2,181	177	2,358	720	(15)	705
<b>MCEV Net Asset Value</b>	<b>3,756</b>	<b>344</b>	<b>4,100</b>	<b>3,513</b>	<b>309</b>	<b>3,822</b>	<b>243</b>	<b>34</b>	<b>277</b>
Value of In-Force before Cost of Capital	858	151	1,010	1,227	148	1,375	(369)	4	(365)
Cost of capital	(845)	(42)	(887)	(1,026)	(59)	(1,085)	181	18	198
<b>Value of In-Force Business</b>	<b>13</b>	<b>110</b>	<b>123</b>	<b>201</b>	<b>88</b>	<b>290</b>	<b>(188)</b>	<b>21</b>	<b>(167)</b>
<b>Market Consistent Embedded value</b>	<b>3,769</b>	<b>453</b>	<b>4,223</b>	<b>3,715</b>	<b>398</b>	<b>4,112</b>	<b>55</b>	<b>56</b>	<b>110</b>

## 2. MARKET CONSISTENT VALUE OF NEW BUSINESS (MCVNB)

(€MILLION)

	2013			2012			△		
	NETHER- LANDS	INTER- NATIONAL	TOTAL	NETHER- LANDS	INTER- NATIONAL	TOTAL	NETHER- LANDS	INTER- NATIONAL	TOTAL
Life	2	1	3	9	(4)	5	(7)	5	(2)
Pension	(27)	(1)	(28)	(28)	2	(26)	1	(3)	(2)
<b>Value of new business</b>	<b>(25)</b>	<b>(0)</b>	<b>(25)</b>	<b>(19)</b>	<b>(2)</b>	<b>(21)</b>	<b>(6)</b>	<b>2</b>	<b>(4)</b>
New business APE (Annual premiums + 10% of Single Premiums)	81	51	118	140	70	211	(59)	(19)	(93)
Value added by new business as a % of APE	-30.7%	-0.6%	-21.4%	-13.1%	-2.9%	-9.8%	-17.6%	2.3%	-11.6%
Present value of new business premiums	580	365	910	1,025	559	1,584	(444)	(194)	(674)
New business margin	-4.3%	-0.1%	-2.8%	-1.8%	-0.4%	-1.3%	-2.5%	0.3%	-1.5%

## 3. ANALYSIS OF CHANGES OF MCEV

(€MILLION)

	2013			2012		
	NETHER- LANDS	INTER- NATIONAL	TOTAL	NETHER- LANDS	INTER- NATIONAL	TOTAL
<b>Embedded value at start of year</b>	<b>3,715</b>	<b>398</b>	<b>4,112</b>	<b>3,839</b>	<b>392</b>	<b>4,231</b>
Opening adjustments	454	(16)	438	0	(1)	(1)
Operating profits	(134)	24	(110)	398	(3)	395
Economic profits	(265)	48	(217)	(522)	57	(465)
Closing adjustments	0	(0)	(0)	0	(48)	(48)
<b>Embedded value at end of year</b>	<b>3,769</b>	<b>453</b>	<b>4,223</b>	<b>3,715</b>	<b>398</b>	<b>4,112</b>

## Appendix

## 4. BREAKDOWN OF OPERATING PROFITS

(€MILLION)

	2013			2012			△		
	NETHER- LANDS	INTER- NATIONAL	TOTAL	NETHER- LANDS	INTER- NATIONAL	TOTAL	NETHER- LANDS	INTER- NATIONAL	TOTAL
Value added by new business	(25)	(0)	(25)	(18)	(2)	(21)	(6)	2	(5)
Expected return	18	16	35	53	16	69	(35)	0	(35)
Operating return in excess of expected (experience variance)	(91)	(9)	(100)	130	(10)	119	(221)	2	(219)
Change in operating assumptions	(36)	16	(20)	233	(6)	227	(269)	22	(247)
<b>Total Operating Profits</b>	<b>(134)</b>	<b>24</b>	<b>(110)</b>	<b>398</b>	<b>(3)</b>	<b>395</b>	<b>(532)</b>	<b>26</b>	<b>(505)</b>

## 5. BREAKDOWN OPERATING RETURN IN EXCESS OF EXPECTED

(€MILLION)

	2013			2012			△		
	NETHER- LANDS	INTER- NATIONAL	TOTAL	NETHER- LANDS	INTER- NATIONAL	TOTAL	NETHER- LANDS	INTER- NATIONAL	TOTAL
Mortality variances	(4)	(6)	(13)	(14)	(1)	(15)	9	(7)	2
Persistency variances	5	(6)	(1)	3	3	6	2	(9)	(7)
Expense and commission variances	33	(4)	29	16	(9)	7	17	5	22
Other operating variances	(125)	9	(116)	124	(3)	121	(249)	12	(237)
<b>Total Operating assumption changes</b>	<b>(91)</b>	<b>(9)</b>	<b>(100)</b>	<b>138</b>	<b>(10)</b>	<b>119</b>	<b>(221)</b>	<b>2</b>	<b>(219)</b>

## 6. BREAKDOWN OPERATING ASSUMPTION CHANGES

(€MILLION)

	31-12-2013			31-12-2012			△		
	NETHER- LANDS	INTER- NATIONAL	TOTAL	NETHER- LANDS	INTER- NATIONAL	TOTAL	NETHER- LANDS	INTER- NATIONAL	TOTAL
Mortality assumption change	(72)	8	(64)	31	(1)	30	(103)	9	(94)
Persistency assumption change	82	(10)	73	(39)	(2)	(41)	121	(7)	114
Expense and commission assumption change	72	6	78	333	11	344	(261)	(5)	(266)
Required capital assumption change	(119)	13	(106)	(92)	(13)	(105)	(27)	26	(0)
<b>Total Operating assumption changes</b>	<b>(36)</b>	<b>16</b>	<b>(20)</b>	<b>233</b>	<b>(6)</b>	<b>227</b>	<b>(269)</b>	<b>22</b>	<b>(247)</b>

## Appendix

## 7. SENSITIVITIES MCEV

(€MILLION)

	31-12-2013			31-12-2012			△		
	NETHER- LANDS	INTER- NATIONAL	TOTAL	NETHER- LANDS	INTER- NATIONAL	TOTAL	NETHER- LANDS	INTER- NATIONAL	TOTAL
<b>Base scenario</b>	<b>3,769</b>	<b>453</b>	<b>4,223</b>	<b>3,715</b>	<b>397</b>	<b>4,112</b>			
<b>SENSITIVITY TESTS</b>									
<b>Market risks</b>									
Parallel shift yield up to 100bp	3,602	443	4,045	3,710	395	4,105	(168)	(10)	(177)
Parallel shift yield down 100bp	3,861	457	4,318	3,675	402	4,077	92	4	95
Market Values of Equity and Property - 10%	3,565	441	4,007	3,459	390	3,849	(204)	(12)	(216)
Increase of 25% in market implied equity/property volatility	3,743	430	4,173	n.a.	n.a.	n.a.	(26)	(23)	(49)
Increase of 25% in market implied swaption volatility	3,710	433	4,143	3,143	3,699	377	4,076	(59)	(20)
<b>Expense risk</b>									
Maintenance Expenses - 10%	3,921	467	4,388	3,842	421	4,263	152	14	166
<b>Insurance risks</b>									
Lapses - 10%	3,774	456	4,230	3,673	397	4,070	5	3	7
Mortality and Morbidity (Life Insurance) - 5%	3,773	462	4,236	3,737	412	4,149	4	9	13
Mortality and Morbidity (Annuity Business) - 5%	3,610	438	4,047	3,590	386	3,976	(159)	(16)	(175)
<b>CoC test</b>									
Set CoC rate to 4,5% instead of 6,0%	n.a.	n.a.	n.a.	3,935	414	4,349			

## 8. RECONCILIATION OF IFRS WITH MCEV NET ASSET VALUE

(€MILLION)

	31-12-2013			31-12-2012			△		
	NETHER- LANDS	INTER- NATIONAL	TOTAL	NETHER- LANDS	INTER- NATIONAL	TOTAL	NETHER- LANDS	INTER- NATIONAL	TOTAL
<b>IFRS Net Asset Value</b>	<b>3,577</b>	<b>416</b>	<b>3,993</b>	<b>3,641</b>	<b>405</b>	<b>4,046</b>	<b>(64)</b>	<b>11</b>	<b>(53)</b>
Elimination of Non-covered business	228	(6)	222	(60)	(7)	(67)	288	1	289
Elimination of DAC/Goodwill	(49)	(74)	(123)	(68)	(83)	(151)	19	9	28
Other revaluations	(0)	7	7	0	(6)	(6)	(0)	13	13
<b>MCEV Net Asset Value</b>	<b>3,756</b>	<b>344</b>	<b>4,100</b>	<b>3,513</b>	<b>309</b>	<b>3,822</b>	<b>243</b>	<b>35</b>	<b>278</b>