APG
Groep NV
Annual Report
2014

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APG
GROEP NV
ANNUAL REPORT
2014

APG
Profile

Financial services provider APG provides services for pension funds such as pension administration, pension communication, asset management and executive consultancy and offers individuals supplementary products on the pensions market. APG performs these activities on behalf of clients and their participants in the sectors of education, government, construction, cleaning and glass cleaning, housing associations, energy and utility companies, sheltered employment and medical specialists. APG manages about € 400 billion in pension assets for these sectors. APG works for over 30,000 employers, providing the pension for one in five families in the Netherlands (approximately 4.5 million participants). APG has offices in Heerlen, Amsterdam, Brussels, New York and Hong Kong.

TOMORROW IS TODAY

APG's motto is "Tomorrow is today". This conveys the message that APG works hard every day to ensure tomorrow's pensions. It underscores that a good pension in the future is only possible with the foundation of a sound long-term investment strategy and robust pension management today. The motto furthermore constitutes the guideline for APG's corporate social responsibility. APG's mission is to achieve a decent and affordable pension for as many people as possible in exchange for reasonable compensation. Just like our clients, we believe in a strong Dutch pension system based on collectivism and solidarity. It is our mission to support this system with our knowledge and expertise.

SERVICES

Pension administration

APG provides the administration for more than 30 funds (pension funds, early retirement and Social Investment Funds) in the public and private sector. APG collects contributions, administrates pension rights and makes pension payments to participants. The basis for good pension management is thorough and efficient record keeping. The data must be correct and complete.

Pension communication

APG advises and supports pension funds in developing and implementing an effective communication strategy. We provide customized communication with participants for a number of pension funds and we support the employers affiliated with the pension funds in pension communication.

Asset management

APG is an investor of pension contributions. We leverage all our experience, expertise and innovative power to invest the pension assets of our clients and their participants cost effectively. We contribute to a quality, affordable pension for our clients' participants by achieving a stable, long-term return with responsible risks. Contributing to a sustainable world is an integral part of our investment process.

Executive consultancy

APG provides pension fund boards with legal and actuarial consultancy and consultancy in relation to asset liability management. This is how APG ensures comprehensive policy advice for pension fund boards.

Supplementary products

APG's insurance business, Loyalis, provides supplementary products for income security. Employees are increasingly responsible for making supplemental income provisions in case of early retirement, retirement pension, occupational disability and death. Based on our knowledge of the different pension schemes, we deliver products that tie in with this via Loyalis.

APG also provides pension administration for premium pension institutions, (company) pension funds and insurers, based on collective processing with the possibility of individual agreements and personal choices.

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This document can only be used for reference; it is a translation into English of an original Dutch document. In the event of any discrepancy between the two texts, the Dutch text shall prevail.

Key figures

(amounts in millions of euros)

	YEAR END 2014	YEAR END 2013
Group equity	1,273	1,269
Balance sheet total	4,876	4,661
Personnel (at year-end, in FTEs)	3,324	3,577
Total number of participants in the pension administration	4,467,654	4,478,645
number of which are active participants	1,479,617	1,520,427
number of which are retired employees	1,164,295	1,122,123
Assets under management	398,800	343,000
Return range for clients excluding interest-rate hedge	8,4% - 10,7%	6,2% - 7,2%
Asset Management qualifying capital available (CRR/CRD IV) *)	222	-
Investments of Loyalis	3,097	2,863
Liabilities of Loyalis	3,086	2,865
Solvency of Loyalis (Solvency I)	372%	354%
Operating income		
• Operational income	674	677
• Insurance income from supplementary products	261	268
• Investing income from supplementary products	367	54
• Other income	45	50
	1,347	1,049
Operating expenses		
• Operational charges	627	636
• Cost of benefits paid via supplementary products	295	650
• Change in insurance liabilities of supplementary products	228	-430
	1,150	856
Operating result	197	193
Net result	36	9

**) The asset management activities have been accommodated at APG Asset Management NV since January 1, 2014 therefore no qualifying capital was available for APG Asset Management NV at year end 2013.*

Report of **the Executive Board**

INTRODUCTION

In 2014, the pension sector and consequently APG were in flux. APG started a broad change program in 2012. Drastic reorganizations were started in various APG business units as part of this. The past several years have been characterized by cost savings and efficiency improvements. In 2014 the new organization was given shape and these efficiency improvements yielded their first rewards.

A great deal has changed in APG's environment as well. The foundations of the pension sector were the subject of almost daily discussion in the sector, in the media, in government and among participants themselves. We see that the pension sector is moving toward an environment in which collective pension must increasingly satisfy demands for flexibility, a sector-oriented approach and individual preferences. APG supports our clients in forming their opinions in these important discussions and in preparing for a different future pension system.

At the same time we are preparing APG for this new future. Different initiatives, such as offering products that respond to the capping of pension accrual above € 100,000 and developing a pension proposition for self-employed people employing no personnel, are good examples of this. The establishment of a Smart Services Campus in Limburg contributes to a future-proof performance of APG's role as an attractive employer. APG has also surveyed possible future developments: what might the world look like in 2025 and what role can APG play in that?

Realizing a good rate of return is important for a good pension. We succeeded with this in 2014, with a return excluding interest rate hedge ranging from 8.4 to 10.7 percent. The assets under management increased by € 56 billion to € 399 billion.

2015 promises to be an interesting and challenging year for the pension sector, our clients, and therefore APG as well. We continue to make every effort to further optimize APG's starting position in terms of its operations and the service provided to our clients. APG is looking towards the future with confidence.

TRENDS IN THE FINANCIAL POSITION

APG achieved a group operating result of € 197 million during 2014 (compared to € 193 million in 2013).

The turnover from our core activities of pension management, asset management and insurance activities increased slightly in 2014. The increase in the total operating income was mainly due to the higher investing income at the insurance business. APG's operating expenses decreased in 2014 as a result of the cost savings implemented. The total operating expenses showed an increase mainly due to a larger allocation to the provision for insurance liabilities at the insurance business.

APG achieved a net result of € 36 million during 2014 (compared to € 9 million in 2013). Besides the amortization of goodwill and financial income and expenses, the net result was significantly impacted by the allocation to the reorganization provision at the APG Group of € 68 million (€ 41 million in 2013). This item is explained in more detail under "personnel and organization" (page 11).

OUR ENVIRONMENT

In 2014, there was once again debate concerning the retrenchment of tax-deductible pension accrual, the Witteveenkader (Witteveen Framework). The Dutch House of Representatives approved the legislation for this at the beginning of 2014. The maximum accrual rate has been reduced to 1.875 percent with effect from 2015 and the pensionable salary has been capped at € 100,000. Both measures represent a significant intervention in the current system.

The changes to the Financial Assessment Framework (FTK) were approved by the Dutch Senate just before the end of the year. The most important changes must be implemented before July 1, 2015. Instead of the system change originally envisioned, the FTK now contains just a few changes to the nominal pension contract. The FTK will introduce greater stability to pensions. The system change has not been abandoned entirely, but the government will first have to survey public opinion via a national pension dialogue. More clarity on the direction chosen by the government is expected in the spring of 2015.

Aside from the political environment, the pension market itself is also changing. The consolidation of pension funds, especially smaller ones, is continuing. The main causes for this are the increased governance and supervision requirements and the desire on the part of pension funds to reduce their administration costs. The introduction of the general pension fund (APF) is a catalyst in this. The APF is expected to be introduced in the legislation in 2015. This vehicle enables consolidations whereby the economies of scale in pension administration are taken advantage of while each pension fund retains control of its own scheme. It also opens up the possibility of administering different pension schemes (defined benefit and collective defined contribution) within a single administrative framework.

International developments are also changing the environment in which the Dutch pension sector operates. New European Union regulations are increasingly having effects for APG and the pension sector. In addition to proposals for new pension legislation, such as supervisory rules for pension funds (the rules for Institutions for Occupational Retirement Provision), there has been a great deal of legislation from the financial sector in response to the continuing financial economic crisis.

In addition to positive effects, some legislative proposals also increase costs and have other less positive, often unintended, effects. This means that pension funds, as investors on the financial markets, and APG, as a regulated financial institution, face higher costs and in some cases even an increase in liquidity risks. All of this is detrimental to the participants in the affiliated pension funds. Examples of these kinds of regulations are new rules for the "over-the-counter" derivatives market (which pension funds use to manage the interest rate and currency risks, for instance) and new rules for the trade in financial instruments such as equities and bonds.

APG alerts policy makers if international legislation can result in unnecessarily high costs or an increase in risks for the financial stability of pension funds. To this end, APG holds talks in Brussels with the European Commission, the European Parliament and various other European regulators and worldwide with securities regulator IOSCO and the Financial Stability Board. These two institutions prepare legislation under the umbrella of the G20. APG will continue to do this in 2015 since the reform of rules for the financial sector is still in full swing.

OUR STRATEGY

APG enables its clients to be able to permanently offer their pension members a sound and affordable pension. The implementation of these services is focused on reliable quality at low costs, a stable long-term return and supplementary products that seamlessly tie into the existing schemes. We offer some of our clients integral services because we are convinced we can optimally facilitate them this way. The pension sector is consolidating and we are facilitating the affiliation of smaller funds with those of our clients. We also work together in responding to new, relevant trends so we can provide our clients with optimal service in the future as well. APG is using the multi-year strategic change program "Fit for the Future" to achieve this. This program focuses on optimizing service delivery to clients, processes and APG's starting position for the future.

APG further professionalized its client teams in 2014 in order to improve integral service to clients. APG also put a great deal of effort into working smarter and more efficiently in 2014. Our clients are looking for lower prices, while retaining at least the current quality levels. To meet this demand, APG is focusing a great deal of attention on the company's cost effectiveness. APG wants to continue to properly serve its clients in the future as well. This is why we are making the organization more flexible and preparing for new developments. Loyalis has responded to the capping of pensionable salary at € 100,000, for instance. An initiative was also started to enable a collective pension scheme for self-employed people employing no personnel in 2015. During 2014, APG also started apg@2025. This is an extensive survey of future technological developments and the potential consequences of this for APG and the pension sector as a whole.

APG's risk profile in 2014 was strongly determined by developments in legislation and the current change programs. In order to manage the risks relating to the change programs, APG continued setting up its portfolio and program management system and continuous monitoring of the project risks. APG also deployed a number of initiatives to anticipate political and other environmental developments in the long term. These initiatives, such as the Smart Services Campus and apg@2025, are aimed at increasing the organization's innovative capacity and in doing so creating the preconditions for cushioning strategic risks. APG keeps a close eye on these developments and expects that these will influence APG's risk profile in the years to come as well. The measures started at Loyalis in 2013 to minimize the impact of fluctuations in the financial markets were successful, decreasing the market risk in 2014.

This year was largely dominated by the implementation of drastic changes to the pension system. Despite the short time frame available, APG stepped up its consultancy to clients and tight planning ensured that all changes were implemented per fund from January 1, 2015. At the same time, efforts were made to increase cost efficiency in the pension administration, by having client pension funds work with fewer different systems and by introducing a new collection system. The changes to and optimization of the system could be made simultaneously, thanks to good consultation with the clients and major efforts on the part of the employees involved at APG Rechtenbeheer Management and ICT.

2014 was an excellent investing year for our clients. The returns for our clients were very positive for 2014, ranging from 8.4 to 10.7 percent, excluding interest rate hedge. The hedging of the interest rate risk in the clients' portfolios contributed positively to a large extent, ranging from 3.9 to 15.5 percent. The assets under management increased to € 399 billion at the end of 2014.
APG Asset Management continued with its efforts to strengthen and increase the efficiency of the processes by implementing new automated systems. This transformation program encompasses investment processes, administrative processes and risk management, and will continue through 2015 and 2016. These investments in ICT and the organization will produce an organization that can respond flexibly to the changes in the Dutch pension sector. These investments will also result in solid, cost-effective worldwide asset management that permanently complies with existing and new (European) legislation and regulations. Cost effectiveness is essential from the client perspective as well.

OUTLOOK AND EXPECTED TRENDS

Consequences of legislation

As in 2014, future amendments to legislation will change the pension landscape. The introduction of the new Financial Assessment Framework (FTK), the results of the national pension dialogue, the introduction of the general pension fund (APF), the discontinuation of the VAT exemption for cost-sharing groups for pension administration services and the changes to the Witteveen Framework could create a new playing field. It is up to APG to prepare for this new future together with its clients, by helping them incorporate these new developments in their pension schemes, for instance. At the same time, we remain in talks with policy makers and stakeholders both in The Hague and in Brussels, on behalf of our clients as well.

Competitive pension administration market

The pension administration market is becoming increasingly more competitive and it is up to APG to position itself in this market. Foreign players are also profiling themselves more actively in our market, both in the pension administration and the asset management market. A number of major players involved in administration, for instance, have announced over the past year that they will be launching their cost efficient proposition in the Dutch market as well. Our clients also negotiate increasingly competitive rates with us. At the same time the consolidation of pension funds, especially smaller ones, is in full swing. For pension funds that want to keep control of their scheme, the APF will be a serious option, alongside the other options of joining a corporate pension fund or switching to an insurer or Premium Pension Institution (PPI). The underlying causes for the consolidation are the stricter demands placed on management boards and the increasing pressure on administration costs. Where possible and consistent with the requirements of our clients, APG will further facilitate the effects of this consolidation trend.

Cost effectiveness and innovation

Our clients expect that lower operating costs due to the implementation of change programs will translate into lower administration costs and rates. The current price agreements with our clients are competitive. It is up to APG to manage these trends, while at the same time keeping service at a high level of quality and anticipating the new trends in the pension world. New ways of working and innovative administrative procedures will be a necessity.

Stimulating the knowledge economy in Limburg

It is important for APG to structurally encourage a high-quality knowledge economy in Limburg, since a large part of our company is located in this region. This ensures we have the influx of talent and access to innovations we require. In order to contribute to these goals, APG is one of the parties initiating the Smart Services Campus, along with Maastricht University and the Province of Limburg. This campus aims to bring together knowledge, research, innovation and activity in the area of financial administration, ICT and data (business intelligence) at a physical campus in Heerlen.

Organizational changes

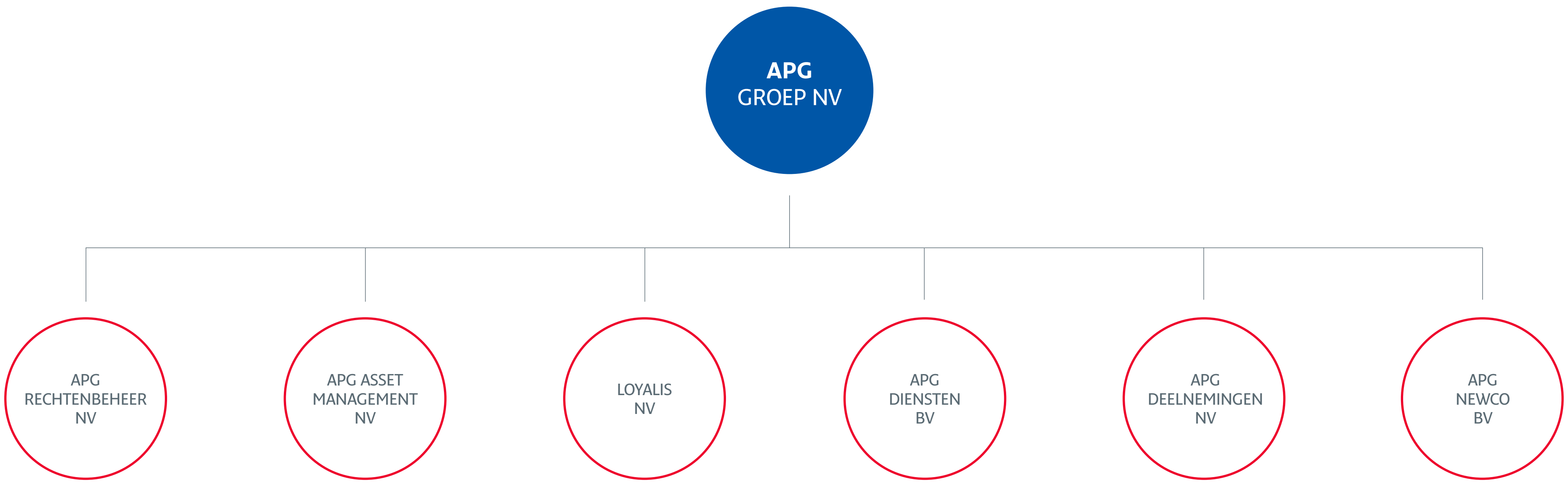
The decentralization of the organizational structure at APG, which started in 2014 and was completed at the beginning of 2015, requires changes to the company's management. The independent business units have been positioned as entities responsible for their own result. At group level, the balance between independent business units and the integral management and the service of clients, is safeguarded by the Executive Board in this regard.

OUR ORGANIZATION

APG Groep NV is a public company with a mitigated two-tier board structure. This means that the general meeting of shareholders, not the Supervisory Board, appoints and dismisses the members of the Executive Board and Supervisory Board, and the shareholders and the Supervisory Board have a statutory power to approve decisions included on a specific list of Executive Board resolutions. APG Groep NV has two shareholders: Stichting ABP (92.16 percent of the shares) and Stichting SFB (7.84 percent of the shares).
Over the past several years, APG has brought the legal structure more into line with the organizational structure and responsibilities. The asset management activities were hived off effective from 2014. These are now accommodated in APG Asset Management, a new legal entity. This process was concluded with the formation of APG Rechtenbeheer at the end of 2014 and the transfer of the group staff to APG Groep NV effective from 2015.

Since the reorganizations over the past years, APG has 100 percent of the shares in the following subsidiaries: APG Rechtenbeheer, APG Asset Management, Loyalis, APG Diensten, APG Deelnemingen and APG Newco (APG Newco was established temporarily as of September 1, 2014, in anticipation of the further organizational and legal restructuring of the APG Group in 2015. APG Newco ceased to exist as of 1 January 2015).

ORGANIZATIONAL CHART OF THE APG GROUP (YEAR END 2014)



APG Rechtenbeheer

APG Rechtenbeheer is responsible for managing the pension rights of the participants in the client funds. APG Rechtenbeheer provides the pension administration for 4.5 million participants. This involves collecting pension contributions through to administering changes and making pensions payments. APG Rechtenbeheer has a constant focus on improving processes and systems as well as prioritizing, recording and implementing changes in the organization. This enables us to permanently continue to improve our service. APG Rechtenbeheer also works for other business units, whereby the client teams form the link between the client pension funds and APG. There is a client team for every client fund. All units are represented in this team and the account manager chairs the team. Together they ensure that common objectives are achieved: to increase client satisfaction and to strengthen client loyalty.

APG Asset Management

APG Asset Management is responsible for investing the pension assets and has locations in Amsterdam, Heerlen, New York and Hong Kong. APG Asset Management pursues a responsible investment policy on behalf of its clients. APG Asset Management is a committed long-term investor. APG has developed various tools for this that provide insight into sustainability performance and into the quality of the management of the investments in the various portfolios. The managers of these portfolios use this information in making their buy and sell decisions. On behalf of its clients, APG maintains close contact with the companies in which it invests, in order to be optimally informed of the associated opportunities and risks.

Loyalis

Insurance business Loyalis has an important role in supplementing pensions. Loyalis insures the income of employees in the sectors that APG serves and also focuses on new market segments and individual supplementary products. In its new proposition, Loyalis explicitly opts for the role of insurer of supplements to pensions.

Loyalis' product development and marketing concentrate on three domains: work-related disability, retirement pension and surviving dependents' pension. All of Loyalis' product domains fit within the new positioning. The company distinguishes itself from its competitors with a suitable supplement to what is already provided for in the pension scheme and CLA.

The developments in the pension schemes are a confirmation of the added value of the insurance business at APG. Loyalis and APG together have the strength and knowledge needed to develop (new) products. Thanks to intensive cooperation with APG's sector management, a customized offering is created as supplement to the pension.

APG Diensten

APG Diensten functions as the internal service provider within APG and is responsible for all ICT-related and facilities services. Within APG, ICT is in charge of data centers and is responsible for the management and security of all servers, databases, networks, data storage and all virtual i-work workstations at APG. ICT also provides constant renewal of the ICT infrastructure and supplies workstation, telecommunication and support services. Facilities services is responsible for building management and building-related services such as contract management, leases and subletting, reception and security.

APG Deelnemingen

A key element in APG's strategy is the optimization of its starting position for the future. Within APG, the approach to this is primarily organized within the participation at the subsidiaries Inadmin, APG-ABN AMRO Pensioeninstelling, Inotime, Inovita and Loyalis Maatwerkadministraties.

Inadmin provides the pension and insurance administration for and under the label of pension funds, premium pension institutions and insurance companies.

APG-ABN AMRO Pensioeninstelling is the joint-venture premium pension institution used by APG and ABN AMRO to enter the market at the beginning of 2012. APG Deelnemingen has an equity interest of 30 percent in APG-ABN AMRO Pensioeninstelling.

With the pension administration system from Inotime and Inovita, APG is active in pension administration for corporate pension funds. The Lifetime platform from these parties is used for a growing number of clients.

Loyalis Maatwerkadministraties (LMA) has been part of APG Deelnemingen since the beginning of 2014. Until the end of 2013 LMA was a subsidiary of Loyalis. LMA focuses on specialized administrative services for the government and education sectors.

RISK MANAGEMENT

General

APG has set up integral risk management within the organization in order to guarantee ethical and controlled business operations and to support the management in managing risks consciously and responsibly. You can also find more information on this in the risk section included in the financial statements.

Developments in risk management

APG evaluated the structure of its risk management framework in 2014. This evaluation took into account the ambition of striving towards best practices in the area of integral risk management and the requirements that arise from the regulatory status of the APG Group and its units. The program based on this resulted in 2014 in a risk management framework that constitutes a sound group-wide basis.

The risk management framework

Integral risk management has been translated into the risk management framework (hereafter: framework) and encompasses:
- the risk management organization,
- the risk categories,
- the risk management process and
- the capital requirement.

Risk management organization

The roles and responsibilities in relation to managing and controlling risks are based on the generally-accepted Three Lines of Defense model. In this model, the first line of defense constitutes the Executive Board, the management teams and the employees as the parties responsible for (executing) the primary processes. The Executive Board and management teams are ultimately responsible for APG and the particular business units respectively, for setting up a risk management framework that functions adequately and effectively and for guaranteeing a suitable risk culture. In this context, risk management is part of the primary and supporting processes and risk committees have been set up that play a central role in risk management and internal control.
The second line of defense consists of independently positioned finance, risk management and compliance functions on the level of the group and business unit which advise on the structure of the risk management framework, monitor and report on the risks and also challenge the first line functions. The functions on group level also set up frameworks for the functions on the level of the business unit. The third line of defense is filled in by Group Internal Audit.

Risk categories

APG distinguishes five risk categories: strategic, financial, operational, reporting and compliance risks. These risk categories will be discussed briefly below.

Strategic risks

A strategic risk is the risk of impact on turnover, capital, reputation or the continuity of APG as the result of changes in APG's environment, detrimental strategic decision making, incorrect implementation of decisions or an inability to adjust in response to the political, economic or technological environment.

Financial risks

A financial risk is the risk of impact on APG's balance sheet or profit and loss account resulting from variations in market variables or insurance claim likelihoods beyond the company's control. The most significant are Loyalis' financial risks relating to the insurance and investment portfolio. In order to control these risks, Loyalis has set up an extensive system based on Solvency II regulations and principles.
Because of the separation of APG's assets from those of the pension funds, the financial risks associated with the investments that APG manages on behalf of client pension funds are not at APG's expense and risk.

Operational risks

An operational risk is the risk of losses due to external incidents or inadequate or failing internal or outsourced processes, personnel or systems. If operational risks result in irregularities in processes that are outsourced to APG this could potentially have undesirable consequences for our clients as well. Managing the outsourcing risk of its clients is also part of the integral risk management at APG.

Compliance risks

Compliance risk is the risk of material financial losses or damage to APG's reputation resulting from the failure to comply with legislation and regulation, the failure by APG's personnel to act ethically as well as the risk of sanctions from regulators. These risks form an integral part of the risk management framework. Important tools in this context are, for instance, the Code of Conduct, the incidents regulation and the whistle blower regulation.

Reporting risks

The reporting risk is the risk that due to errors in the administrative processes or systems, reporting products do not give a fair presentation or do not satisfy the applicable technical standards. This pertains both to the reporting on APG itself and to the reporting on the financial flows and assets of clients.

The risk management process
APG's risk management process is a continuous and iterative process. It comprises the steps of identifying, evaluating, managing and monitoring. The risk management and compliance functions support the Executive Board and management teams of the business units in this. An assessment is then made to determine if (additional) measures are required to manage these risks. These are then implemented in the business activities by the first line of defense.

ISAE 3402
In order to give assurance to clients that the processes they have outsourced to APG are performed in a controlled way, an ISAE 3402 certificate is issued each year for the rights management, ICT and asset management services as well as for Inadmin. The effectiveness of the internal control within the scope of this certificate is determined each year by an external auditor.

In Control Statement
In addition to the ISAE 3402 report for clients in relation to the outsourced processes, APG also reports on the quality of internal risk management at the APG Group. This takes place by means of an In Control Statement.

Capital requirement
APG wants to have adequate capital available to accommodate (financial) damage and losses arising from the identified risks. The degree to which the capital is adequate is also determined in the context of various requirements imposed by the regulator De Nederlandsche Bank (DNB).

Loyalis determines the amount of capital to be maintained with reference to the Solvency I and Solvency II regulations and reports on this to DNB.
For Asset Management, adequacy testing takes place by means of ICAAP (Internal Capital Adequacy Assessment Process).
For the other business units, APG determines the capital requirement based on its own risk assessment. The APG Group easily satisfies all the aforementioned capital requirements at the level of the group and business unit.

APG's risk profile
In 2014, APG's strategic risks were largely determined by political developments, its operational risks mainly by the change programs in progress and the compliance risks by the many changes in relevant legislation and regulations. In order to anticipate the environmental developments, APG deployed a number of initiatives to increase the organization's innovative capacity and in doing so create the preconditions for accommodating strategic risks.

In order to manage the risks relating to the change programs, APG set up a system of portfolio and program management and continuous monitoring of the project risks. The change programs did not have any perceptible influence on the quality of our service in 2014.

The many changes in relevant legislation and regulations not only have consequences for our clients, but also for APG's compliance risk profile. This had an impact on, among other things, the business operations, change programs and culminated in the introduction of new products (pension facility for independent entrepreneurs and employees with a salary in excess of € 100,000 (the so-called "net pension")). APG Asset Management applied for an AIFMD license (AIFMD stands for Alternative Investment Fund Managers Directive). Loyalis is in the final phase of implementing Solvency II. For the benefit of its clients, APG Rechtenbeheer implemented the consequences of the new Financial Assessment Framework in its administration processes.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE INVESTMENT

For our clients, we work together on the future of their current generations of participants. APG therefore maintains a long-term perspective. By being mindful of the world around us and the quality of our business operations , we aim to make a contribution to ensuring that future generations too can grow up in a livable society. We strive for a careful balance between people, planet and profit. We do this by advising our clients about responsible investing and by contributing to a pension system characterized by solidarity, but also by critically examining the sustainability aspects of our own business operations.

Our pension system
Our ambition is to permanently support the Dutch collective pension system with our knowledge and expertise. We keep a close eye on costs and yields, actively share our fiscal, legal, financial and pension knowledge and always try to improve our own organization. In 2014, we implemented this by supporting four chairs at universities, for instance. We do this in order to ensure constant development and transfer of pension knowledge in the Netherlands and to be able to hold a vigorous debate on collectivism and solidarity.

Our people
In order to be successful, it is important that APG's employees have the right knowledge, skills, motivation and attitude. In this context, the topic of sustainable employability was put high on the organization's agenda in 2014 (see the chapter on personnel and organization).

Our resources
In order to be sustainable, we must use the resources available to us efficiently, be aware of the impact the use of these resources has and assess whether we can compensate for that. During 2014 we did this by: compensating for the CO_2 emissions caused by kilometres driven and flown by our employees;
having the entire organization use green electricity;
making waste flows CO_2 neutral. This means that paper, wood, iron, plastic coffee cups and shrink film are all recycled. We calculate the ecological footprint of the waste that remains and compensate for the corresponding CO_2 emissions of that as well.

APG asks its suppliers to sign a code of conduct. The code outlines specific requirements concerning the environment and corporate social responsibility. These areas for attention are also considered in selecting new products and suppliers. For instance, the contracts with our suppliers in the area of garden maintenance, security and cleaning devote explicit attention to people with a disadvantaged position in the labor market.

APG has made significant advances when it comes to energy conservation. The annual gas consumption of our office in Heerlen has been reduced from 3.6 million m^3 to 0.3 million m^3 over eight years. This represents a decrease of almost 90 percent. This was achieved by means of a drastic renovation, in which smart and innovative systems were installed and the insulation of the building shell was replaced. The connection to the mine water system also yielded a saving in energy. This means that APG's data centers are cooled using mine water, after which the heated water from old mine passages is used to heat the building. Any remaining energy is then passed on to the other participants in the mine water project.

APG also pursued its socially responsible enterprise policy by:
- encouraging the use of electric cars;
- having paper-free meetings more frequently and reducing the use of printing;
- participating in the Parkstad social marketplace.

PERSONNEL AND ORGANIZATION

Dominant themes and key objectives
Dominant themes in 2014 were organizational development, improving effectiveness and reducing costs. The key elements of the personnel policy include an optimal organization structure, leadership and the use of professional tools for the further development of employees.

Reorganization of the APG Group
The strategic change program Fit for the Future, which involves both an upgrade of administrative processes and reduction in jobs, showed substantial results this year. Organizational changes were implemented on a number of fronts this year, which were visible in all layers of the organization. The reorganization started in 2012 represents a major reduction in jobs over the 2012–2017 period. In 2014, after the substantial outflow in 2013, approximately 400 more employees left the organization. At the same time, preparations were made in 2014 to have employees depart in 2015 and 2016. This explains the relatively high allocation to the reorganization provision in 2014. APG is careful in how it deals with the personnel implications of change initiatives. Employees can make use of a Social Plan, as well as other facilities for promoting mobility within and external to APG. The number of forced layoffs remained limited. Of the employees declared redundant, 40 percent were able to successfully apply for jobs internally or externally or set up their own business. Approximately 100 new employees were hired in 2014 as well. The so-called APG Barometer is used to survey employee opinions concerning the change and reorganization initiatives each quarter. The organization converts the results of these surveys into specific improvement actions.

Managing change
In order to guide APG into the future soundly and sustainably, good leadership—and in particular, change potential, focus on results and execution capacity—is essential. APG's leadership profile forms the basis for selecting, developing and evaluating (future) leaders and is specifically related to the company's change agenda. Managers are developed individually and specific programs have been set up to form management teams. Potentials for management positions are assisted in developing into fully fledged leaders through means of initiatives such as development assessments, training programs, coaching and peer reviews. This is how APG undertakes targeted succession planning.

Employee development

The speed at which internal and external developments must be anticipated demands a quality impulse, the potential to embrace change and power of execution among employees. Developments challenge employees to reflect on their career over the short and long term. If you add to this the increasing demands from clients and regulators, the need to work more cost efficiently and the fact that the retirement age is being pushed back, then this means sustainable employability is the most important factor in ensuring the right employee is in the right place. In order to support employees in this, a sustainable employability program has been developed together with trade unions and the works council, which will be offered from 2015. The human resources cycle and related competence management promotes APG's focus on results. One of the key results of the current cycle is the focus on developing talent.

Good employment practices

Surveys confirm that APG's image on the Dutch labor market is good. APG is regularly selected as one of the best employers in the Netherlands in various respects. The labor market communication is focused on the finance, ICT and asset management areas. Young talent and women are two target groups to which special attention is devoted. The Recruitment & Career Center guides employees when they join the company and facilitates their advancement in the company and departure. A great many vacancies were successfully filled this year, half of which were from employees within the company. APG's long-term vision is that hiring talent continues to be a fundamental value.

Terms of employment

APG feels it is important that the terms of employment policy is consistent with APG's strategy and culture. It is also focused on the long-term interests of stakeholders. The objectives of this policy can be summarized as follows.

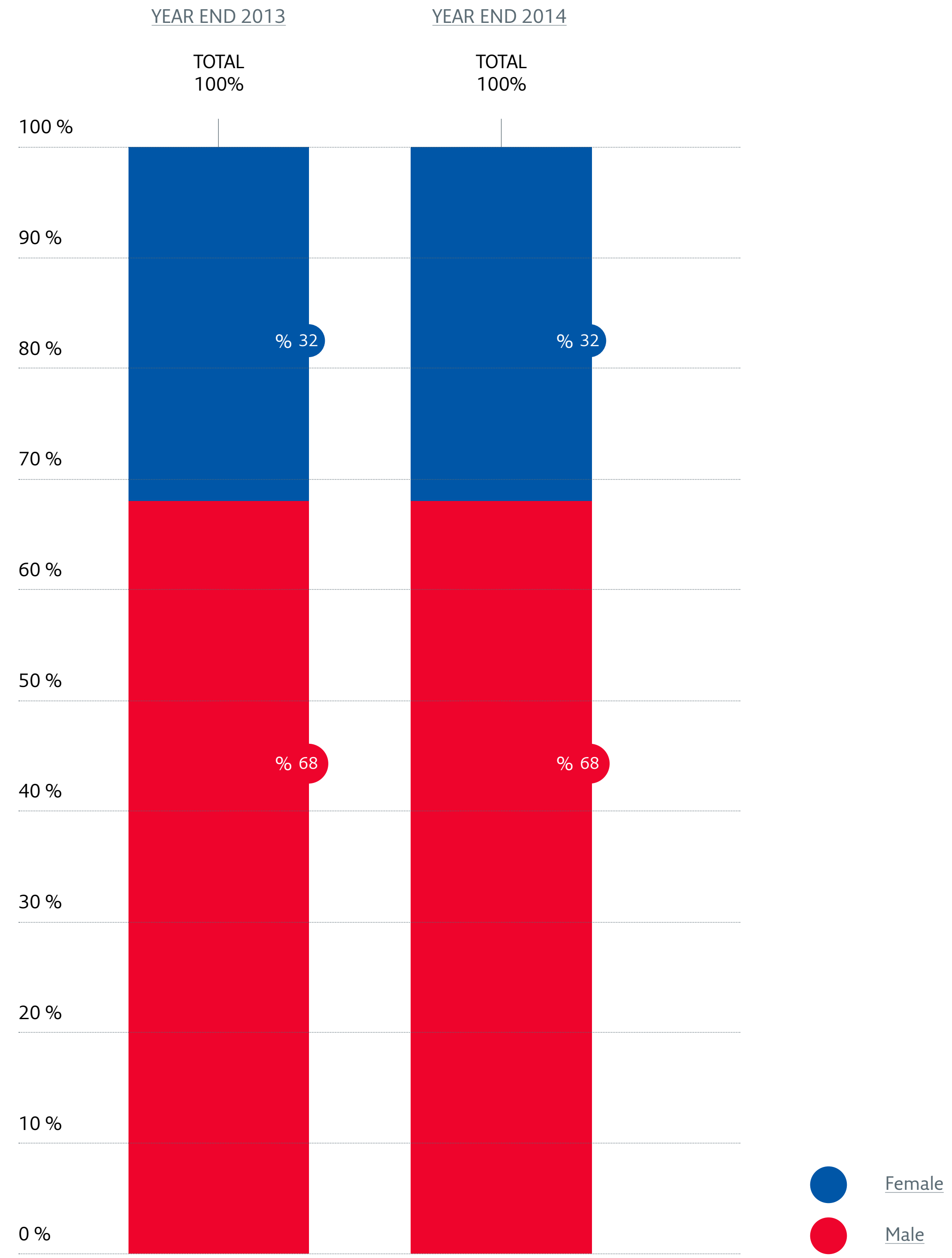
The remuneration policy enables APG to attract, retain and motivate qualified employees. The policy aims to achieve a level that is appropriate for a pension provider.

The remuneration policy contributes to sound risk management and is in accordance with APG's risk appetite. APG applies the Restrained Remuneration Policy Regulations (Financial Supervision Act) 2014. The publication concerning this is at www.apg.nl.

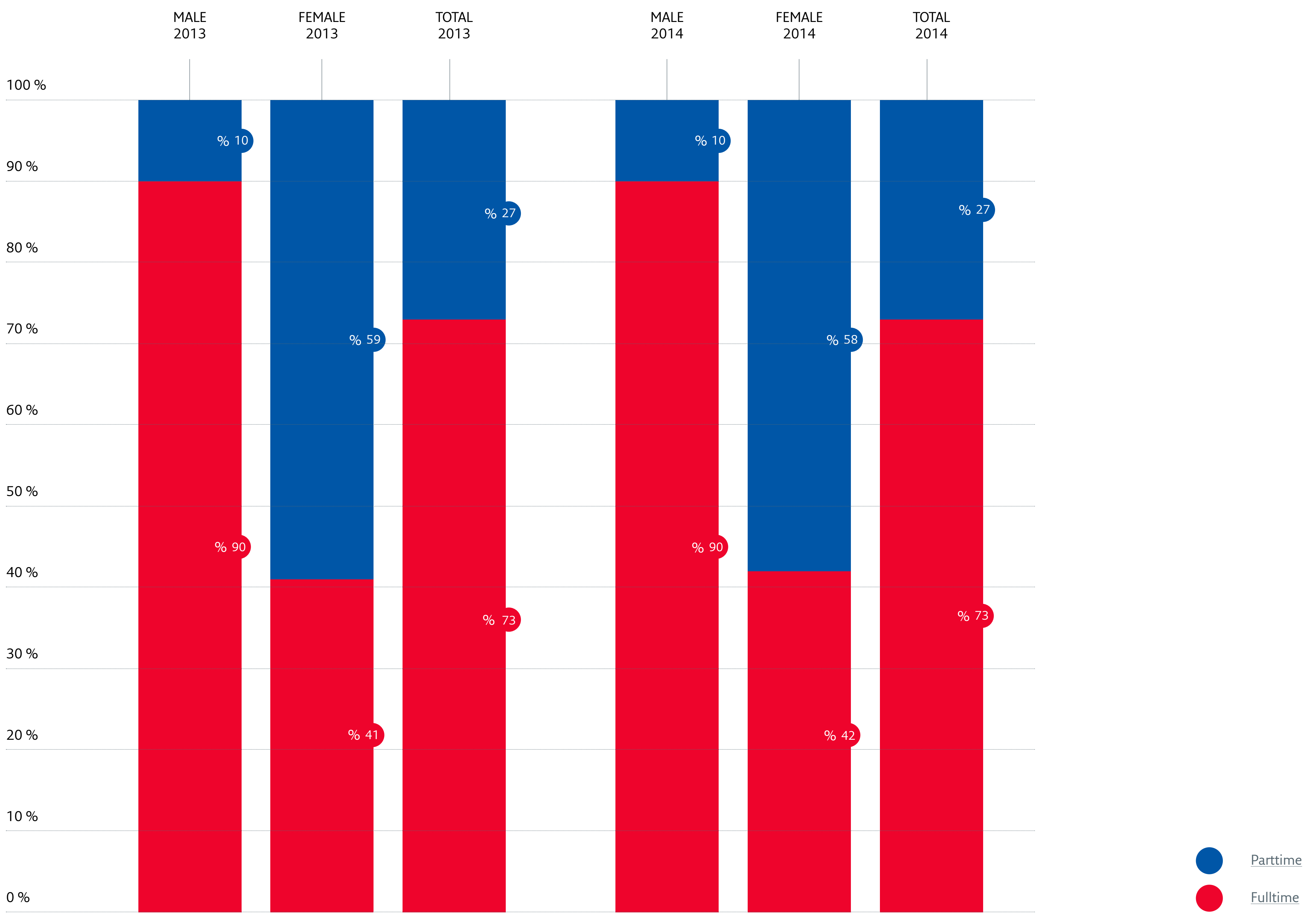
The CLA expired on April 1, 2014. In the negotiations, the CLA parties specifically looked to ensure that APG's remuneration policy ties in with its organizational culture. The continuing societal discussion about remuneration in general and variable remuneration in particular was taken into account in this. The developments in the market (at other financial service providers) also play a role. In the CLA concluded in 2014, these factors resulted in the agreement to build variable remuneration into the salary.

The CLA parties agreed on changes to the pension scheme of PPF APG, largely as a result of the amended legislation. The main changes are the new target retirement age of 67 years, the reduction in the accrual rate to 1.875 percent and the capping of pensionable income at € 100,000.

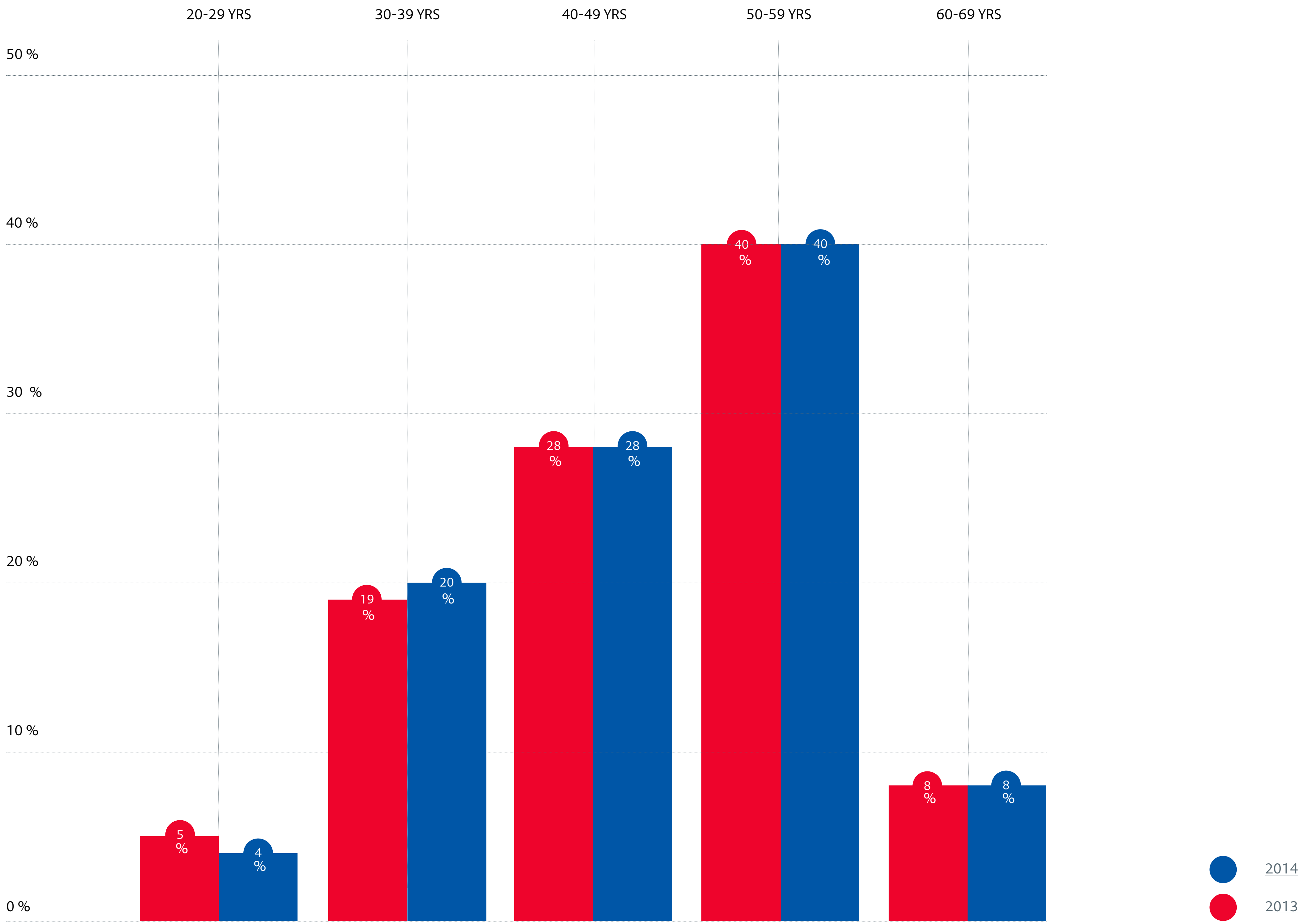
PERCENTAGE DISTRIBUTION OF MALE/FEMALE BY NUMBER OF FULL-TIME EQUIVALENTS, AS AT YEAR-END



PERCENTAGE DISTRIBUTION FULLTIME/PARTTIME AS AT YEAR-END



AGE DISTRIBUTION OF STAFF, AS AT YEAR-END



COOPERATION WITH THE WORKS COUNCIL

Reorganization
In 2014, the collaboration between the Works Council and the company was also dominated by the extensive reorganization at APG. The Works Council handled many of the requests for advice relating to this reorganization in 2014 and issued advice. Despite the fact that both APG and the Works Council completed a great deal of work, 2015 will again be dominated by the reorganization.
The CLA parties also succeeded in making agreements on keeping the current Social Plan (which expires on July 1, 2015) in effect for several reorganizations for which requests for advice had not yet been submitted to the Works Council by the end of 2014. This was necessary in order to prevent these reorganizations from falling outside the scope of the current Social Plan.

Cooperation
In order to further familiarize the senior management at APG's two locations in Heerlen and Amsterdam with the Works Councils Act (WOR), WOR training was organized in 2014. This mainly involved raising management's awareness in relation to the employer's obligations under the WOR.

New works council in office
Because the Works Council's term came to an end, Works Council elections were held in 2014. The new Works Council took office on April 1, 2014.
Prior to these elections, APG as the employer had already decided, after discussion with the Works Council, to keep the joint Works Council as the participation body for the coming four-year term. This means that the APG companies for which this joint Works Council was set up are also regarded as a single company during the term of the new Works Council.

Requests for advice and consent
In 2014, the Works Council received 13 requests for advice and 7 requests for consent. The Works Council issued a so-called 'prelude' to the advice before issuing the actual advice. Consequently, in its ultimate advice the Works Council could take into account any responses from the business to possible conditions stipulated by the Works Council in the prelude. This resulted in the Works Council being able to issue unconditional positive advice more often than in the past. On one occasion the advice deviated from the proposed decision.

Meetings
The Executive and the Works Council discussed the requests for advice and consent on numerous occasions in 2014 and these were explained in consultation meetings.

A consultation meeting took place monthly. In addition, the Works Council's Executive Committee and the Executive met monthly during meetings of the Agenda Committee. The consultation meetings in June and December qualified as meetings under article 24 of the WOR. In these meetings, the general course of affairs in the company were discussed in the presence of members of the Supervisory Board.

CORPORATE GOVERNANCE

Legal framework
APG Groep NV is not listed on the stock market and is therefore not required to adhere to the principles and best practices of the Dutch Corporate Governance Code. However, in view of APG's role and responsibility as a pension administration organization in the Netherlands, APG applies the principles and best practices from the Dutch Corporate Governance Code on a voluntary basis, in addition to the relevant rules from Dutch legislation, guidelines from regulators and internal guidelines.

With regard to applying best practices from the Dutch Corporate Governance Code, APG has a compliance score of more than 90 percent for the relevant best practices.
The best practices concerning variable remuneration for members of the Executive Board do not apply, for instance, since the directors of the APG Group do not receive any variable remuneration. The provisions on issuing depositary receipts for shares also do not apply, since APG's shares are not listed and no depositary receipts have been issued. The APG Group does not yet fully comply with the requirement to report on the internal risk management and control systems in the annual report, and the external publication of certain internal documents (the code of conduct, for example). In 2015, APG will be working on improving the application of these guidelines in order to achieve full compliance.

Executive Board
The Executive Board of the APG Group has the task of managing the APG Group. The board bears collective responsibility for realizing the objectives and strategy of the APG Group, the development in the result and the social aspects of the business. The Executive Board is also responsible for compliance with all relevant legislation and regulations, managing risks and financing. The APG Group has set up committees of a functional nature, overarching the business units, for the performance of duties that have been assigned to a member of the Executive Board. There are four such councils: the Finance & Risk Council, the Human Resources Council, the Information Technology Council and the Strategic Clients Council. The main duties of a council are to prepare the decision making of the Executive Board and monitor cohesion in the decision making.

Besides the councils, the Executive Board is also assisted by the risk committee for matters involving risk management and control. This committee consists of members of the Executive Board and the managing directors of Group Risk and Compliance, Group Internal Audit and the risk manager of Loyalis. The risk committee meets at least four times per year.

After discussion by the Supervisory Board, the shareholders consented at the beginning of 2014 that the Executive Board would comprise four rather than five members. In September 2014, Eduard van Gelderen was appointed to the Executive Board. He took over the position of Chief Investment Officer from Angelien Kemna after she was appointed Chief Finance & Risk Officer of the APG Group. Angelien Kemna succeeded Peter Kok, who held the CFRO position temporarily in 2014.

The Executive Board is made up of 25 percent women, which means it does not satisfy the statutory rules that at least 30 percent of the board must be women. In the event of any future changes in the composition of the Executive Board, these statutory rules on the number of women on the board will be taken into account.

Supervisory Board
The Supervisory Board of the APG Group is charged with supervising the policy of the Executive Board and its performance of its duties and supports the Executive Board with advice. In performing its duties, the Supervisory Board is guided by the interest of the company and its business.
According to the company's articles of association, the Supervisory Board consists of at least three members. The Supervisory Board has consisted of four members since the beginning of 2015. The board will be further expanded in the course of 2015, with specific attention to achieving the statutory norm for the ratio of men to women on the board. When these financial statements were drawn up, one of the four members was a woman: with this percentage of 25 the Supervisory Board does not meet the statutory target of at least 30 percent.
In consultation with the shareholders, the Supervisory Board has prepared a profile for the composition of the Supervisory Board. The specific knowledge and experience required on the board as a whole has been taken into account in this profile. The description of the duties, the meetings, the composition and the resignation schedule are described in the regulations of the Supervisory Board. The Supervisory Board has two committees: the Audit and Risk Committee and the Remuneration Committee. In the report ofthe Supervisory Board that follows, more information is given on the composition of the board and the activities and meetings of the board's committees in 2014.

Shareholders
The general meeting of shareholders in April 2014 determined the results for 2013 and decided the dividend. The shareholders were also consulted during the financial year about impending appointments of Executive Board and Supervisory Board members and about strategic projects such as the Smart Services Campus.

In 2014, specific attention was devoted to adopting a governance document on the functional and efficient cooperation between the Executive Board, the Supervisory Board and the shareholders of the APG Group. This document includes the structure and implementation of the relevant policy and administration processes in greater detail.

WORD OF THANKS

The Executive Board is grateful for the considerable efforts and commitment from the employees, Supervisory Board and shareholders. Above all, we would like to thank our clients for their confidence in us.

Amsterdam, April 20, 2015
The Executive Board

DM Sluimers, chairman
M Boerekamp RA
E van Gelderen CFA FRM
Ms AGZ Kemna

Report of the Supervisory Board

The annual report and financial statements for 2014 are hereby presented, as prepared by the Executive Board of APG Groep NV. In this message from the Supervisory Board, we provide you with more insight into how the Supervisory Board performed its supervisory duties and advisory role in 2014.

Strategy and policy

The world in which APG's clients operate is changing rapidly and drastically. Over the past few years, pension funds in the Netherlands have been faced with the effects of persistently low interest rates, improved life expectancy for participants and political discussions about the future of the Dutch pension system. All of this has prompted constant debate, amendments to pension schemes and, despite the good results on investments, only a limited recovery in pension funds' funding ratios. In this changing environment, APG, in its role as an administrator of pension funds—which together represent almost half of the Dutch pension participants and their accrued pension assets—supported its clients in administering the schemes, managing their investments and providing substantive support to the pension fund boards. The critical success factors and key performance indicators for APG's service provision, as determined by the clients, were scored positively almost without exception. This is a positive signal for the reorganization that was further implemented in 2014 and an important indicator for APG's long-term continuity as a business.
Based on optimized and improved processes, the strategic support for the pension funds will also be essential for APG's future in the coming years, regardless of the changes that may occur in the pension sector.

In its supervisory and supporting role, the Supervisory Board devoted a great deal of attention to the trends and developments in the area of pensions in the Netherlands and the role that APG can play in this for its clients.

Good governance

In performing its role, the Supervisory Board is very aware of the special relationship between APG and the shareholders, who are also the main clients. The Supervisory Board focuses mainly on the corporate strategy, risk management, personnel developments, effective and efficient business operations and the composition of the Executive Board and the Supervisory Board.
The Board aims to follow best practices in these areas. After all, this is also the standard that the pension funds demand of the companies in which they invest—via APG. Further renewal in the composition of the Supervisory Board was decided on in 2014 in appropriate dialogue with the shareholders. A renewed focus on supervision and advising on good business operations was central to this. In consultation with the shareholders, a new profile for the composition of the Supervisory Board was prepared. The specific knowledge and experience required on the board as a whole has been taken into account in this profile.

Supervisory themes

The most important themes discussed by the Supervisory Board in 2014—in addition to the regular information on the financial developments in the company and the performance of the individual business units—were the progress of the reorganization, the developments in relation to ICT and the new structure of the risk management system. The composition of the Executive Board and Supervisory Board, the corporate governance structure, the new strategic projects such as the Smart Services Campus, the cooperation with the organizations of the self-employed and freelancers and the net pension products were also discussed.

Organization of the Supervisory Board and its meetings

When the 2014 annual report was drawn up, the Supervisory Board comprised the following people (see page 44 for personal details): Bart Le Blanc (chairman), Pieter Jongstra (vice-chairman), Maes van Lanschot and Edith Snoeij. All the Supervisory Board members qualify as "independent" as described in best practice III.2.2 of the Dutch Corporate Governance Code.

The following left the Supervisory Board in 2014: Elco Brinkman (former chairman), Guy Verhofstadt (former vice-chairman), Ton Nelissen (former chairman of the Audit Committee) and Nicoly Vermeulen. The board thanks the members who resigned for their exceptional efforts for APG over the past years.

For the Supervisory Board, 2015 will be a year of transition. The board was expanded with two new members. Once the Supervisory Board is complete, a final decision will be made on the division of duties among the members. When it was expanded, the board was aware of the diversity requirements stipulated for large companies by legislation and regulations. The Supervisory Board met nine times in 2014. The entire board was usually in attendance at these meetings. The Supervisory Board has two committees: the Audit and Risk Committee and the Remuneration Committee. The committees may invite the other members of the Supervisory Board—an option they often made use of in 2014.

Audit and Risk Committee

The Audit and Risk Committee consists (as of 2015) of Pieter Jongstra (chairman) and Maes van Lanschot. The committee met six times in 2014. The reports and important points for attention from the committee are shared with the Supervisory Board. The most important topics discussed were the new structure of the risk management system, quarterly reports on finance and risks, financial updates, quarterly reports on internal audit, the annual plan for internal audit, updates on the reorganization, the recommendations and reports from the external auditor, evaluation of the external auditor and preparation of a proposal process for the choice of a new external auditor with effect from the 2016 financial year. The meetings of the Audit and Risk Committee were also attended by the Chief Finance & Risk Officer and the external auditor, as well as the managing directors of Risk & Compliance, Finance and Internal Audit. The Audit and Risk Committee met twice with the external auditor in 2014 without the attendance of the members of the Executive Board.

Remuneration Committee

The Remuneration Committee consists (as of 2015) of Edith Snoeij (chairman) and Bart le Blanc.
The reports and important points for attention of this committee are shared with the Supervisory Board. This committee met six times in 2014, and held various separate meetings on the preparations for the succession for both the Executive Board and Supervisory Board. The most important topics in the Remuneration Committee's meetings were the implementation of the remuneration policy, the preparation for the assessment of the Executive Board, and the impact of new legislation. In connection with the latter topic, the Committee proposed to limit the severance payment from January 1, 2015, to no more than 100% of the fixed annual salary, irrespective of whether different agreements were made in this regard in the past. The Board agreed to this proposal.

Remuneration report

The details of the remuneration report as described in the best practices of the Dutch Corporate Governance Code can be found in the relevant section in the financial statements (operating expenses) and in the remuneration report as published on APG's website.

2014 annual report and financial statements

The Supervisory Board approves the annual report from the Executive Board and the 2014 financial statements, as well as the auditor's report. We propose to the shareholders that they adopt this report and the annual figures and approve the dividend proposed.

Amsterdam, April 20, 2015
The Supervisory Board

LJCM Le Blanc, chairman
PJAM Jongstra, vice chairman
MJ van Lanschot
Ms EL Snoeij

Financial Statements
APG Groep NV
2014

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2014
(BEFORE PROFIT APPROPRIATION)
IN THOUSANDS OF EUROS

ASSETS	31-12-2014	31-12-2013
Fixed assets		
Intangible fixed assets (1)	610,437	688,625
Tangible fixed assets (2)	24,531	28,483
Financial fixed assets (3)	99,416	87,264
	734,384	804,372
Investments insurance business (4)	3,096,846	2,863,362
Current assets		
Receivables, prepayments and accrued income (5)	216,129	179,546
Receivables from reinsurance (6)	50,339	58,716
Cash and cash equivalents (7)	778,095	754,822
	1,044,563	993,084
TOTAL ASSETS	4,875,793	4,660,818

LIABILITIES	31-12-2014	31-12-2013
Group equity (8)		
Equity capital	1,272,744	1,268,666
	1,272,744	1,268,666
Provisions		
Insurance liabilities (9)	3,085,950	2,865,227
Deferred taxes (10)	17,937	24,213
Other provisions (11)	124,595	132,817
	3,228,482	3,022,257
Long-term liabilities (12)	23,767	23,767
Current liabilities and accrued liabilities (13)	350,800	346,128
TOTAL GROUP EQUITY AND LIABILITIES	4,875,793	4,660,818

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR 2014
IN THOUSANDS OF EUROS

	2014	2013
Net turnover		
Insurance contributions (14)	260,824	268,717
Investment results (15)	367,009	53,691
Income from services to third parties (16)	674,205	676,819
Other operating income (17)	45,336	50,216
Total operating income	1,347,374	1,049,443
Change in provision for insurance liabilities (18)	228,210	-430,337
Payments (19)	294,698	650,437
Costs of outsourced work and other external costs (20)	114,044	102,981
Personnel costs (21)	452,822	449,237
Amortization and depreciation of intangible and tangible fixed assets (22)	91,502	91,637
Other operating costs (23)	119,503	113,415
Total operating expenses	1,300,779	977,370
Financial income and expenses (24)	1,360	-60,316
Result from ordinary activities before taxes	47,955	11,757
Taxes (25)	-11,729	-4,106
Result from participating interests (26)	-259	933
Group result after taxes	35,967	8,584

CONSOLIDATED CASH FLOW STATEMENT FOR 2014
IN THOUSANDS OF EUROS

	2014	2013
Cash flow from operating activities		
Operating result	46,595	72,073
Adjustments for:		
· Amortization and depreciation of intangible and tangible fixed assets (22)	91,502	91,637
· Net investments for trading held at own expense (4)	-236,150	-8,770
· Net investments for trading held at policyholders' risk		
· without guarantee (4)	2,666	9,290
· Changes in working capital:		
- Increase in receivables, prepayments and accrued income (5)	-36,583	-4,769
- Decrease in receivables from reinsurance (6)	8,377	15,672
- Increase in current liabilities and accrued liabilities, adjusted for corporate income tax (13)	18,201	22,685
· Movement in gross insurance liabilities at own expense (9)	223,143	-426,035
· Movement in insurance liabilities at policyholders' risk without guarantee (9)	-2,419	-16,867
· Change in other provisions (11)	-8,222	27,326
Cash flow from business activities	*107,110*	*-217,758*
Interest received	2,889	2,957
Interest paid	-1,530	-10,231
Corporate income tax paid	-43,908	-45,841
Cash flow from operating activities	64,561	-270,873
Cash flow from investing activities		
Investments in fixed assets	-8,807	-7,376
Cash flow from investing activities	-8,807	-7,376
Cash flow from financing activities		
Dividend paid	-34,842	-
Finalization of separation of administrative organization	-257	-8,000
Expenditure in connection with financial restructuring	-	-216,000
Cash flow from financing activities	-35,099	-224,000
Net cash flow	20,655	-502,249
Exchange and conversion differences on cash	2,618	1,158
Change in cash and cash equivalents(7)	23,273	-501,091
Opening balance of cash and cash equivalents (7)	754,822	1,255,913
Closing balance of cash and cash equivalents (7)	778,095	754,822
Change in cash and cash equivalents (7)	23,273	-501,091

ACCOUNTING POLICIES

Introduction

Activities
APG Groep NV (APG Group) provides pension administration and communication, and asset management services, as well as executive consultancy for pension funds and supplementary products in the field of income security. APG Group has a broad but also specialist knowledge of pensions and pension schemes. APG Group makes its knowledge available to all of its clients, so that clients can offer a good and affordable pension to their participants.

Group Relations
APG Groep NV (with its registered office in Heerlen, the Netherlands) was founded on February 29, 2008.

Effective January 1, 2014, the asset management activities of APG Algemene Pensioen Groep NV were transferred to APG Asset Management NV. The motivation for this is the Alternative Investment Fund Managers Directive (AIFMD) which stipulates that the asset management activities must be accommodated in a separate entity. The transfer has no impact on the assets and the result of APG Group.

Effective January 1, 2014, APG Investment Services NV and APG Asset Management NV were legally merged, whereby APG Investment Services NV ceased to exist.

On January 1, 2014, Loyalis NV sold Loyalis Maatwerkadministraties BV to APG Deelnemingen NV.

Effective January 1, 2014, APG Pensioenbeheer BV and APG Algemene Pensioen Groep NV were legally merged, whereby APG Pensioenbeheer BV ceased to exist.

As a result of the transfer of the asset activities of APG Algemene Pensioen Groep NV to APG Asset Management NV, the activities of APG Algemene Pensioen Groep NV compirse almost exclusively of rights management activities. To reflect the amended situation even clearer, the name of APG Algemene Pensioen Groep NV was changed to APG Rechtenbeheer NV in June 2014.

APG NewCo BV was established on September 1, 2014, in anticipation of the further organizational and legal restructuring of APG Groep NV in 2015. This entity did not include any activities in 2014.

At the end of 2014, the APG Group had six wholly owned subsidiaries: APG Rechtenbeheer NV, APG Asset Management NV, Loyalis NV, APG Deelnemingen NV, APG Diensten BV and APG Newco BV.

APG Group has a number of indirect capital interests. The complete structure is apparent from the list of capital interests which is included as part of the notes to the company financial statements on page 42.

APG Group has two shareholders: Stichting Pensioenfonds ABP (ABP Pensionfund) for 92.16 percent and Stichting Sociaal Fonds Bouwnijverheid (Stichting SFB) for 7.84 percent.

General

The financial statements have been prepared based on the accounting policies generally accepted in the Netherlands and the statutory provisions concerning the financial statements, as included in Title 9 of Book 2 of the Dutch Civil Code. Article 2:402 of the Dutch Civil Code has been used in formatting the company profit and loss account. Consequently, it is sufficient to report the result from participations after deduction of taxes on the company profit and loss account as an individual item.
All amounts in the financial statements are shown in thousands of euros, unless stated otherwise.

Comparison with the Previous Year

Changes in Accounting Estimates
Following a research into mortality rates resulted in the mortality rates being adjusted. The generation table recently published by the Dutch Actuarial Association 2014 forms the basis. The adjustment to the mortality rates increases the provision for insurance liabilities by € 6 million.

Aside from this, new insights into estimating future non-life insurance payments (adjustment to release schedule, reduction of the expected duration of cash flows) reduce the provision for insurance liabilities by € 24 million.

Changes in Presentation
Effective from 2014,the year under review, the cash flow statement is prepared on the basis of the indirect method. In comparison to the direct method, the indirect method provides improved insight into the relationship of the structure and composition of the operating cash flow to the development of the individual balance sheet items (other than cash). Furthermore, the indirect method is consistent with the most common method used in actual practice. The comparative figures have been adjusted accordingly and resulted in a € 9 million reclassification of the cash flow from operating activities to the cash flow from financing activities. This change in accounting policy and reclassification do not have any impact on the equity capital or the result.

Effective from the year under review, derivatives with a negative value in the amount of € 6 million will not be offset against the 'investments insurance business' item in the financial statements and instead will be recognized under current liabilities. This change in presentation has no impact on the equity capital or the result. The comparative 2013 figures have been adjusted accordingly.

Effective from the year under review, a liability in the amount of € 10 million arising from long-term personnel remunerations at a participation will be reclassified under other provisions (personnel-related provisions) and will no longer be recognized under current debt. The reason for this is the conditional character of the liability.
In addition, for reasons of comparability, the 2013 figures were adjusted by reclassifying € 7 million from 'receivables, prepayments and accrued income' to 'current liabilities and accrued liabilities'.
These reclassifications have no impact on the equity capital or the result. The comparative 2013 figures have been adjusted accordingly.

Otherwise, the accounting policies applied for the financial statements are consistent with those of the previous financial year.

Basis for Consolidation
Capital interests in entities in which the APG Group can exercise predominant control of management and financial policy are included in the consolidated financial statements by application of the integral method of consolidation. Intercompany transactions and financial liabilities between the entities are eliminated. From the acquisition date onwards, the results and identifiable assets and liabilities of the acquired entities are included in the consolidated financial statements. The acquisition date is the moment that dominant control can be exerted on the particular entity. The entities included in the consolidation remain included as such until the moment they are sold. Deconsolidation takes place at the moment decisive control is transferred. The particular company is then presented as a financial fixed asset.

A list of consolidated entities is included as part of the notes to the company financial statements. Joint ventures are not consolidated and are recorded under financial fixed assets. The accounting policies of group companies are adjusted as necessary to ensure consistency with the applicable accounting policies of the APG Group.

All entities over which the APG Group exercises dominant or joint control, or significant influence are designated as related parties. The entities that can exercise dominant control over the APG Group are also designated as related parties. Members of the Executive Board, under the articles of association, as well as other key officers in the management of the APG Group are also related parties.

Estimates
Estimates and assumptions that have an impact on the assets, liabilities, income and expenses reported are used in preparing the financial statements. This is especially the case in determining the technical provisions and in valuing the non-listed investments. It may subsequently be found that the reported value differs from the actual value.

Recognition
Financial instruments are recognized on the balance sheet at the moment the contractual rights or liabilities arise with regard to those instruments. An asset is recognized on the balance sheet when it is likely that the future economic benefits will accrue to the company and the value of the asset can be reliably determined. A liability is recognized on the balance sheet when its settlement will most probably be accompanied by an outflow of funds and the amount of the outflow can be reliably determined.

Financial instruments are no longer recognized on the balance sheet if the transaction results in the transfer to a third party of (virtually) all rights to economic benefits or risks for the position.

Income is recognized in the profit and loss account if an increase in the economic potential related to an increase in an asset or a reduction in a liability has taken place and the size of this can be reliably determined.

Expenses are recognized if a decrease in the economic potential connected with a reduction in an asset or an increase in a liability has taken place and the size of this can be reliably determined.

Foreign currency translation
Items listed in the financial statements in foreign currency are valued at the exchange rate in effect on the balance sheet date. The exchange rate differences that arise upon conversion are reported in the profit and loss account. Monetary assets and liabilities in foreign currency are converted into the functional currency at the exchange rate applicable on the balance sheet date. The exchange rate differences arising from settlement and conversion are credited or debited to the profit and loss account, unless they are subjected to hedge accounting. Non-monetary assets that are carried at acquisition price in a foreign currency are converted at the exchange rate in effect on the transaction date.

Upon consolidation, the balance sheets of group companies prepared in a functional currency other than the euro are converted into euros at the exchange rate in effect on the balance sheet date. Results in foreign currency are converted at the average exchange rate during the year under review. Currency differences concerning the value of group companies included in the consolidation are recognized in the reserve for conversion differences.

Derivative financial instruments and hedge accounting
Derivative financial instruments are valued at the lower of cost price or market value unless hedge accounting is used. APG Group has concluded currency forward contracts in order to hedge the exchange rate risk on the financing in foreign currency of foreign subsidiaries. These currency forward contracts are carried at cost price, for which cost price hedge accounting is used. As long as the hedged item under cost price hedge accounting is not recognized on the balance sheet, the hedge instrument is not revalued. If there is an ineffective component of the hedge transaction, this component is recognized in the profit and loss account. Internal derivatives arising from back-to-back agreements between APG Group and APG Asset Management are carried in the company financial statements of APG Group on the basis of cost price or lower market value. Valuation differences that occur in the valuation of the currency forward contracts that are designated as hedges of the net investment in foreign subsidiaries are recognized directly in the reserve for conversion differences as part of equity capital, to the extent that the hedge is effective. The non-effective portion is included in the profit and loss account.

APG Group has documented its hedging strategy. The assessment of whether the derivative financial instruments used in hedge accounting are effective in setting off the foreign exchange gains/losses of the hedged items, is documented using generic documentation. Hedge relationships are terminated if the particular derivative instruments expire or are sold.

Risk Management

This section describes the quantitative risks and sensitivity analyses for the APG Group. Insight into APG Group's risk profile, including the strategic, operational, reporting and compliance risks are covered in the Risk Management Section of the Report of the Executive Board.

The activities arising from pension administration and communication, asset management and executive consultancy take place at the expense and risk of the clients and hence primarily relate to operational risks. The operational risks are explained in the notes to the balance sheet items to which they relate. The insurance business mainly runs financial risks connected with the insurance activities and related investment activities. In anticipation of its implementation on January 1, 2016, Solvency II already forms an important part of the insurance business' risk policy.

Solvency II focuses on the risks to the insurer and identifies a large number of risks.

The following are considered significant financial risks:
- actuarial and insurance risks (short-life, longevity and occupational disability risk);
- market risk, including interest rate risk, equity risk, currency risk, real estate risk, spread and counterparty credit risk;
- liquidity risk.

Actuarial and Insurance Risks
Insurance results are the result of a deviation between the risk premiums available to cover an insurance risk and the actual cost of claims resulting from this risk. The key risks to the insurance business are the short-life risk (for the surviving dependents and mortality risk insurances), the longevity risk (for the annuity insurances) and the occupational disability risk (for the occupational disability insurances).

Table 1: insight into the sensitivity of the result before taxes (in € millions) to increases/decreases in mortality rates and the probability of occupational disability based on the Solvency II criteria

	LIFE		NON-LIFE	
	2014	2013	2014	2013
Effect on result of 20 percent decrease in mortality rates/ increase in longevity risk	-49.5	-38.8	-4.7	-6.1
Effect on result of 15 percent increase in mortality rates/ increase in short-life risk	-13.4	-10.6	n/a	n/a
Effect on result of 35 percent (1st year)/25 percent (permanent) increase in probability of occupational disability	n/a	n/a	-123.6	-104.4

The longevity risk is the probability of a loss due to the fact that insured individuals receiving a regular (temporary or lifelong) payment, receive that payment for a longer period of time than was assumed when the provision was made. Under Solvency II, this risk is quantified as the increase in the provision (relative to the Best Estimate) required to be able to absorb 20 percent of an integral decline in the mortality rates. The (impact of the) longevity risk increased in comparison to 2013. This is primarily due to the significantly decreased risk-free rate used to calculate the net present value of all future effects of the longevity shock.

The mortality risk (short-life risk) is the probability of a loss due to the fact that the current amount to be paid on death is higher than the technical provision maintained and the risk contribution received for this purpose. This is the case when the assumed mortality rate on which the technical provision and the risk contribution were based is lower than the actual mortality rate. The increase relative to 2013 is due to the significantly decreased interest rate.

The invalidity/morbidity risk is the risk of losses or the risk of disadvantageous changes in the value of insurance liabilities that are the result of changes in the level, trend or the volatility of the frequency or magnitude of the insurance claims due to changes in the invalidity, illness or morbidity ratios.

The life insurance business does not have any products with the possibility of purchasing additional occupational disability coverage and is therefore insensitive to the occupational disability risk.

The occupational disability risk is the most important risk to the non-life insurance business. The occupational disability risk increased compared to 2013. This was the result of a combination of factors: several parameters used to calculate the best estimate were changed and the interest rate decreased significantly in 2014. On balance, the best estimate and the sensitivity of the invalidity risk increased.

The employer products portfolio requires undiminished attention due to the claims received related to products for private risk bearers in the Return to Work (Partially Disabled Persons) Regulations (WGA/ERD). In 2014, this resulted in an additional allocation of € 30 million before taxes to this provision. Various control measures, such as active and preventive management of the cost of claims were further refined.

The insurance business values its provisions at market rate, which is in line with the valuation of its investments at market value. The table below provides an overview of the contractual or best estimate maturity dates of the key financial liabilities based on the nominal cash flows stemming from the most important portfolios in the life insurance business and the non-life insurance business.

Table 2: duration of the main insurance liabilities and the liabilities by term (€ millions)

	0-3 YEARS	4-6 YEARS	7-9 YEARS	10-12 YEARS	> 12 YEARS	*Duration (in years)* 2014	*Duration (in years)* 2013
Life	219	152	127	116	547	11.3	9.2
Non-life	169	151	100	65	224	8.7	9.8
Total	388	303	227	181	771	10.3	9.4

In 2014, the duration of the main Life insurance liabilities rose due to an increase in the long-term segment (+1 year) and a decrease in the risk-free rate curve (+1 year). The decrease in duration for Non-life is due to an adjustment of the pattern of IBNR IPAP cash flows (April 2014, -2 years). Due to the decreased interest rate (+1 year), the ultimate effect was somewhat attenuated.

Market Risk
Market risk is defined as the effect of changes in market prices on the value of assets and liabilities and consequently on the interest rate result. Market risk includes interest rate risk, equity risk, currency risk, real estate risk, and spread and counterparty credit risk.

Interest Rate Risk
Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in the market interest rate. The insurance business has an interest rate risk on the assets side as well as the liabilities side of the balance sheet. On the assets side of the balance sheet, the insurance business has fixed income investments which vary in line with the interest rate. On the liabilities side, the liabilities are discounted with the risk-free rate: the DNB interest rate term structure excluding the Ultimate Forward Rate (UFR).
The interest rate risk arises due to a difference in the interest rate sensitivity of the investments and the liabilities. This interest rate risk is considered as undesirable by the insurance business. The interest rate policy is therefore based on a policy of interest rate risk immunization by means of swaps. In case of immunization, the swaps are purchased in such a way that the interest-rate sensitivity of the fixed-income portfolio plus the swaps is virtually identical to the interest rate sensitivity of the liabilities. The insurance business' balance sheet is not entirely immune to interest rate changes. The hedge ratio is 99 percent (2013: 99%)

Table 3: effect of change in the market interest rate by 1 percentage point on the result before taxes (€ millions)

	DECREASE 1 PERCENTAGE POINT IN MARKET INTEREST RATE 2014	INCREASE 1 PERCENTAGE POINT IN MARKET INTEREST RATE 2014	DECREASE 1 PERCENTAGE POINT IN MARKET INTEREST RATE 2013	INCREASE 1 PERCENTAGE POINT IN MARKET INTEREST RATE 2013
Life				
· investments	43.8	-43.8	38.4	-38.4
· liabilities	-151.3	151.3	-100.6	100.6
· interest rate swaps	106.3	-106.3	63.1	-63.1
Impact on result	-1.2	1.2	0.9	-0.9
Non-life				
· investments	23.5	-23.5	18.4	-18.4
· liabilities	-59.6	59.6	-57.3	57.3
· interest rate swaps	35.5	-35.5	36.6	-36.6
Impact on result	-0.6	0.6	-2.3	2.3

Equity Risk
All assets and liabilities whose value is sensitive to fluctuations in share price are subject to equity risk. The insurance business does not invest in exchange-traded equities for its own account and risk because the accompanying volatility no longer matches the desired risk profile of the insurance business. Exchange-traded equity investments are nonetheless still undertaken for clients' account and risk since these can be part of an investment mix selected by the client.

At the end of 2014, the insurance business had a private equity portfolio for its own account and risk of € 48 million (2013: € 64.9 million). The impact of a decrease in the private equity price of 51.83 percent, the current Solvency II shock (2013: -54 percent), would result in a decrease in value of € 25 million; more specifically € 14 million for the life insurance business and € 11 million for the non-life insurance business. The private equity portfolio has declined somewhat: its manager has sold participations and transferred the proceeds to the insurance business.

Exchange Rate Risk
The currency risk arises due to changes in the level or the volatility of exchange rates. The majority of the currency positions is hedged.

Sensitivity to the foreign currency risk is measured in accordance with the specifications of the Solvency II standard formula. Here, the impact on the result of a 25 percent movement in the exchange rate of the unhedged currency relative to the Euro is calculated.
At year-end 2014, the total net non-Euro exposure was roughly € 4.9 million negative (2013: € 4.2 million).

Currency forward contracts concluded to hedge the currency risk on the financing in foreign currency of the foreign subsidiaries are carried at cost price, for which cost price hedge accounting is applied. The fair value of currency forward contracts amounted to € 3.9 million at year-end 2014.

Derivative Positions
The insurance business makes use of derivatives in order to hedge the interest rate risk, the equity risk and the currency risk.

The table below shows the net asset value of the derivative positions of the insurance business in relation to the outstanding exposure.

Table 4: derivative positions at year-end (€ millions)

	CURRENT VALUE 2014	UNDERLYING VALUE 2014	CURRENT VALUE 2013	UNDERLYING VALUE 2013
Futures	0.3	-92.4	0.7	-42.1
Forwards	-3.1	-138.7	2.3	-134.0
Swaps	137.4	897.5	-6.3	920.0
Total	134.6		-3.3	

The swap portfolio is used to align the interest rate sensitivity of the investments with the interest rate sensitivity of the liabilities. This hedges the major portion of the interest rate risk. The insurance business considers the remaining interest rate risk acceptable. The swap portfolio is constantly monitored and adjusted as necessary. The outstanding interest rate risk is reported in the monthly risk reports. To achieve efficient portfolio management, the asset managers in particular use futures and swaps within risk frameworks. The significant decline in the swap interest rate in 2014 (10 yrs -135 bps), resulted in a significant increase in the fair value of interest rate swaps.

Real Estate Risk

Real estate risk is the sensitivity of the value of investments and liabilities to changes in the market value of real estate.

Table 5: real estate exposure

(€ millions)	2014	2013
Residential	91.9	92.8
Retail	57.1	66.9
Infrastructure	26.9	23.9
Total real estate	175.9	183.6

The insurance business invests in Dutch real estate via a limited number of non-exchange traded companies. In addition, the insurance business invests in infrastructure via a non-exchange traded external investment vehicle. The real estate risk is measured in accordance with Solvency II. This involves calculating the effect of a 25 percent decrease in the value of the real estate, taking into account any leverage in the real estate funds (particularly for residential and retail).

Table 6: real estate risk (incl. leverage)

	2014 TOTAL		2013 TOTAL	
	(€ millions)	In %	(€ millions)	In %
Residential	-32.1	-35.0%	-33.4	-36.0%
Retail	-18.5	-32.3%	-23.6	-35.2%
Infrastructure	-6.7	-25.0%	-5.9	-25.0%
Total real estate	-57.3	-32.6%	-62.9	-34.2%

In 2014, despite a positive revaluation of € 4 million, the total real estate investments declined by € 8 million due to dividend payments and the partial sale of retail investments. As a result, the insurance business will be less hard hit by a shock in the value of real estate. The leverage within the real estate funds declined somewhat in 2014. This also reduces the impact of a real estate shock.

Spread and Counterparty Credit Risk

Spread risk is the risk that the level of the credit spreads above the risk-free rate changes. There are various definitions of the risk-free rate: in this context, spreads are specified in relation to the swap curve.

The fixed-income securities portfolio is widely diversified across debtors, titles and regions with the emphasis, however, on European banks and financial institutions.Almost all of these investments (99 percent) are in investment grade debtors. The market value of the total portfolio is € 2 billion.

In terms of the creditworthiness ratings of the fixed-income securities portfolio (using the S&P or Moody's ratings), 79 percent is rated Class A or higher. (2013: 78%).

The fixed-income securities portfolio is primarily invested in Europe. More than 74 percent of the government portfolio is invested in the government bonds of northern Euro countries. The portfolio does not contain any government loans from Greece or Portugal. The exposure to government loans from Italy, Spain and Ireland amounts to € 187 million. Our positions in corporate bonds and securitized loans in the US and the UK extend our exposure to economies other than those of the Eurozone.

In 2014, the sensitivity of the spread risk in accordance with the Solvency II decreased in comparison to 2013 as a result of a change in the calculation method used for securitized paper.

Counterparty credit risk is defined as the risk that a counterparty to a financial instrument will not fulfill its obligation, thus causing the other party to suffer a financial loss.

The accounts receivable from derivative transactions, reinsurance and bank balances in particular are relevant for the insurance business. The counterparty risk for derivatives is minimal due to the daily exchange of collateral. The bank balances are maintained with large Dutch banks and the reinsurance contracts are concluded with solvent reinsurers.

The debtors' credit risk for the administrative business is mainly limited to claims on clients and banks. The claims on clients are the claims that arise on account of service agreements. The claims on banks concern bank balances in bank accounts payable on demand, short-term deposits and currency forward contracts. The credit risk on currency forward contracts is largely mitigated by the exchange of collateral.

Liquidity Risk

Liquidity risk is defined as the risk that a company will have insufficient cash to fulfill its obligations related to financial instruments.

Aside from maintaining sufficient cash to meet short-term liquidity requirements, the insurance business invests a large part of the fixed income security portfolio in liquid loans (government loans in core Euro countries and short-term corporate bonds). Investments in real estate, private equity and infrastructure cannot be converted into cash in the short term. The net liquidity position resulting from this enabled the insurance business to amply meet its liquidity requirements arising from the regular business and/or related to the maintained derivative positions.

Liquidity risk can arise, for example, if a financial asset cannot be sold quickly in exchange for virtually its current value. The risk is limited by investing surplus cash in short-term instruments only.

ACCOUNTING POLICIES FOR THE VALUATION OF ASSETS AND LIABILITIES

Fixed Assets

Intangible fixed assets (1)
Intangible fixed assets are valued at acquisition price or manufacturing cost less straight-line depreciation. The amortization term is based on the expected economic earn-back period. An assessment to determine whether a fixed asset may be subject to impairment is conducted on every balance sheet date. If there are indications that the recoverable value is lower on a long-term basis than the book value, a special value impairment is recognized and this is explained in the notes.

Upon acquisition of an undertaking, all identifiable assets and liabilities of the particular undertaking are stated on the balance sheet at fair value on acquisition date, unless a 'common control' transaction is concerned (common control transactions involve the buying or selling of equities in group companies, these are recognized at book value). The acquisition price consists of the monetary sum or equivalent that was agreed for the takeover of the acquired undertaking. Upon initial recognition, any goodwill that has arisen is valued at the difference between the acquisition price and (the share in) the fair value of the identifiable assets and liabilities.

Tangible fixed assets (2)
Tangible fixed assets are carried at acquisition price, net of straight-line depreciation or at lower going-concern value. Depreciation takes place on the basis of the expected useful economic life, taking into account any residual value. An assessment is carried out on every balance sheet date to determine whether there is any indication that a fixed asset may be subject to impairment. If there are indications that the recoverable value is lower on a long-term basis than the book value, an impairment is recognized and this is explained in the notes.

Financial fixed assets (3)
Loans provided are carried at fair value on the initial recognition. After the initial recognition, loans provided are carried at amortized cost price. In the absence of contributions/discounts this is the face value.

Participating Interests are carried at net asset value. Participating interests in which APG Group does not have significant influence are included under financial fixed assets and are carried at the acquisition price or lower market value.

Deferred tax assets, including claims arising from loss compensation, are recognized on the balance sheet to the extent it is likely that there will be future fiscal gains against which temporary differences and non-compensated fiscal losses can be set off. In the calculation, the rates that will apply in the years to come are taken into account, to the extent that these have already been set. Valuation takes place at face value. Insofar as the deferred tax asset is of a short-term nature, it is included under the receivables, prepayments and accrued income.

An assessment is carried out on every balance sheet date to determine whether there is any indication that a fixed asset may be subject to impairment. If there are indications that the recoverable value of the financial fixed assets is lower on a long-term basis than the book value, an impairment is recognized and this is explained in the notes.

Investments insurance business (4)

The purchase and sale of investments are recognized on the transaction date, i.e. the date on which the company commits to the purchase or sale of the assets. Investments are carried at fair value on initial recognition. This is the cost price of the acquired asset. Transaction costs are recognized in the profit and loss account.
Fair value changes are recognized in the profit and loss account in the period in which they occur.

Investments can be classified into one of the following three categories:

- Real assets
- Fixed income investments
- Other investments

Valuation of Real Assets
Part of the investments in real assets (financial assets) is valued on the basis of listed market prices (Level 1). Observable market data are used for non-exchange traded investments (for example real estate investments) (Level 2).
Only a small portion of the total real assets (private equity) is included at fair value based on estimates (Level 3). When estimates are used they are based on evidence provided by independent third parties, with this value being based on the fair value of the underlying investments. Although such valuations are sensitive to estimates, it is assumed that changes in one or more of the assumptions to reasonably possible alternative assumptions will not significantly change the fair value.

Valuation of Fixed-Income Securities
The majority of investments in fixed-income securities (bonds) is valued on the basis of listed market prices (Level 1).
Observable market data is used for non-exchange traded and inactive fixed-income securities (Level 2). Fair value measured at Level 2 uses inputs other than listed prices included in Level 1, which are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specific (contractual) term, a Level 2 input variable must be observable for practically the entire term of the asset or liability.

Valuation of Other Investments
These investments concern derivatives maintained to hedge the risks in the provisions, as well as in the investment portfolio.
Swaps are valued daily using models based on generally accepted principles such as the discounting of the most current expected cash flows with current interest rate curves.
All changes in the value of these derivatives are directly credited or debited to investment income in the profit and loss account under the 'other investments' category.

Current assets

Receivables, prepayments and accrued income (5)
Receivables, prepayments and accrued income are valued at fair value on initial recognition. Receivables are subsequently carried at amortized cost price. This value generally corresponds to the face value less any provision for bad debts.

Receivables from reinsurance (6)
Receivables from reinsurance are included at fair value on initial recognition. Receivables are subsequently carried at amortized cost price. This value generally corresponds to the face value less any provision for bad debts.

Cash and cash equivalents(7)
Cash and cash equivalents are valued at face value.

Provisions

Insurance liabilities (9)
The provision for insurance liabilities is made up of the provision for life insurance liabilities and the provision for non-life insurance liabilities.

The provision for life insurance liabilities comprises the provision for periodic benefits already in payment and deferred, the provision for unit-linked insurances, the provision for end value guarantees and the provision for B insurance policies.

The provision is valued at the present value of the expected future cash flows.

The mortality rates used for the main life insurance contracts are based on the generation tables published by the Dutch Association of Insurers in 2014, initially adjusted by an age-dependent selection factor. The resulting adjusted table is subsequently multiplied by product and gender-dependent adjustment factors. For the unindexed annuities, this table is multiplied by 90 percent for men and 82 percent for women; and for indexed annuities by 117 percent for men and 128 percent for women.

Annual indexation is taken into account when determining the expected cash flows.
The resulting cash flows are then converted to present value using a current risk-free yield curve, based on the DNB interest rate term structure excluding the Ultimate Forward Rate (UFR).
Finally, provisions are increased by supplements for future administrative expenses, with it being presumed that the current level of expenses constitutes a realistic assumption for future costs and expenses, adjusted for inflation.

The mortality tables used for non-life insurance contracts are based on the generation tables published by the Dutch Actuarial Association in 2014, which on the basis of the analysis of the assumptions are adjusted by a factor of 148 percent for men and 206 percent for women. Annual indexation is taken into account when determining the expected cash flows. The resulting cash flows are then converted to present value using a current risk-free yield curve, based on the DNB interest rate term structure excluding UFR at year-end 2014.
Finally, provisions are increased by supplements for future administrative expenses, with it being presumed that the current level of expenses constitutes a realistic assumption for future expenses, adjusted for inflation.

The main non-life insurance contracts concern occupational disability insurance policies. The provisions for these non-life insurance policies are based on the estimated amounts of the benefits ultimately payable in respect of all claims arising prior to the balance sheet date, regardless of whether they have already been reported at that date, along with the associated (future) administrative expenses.

Deferred taxes (10)
The provision for deferred taxes includes the deferred tax liabilities resulting from (temporary) differences between commercial and fiscal assets. In the calculation, the rates that will apply in the years to come are taken into account, to the extent that these have already been set. Valuation takes place at face value. Insofar as the deferred tax liability is of a short-term nature, it is included under payables.

Other provisions (11)

General
The other provisions concern liabilities or losses which will most likely have to be settled or taken and of which the size can be reliably estimated. The size of the provision is determined by estimating the amounts necessary to settle the particular liabilities and losses as of the balance sheet date and are carried, insofar as long-term, at the present value of the expected future expenses. The discount rate used is based on the year-end interest rate for investment-grade Dutch corporate bonds, taking into account the remaining duration of the provisions.

Personnel-related Provisions
Personnel-related provisions, including the restructuring provision, insofar as they are long-term, are valued at the present value of the expected future expenses, taking into account the relevant actuarial assumptions. The discount rate used is based on the year-end interest rate for investment-grade Dutch corporate bonds, taking into account the remaining term of the provisions. Short-term personnel-related provisions are created on the basis of the face value of the expenditures that are expected to be necessary to settle the liabilities and losses.

Other Provisions
The other long-term provisions, including the provision for the separation of the administrative organization and the provision for major maintenance, are included at present value. The discount rate used is based on the year-end interest rate for investment-grade Dutch corporate bonds, taking into account the remaining duration of the provisions. Short-term provisions are created on the basis of the face value of the expenditures that are expected to be necessary to settle the liabilities and losses. The addition to the provision for major maintenance is determined on the basis of the estimated maintenance amount and the period between recurring major maintenance activities.

Long-term liabilities (12)

The long-term liabilities are initially valued at fair value. After initial recognition, the long-term liabilities are valued at amortized cost price. This value usually corresponds to the face value.

Current liabilities and accrued liabilities (13)

Current liabilities and accrued liabilities are valued at fair value on initial recognition. Current liabilities and accrued liabilities are subsequently carried at amortized cost price. This value usually corresponds to the face value.

ACCOUNTING POLICIES FOR DETERMINING THE RESULT

General
The items included on the profit and loss account are largely a function of the accounting policies in respect of the investments and the provision for insurance liabilities used in the preparation of the balance sheet. Both realized and unrealized results are accounted for directly in the result.

Income, expenses and payments are attributed to the period to which they relate.

Net turnover

Insurance contributions (14)
The insurance contributions are the earned contributions, single contributions and commissions attributable to the financial year, including the addition to the provision for the indexation of benefits granted on the basis of the policy terms and conditions. The unearned surviving dependents pension and term life insurance contributions are added to the provision for unearned contributions. Reinsurance concerns the term life portfolio and the Disability Pension Supplement Plan and consists of a percentage of the payments.

Investment results (15)
Net investment income comprises dividend on real assets and interest income from fixed-income securities for the financial year, fair value changes in investments and derivatives, and gains and losses on the sale of investments and derivatives.
Dividend on investments in real assets is treated as a gain on the ex-dividend date. Interest income is recognized in the period to which it relates.
Changes in value relate to the difference between, on the one hand, the book value at the end of the year or the proceeds from sale during the year and, on the other hand, the book value at the end of the preceding year or the acquisition price during the year.

Income from services to third parties (16)
The fees from third parties for administrative activities for pension and asset management, less any discounts, are attributed to the period to which they relate.

Other operating income (17)
The income from other services provided to third parties is recognized less discounts and taxes levied on turnover.

Operating Expenses

Payments (19)
Payments are attributed to the period to which they relate.

Personnel costs (21)
Wages, salaries and social security contributions are recognized in the profit and loss account based on the terms of employment insofar as they are payable to the employees. The pension schemes are included according to the liabilities approach; the pension contributions due in the year under review are recognized as an expense in the profit and loss account.

Amortization and depreciation of intangible and tangible fixed assets (22)
Depreciation is accounted for using the straight-line method and is proportionate to the expected economic useful life.

Financial income and expenses (24)

Financial income and expenses are attributed to the year under review ; where necessary, with due consideration to the effective interest rate of the particular assets and liabilities. The interest income consists of the income from current accounts and deposits, insofar as this is not considered part of the investment income.

Taxes (25)

The taxes on the result are calculated on the result before taxes in the profit and loss account with due consideration to the available tax-offsettable losses from previous financial years (insofar as these are not included as part of the deferred tax assets) and tax-exempt profit components, and after adding any non-deductible costs. Temporary differences resulting from differences in commercial and fiscal valuation are expressed in (the development in) the deferred tax liability or asset. Changes occurring in the deferred tax assets and deferred tax liabilities due to changes in the tax rate to be applied are also taken into account.

Result from participating interests (26)

The result from participating interests is determined on the basis of the change in net asset value.

Leasing

Lease contracts whose economic benefits and disadvantages are not for the account and risk of the company are classified and reported as operational lease. The lease obligations, with due consideration to any reimbursements received from the lessor, are recognized in the profit and loss account over the contractual lease period on a straight-line basis.

Financial Instruments

In the application of cost price hedge accounting, the initial valuation, and the balance sheet and hedge instrument accounting policies are dependent on the hedged item. If the hedged position is recognized on the balance sheet at cost price, the derivative is also carried at cost price. As long as the hedged item in the cost price hedge is not recognized on the balance sheet, the hedge instrument is not revalued.
The ineffective component of the hedge transaction is directly recognized in the profit and loss account.

APG Group has documented its hedging strategy. The assessment of whether the derivative financial instruments used in hedge accounting are effective in setting off the foreign exchange gains/losses of the hedged items, is documented using generic documentation. Hedge relationships are terminated if the particular derivative instruments expire or are sold.

APG Group conducts a quantitative effectiveness test at a minimum at every formal reporting date, as well as at the inception of the hedge transaction.

ACCOUNTING POLICIES FOR THE CASH FLOW STATEMENT

The cash flow statement is prepared in accordance with the indirect method and provides insight into the changes in the balance sheet item Cash and cash equivalents. Cash flows in foreign currency are converted at the average exchange rate.

NOTES TO THE CONSOLIDATED BALANCE SHEET
IN THOUSANDS OF EUROS

Fixed assets

Intangible fixed assets (1)
The intangible fixed assets include the goodwill calculated upon the acquisition of business activities and capital interests and the value of the client contracts and insurance portfolio identified with this acquisition. This item also includes purchased software.

The movement in these items is as follows ››.

The economic earn-back period of the intangible fixed assets, except for purchased software, is based on the period during which the future economic benefits arising from the underlying contractual agreements are enjoyed over a long-term period.

There are no intangible fixed assets with limited ownership rights and no intangible fixed assets have been furnished as security for debts. Nor are there any liabilities due to the acquisition of intangible fixed assets.

The other movements in 2013 ensue from a correction to the consolidation arising from the dissolution of a participation.

Tangible fixed assets (2)
The tangible fixed assets comprise the furnishings and inventory, data-processing equipment and other tangible fixed assets.

The movements in this item are as follows ››.

No securities have been furnished.

Intangible fixed assets (1)	GOODWILL	CLIENT CONTRACTS	INSURANCE PORTFOLIO	SOFTWARE	TOTAL 2014	TOTAL 2013
Opening balance	227,565	378,737	74,045	8,278	688,625	768,297
Investments	-	-	-	4,412	4,412	2,543
Amortization	-17,217	-43,383	-17,771	-4,242	-82,613	-82,701
Impairments	-	-	-	-	-	-
Other changes	-	-	-	13	13	486
Closing balance	210,348	335,354	56,274	8,461	610,437	688,625
Cumulative purchase value	326,575	629,702	177,707	51,009	1,184,993	1,201,488
Cumulative amortization and impairments	-116,227	-294,348	-121,433	-42,548	-574,556	-512,863
Book value	210,348	335,354	56,274	8,461	610,437	688,625
Amortization rates	5-10 %	7-10 %	10 %	20-25 %		

Tangible fixed assets (2)	FURNISHINGS AND INVENTORY	DATA PROCESSING EQUIPMENT	OTHER	TOTAL 2014	TOTAL 2013
Opening balance	12,907	11,947	3,629	28,483	32,876
Investments	225	4,102	68	4,395	4,909
Disposals	-	-3	-	-3	-171
Amortization	-2,732	-5,675	-452	-8,859	-8,918
Impairments	-	-30	-	-30	-18
Other changes	58	38	449	545	-195
Closing balance	10,458	10,379	3,694	24,531	28,483
Cumulative purchase value	26,751	40,945	6,523	74,219	80,119
Cumulative amortization and impairments	-16,293	-30,566	-2,829	-49,688	-51,636
Book value	10,458	10,379	3,694	24,531	28,483
Depreciation rates	0-20 %	20-25 %	10 %		

Financial fixed assets (3)
The financial fixed assets include a deferred tax asset resulting from differences between commercial and fiscal valuations, a participating interests that is not consolidated and other financial fixed assets.

The list of participating interests not included in the consolidation is included in the notes to the company financial statements.

The movement in these items is as follows.

	DEFERRED TAX ASSETS	PARTICIPATING INTERESTS	OTHER	TOTAL 2014	TOTAL 2013
Opening balance	85,741	570	953	87,264	50,906
Purchases and benefits	-	-	359	359	-
Sales and repayments	-	-	-	-	-643
Result from participation	-	-259	-	-259	-41
Changes in value	-	-	-	-	-
Other changes	11,007	900	145	12,052	37,042
Closing balance	96,748	1,211	1,457	99,416	87,264

The deferred tax asset mainly relates to temporary differences between the commercial and fiscal valuation of the goodwill created as a result of the separation of the administrative organization in 2008 (and agreed upon with the Dutch Tax and Customs Administration), as well as the investments and insurance liabilities of the insurance business.

The deferred tax asset is offset against the fiscal results in future years. A deferred tax asset is created for past tax-offsettable losses provided that there is an expectation that these tax losses can be offset against positive results within the applicable terms.

The movement over 2013 is primarily the result of the tax payments on the investment portfolio by external managers.

The 2013 sales are related to the participating interests item and concern the partial sale of the capital interest in Pensional.

Investments insurance business (4)

The investments of the insurance business are held both at the business' own expense and at the expense and risk of policyholders. The real assets included in these investments concern real estate funds, real estate and private equity. The fixed-income securities concern bonds. The other investments comprise the overlay fund (over-the-counter derivatives) and the 'rendementsrekening' (yield account). Forward exchange contracts, options and interest rate swaps are included in the overlay fund.

Current Value Hierarchy
Investments are valued at current value. These are categorized based on the following hierarchy.

The majority of the insurance business's investments are valued on the basis of listed market prices (level 1) or observable market data (level 2). Only a small portion of the total assets is included at current value based on estimates (level 3). Where estimates are used, they are based on evidence from independent third parties or internally developed models, where possible calibrated to observable market data. Although such valuations are sensitive to estimates, it is assumed that changes in one or more of the assumptions to reasonably possible alternative assumptions will not significantly change the current value.

Published prices in active markets ('Level 1')

Fair value measured at level 1 only uses listed prices (unadjusted) in active markets for identical assets and liabilities. An active market is one in which transactions take place with sufficient frequency and volume so that prices are regularly available. Examples are equities, bonds and investment funds listed on active markets.

Measurement method based on (significant) observable market inputs ('Level 2')

Fair value measured at level 2 uses inputs other than listed market prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 involves the following input variables:

- Listed prices for similar (i.e. not identical) assets/liabilities in active markets;
- Input variables other than listed prices observable for the asset, in particular market data based on income, yield curves and observable market data (income is based on loss-adjusted cash flows based on customary parameters, such as, for example, volatility, early redemption spreads, loss ratio, credit risks, default rates);
- Input variables arising mainly from or confirmed by observable market data by correlation or other means (market-confirmed inputs).

Examples of assets or liabilities at level 2 are financial instruments measured using discounted cash flow models. The calculation is based on expected income and the observable market swap yield. Additional measurements are performed for real estate and infrastructure investments using observable market data.

Measurement method not based on (significant) observable market inputs ('Level 3')

Fair value measured at level 3 uses inputs for the asset or liability that are not based on observable market data. Unobservable input variables can be used if observable input variables are not available. This way fair value can still be measured at the reporting date in situations in which there is no or almost no active market for the asset or liability. The valuation is then based on the best estimate by management that would normally use the market to measure the value of the financial instrument. Examples include certain private equity investments and private placements.

The table below includes the total investment portfolio, including derivatives with a negative value (2014: € 5.8 million, 2013: € 25.2 million).

In summary, the fair value hierarchy can be depicted as follows.

MARKET VALUES	LEVEL 1		LEVEL 2		LEVEL 3		TOTAL	
	2014	2013	2014	2013	2014	2013	2014	2013
Real assets	180,207	165,800	181,530	189,330	47,651	64,926	409,388	420,056
Fixed income	2,475,835	2,351,793	-	-	-	-	2,475,835	2,351,793
Other	69,556	69,558	136,235	-3,290	-	-	205,791	66,268
Total investment portfolio	2,725,598	2,587,151	317,765	186,040	47,651	64,926	3,091,014	2,838,117

Movements in the investments of the insurance business are as follows ››.

	REAL ASSETS	FIXED INCOME INVESTMENTS	OTHER INVESTMENTS	TOTAL 2014	TOTAL 2013
At own expense					
Opening balance	248,797	1,930,191	11,601	2,190,589	2,166,021
Reclassifications	271	128	-383	16	423
Opening balance after reclassifications	249,068	1,930,319	11,218	2,190,605	2,166,444
Purchases and sales	-31,591	-1,079	-54,161	-86,831	20,603
Changes in value	6,644	116,694	181,642	304,980	3,542
Closing balance	224,121	2,045,934	138,699	2,408,754	2,190,589
Derivatives with a negative value	-	-	1,522	1,522	25,245
Net investment position	224,121	2,045,934	140,221	2,410,276	2,215,834
For policyholders' risk with guarantee					
Opening balance	70,169	361,965	1,261	433,395	474,438
Reclassifications	2,004	4	-1,171	837	-223
Opening balance after reclassifications	72,173	361,969	90	434,232	474,215
Purchases and sales	-3,169	-20,903	21,480	-2,592	-65,803
Changes in value	7,232	33,094	150	40,476	24,983
Closing balance	76,236	374,160	21,720	472,116	433,395
Derivatives with a negative valuee	-	-	2,988	2,988	-
Net investment position	76,236	374,160	24,708	475,104	433,395
For policyholders' risk without guarantee					
Opening balance	101,089	59,638	53,406	214,133	223,423
Reclassifications	3,135	4	-2,792	347	-200
Opening balance after reclassifications	104,224	59,642	50,614	214,480	223,223
Purchases and sales	-1,602	-11,072	-13,216	-25,890	-34,475
Changes in value	6,410	7,170	7,974	21,554	25,385
Closing balance	109,032	55,740	45,372	210,144	214,133
Derivatives with a negative value	-	-	1,322	1,322	-
Net investment position	109,032	55,740	46,694	211,466	214,133
Total general				3,096,846	2,863,362
Of the closing balance:					
· Listed				2,873,234	2,614,565
· Not listed				223,612	248,797

The reclassifications (of accounts receivable from investments) are due to refined insights into the investment portfolio.

Current assets

Receivables, prepayments and accrued income (5)	31-12-2014	31-12-2013
Accounts receivable	7,498	9,973
Receivables from affiliated parties	137,873	115,138
Amounts not yet invoiced	4,315	6,017
Taxes and national insurance contributions	4,597	3,062
Accounts receivable from investments	24,477	8,590
Receivable insurance contributions	13,353	13,226
Other receivables and accrued income	24,016	23,540
Total	216,129	179,546

The receivables from related parties mainly relate to the services provided to the collective investment schemes (CIS) arising from the management provided by APG.
The receivables do not include any items with a remaining duration of more than one year. No securities have been furnished and no interest was received on the receivables.

Receivables from reinsurance (6)	31-12-2014	31-12-2013
Reinsurance portion of provisions	47,130	53,774
Receivables from reinsurance	3,209	4,942
Total	50,339	58,716

This item includes the receivables from reinsurance accruing to the insurance business.
The duration of the reinsurance portion is virtually identical to that of the respective insurance liabilities.

Cash and cash equivalents (7)	31-12-2014	31-12-2013
Bank balances in current account	539,319	504,394
Deposits	201,326	200,914
Cash from investments	37,450	49,514
Total	778,095	754,822

An amount of € 10.8 million of the cash (2013: € 15.3 million) is not freely available.. The cash from investments is similarly not freely available.

No further security has been furnished, nor have any supplementary terms and conditions been entered into. In view of the nature of the deposits (short-term), the interest rate risk is very low. The deposits are with well-known financial institutions. This is why the credit risk is limited.

Group equity (8)

	31-12-2014	31-12-2013
Equity capital	1,272,744	1,268,666
Group equity	1,272,744	1,268,666

The APG Group's equity capital is part of the group equity and is explained in the notes to the balance sheet in the company financial statements.

Movements in group equity, as well as insight into the total result (Group result and direct movements) are as follows.

		2014		2013
Opening balance		1,268,666		900,991
Group result after taxes		35,967		8,584
Dividend paid out in cash	-34,841		-	
Effect of recapitalization	-		360,000	
Other changes	2,952		-909	
Total direct movements		-31,889		359,091
Closing balance		1,272,744		1,268,666

The effect of the recapitalization in 2013 concerns the paid-in share contributions due to the conversion of long-term loans into equity capital. This is further explained in the notes to the long-term liabilities.
The other movements ensue from a change in the reserve for conversion differences and a correction to the consolidation arising from the dissolution of a participation.

Provisions

Insurance liabilities (9)
The insurance liabilities relate to life insurance and non-life insurance. Some of the non-life insurance liabilities are reinsured. The reinsurance portion of the provision for non-life insurance in the amount of € 47.1 million (2013: € 53.8 million) is included under the receivables from reinsurance. The total liability is included under the provision for insurance liabilities.

	31-12-2014	31-12-2013
Provision for life insurance	2,267,488	2,147,110
· at own expense	*1,198,426*	*1,086,548*
· for policyholders' risk without guarantee	*208,311*	*210,730*
· for policyholders' risk with guarantee	*860,751*	*849,832*
Provision for non-life insurance	818,462	718,117
Total	3,085,950	2,865,227

Movements in the provision for insurance liabilities are as follows ››.

	AT OWN EXPENSE	FOR POLICYHOLDERS' RISK WITHOUT GUARANTEE	FOR POLICYHOLDERS' RISK WITH GUARANTEE	TOTAL 2014	TOTAL 2013
Opening balance	1,804,665	210,730	849,832	2,865,227	3,308,129
Contribution and other allocations	161,869	8,093	75,548	245,510	254,028
Added interest	284,714	19,468	45,989	350,171	8,016
Profit sharing/indexation	-9,166	-	-	-9,166	-4,124
Release for expenses	-8,416	-2,264	-8,217	-18,897	-21,718
Release for payments	-177,272	-1,537	-80,065	-258,874	-625,046
Other changes (expiry and buyout)	-39,506	-26,179	-22,336	-88,021	-54,058
Closing balance	2,016,888	208,311	860,751	3,085,950	2,865,227

The provision for life-insurance liabilities comprise the provision for regular payments in payment and deferred in the amount of € 1,028 million (2013: € 942 million), the provision for end value guarantees in the amount of € 861 million (2013: € 850 million), the provision for B policies in the amount of € 161 million (2013: € 134 million), the provision for unit-linked insurance policies in the amount of € 208 million (2013: € 211 million) and the provision for risk insurance in the amount of € 10 million (2013: € 10 million).

The provision for non-life insurance relates to policies concluded for occupational disability in the amount of € 808 million (2013: € 707 million) and sick pay in the amount of € 10 million (2013: € 11 million).
The provisions for these non-life insurance policies are based on the estimated amounts of the benefits ultimately payable in respect of all claims arising prior to the balance sheet date, regardless of whether or not they have already been reported at that date (Incurred But Not Reported), along with the associated (future) administrative expenses.

Deferred taxes (10)
The provision for deferred taxes mainly stems from the difference between the fiscal valuation of the intangible fixed assets, being client contracts and the insurance portfolio.

	2014	2013
Opening balance	24,213	29,919
Allocations	-	-
Withdrawals	-	-
Release	-6,276	-5,706
Closing balance	17,937	24,213

Other provisions (11)
Movements in other provisions are as follows.

	PERSONNEL-RELATED PROVISIONS	RESTRUCTURING PROVISION	PROVISION FOR SEPARATION OF THE ADMINISTRATIVE ORGANIZATION	OTHER PROVISIONS	TOTAL 2014	TOTAL 2013
Opening balance	78,442	44,718	7,393	2,264	132,817	111,670
Allocations	7,735	68,042	5,357	700	81,834	47,010
Withdrawals	-61,440	-26,201	-1,375	-1,477	-90,493	-25,030
Release	-548	-133	-4	-59	-744	-481
Other changes	1,181	-	-	-	1,181	-352
Closing balance	25,370	86,426	11,371	1,428	124,595	132,817

€ 5.9 million (2013: € 7.5 million) of the total amount is expected to have a term of more than five years, while € 55.3 million is expected to be settled in 2015 (2013: € 86.6 million).

Personnel-related Provisions
This provision was formed for obligations arising from long-term personnel remunerations (long-service awards, bonus plan), obligations arising from redundancies and current and terminated employment contracts (unemployment benefits WW) and a provision for a mortgage facility for former employees.
The withdrawals in 2014 arise largely from the settlement of the provision related to the harmonization of the pension schemes within the APG Group in 2014.

Restructuring Provision
This provision was formed to cover the costs of reorganizations arising from the voluntary departure scheme facilitated by the employer and redundancy analogous to the various stages of the change programs within the group. In 2014, an allocation in the amount of € 68.0 million was made (2013: € 37.1 million). This restructuring provision is formed when a detailed plan of the reorganization is formalized and this has been announced to those affected.

Provision for Separation of the Administrative Organization
This provision includes the unavoidable costs for temporary, partial vacancy of the Basisweg office building, taking into account the likelihood of subletting. Effective from mid-2013, the building was partially sublet with an estimated 3-year term. The partial sublet is incorporated in the determination of the provision at year-end 2014. Following an increase in the vacancy rate, an amount of € 5.4 million was allocated from the result (2013: € 1 million charge). The duration of the provision corresponds to the term of the lease, which runs to end 2020.

Other Provisions
The other provisions concern a provision for major maintenance.

Long-term liabilities (12)

	2014	2013
Opening balance	23,767	552,745
Draw downs	-	-
Repayments	-	-528,978
Closing balance	23,767	23,767

Of the closing balance, an amount of € 12.9 million relates to financing by related parties (2013: € 12.9 million). Of the closing balance, an amount of € 10.9 has a duration of more than five years. The interest rates range from 5.4 percent to 7.25 percent per annum (2013: 5.4 percent to 7.25 percent per annum). No security has been furnished. The fair value of the long-term liabilities amounts to € 32.9 million.

In 2013, in the context of the recapitalization of the Group, the long-term loan in the amount of € 500.8 million with Stichting Pensioenfonds ABP (ABP Pensionfund) was settled. Of this amount, € 331.8 million was converted into equity capital through means of a paid-in share contribution. The remaining € 169.0 million was redeemed. In addition, other loans with the Stichting Sociaal Fonds Bouwnijverheid totaling € 28.2 million were partially converted into equity capital through means of a paid-in share contribution.

Current liabilities and accrued liabilities (13)	31-12-2014	31-12-2013
Debts arising from investments	23,224	18,197
Benefits to be paid	13,004	8,978
Amounts received in advance	11,839	12,341
Amounts invoiced in advance	15,868	1,294
Accounts payable	12,577	13,836
Holiday pay and days	23,483	25,359
Other personnel-related liabilities	37,074	33,531
Taxes and national insurance contributions	21,225	24,694
Corporate income tax	25,230	44,820
Amounts owed to related parties	111,490	96,037
Amounts still to be paid	10,075	6,917
Invoices still to be received	7,755	10,203
Liabilities in connection with pensions	1,874	2,573
Liabilities in connection with derivatives	6,909	25,245
Lease incentives	949	982
Other liabilities	28,224	21,121
Total	350,800	346,128

The liabilities in connection with derivatives include a currency forward contract that serves to hedge the net investment in a foreign subsidiary. The liability under the contract amounts to € 10.2 million (contract price) and the value at the balance sheet date was € 1.1 million negative.
Lease incentives amounting to € 0.8 million relate to the years 2016 to 2020, inclusive (2013: € 0.8 million).
The current liabilities do not include any items with a remaining duration of more than one year (2013: nil).
No securities have been furnished and no interest has been paid on the current liabilities.

At year-end 2013, the taxes and national insurance contributions include the crisis levy due in the amount of € 2.1 million pursuant to the Budget Agreement 2013 Tax Measures (Implementation) Act (Wet uitwerking fiscale maatregelen Begrotingsakkoord 2013).

Liabilities and entitlements not shown on the face of the balance sheet

At the balance sheet date, liabilities under current rental contract commitments in the amount of € 155.0 million are outstanding (2013: € 178.9 million), of which € 24.5 million is due within one year (2013: € 24.2 million), € 72.0 million is due between one and five years (2013: € 88.0 million) and € 58.5 million is due after five years (2013: € 66.7 million).

The liabilities under long-term car lease contracts are € 11.4 million (2013: € 13.1 million), of which € 4.5 million is due within one year of the end of the financial year (2013: € 5.3 million) and of which € 6.9 million is due between one and five years (2013: € 7.8 million). There are no liabilities due after five years. € 7.5 million in lease costs are reported for the year under review (2013: € 7.4 million). The lease company determined the lease liability on the basis of the depreciation plus a surcharge for fuel, insurance, maintenance and taxes.

The liabilities under maintenance and other contracts are € 15.0 million (2013: € 16.9 million), of which € 8.2 million (2013: € 11.1 million) is due within one year of the end of the financial year and € 6.8 million (2013: € 5.8 million) is due between one and five years. There are no liabilities due after five years.

At the end of the year under review, the Group had entered into investment obligations related to data processing equipment and software in the amount of € 0.7 million (2013: € 1.3 million).

Specifically for the insurance business's investments in private equity and infrastructure, future commitments have been entered into for an amount totaling € 6.5 million (2013: € 9.4 million).

The liabilities under derivatives taken to hedge the financing of the foreign subsidiaries amounted to € 72.6 million (contract price) at the balance sheet date. The liabilities have a duration of less than 1 year. The contract conditions include the exchange of collateral to cover the settlement risk.

Fiscal units apply at the APG Group, specifically for corporate income and turnover tax. Within such a fiscal entity, the companies are jointly and severally liable for each other's tax debts. The taxes are attributed according to each company's share in the total tax, as if the companies were independently liable for tax.

With regard to the performance results from investments made under old mandates at a former participating interest , a right exists to still receive payments up to and including 2015 (carried interest notes; 2014: € 1.1 million). The amount of the payments to be received is uncertain.

NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT
IN THOUSANDS OF EUROS

Net turnover

Insurance contributions (14)	2014	2013
Life insurance		
Own expense and risk	124,705	145,027
Policyholders' risk	8,912	10,920
	133,617	155,947
Non-life insurance		
Own expense and risk	127,207	112,770
Policyholders' risk	-	-
	127,207	112,770
Total	260,824	268,717

Investment results (15)	REAL ASSETS	FIXED INCOME INVESTMENTS	OTHER INVESTMENTS	TOTAL 2014	TOTAL 2013
Dividends	23,505	-	-	23,505	14,527
Interest	-	57,990	14,453	72,443	72,781
Change in value	-1,365	98,951	175,349	272,935	-33,398
	22,140	156,941	189,802	368,883	53,910
Result from financial transactions				-1,874	-219
Total				367,009	53,691
At own expense				306,743	3,542
For policyholders' risk with guarantee				40,585	24,983
For policyholders' risk without guarantee				21,555	25,385
Result from financial transactions				-1,874	-219
Total				367,009	53,691

The result from financial transactions comprises, among other things, costs relating to the purchase and sale of investments as well as currency gains/losses.

Income from services to third parties (16)	2014	2013
Pension management	266,198	271,969
Asset Management	408,007	404,850
Total	674,205	676,819

In 2014, there was a reclassification of Other operating income (17) to Income from services to third parties (16). The reclassification is expressed in the amount of € 17.2 million in the 2013 comparative figures. The total of the Income from services to third parties and the Other operating income over 2013 has not changed.

Other operating income (17)

This includes realized income other than the income arising directly from the administration contracts with pension funds and asset management for third parties. This item also includes the commissions and profit sharing received from reinsurers.

Segmented Information - Net Turnover

Net Turnover	2014	2013
Asset Management	413,898	408,786
Rights Management	314,438	313,872
Insurance business	637,979	349,446
Supporting companies	161,244	157,404
APG Group - company	10,679	7,420
Eliminations	-190,864	-187,485
Total	1,347,374	1,049,443

The segmented information is mainly in accordance with the legal structure of APG Group. Segmentation is by APG Asset Management, APG Rechtenbeheer (Rights Management), Loyalis and supporting services. The segmented information is based on the accounting policies described in the financial statements.

Operating Expenses

Change in provision for insurance liabilities (18)

For an explanation of this item, see the overview of movements in the provision for insurance liabilities in the notes to the balance sheet (9).

Payments (19)

This includes the payments made to policyholders. This involves sums to be paid out for life insurance in the amount of € 257.4 million (2013: € 616.2 million) and non-life insurance in the amount of € 48.1 million (2013: € 44.8 million) less reinsured life insurance amounts totaling € 6.1 million (2013: € 6.5 million) and non-life insurance in the amount of € 4.7 million (2013: € 4.9 million).

Costs of outsourced work and other external costs (20)

This item includes, among other things, the costs of hiring external personnel, auditor's costs and consultancy costs.

Personnel costs (21)	2014	2013
Wages and salaries	275,922	287,316
Pension contributions	34,872	39,246
Social security charges	30,672	29,962
Other personnel costs	111,356	92,713
Total	452,822	449,237

The increase in other personnel costs is mainly attributable to the costs related to the restructuring provision made in 2014. The notes to the Other provisions contain additional information about the restructuring provision.

Employee Pension Scheme

The pension scheme for a large number of employees is administered by Stichting Pensioenfonds ABP (ABP Pension-fund) The pension rights are accrued based on average pay and the number of years of service, with conditional indexation. The pension scheme for the majority of the remaining employees is administered by Stichting Personeelspensioenfonds APG. The pension rights are accrued based on average pay and the number of years of service, with conditional indexation. The APG Group has no obligation to make additional contributions in the event of shortfalls at these pension funds other than the payment of future contributions. Based on the foregoing, the company can suffice by reporting the contribution as a cost.

Specific schemes apply for most employees abroad.

Number of Employees

The Group employed an average of 3,706 people in 2014 (2013: 3,984), divided into the following segments.

	2014	2013
Management Board and departments	252	258
Operating units		
• Rights Management	1,451	1,364
• Asset Management	677	663
• Insurance business	396	464
Supporting units	930	1,235
Total	3,706	3,984

In 2014, an average of 147 employees was employed abroad (2013: 140). All of these employees work for Asset Management.

Remuneration of Supervisory Board members and Executive Board members (in euros)
The remuneration of Supervisory Board members and Executive Board members is determined by the General Meeting of Shareholders.

Supervisory Board	FIXED COMPENSATION	COMPENSATION FOR COMMITTEE MEMBERSCHIP	EMPLOYER'S CHARGES AND TAXES	TOTAL 2014	TOTAL 2013
LC Brinkman	40,000	5,000	9,450	54,450	54,450
GMML Verhofstadt	26,250	3,750	2,250	32,250	43,100
ALM Nelissen	22,500	3,750	5,513	31,763	42,350
Ms EL Snoeij	30,000	5,000	7,350	42,350	42,768
MJ van Lanschot	30,000	5,000	9,975	44,975	28,244
NA Vermeulen	17,083	3,610	4,994	25,687	8,390
LJCM Le Blanc	15,000	2,500	3,675	21,175	-

Executive Board	DIRECT SALARIES	PERSONNEL COSTS	PENSION COSTS	TOTAL 2014	TOTAL 2013
DM Sluimers	537,678	6,941	80,207	624,826	638,372
Ms AGZ Kemna	555,820	9,743	126,818	692,381	701,126
M Boerekamp RA	434,986	9,743	64,495	509,224	518,455
E van Gelderen*	184,755	3,248	27,582	215,585	-
AWIM van der Wurff**	97,226	2,436	14,361	114,023	539,804

**from September to December 2014, inclusive.*
*** from January to March 2014, inclusive.*

The column Direct Salaries includes the fixed annual salary, the holiday pay and the year-end bonus. The column Personnel Costs includes the employer's contributions and the column Pension Costs includes the pension contributions. There are no early retirement schemes for the members of the Executive Board.

Ms Kemna was appointed CFRO effective September 1, 2014, which resulted in a change to her remuneration. In the period September to December 2014 inclusive, the remuneration, including the employer's and pension contribution, amounted to € 209,486. Mr Van Gelderen became a member of the Executive Board as CIO, effective September 1, 2014.

During the year under review, Mr PJWG Kok, ccupied the position of CFRO until September 1, 2014.
The corresponding remuneration was € 446,732.

During the year under review, an additional one-off pension supplement was provided to Mr Boerekamp in accordance with the agreement made on hiring.

Mr Van der Wurff stepped down as a member of the Executive Board effective April 1, 2014. The following amounts were charged to the 2014 financial statements. From April 1, 2014 to March 31, 2015, inclusive, the salary continued to be paid in accordance with the applicable sickness benefit scheme and involved an amount of € 558,536. In addition, an amount of € 256,008 was paid in relation to the early termination of pension arrangements. In addition, Mr Van der Wurff will receive an amount of € 250,232 in the context of the termination of his employment contract. The last two amounts added together equal one annual salary payment for Mr Van der Wurff.

No loans, advances or guarantees have been provided to current or former members of the Executive or Supervisory Board.

In 2014, the so-called crisis levy in the amount of € 300,000 was remitted.

Amortization and depreciation of intangible and tangible fixed assets (22)	2014	2013
Amortization of intangible fixed assets	82,613	82,701
Amortization due to impairment	30	18
Depreciation of tangible fixed assets	8,859	8,918
Total	91,502	91,637

Other operating costs (23)	2014	2013
Accommodation costs	32,444	30,905
Automation costs	49,094	50,406
Other	37,965	32,104
Total	119,503	113,415

The item Other includes, among other things, postage charges, office supplies, telephone charges and other tangible expenses. Currency differences in the amount of € 4.7 million (2013: € 2.1 million) are included in the item Other.

Financial income and expenses (24)	2014	2013
Interest income and similar income	2,890	1,994
Interest charges and similar costs	-1,530	-62,310
Total	1,360	-60,316

Of the interest charges and similar costs reported, € 0.7 million (2013: € 9.1 million) relates to relations with related parties. In 2013, the financial income and expenses include a charge of € 47.4 million for the settlement of an interest rate swap. The settlement is related to the recapitalization of the € 500.8 million loan whereby the interest rate swap was also settled.

Taxes (25)

The taxes in the consolidated profit and loss account can be specified as follows.

	2014	2013
Current period		
• current year	-29,122	-45,095
• adjustments to previous years	-	-
Change in deferred taxes		
• temporary differences	17,393	40,989
Total	-11,729	-4,106
Effective tax burden as a percentage	24.5%	34.9%

The change in the deferred tax assets and liabilities during 2014 relative to 2013 is mainly due to differences in the commercial and fiscal valuations of the investments of the insurance business.
The effective tax rate deviates 0.5 percentage points from the applicable tax rate of 25.0 percent. This is due to different foreign tax rates and differences between the commercial and fiscal result.

Result from participating interestsons (26)

The result from participationg interests for 2014 concerns the share in the result of APG – ABN AMRO Pensioeninstelling NV (30 percent) in the amount of € 0.3 million negative (2013: € 0.9 million). A purchase option on the 30 percent share has been agreed on with ABN AMRO. The option expires in 2017. Due to the uncertainty concerning the exercise of the option by ABN AMRO, it is impossible to provide a reliable estimate as a result of which the option remains off-balance.

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

The cash flow statement has been prepared in accordance with the indirect method. For the composition of cash and cash equivalents, see the notes to the consolidated balance sheet.

Interest on cash is included under the interest received or paid. These items are considered as operational activities and are therefore recognized as such.

The investments relate to investments in furnishings and inventory, data processing equipment and software.

The cash flow from financing activities includes several settlements with Stichting Pensioenfonds ABP (ABP Pensionfund) as well as expenses arising from the financial restructuring of the Group.

OTHER NOTES

Transactions with related parties

Transactions with related parties take place under market conditions.

Some of the office buildings are leased from Stichting Pensioenfonds ABP (ABP Pensionfund)) under market conditions. The total contract duration is 12 years and 8 months, commencing from January 1, 2008. The costs amounted to € 8.1 million in the year under review (2013: € 7.9 million) and will amount to € 8.1 million for 2015. The future liabilities arising from this contractual relationship are included under the lease obligations entered into as included in the category of liabilities not reported on the balance sheet.

The costs incurred by APG in the context of the separation of the administrative organization for adaptating the ICT infrastructure, positioning of the brand name and the reorganization are for the account of Stichting Pensioenfonds ABP (ABP Pensionfund) insofar as these items do not exceed the advance received in 2008.
The amount received relates to costs of multi-year programs. In the year under review, an amount of € 0.3 million (2013: € 2.6 million) was spent on these purposes and nil was repaid to Stichting Pensioenfonds ABP (ABP Pensionfund) (2013: € 8.0 million).

Stichting Pensioenfonds ABP, APG Groep NV, Loyalis NV and its subsidiaries, APG Rechtenbeheer NV, APG Asset Management NV, APG Deelnemingen NV and its 100 percent subsidiaries (except for Inotime BV and Inovita BV) and APG Diensten BV together form a fiscal entity for turnover tax. This means that the company is jointly and severally liable for the turnover tax liabilities of the fiscal unit as a whole.
With regard to corporate income tax, APG Groep NV forms a fiscal entity together with APG Deelnemingen NV and its 100 percent subsidiaries (except Inotime BV and Inovita BV), APG Diensten BV, APG Asset Management NV, APG Rechtenbeheer NV and APG Newco BV. This means that these legal entities are jointly and severally liable for each other's tax liabilities. The corporate income tax of the fiscal entity is allocated to each of the companies belonging to the fiscal entity according to each company's share in the total corporate income tax.

External Auditor's Fees

In 2014, the costs of PricewaterhouseCoopers, reported under 'Cost of outsourced work and other external costs' amounted to € 1.1 million for audit services (2013: € 1.2 million), € 0.7 million for audit-related services (incl. services in connection with ISAE 3402) (2013: € 0.4 million), € 0.3 million for tax advice (2013: € 0.4 million) and € 2.1 million for other services (2013: € 1.5 million).

In 2014, PricewaterhouseCoopers charged an additional € 0.8 million for audit services (2013: € 0.8 million) in the Netherlands for the certification of reports to clients of APG Group in the context of the services provided by APG Group.

COMPANY FINANCIAL STATEMENTS

COMPANY BALANCE SHEET AS AT DECEMBER 31, 2014
(BEFORE PROFIT APPROPRIATION)
IN THOUSANDS OF EUROS

ASSETS	31-12-2014	31-12-2013
Fixed assets		
Intangible fixed assets (1)	56,274	74,045
Financial fixed assets (2)	1,233,320	1,221,554
	1,289,594	1,295,599
Current assets		
Receivables, prepayments and accrued income (3)	34,740	8,518
Cash and cash equivalents(4)	143,914	42,161
	178,654	50,679
TOTAL ASSETS	1,468,248	1,346,278

LIABILITIES	31-12-2014	31-12-2013
Equity capital (5)		
Paid-up and called-up share capital	705,297	705,297
Share premium	490,414	490,414
Statutory reserves	18,936	38,113
Other reserves	22,130	26,258
Undistributed result for the financial year	35,967	8,584
	1,272,744	1,268,666
Provisions (6)	14,069	19,381
Long-term liabilities (7)	23,767	23,767
Current liabilities and accrued liabilities (8)	157,668	34,464
TOTAL EQUITY CAPITAL AND LIABILITIES	1,468,248	1,346,278

COMPANY PROFIT AND LOSS ACCOUNT FOR 2014
IN THOUSANDS OF EUROS

	2014	2013
Result from participating interests after taxes	52,009	32,051
Other result after taxes	-16,042	-23,467
Result after taxes	35,967	8,584

ACCOUNTING POLICIES

The accounting polices used for the company financial statements are the same as those used for the consolidated financial statements. Participating interests in group companies are recognized according to net asset value.

For the accounting policies used in valuing assets and liabilities and determining the result, see the notes to the consolidated balance sheet and profit and loss account.

IN THOUSANDS OF EUROS

Fixed assets

Intangible fixed assets (1)
The intangible fixed assets include the insurance portfolio identified with the acquisition of a capital interest.

The movements in this item are as follows.

	2014	2013
Opening balance	74,045	91,816
Investments/disposals	-	-
Amortization	-17,771	-17,771
Impairments	-	-
Closing balance	56,274	74,045
Cumulative purchase value	177,707	177,707
Cumulative amortization and impairments	-121,433	-103,662
Book value	56,274	74,045
Amortization rate	10%	10%

Financial fixed assets (2)
The item financial fixed assets concerns participating intterests.The movements in this item are as follows.

	2014	2013
Opening balance	1,221,554	809,900
Investments	2,800	362,196
Disposals	-	-993
Result for the financial year	52,009	30,951
Dividend paid	-45,995	-8,275
Other changes	2,952	27,775
Closing balance	1,233,320	1,221,554

The payment of the dividend in 2014 includes the settlement of an outstanding debt ratio with a subsidiary in the amount of € 28.2 million arising from the recapitalization of the APG Group in 2013.

The investments in 2013 are primarily related to the recapitalization of the Group and the incorporation of APG Asset Management NV in 2013. The other changes in 2013 result from the restructuring of the Group and concern the value of the assets and liabilities that were reallocated within the Group.

Current assets

Receivables, prepayments and accrued income (3)	31-12-2014	31-12-2013
Receivables from group companies	34,393	8,248
Other receivables and accrued income	347	270
Total	34,740	8,518

The receivables, prepayments and accrued income mainly relate to claims on group companies. No securities have been furnished and no interest was received on the receivables.

Cash and cash equivalents (4)	31-12-2014	31-12-2013
Bank balances in current account	83,914	42,161
Deposits	60,000	-
Total	143,914	42,161

An amount of € 1.3 million of the cash is not freely available (2013: nil). The deposits have a maximum duration of 3 months.

Equity capital (5)

	31-12-2014	31-12-2013
Paid-up and called-up share capital	705,297	705,297
Share premium	490,414	490,414
Statutory reserves	18,936	38,113
Other reserves	22,130	26,258
Undistributed result for the financial year	35,967	8,584
	1,272,744	1,268,666

The movements in equity capital are shown in the overview below:

	PAID-UP AND CALLED-UP SHARE CAPITAL	SHARE PREMIUM	STATUTORY RESERVES	OTHER RESERVES	UNDISTRIBUTED RESULT FOR THE FINANCIAL YEAR
Opening balance	705,297	490,414	38,113	26,258	8,584
Changes due to profit appropriation	-	-	-	8,584	-8,584
Change in statutory reserves	-	-	-22,060	22,060	-
Dividend paid out	-	-	-	-34,842	-
Result for the financial year	-	-	-	-	35,967
Other changes	-	-	2,883	70	-
Closing balance	705,297	490,414	18,936	22,130	35,967

Paid-up and Called-up Share Capital
The paid-up and called-up share capital is the capital subscribed upon incorporation of the company consisting of 650,000,000 shares, each with a nominal value of € 1. Furthermore, in 2011, upon the acquisition of the minority interests in APG Rechtenbeheer NV (formerly APG Algemene Pensioen Groep NV) and Loyalis NV, 55,297,170 new shares were issued, each with a nominal value of € 1.

Share Premium
The share contribution paid upon incorporation, as well as the share contribution paid as a result of capital contributions, the fair value contribution of a subsidiary, as well as the share contribution from the conversion of loans from shareholders into equity capital in the context of the recapitalization of the APG Group, were included as share contributions in previous years.

Statutory and Other Reserves
The statutory and other reserves include direct changes in capital related to the acquisition and reallocation of subsidiaries from previous years in the amount of € 16.2 million (2013: 23.2 million). Furthermore, a reserve for conversion differences in the amount of € 2.3 million (2013: negative € 0.7 million) has been included in relation to foreign participations, as well as a reserve for an unrealized change in value related to a former participation in the amount of € 0.4 million (2013: € 0.4 million). The changes in the statutory reserve for conversion differences is reported under other changes.

Undistributed Result for the Financial Year
This comprise the result for the year under review

Share premium, other reserves and the undistributed result for the financial year may, in principle, be freely disposed of. Stipulations from regulators for group companies may result in restrictions on the extent to which the equity capital or the equity capital of the APG Group may be distributed. These stipulations may require that the equity capital of group companies must be maintained at a certain level. In determining the potential dividend, APG Group takes into account the stipulations from regulators.

Provisions (6)

	DEFERRED TAXES	PERSONNEL-RELATED PROVISIONS	TOTAL 2014	TOTAL 2013
Opening balance	18,881	500	19,381	23,913
Allocations	-	-	-	-
Withdrawals	-	-	-	-
Release	-4,812	- 500	-5,312	-4,532
Closing balance	14,069	-	14,069	19,381

This concerns the provision for deferred taxes over the value of the insurance portfolio that is included under intangible fixed assets.

Long-term liabilities (7)

	2014	2013
Opening balance	23,767	51,991
Benefits	-	-
Repayments	-	-28,224
Closing balance	23,767	23,767

Of the closing balance, an amount of € 12.9 million relates to financing by related parties (2013: € 12.9 million). Of the closing balance, an amount of € 10.9 has a duration of more than five years. The interest rates range from 5.4 percent to 7.25 percent per annum (2013: 5.4 percent to 7.25 percent per annum). No security has been furnished. The fair value of the long-term liabilities amounts to € 32.9 million.

The redemption in 2013 was effected in the context of the recapitalization of the APG Group, whereby part of the long-term liabilities was converted into equity capital.

Current liabilities and accrued liabilities (8)

	31-12-2014	31-12-2013
Accounts payable	146	54
Debts to group companies	144,859	31,054
Taxes and national insurance contributions	240	137
Corporate income tax	5,720	1,730
Other liabilities	6,703	1,489
Total	157,668	34,464

A currency forward contract which serves to hedge the net investment in a foreign subsidiary is included under Other liabilities. The liability under the contract amounts to € 10.2 million (contract price) and the value at the balance sheet date was € 1.1 million negative.

The increase in debts to group companies is mainly attributable to the change made to the method used to finance subsidiaries in 2014. The debts to group companies at year-end 2013 include the capital contribution in the amount of € 28.2 million owed to APG Algemene Pensioen Groep NV (currently APG Rechtenbeheer NV).

The Corporate income tax concerns the corporate income tax owed by the fiscal entity headed up by APG Groep NV.

The current liabilities and accrued liabilities do not include any items with a remaining duration of more than one year.

Liabilities and entitlements not shown on face of the balance sheet

The liabilities under derivatives taken to hedge the financing of the foreign subsidiaries of APG Asset Management NV amounted to € 72.6 million (contract price) at the balance sheet date. The liabilities have a duration of one year. Directly related liabilities between APG Groep NV and APG Asset Management NV are formalized on the basis of back-to-back agreements.

Statement of Liability
The company has issued a joint and several liability statement (a so-called 403 Undertaking or statement based on Article 2:403 of the Dutch Civil Code) for a consolidated subsidiary. This statement of liability pertains to APG Diensten BV in Amsterdam.

Liability of Fiscal Entity
Fiscal entities apply at the APG Group, specifically for corporate income and turnover tax. Within such a fiscal entity, the companies are jointly and severally liable for each other's tax debts. The taxes are attributed according to each company's share in the total tax, as if the companies were independently liable for tax.

Remuneration of Executive Board Members
For an explanation of the remuneration of Executive Board members, see the consolidated financial statements.

List of Capital Interests

The following capital interests (100% interests) are included in the consolidation:

NAME	REGISTERED OFFICE
APG Rechtenbeheer NV	Heerlen
Loyalis NV	Heerlen
• Loyalis Leven NV	Heerlen
• Loyalis Leven VRF I BV*	Heerlen
• Loyalis Leven VRF II BV*	Heerlen
• Loyalis Schade NV	Heerlen
• Loyalis Schade VRF I BV*	Heerlen
• Loyalis Schade VRF II BV*	Heerlen
• Loyalis Diensten BV	Heerlen
• Loyalis Kennis en Consult BV	Heerlen
• Loyalis Sparen & Beleggen NV	Heerlen
• Cordares Advies BV	Amsterdam
APG Asset Management NV	Amsterdam
• APG Asset Management US Inc	Delaware
• Fairfield Residential I, LLC	Delaware
• Fairfield Residential II, LLC	Delaware
• APG Investments Asia Ltd	Hong Kong
APG Diensten BV	Amsterdam
APG Newco BV	Amsterdam
APG Deelnemingen NV	Heerlen
• InAdmin NV	Heerlen
• Cordares Vastgoed BV	Amsterdam
• Cordares Basisweg Beheer V BV	Amsterdam
• Inotime BV	Rotterdam
• Inovita BV	Rotterdam
• Loyalis Maatwerkadministraties BV	Heerlen

* Due to the restructuring at Vesteda, since February 1, 2012, Loyalis Leven NV and Loyalis Schade NV have held the participations in Vesteda via a dual BV structure. No change is envisaged in a material sense. The principal reasons for the restructuring are greater transparency of the structure and simplification of the process of entry and exit by participants, thereby realizing an improvement in the liquidity of the fund.

Capital interests nog included in the consolidation:

NAME	REGISTERED OFFICE
APG – ABN AMRO Pensioeninstelling NV (capital interest 30 percent, held by APG Deelnemingen NV)	Amsterdam

Amsterdam, 20 april 2015

SUPERVISORY BOARD	EXECUTIVE BOARD
LJCM Le Blanc, *Chairman*	DM Sluimers, *Chairman*
PJAM Jongstra , *Vice-chairman*	M Boerekamp RA
MJ van Lanschot	E van Gelderen CFA FRM
Ms EL Snoeij	Ms Dr AGZ Kemna

Other Information

INDEPENDENT AUDITOR'S REPORT

To: the Meeting of Shareholders of APG Groep NV

Report on the Financial Statements
We have audited the financial statements in this annual report of the APG Groep N.V. in Heerlen for the year 2014. These financial statements consist of the consolidated and company balance sheet as at December 31, 2014, and the consolidated and company 2014 profit and loss account and the associated notes, which include an overview of the key accounting policies and other explanations.

The Executive Board's responsibility
The Executive Board is responsible for the preparation and fair presentation of these financial statements and for the preparation of the report from the Executive Board, both in accordance with Part 9 of Book 2 of the Dutch Civil Code (BW). Furthermore, the Executive Board is responsible for such internal control as it determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the auditor
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements applicable to us and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Executive Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements give a true and fair view of the financial position and composition of APG Groep N.V. as at December 31, 2014, and of its result for 2014 in accordance with Title 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements
Pursuant to the legal requirement under Article 2:393 paragraph 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the Report from the Executive Board, to the extent we can assess, has been prepared in accordance with Title 9 of Book 2 of the Dutch Civil Code, and whether the information as required under Article 2:392 paragraph 1 at b-h of the Dutch Civil Code has been annexed. Further, we report that the Report from the Executive Board, to the extent we can assess, is consistent with the financial statements as required by Article 2:391 paragraph 4 of the Dutch Civil Code.

Rotterdam, April 20, 2015
PricewaterhouseCoopers Accountants N.V.

Originally signed by: S Barendregt-Roojers RA

PROFIT APPROPRIATION SCHEME UNDER THE ARTICLES OF ASSOCIATION

The profit appropriation takes place in accordance with article 36 of the Articles of Association. This article stipulates that APG Groep NV can only distribute profit insofar as the equity capital exceeds the paid-up and called-up portion of its capital, increased by the reserves that must be maintained pursuant to law.

PROPOSAL FOR THE APPROPRIATION OF THE RESULT

A proposal will be submitted to the General Meeting of Shareholders that the result for the financial year in the amount of € 35.967 million be paid out as dividend.

A supplementary proposal will be submitted to the General Meeting of Shareholders that a dividend in the amount of € 74.033 million be paid out.

EVENTS AFTER THE BALANCE SHEET DATE

With effect from January 1, 2015, the non-rights management activities were separated from APG Rechtenbeheer NV and transferred to APG Diensten BV and APG Newco BV. The relevant assets and liabilities will be transferred by operation of law from APG Rechten beheer NV to APG Diensten BV and APG Newco BV.
In addition, all non-rights management contracts and staff members have been transferred to the entities to which these contracts and/or activities apply.
Following the acquisition of the transferred assets and liabilities, APG Newco BV merged with APG Groep NV effective January 1, 2015, after which APG Newco BV ceased to exist.
The Financial Undertakings (Remuneration Policy) Act dated January 28, 2015, has maximized the severance payment at 100 percent of the fixed annual salary. APG has decided to implement this maximum provision effective from January 1, 2015, even if different arrangements were made about this in the past. Where relevant the potential implications have been included in the financial statements.

Personal Details

Below are the personal details of the members of the Supervisory Board and the Executive Board, specifying their principal and relevant ancillary positions.
In addition, the composition of the Works Council is included.

Members of the Supervisory Board

LJCM Le Blanc (1946), *Chairman*
Positions:
- Managing Director Andreas Capital Group S.A., Luxembourg
- Member of the lid Board of Trustees of the KPN Pension fund (non-executive member)
- Member of the Supervisory Board of ETC Nederland B.V.
- Member of the Board of Trustees of Stichting Instituut GAK

Nationality: Dutch
First appointment: July 22, 2014
Committee memberships: Remuneration Committee

PJAM Jongstra (1956), *Vice-chairman*
Positions:
- Member of the Board of the Netherlands Institute of Chartered Accountants (NBA)
- Member of the Board of Talent to the Top
- Member of the Board of the Stichting Ondersteuning Nederlandse Bachvereniging
- Member of the Board of Right to Play

Nationality: Dutch
First appointment: February 4, 2015
Committee memberships: Chairman of the Audit and Risk Committee

MJ van Lanschot (1952)
Positions:
- Chairman Vereniging Particuliere Historische Buitenplaatsen
- Chief Financial Officer TropIQ Health Sciences B.V.
- Managing Director Landgoed Zwijnsbergen B.V.

Nationality: Dutch
First appointment: May 15, 2013
Committee memberships: Audit and Risk Committee

Ms EL Snoeij (1956)
Positions:
- Member of the Advisory and Referral Point for Whistleblowers Committee
- Member of the Board of Trustees of the KPN Pension fund (executive member)
- Member of the Supervisory Board of the Central Agency for the Reception of Asylum Seekers (COA)
- Chairman of the Supervisory Board of the PnoMedia Pension Fund
- Chairman of the Supervisory Board of the PMA Pension Fund
- Independent Chairman of the Long-term Care Steering Committee

Nationality: Dutch
First appointment: April 26, 2012
Committee memberships: Chairman of the Remuneration Committee

Members of the Executive Board

DM Sluimers (1953)
Principal position: Chairman of the Executive Board
Ancillary positions:
- Member of the Board of Trustees of the IFRS Foundation
- Member of the Supervisory Board of Atradius NV
- Chairman of the Supervisory Board of Atradius Credit Insurance
- Member of the Board of Governors of the National Academy for Finance and Economics
- Member of the Advisory Board of Netspar
- Member of the Supervisory Board of the Erasmus Trust Fund
- Member of the Stichting voor de Economische Politiek (SOeP)

Nationality: Dutch
First appointment: February 29, 2008

M Boerekamp (1970)
Principal position: Member of the Executive Board
Ancillary positions:
- Member of the SBE International Advisory Board
- Member of the Board of LED (Province of Limburg Economic Development)

Nationality: Dutch
First appointment: February 1, 2012

E van Gelderen (1965)
Principal position: Member of the Executive Board
Ancillary positions:
- Member of the Civil Engineering Investment Advisory Committee (relinquished at year-end 2014)
- Chairman of the Robeco Investment Advisory Committee (Appointment untill March, 31 2015, at which time this ancillary position will be terminated)
- Chairman of Gak Instituut Investment Committee
- Member of the Supervisory Board of Triple Jump

Nationality: Dutch
First appointment: September 1, 2014

Ms AGZ Kemna (1957)
Principal position: member of the Executive Board
Ancillary positions:
- Chairman of the Supervisory Board of Yellow & Blue
- Member of the Board of Duisenberg School of Finance
- Non-executive Director of Railpen Investment Board
- Member of the Executive Board of Child & Youth Finance International

Nationality: Dutch
First appointment: November 1, 2009
Second appointment: November 1, 2013

Composition of the Works Council

- LHA Adams (Secretary)
- PLJ Brouns (Chairman)
- H Bijma
- Ms LA Cramer
- HACJ Dabekaussen (Vice-chairman)
- LCJ Eskens
- PJ Geurts BSc
- FD Hoekstra
- MR Kleijer
- JLM Kouwenberg
- RMJ Lavalle
- JJ Porebski
- RMM Rekko
- H Rijksen (Vice-chairman)
- A Smeets
- F Tajjiou (Deputy Secretary)
- Ms CTHM Voss-Martinow
- MMM Widdershoven
- HR Wieringa

COLOPHON

Concept & design:
APG | Design Management

MORE INFORMATION

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APG
GROEP NV
ANNUAL REPORT
2014

tomorrow is today

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