



Annual
Report

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Foreword

On 1 January 2015, important changes were introduced in the Dutch pension system to make it more resilient to future challenges. However, anyone who thinks that this will mean a return to the less turbulent times that existed prior to the financial crisis is going to be disappointed. Society is changing drastically and the pension sector will have to adapt if it is to continue its important role as a provider of financial security to those who have retired. The pension sector is responding to fundamental shifts, such as increasing life expectancy, the rise in the number of self-employed persons, the demand for more individual solutions and less focus on solidarity and collective schemes.

Pensions are a long-term matter, whereas changes in society can occur rapidly and may even disappear again. Balancing these considerations demands creativity and a capacity to innovate and even though we would like to find solutions, they are not always available.

In 2014, MN made important preparations for the future. Together with the shareholders, we implemented a new governance structure and we are working on the basis of a strategic framework that offers scope to respond to the further consolidation we are expecting within the Dutch pension sector, without losing sight of current clients. In this process, MN is focusing primarily on parties having a link to the engineering, manufacturing or maritime sector. The relevant arrangements have been set out in the strategic framework. An important milestone in that context is combining the pension scheme of the Metal and Engineering Industry with that of the Metal and Electrical Engineering Industry.

MN is actively participating in initiatives to use pension assets to reinforce the economic infrastructure of the Netherlands. SMEs make an important contribution to the Dutch economic structure and the continued development of this sector is crucial. This explains MN's participation in the National Investment Institute (NLII), an investment fund with a specific focus on SMEs.

Pension funds must be able to deliver faultless pension administration services, excellent advice when it comes to fiduciary management, responsible investment and smooth implementation of the social schemes and other related income support provisions. And all at acceptable costs. For a pension administrator such as MN, this demands a constant focus on providing the best quality.

For this reason, the MN3.0 change programme was introduced in 2014 to make our organisation more client-oriented, efficient and effective at lower costs and to cement our position as a leading service provider. MN3.0 is a comprehensive programme highlighting the culture and staff of MN. However, the programme also has a major impact on our organisation structure, management and processes. Where possible, working processes are becoming increasingly automated, which has inevitable consequences for our staffing levels. At the same time, MN is also investing by means of training its employees, because they are vital to the success of the change programme. A leadership programme is an example of such training. In the next four years, we expect more than 200 full-time jobs to disappear as a result of MN3.0. In view of the timescale involved, we hope to bring about this reduction in a socially responsible manner by means of natural staff turnover, training and reassignment. Discussions are being held on this subject with employees' organisations.

When considering all these developments, we must not lose sight of the human aspect. In the end, everything we do must be for the benefit of pension scheme members, both actives and pensioners. They expect us to do our work properly and to be able to explain to them in clear and basic language what membership of the pension fund means. That is also part of our social responsibility.

The Hague, 31 March 2015
Rudolf Hagendijk, MN Chief Executive Officer

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Should there be any differences between the Dutch and English versions, the original Dutch version of these Financial Statements will prevail.



MN Profile

Key figures

	2014 x € 1,000	2013 x € 1,000	2012 x € 1,000	2011 x € 1,000
Net turnover	205,279 (99%)	203,361 (99%)	192,857 (98%)	178,979 (100%)
Other income	2,080 (1%)	1,160 (1%)	4,334 (2%)	-452 (0%)
Total operating income	207,359 (100%)	204,521 (100%)	197,191 (100%)	178,527 (100%)
Employee costs	114,814 (56%)	111,008 (56%)	103,445 (55%)	91,708 (54%)
Third-party activities	40,591 (20%)	38,523 (19%)	38,538 (20%)	33,861 (20%)
	155,405 (76%)	149,531 (75%)	141,983 (75%)	125,569 (74%)
Depreciation and other impairments	8,708 (4%)	9,017 (5%)	12,252 (6%)	10,291 (6%)
Other operating expenses	40,385 (20%)	40,903 (20%)	36,277 (19%)	35,177 (20%)
	49,093 (24%)	49,920 (25%)	48,529 (25%)	45,468 (26%)
Total operating expenses	204,498 (100%)	199,451 (100%)	190,512 (100%)	171,037 (100%)
Results				
Result from ordinary activities before taxation	2,340	4,667	6,232	7,277
Result after taxation	3,733	5,857	6,359	7,687
Group equity				
(before appropriation of result)	28,860	30,753	26,102	21,505
Balance sheet total	157,041	172,613	118,157	139,213
Staff*				
Number of staff as at 31 December	1,218	1,175	1,095	1,025
Number of staff as at 31 December (in FTEs and exclusive of staff receiving incapacity benefit)	1,228	1,183	1,098	1,022
Client related**				
Invoiced premium income x € 1 mln	3,533	3,445	3,438	3,181
Assets invested at end of year x € 1 mln	110,914	92,226	90,194	76,861
Number of payments x 1,000	4,843	4,710	4,516	4,303

* The definition of 1 FTE has been changed, so that an employee with a 36-hour contract counts as 1 FTE. For the purpose of comparison, the figures of all previous years have been adjusted to the new definition.

** The client-related key figures refer to the premiums invoiced for clients or the number of payments relating to pensions and insurance. Furthermore, the assets invested for clients relating to asset management are stated.

MN Profile

MN works to ensure the financial future of almost two million people. We do so by administering pension and social schemes and managing insurance for our clients. In addition to performing these tasks, we advise our client regarding pensions and other forms of financial security. We aim for both financial and social return and long-term value creation for our stakeholders. We manage more than 110 billion euros in an efficient manner, with a focus on people and the environment.

Pensions and income protection insurance

Our most important clients are the Metal and Engineering Industry Pension Fund [Pensioenfonds Metaal en Techniek - PMT], Metal and Electrical Engineering Industry Pension Fund [Pensioenfonds van de Metalektro - PME], the Dutch Merchant Navy's Company Pension Fund [Bedrijfspensioenfonds voor de Koopvaardij – Bpf Koopvaardij] and NV schade. Together with our other customers and the members, they are central to everything we do. We want to be leading when it comes to pensions and income protection insurance and that is our daily focus. In our desire to provide quality, we are developing many aspects of our organisation. Innovations range from responsibly and profitably managing assets and helping to develop solutions for an ageing society to technology for our administration. For many people, pensions and income protection insurance are difficult subjects, which is why we try to communicate as simply and clearly as possible. And we explain complicated subjects as often as is required. We are very much involved with our customers and go that little bit further in order to help them. And in the end, that's what it's all about: offering people a pension and an income protection insurance that is sound, easy to understand and affordable.

Mission & vision

'We bring about the viable financial future that people deserve'

Our services, products and activities focus on establishing and maintaining a healthy financial position for individuals. By contributing to achieving a healthy financial position for people, we provide them with vital building blocks for a sustainable and viable future.

'That people deserve'

The products we supply are based on contributions and premiums that pension scheme members earn while working. By implementing work-related pension schemes, social schemes and managing insurance for collective agreement parties, we bear joint social responsibility with social partners, pension funds and insurers. Together with these parties, we implement these schemes in a cost-effective, transparent and honest manner.

Our mission is translated into a vision, which serves as a long-term goal for MN:

'The number one service provider for collective income protection and pension solutions.'

MN stands for the excellent implementation and performance of fiduciary management, asset management, pension administration, social schemes and other related income support provisions at acceptable costs. In the sectors in which we are active, we are considered the preferred supplier for a wide range of services with regard to collective schemes.

Core activities

MN is involved in the following core activities:

Administration of pensions and income protection insurance

We handle the entire pension administration for an important number of clients. In other words, we collect contributions, monitor the pension entitlements of almost two million members and pay out pension benefits. We also manage income protection insurance for various insurers. We handle the entire process from quotes, via acceptance of members and policy administration, to calculating and paying out damage claims.

Advice

In addition to administering pension schemes and managing insurance, we also use our knowledge and experience to offer our clients, such as pension funds and social partners, sound and customised advice regarding the current situation and future developments. We offer investment advice,

perform assessments and identify relevant developments in national and European legislation and social circumstances. Moreover, we support our clients when it comes to actuarial, legal, ICT and organisational matters.

Communication

Complex matters like pensions and insurance demand clear communication, which we provide on behalf of and in collaboration with our clients for their members and employers. We believe it's important to increase members' awareness of their pension or insurance. We are increasingly using digital communication to provide members with an up-to-date insight into their personal situation.

Asset management

We manage the assets of our clients, focusing on two activities: fiduciary management and socially responsible investment.

MN has been involved in fiduciary management right from the start and we are one of the parties that has developed this concept to the full. We advise and supervise clients throughout the entire asset management process. This integral approach ensures an optimal coordination of all asset management activities, from policy advice to portfolio and risk management through to reporting. This is very reassuring for clients, particularly at a time when increasingly higher demands are being imposed on pension fund boards.

Clients and MN are aware that a responsible investment policy contributes to a sustainable society and consequently to a sustainable and viable future for people. That is why MN is a signatory to the United Nations Principles for Responsible Investment (UNPRI). On that basis, MN has defined ten guiding principles for responsible asset management. As part of its fiduciary role, MN ensures that these principles are applied to the instructions of our clients.

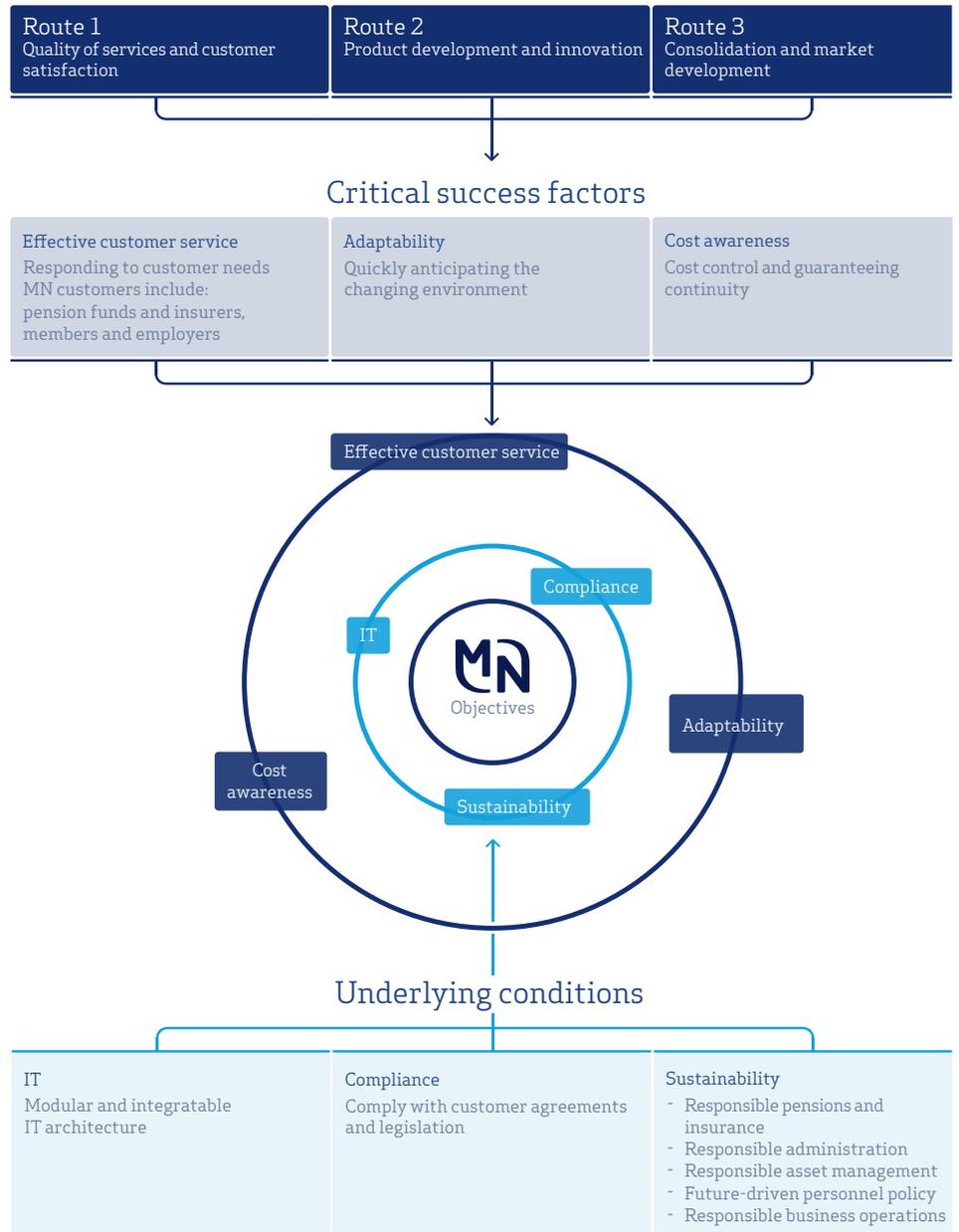
Strategy

MN's strategy to achieve its mission and vision is effected via three routes:

- continuing to improve the quality of services and customer satisfaction;
- product development and innovation;
- consolidation and market development.

These routes are followed simultaneously and substantiated by various actions, improvements and projects. The success of all these activities and all standard processes is measured on the basis of three critical success factors (CSF): effective customer service, adaptability and cost awareness. Three strict underlying conditions also apply: IT, compliance and sustainability.

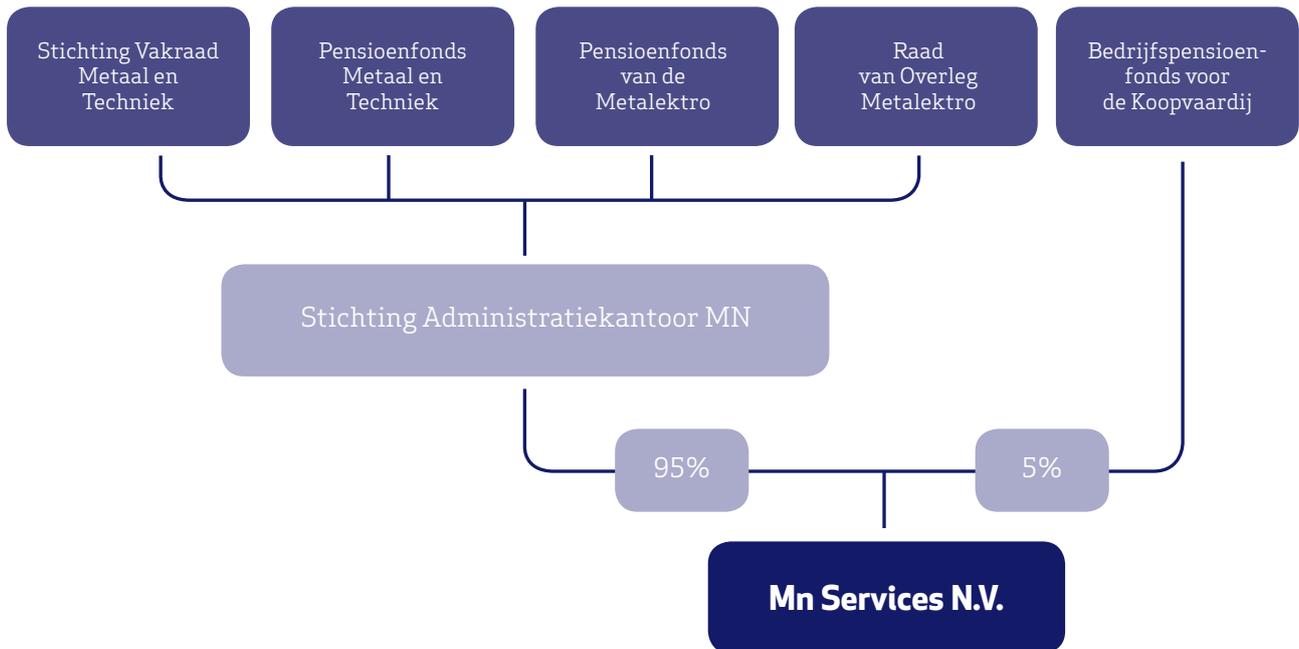
Routes 2015 - 2017



Structure

Shareholder structure

Since early 2014, our shareholders' structure can be represented schematically as follows:



Supervisory Board

The MN Supervisory Board consists of five independent members. The Supervisory Board also has two main committees: the Audit Committee and the Remuneration & Appointments Committee. These committees prepare decisions to be taken by the Supervisory Board relating to financial, audit and risk issues (Audit Committee), as well as remuneration, appointments and reappointments issues (Remuneration & Appointments Committee).

Executive Board

MN has an organisation structure with a broad Executive Board consisting of eight members. The Executive Board is responsible for the day-to-day management of MN. It consists of members who are charged with the internal control of MN and its subsidiaries. The Chief Executive Officer and the Chief Client Officer make up the MN Management Board.

In December 2014, Mr Hagendijk announced that he would be leaving MN in 2015. A successor will be appointed in the course of 2015. In January 2015, Mr Van der Tuin announced that he would be leaving his post as Chief Pensions Officer to take up a position elsewhere. A successor will be appointed as soon as possible.

The Executive Board consists of the following members:

Chief Executive Officer (CEO) Rudolf Hagendijk	Responsible for linking business objectives with the aims of clients in line with the mission and core values of the company
Chief Client Officer (CCO) Walter Mutsaers	Responsible for creating client satisfaction and a client-oriented organisation by acting as the central link between the clients and the organisation
Chief Asset Officer (CAO) Paul Versteeg	Responsible for making investments within the mandates and for administering the investment accounts
Chief Investment Officer (CIO) Gerald Cartigny	Responsible for creating and promoting MN's vision regarding investments and converting this vision into investment policy and the portfolio construction for clients
Chief Financial and Risk Officer Kor Bosscher	Objectively supports the creation and development of the strategy and the corresponding risks to monitor the financial health of the company
Chief Technology Officer (CTO) Jeroen van Rooden	Responsible for running and managing the information provision and providing proper (future-proof, solid, scalable) ICT facilities
Chief Pensions Officer René Hamstra a.i.	Responsible for executive advice to clients and pension administration management
Chief Insurance Officer Frank van de Ven	Responsible for managing the insurance administration of clients

Personal details

Supervisory Board

Dr. Kees Linse (born 1949)

- Stepping down in June 2018
- Supervisory Board Chairman since 27 October 2010
- Member of the Supervisory Board since September 2010
- Member of the Remuneration and Appointments Committee from 27 October 2010 to 21 March 2011
- Member of the Audit Committee since 21 March 2011

Other activities:

- Member of the Supervisory Board of MRC Global, Houston, US
- Member of the Supervisory Board of AKZO Nobel Nederland B.V.
- Board member of Technoliestichting STW
- Member of the Supervisory Board of TNO
- Chairman of the Environmental Impact Statement Committee

Dr. Kees Korevaar (born 1950)

- Stepping down in December 2017
- Member of the Supervisory Board since February 2011

Profession:

labour and organisation psychologist

Position:

independent consultant

Other activities:

- Member of the Supervisory Board of IHC Merwede

Peter Kok (born 1954)

- Stepping down in August 2018
- Member of the Supervisory Board from December 2010 up to and including 17 December 2013
- Member of the Supervisory Board since October 2014
- Chairman of the Audit Committee from 21 March 2011 up to and including 17 December 2013
- Chairman of the Audit Committee since October 2014

Other activities:

- Member of the Supervisory Board and Board of Overseers of the ANWB
- Member of the Supervisory Board of Vesteda
- Member of the Supervisory Board of Optimix Investment Funds NV
- Board member of Stichting Toetsing Verzekeraars
- Board member of Stichting Bewindvoering Bewoners 's Heeren Loo West-Nederland

Ella Vogelaar (born 1949)

- Stepping down in December 2018
- Member of the Supervisory Board since February 2011
- Member of the Remuneration and Appointments Committee since 21 March 2011

Position:

independent consultant/interim manager

Other activities:

- Chair of Vereniging NOV (The Association of Dutch Voluntary Effort Organisations)
- Chair of the Supervisory Board of housing corporation Mitros
- Board Chair of Nisa for Nisa (women's organisation in Amsterdam-Slotervaart)
- Chair of the Supervisory Board of Stichting Resto VanHarte
- Chair of the Governance and Remuneration Complaints Committee of the Netherlands Association of VET Colleges
- Member of the Advisory Board of the RAI vereniging
- Chair of the Advisory Board of the ANKO hairdressing sector organisation
- Board Chair of the Omzien naar elkaar foundation (citizens' initiatives relating to care/welfare/housing)

Cees van Woudenberg (born 1948)

- Stepping down in December 2017
- Member of the Supervisory Board since December 2010
- Chairman of the Remuneration and Appointments Committee since 21 March 2011

Other activities:

- Member of the Supervisory Board of Koninklijke Grolsch N.V. (terminated as of 1 June 2014)
- Member of the Supervisory Board of Koninklijke Boskalis Westminster N.V.
- Member of the Supervisory Board of Het Gelders Orkest
- Chairman of the Supervisory Board of Bevaplast BV

The members of the Supervisory Board have Dutch nationality.

The members of the Supervisory Board are independent within the meaning of the Netherlands Corporate Governance Code.

Executive Board

Rudolf Hagendijk

Chief Executive Officer
(1952)

Background

Public administration expert
Employed at MN since 1997
Chairman since 1 February 2005

Other activities

- Member of the Executive Board of Europe China Institute of Nyenrode Business University
- Member of the Advisory Board of the independent publication Pensioen, Bestuur en Management
- Member of the Advisory Board of the Economics and Business Faculty of the University of Amsterdam
- Chairman of the Institute for Pension Education (IVP)
- Member of the Supervisory Board of Rabobank Regio Schiphol

Walter Mutsaers

Chief Client Officer
(1967)

Background

Business economist
Employed at MN since 2006

Other activities

Board member of Jong Ondernemen

Kor Bosscher

Chief Financial Officer
(1970)

Background

Economist and registered accountant
Employed at MN since 2008

Paul Versteeg

Chief Asset Officer (from 1 January 2014)
(1959)

Background

Economist
Employed at MN since 2014

Gerald Cartigny

Chief Investment Officer
(1964)

Background

Business economist
Employed at MN since 2012

René Hamstra

Acting Chief Pensions Officer
(1971)

Background

Business administrator
Employed at MN since 1996

Frank van de Ven

Chief Insurance Officer (since 1 April 2014)
(1965)

Background

Business administrator
Employed at MN since 2012

Jeroen van Rooden

Chief Technology Officer
(1958)

Background

Dutch language specialist
Employed at MN since 2012

Members of the works council

Susan Schuurmans (chair)

Tjeerd Haasbroek (vice-chairman)

Pim Kasting

Ines Strohschein

Minke Brokamp

Marcel Kooiman

Niels Lodewijk

Winot Rampersad

Patrick Reinigert

Dennis van Steenpaal

Tjeerd Bosch

Rilana Margarita

Mary Ton

External auditor

PricewaterhouseCoopers Accountants N.V.



Executive Board report

Executive Board Report

In 2014, the Executive Board, in consultation with the Supervisory Board, considered the role that MN can and must play in the Dutch pension system. At a time of change and in the context of the fundamental debate initiated by the government, it is appropriate for MN to review its own role in both the short and long term.

Governance

Last year, together with PME, PMT, Bpf Koopvaardij and the shareholders, the social partners from these sectors, MN assessed its strategic options. This brought MN closer to achieving its ultimate objective: a solid and affordable pension for MN client members. A joint strategic framework was adopted, including starting points with regard to:

- the markets in which MN is active;
- the products and services supplied by MN;
- the way in which MN serves current customers and acquires new ones.

MN's Articles of Association have also been amended as a result of this strategy process. MN's governance has consequently been changed as follows.

Social partners and pension funds in the metal and engineering and the metal and electrical engineering industries are represented in StAK MN, which is a 95% shareholder of MN. This foundation has issued depositary receipts for shares to pension funds PMT and PME. Bpf Koopvaardij holds 5% of the shares in MN.

As a result of this governance structure, MN is optimally aligned to continue to achieve its most important objective for its clients: ensuring a viable financial future for members and pensioners. MN remains an independent entity and retains its own responsibility as an executive organisation.

Management and supervision

According to the Dutch Management and Supervision (Public and Private Companies) Act [Wet Bestuur en Toezicht], large companies must ensure a proper balance of men and women on the Executive Board and the Supervisory Board.

In 2014, as in previous years, Ruud Hagendijk and Walter Mutsaers made up the MN Management Board. They are both members of the Executive Board that is responsible for managing MN. At the time of their appointment, in 2001 and 2006, respectively, MN's selection process involved both male and female candidates. In both cases, a woman was not chosen. It should be noted that the statutory provision regarding a balanced representation was not in force at that time.

The MN Supervisory Board comprises five supervisory directors, one of whom is a woman. At the time of these appointments (late 2010) too, there was no provision regarding a balanced representation, although MN did aim for a balanced division of men and women during the selection process.

Since 2013, MN has had a diversity policy focusing on appointing more women to senior positions within MN. When appointing board members, the MN profile will explicitly take account of a balanced division of seats on the Executive Board and the Supervisory Board. Up until now, the policy has not had the desired effect. The aim is to have female representation on the Executive Board within three years.

Organisational developments in 2014

Customer organisation

In order to serve our clients to best effect, the Customer Relationship Management department is aiming to establish a joint long-term road map on the basis of clear arrangements and priorities. The active involvement of clients will result in distinct expectations and the greatest possible transparency. The customer teams are now the first points of contact for clients. This body, which includes representatives of both the customer organisation and the business units, is used to ensure that all client-specific matters are coordinated as efficiently as possible.

Furthermore, matters are being increasingly directed on behalf of clients when work is coordinated within MN. Important developments and themes are identified, which are then used as a basis in cooperation with the various business units, to develop suitable products or solutions. In addition, a great many employees have followed extra training to increase customer focus and to continue to professionalise the service of customers for clients.

In the Cost+ process, MN discusses the costing method with a number of clients and the way in which fees must be arrived at. This must result in a fee that offers MN sufficient scope for investments and margin for risks. There should also be a certain room for manoeuvre so that controlled results can be achieved. The aim is to reach agreement some time in 2015.

Pensions

In 2014, a great deal of time and energy was devoted to the New Schemes [Nieuwe Regelingen - NR] project. The pension sector is undergoing rapid change and pensions are subject to political and social debate. MN used the New Schemes project to ensure that our processes and systems comply with changes in legislation. The project also marked the successful introduction of the new pension schemes for the engineering sector. MN can respond more flexibly to future changes in the pension system and the way in which clients wish to substantiate those changes. Last year, MN devoted a lot of effort to adjusting existing systems, which allowed it to take account, for instance, of the rise in the retirement age.

In 2014, our clients PMT and PME had to reduce the pensions again. This had a huge impact on the almost two million members of these funds. MN worked hard to process the pension reduction on time and to inform the members. Together with its clients, MN ensured that this reduction went smoothly, partly thanks to the efforts of all those involved and the preparations, which had already started in October 2013.

In late 2014, employers and employees in the metal and engineering and metal and electrical engineering industries reached agreement on a new pension scheme for the PMT and PME pension funds. In the preliminary process, MN acted as an advisor in preparing the consultations between the social partners and the pension funds.

The focus on the quality of the administration is currently greater than ever, not only within MN but also in the case of our clients and regulators. After all, we wish to administer members' pensions and to pay the pension to which members are entitled as efficiently as possible. Reliable data is vital in this respect. MN has worked hard to increase data quality. This process was completed in 2014. During this process, many existing and possible data problems were made more transparent and solved where possible. Other data issues in the systems were distinguished, so that they can be quickly identified by employees. Data management has been introduced within the organisation on a long-term basis. Data management facilitates the proactive and methodical detection, solving and monitoring of possible future data problems, which ensures a continuous quality improvement. Regular data-related and plausibility checks are carried out to assess the quality of the administration and to take recovery actions if inaccuracies are discovered. This is vital to ensure an administration in which inaccuracies are prevented as far as possible.

Insurance

Following the organisational division of Pensions and Insurance, work continued in 2014 on structuring the Insurance unit and intensifying customer focus.

In mid-2014, client NV schade approved the customer information improvement plan (CIIP) drawn up by MN. The aim of the CIIP is to ensure that all communications and customer contacts of NV schade meet what is referred to as the 'hard' and 'soft' criteria and contribute to the goal of scoring eight out of ten for customer focus at the end of 2015. The core values of NV schade act as a guideline for the communication structure. Furthermore, the Insurance unit facilitated NV schade in gaining the Customer-Oriented Insurance Quality Mark [*Keurmerk Klantgericht*]

Verzekeren]. MN and NV schade are proud of the award of that quality mark. If an insurer has this quality mark, it means that customers can be sure that they are dealing with a customer-oriented business that does what it promises.

In 2014, the Insurance unit launched the transition to a new insurance system. This system enables MN to process legislation-based changes more rapidly. Moreover, this system improves the service provision and transaction possibilities by means of portals for employers, employees and brokers.

In addition to the above developments, there have been intense consultations with social partners to arrive at a further reinforcement of the strategic partnership with NV schade and the CBM and UVVS participations.

Fiduciary Management & Investments

In 2014, the relationship between the Fiduciary Management and Investments units was reinforced. To achieve this, the implementation of the value chains, which describe the chain from investment plan to implementation and accountability, has continued. This has the advantage of making work processes easier and more efficient. In addition, the Investments unit has focused on greater transparency and a better ISAE statement, which has resulted in a more effective control framework and an improved description of the control measures in the report. The appointment of a new external accountant has led to a new vision regarding the control framework. Employees have worked hard to introduce tighter measures regarding certain aspects and a new structure.

In 2014, all MN funds were placed under supervision in accordance with the AIFMD. The Alternative Investment Fund Managers Directive (AIFMD) is a European Directive containing a sizeable package of measures with which almost all investment funds operating in or from within the EU have to comply. The AIFMD consequently subjects a large number of investment funds, including those that focus solely on professional investors, to the supervision of the Dutch Financial Markets Authority (AFM) and the Dutch Central Bank (DNB).

Last year, the Fiduciary Management unit, together with Investments, again focused a great deal on accurate, timely and complete reports on the performance of investments and cost transparency. This is a subject that continues to hold the interest of our clients and society.

In 2014, MN helped to set up the Dutch National Investment Institute (NLII). The NLII aims to bring about improved coordination between the supply and demand of long-term financing in the Netherlands and therefore wishes to remove the obstacles for the financing of, for instance, SMEs and sustainable energy projects. Participating in NLII is in line with MN's policy to combine social involvement with meaningful and responsible investment choices.

In late 2014, client PMT started making direct investments in Dutch mortgages via a new mortgage supplier. MN offered help in the preparatory phase. Within a period of several months, in close cooperation and coordination with PMT, the concept was developed into a specific product, which complies with all legislation.

Socially responsible investment (SRI) remains an important consideration. In the case of responsible investment, all investment decisions must take account of environmental, social and governance (ESG) factors. In the long term, this results in a better return/risk relationship. Fiduciary Management has therefore devoted a lot of energy to ESG integration. For instance, external managers are now accountable regarding ESG.

In 2014, MN facilitated its clients PMT and PME in making real estate in the Netherlands more sustainable. On the instructions of PME, for instance, office premises were transformed into 185 homes. PMT has stated its ambition to provide a quarter of approximately 4,500 homes with solar panels before 2020. MN launched this project in 2014. The aim is to fit solar panels to the roofs of 1,200 homes before 2020.

Information provision

In 2014, a selection process took place for an ICT infrastructure partner. Atos was selected in a co-sourcing/single vendor model. In the final quarter of 2014, a project was launched to set up a new infrastructure landscape, which will be managed to a large extent by or with Atos.

In 2014, the Information Provision unit made an important contribution to various business projects, including the implementation of the new insurance solution based on TCS BaNCS digital platform. The development of the redesign of the insurance administration and the connection to the current and future technical environment were crucial. In the case of the New Schemes programme too, the Information Provision unit worked successfully with the business on the architecture, design and development to effect an implementation of the pension agreement.

Within the MN3.0 programme, the emphasis was on the integration of systems such as Streamserve and TCS BaNCS. Furthermore, Proof of Concepts were carried out for various technical problems such as the digital archive. On the basis of the technical foundation, a new central infrastructure was created based on the Oracle Exastack on which the applications will be installed in phases.

MN3.0

In 2014, MN introduced the MN3.0 long-term change programme to gradually make our organisation more customer-oriented, efficient and effective at lower costs and to cement our position as a leading service provider. MN is using this programme to respond to current and future developments in the pension sector and changing customer requirements. The markets are developing rapidly and people want simplicity and transparency. That requires fully functional business operations in order to provide an excellent and rapid service. MN3.0 is a comprehensive programme highlighting the culture and staff of MN. However, the programme also has a major impact on our organisation structure, management and processes. Where possible, working processes are becoming increasingly automated, which has inevitable consequences for our staffing levels. In order to adapt, we must demonstrate ownership and show boldness. That requires effective management, focusing on a joint objective and discipline in achieving that objective. Employees are crucial to the success of the change programme.

In the context of MN3.0, a culture programme was also launched in 2014. This programme involves three work-related approaches (Pure, Passion and Performance) that correspond to the core values of MN. The Pure approach focuses on developing inspiring and tenacious managers, who bring about change for the sustainable success of MN. The Passion approach is used as a base to coordinate all communication relating to the MN3.0 organisation-wide change with the aim of inspiring and bringing together staff. The aim of the Performance approach is to ensure that all teams within MN have a repeated focus on performance.

Corporate Social Responsibility

At MN, we impose high standards regarding corporate social responsibility (CSR). Our aim is the consistent application of CSR principles in all MN core processes. We assess our CSR performances externally by means, for instance, of the transparency benchmark of the Dutch Ministry of Economic Affairs, in which MN participates voluntarily each year.

The involvement of and close cooperation with our stakeholders are vital when determining our CSR ambition and direction. The fund boards have a central role to play in this respect. The MN CSR report contains a materiality matrix that indicates the subjects that are important to MN and its stakeholders. The CSR report deals in greater detail with our ambitions, policy and performances relating to corporate social responsibility in the past year.

The MN staff

MN attaches great value to the interests and development of its staff, which is why it ensures that staff can perform optimally, both now and in the future. MN provides its staff with possibilities to progress, to grow and to develop in a dynamic environment. We do so based on the notion that our business involves people: work performed by people for people.

Remuneration policy justification

In early 2014, the new job category system was introduced. The content, tasks and objective of each job is stated. The job category system also highlights advancement opportunities. The new system focuses on output: the results you must achieve. In 2014, in line with the job category system, MN introduced a cohesive, transparent, consistent and responsible remuneration policy. This involved a transition to another salary system: the Hay system. In the first six months of 2014, the various aspects of the remuneration policy were discussed with the social partners and the works council.

An important element of this remuneration policy is MN's desire to attract and retain staff by emphasising the social relevance of the work and the development possibilities offered by MN. With regard to remuneration, MN wishes to keep in line with the financial services market (and a particular segment within this market where necessary). Specifically, this means that the remuneration policy focuses on the median of positions of a comparable weight and is therefore more moderate.

The Executive Board and senior management have also been given the option of waiving their variable remuneration in exchange for fixed remuneration. This target group, including the members of the Executive Board, have opted to waive their variable remuneration.

In 2014, MN employed 57 staff who were entitled to variable remuneration as part of their total pay. These are staff within the Investments and Fiduciary Management departments. In the same year, 55 of them actually received variable remuneration. Variable remuneration is awarded in accordance with a number of fixed steps based on individual annual objectives. In 2014, the average proposal in the context of variable remuneration at MN was 12% of the fixed salary.

The Management Board has its own remuneration policy. This was adopted on 3 April 2014 by the General Meeting of Shareholders. The reference point is the median of the managing director market. The Management Board does not receive variable remuneration. The severance payment is a maximum of one year's salary.

Diversity and equal opportunities

MN wishes to have a workforce consisting of men and women of diverse age groups and level. MN believes that such diversity leads to mutual respect, working as a team and promotes creativity, productivity and a positive environment.

In order to promote more women to higher management positions, the MN in Balance project was launched in the autumn of 2013 with the aim of gradually bringing about a better relationship between the number of men and women in management positions. For this purpose, HR has mobilised MN female staff with management potential and is boosting awareness at strategic management level. The aim is to have female representation on the Executive Board within three years.

The gender diversity policy is based on three elements: acknowledge, recognise and embed.

In 2014, in the context of MN in Balance, Mindbugs sessions were held for Executive Board members and managers. Furthermore, four meetings were organised in 2014 for the MN female network featuring an interesting female speaker and a very successful 'Visionary Women in Pensions' gathering was held for women in key positions in the pension sector. There were also three female leadership training sessions devoted to explaining the board room dynamics to women who work with many male colleagues. These aspects were embedded in the HR policy by means of strategic personnel planning with the Executive Board and by adopting the principle that in the case of every management vacancy, there must be at least one woman on the shortlist of three candidates. In 2014, ten women advanced within MN as a result of lateral staff changes and promotion.

In 2014, the diversification policy focused on the development and advancement of women. Progress has been made in this area. However, the policy has not yet resulted in more women being appointed to senior positions. In 2015, consideration will be given to structuring the diversification policy in a broader sense.

Staff vitality

MN believes that energetic people feel more at ease with themselves, are more high spirited and often enjoy good health. Moreover, MN is of the opinion that energetic staff are more productive and efficient. That is why MN is focusing on the vitality of its staff.

MN's internal fitness studio is well-attended (an average of 891 employees a month). Staff working in Amsterdam are increasingly using the possibility of obtaining an allowance for participating in fitness programmes and/or attending a fitness centre. In addition to fitness, workshops relating to nutrition and sleep patterns have been organised, as well as a mindfulness course. This policy will be continued in 2015 with the emphasis on relaxation.

Furthermore, various successful activities have been organised, such as a health week, and staff have participated in the CPC, Roparun and Dam tot Damloop running events. One of these events was also used to collect money for a good cause: the Right to Play.

Manager reinforcement

In implementing the MN3.0 programme, the role of managers is vital. HR will be supporting MN managers closely by means of a management programme. This leadership programme has been included in the Pure culture programme approach referred to above. This programme is intended to develop inspiring and tenacious managers who will bring about change for the sustainable success of MN. The programme will be launched in 2015.

The MN leadership model consists of four elements.

- Focusing on direction and results: this element is geared to communication and formulating objectives for individual teams.
- Managing sustainable change: this element is geared to effectively directing sustainable change processes within the context of MN.
- Inspiring and bringing people together: this element is geared to the unifying role of the manager with respect to the organisation and team.
- Personal leadership: this element is geared to increasing the personal contribution of the manager to achieving the objectives of MN.



Financial developments

Operating income

Turnover in 2014 was € 207.4 million, which was an increase of € 2.9 million compared with 2013. The higher turnover was the result of a higher level of activities. There was an increase of € 19 billion in assets under management, mainly as a result of the positive development on the financial markets, which was partly evident in higher returns for the investment activities. Furthermore, the legislative changes (including the retirement age rise to 67), the restart of pension transfers and the processing of a pension reduction led to an increase in pension administration turnover of 5% in 2014. On the other hand, standard pension activity volumes were lower in 2014. Information and communication support continues to expand in view of the social need to provide greater transparency for and better understanding of pension funds.

Operating costs

In comparison with the previous financial year, operating costs increased by € 5.0 million euros to € 204.5 million euros. The costs increased because they are directly related to a higher level of standard and additional activities.

Within the total operating costs, some of the expenses are directly related to performing non-standard services. Demographic developments and the financial crisis had a major impact on the development of the funding ratios, which again resulted in the processing of a pension reduction in 2014. Furthermore, as part of the New Schemes programme, MN adjusted products, processes and systems in 2014 to comply with legislative changes and specific customer wishes. The restart of pension transfers at clients resulted in extra efforts in 2014.

The Dutch pension system has been under pressure for some time and will change drastically in the next few years. This will have major consequences for the entire sector: funds, social partners, members, but also MN. These developments mean that we will have to demonstrate more proactivity, flexibility and adaptability. MN is responding by means of the MN3.0 programme, which is a comprehensive change process in which the structure of MN, the systems and the culture will be improved cohesively. In 2014, the MN3.0 programme was launched. IT fundamentals were renewed and reinforced and the first improvements in the employer chain

were introduced. The restructuring of the insurance administration too will account for a major part of the costs within this change process in 2014. Furthermore, MN has taken initial steps within the culture and leadership programme.

The total costs of the MN3.0 programme in 2014 were € 5.4 million, 60% of which were financed from the standard project budget.

Moreover, MN responded to the increased complexity. Stricter statutory requirements and the increase in legislation, including the AIFMD and Solvency II directives, resulted in extra project costs. There is also the statutory and operational requirement of being able to analyse more data and to use such information as a basis for decisions. This has resulted in increased data and licence fees, particularly for the Asset Management unit. This increased complexity has also led to an increase in staff in order to respond effectively as an organisation. Asset Management anticipated the increased complexity by expanding mandate development and data and information management. Initiatives relating to data quality and restarting pension transfers within pension administration have led to a temporary growth in staff. The development of staff costs in 2014 also related to the collective agreement indexation of € 2 million, with a compensation effect being involved. The growth in invested assets has led to higher management costs for external asset managers. This is despite the tendency of clients to invest more passively (and therefore more cheaply).

Result

The 2014 result is slightly below target, mainly the affect of the launch of the MN3.o programme. MN having successfully consolidated its position in the UK is well placed to benefit from growth in that market. The focus in the Netherlands remains on meeting the needs of the existing pension fund clients, given the funding ratios and policy situation.

Active control by the management, supported by a planning and control process, results in a healthy operating profit, geared to sufficient cash and equivalents and room for investment for the future. The above has led to a positive result after tax of € 2.8 million, which is below the 2013 result.

Proposal for appropriation of profit

The shareholders may decide to reserve all or part of the profit. We propose adding the entire profit from the 2014 financial year to the other reserves. The profit appropriation will be finally adopted at the General Meeting of Shareholders.

Cash position

The positive operating profits, the investments, the working capital control and the growth in turnover resulted in MN's own cash position in late 2014 increasing slightly compared with the position at the end of 2013. MN has a capital-intensive character and consequently a high level of investment. An important consideration is that MN operates in a market that is very susceptible to change. Moreover, the administrative nature of our service provision means that it depends on high-quality automation and consequently investments. This pressurises the cash position and increases the need to properly coordinate short-term working capital in such a way that the liquidity requirement is sufficient.

Furthermore, financial service providers such as MN have to deal to an important extent with legislation such as the Internal Capital Adequacy Assessment Process (ICAAP) and the Alternative Investment Fund Managers Directive, with not all cash and equivalents being freely available for use in the working capital.

Investments

To support staff, business processes and the continued professionalisation of production, € 15.9 million have been invested in hardware and software. The book value of the tangible and intangible fixed assets has risen from € 22.4 million 2013 to € 30.2 million in 2014. This rise is a deliberate choice in line with the planned technical replacement investments and the intended future development investments of MN3.0.

Capitalisation of MN

MN must have a sufficient capital buffer to guarantee the continuity of the business operations for all stakeholders. Given the nature and size of the business activities, account must be taken of applicable social standards, as well as Dutch Central Bank standards for maintaining the capital base for clients at Vermogensbeheer BV and Fondsenbeheer BV and for the other clients. Furthermore, MN has a liquidity requirement and needs to be able to finance future investments efficiently.

Analysis has shown that MN met the statutory prudential capital requirements for the entities under supervision, but that the available capital buffer at group level was insufficient. MN was therefore convinced that a strengthening of the balance sheet was a necessary and important condition for sound business operations. Close consultations have been held with the shareholders in recent years about the way in which the desired growth could be achieved. The funds decided that, in addition to the available capital base, an additional credit facility of € 24 million would be made available to MN as a back-up should any calamity occur. Should it be required, this credit facility will take the form of a subordinated loan that can be converted into a capital base under certain conditions. In this way, MN's total capitalisation is sufficiently robust to counter risks in current and future conditions.

Risk management

MN considers sound and solid risk management to be a condition for proper internal control and for retaining the confidence of clients, employers and members in effective pension administration and asset management. This involves a risk appetite based on:

- avoiding risks that may negatively affect the quality of the service provision to MN's clients;
- complying in full with legislation;
- complying with rules to prevent the failure of the system for risk management and internal control;
- aiming for a sound and responsible financial policy.

Within MN, risk management is based on the principles of sound management, as formulated in the Netherlands Corporate Governance Code and on the COSO internal control framework.

The COSO framework has been generally accepted internationally and acts as an important basis for corporate governance and risk management initiatives. The application of COSO ensures that within MN, risks are unambiguously and efficiently identified, measured, managed and monitored.

Three Lines of Defence

For monitoring risks, MN has opted to use the 'Three Lines of Defence' model.

The operational business units (first line of risk management) bear primary responsibility for properly controlling the risks related to their own operations. They must ensure that the (senior) management can take well-considered risk management decisions within the delegated powers and frameworks imposed by MN.

The supporting risk and control functions are independently positioned in the second line with respect to the operational business units. The responsibility of the second line is two-fold. Monitoring correct and complete compliance with the various MN risk management frameworks and policy documents on the one hand, and independently analysing, reporting and advising on the various risk types on the other.

As the third line of defence, the Internal Audit department is independently positioned with respect to both the first and second lines of defence. It is

responsible for providing independent and objective assurance by taking a systematic and structured approach to reviewing and improving the operating effectiveness of internal risk management and control. In other words, Internal Audit investigates whether first-line and second-line risk management is robust enough to achieve the organisation's objectives.

Committee structure

The Executive Board of MN is aiming for a sound and transparent risk management model, so that MN can demonstrate that risks are being mapped out and controlled and are in line with the desired risk strategy. The Executive Board has delegated certain risk management decisions within the MN organisation to various committees (committee framework), in which both the first and independently positioned second line are represented.

The Executive Board of MN is supported by the Corporate Risk & Compliance Committee (CRCC). The CRCC is partly responsible for ensuring, monitoring and assessing MN's Three Lines of Defence model. The CRCC has been delegated decision-making powers by the Executive Board for all risk-related matters at corporate level. The CRCC is supported by four Risk & Compliance Committees (RCC) focusing on Pensions, Insurance, Asset Management and Information Provision. These committees have been delegated powers by the CRCC to take risk management decisions within their areas of expertise.

Furthermore, the Asset Management RCC has delegated a number of specific risk-related tasks to four supporting committees: the Product Committee, the Reporting Committee, the Valuation Committee and the Investment Committee.

Code of conduct

MN has the social obligation to work carefully, honestly and transparently. For this purpose, the Code of Conduct and Internal Rules (Code of Conduct) applies within MN. This contains the joint principles and starting points for our way of working. The Code of Conduct sets out how MN staff should deal with customers, suppliers, colleagues and society. The Code of Conduct can be found on the MN website. The compliance officer is responsible for investigating and establishing behaviour that is not in accordance with the Code of Conduct.

ISAE 3402

MN has an integral approach to risk management so that it can continue to meet the strict demands imposed by clients, participants, regulators and MN itself on internal control. MN manages the risks in relation to each other, at different levels within the organisation and as part of the regular management cycle.

MN supplies ISAE 3402 reports that provide an account of the management of the customer processes that have a material impact on the financial reporting by clients. The operation of the control measures is assessed throughout the year by an external auditor who issues a statement. MN issues various ISAE 3402 type II reports: for the services provided by the Pensions & Insurance and Information Provision business units, and for the services provided by the Fiduciary Management and Investments business units. The reports are split because not all clients purchase services from both units.

In the context of the adoption of the financial statements of clients, they have been issued with the certified ISAE reports. Furthermore, the points of attention that emerge for MN will be discussed in the detail with the clients in question.

Developments

AIFMD

On 22 July 2013, the Alternative Investment Fund Managers Directive (AIFMD) came into force. Up to and including 22 July 2014, a transitional year applied in which MN had a best efforts obligation to actually be AIFMD compliant by this date. MN succeeded in becoming compliant on time and as part of this process all MN pooled funds were placed under the management of Mn Services Fondsenbeheer BV as of 1 July 2014. As a result, the assets managed by Mn Services Fondsenbeheer BV have risen from € 30 million to € 5.4 billion.

In accordance with the requirements of the AIFMD, MN has appointed an independent depositary. MN has opted for Citibank International PLC. In June, Citi performed an Operational Due Diligence (ODD) at MN and is generally very satisfied. Following several trial months, Citi assumed the formal role of depositary as of 1 July 2014 and frequent coordination takes place between Citi and MN.

Part of becoming compliant involves the tightening of internal and external monitoring. Since 1 July 2014, the investment guidelines as included in the prospectus are monitored (both internally and externally by the depositary).

ICAAP

It is vital for MN to be sufficiently capitalised for the risks within the various entities Mn Services Vermogensbeheer B.V., Mn Services Fondsenbeheer B.V. and Mn Services N.V. in accordance with the Internal Capital Adequacy Assessment Process, or ICAAP.

According to the Dutch Financial Supervision Act [Wet op het financieel toezicht], Mn Services Vermogensbeheer B.V. and Mn Services Fondsenbeheer B.V. are required to establish each year the amount of capital they consider adequate. The annual risk and scenario analysis was again performed in 2014. Changes were introduced with respect to Mn Services Vermogensbeheer B.V. to comply with the prudential requirements of the European Capital Requirements Regulation and the associated European Capital Requirements Directive (CRD IV), which came into force on 1 January 2014. As regards Mn Services Fondsenbeheer B.V., the capitalisation requirements on the basis of the AIFMD in 2014 are included in the Financial Supervision Act. As a result, the liability insurance cover was increased as of 1 July 2014 and a calculation was made of the capital to be maintained and the related periodic monitoring.

The conclusion is that Mn Services Vermogensbeheer B.V.'s and Mn Services Fondsenbeheer B.V.'s own capital base is adequate to meet the regulator's prudential capital requirements, given the nature and size of the business operations and risk profile. The capitalisation is sufficiently robust to counter risks in current and future conditions.

Risk classification and explanation

In line with good practices, the Executive Board considers it important to have a proper understanding of the risks to which MN is exposed, so that they can be controlled. MN defines risk as the potential variation from expected results that impacts the value, capital, income, clients, organisational objectives or future opportunities of MN. This means that MN's and its clients' risk exposure is linked to the external and/or internal risks that are inherent to its operations.

Taxonomy

The Risk Taxonomy of MN defines the risk typologies to which MN's business operations are exposed. Furthermore, it identifies the risk typologies to which clients are exposed and which are monitored on their behalf by MN. To ensure effective risk management for its business operations, MN has opted to classify the various risks and to divide them into categories. The risk classification is generally in line with the Financial Institutions Risk Analysis Method (FIRM Manual) as developed and published by the Dutch Central Bank in 2005. The choice of categories is based on the most frequently occurring risks as identified by MN. MN distinguishes the following risk classifications.

Business risks MN

Risk classification	Risk types
Strategic & business risk	<ul style="list-style-type: none"> • External risks • Competition • Dependence • Business climate • Governance risk
Operational risk	<ul style="list-style-type: none"> • Transaction • Processing • Payment/Settlement • Information • Product • Costs
Model risk	<ul style="list-style-type: none"> • Incorrect risk and/or valuation figures • Methodology Standards • Testing • Implementation • Model use • Product • Model validation
Reputational risk	<ul style="list-style-type: none"> • Negative image perception • Clients, counterparties, shareholders, regulatory authorities • Derived risk
Fraud risk	<ul style="list-style-type: none"> • Internal fraud • External fraud • Internal guidelines • Legislation • Business ethics
Compliance risk	<ul style="list-style-type: none"> • Integrity risks • Compliance with laws and regulations • Remuneration risk
Outsourcing risk	<ul style="list-style-type: none"> • Continuity of business operations • Integrity • Quality of service provision
IT risk	<ul style="list-style-type: none"> • Security • Controlability • Continuity
Legal risk	<ul style="list-style-type: none"> • Laws and regulations • Liability • Contract enforceability
Financial risk	<ul style="list-style-type: none"> • Credit risk • Liquidity risk • Interest rate/matching risks • Currency risk • Market risk • Concentration risk • Reputational risk
Other risk	<ul style="list-style-type: none"> • (Financial) reporting risk • HR risk • Sustainability risk • Political risk

Explanation of strategic risks

MN distinguishes business risks at three levels: strategic, tactical and operational. Strategic risks are opportunities, threats, strengths and weaknesses when it comes to achieving our strategic objectives. The following table shows the most important strategic risks for MN. In so far as possible, suitable measures have been taken in response to the risks and where necessary, actions and action plans have been drawn up to raise the control to the desired level. This overview is a reassessment of the risks identified in 2014. Following evaluation, MN concluded that the strategic risks listed below are currently no less relevant.

Overview of risks at strategic level

Strategic risk	Description
Increasing complexity (due to a combination of 'broad' and 'customize')	The risk that the controllability, the costs and the maintainability of the implementation will be subject to increased pressure. Increasing complexity is involved (e.g. by growing demand for individual solutions (client and purchasing client) in combination with pressure on costs and quality).
Key man risk	The risk of increasing dependence on a number of key staff with specific knowledge and competences in important national and international positions. It is important to bind these staff to MN or to ensure that the required knowledge is obtained from within MN or from the market.
Reputational damage	The risk that MN suffers reputational damage, either directly or indirectly, due to the actions of its own staff or the actions of clients/suppliers/business partners. This poses a risk to business objectives such as growth, continuity and retention of clients.
New parties have been able to enter the market more quickly	The risk is that MN will be insufficiently able to anticipate the new rapidly progressing market.
The market for income build-up is broadening rapidly	The risk is that MN will no longer be perceived as the 'reliable, logical partner', so that: 1) clients will be lost; 2) growth is hardly possible.
Laws and regulations change so fast that MN cannot be compliant	The risk is that: 1) MN fails to respond to changes on time; 2) MN takes insufficient account of the unpredictability of the market/politics.
MN is unable to go beyond existing paradigms	The risk that MN continues to innovate insufficiently, as well as the risk that MN relies too much on existing models. There is a limited innovation culture. There is a lack of leadership when it comes to innovation. MN is also insufficiently able to detect and appreciate the characteristics that make it possible to determine which of the strategic scenarios described by us are expedient, and the consequences they have for the strategic direction of MN and the structure of the organisation.
MN depends on a limited number of clients.	The risk that MN loses a substantial client and consequently a large portion of turnover.

Explanation of financial risks

Credit risk

The credit risk is defined as the risk that counterparties cannot fulfil their contractual obligations. This risk is considered slight, given the quality of the debtors (the debtors are mainly pension funds and insurers with a low default or bankruptcy risk) and the adjustment of the advances that MN charges to its clients if there is reason to do so.

The cash and equivalents are held by banks with at least an AA rating. The credit risk is considered to be negligible.

The Moody's ratings of the banks are as follows:

Bank	Rating
ING	A2
RABO	Aa2
HSBC	Aa3

As of the balance sheet date, 89% of the cash and equivalents are held at ING, 5% at the Rabobank and 6% at HSBC. Furthermore, MN has credit facilities totalling € 21 million. The facilities are provided by participants PMT and PME.

Liquidity risk

Liquidity risk is the risk that the volume and the timing of the cash flows are not properly matched within approximately one year, in which context a shortage of cash and equivalents cannot easily be compensated. The current level of liquidities is above the buffer established by MN. MN has a forecast model to monitor the spending pattern. MN also has a credit facility provided by its participants, which it has not had to use so far.

Interest rate risk

With regard to the fixed-interest long-term loan of its participants, MN runs a risk on the fair value as a result of changes to the current market rate. This risk is not hedged. The interest rate risk on the outstanding deposits is not hedged, given the short-term character of the deposit and the level of the amount in relation to MN's balance sheet total and turnover.

Currency risk

MN operates mainly in the Netherlands. The only currency risk relates to the positions in British pounds in accordance with the activities of the UK branch. This risk is considered minimal and is therefore not hedged in view of the slight volume in British pounds, as well as the fact that spending also takes place in the same currency.

Market risk

The market risk for MN is non-material because MN performs investment transactions only at the expense and risk of professional investors.

Concentration risk

The risk that MN runs of losing a large part of its turnover, given the relatively large turnover at a limited number of clients, is designated as an inherent concentration risk. The three largest clients account for 80% of MN's turnover. The risk is considered limited, given that MN has a strategic partnership with these clients and that these partners are also shareholders of MN.

Reputational risk

Reputational risk is the risk that MN is portrayed negatively in the news as a result of, for instance, complaints, disputes, negative reporting in the press, incidents and compliance issues. Important sources for reputational risk include MN's internal operations and actions for the benefit of clients and other business parties. Furthermore, public opinion about pensions and pension administrators may be influenced by politicians, the press and legislation. In order to limit reputational damage arising from operational errors as far as possible, MN performs its administrative activities in accordance with the ISAE 3402 standard. As an administrator, MN runs a risk specifically with regard to asset management activities outsourced to MN by clients, if the investment strategy of its clients is not in line with social opinion or if well-considered investment strategies nevertheless turn out to be unsuccessful. As an asset manager, MN bases its policy on the United Nations Principles for Responsible Investment (UNPRI).

MN also has a Know Your Relations (KYR) policy to guarantee the integrity of its business operations as far as possible. MN also has a code of conduct and internal rules apply to its staff (see the Code of Conduct section).

In Control Statement

An In Control Statement (hereafter referred to as “ICS”) was issued for three successive financial statements (2011, 2012 and 2013). MN’s Executive Board has decided not to issue an ICS in the 2014 Financial Statements (and in subsequent years). Within MN, the ICS control framework and internal in control statements will remain in force without, however, a formal statement being issued. MN originally introduced the ICS to demonstrate the proper management of its own organisation. Another important consideration was the focus of society on and the increasing supervision of the pension sector, which meant that pension funds wished to demonstrate in the long term that they were properly managing their business operations. The desire of demonstrating the proper management of the business operations and creating the possibility for pension funds to have an ICS included in their annual report was the reason behind MN’s decision to include an ICS in its financial statements. After three years, however, it has become clear that the scope of the ICS has not produced the added value that was intended. With regard to our customer processes, the ICS provides no more than the ISAE 3402 standard already applied and as a result, the ICS of MN offers no or hardly any added value for our clients.

Looking ahead to 2015

The pension world will continue to change significantly in the next few years. The government will be putting forward proposals this year for the further adjustment of the Dutch pension system and to make it future-proof. The consolidation trend and the further coordination will continue. The uniform pension scheme for PME and PMT is a good example of this trend. The historically low interest rates, which are expected to continue for some time, make it difficult for the sector to bring the funding ratios to a level that will allow pensions to be indexed again. That is not a comforting prospect.

On the other hand, MN has introduced important changes in recent times that will enable us to deal with the challenges ahead together with and for the benefit of our clients. The MN3.0 internal change programme is geared to adapting the organisation to rapidly changing requirements. This involves not only renewing software and hardware systems, but also further automation of processes and, in particular, increasing the quality of staff and the work they perform.

We are confident that these changes will cement MN's place at the top of Dutch pension administrators.

The Hague, 31 March 2015
Rudolf Hagendijk, MN Chief Executive Officer
Walter Mutsaers, Chief Client Officer



Statement by the Supervisory Board

Statement by the Supervisory Board

The MN Supervisory Board hereby submits the 2014 Financial Statements to the General Meeting of Shareholders (GMS) for adoption. The Financial Statements and the Annual Report have been drawn up under the responsibility of the Executive Board. The Financial Statements have been audited by PwC, who have issued an unqualified opinion. You will find the audit opinion on page 101 of these Financial Statements.

Governance substantiation

On 24 March 2014, a special GMS was held to mark the conclusion of the strategy process followed in the previous eighteen months. This process has led to a new governance and strategic framework for MN. As a result, the pension funds PMT, PME and Bpf Koopvaardij and the social partners in the engineering sector have become more involved in the strategic direction and governance of MN. The Supervisory Board Chairman was directly involved in the steering committee for this strategy process and has kept the Supervisory Board informed about progress and developments. The Supervisory Board monitored this process closely and is satisfied with the results. The Board has indicated that it attaches great value to an independent chairman for StAK MN and hopes that this vacancy will be filled in the short term.

The Supervisory Board has always emphasised the importance of continuing the dialogue with the funds and the social partners following the strategy process. The Supervisory Board believes that the new governance has created the conditions for continuing this dialogue.

Change to the organisation structure with regard to Insurance

During the strategy process, the need for an organisational separation in the administration of Pensions and Insurance was recognised. This was effected by the separation of the insurance organisation. The new organisational structure makes it possible to develop the dynamic and

focus required for the introduction of the desired changes. The Supervisory Board has held further coordination consultations with the Executive Board regarding the intended changes to the organisation structure of MN. Based on the strategic approach, the Supervisory Board supports the new organisation structure.

Developments

In the past year, the consolidation of the pension sector has continued. Following the completion of the transfer of the pension funds of Siemens and Océ, the following parties became affiliated to the pension administration and asset management of MN in 2014: Voestalpine, Dutch Space, Lips (Wärtsilä) and Draka. The Supervisory Board is pleased that MN has taken advantage of developments in the sector to facilitate the affiliation of several client pension funds.

Capitalisation of MN

In accordance with Section 153, Book 2, of the Dutch Civil Code [BW], MN submitted a statement to the Commercial Register at the Chamber of Commerce in late June 2013 that MN fulfils the two-tier company regime criteria. The three-year period (in accordance with Section 154, subsection 1, Book 2, of the Dutch Civil Code) for the application of the two-tier company regime commenced at that time.

The Supervisory Board believes it to be vital at all times for MN to have sufficient buffer capital. This is in view of the social standards, the Dutch Central Bank standards for maintaining the capital base for the clients at Vermogensbeheer BV and for other clients. Furthermore, MN has a liquidity requirement and needs to be able to invest. A delegation from the Executive Board and the Supervisory Board held consultations with shareholders to arrive at a reinforcement of the capital buffer. The agreements that emerged are explained in greater detail in the Executive Board report. In addition to the desired capital base of € 16 million, a facility of € 24 million has been made available to MN, which can be converted under certain conditions into a capital base in the form of a subordinated loan. This creates a total capital buffer of € 40 million. MN's total capitalisation is now sufficiently robust to counter risks in current and future conditions. As a result of this solution, the Supervisory Board considers it responsible to pay out the profit achieved in the 2014 financial year as a dividend.

Corporate governance

In the 2014 financial year, the Supervisory Board met six times with the Executive Board and once without the Executive Board. Two normal shareholders' meetings were held. The Remuneration and Appointments Committee met four times and the Audit Committee met five times. Apart from the normal meetings, the Supervisory Board held consultations and coordination meetings on several occasions when one of the supervisory directors requested such. The subjects included the various strategic initiatives, such as the strategy process.

Composition of the Supervisory Board

According to the retirement schedule, the first period in office of supervisory directors Linse, Vogelaar and Van Woudenberg ended in December 2014.

In 2014, the GMS reappointed Ms Vogelaar and Messrs Linse and Van Woudenberg for a period of four years. As of 1 September 2014, Mr Kok returned as a supervisory director of MN. Mr Kok was previously a supervisory director of MN between 2009 and 2013 and opted at the end of that period to accept a director's position elsewhere on a temporary basis.

Consequently, the Supervisory Board of MN comprises five members who are all now in their second term in office. A second reappointment is not possible in accordance with the Articles of Association. As all current supervisory directors were appointed in more or less the same period, this means that they will all retire around the same date. As a result, an undesirable situation may occur because too much knowledge and experience will exit the Supervisory Board at the same time. It was therefore decided in the GMS on 11 December 2014 to bring forward Mr Van Woudenberg's period in office so that his second period will end in December 2017.

Functioning of the Supervisory Board

The Supervisory Board has evaluated its own functioning and that of its supervisory directors in line with the Corporate Governance Code. For this evaluation, a structured questionnaire was completed with both open and multiple-choice questions. These questions dealt with a number of different aspects. The results were analysed and subsequently discussed with the Board. Points for attention included the information supply to the Supervisory Board, the complexity of the MN playing field and the need for the Supervisory Board to have more contact within the organisation.

Ongoing training

In order to update the knowledge of supervisory directors and to fulfil the requirements of their role as MN supervisors, the supervisory directors have followed training and seminars in certain specific areas, including supervision, pension developments and governance. Further to the evaluation, the Board has also drawn up a training schedule. On the basis of the training schedule, the entire Supervisory Board will follow at least three half-day training sessions each year, relating, for instance, to risk management, ICT, pensions and asset management. This training schedule started in 2014 and the supervisory directors have participated in modules relating to risk management, compliance, audit and ICT.

Coordination with stakeholders

One of the Supervisory Board's important tasks is maintaining contacts with stakeholders, such as the shareholders and the chairmen of depositary receipt holders Bpf Koopvaardij, PME and PMT. Consultations were held with them regarding, for instance, the MN environment. Furthermore, a delegation from the Supervisory Board held a meeting with the PMT visitation committee, in which the relationship between MN and PMT was discussed.

Consultations were also held between supervisory directors Korevaar and Vogelaar and the members' council of PME. In addition, Kees Linse, the Chairman of the Supervisory Board, had a meeting with several fund representatives at the request of StAK MN. During that meeting, both sides emphasised the need for clear communication.

Cost +

The Supervisory Board was informed of the Cost+ process that started after the completion of the strategy process. The strategy process included discussions about how MN should substantiate the fee policy. An independent party detailed the required starting points, assessed the model of MN and provided the parties with a further explanation of Cost+ and setting the fee structure in a broader sense.

The Supervisory Board emphasises the importance of mutual trust regarding the cost method used. The Supervisory Board believes that MN and its clients must arrive at a fee structure that offers sufficient scope for investments and margin for risks, while at the same time allowing a certain room for manoeuvre to achieve controlled results.

Coordination with the works council

The Supervisory Board's contact for the works council, Dr Kees Korevaar, held detailed discussions with the entire works council on two occasions. The subjects for discussion included the remuneration policy, the new job category system and MN3.0. The works council is very involved in the policy choices that are made and monitors the consequences for MN and its employees.

There was also contact with the works council regarding the elections held in 2014. The entire Supervisory Board subsequently had an introductory meeting with the new works council. The Supervisory Board drew the works council's attention to its view on the changes in vision of social partners and funds.

Functioning of the Management Board

The Supervisory Board rules state that the Board must also consider the functioning of the Management Board. The supervisory directors spoke about this in their meeting without the Executive Board and during the discussion of the performance criteria for 2014 in February and September by the Remuneration and Appointments Committee and in March 2015 by the entire Supervisory Board. This is dealt with in more detail in the 'Remuneration and Appointments Committee' section.

MN remuneration policy and remuneration policy for the Management Board

The Supervisory Board has approved a new remuneration policy for MN staff and the associated governance framework. Furthermore, the selection process for deciding which positions are subject to variable pay has been tightened.

In the spring of 2014, the GMS approved the proposal to scrap variable pay for the Management Board members of the Executive Board with retroactive force as of 2013. When this change was made, the variable performance-related part of the remuneration of the Management Board members of the MN Executive Board was partially converted into an increased fixed remuneration.

These changes mean that MN has a remuneration policy appropriate to the social status of MN and which also offers sufficient possibilities for a favourable position on the labour market. The demands of society to make remuneration more transparent and more in line with the market have also been met. The policy adopted is therefore both socially responsible and in line with market conditions.

Corporate social aspects

During the discussion of the MN CSR report and the activities of the CSR committee, the Supervisory Board asked about the possibilities to integrate the CSR report and the Financial Statements. For the 2014 reporting cycle, MN is applying a certain level of integrated reporting, which is intended to launch the long-term process of applying the integrated thinking framework. In the future, the CSR report will be submitted to the Supervisory Board for approval.

MN UK developments

In the past year, the Supervisory Board discussed the developments concerning MN UK on several occasions. The strategy for MN UK was discussed in the form of an evaluation, as well as the steps to be taken with a view to the years ahead. Furthermore, the positioning, governance and management of the UK organisation was dealt with explicitly.

MN3.0

The Supervisory Board was informed right from the start about the context of MN3.0 and has been provided with an outline understanding of the various elements and the corresponding route and planning. The Supervisory Board believes that the comprehensive change programme MN3.0 will allow MN to take up an excellent starting position to deal with and benefit from the expected future developments and ambitions. The Supervisory Board consequently endorses the need for and importance of MN3.0.

The Supervisory Board is periodically updated on the progress of MN3.0. The Supervisory Board has approved the Flexibilisation of Pensions and Reorganisation of the Insurance Administration business cases. The Supervisory Board has approved the Flexibilisation of Pensions and Reorganisation of the Insurance Administration business cases and has received outline information regarding the Excellent Asset Management business case.

The Supervisory Board attaches great value to an effective management and controllable scope of the programme. The Supervisory Board has requested specific focus on the following matters.

- Prior agreement with clients regarding financing. MN's capital base position must not be prejudiced.
- The Supervisory Board has emphasised the personnel aspects of the programme and indicated that explicit account must be taken of the consequences for staff.
- Furthermore, the Supervisory Board was particularly interested to learn of the change process relating to leadership and the DNA of MN. The Supervisory Board shares the conclusions drawn from the analysis and the need to reinforce ownership within MN and to work towards a more result-driven culture.

Other subjects discussed

In addition to the subjects referred to above, the standard quarterly reports, the annual report and the regular information provision, the Supervisory Board also considered the following subjects in 2014:

- *Strategic staff planning*

The Supervisory Board was informed about the advancement of talents and the succession planning for strategic positions. The Supervisory Board is pleased to note that the diversity policy is being actively applied and that results are being achieved.

- *MN COLLECTIVE AGREEMENT*

Remuneration and Appointments Committee

Important subjects dealt with by the Remuneration and Appointments Committee are:

- *Performance criteria for Management Board members of the Executive Board in 2014*
The Committee prepared the decisions in the Supervisory Board relating to the achievement of the performance criteria in 2014. The Supervisory Board has determined the targets and assessed and evaluated them in the interim.
- *Strategic staff policy*
More details about strategic staff policy can be found in Section 1.16. MN has provided the Remuneration and Appointments Committee with extra information about how it shapes such policy. The Committee approves of this.
- *Remuneration policy*
The Committee prepared the decisions of the Supervisory Board relating to the new remuneration policy of MN. You can read more about MN's remuneration policy in paragraph 1.11.
- *MN in Balance*
The Committee approves of the proposal as detailed and emphasises the importance of exemplary behaviour when it comes to diversity.
- *Recruitment at MN*
The Committee is positive about MN's approach with regard to the recruitment of new staff.
- *Changes to the Remuneration and Appointments Committee rules*
A proposal for new Remuneration and Appointments Committee rules has been adopted by the Supervisory Board. The change involves a clarification of the advisory tasks of the Committee with regard to remuneration policy.

Audit Committee

Between 3 March and 8 October 2014, Mr Korevaar held the position of Chairman of the Audit Committee after Mr Kok decided in December 2013 not to seek reappointment. Mr Kok returned as a supervisory director as of September 2014 and from October 2014 he resumed his work as Chairman of the Audit Committee. The Supervisory Board engaged Mr Izeboud as an interim external advisor to the Audit Committee to ensure that the Audit Committee remained at full strength in anticipation of the appointment of a candidate to fill the vacancy.

Capitalisation of MN

The Audit Committee has expressly considered this subject in the past year. The starting point now and in the future is that in the current circumstances, no continuity problems must arise for MN in the short term. The Audit Committee is satisfied with the result of the process as explained in the report above.

Other

Other important subjects dealt with by the Audit Committee were:

- *Internal Audit, Compliance and Risk*
The Audit Committee has discussed the results of the periodic reports of Internal Audit, Compliance and Risk. The responses to the various findings were monitored and adjusted where necessary. In view of the focus on the many change processes, extra attention has been devoted to this topic and explicit consideration was given to MN_{3.0}.
- *Budget and investment estimate*
In the opinion of the Committee, the investment estimate for 2015 is a sound, well-substantiated and future-oriented estimate. However, the Committee also has concerns regarding the high investments that impact the result. There is a risk of a negative result, depending on the depreciations and the agreements regarding the financing of the MN_{3.0} change process. The Committee has therefore recommended aiming for a higher profit and making clear agreements about the way in which MN_{3.0} is financed.
- *Other MN reports*
The Audit Committee also discussed MN's monthly reports in detail, with the focus being on controlling the use of third parties.

- *Internal value analysis*

The Committee was given an explanation regarding the differences in the valuation as of 1 January 2014 compared with the valuation as of 1 January 2013. The Committee notes that the valuation of MN UK has a major positive influence on the valuation of MN. Furthermore, MN3.0 involves substantial investments. This will influence the valuation of MN, which cannot be quantified in advance. With regard to MN3.0, the investments will have to be included on a value-neutral basis in the valuation. The Audit Committee has requested that in new analyses, explicit account should be taken of the results and consequences of the Cost+ process.

- *Cost+*

The Audit Committee was informed of the progress and the results. The Audit Committee emphasised in this context that it attaches great importance to firm agreements about a realistic margin for MN. This has proved difficult to bring about in practice, however.

- *Dividend*

As regards the dividend proposal, it was suggested to focus on sufficient capitalisation rather than a dividend. No dividend should be paid out until the capital buffer has been guaranteed at a level of approximately € 40 million.

- *Evaluation of the external auditor*

As the external auditor, PwC attended all the meetings of the Audit Committee. Furthermore, periodic coordination consultations were held between the chairman of the Audit Committee and PwC without meetings being held. The Audit Committee's first impressions of PwC as the external auditor are positive. This was also the conclusion of the evaluation of the external auditor performed in the autumn of 2014. As a result of this evaluation, the Committee has decided to support the proposal to appoint PwC as MN's auditor for the audit activities for the 2015 financial year, with the intention of an extension up to and including 2017.

Looking ahead

In 2015 too, MN will continue to be faced by challenges, not least because of the MN3.0 change programme in which drastic changes will be introduced throughout the organisation. The Supervisory Board is fully confident that in 2015 too, the MN staff will make every effort to contribute to the service provision of MN and to all improvement processes.

We wish to extend a special word of thanks to Mr Hagendijk who has worked at MN for 18 years, 10 of which as Chief Executive Officer. He has announced that he will be leaving MN in 2015. Under his direction, MN has become a leading player in the financial sector. We greatly appreciate his achievements. We look back with gratitude on Mr Hagendijk's contribution and value his great involvement and his sense of perspective.

In conclusion, the Supervisory Board wishes to thank the Executive Board and the staff and would like to express its appreciation for all their efforts in 2014.

The Hague, 31 March 2015
Dr Kees Linse, Chairman of the Supervisory Board



Financial Statements

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Consolidated balance sheet as at 31 December 2014

before appropriation of result

Assets	31 December 2014 x €1,000	31 December 2013 x €1,000
Fixed assets		
Intangible fixed assets 1)		
Software	15,292	5,256
Tangible fixed assets 2)		
Equipment	10,297	12,032
Other fixed assets	4,611	5,071
	14,908	17,103
Financial fixed assets		
Other associates 3)	4,720	4,518
Other receivables 4)	684	-
	35,604	26,877
Current assets		
Receivables		
Receivables from clients 5)	13,394	15,194
Tax and other social securities receivable 6)	3,608	1,607
Other receivables and prepayments 7)	8,617	4,509
	25,619	21,310
Cash balances	53,784	87,164
Cash from third parties	42,034	37,262
	95,818	124,426
	121,437	145,736
Total	157,041	172,613

Numbers stated in the items refer to the notes to the balance sheet

Equity and liabilities

	31 December 2014 x €1,000	31 December 2013 x €1,000
Group equity	28,860	30,753
Provisions		
Other provisions 9)	4,104	3,184
	4,104	3,184
Long-term liabilities		
Subordinated loans from participants 10)	9,000	9,000
Liabilities to credit institutions	-	77
Other liabilities	10,207	9,745
	19,207	18,822
Current liabilities 11)		
Payables to credit institutions	-	86
Payable to banks	15,937	54,278
Trade payables	4,926	2,333
Tax and other social securities payable	3,124	4,045
Pension liabilities	362	70
Other payables and accrued expenses 12)	38,487	21,780
Cash from third parties to be paid	42,034	37,262
	104,870	119,854
Total	157,041	172,613

Consolidated profit and loss account

2014

	2014 x €1,000	2013 x €1,000
Net turnover 13)	205,279	203,361
Other operating income 14)	2,080	1,160
Total operating income	207,359	204,521
Employee costs 15)	114,814	111,008
Cost of subcontracted work 16)	40,591	38,523
Depreciation	8,708	9,017
Other operating expenses 17)	40,385	40,903
Total operating expenses	204,498	199,451
Operating result	2,861	5,070
Interest income and similar income	126	142
Interest expenses and similar charges	-647	-545
Financial income and expense	-521	-403
Result from ordinary business activities before taxation	2,340	4,667
Share in the result of non-consolidated associates 18)	1,393	1,190
Result before taxation	3,733	5,857
Tax on result of ordinary business activities 19)	-976	-1,206
Result after taxation	2,757	4,651

Numbers stated in the items refer to the notes to the profit and loss account.

Consolidated cash flow statement

2014

	2014 x € 1,000	2013 x € 1,000
Cash flow from operating activities		
Operating result	2,861	5,070
Adjustments for		
Depreciation 1), 2)	8,708	9,017
Disposals of intangible fixed assets 1)	159	-
Disposals of tangible fixed assets 2)	568	237
Changes in provisions 11)	920	1,638
	10,355	10,892
Changes in working capital		
Receivables from clients	5,670	-2,730
Other receivables and prepayments 7)	-9,529	650
Other payables and accrued expenses 12)	19,852	-364
Payables to credit institutions	-86	-39
	15,907	-2,483
Cash flow from business activities	29,123	13,479
Interest received	126	198
Interest paid	-647	-417
Income tax paid	-2,703	-3,619
Dividends received	1,191	98
	-2,033	-3,740
Cash flow from operating activities	27,090	9,739
Cash flow from investment activities		
Investments in intangible fixed assets 1)	-13,435	-1,468
Investments in tangible fixed assets 2)	-3,866	-4,054
Cash flow from investment activities	-17,301	-5,522

Numbers stated in the items refer to the notes to the balance sheet.

	2014 x € 1,000	2013 x € 1,000
Cash flow from financing activities		
Redemption from long-term liabilities	-77	77
Proceeds from issuance of loan 5)	-100	-
Dividends paid	-4,651	-
Cash flow from financing activities	-4,828	77
Movements in cash	-4,961	4,294
Cash balance as at 1 January	32,886	28,592
Cash balances 10)	53,784	87,164
Payable to banks 13)	-15,937	-54,278
Cash balance as at 31 December	37,847	32,886
Movements during the financial year	4,961	4,294

Consolidated accounting principles

Operating activities

The activities of Mn Services N.V., acting under the name MN, having its registered office and business in The Hague, located at Prinses Beatrixlaan 15, The Hague, consist mainly of asset management and pension scheme administration.

Policies for consolidation

The consolidated financial statements of MN include the financial data of companies belonging to the group and other legal entities over which control can predominantly be exercised or which are subject to central management.

The consolidated financial statements have been drawn up subject to the accounting principles for valuation and profit determination of MN.

The consolidated financial statements of MN include the financial data of:

- Mn Services Vermogensbeheer B.V., having its registered office and its actual place of business in The Hague (100%).
- Mn Services Fondsenbeheer B.V., having its registered office and its actual place of business in The Hague (100%).

The financial data of the consolidated companies and other legal entities and companies included in the consolidation have been included in full, subject to the elimination of intercompany relationships and transactions. Third-party interests in equity and result and profit of consolidated companies have been disclosed separately in the consolidated financial statements.

Other associates

MN has an interest in the following associates that are not included in the consolidation:

- Combinatie Bovemij Mn Services B.V., having its registered office in Rijswijk (50%)
- UNETO-VNI Verzekerings Service B.V., having its registered office in Zoetermeer (49.44%)
- Stichting Juridisch eigendom Mn Services Levensloop Fonds, having its registered office in The Hague

No predominant control or central management may be imposed on these legal entities.

General policies for preparing the consolidated financial statements

The consolidated financial statements are prepared in accordance with the statutory provisions of Part 9, Book 2 of the Dutch Civil Code and the firm pronouncements in the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board. Unless stated otherwise, these financial statements are presented in thousands of euros.

Valuation of assets and liabilities and determination of the result takes place under the acquisition cost or production cost conventions. Unless presented otherwise the assets and liabilities are valued according to the fair value, usually the nominal value.

In the balance sheet and in the profit and loss account and the cash flow statement, references are included. These are references to the notes.

Comparison with previous year

The valuation principles and the method for determining the result are unchanged compared to the previous year.

The comparative figure for 'Cash from third parties' has been reduced by € 1.4 million. On the liability side, the item 'Cash from third parties to be paid' has been reduced by the same amount. The adjustment concerns a group of bank accounts, of which the beneficial ownership was unclear, in previous years. The reclassification has no consequences for the equity and/or the result of previous years.

Estimates

In applying the principles and policies for preparing the financial statements, the Executive Board of MN make different estimates and judgments that may be essential to the amounts disclosed in the financial statements. If it is necessary in order to provide the transparency required under Book 2, article 362, paragraph 1, the nature of these estimates and judgments, including related assumptions, is disclosed in the notes to the relevant financial statement item.

Financial Instruments

Financial instruments include both primary financial instruments, such as receivables and payables, and financial derivatives. The notes to the specific items of the balance sheet disclose the fair value of the related instrument if this deviates from the carrying amount. If the financial instrument is not recorded in the balance sheet, the information on the fair value is disclosed in the notes to the 'Contingent rights and obligations'. For the principles of primary financial instruments, reference is made to the notes to the relevant financial statement item.

Functional currency

The consolidated financial statements have been prepared in euros; this is both the functional and presentation currency of MN.

Foreign currency

Monetary assets and liabilities denominated in foreign currency are translated at the exchange rates prevailing as at balance sheet date. Transactions in foreign currency during the financial year are recognised in the financial statements at the exchange rates prevailing as at transaction date. The exchange differences resulting from the translation as of balance sheet date, are recorded in the profit and loss account. Non-monetary assets valued at acquisition cost and denominated in foreign currency are translated at the exchange rates at the time that the current value is determined.

Related parties

Related parties are considered to be all legal entities over which dominant control or significant influence can be exercised. Legal entities that can exercise predominant control are also designated as related parties. Management Board members, other key company officers in the MN management and close affiliates are also related parties.

There are no significant transactions with related parties that were not entered into under normal market conditions.

Accounting principles for the valuation of assets and liabilities

Intangible fixed assets

The intangible fixed assets are valued at historical cost consisting of the acquisition price or manufacturing price and other costs, less straight-line depreciation based on the expected economic life, and if applicable, impairments (see 'impairments' paragraph). The depreciations are calculated on a straight-line basis as a percentage of the purchase cost, based on the the expected useful life. Depreciation starts from the date an asset comes into use.

Research costs are recognised in the income statement. Expenditure on development projects is capitalised as part of the production cost if it is likely from both a commercial and technical perspective that the project will be successful (i.e. if it is likely that economic benefits will be realised) and the cost can be determined reliably.

A legal reserve is created in relation to the book value of in-house developed intangible fixed assets.

Tangible fixed assets

The tangible fixed asstes are presented at historical cost consisting of the acquisition price or manufacturing price and other costs, less straight-line depreciation based on the expected economic life, and if applicable, impairments. MN assesses on every accounting date whether there are indications that a fixed asset may be subject to an impairment. If such indications exist, the recoverable amount of the asset is determined (see 'impairments' paragraph).

The depreciations are calculated on a straight-line basis as a percentage of the purchase cost, based on the expected useful life. Depreciation is provided from the date an asset comes into use.

The tangible fixed assets of which the company and its group companies have the economic ownership pursuant to a financial lease, will be valued at fair value or the lower present value of the minimum lease instalments following deduction of straight-line depreciations during the expected future period of use and impairments.

The depreciations on leased tangible fixed assets are also calculated on a straight-line basis as a percentage of the capitalised amount. The commitment arising from the financial lease agreement is accounted for as a liability. The interest included in the future lease instalments is charged to the result over the term of the financial lease agreement.

Impairments

MN assesses on every balance sheet date whether there are indications that a fixed asset may be subject to an impairment. If such indications are present, the realisable value of the asset is determined. An impairment exists if the book value of an asset is higher than the realisable value; the realisable value is the highest of the realisable value and the value in use.

Financial fixed assets

The other associates in which significant influence is exercised on the business and financial policy, are presented at net asset value. A significant influence is assumed if 20% or more of the voting rights can be exercised.

The net asset value is calculated by valuing the assets, provisions and liabilities and calculating the result on the basis of the principles as apply to these financial statements. A statutory reserve is created for retained profits of participating interests valued at net asset value, which are not freely disposable by the company. Participating interests with a negative net asset value are valued at nil.

Participating interests on which no significant influence can be exercised on the business and financial policy, are valued at acquisition price and, if applicable, after deduction of impairments.

Current assets

Deferred tax assets are stated under the current assets if and to the extent it is probable that the tax claim can be realized in due course. These deferred tax assets are valued at nominal value.

Receivables and prepayments

Receivables are stated initially at fair value and subsequently at amortised cost. Provisions for uncollectable amounts are deducted from the book value of the receivable. These provisions are determined by individual assessment of the receivables.

Cash and cash equivalents

The cash and cash equivalents are valued at nominal value and are freely disposable by the company, in so far as not stated otherwise.

The cash and cash equivalents include cash from third parties, for which a similar amount is included under liabilities.

If the bank balance is negative, this is entered under current liabilities.

Provisions

Provisions are made for specific risks and liabilities that exist on the balance sheet date, the size of which is uncertain, but for which a reasonable estimate can nevertheless be made. They are legally enforceable or concern a constructive obligation, the size of which can be estimated in a reasonably reliable manner, and with the outflow of cash and equivalents being required.

Provisions for deferred tax liabilities

The provisions for deferred tax liabilities refer to the deferred liabilities that result from temporary differences between the value of the assets and liabilities under tax regulations on the one hand and the book values applied in these financial statements on the other hand. Valuation takes place at nominal value.

Provision for the premature termination of a contract

A provision has been recognized for obligations resulting from the premature termination of a contract relating to data transport. This provision is valued at present value based on the remaining instalments discounted to present value at the market rate of the Dutch corporate bond 4.375% (2013: 4.375%). The credit rating is AA-.

Provision for claims

The provisions include an item relating to a number of claims resulting from a dispute with third parties. Valuation takes place at nominal value.

Current and long-term liabilities

Long-term liabilities have an expected duration of more than one year. Current liabilities have an expected duration of no more than one year. Liabilities are stated initially at fair value. Transaction costs that are directly attributable to the acquisition of the liabilities are included in the valuation during the initial accounting. After the initial accounting, liabilities are valued at amortised cost, being the amount received, taking into account the premium or discount less transaction costs.

The difference between the specified book value and the final repayment value of the long-term liabilities is recognized for as interest expense on the basis of the effective interest rate during the estimated term of the liabilities in the profit and loss account.

Group equity

The shareholders' equity is explained in more detail in the notes to the company financial statements.

Accounting principles for determining the result

General

The result is determined as the difference between the net turnover and all related costs that can be attributed to the reporting year. The costs are determined with due observance of the valuation principles referred to above.

Revenues are accounted for in the year in which the turnover was achieved. Losses are accounted for in the year in which they are anticipated. The remaining income and expenditure are attributed to the reporting period to which these relate.

Net turnover

Net turnover represents amounts invoiced for services supplied during the financial year reported on, net of discounts and value added taxes. These services are accounted for in proportion to the performance.

The turnover was mainly achieved in the Netherlands. A small part of the turnover was achieved in the UK.

Other income

Other income includes income that is accounted for in connection with occasional operating activities.

Cost of subcontracted work

Costs of subcontracted work relate to all costs relating to subcontracting by third parties that are chargeable to the year.

Depreciation

The depreciation is related to the purchase costs of the intangible and tangible fixed assets in question.

Wages and salaries

MN has made pension promises to its staff, which have been placed with Pensioenfond MN. This involved a CDC (Collective Defined Contribution) scheme. On the basis of the content of the financing agreement concluded with the company pension fund and the content of the pension scheme rules, MN will not be obliged to pay additional amounts in the event of a shortfall at the pension fund. Nor will it be entitled to a contribution discount in the event of a surplus.

The pension liabilities are the liabilities resulting from the administration agreement between MN and the pension administrator.

Liabilities with respect to contributions to the pension scheme are recognised as charges in the Profit and loss account in the period to which they relate. In so far as the premiums have not been paid as of the balance sheet date, an accrual has been recognised for this purpose.

Financial income and expense

The interest income and expense to be attributed to the reporting year on a time proportional basis are included as financial income and expense.

Taxation

Income tax is calculated at the applicable rate on the result for the financial year, taking into account permanent differences between profit calculated according to the financial statements and profit calculated for taxation purposes, and with which deferred tax assets (if applicable) are only valued insofar as their realisation is likely. These differences occur as a result of deviations from depreciation periods permitted under the tax rules and as a result of the difference between the commercial and tax-related allocation of the costs in connection with a return guarantee issued by several life-course funds.

Share in result of non-consolidated associated companies

The share in result of non-consolidated associated companies participating interests refers to the share of the company in the result of the participating interests valued at net asset value.

Risk management

General

MN's risk management is based on the COSO Enterprise Risk Management (COSO) international standard. The application of COSO ensures that risks throughout MN are managed unambiguously and as efficiently as possible.

The quality of the internal management environment is also guaranteed by the application of the three lines of defence model. In this model, line management (1st line), control and compliance (2nd line) and internal audit (3rd line), each have their own responsibility.

Financial Risks

Credit risk

The credit risk is defined as the risk that counterparties cannot fulfil their contractual obligations. This risk is considered limited, given the quality of the debtors (the debtors are mainly pension funds and insurers with a low default or bankruptcy risk) and the adjustment of the advances that MN charges to its clients if there is reason to do so. The cash and equivalents are held by banks with at least an AA- rating. The credit risk/counterparty risk is considered to be negligible. The Moody's ratings of the banks are as follows:

Bank	Rating
ING	A2
RABO	Aa2
HSBC	Aa3

As of the balance sheet date, 89% of the cash and equivalents are held at ING, 5% at the Rabo and 6% at HSBC.

Furthermore, MN has credit facilities for a total amount of € 21 million. The facilities are provided by participants PMT and PME.

Liquidity risk

Liquidity risk is the risk that the volume and the timing of the cash flows are not properly matched within approximately one year, in which context a shortage of cash and equivalents cannot easily be compensated. The current level of liquidities is above the buffer established by MN. MN has a forecast model to monitor the outflow. MN also has a credit facility provided by its participants. MN has not had to use this facility so far.

Interest rate risk

With regard to the fixed-interest long-term loan of its participants, MN runs a risk on the fair value as a result of changes to the current market rate. This risk is not hedged.

The interest rate risk on the outstanding deposits is not hedged, given the short-term character of the deposit and the level of the amount in relation to MN's balance sheet total and turnover.

Currency risk

MN operates mainly in the Netherlands. The only currency risk relates to the positions in British pounds resulting from the transactions of the UK branch. This risk is considered minimal and is therefore not hedged in view of the slight volume in British pounds, as well as the fact that spending also takes place in the same currency.

Market risk

The market risk for MN is not material because MN performs investment transactions only at the expense and risk of professional investors.

Concentration risk

The risk that MN runs of losing a large part of its turnover, given the relatively large turnover at a limited number of clients, is designated as an inherent concentration risk. The three largest clients account for 80% of MN's turnover. The risk is considered limited, given that MN has a strategic partnership with these clients and that these partners are also shareholders of MN.

Reputational risk

Reputational risk is the risk that MN is portrayed negatively in the news as a result of, for instance, complaints, disputes, negative reporting in the press, incidents and compliance issues. Important sources for reputational risk include MN's internal operations and actions for the benefit of clients and other business parties. Furthermore, public opinion about pensions and pension administrators may be influenced by politicians, the press and legislation.

In order to limit reputational damage arising from operational errors as far as possible, MN performs its administrative activities in accordance with the ISAE 3402 standard.

As an administrator, MN runs a risk specifically with regard to asset management activities outsourced to MN by clients, if the investment strategy of its clients is not in line with social opinion or if well-considered investment strategies nevertheless turn out to be unsuccessful. As an asset manager, MN bases its policy on the United Nations Principles for Responsible Investment (UNPRI).

MN also has a Know Your Relations (KYR) policy to guarantee the integrity of its business operations as far as possible. MN also has a code of conduct and internal rules apply to its staff (see the Code of Conduct section).

Cash flow statement principles

The cash flow statement has been prepared according to the indirect method. In the format, the cash flow – which consists of the result after tax increased by the depreciation charges – is presented separately. The cash and equivalents in the cash flow statement consist of cash, bank account credits and deposits.

Dividends paid are included in the cash flow from financing activities. Income and expenditure on account of interest, dividends received and corporate tax are included in the cash flows from operational activities.

Transactions not involving an exchange of funds, including financial leasing, are not included in the cash flow statement.

Notes to the consolidated balance sheet

as at 31 December 2014

Assets

Fixed assets

1 Intangible fixed assets

Movements in intangible fixed assets are indicated as follows:

				2014	2013
				x € 1,000	x € 1,000
	Software-packages	In-house developed software	Software under development	Total	Total
Balance as at 1 January					
Acquisition cost	26,284	13,861	555	40,700	40,986
Accumulated depreciation	-22,634	-12,810	0	-35,444	-33,995
Balance as at 1 January	3,650	1,051	555	5,256	6,991
Movements					
Investments	6,085	2,627	4,723	13,435	1,468
Depreciation	-2,945	-294	0	-3,239	-3,202
Cost of disposals	-384	0	0	-384	-1,754
Accumulated depreciation of disposals	224	0	0	224	1,754
Balance sheet movements	2,980	2,333	4,723	10,036	-1,734
Balance as at 31 December					
Acquisition cost	31,985	16,488	5,278	53,751	40,700
Accumulated depreciation	-25,355	-13,104	0	-38,459	-35,444
Balance as at 31 December	6,630	3,384	5,278	15,292	5,256

With a view to developments in the pension sector, such as the flexibilisation of pension schemes in the context of the new Financial Assessment Framework (FTK), MN is continually investing in customised software.

Depreciation percentages:

in-house developed software

25%

other software

33 1/3%

Depreciation method: straight line

There is an impairment of 159 (x € 1,000) on software packages as a result of the introduction of replacement software.

2 Tangible fixed assets

Movements in tangible fixed assets are indicated as follows:

			2014	2013
			x € 1,000	x € 1,000
	Equipment	Other fixed assets	Total	Total
Balance as at 1 January				
Acquisition cost	17,401	21,046	38,447	38,681
Accumulated depreciation	-5,369	-15,975	-21,344	-19,821
Balance as at 1 January	12,032	5,071	17,103	18,860
Movements				
Investments	859	2,983	3,842	4,295
Depreciation	-2,594	-2,875	-5,469	-5,815
Disposals				
- Cost	-	-1,343	-1,343	-4,529
- Accumulated depreciation	-	775	775	4,292
Balance sheet movements	-1,735	-460	-2,195	-1,757
Balance as at 31 December				
Acquisition cost	18,260	22,686	40,946	38,447
Accumulated depreciation	-7,963	-18,075	-26,038	-21,344
Balance as at 31 December	10,297	4,611	14,908	17,103

Depreciation percentages:

Equipment	Investments	Depreciations	Depreciation percentages
Equipment	195	831	20%
Building furnishing	664	1,375	20%
Construction "Zilveren Toren"	0	388	6 2/3%
	859	2,594	
Other fixed assets:			
Network	439	1,402	20%
Hardware	866	296	33 1/3%
Cars	1,678	1,177	25%
	2,983	2,875	
Total	3,842	5,469	

Depreciation method: straight line

The depreciation method for the construction is related to the duration of the rental agreement.

Payments relating to the capitalisation of the 'Zilveren Toren' renovation were deducted from the capitalised costs.

Financial fixed assets

3 Other associates

Other associates are:

- Combinatie Bovemij Mn Services b.v., having its registered office in Rijswijk 50%
- УНЕТО-ВНИ Verzekerings Service b.v., having its registered office in Zoetermeer 49.44%
- Stichting Juridisch eigendom Mn Services Levensloop in The Hague

	2014 x €1,000	2013 x €1,000
Balance as at 1 January	4,518	3,588
Movements		
Share in result	1,393	1,028
Dividend received from participating interests	-1,191	-98
Total movements	202	930
Balance as at 31 December	4,720	4,518

These can be specified as follows:

	31-12-2014 x €1,000	31-12-2013 x €1,000
Combinatie Bovemij Mn Services b.v.	4,036	3,824
УНЕТО-ВНИ Verzekeringsservice b.v.	571	581
St. Juridisch eigendom Mn Services Levensloop Fonds	113	113
	4,720	4,518

4 Other receivables

	2014 x €1,000
Balance as at 1 January 2014	-
Movements	
Provided loan	100
Increase in investment result receivables	778
Impairments and value adjustments	-194
Balance sheet movements	684
Balance as at 31 December 2014	684

These can be specified as follows:

	31-12-2014 x €1,000
Receivables in accordance with the joint venture CBM	584
Loans	100
	684

The receivables in accordance with the joint venture CBM relate to investment results pursuant to the asset management agreement between Bovemij and MN. Each year, MN accounts for 50% of the net investment result (unrealised and realised). The payment of Bovemij to MN is finally determined at the end of a five-year period, calculated on the cumulative balance of the investment result for that period.

There is a risk that the cumulative result during the five-year period, the first of which ends in 2018, will decrease or be negative. Because of this risk, a provision has been made amounting to 25% of the cumulative investment result (194 (x € 1,000)). This percentage has been calculated as the ratio between the value at risk on this portfolio and the nominal value of the investments.

The other receivables include a loan to the Dutch National Investment Institute (NLII) amounting to 100 (x € 1,000), at an interest rate of 6.5%. The loan will mature on 30 September 2019 or on a date to be agreed in writing at some time in the future.

Current assets

5 Receivables from clients

The receivables consist of amounts charged or to be charged to customers for asset management, pension administration and other related activities. The receivables from clients, who are also shareholders, amount to 7,624 (x € 1,000).

	31-12-2014 x € 1,000	31-12-2013 x € 1,000
Receivable	14,044	15,194
Minus: provision	650	-
	13,394	15,194

6 Taxes and other social securities receivable

The taxes and social security contributions include a deferred asset totalling 248 (x € 1,000) that has resulted from two differences in tax-related and commercial valuation. Firstly, this concerns a deferred asset resulting from differences between the commercial and tax-related valuation of fixed assets. This is caused by a difference in depreciation periods. Secondly, a deferred asset has been included that concerns the difference in valuation of the funds relating to a return guarantee issued by several life-course funds. This is caused by a difference in the allocation of costs relating to a return guarantee issued by several life-course funds.

MN values deferred tax assets and liabilities at nominal value. MN offsets deferred tax assets and liabilities only if MN is legally entitled to settle non-deferred tax assets and liabilities relating to taxes imposed by the same (government) body.

The taxes and social security contributions also include a receivable relating to corporation tax of 1,537 (x € 1,000). In 2013, this was a liability of 694 (x € 1,000).

7 Other receivables and prepayments

In the other receivables and prepayments item, the amounts paid in advance and other receivables are accounted for. These include advance payments relating to intangible fixed assets (software) amounting to 1,272 (x € 1,000). All receivables have a period of less than one year. The fair value is approximately the book value.

8 Cash and cash equivalents

Cash balances amounting to 9.8 million euros are not at free disposal of the group. This amount should be held in accordance with the Financial Supervision Act in connection with the capital requirements in Mn Services Vermogensbeheer B.V. and Mn Services Fondsenbeheer B.V.

The client funds included under cash and equivalents relate to the combined premiums (which have existed since 1996) for the benefit of clients. The appropriate funds were received at the end of 2014 and paid to clients at the beginning of 2015.

The interest paid or received is settled with the clients. The balances are not at the free disposal of the group.

On the liability side of the balance sheet, these funds are included under client funds to be paid.

Because of the lack of a legally enforceable right of set-off to settle the assets and the borrowed capital item simultaneously and on a net basis, the positive and negative balances cannot be presented on a net basis.

Liabilities

Group equity

Reference is made to the note on shareholders' equity in the company financial statements for a detailed note on the group equity.

Total result

The total result of the group is equal to the consolidated net income after tax.

Provisions

9 Other provisions

The provisions balance relates to a provision for data transport, provisions for claims resulting from disputes with third parties and a provision relating to a return guarantee issued by several life-course funds. A provision was created for the contractual obligations in accordance with a contract relating to data transport, also in connection with the premature termination of the contract. The provision relating to data transport for an amount of 574 (x €1,000) which has a duration of five year, of which 305 (x €1,000) has a duration of more than one year.

The allocation of € 2,550 (x € 1,000) relates to a provision regarding claims resulting from a dispute with third parties. The calculation is based on a management estimate in consultation with the legal department.

The provision relating to the return guarantee issued to members in several life-course funds amounting to 979 (x € 1,000) concerns the expected costs for the next three years.

The expectation regarding the period during which costs will be incurred was adjusted in 2014 from one year to three years.

Movements in other provisions are as follows:

	2014 x €1,000	2013 x €1,000
Balance as at 1 January	3,184	1,074
Release	-250	-
Allocation at the expense of the result	1,879	2,372
Withdrawal	-709	-262
Balance as at 31 December	4,104	3,184

The comparative figures in the other provisions movements overview have been adjusted as a result of a change in the classification of the provision relating to the 2013 return guarantee (it was previously classified under current liabilities).

The calculation of the provision is based on the net present value of the expected returns on investments and the present value of the expected payments to members of the life-course scheme. The discount rate used is derived from the market interest rate on a high-quality corporate bond.

Long-term liabilities

10 Subordinated loans from participants

These relate to two subordinated loans from the participants PMT and PME for a total amount of 9 million euros. These are in fact asset components that are equal to shareholders' equity from a credit assessment viewpoint, in the sense that they present a buffer to the recovery possibilities of other creditors.

The interest rate is based on the 10-year Euribor SWAP rate increased by a mark-up of 150 basis points per year (3,9400%) and are subordinated with respect to other debt liabilities. The duration of the loans is 10 years up to and including 1 December 2020. The fair value of the loans amounts to 8,900 (x €1,000) (2013: 8,800) and is derived from the net present value calculation of future cash flows at a current market rate.

Long-term liabilities also include an advance discount on the rental for the office premises in The Hague. This discount has been granted in the form of a rent-free period of three years, but has been accounted for in the administration as a discount over the entire period of the lease of approximately 15 years. The part of the discount that relates to the next twelve months has been accounted for under current liabilities. In the past, the entire discount was accounted for under current liabilities. The comparative figures have been adjusted accordingly.

11 Current liabilities

The payables to credit institutions relate to the lease amounts to be repaid for the next year. During the financial year 2014 these amounts were repaid. The funds to be paid to clients relate to the cash and equivalents for the benefit of clients, which are not at free disposal of the group.

The current liabilities to banks concern current account balances. Because of the lack of a legally enforceable right of set-off to settle the assets and the borrowed capital item simultaneously and on a net basis, the positive and negative balances cannot be presented on a net basis.

12 Other payables and accrued expenses

	31-12-2014 x €1,000	31-12-2013 x €1,000
Holiday allowance to be paid	3,352	3,040
Auditor's fees to be paid	1,083	1,240
Rental discount to be allocated	978	978
Holiday allowance reserve	3,767	3,558
Employee benefits reserve	1,629	2,822
Payables to clients	6,395	3,549
Other payables	11,222	6,593
Advanced payments 2015 from clients	10,061	-
	38,487	21,780

Contingent assets and liabilities

Office rental agreement

MN has signed a rental agreement for alternative office premises in The Hague (with effect from 1 January 2011). The agreement has been entered into for a 15-year period, the first 36 months of which are rent-free. On 1 October 2012, a rider to the existing rental agreement was drawn up. As of this date, the first four floors and the seventeenth floor were rented. In this rider, the rental period was adjusted to sixteen years, until 30 September 2028. The rent amounts to 5.2 million euros on an annual basis.

A rental amount of € 5.2 million will become payable after one year. After five years, a total liability of € 26 million will become payable. The bank guarantee issued for the rental of the new premises amounts to 1.1 million euros.

Investment liabilities

At year-end, MN entered into investment liabilities totalling 2,555 (x € 1,000) relating to software licenses. Of this total, 380 (x € 1,000) will become payable within one year, 1,665 (x € 1,000) will become payable between one to five years and 510 (x € 1,000) will become payable after five years.

Rental agreements

MN has other rental agreements amounting to 0.9 million euros. The rental agreement for the office in Amsterdam has been extended for three years until 1 July 2015. A rental amount of 996 (x € 1,000) will become payable after one year. The bank guarantee issued for this rental amounts to € 0.2 million.

Credit facilities

Since 1 January 2010, MN has had new credit facilities available totalling 21 million euros. The facilities are provided by depositary receipt holders PMT and PME. The facilities have a term of ten years up to and including 31 December 2020. As of 31 December 2014, these facilities have not been used. Mn Services N.V. owes a commitment fee on the unused part of the credit facilities amounting to 50 basis points. No security has been issued for the purpose of these credit facilities.

Collaboration with Bovemij

On 17 April 2003, Mn Services NV concluded a collaboration and joint venture agreement with N.V. Schadeverzekering-Maatschappij Bovemij. On 2 June 2014, the parties agreed to extend this collaboration agreement in a new revised collaboration and joint venture agreement. Pursuant to the joint agreement, Mn Services N.V. and N.V. Schadeverzekering-Maatschappij Bovemij both have a 50% participation in Combinatie Bovemij Mn Services B.V.

Furthermore, in accordance with the collaboration agreement, both parties are entitled to 50% of the insurance result achieved as part of this collaboration.

Other liabilities

On 30 June 2011, Mn Services N.V. concluded a contract for the rental of a cyber centre in Almere. The contract has a term of 60 months, and € 12,492 is owed every month. There is a 6-month notice period. Mn Services N.V. has also concluded a contract relating to data transport with effect from 25 June 2011 for a period of 120 months. The monthly instalment is €19,270 and there is a notice period of 3 months.

Notes to the consolidated profit and loss account

2014

13 Net turnover

2014

2013

x € 1,000

x € 1,000

The net turnover consists of:

Pensions turnover	99,147	95,615
Insurance turnover	13,078	14,083
Asset Management turnover	93,054	93,579
Other turnover	-	84
	<u>205,279</u>	<u>203,361</u>

Part of the turnover is based on a management estimate. This estimate is based on contract data, the performance and historical figures, which have been aligned with the departments involved.

14 Other income

2014

2013

x € 1,000

x € 1,000

Other income	2,080	1,160
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The other income relates to quantity discounts obtained from third parties and technical results obtained on incapacity for work insurance in previous years.

15 Employee costs

2014

2013

x € 1,000

x € 1,000

The employee costs are specified as follows:

Wages and salaries	82,400	78,817
Social security charges	10,636	9,987
Pension costs	11,109	12,672
Other employee costs	10,669	9,532
	<u>114,814</u>	<u>111,008</u>

Number of staff

	2014	2013
Number of staff	1,218	1,175
Number of FTE's	1,228	1,183
Of which number of staff working abroad	21	18

Directors' remuneration

	2014 x € 1,000	2013 x € 1,000
Executive Board		
Management Board	1,489	1,035
Remuneration crisis levy	0	75
	1,489	1,110
Supervisory Board	134	150
	1,623	1,260

The remuneration consists of salaries, fixed expense allowances and pension premium.

Since 2013, variable remuneration no longer applies. As compensation, part of this remuneration was converted into fixed pay, which was paid out in arrears over 2013 with retroactive force. The comparative figures include the accounting for the fixed remuneration over 2013 of 92 (x € 1,000).

Pensions

MN has made pension promises to its staff, which have been placed with Pensioenfonds MN. This involved a CDC (Collective Defined Contribution) scheme. On the basis of the content of the financing agreement concluded with the company pension fund and the content of the pension scheme rules, it can be concluded that MN will not be obliged to pay additional amounts in the event of a shortfall at the pension fund nor will it be entitled to a contribution discount in the event of a surplus.

According to a statement from this fund, the coverage ratio of the company pension fund was 103.9% at year-end 2014.

The employers' share of the pension contribution was increased on a one-off basis in 2013 from 17% to 20.6%. As a result, the pension contribution, including the employers' share rose to 28.6%. In 2014, the employers' share was reduced to 17% again, so that the total contribution is now 25% of the pensionable earnings.

The pension scheme in the UK is similar to the way in which MN has designed its pension scheme in the Netherlands. The accounting and valuation of the liabilities arising from the scheme in the UK are therefore carried out in accordance with the valuation of the Dutch pension schemes.

16 Cost of subcontracted work

Cost of subcontracted work relate to all the costs relating to the engagement of third parties, consultancy costs and cost asset managers chargeable to the year.

	2014	2013
Engagement of third parties	27,093	18,675
Consultancy	4,994	12,149
Asset managers	8,504	7,699
	40,591	38,523

17 Other operating expenses

The other operating expenses are specified as follows:

	2014 x € 1,000	2013 x € 1,000
Accommodation expenses	10,839	11,146
Information technology costs	12,773	12,484
Office expenses	7,697	7,398
Other operating expenses	7,838	9,061
Cost of fund management	1,238	814
	40,385	40,903

The costs of fund management consist mainly of costs relating to the operating result of Mn Services Levensloopfonds and costs relating to return guarantees.

18 Share in the result of non-consolidated associates

The share of the result in the Combinatie Bovemij Mn Services B.v. (CBM) participation is exclusive of a future entitlement to the result in CBM of 280 (x € 1,000). This entitlement will be paid out next year, subject to the condition that the result from the participation is sufficient.

Auditor's fee

In accordance with Section 2:382a of the Dutch Civil Code, the auditor's fees should be included in the financial statements. The costs charged to the result of the year can be divided into the following categories:

	2014 x € 1,000	2013 x € 1,000
Audit of the Mn Services N.V. financial statements	106	77
Other audit engagements	1,043	1,250
Fiscal advice	114	83
Other non-audit services	1,195	1,179
	2,458	2,589

The above fees relate to the work carried out at the company and the companies involved in the consolidation by audit organisations and external auditors as referred to in Section 1, subsection 1, of the Audit Firms Supervision Act [Wta] and the fees charged by the entire network to which the audit organisation belongs.

19 Taxes

The tax-related result from ordinary activities is not equal to the commercial result from ordinary activities before tax. This is the result of using depreciation periods other than what are allowed for tax purposes. There is also a difference in the allocation of costs relating to the issue of a return guarantee of several life-course funds.

Deferred tax assets and liabilities at subsidiaries are included on the balance sheet of the parent company and settled with the subsidiary or subsidiaries in question.

The tax charge in the profit and loss account amounts to 977 (x €1,000). This tax charge consists of an immediate tax charge and a deferred tax charge and corrections relating to previous years. These are specified in the following table.

	2014 x €1,000	2013 x €1,000
Immediate tax charge	-58	-1,196
Deferred tax charge	-503	-10
Total tax charge	-561	-1,206
Prior year adjustments	-415	-
Total tax charge	-976	-

The tax charge of -561 (x €1,000) results in an effective tax burden of 24%, determined on the basis of profit, excluding participation. This concerns the tax burden, excluding the corrections relating to previous years. The effective tax burden, including the corrections relating to previous years, is 26.2%, determined on the basis of profit, including participation. The corrections relating to previous years concern corporation tax still to be paid with retroactive force relating to work in the UK. The effective tax rate therefore deviates from the nominal Dutch tax rate of 25%. The following overview shows the relationship between the nominal Dutch tax rate and the effective tax rate.

	2014		2013	
	x €1,000	%	x €1,000	%
Profit before tax	3,733		5,857	
Corporate tax at the nominal rate (20-25%)	-924	24.8%	-1,454	24.8%
Adjustments to arrive at the effective rate:				
Tax exemption for objects	63	-1.7%	-	-
Tax exemption for subsidiaries	348	-9.3%	298	-5.1%
MIA/VAMIL	27	-0.7%	-	-
Non-deductible costs	-75	2.0%	-50	0.9%
Prior-year adjustments	-415	11.1%	0	0.0%
Total corporate tax	-976	26.2%	-1,206	20.6%

Company balance sheet as at 31 December 2014

(before appropriation of result)

Assets	31 December 2014 x €1,000	31 December 2013 x €1,000
Fixed assets		
Intangible fixed assets		
Software	15,292	5,256
Tangible fixed assets		
Equipment	10,297	12,032
Other fixed assets	4,611	5,071
	14,908	17,103
Financial fixed assets 1)		
Participations in group companies 2)	9,986	11,710
Other associates	4,720	4,518
Other receivables	100	-
	14,806	16,228
Total fixed assets	45,006	38,587
Current assets		
Receivables		
Receivables from clients	11,995	15,637
Receivables from group companies	5,985	3,570
Deferred tax receivable	2,666	1,743
Other receivables and prepayments	5,689	4,509
	26,335	25,459
Cash and equivalents		
Cash balances	36,367	67,959
Cash from third parties	42,034	37,262
	78,401	105,221
Total current assets	104,736	130,680
Total	149,742	169,267

Numbers stated in the items refer to the notes to the balance sheet items.

Equity and liabilities

	31 December 2014 x € 1,000	31 December 2013 x € 1,000
Shareholders' equity		
Issued share capital 3)	9,076	9,076
Legal reserves 4)	7,933	5,396
Other reserves 5)	9,094	11,630
Unappropriated profit 6)	2,757	4,651
	<hr/> 28,860	<hr/> 30,753
Provisions		
Other provisions	3,125	2,712
	<hr/> 3,125	<hr/> 2,712
Long-term liabilities		
Subordinated loans from participants	9,000	9,000
Liabilities to credit institutions	-	77
Other liabilities	10,207	9,745
	<hr/> 19,207	<hr/> 18,822
Current liabilities		
Payables to credit institutions	-	86
Payable to banks	15,937	54,278
Trade payables	4,926	2,327
Payables to group companies	-	292
Taxes and other social securities payable	3,124	3,962
Payables to pension funds	362	70
Other liabilities	32,167	18,703
Cash from third parties to be paid	42,034	37,262
	<hr/> 98,550	<hr/> 116,980
Total	<hr/> 149,742	<hr/> 169,267

Numbers stated in the items refer to the notes to the balance sheet items.

Company profit and loss account

2014

	2014 x €1,000	2013 x €1,000
Net turnover	191,270	190,434
Other income	2,080	1,160
Total operating income	193,350	191,594
Employee costs	111,259	107,956
Cost of outsourced work	31,634	29,992
Depreciation	8,708	9,017
Other operating expenses	37,690	38,803
Total operating expenses	189,291	185,768
Operating profit	4,059	5,826
Interest income and other net finance income	13	109
Interest expenses and other net finance expenses	-627	-550
Financial income and expense	-614	-441
Result from ordinary business activities before tax	3,445	5,385
Share in result of participating interests and other associates 7)	565	652
Result before taxation	4,010	6,037
Tax on result of ordinary business activities	-1,253	-1,386
Result after taxation	2,757	4,651

Numbers stated in the items refer to the notes to the profit and loss account.

General accounting principles for valuation and determination of result

General

General accounting principles for the valuation of assets and liabilities

The company financial statements are prepared in accordance with the statutory provisions of part 9, Book 2 of the Dutch Civil Code and the firm pronouncements in the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standard Board. Unless stated otherwise, the financial statements are presented in thousands of euros.

For the general principles for preparing the financial statements, the accounting principles for the valuation of assets and liabilities and the determination of the profit, as well as the notes to the assets and liabilities and the results, reference is made to the notes to the consolidated financial statements, in so far as not stated otherwise hereafter.

Financial fixed assets

Participating interests in group companies in which significant influence is exercised on business and financial policy are valued at net asset value, but no lower than nil. This net asset value is calculated on the basis of the policies of MN. The associated company Stichting Juridisch Eigendom Mn Services Levensloop Fonds in The Hague is valued at the acquisition costs.

Participating interests with a negative net asset value are valued at nil. If the company wholly or partly guarantees the liabilities of the participating interest in question, or if it has the actual obligation to enable the participating interest to pay its share of the liabilities, a provision is recognized. In determining the size of this provision, account is taken of provisions already deducted from claims against the participating interest for bad and doubtful debts.

Notes to the company balance sheet

at 31 December 2014

Assets

1 Financial fixed assets

	Participating interests in group companies	Other associates	Other receivables	2014 x € 1,000 Total	2013 x € 1,000 Total
Balance as at 1 January 2014	11,710	4,518	-	16,228	13,818
Movements					
Result	-828	1,393	-	565	651
Provided loan	-	-	100	100	-
Share premium paid	-896	-	-	-896	1,857
Dividend received	-	-1,191	-	-1,191	-98
Total movements	-1,724	202	100	-1,422	2,410
Balance as at 31 December 2014	9,986	4,720	100	14,806	16,228

2 Participations in group companies

	31-12-2014 x € 1,000	31-12-2013 x € 1,000
Mn Services Vermogensbeheer b.v.	8,491	10,135
Mn Services Fondsenbeheer b.v.	1,495	1,575
	9,986	11,710

Liabilities

Shareholders' equity

3 Issued share capital

The company's authorised capital consists of 40 million shares of one euro, of which 9,075,611 shares have been issued (2013: 9,075,611).

The Stichting Mn Services Administratiekantoor, which was previously the holder of the priority shares, holds 95% of the share capital (78 1/3% in 2013). The other 5% are held by Stichting Bedrijfspensioenfonds Koopvaardij.

Priority shares

MN has obtained five priority shares for no consideration. The voting right attaching to these shares cannot be exercised as long as MN holds the priority shares itself.

4 Legal reserves

The Legal reserve includes the following items:

	2014 x €1,000	2013 x €1,000
Legal reserve net profit other associates	4,549	4,345
Legal reserve in-house developed software	3,384	1,051
Balance as at 31 December	7,933	5,396

Legal reserve net profit other associates:

	2014 x €1,000	2013 x €1,000
Balance as at 1 January	4,346	3,415
Result from other associates	1,255	1,028
Dividends received	-1,191	-98
Other movements	139	-
Balance as at 31 December	4,549	4,345

In accordance with the Dutch Civil Code, a legal reserve is recognized at the expense of other reserves for the cumulative result from other associates, less the dividend received.

Legal reserve in-house developed software:

	2014 x € 1,000	2013 x € 1,000
Balance as at 1 January	1,051	1,932
Addition	2,627	-
Movement	-294	-881
Balance as at 31 December	3,384	1,051

MN is obliged to recognize a legal reserve in connection with the book value of the in-house developed intangible fixed assets. The intangible fixed assets will be depreciated within a period of four years.

5 Other reserves

	2014 x € 1,000	2013 x € 1,000
Balance as at 1 January	11,630	7,082
Movements of legal reserve inhouse developed software	-2,333	881
Movements of legal reserve net profit other associates	-203	-930
Movements prior financial year	0	4,597
Balance as at 31 December	9,094	11,630

6 Unappropriated profit

	2014 x € 1,000	2013 x € 1,000
Balance as at 1 January	4,651	4,597
Result on changes 2014 (2013)	2,757	4,651
Addition to changes	0	-4,597
Profit distribution	-4,651	0
Balance as at 31 December	2,757	4,651

Rights, obligations and arrangements not included in the balance

Tax group

The legal entity, the 100% participating interest Mn Services Vermogensbeheer B.V. and the 100% participating interest Mn Services Fondsenbeheer B.V., are part of the tax group for corporation tax at the level of MN and as such are jointly and severally liable for the tax liability of the tax group as a whole.

Corporation tax is allocated to the subsidiaries on the basis of the results achieved. The differences between the fiscal and commercial allocation of items is expressed in the financial statements of the parent company Mn Services N.V.

With respect to the VAT, the tax group consists of Mn Services N.V., Stichting Pensioenfonds Metaal en Techniek, Mn Services Vermogensbeheer B.V., N.V. Schadeverzekering Metaal en Technische Bedrijfstukken and Stichting Administratief Gemak and as such are jointly and severally liable for the tax liability of the tax group as a whole.

Notes to the company profit and loss account

2014

7 Share in result of participating interests and other associates

	2014 x € 1,000	2013 x € 1,000
Mn Services Vermogensbeheer B.V.	56	29
Mn Services Fondsenbeheer B.V.	-884	-405
Combinatie Bovemij Mn Services B.V.	1,305	884
UNETO-VNI Verzekeringservice B.V.	88	144
	565	652

Signing

The Hague, 31 maart 2015

Management Board

R. Hagendijk,
Chief Executive Officer
W.M.A.E. Mutsaers,
Chief Client Officer

Supervisory Board

Dr C.A. Linse, Chairman
P.J.W.G. Kok
Dr C. Korevaar
Ms C.P. Vogelaar
C. van Woudenberg

Other information

Regulation in the articles of association regarding the profit appropriation

Appropriation of result according to articles of association

In accordance with Article 35 of the articles of association, the profit appropriation is arranged as follows:

Priority shareholders may decide to reserve all or part of the profit. In so far as the profit is not reserved, it is freely available to the shareholders.

Appropriation of the result for the financial year 2013

During the preparation of the annual report 2013 there was a proposal to add the entire result to the other reserves. During the General Meeting it was decided that the result for the year 2013 will be distributed.

In accordance with Section 153, Book 2, of the Dutch Civil Code, MN submitted a statement to the Commercial Register in late June 2013 that MN fulfils the two-tier company regime criteria. The three-year period (in accordance with Section 154, subsection 1, Book 2, of the Dutch Civil Code) for the application of the two-tier company regime commenced at that time.

Proposed appropriation of result for the financial year 2014

The proposal is to distribute the entire result from the financial year.

UK branch listing

Mn Services Vermogensbeheer B.V. is listed as a branch at the Chamber of Commerce in the United Kingdom. This branch is known as Mn Services Investment Management UK.

Independent auditor's report

Should there be any differences between the Dutch and English versions, the original Dutch version of these Financial Statements will prevail.

To: the shareholders of Mn Services N.V.

Report on the financial statements

We have audited the accompanying financial statements 2014 of Mn Services N.V., The Hague, which comprise the consolidated and company balance sheet as at 31 December 2014, the consolidated and company profit and loss account for the year then ended and the notes, comprising a summary of accounting policies and other explanatory information.

The board's responsibility

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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 company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's

internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the 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 of Mn Services N.V. as at 31 December 2014, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

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

Rotterdam, 31 March 2015
PricewaterhouseCoopers Accountants N.V.

Colofon

Text
MN

Concept and layout
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Translation
Balance, Amsterdam

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