Annual Report 2012

4 April 2013

delta lloyd

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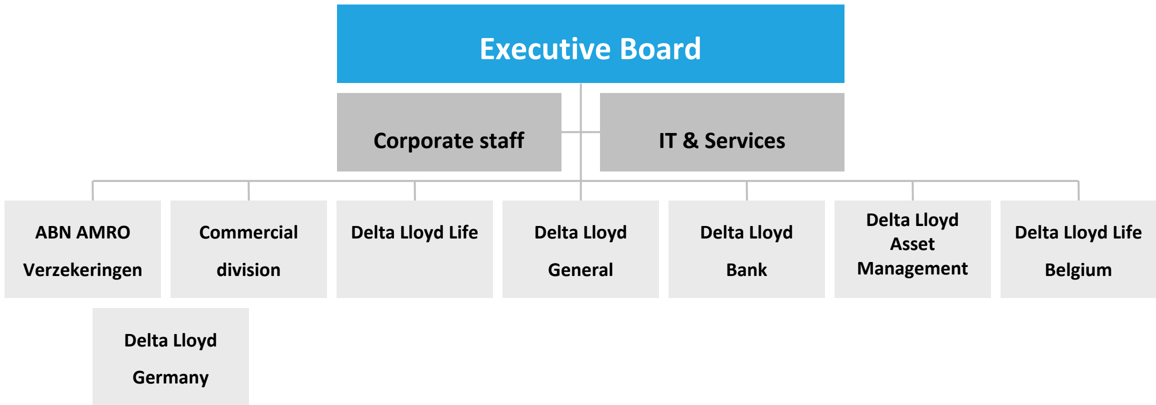
1. Report of the Executive Board

1.1. Profile Delta Lloyd Group

Our mission and ambition
Delta Lloyd Group offers financial security. We meet the demands and needs of our customers and of society. We deliver clear, reliable and contemporary solutions that create value for our customers, shareholders and employees.

We aim to increase our market share in the Netherlands and Belgium, driven by a solid financial position, a strong long-term focus and advanced risk management. In the medium term, we aim to be a top-three insurer in the Netherlands and among the top five in Belgium.
We have specific goals for corporate social responsibility, with a particular focus on integrity, customer interest, community involvement, good employment practices and the environment.

Our businesses



Life Insurance

We focus on group pensions but also offer a wide range of life insurance products through the intermediary distribution channel. We sell life insurance under the ABN AMRO Verzekeringen brand through our joint venture with ABN AMRO Bank in the Netherlands. OHRA sells life insurance products directly, mainly to individual customers. In Belgium, we sell individual and group life insurance under the Delta Lloyd brand, distributed through intermediaries and our own network of bank branches and tied agents. BeFrank, our joint venture with BinckBank and the first PPI in the Dutch market, offers innovative pension products at a very low cost.

General Insurance

We offer a broad range of general insurance products, principally in the Netherlands, to both retail and corporate customers. The products are distributed through intermediaries, brokers, pools and underwriting agents (Delta Lloyd), bank branches and online (ABN AMRO Verzekeringen) and online and other direct distribution channels (primarily OHRA). Delta Lloyd serves various niches, such as pleasure craft, wind farms, and technical installations and production facilities.

Bank

Our Dutch banking activities focus on mortgage and banksparen products. These are distributed through our sales channels. In Belgium, we offer a comprehensive range of products and services through our own bank branches and independent agents. In the Netherlands, Amstelhuys (a wholly-owned subsidiary of Delta Lloyd NV), is the originator of the majority of the residential mortgage portfolio and a funding vehicle.

Asset Management

This segment comprises the activities of Delta Lloyd Asset Management (including Cyrte Investments) and the asset management activities of various lines of business. Our product offering includes a range of investment funds for institutional and retail customers (via Dutch retail banks) and discretionary mandates for institutional customers. The remaining investments involve third-party institutional and retail assets. Certain other business lines of Delta Lloyd Group also manage assets.

1.2. Highlights

IFRS result ▼
Marked to market

- 1,495 m

Combined ratio
On target

+0.9pp

97.9%

change since 2011

Embedded Value ▼
Group european

-15%

4,004 m

change since 2011

NAPI ▼
Market leadership consolidated

-16%

401 m

change since 2011

Operational result ▼
After tax and non-controlling interests

-16%

404 m

change since 2011

Efficiency
Successful cost savings

782 m

Shareholder return ▲
Optimising operational return on equity

+0.1 pp

10.5%

change since 2011

Regulatory Solvency
Regulatrory solvency insurance entities

+6pp

212%

change since 2011

S&P rating
A rating for Life and General Insurance reconfirmed

A

IGD group solvency ▲
Financial strength

+3pp

177%

change since 2011

Key issues in 2012
Agenda of supervisory board

- Business objectives
- Risk management
- Sustainability

BIS ratio ▲
Further improving our solvency position

+1.8pp

13.9%

change since 2011

Founding signatory
Founding signatory of UN principles of sustainable insurance (PSI)

UNEP PSI

Bronze class award
Delta Lloyd among top 10 insurers sustainability leaders

RobecoSAM DJSI

Quality label
Quality label retained for all labels, three years in a row

KKV ☑☑☑

1.3. Executive Board chairman's message

Looking back on 2012, there is little doubt it was a challenging year for the financial services sector, dominated as it was by economic uncertainty. Markets were volatile and consumers were reluctant to spend. However, the biggest impact on our business activities was from interest rates, which fell to all-time lows.

As we value our Life provisions at current market yields, something that is rarely seen in the industry, this resulted in considerably higher provisions for our policyholders. The strong decline in interest rates impacted our shareholders' funds and our results. We seem to have entered a phase of prolonged low interest rates. However, our commercial approach and our commitment to transparency and prudence position us well for the future.

We took swift and pragmatic action where necessary in 2012. This included terminating loss-making underwriting in the international marine business and our gradual withdrawal from the Dutch partial disability insurance market (WGA ER). We also realised further cost savings as part of our ongoing cost-reduction programme and lowered our risk profile.
The completion of Aviva's divestment from Delta Lloyd Group, and the strong demand from investors for Delta Lloyd shares, reflect broader confidence in our resilience and potential.

Putting customers first
From a business perspective, we consolidated our market leadership in Life new business and benefited from several large new contracts in 2012. Our pipeline remains well filled.
The implementation of revised IAS19 rules for pension schemes should see the Dutch pension transfer market improve further – particularly if interest rates continue to rise. We also saw growth in the defined contribution market via BeFrank, the first premium pension institution (PPI) in the Dutch market.

Much of our progress was due to having robust and diversified multiple distribution channels. We further strengthened our distribution during the year by signing new agreements with Deutsche Bank in the Netherlands and CRELAN (Landbouwkrediet/Centea) in Belgium, while we deepened our insurance joint venture with ABN AMRO Bank.

This commercial progress shows our approach of offering simple, innovative and transparent products is what customers want. It is central to our approach: we do everything possible to meet customers' needs and put our customers first. We believe we are on the right path. Others agree: according to consultancy firm IG&H, Delta Lloyd was the best pension insurance provider in the Netherlands in terms of customer service in 2012. For this, I wish to thank our staff. It is their dedication and commitment that make Delta Lloyd a front-runner in customer service.

Working for a better society
We put our financial expertise to work for society through the Delta Lloyd Group Foundation. We activated more than 600 volunteering jobs in 2012, taking part in projects to educate adults and children on money matters, reducing poverty and debt prevention.

In 2012, we became one of the founding signatories of the new Principles of Sustainable Insurance. We identify strongly with the 10 principles of the United Nations Global Compact to encourage sustainable business practices, which blend seamlessly with our own vision of sustainable business. Our efforts in this area were recognised by the Dow Jones Sustainability Index, which in its 2012 assessment of our sustainability performance rated Delta Lloyd as a top-scoring company in the insurance sector. This moves us a step closer towards inclusion in this leading sustainability index.

Political developments
Markets are greatly influenced by political developments, and it is hard to predict what lies ahead for 2013. In the Netherlands, we anticipate the housing market will deteriorate further as a result of government measures to be introduced this year. In our view, the government should be doing more to improve consumer spending. The cumulative effect of measures taken, although directionally right, has dented consumer confidence.
While we don't dispute that the Dutch housing market is ready for change, in our view the reforms should be introduced in a way that keeps disposable income at a sound level and limits the risk of homeowners falling into negative equity.

A further concern is ever stricter regulatory requirements, which in the short term could affect lending to our customers and harm the housing market. As it is, we were cautious about providing new mortgages in 2012, and volumes declined by 60%. This was in line with market volumes in the Netherlands and our commercial strategy to aim for low risk mortgages and margins above volume. We are closely following developments in pension reform – which will also impact Delta Lloyd when they take effect in 2015. As yet, not all the proposals have been finalised. They include reducing the pension build up from 2.1% in 2014 to 1.75% in 2015. For our customers it will become much more difficult to build up a reasonable pension. Having a smaller than expected pension reserve to draw from could affect the financial security of people who are counting on their pension at retirement. And the question is: who benefits from the money saved? Will it go to the pension schemes to improve coverage ratios, or to consumers so they have more cash to spend in the short term?

Independent future
In January 2013, Aviva sold its remaining stake in Delta Lloyd, a welcome development that puts us firmly on course to pursue our strategy as an independent company. We obtained a cross listing in Belgium and have been included in the BEL20 index, signalling the importance of the Belgian market as our second home market.
We have a single goal: to offer our customers security, now and in the future. We believe we are well positioned to do this, and to benefit from a future pick-up in market conditions, unlocking further value in the Dutch and Belgian life and pensions markets – both in 2013 and beyond.

Niek Hoek
Chairman of the Executive Board

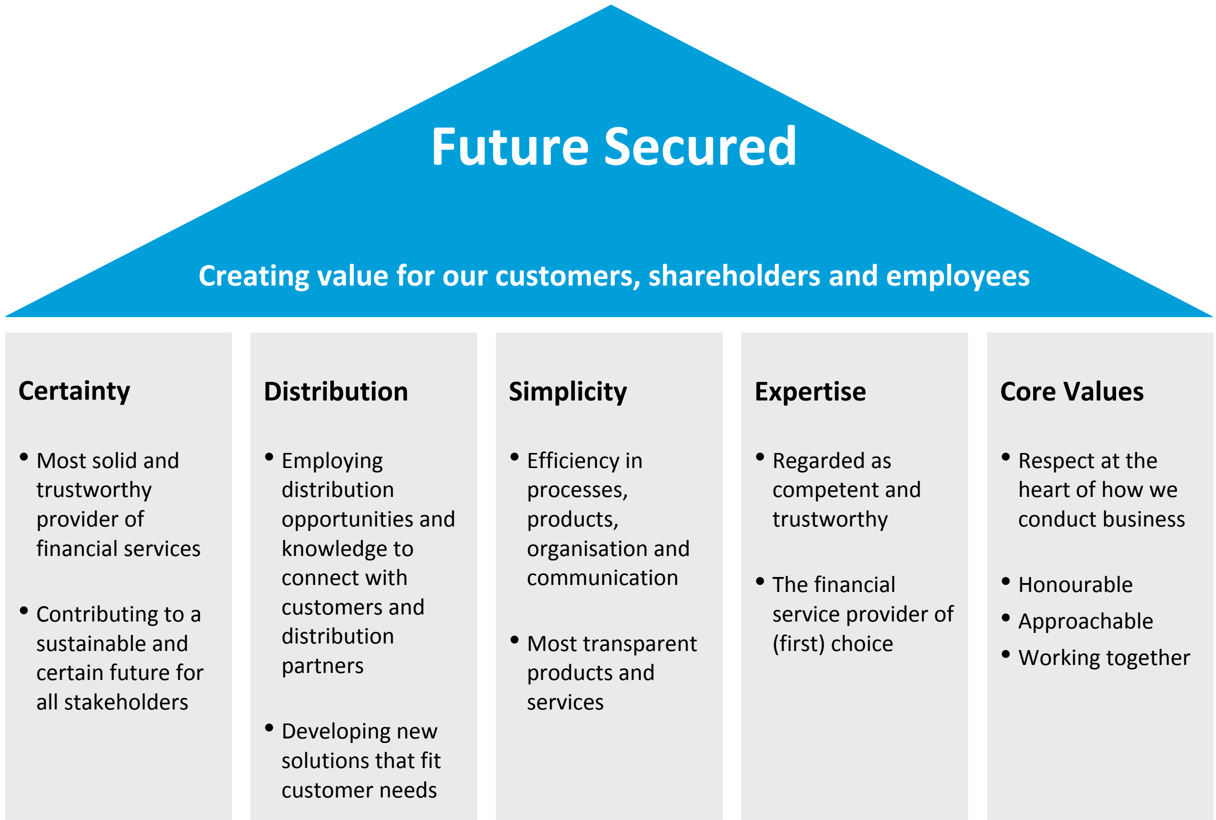
1.4. Strategy

Delta Lloyd's mission is to offer financial security. We meet the demands and needs of our customers and society. We deliver clear, reliable and contemporary solutions that create value for our customers, shareholders and employees. This mission statement is the core of our 'Future Secured' strategy.

1.4.1. Strategic pillars

Our strategy rests on five pillars:

- **Certainty**: We want to be the most solid and trustworthy provider of financial services. This is how we contribute to a sustainable and certain future for all stakeholders. It is the essence of putting customer interest first.
- **Distribution power**: We employ distribution opportunities and use our knowledge to connect with our customers and our distribution partners in the ever more mobile market place. We develop innovative products that are tailored to fit customer needs.
- **Simplicity**: Easy to understand products, transparent communications and simple processes all lead to better customer service and minimise costs. We strive for more efficient processes, products, organisation and communication. We aim to supply the most transparent products and services.
- **Expertise**: Knowledge is core to our business and essential to improving innovation and competitiveness. This requires high professionalism within our organisation. We want to be regarded as competent and trustworthy, and to be the financial service provider of choice.
- **Our core values**: Respect is at the heart of how we do business. Honourable, approachable and working together are the three values that guide everything we do, give direction to our policy and determine our corporate culture and identity. We simply want to do the right thing in business and deliver sustainable value. What is good for our customers is good for all our stakeholders and for us as a company.



1.4.2. SWOT analysis

Myriad external factors affect our business and guide our strategy. These can be economic, political or social developments. That is why we continually assess and update our strengths and weaknesses against the opportunities and threats we face. This SWOT (strengths, weaknesses, opportunities and threats) analysis helps us anticipate developments and their impact on our business.

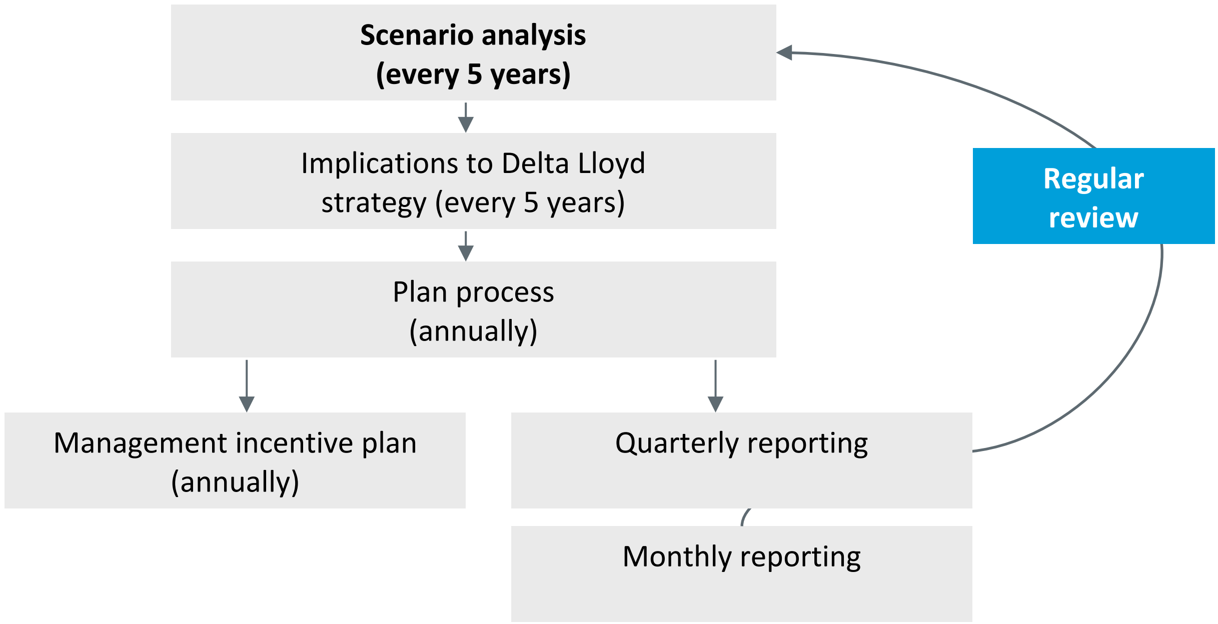
SWOT Analysis	
Strengths	**Weaknesses**
Multi-channel, Multi-label distribution	Insufficient chain integration
Strongly-improving customer satisfaction	Complex ICT infrastructure
Dominant position in NL and growing presence in BE	Risk and return monitoring per product
"Keurmerk Verzekeren" quality hallmark for all labels	Limited geographical presence
Prudent risk management (well-hedged interest rate and equity risks)	
Financial transparency (almost fully marked-to-market balance sheet)	
Successful long term partnerships / joint ventures	
Dedicated and competent employees	
Opportunities	**Threats**
Transfer of company pension funds due to better pricing environment	Acquisition of profitable new business difficult
New parties / functions in distribution chain	Ageing is leading to changes for mortgages / insurance (Longevity)
Need for security and assurance due to financial crisis	Organic growth difficult in saturated markets
Emergence of affinity groups / social media	Changed legislation / regulations for life, pension and mortgages market
Embedding ESG principles in business model	Changing financial market environment (political, economic, margin pressure) impact long term profitability and business model
	More specialised providers in pensions market
	Severe pricing pressure in markets

1.4.3. Mapping out the future

To act upon and mitigate the uncertainties in our business environment, Delta Lloyd uses the principle of scenario thinking to guide our strategy. This allows us to look at the full implications of diverse future scenarios from various perspectives over a period of 15 years. It gives us greater understanding of the forces driving the dynamics of our future environment.

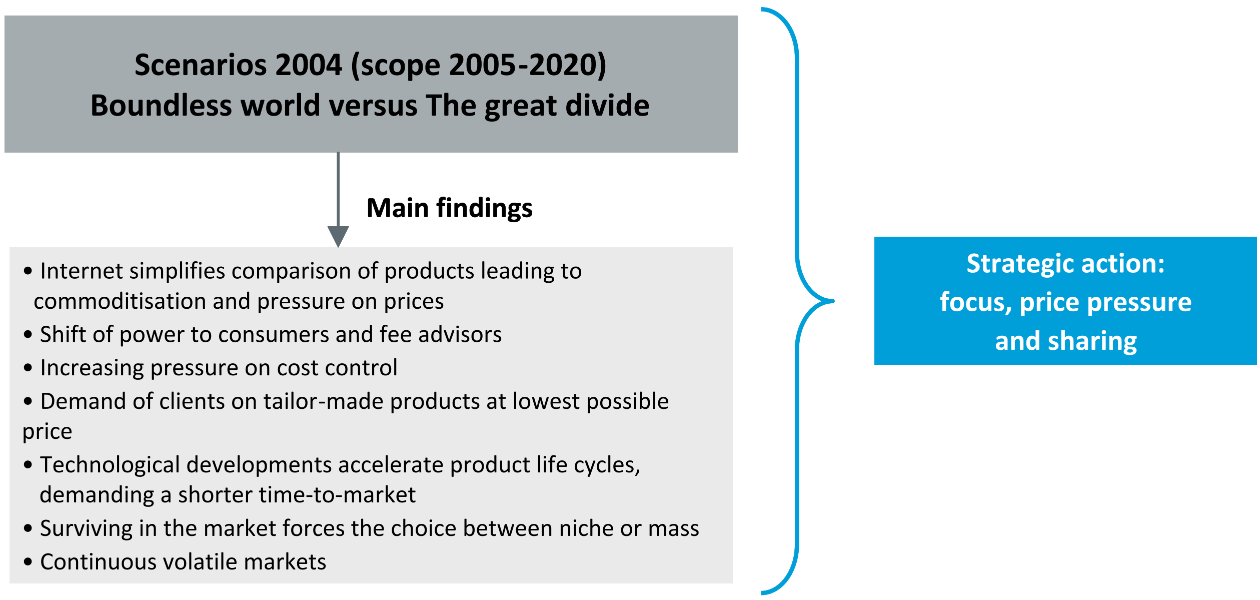
By analysing future markets, exploring new customer preferences and designing organisations for the future, managers can identify major changes at an early stage. In addition, Delta Lloyd can make the necessary choices to remain successful in the near future as well as in the long term. To meet our short-term development environment, scenario thinking is embedded in our management and control process.

From scenario analyses to a management and control process



Delta Lloyd has used scenario thinking at all levels of the organisation since 2004. Long-term scenarios developed in 2004-2005 and 2009-2010 have proven their value in helping us to shape and refine our strategy.

The 2004 scenario focused on a '**boundless world**', where institutional and international boundaries decreased and room for new ambition became available. '**The great divide**' showed a world with limitations, implying more pressure on transparency and increased growth in internet sales.



In the 2009 scenario, '**fragmentation**', economic problems escalate, heralding prolonged periods of global stagnation. Social contrasts widen and political coalitions disintegrate, while at the same time vital virtual communities emerge. In the '**new balances**' scenario, sustainability and respect are the prevailing global trends, giving new parties and initiatives the scope to develop their full potential.

Scenarios 2009 (scope 2010-2025)
Fragmentation versus New balances

Main findings

- Growing diversity in preferences, needs and risk profiles of clients
- Demand for simplicity, flexibility, transparency, accompanied by increasing regulation
- Clients demand more tailor-made products, whereas commoditising products and service should decrease costs
- Fierce competition and differentiation; entrance new market players with increasing internet and do-it-yourself products

Strategic action: simplicity is key

1.4.4. Rising to the challenge

- Simplification of our organisation, processes, systems and communication translated into harmonised products for our customers, optimised margins and cost savings. Creating transparent products and services is key. With Delta Lloyds' cost savings program, we were able to further decrease our operational expenses by 7% in 2012. Introducing the '*Vreemde Talen'* campaign for example, lead to focus on creating more transparent and understandable financial products.
- Better customer knowledge by creating a group-wide customer database. Through constantly collecting, comparing and analysing customer data, we can develop and offer attractive, successful products tailored to specific customer groups. This is increasingly done centrally for all labels and distribution channels and for all customer groups, from individuals to large corporate clients. Gaining more insight into the application of modern communication techniques and channels, such as social media, is also important in this connection.
- Standard products for modular propositions by combining own brands and white labels into semi-customised propositions in all distribution channels. Based on smart price and risk differentiation, as well as thorough customer knowledge, the propositions will be attractive to both customers and Delta Lloyd. Co-creation with customers will play an increasing role in product development. One of the achievement within this area is the creation of BeFrank, the first premium pension institution in the Netherlands, together with BinckBank.
- Focus on position in the value chain by achieving economies of scale while simultaneously applying detailed differentiation by customer type. This is done using a variety of business models, distribution channels and customer approaches, a joint back office and the same modular standard products. In addition, we continue to develop new product-market combinations, which can serve as white labels alongside our existing brands. And we continue to look for acquisition opportunities.

- Reinforce multi-channel distribution by anticipating and acting on opportunities offered by the changing market environment. In this context, we will seek to reinforce multi-channel distribution of online sales, business-to-business and white label sales through retail, franchise chains and internet platforms. For example online sales via the Delta Lloyd, OHRA and ABN AMRO Verzekeringen brands and white label sales via the retail and (low-cost) franchise chains and internet platforms.
- Strength in marketing by focusing on sales. The intelligent collation of customer and market knowledge is a precondition for being able to compete with new entrants.
- Innovation as a driver of growth by investing in the development of group-wide innovation capabilities. This enables Delta Lloyd to act rapidly and flexibly in developing new products and business models.
- Partner of top intermediaries, even though total turnover via intermediaries in the market is declining. Professional providers of more complex advisory products and intermediaries that can distinguish themselves in the online market will retain a strong market position. Delta Lloyd aims to benefit from the growth potential among established and new intermediaries by entering into alliances and investing in such partners.
- Expansion through acquisition and recruitment. To expand our business, Delta Lloyd uses acquisitions, joint ventures and recruits top specialists in attractive and promising niches. In 2012 for example, Delta Lloyd acquired the intermediary activities for commercial SME insurance business from ABN AMRO Bank.
- Growth in pensions in the business-to-business markets and the Life market. We want to expand Delta Lloyd's share in these markets on the strength of our high-quality asset management and our distinctive pension and risk management knowledge. In 2012, Delta Lloyd reached first place in the National Performance Research Pension Insurers of consultancy firm IG&H. Also, Delta Lloyd agreed on a 30 year exclusive distribution agreement with Deutsche Bank for the sale of Pension and Individual Life Insurance products. BeFrank will be the exclusive partner for the premium pension institution.
- Expansion in Belgium, primarily through bank distribution and growth in the Life Insurance market. Our primary focus is on pensions and personal life insurance. In December 2012, an agreement was reached on the sale of the General Insurance portfolio to Fidea. Furthermore, an exclusive distribution deal was signed for life insurance in Belgium through the CRELAN (Landbouwkrediet/Centea) branches.
- Growth in asset management through specialised investment boutiques. Superior knowledge of specific niches and companies offers attractive opportunities to outperform in asset management. We aim to strengthen our position in attractive investment niches, initially by targeting the sustainability sector, and further expanding the European Participation Fund.
- Organisational agility. Delta Lloyd has a single infrastructure for all our labels and distribution channels, with the attendant economies of scale for new business, service and expertise. This enables our labels to concentrate fully on marketing, sales and distribution. The economies of scale are also used for product innovation to develop attractive, affordable and profitable products with a short time to market. Agility is a decisive factor, also in the implementation.
- Human resources. The challenges we face demand teams that are more diverse and flexible, and people who thrive on diversity. This calls for an environment that stimulates people to get the best out of themselves, and rewards them accordingly. Drawing on our core values, we

want to be an attractive employer for innovative employees who are eager to learn, aware of the needs of today's world and have an entrepreneurial spirit: people who are creative, expert and get the job done.

1.4.5. Corporate competences

To transform these scenarios into a long-term strategy and short-term goals requires certain competences. Delta Lloyd has a track record in risk management, asset management, multi-channel distribution and niche-specific knowledge and expertise. It is crucial that we maintain, and wherever possible, raise that level of excellence.

In addition, we have identified four more competences that are essential for the successful implementation of our growth strategy. Developing these is a top priority. They are:

- Innovative power;
- Customer-focused culture;
- A balanced and broadly compiled set of simple modular standard products; and
- Price and risk differentiation.

Other competences necessary to achieve our growth ambition are: operational excellence and process management, human resource management, level of automation, cost level and efficiency, power of execution, knowledge of virtual technologies and culture, time to market, marketing competence, transparency and customer knowledge.

1.5. Key figures

Key figures			
(in millions of euros, unless otherwise stated)	**2012**	**2011**	**Change**
Gross written premiums[1]	4,651	5,358	-13%
Operating expenses	782	840	-7%
Operational result after tax and non-controlling interests[2]	404	480	-16%
Result (IFRS) after tax and non-controlling interests	-1,495	-183	n.m.
Internal rate of return of new life sales	8%	9%	-1pp
COR	97.9%	97.0%	0.9pp
Shareholders' funds after non-controlling interests	2,306	3,866	-40%
IGD Group solvency	177%	174%	3pp
Regulatory solvency insurance entities	212%	206%	6pp
Group European Embedded Value	4,004	4,696	-15%
Life European Embedded Value	4,210	4,890	-14%

1) Excluding terminated and run-off activities

2) 2011 operational result restated, see explanation in note 5.1.7.3 Information per segment

1.5.1. Operational and financial objectives

Operational and Financial objectives		
	Result 2012	**Objective 2012**
Business performance		
Internal rate of return	8%	≥ 9%
Combined ratio across the cycle	97.9%	≤ 98%
Efficiency		
Operating expenses (in millions of euros)	782	<820
Profitability		
Operational return on equity	10.5%	8-12%
Annual growth of net operational result	-16%	≥ 3%
Capital		
IGD Group solvency	177%	>160-175%

1.5.2. Ten year summary

Ten year summary[1]

In millions of euros, unless otherwise stated	2012 IFRS	2011 IFRS	2010 IFRS	2009 IFRS	2008 IFRS	2007 IFRS	2006 IFRS	2005 IFRS	2004 IFRS	2004 Dutch GAAP	2003 Dutch GAAP
Income											
Gross written premiums, Life	3,555	4,321	3,749	3,642	4,533	4,054	3,146	3,772	3,437	3,648	3,153
Gross written premiums, General	1,650	1,550	1,479	1,423	1,378	1,251	1,167	1,164	1,133	1,133	978
Gross written premiums, Health	-	-	-	-	1,563	1,357	1,503	781	834	834	851
Total premium income	**5,206**	**5,872**	**5,228**	**5,065**	**7,474**	**6,661**	**5,815**	**5,717**	**5,405**	**5,615**	**4,982**
Net investment income	5,769	3,814	3,687	3,200	481	1,905	2,131	3,348	2,407	2,255	2,210
Other operations	268	247	236	-61	833	444	436	417	364	165	177
Total	**11,243**	**9,933**	**9,151**	**8,204**	**8,788**	**9,010**	**8,381**	**9,481**	**8,176**	**8,035**	**7,369**
Result before tax and extraordinary income and expenses											
Life	-1,625	-235	820	-134	150	631	795	236	286	249	238
General	-129	63	152	137	25	247	189	228	141	135	92
Health	-	-	-	-	-11	-31	-2	31	17	16	5
Bank	-75	-18	-54	7	-163	7	26	35	13	-	-
Asset Management	59	46	118	29	13	34	54	46	34	-	-
Other	-225	-271	-132	-163	-190	-80	-151	-25	-52	-15	-44
Total	**-1,995**	**-415**	**904**	**-124**	**-177**	**809**	**912**	**552**	**439**	**385**	**291**
Extraordinary result	-	-	-	-	-	-	-	-	-	-	-28
Result before tax	-1,995	-415	904	-124	-177	809	912	552	439	-	263
Income tax	530	132	-233	43	24	-22	-152	-120	-98	-98	-27
Net result	**-1,465**	**-283**	**671**	**-81**	**-153**	**787**	**759**	**432**	**340**	**287**	**236**
Attributable to:											
Delta Lloyd NV shareholders	-1,495	-313	621	-124	-161	745	725	409	327	278	227
Non-controlling interests	30	29	50	43	8	42	34	23	13	9	9
Net result	**-1,465**	**-283**	**671**	**-81**	**-153**	**787**	**759**	**432**	**340**	**287**	**236**
Total capital and reserves	**2,306**	**3,860**	**4,621**	**3,892**	**3,156**	**4,967**	**4,523**	**3,774**	**2,796**	**2,649**	**2,244**
Total assets	**79,996**	**74,862**	**69,187**	**65,980**	**63,244**	**62,370**	**59,598**	**57,084**	**49,275**	**40,730**	**38,077**
Amounts in euros											
Dividend on ordinary shares	1.03	1.03	1.00	0.50	-	67.68	51.77	31.73	24.01	24.01	-
Number of ordinary shares (in millions)	177	171	168	166	30	3	3	3	3	3	3
Dividend on preference shares B	-	-	-	-	-	18.02	18.02	18.02	18.02	18.02	-

Dividend on preference shares A	0.01	0.01	0.01	0.01	0.24	0.24	0.24	0.24	0.24	0.24	0.24
Permanent staff at year-end in FTEs²	**5,431**	**5,492**	**6,080**	**6,343**	**6,674**	**6,407**	**6,446**	**6,184**	**6,459**	**6,459**	**6,514**

1) The comparable numbers are based on the then applicable accounting standards.

2) Since 2009, the average number of employees (FTEs) over the year is reported.

1.6. Delta Lloyd in 2012

In 2012, Delta Lloyd Group defied adverse market conditions to move closer to realising its long-term goals.

Key developments
We strengthened our distribution, consolidated our market leadership position in Life Insurance, exited loss-making activities, beat our cost target, benefited from excellent access to capital markets and gained independence from Aviva to become a fully autonomous publicly-traded company, now also listed in Belgium.

IFRS result ▼

Marked to market

- 1,495 m

Financial performance
Although we posted a net IFRS loss of € 1,495 million for 2012, compared with a € 184 million loss in 2011, this reflects the impact of low interest rates and our marked-to-market IFRS balance sheet. Our conservative approach is reflected in the marked-to-market IFRS accounting principles. We value our life provisions in a way that differs from regular industry practice, at a market yield of 1.99% at the 10-year point. Consequently, shareholders' funds decreased to € 2.3 billion compared to € 3.9 billion at the end of 2011. This was mostly attributable to the effect of the decline of the Collateralised AAA curve on the value of our liabilities, which was only partly compensated by an increase in the value of our assets.

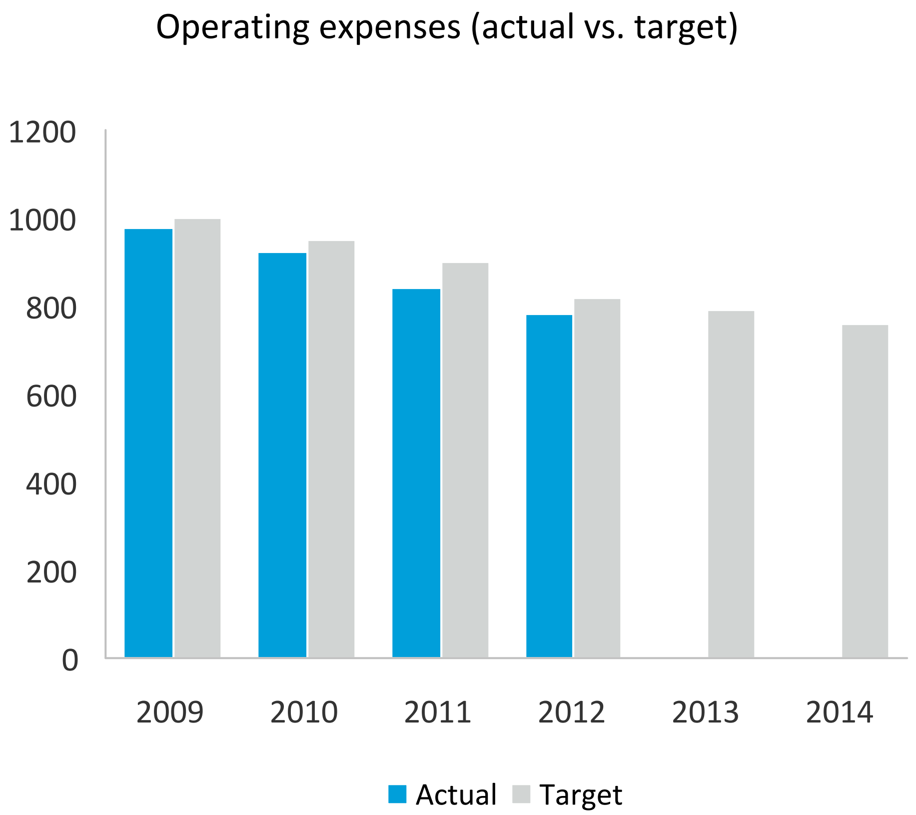
At the 10-year point, the Collateralised AAA curve decreased 200 basis points, while the ECB AAA curve dropped 94 basis points. The lower Collateralised AAA curve led to higher provisions for insurance liabilities and investment contracts (€ 4.7 billion) and hence to lower shareholders' funds. Based on more traditional accounting principles, as generally used in the industry, shareholders' funds after non-controlling interests would have been substantially higher at € 3.7 billion. For more details on this we refer to the annual results 2012 analyst presentation on www.deltalloydgroep.com.

On an operational level, our result after tax was € 404 million, in line with third-quarter guidance, but down from € 480 million in 2011.

Operational result

In millions of euros	2012	2011
Life	319	402
General	54	81
Bank	-11	34
Asset Management	48	38
Other	-6	-75
Operational result after tax and non-controlling interests	**404**	**480**
Tax	147	160
Non-controlling interests	38	56
Operational result before tax and non-controlling interests	**589**	**696**

With operating expenses at € 782 million, we beat our ambitious 2012 cost-cutting target to lower our operating expenses to € 820 million. This includes the costs of the acquired ABN AMRO intermediary activities, which were fully absorbed in 2012. The savings are largely from the ongoing simplification of our organisation, leading to increased efficiency. For 2013 and 2014, our targets are € 790 million and € 760 million respectively (excluding the costs of the acquired ABN AMRO intermediary activities).



Total gross premiums declined by 13% to € 4.7 billion in tough markets, but Delta Lloyd remained the leader in the Life new business with new annual premium income (NAPI) of € 401 million.

Our proposed total dividend for 2012 remained stable at € 1.03 per ordinary share.

Market environment

The business environment for financial services providers remained complex in 2012. Financial markets were volatile as uncertainty about the future of the euro zone, government austerity measures, worries about the US economy and fears of a slowdown in China all cast dark shadows over the global economy.

Towards the end of the year, investor confidence picked up and markets rallied on both sides of the Atlantic. However, interest rates remained at historic lows, which had a direct impact on our shareholders' funds and our results.

Capital markets
In August 2012, Delta Lloyd Levensverzekering NV placed a € 500 million subordinated loan with a wide group of investors. The success of the issue illustrates our excellent access to capital markets. The subordinated notes have a 9% coupon and are compliant with the latest draft requirements for Solvency II, qualifying as Tier 2 capital for Delta Lloyd. We have no additional financing requirements in the short or medium term.

In December, Amstelhuys securitised a portfolio of Dutch residential mortgage loans valued at € 700 million under the name Arena 2012-1, again attracting strong investor interest.
We reduced our exposure to sovereign and sub-sovereign bonds from Greece, Italy, Portugal, Spain and Ireland to € 59 million from € 178 million in 2011. We now have no sovereign exposure to Greece, Ireland or Portugal.

Independent future
In July 2012, majority shareholder Aviva announced an accelerated book-build offering of 25 million shares – 14.4% of all ordinary shares – to institutional investors. Due to huge demand, this was increased to 37.2 million shares (21.4%), leaving Aviva with a less than 20% stake in Delta Lloyd.
In January 2013, Aviva placed its outstanding 34.3 million shares with institutional investors in another oversubscribed accelerated book-building process. Delta Lloyd's capital is now more than 99% free float.

Since January 2013, we have also been listed on NYSE Euronext Brussels. We have been included in Belgium's leading BEL20 index since 18 March 2013.

Strengthened distribution
Consumer behaviour is changing, which in turn is altering the distribution landscape. Rather than going through third-party financial advisers, shrewd consumers are taking a direct approach and using the internet to research, compare and buy insurance products. On one hand, products are becoming increasingly commoditised as price becomes a prime consideration in buying decisions. On the other, there is growing demand for customised financial services that are best suited to individual consumer needs.

With insurance markets in the Netherlands and Belgium already highly saturated, there is limited room to grow, which puts pressure on margins. This demands a new approach from insurance providers. Solid players that are proactive and agile can take advantage of these developments to capture market share from competitors.

Delta Lloyd Group and Deutsche Bank entered into a 30-year agreement for the exclusive distribution of pension products to customers of Deutsche Bank through the Delta Lloyd Group labels. Our BeFrank joint venture will be the exclusive partner for Deutsche Bank commercial customers interested in taking out a group pension plan at a premium pension institution (PPI).

Delta Lloyd is well positioned to respond to the opportunities arising from changing consumer trends. We have strong brands and our multi-channel distribution approach allows us to sell both directly to consumers, as well as through intermediaries.

In Belgium, where we expect solvency issues to lead to greater consolidation in the insurance market, we announced the proposed sale of our general insurance portfolio to insurance broker Fidea in December. For Life Insurance, we signed a distribution agreement with CRELAN. This fits our strategy to expand life insurance businesses in Belgium, primarily through distribution by local banks and direct online sales.

Political climate

The Dutch economy grew marginally in the first half of the year, only to contract again in the third quarter. Consumers were reluctant to spend amid concerns about the future of their pensions, which will be affected by restrictions on how much they can save for their retirement, and plans by the government to scrap tax benefits on mortgages, depressing the weak housing market even further. Dutch mortgage debt (excluding associated savings) is among the highest in Europe, and falling property prices have left around 25% (800,000) of homeowners in negative equity. In our view, government proposals to stimulate the Dutch housing market could be counter-productive, resulting in higher mortgage repayments that could scare buyers from the market and leave households with even less money to spend. This would in turn lower house prices further, reduce activity in the construction industry and affect Dutch banks whose balance sheets are filled with mortgages.

The new Dutch pro-austerity coalition government formed in October 2012 also proposed a myriad of other measures to cut state spending and reduce the budget deficit. Some of these will affect our business. They include the introduction of higher taxes on insurance property and casualty (P&C) insurance products, which rose from 9.7% to 21% on 1 January 2013, and a proposal to tax all financial transactions, which if implemented will affect the entire Dutch financial services industry.

Pension growth

In both the Netherlands and Belgium, the pension market remains a catalyst for potential growth. The growth of the over-65 population relative to the working age population is placing increasing demands on the pension system. There is more onus on consumers to provide for their own retirement. As such, more people are investing in pension and endowment products.

In addition, challenging investment conditions and higher solvency requirements are making it harder for pension funds to meet their obligations and remain independent. According to Dutch Central Bank data (end of November 2012), more than half of all Dutch pension funds (55%), representing 84% of all participants in Dutch pension schemes, fell short of the compulsory 105% coverage ratio in 2012. We therefore expect a substantial transfer of insurance liabilities and assets under management from pension funds to commercial insurers such as Delta Lloyd, if coverage ratios are sufficiently high.

Reforms to the Dutch pension system have yet to be finalised, and there is still uncertainty around what the changes will entail. Proposals to lower the annual build-up of pension reserves by 0.4 percentage points to 1.75% – almost 20% a year in the long term – and to cap tax-free pension savings by 0.35pp per person at € 100,000 could affect people's financial security upon retirement. This also raises the question of who will benefit from the money saved: will it go to the pension funds to improve their coverage ratios, or will it put more cash in the hands of the people contributing to the funds, to boost consumer spending? Government plans to raise the age of retirement to 66 in 2018 and 67 in 2021 will also have implications for the Dutch pension market.

In Belgium, too, a low-yield environment and changes to legislation and tax laws could put pressure on the life insurance market in the short to medium term. However, in the long term, unit-linked and pension products are expected to provide a modest return once the policies mature and people retire.

Customer centricity
Delta Lloyd recognises that consumers want simple, easy to understand and transparent products at competitive prices. We have simplified our organisation, processes, systems and communication to make it easier for customers to find, buy and use our products. At the same time, simplification optimises our margins and reduces costs.

Quality label

Quality label retained for all labels, three years in a row

KKV ☑☑☑

Our Customer Centric programme emphasised accessibility, providing easy-to-understand information and communication, as well as listening to customers and making improvements based upon their feedback. As a result of better service delivery, customer satisfaction improved in 2012.

The Customer Centric programme has made many improvements in the interests of customers. In 2011 and 2012, all existing and new products were checked against our product approval process standards. As part of this review, we verify regulatory compliance, as well as whether the product is cost-efficient, useful, safe and understandable. All employees must strive for customer centricity: to stimulate this all staff are judged by their customer centric performance, which is laid down in specific key performance indicators (KPIs). For a more detailed report see section 4.2.

Delta Lloyd's number one priority is to put our customers first. As part of this, we introduced the '*Vreemde Talen'* ('foreign languages') campaign in 2012 to create more transparent and comprehensible financial products.

We paid particular attention to simplifying our pension and individual pension products. This helped position Delta Lloyd as the number one pensions insurer in the Netherlands, according to customer satisfaction research by consultancy firm IG&H.

Sustainable value
In 2012, Delta Lloyd qualified for inclusion in the Dow Jones Sustainability Indices for Europe and the World. We scored a strong 75 points in the DJSI self-assessment, up from 69 in 2011. Although not yet been formally admitted to the DJSI, we are recognized as a 'top-scoring company' in the insurance sector (2013 RobecoSAM Bronze Class).

Founding signatory

Founding signatory of UN principles of sustainable insurance (PSI)

UNEP PSI

In June, we were a founding signatory of the UN Principles for Sustainable Insurance (PSI), which commits us to doing business responsibly and ethically as part of our daily practice, to create sustainable long-term value for our shareholders and protect our good name. In 2012, more than half (55%) of our total assets under management classified as responsible investment (2011: 54%).

The Delta Lloyd Foundation works to improve financial self-reliance and awareness among vulnerable groups. In 2012, more than 600 employees volunteered for the Foundation, an increase of almost 20%. An e-learning platform launched in October helps employees prepare for their role as a volunteer.

Good employer
To deliver excellent service and meet the needs of our customers, we rely on the commitment and professionalism of our employees. In return, we strive to offer them an enjoyable work environment in which they feel engaged, responsible and valued. We offer flexible working, preventative healthcare and appealing assignments.

At the end of 2012, we employed 5,276 permanent employees (FTEs), of which 3,966 were in the Netherlands, 1,110 in Belgium and 200 in Germany. This was 2% fewer than at the end of 2011, and includes employees from the intermediary activities we acquired from ABN AMRO Bank.
Delta Lloyd is committed to diversity in the workplace. Our efforts at increasing diversity are outlined in section 4.5.4. of this report. In management positions, Delta Lloyd aims to have a gender balance by having at least 30% female executives (overall percentage of the Executive Board and the two management layers immediately below: directors and managers). In 2012, Delta Lloyd did not meet this criterion, although the percentage of female managers and directors increased compared to 2011 and it is expected to continue to do so in 2013.

For 2015, Delta Lloyd has set specific targets of having at least 35% female managers, at least 25% female directors and at least one female Executive Board member. To meet these targets a diversity council has been set up, managers and directors have targets for increasing diversity in their staff, and additional efforts are taken to stimulate female talents to join the management development programme and become team leader, which is the basis for a healthy future gender balance. Moreover, Delta Lloyd is a signatory partner of the Talent to the Top Charter.

In 2012, we entered into a new collective labour agreement for our staff in the Netherlands. It included a 3% wage increase and an option to purchase an iPad at a favourable rate. 79% of employees took up the offer. This reflects the modernisation of our workplace and the introduction of a new way of working called '*Sterk Werk*' ('strong work'), which allows staff to choose when and where they work. All business divisions in Amsterdam and Arnhem have adopted this concept. We announced changes to staff packages and will develop measures to reduce some so-called 'gold-plated' perks to reduce costs.

Delta Lloyd was ranked among the top 10 most attractive employers in the Netherlands in 2012 in surveys by influential daily newspaper NRC Handelsblad and Intermediair career magazine.

1.7. Segments

Delta Lloyd Group has been structured into the following segments: Life Insurance, General Insurance, Asset Management, Bank and Other. The segments deliver their services in the Netherlands according to the multi-brand, multi-channel strategy. This comprises developing and offering services to customers by means of different target group and pricing strategies through intermediaries (Delta Lloyd), bank branches, the internet and the Customer Contact Centre of ABN AMRO Bank (ABN AMRO Verzekeringen) and the internet and other direct distribution channels (primarily OHRA). The segments are described below.

1.7.1. Life Insurance

NAPI

Market leadership consolidated

-16%

401 m

change since 2011

Life Insurance is Delta Lloyd's largest division and the engine of the company. The sector is in the midst of change due to new regulations and a growing demand for tailored products as consumers increasingly look to arrange their own pension, rather than rely on company or sector funds. The business was also affected by falling interest rates.

Two factors – the change in consumer behaviour and the ban on commissions – are changing the way pensions and other life insurance products are distributed. Delta Lloyd is well positioned to profit from this change as we have already diversified our distribution.

We sell our life insurance products directly to customers via our website, through our joint venture with ABN AMRO, and under the MoneYou brand. Our OHRA brand specialises in selling life insurance products directly to individuals without the involvement of intermediaries. However, intermediaries remain an important distribution channel for the Delta Lloyd brand and we value the cooperation with this important group.

Life Insurance segment by country in 2012

In millions of euros	The Netherlands	Belgium	Germany	Total
Gross written premiums [1])	2,427.4	838.8	-	3,266.1
Operational result after tax and non-controlling interests	276.7	34.2	8.6	319.5
Result after tax and non-controlling interests	-1,068.2	-122.9	16.5	-1,174.7

1) Excluding Germany; gross written premiums Life including Germany total € 3.555 million

Life Insurance segment by country in 2011

In millions of euros	The Netherlands	Belgium	Germany	Total
Gross written premiums [1])	3,222.9	755.4	-	3,978.2
Operational result after tax and non-controlling interests	333.1	58.4	10.9	402.4

Result after tax and non-controlling interests	145.8	-185.2	-3.6	-43.0

1) Excluding Germany; gross written premiums Life including Germany total € 4.321 million

New mortality table AG2012: effect -7% on IGD group solvency
Delta Lloyd decided to apply the AG2012 mortality table for calculating the longevity reserve as from year-end 2012. This table better reflects the demographics of our portfolio, a fuller explanation for switching to the AG2012 mortality table is outlined in section 5.1.7.1. Risk management. The AG2012 mortality table is also applied as best estimate assumption in the liability adequacy test (LAT), which directly affects Delta Lloyd's solvency position. The impact for the IGD group solvency was -7%.

Market leader in new pensions
In 2012, premiums written in life insurance in Belgium and Netherlands fell by 18% compared with the record year 2011. But Delta Lloyd remained the market leader in new Life insurance and pensions and the business we attracted was profitable. Delta Lloyd was also ranked the number one pension provider in the annual survey of customer service in the Dutch market by consultancy firm IG&H. We also retained the quality hallmark for customer focused insurance (‘*Keurmerk Klantgericht Verzekeren*’) awarded by the Dutch ‘*Stichting Toetsing Verzekeraars*’ for all our labels. This independent organisation aims to promote trust in the insurance sector among retail and business customers and was first awarded its quality hallmark in 2010.

BeFrank
Our BeFrank joint venture with BinckBank continued to be successful. It grew its defined contribution portfolio and signed new contracts. Some 70 companies with more than 10,000 employees have now opted for BeFrank since it was launched in the summer of 2011. In addition to growing its portfolio in 2012, BeFrank also successfully launched the first-ever pensions app, which offers clients the opportunity to have real-time insight into their pensions.

BeFrank will be the exclusive partner for Deutsche Bank commercial customers interested in taking out a group pension plan at a premium pension institution (PPI).

Belgium
In Belgium, Delta Lloyd managed to grow faster than the market. Growth opportunities in the country were boosted by a life insurance distribution deal with CRELAN (Landbouwkrediet/Centea), which means our life insurance products will be sold through a network of 900 local branches.

Germany
The proposed sale of our activities in Germany to Nomura was cancelled. The German operations were profitable in 2012 and we will continue the life insurance and asset management businesses in run-off while we look at our strategic options.

Life gross written premiums - Netherlands

In millions of euros	2012	2011
Group policies		
Traditional		
Single premium	546.0	1,170.5
Annual premium	199.5	172.7
Reinsurance premium	-0.6	3.2
Total group policies - traditional	**744.9**	**1,346.3**
Unit Linked		
Single premium	86.3	211.6
Annual premium	333.4	248.9
Total group policies - unit linked	**419.6**	**460.5**
Individual policies		
Traditional		
Single premium	593.7	669.0
Annual premium	183.7	193.8
Reinsurance premium	3.4	0.6
Total individual policies - traditional	**780.8**	**863.3**
Unit Linked		
Single premium	44.0	49.0
Annual premium	438.0	503.7
Total individual policies - unit linked	**482.0**	**552.7**
Total	**2,427.4**	**3,222.9**

Life gross written premiums - Belgium

In millions of euros	2012	2011
Group policies		
Traditional		
Single premium	150.8	137.0
Annual premium	248.8	220.4
Total group policies - traditional	**399.6**	**357.5**
Unit Linked		
Single premium	0.2	0.1
Annual premium	0.5	0.5
Total group policies - unit linked	**0.6**	**0.6**
Individual policies		
Traditional		
Single premium	308.1	264.3
Annual premium	88.4	91.1
Reinsurance premium	27.9	30.6
Total individual policies - traditional	**424.4**	**386.0**
Unit Linked		
Single premium	9.7	8.0
Annual premium	4.3	3.3
Total individual policies - unit linked	**14.1**	**11.3**
Total	**838.8**	**755.4**

1.7.2. General Insurance

Delta Lloyd offers its general insurance products through various distribution channels. We sell directly to consumers via the internet – a distribution channel that is rapidly gaining market share – and through our joint venture with ABN AMRO, through intermediaries and the OHRA brand. Gross written premiums in our general insurance activities grew marginally from € 1.380 billion in 2011 to € 1.385 billion in 2012.

Combined ratio

On target

+0.9pp

97.9%

change since 2011

General Insurance segment by country in 2012

In millions of euros	The Netherlands	Belgium	Total
Gross written premiums [1])	1,385.4	-	1,385.4
Operational result after tax and non-controlling interests	52.5	1.5	53.9
Result after tax and non-controlling interests	-120.8	-0.8	-121.6

1) Excluding terminated and run-off activities

General Insurance segment by country in 2011

In millions of euros	The Netherlands	Belgium	Total
Gross written premiums [1])	1,380.5	-	1,380.5
Operational result after tax and non-controlling interests	76.1	4.9	81.1
Result after tax and non-controlling interests	34.1	-2.3	31.8

1) Excluding terminated and run-off activities

We put the loss-making international marine business in run off in 2012 and sold our general insurance portfolio in Belgium to Fidea. These activities were no longer considered core business, and we considered the scale of the operation too small to continue. We also terminated our joint venture with Friesland Bank following its takeover by Rabobank.

In 2012, Delta Lloyd faced an industry-wide issue around the length of time Dutch insurers are obliged to pay disability allowances to customers covered by own-risk products under the government's return to work of partially disabled persons (WGA) scheme. When companies were first given the option to bear the financial risks for temporary occupational disability benefits themselves, competition among insurers for this business was intense. In the period from 2006 to 2010, tariffs for these products were too low and subsequent economic developments have caused lower labour participation of partly disabled people. Inflows of partially disabled employees were 30% higher than expected and outflows to full disability were 50% lower than expected by the Association of Dutch Insurers Delta Lloyd has taken measures to combat these losses, increased tariffs and will gradually exit this market.

1.7.3. Bank

The lower interest margins also affected our banking operations. While margins were good in the mortgage business, the number of new mortgages fell by 60% compared to 2011 –although this is in line with market developments in the Netherlands. The mortgage portfolio in Belgium also shrank as we put more emphasis on margins rather than volume. Our mortgage portfolios are of high quality, with minimal arrears.

Bank		
In millions of euros	**2012**	**2011**
Mortgage origination	683.0	1,913.0
Savings (excluding 'banksparen')	5,577.0	6,375.0
'Banksparen' balances	1,789.0	1,227.0
Operational result after tax and non-controlling interests	11.1	-33.7
Result after tax and non-controlling interests	60.6	10.8

The situation in the Dutch housing market was difficult in 2012 as the economic downturn and uncertainty about government measures caused buyers to take a wait-and-see approach, slowing the market. It is unsure when the situation will improve.

Growth in tax-efficient 'banksparen' savings increased in 2012, with 'banksparen' balances up 46%. Many consumers see 'banksparen' as a viable and transparent way to accumulate wealth. In uncertain economic times, consumers tend to save more rather than spending their money on the high street or buying a house. Delta Lloyd was one of the first to launch a 'banksparen' product and now holds a market share of approximately 10%.

1.7.4. Asset Management

Our Asset Management business increased its operational result although there was some outflow of institutional investors choosing for indexing-only, only partly compensated by retail inflows. The operational results were driven by higher performance fees, higher treasury income and lower expenses. The outflow was due to market conditions, which led some institutional clients to move their assets to a more passive asset manager. Total assets under management increased by 7% to just over € 79 billion as at 31 December 2012.

Asset Management		
In millions of euros	**2012**	**2011**
Assets under management[1])	79,113.0	73,917.4
Net new assets	-344.0	1,108.0
Operational result after tax and non-controlling interests	-47.9	-38.3
Result after tax and non-controlling interests	-43.9	-33.7

1) Including accrued interest

In 2012, Asset Management posted a good performance in the fixed income segment, but lagged the market in Dutch midcap and small cap equities. The division is working on establishing share classes for investment funds to be distributed by retail banks without the retrocession fee, which will disappear from 1 January 2014.

1.7.5. Other

This segment consists mainly of holding company overheads, interest expenses, the results of Amstelhuys and the run-off healthcare business. The operational results of this Other segment increased as the result of lower provisions and pension charges and a better result from the health activities and higher commission incomes and fees for OHRA health insurance products.

Other segment

In millions of euros	**2012**	**2011**
Operational result after tax and non-controlling interests	-6.1	-75.4
Result after tax and non-controlling interests	-182.0	-194.1

1.8. Embedded value

Life New Business Profitability
We use the 'internal rate of return' (IRR) as a measure of profitability of new life and pension business written. The IRR decreased by one percentage point from 9% in 2011 to 8% in 2012. This decline was attributable to lower expected investment returns due to persistently low interest rates and a change in mortality assumptions. The target in 2011 was for IRR to be at least 8%. The target for 2012 was set to at least 9%.

Embedded value
Embedded value gives insight into the performance of the life insurance business, the main activity of Delta Lloyd Group. A detailed explanation and overview of the results can be found on the website of Delta Lloyd Group in the 'Embedded Value 2012' report.

The European Embedded Value (EEV) is a valuation of the life assurance business that takes into account inherent insurance business risks. The valuation takes account of differences in the economic risk of the various portfolios and makes allowances for non-financial risks, including insurance and operational risks, and non-hedgeable financial risks.

The EEV consists of the market value of own funds (net worth) and the present value of expected future profits of the life policies (value in force). This involves a detailed calculation of expected (future) income from insurance and investment portfolios and the operational and economic conditions under which these results are achieved. Thus, the group makes specific assumptions for investment returns on, for example, bonds, shares and property, but also for economic factors such as interest rates and inflation.

The EEV is determined for the existing in-force portfolio, as well as for new business written in the year ended (New Business Value – NBV).

The development of embedded value gives good insight into the various components that drive the annual results, including investment and economic conditions.

Analysis of the change in embedded value
The table below shows an analysis of developments in embedded value for our Life activities.

Development Embedded Value		
(in millions of euros)	**2012**	**2011**
EEV at 1 January	4,890	4,736
Operating earnings (LEOR)		
Value of new business	57	46
Value of in-force business	285	738
Total operating earnings (LEOR)	342	784
Exceptional items	-	-81
Asset outperformance	-648	-538
Capital (re)allocation	-374	-11
Life EEV at 31 December	4,210	4,890

Life embedded value decreased by 14% to € 4.2 billion. This is mainly due to the effects of continued low interest rates and the transfer of Delta Lloyd Lebensversicherung in Germany to non-covered business.

The operating result (LEOR) is lower because profitable new business and the positive effects of cost reductions are more than offset by the introduction of new mortality assumptions and lower operating variances compared to 2011, which saw a number of positive variances. The low interest rates had a negative effect on economic variances in 2012.

The table below shows the Life EEV by country for 2011 and 2012.

Embedded value by country		
(in millions of euros, unless otherwise stated)	**2012**	**2011**
Netherlands	3,713	4,214
Belgium	497	436
Germany	-	181
Diversification	-	60
Total	4,210	4,890

New business value
One of the main activities of an insurer is the writing of new policies, which over the term of the contract increase the value of the company. This is known as the new business value. The following table shows the premium volumes and the value of the new business generated by life insurance activities.

New business value		
(in millions of euros, unless otherwise stated)	**2012**	**2011**
New business value	57	46
Internal rate of return (IRR)	8%	9%
Single premiums (excluding Germany)		
- Life insurance and savings	84	120
- Pensions and annuities	1,679	2,361
Total single premiums (excluding Germany)	**1,762**	**2,481**
Regular premiums (excluding Germany)		
- Life insurance and savings	28	34
- Pensions and annuities	197	193
Total regular premiums (excluding Germany)	**225**	**227**

The new business contribution to embedded value, produced by the new business written over the reporting period, is equal to the present value of the projected distributable profits after tax, taking into account the required capital needed for these products.

The value of new business is calculated using economic assumptions at the beginning of the quarter and the operating assumptions that apply at the end of the period. This value is rolled forward to the end of the reporting period.

The IRR is the expected rate of return on new policies and contracts on an annual basis.

1.9. Delta Lloyd shares in 2012

A year of contrasts
2012 was another difficult year for investors, with ongoing concerns about stagnant economic development in the euro zone and the sustainability of the single currency. Government austerity measures to put public finances in order added to the uncertainty. Yet the first months of the year were marked by a cautious optimism as share prices rose and peripheral yields declined. This was partly because the European Central Bank (ECB) introduced a three-year long term refinancing operation (LTRO) in late December 2011. As 2012 progressed, however, fear and uncertainty returned to financial markets. Negative news flow from Italy and Spain in the spring caused peripheral yields to rise sharply and share prices fell. Hardest hit were financial stocks.

The second half of 2012 was marked by a slow but steady return of confidence in the euro zone. This was mainly due to a second ECB LTRO programme and several agreements between euro zone leaders that enabled the bailout fund to step in immediately to support struggling banks and established a European banking regulator. Ultimately, this resulted in peripheral rates declining sharply, as well those of the 'core' euro zone countries. The Amsterdam AEX-index rose by 9.7% in 2012. Interest rates on both government and corporate bonds fell to historically low levels due to the so-called ‘search for yield’.

Delta Lloyd’s share price (dividend adjusted) increased by 2.8% in 2012. This was well below the performance of the overall Dutch AEX-index (+9.7%) and more or less in line with the index for Dutch financial institutions. A different picture emerges if we analyse the stock’s performance (dividend adjusted) since our IPO, which shows Delta Lloyd outperformed nearly all other Dutch financial institutions in the period since 2009 in terms of price development.

Twenty analysts follow the Delta Lloyd share (2011: 19). Delta Lloyd is also increasingly recognised by sustainability bodies and appreciation for our efforts in this area has increased.

1.9.1. Aviva sells its Delta Lloyd stake in two stages

On 5 July 2012, Aviva announced it would place 25 million shares (14.4% of all ordinary shares) with institutional investors through an accelerated book-building process. This was increased to 37.2 million shares (21.4% of the ordinary shares) due to the huge investor demand. After the placement, Aviva’s remaining stake in the Delta Lloyd Group was less than 20% of the outstanding common shares while free float Delta Lloyd shares increased to approximately 80% at 31 December 2012.

On 8 January 2013, Aviva placed its remaining 34.3 million shares (19.4% of the ordinary shares) with a diverse group of institutional investors through another accelerated book-building process. This placement too was oversubscribed, again reflecting the investor interest in Delta Lloyd’s shares. These placements were in agreement with Delta Lloyd’s wish to gain full strategic and financial independence from Aviva. After the final placement, Delta Lloyd Group's free float amounts to over 99%.

Outstanding shares at 31 December 2012

	Voting rights (%)	Ordinary shares (number)	Ordinary shares (%)	Preference shares A (number)	Preference shares A (%)
Free float	74.9%	140,938,953	79.7%	-	0.0%
Fonds NutsOHRA	6.9%	-	0.0%	13,021,495	100.0%
Aviva	18.2%	34,288,795	19.4%	-	0.0%
Treasury shares	0.0%	1,543,123	0.9%	-	0.0%
Total	**100.0%**	**176,770,871**	**100.0%**	**13,021,495**	**100.0%**

1.9.2. Annual general meeting of shareholders

The annual general meeting of shareholders will take place in the Mövenpick Hotel in Amsterdam on 23 May 2013. Further details will be announced via www.deltalloydgroep.com. Information on the structure of the meeting, admission and voting rights is included in section 3.1.5. of this report.

Financial calendar 2013

Date	
2 May 2013	First quarter 2013 Interim Management Statement
23 May 2013	Annual General Meeting
7 August 2013	Publication results first six months of 2013
9 August 2013	Ex dividend date (interim dividend 2013)
4 September 2013	Payment date interim dividend
6 November 2013	Third quarter 2013 Interim Management Statement
27 November 2013	Investor Day

The above dates are provisional. Please see our website www.deltalloydgroep.com for the up-to-date financial calendar.

1.9.3. Dividend 2012 stable

Based on our operational result after tax and non-controlling interests, Delta Lloyd Group proposes to declare a dividend of € 1.03 per ordinary share for 2012, unchanged from 2011. The dividend, which amounts to € 180.6 million, should be available from the freely distributable reserves,. The total interim dividend paid for 2012 was € 0.42 per ordinary share. Shareholders who choose a dividend payment in stock receive a premium of 4%. This means the final dividend for 2012 is € 0.61 per ordinary share.

Delta Lloyd Group has paid an annual dividend every year since our IPO in 2009. This is in line with our ambition to be a reliable listed company with a stable dividend policy. The dividend underlines our commitment to our shareholders. Within our stakeholder approach, shareholders, as providers of capital, play an important role in securing the continuity of our Group.

Shareholders can choose to receive the dividend payment entirely in cash or entirely in shares. The value of the stock dividend has a premium of approximately 4% above the value of the cash dividend and will be paid out of the share premium reserve. The final dividend for 2012 on ordinary shares will be paid after the approval of the annual general meeting on 23 May 2013.

To calculate the value of the dividend, we use a share fraction based on the weighted average share price over a period of five trading days (to take the prevalent market price into account), prior to the definitive determination. Shareholders have until 12 June 2013 to choose whether they want to receive the dividend in cash or in shares. If no preference is made clear, the dividend will be paid in shares.

The number of dividend coupons entitling the holder to one new ordinary share (with a nominal value of € 0.20) will be determined on 12 June 2013 after 5.30 p.m. These will be based on the weighted average closing price on NYSE Euronext Amsterdam for the five consecutive trading days from 6 to 12 June 2013.

Dates for 2012 final dividend

Date	
27 May 2013	Ex-interim dividend
29 May 2013	Registration date
30 May 2013	Start of election period
12 June 2013	End of election period
20 June 2013	Payment date

The above dates are provisional. Please see www.deltalloydgroep.com for the most up-to-date information.

Dividend policy

Delta Lloyd's dividend policy is explained in section 5.3.1 of this report.

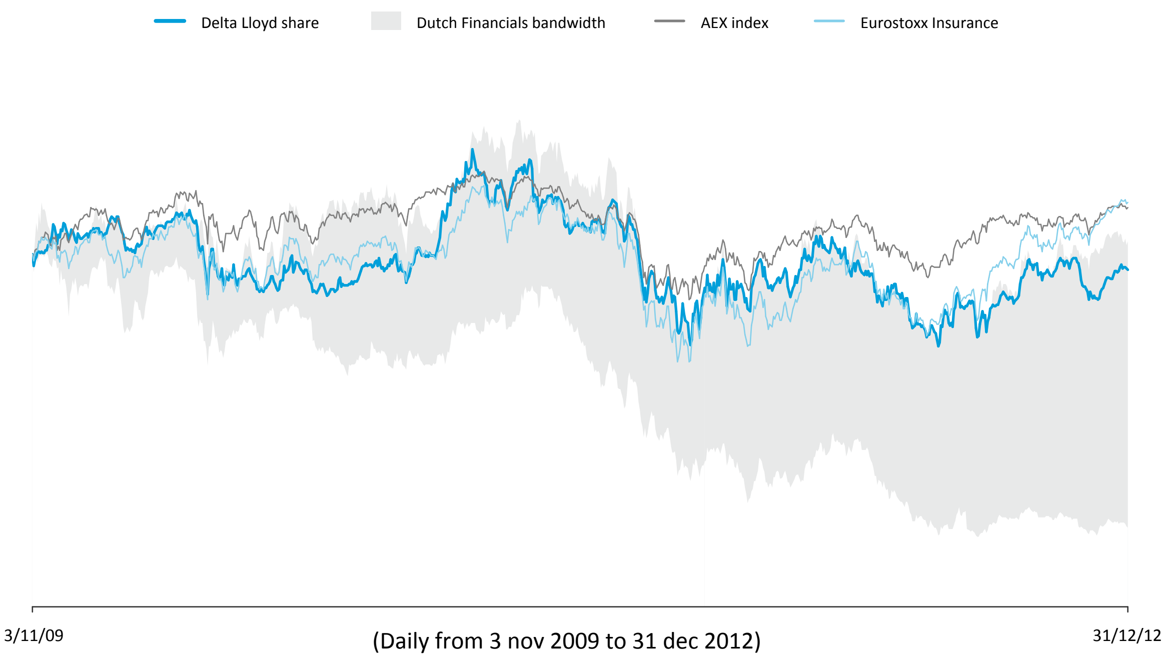
1.9.4. The Delta Lloyd share in 2012

Delta Lloyd shares performed more or less in line with those of other Dutch financials in 2012, but significantly underperformed the benchmark AEX-index (+9.7% vs. +2.8%).
The year was marked by the so-called 'Aviva overhang', the shares Aviva owned were expected to come on the market which put pressure on the share price. The share price picked up after Aviva's successful placement of 37.2 million Delta Lloyd shares in July, but retreated again towards the end of the year. Investors feared Aviva would sell its remaining stake in Delta Lloyd at the start of 2013 when the lock-up period ended. Aviva did indeed put its outstanding shares up for sale on 8 January 2013.

Delta Lloyd shares gained 2.8% in 2012 rising to € 12.34 from € 11.97 (closing price 2011 of € 13.00 adjusted for € 0.61 dividend 2011 and € 0.42 cash interim dividend 2012).

The trading volume (number of traded shares x share price) of Delta Lloyd shares increased by 7% compared to 2011 to around € 200 million per month, despite an overall decline in market liquidity and volume. Delta Lloyd's trading volume increased mainly because of the expansion of the free float by 37% through the sale of the Aviva stake mid-year.

Normalised on the closing price for Delta Lloyd NV at IPO



Transparency and consistency

Delta Lloyd Group places huge importance on transparency and consistency in our financial communication. All public information about our performance, strategy and activities is available on our website, in the Investors Relations section. In addition, the Executive Board regularly organises presentations for analysts, investors and other interested parties. The most important presentations are webcast live on our website and remain available for later viewing. We also maintain contact with institutional investors and analysts via one-on-one conversations and conferences.

In 2012, Delta Lloyd again organised an Investor Day. On November 23, members of the Executive Board and the management team gave presentations on our strategy, market performance, market developments and financial targets. These presentations could be followed live via webcasts and the main messages were assembled and distributed in a press release.

We also maintained contact with retail investors, mainly through public events such as the 'Day of the Investor' in Amsterdam and our well-attended annual general meeting of shareholders.

Figures per share

In euros, based on total number of shares outstanding at 31 December	**2012**	**2011**
High (8 February, 8 February)	14.91	19.88
Low (13 June, 23 September)	9.32	9.96
Closing price (31 December)	12.34	13.00
Market capitalisation Delta Lloyd Group (in millions of euros)	2,180	2,218
Result (IFRS) after tax and non-controlling interests	-8.53	-1.08
Operational result after tax and non-controlling interests	2.31	2.84
Shareholders' funds	13.16	22.88
Group European Embedded Value	22.85	27.80
Return on Equity	10.5%	10.4%
Closing price / operational result after tax and non-controlling interests (P/E ratio)	5.34	4.58
(Proposed) dividend (including interim dividend paid)	1.03	1.03

Average daily trading volume

Year	
2012	725,230 shares
2011	600,271 shares
2010	426,731 shares
2009*	570,550 shares

*) Excluding the first trading week from 3 to 6 November 2009

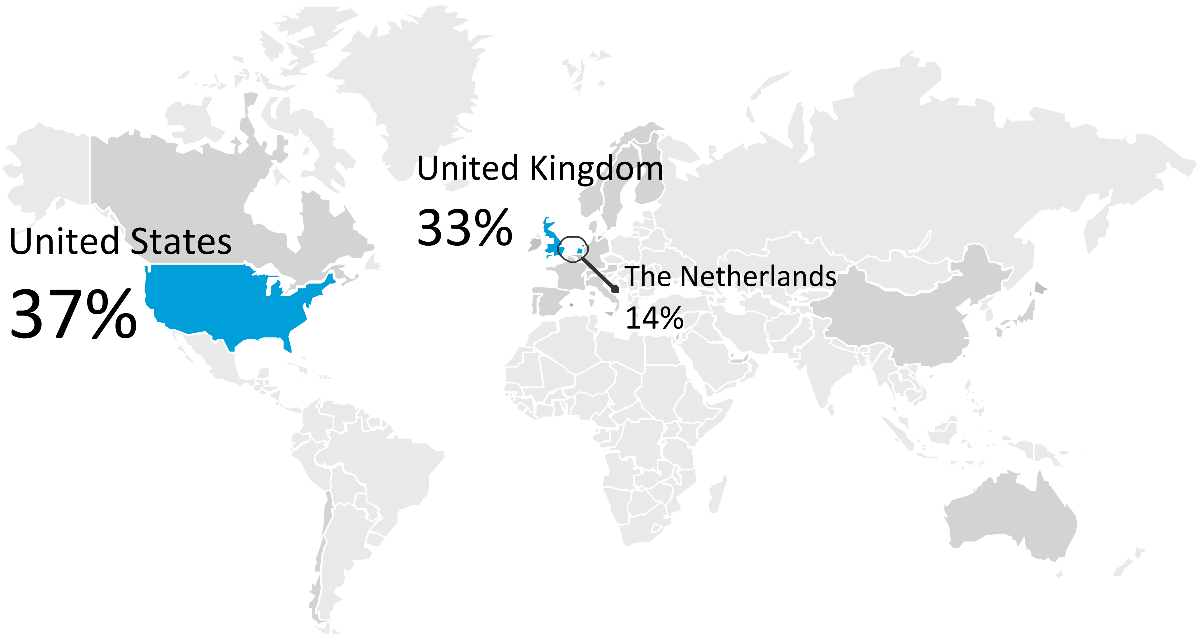
On 15 March 2013, NYSE Euronext Global Index Group announced Delta Lloyd shares will continue to be listed in the AMX-index, with a weighting of 8.9% effective as of 19 March (was: 6.4%). For the inclusion in the BEL20 index as of 18 March, an indicative weighting of 3.5% will be applied.

Major shareholdings and allocation of Delta Lloyd shares on 31 December 2012

Geographical allocation[1]

(total 100 %)	**2012**	**2011**
United States	37%	18%
United Kingdom	33%	60%
The Netherlands	14%	11%
Other	10%	4%
Germany	3%	4%
Scandinavia	3%	1%

1) Based on information from several large banks and own estimates.



Major shareholders (more than 5% of ordinary shares) on 31 December 2012

- Aviva plc, London
- Greenlight Capital, New York

1.10. Outlook for 2013

Delta Lloyd is well placed for the future. We have a sound business and a strong foundation that aims to protect us against further adverse economic developments and positions us to take advantage of a market upturn when this occurs. This will enable us to grow our position in life insurance, pensions general insurance and assets under management, depending on market developments.

We have taken steps to make our business more resilient given the current volatile environment. We have simplified our organisation, reduced costs, divested non-performing activities and strengthened our solvency. We have retained our stringent cost targets for 2013 and 2014 and remain committed to increasing both our operating result and dividend by at least 3% annually.

Our investment portfolio and risk management are structured to benefit from a recovery in the financial markets and the economy as a whole. Even if the macroeconomic environment remains unchanged, Delta Lloyd is set to perform well in 2013.

Delta Lloyd values its transparent marked-to-market valuation. It reflects our actual financial position and allows us to take swift and direct action when needed to counter economic turbulence. Through this combination of prudence and transparency, we are able to provide certainty to our growing customer base, our employees and our shareholders.

We expect the economic environment to remain tough in 2013 and we remain subject to external influences, such as policy decisions around pension reform and the Dutch mortgage market. As such, we are monitoring developments closely and remain cautious about providing new mortgages. We are concentrating on low loans to values and mortgages with government guarantees. We also continue to explore strategic options for our German activities in run off.

As a sustainable financial service provider, our customers' interests come first. We aim to increase customer satisfaction further in 2013 and to retain the customer-focused insurance quality label in 2013 and beyond. We continue to aim for inclusion in the Dow Jones Sustainability Index and maintain our commitment to environmental, social and governance principles in our day-to-day work, as well as promoting financial education in our core markets.

In January 2013, we announced a cross-listing of our shares in Belgium, which underlines the importance we place on this second home market, and reinforces our presence here. It also diversifies our shareholder base and creates broader access to capital markets, without significantly increasing our reporting costs.

Executive Board
Niek Hoek, chairman
Paul Medendorp
Emiel Roozen
Onno Verstegen

1.11. Case: BeFrank - Empowering Pensions

Pensions are a hot topic. Many of us are concerned about our pensions, but few of us actually understand much about how they work. Enter BeFrank - a plain-speaking, low-cost PPI (premium pension institution) scheme which took less than one year to become a player of note in the staid pension market.

As its name suggests, BeFrank is an easy to understand, simple and transparent pension product, communicating openly with customers on the build-up of their pension, their investments and the costs and risks involved.

BeFrank, the first PPI in the Netherlands, combines Delta Lloyd's pension knowledge with BinckBank's online power. Establishing a PPI became possible after legislation governing the introduction of PPIs took effect at the start of 2011. Underscoring our commitment to innovation, the product was introduced soon after.
BeFrank's innovative nature lies in its very simplicity and the ease with which people can access information on their pensions. Through on-line portals, employees can access their pension details whenever and wherever they wish. The pension planner offers individuals an immediate overview of their pension and the associated risks. By communicating in advance about the effects on their pension of choices such as saving additional amounts, retiring early or altering risk profiles, employees are empowered to make choices that suit them and the lives they lead.

Though relatively new to the Netherlands, the PPI pension model is here to stay - if accolades such as the award for 'best communications for a commercial party 2012' from Pensioen Bestuur & Management are anything to go by.

BeFrank uses modern infrastructure and communications techniques, ranging from online portals, a mobile app with real-time insight in your pension's savings and the pension community WeFrank. BeFrank also offers its infrastructure to third-party pension providers as a white label service.

1.12. Case: Meet and tweet

Social media can connect people in a way unimaginable until a few years ago. From an early stage, Delta Lloyd has been keen to be involved in social media, using it as an effective way to interact with customers. Our OHRA business has a dedicated social media team covering all product groups and areas of expertise.

The team consists of representatives of all major business units and departments, such as Life, Bank, Health, Online Innovation and Reputation Management, who work together closely on developing initiatives to build and expand customer relationships through social media. “Each of us has our own expertise and approaches social media from a different angle. This is very inspiring and helps break down barriers between departments,” one team member says.
Long gone are the days when we only used one-way communications to inform customers about our products. Today, we strive for customer dialogue and are keen for feedback on our products - positive and negative. Our social media team monitors all relevant social media, constantly looking for opportunities to communicate with customers and get their feedback. ”People talk about us a lot and fortunately mostly in a positive way,” says one of the team members. “At the same time, negative comments are very valuable to us, because they can tell us where we can improve. We also use the questions being asked via social media to develop or improve products and services, sharing them with the right departments internally.”

Delta Lloyd has developed an array of social media and online initiatives, varying from posting films on YouTube to apps that help customers find answers to all their questions about pensions, health insurance and other relevant topics. Our social media initiatives have not gone unnoticed: Delta Lloyd and OHRA were included in the top five of ‘frontrunners in social media’ among 61 Dutch insurers surveyed by the Social Media Insurance Monitor 2012.

1.13. Case: Insurance is a matter of faith

Delta Lloyd puts its customers first. Sometimes we hear touching stories from our customers that stay with us and make it clear how our insurance can really help them in a time of need.
Take the elderly lady who called claims handler Frans van der Linden after she was mugged in the street. Her attackers didn't steal anything, but they broke her glasses and ripped her coat. According to the rules, Frans wasn't obliged to compensate her. But she had recently been widowed and was so shaken by her ordeal, he decided to do so anyway. The woman had been a loyal customer for 30 years and had never before claimed for anything. Frans knows that sometimes insurance is a matter of faith between our clients and us.

Insurance is also about building long-standing relationships. Technical advisor from the Expertise Service Center Alfons Lossie has nurtured such a relationship with the management of a veneer company that Delta Lloyd insures. When Alfons first visited the factory he was amazed to see cast-off pieces of veneer laying around, discarded along with the ordinary waste. He told the director of the considerable risks this brought about. In the following years the factory was reorganized and safety and production improved, as well as Alfons' relationship with the company. When a rival insurer approached them with a much lower premium, Alfons thought he had lost a customer. But the director told Alfons he didn't care about the price; he valued the relationship and how his company had thrived as a result of Alfons' advice all those years previously.

Stories such as these illustrate that insurance is not just about compensating people for a loss, it can also help to improve lives and businesses.

2. Report of the Supervisory Board

Market conditions were difficult again in 2012. The economic and financial crisis also left its mark on the insurance industry, making it a tough year for Delta Lloyd. Further sharp falls in interest rates in particular significantly affected our operations and put our results under pressure. The continued downward trend in interest rates was, of course, beyond Delta Lloyd's control - but forced us to take action to minimise the impact. This and a rigorous risk management policy were the key items on the management agenda of the Executive Board and the supervision agenda of the Supervisory Board in 2012.

2.1. Supervision requirement

A two-tier structure, as in place at Delta Lloyd Group, requires a well-managed relationship between the Executive Board and the Supervisory Board in which each Board has specific responsibilities. These different responsibilities are also expressed in the nature and structure of their reports.

A detailed account of the policy pursued and the company's results can be found in the Report of the Executive Board. In this Report of the Supervisory Board, we explain how we fulfilled our duties and responsibilities as the internal supervisor. We aim to provide clarity on our approach, with a focus on relevant governance information such as strategy, achievement of commercial targets, risk management, restoring trust in the insurance market and a number of other issues that received particular attention in the Supervisory Board in 2012. This report also includes a section on our own practices and procedures.

The Report of the Supervisory Board should be read in conjunction with section 3 on Responsible Governance, which outlines the corporate governance structure and provides additional factual information on how the company is managed.

2.2. Key issues in 2012

The discussions within the Supervisory Board were based mostly on documents and presentations prepared by the Executive Board, but the Supervisory Board also drew on external sources of information. The Supervisory Board has four committees: the Audit Committee, the Risk Committee, the Nomination Committee and the Remuneration Committee. Wherever necessary, subjects are discussed in advance in one of the committees in preparation for the meetings of the Supervisory Board, and the committee chairmen report on the outcomes to the plenary meeting.

All customary subjects were also addressed at the Supervisory Board meetings. Particular attention was devoted to the company's financial results. In this context, we not only gave lengthy consideration to the various performance indicators but also to the proper provision of information to the investment community and other stakeholders. All these discussions were prepared in detail by the Audit Committee. In addition to non-financial risk management, the Risk Committee's core duty is the company's management of risks in relation to future returns. The Supervisory Board noted that the Executive Board responded appropriately to the sharp falls in interest rates through strong risk-reducing measures, efficiency enhancements and solid asset management.

The Supervisory Board devoted special attention to the following subjects:

A) Achieving business objectives

The Supervisory Board held intensive discussions with the Executive Board on developments in the financial markets and the best way to respond to these developments, concentrating on risk mitigation, margin improvement and an intensive cost-saving programme. The continued fall in interest rates in particular affected the results, meaning that the growth target for the operational result was not achieved. Delta Lloyd's decision, which is still unusual in the Netherlands, to measure almost all its assets and liabilities at market value had significant adverse consequences for the IFRS results. The Supervisory Board believes it is important to give clear information about the effect of applying this method rather than the more conventional measurement used in the market. Under that method, shareholders' funds would have been approximately € 3.7 billion instead of the reported € 2.3 billion.

The Supervisory Board notes that despite falling interest rates, the quality of Delta Lloyd's capital base remains solid. The Supervisory Board supports the Executive Board's policy to prioritise margin over volume, to focus strongly on solvency and to adhere to the long-term strategic position as a beacon even in nervous markets.

Looking back on 2012, the Supervisory Board believes that Delta Lloyd showed resilience in its response to the prevailing circumstances and the associated pressure on results. This makes us convinced that the long-term corporate objectives of business performance, operational profitability and capital and risk management will be achieved.

B) Risk management

Risks are an inextricable part of doing business. They are intrinsic to the insurance industry, so Delta Lloyd Group is not exempt. Its revenue model is based on taking on and managing a broad spectrum of risks in relation to the return to be achieved in the future. Risk management is therefore not an isolated activity but an integral part of the core business and, as such, is embedded throughout the organisation and in the company's operational processes. The Supervisory Board performs its duties along the same lines. This means that the Supervisory Board must form a clear overall view and understanding of the main risks so that it can assess how the Executive Board manages them and monitor the consequences of decisions for the risk profile.

The most important risk documents are now placed on the agenda of plenary meetings of the Supervisory Board. The Risk Committee holds preparatory discussions on risk management and the accompanying documents, including the design and effectiveness of internal risk control systems.

The Group Risk Appetite Statement (GRAS) is an important part of the risk management framework at Group level. It is reviewed in detail once a year in the Risk Committee and subsequently placed on the agenda of the plenary Supervisory Board meeting for discussion and approval. The GRAS is not confined to financial risks but includes non-financial risks, too. It defines the overall risk appetite and gives a detailed indication of acceptable levels for the identified risks. The GRAS limits for financial and non-financial risks were reduced in 2012.

Every quarter, the Supervisory Board similarly discusses the Own Risk and Solvency Assessment Report (ORSA) and the Financial Risk Report. A control framework validates the functioning of the various risk management systems. Section 3.2. of the annual report describes risk management at Delta Lloyd Group in detail.

The Supervisory Board carefully considered the increased risks in Delta Lloyd's markets and their implications for the business in 2012. Risk appetite and management therefore received even more of the Supervisory Board's attention than in previous years. The Supervisory Board critically monitored and examined the Executive Board's policy on these points. The Risk Committee played a significant proactive role in this respect, questioning the Executive Board on the dilemmas it faced and the subsequent considerations it made with respect to the risk/return policy. The duties of the Risk Committee also specifically encompass non-financial risks (operational, IT, reputation, etc.) and these were also discussed. On some occasions, the Risk Committee requested further analysis (for example, on the capital position). A more detailed report of the Risk Committee is included in section 2.5.

The Supervisory Board gave most attention in 2012 to the effects of trends in the financial markets and measures to mitigate them.

During the year, Delta Lloyd implemented a series of measures that considerably reduced its risk profile. These included reducing its equity exposure, diminishing its interest rate sensitivity and running down further its exposure to Southern Europe.

Scenarios on the implications of a euro zone break-up were examined and discussed. The conclusion was that Delta Lloyd Group is well-prepared for contingencies but that ongoing vigilance remains vital in view of rapidly-changing circumstances with potentially major consequences. The Supervisory Board was informed of the preparatory measures the company has in place.

Another significant theme in 2012 was the way in which the risk management function is anchored in corporate governance and how this can be strengthened. The Risk Committee and then the plenary Supervisory Board held intensive consultations on this issue with the Executive Board.

One of the pillars underpinning Delta Lloyd Group's revenue model is an investment policy that responds quickly and adequately to market changes. Investing is a vital source of returns and is therefore an intrinsic element of insurance. The policy sets out clear limits within which investment risks are managed and hedged.

The Supervisory Board came to the overall conclusion that the Executive Board has correctly assessed and balanced the various risk and return factors in its risk management policy and has established a sound risk management system.

C) Sustainability

The Supervisory Board devoted special attention to Sustainability, and in particular to the following aspects:

Strategy
In 2012, the Supervisory Board held a separate strategy day to explore whether the strategy required adjustment. There were three main themes:

- the lessons of 2012 for our strategy;
- the future revenue model; and
- strategic options for mergers and acquisitions.

The conclusion was that the key lines of the strategy set for 2010-2015 have not changed.

The discussion led to a number of additional emphases:

- efficiency in operating processes;
- improvement in underwriting results;
- investing in Delta Lloyd as a knowledge business with a stronger focus on innovation policy; and
- investing in data intelligence and social media.

Trust
In 2012, the Supervisory Board again held intensive discussions with the Executive Board with a view to strengthening society's trust in the insurance sector in general and in Delta Lloyd Group in particular. One example of this was the discussion of 'Customer Focus'. Each meeting of the Supervisory Board was given an update. The Supervisory Board monitored the progress of the Product Approval and Product Review processes against the agreements on this (including the target

that all products had to be reviewed by the end of 2012). This means that existing products have been tested against the customer's interest. Major new products, including the risk profile for the customer and for the company, will be presented to the Supervisory Board. The Supervisory Board monitored the results of the assessment by the Netherlands Authority for the Financial Markets (Autoriteit Financiële Markten/AFM) and comparisons with competitors on this point. Based on the findings, the Supervisory Board notes with satisfaction that the measures have given Delta Lloyd a distinct, favourable profile in recent years.

The importance the Supervisory Board attaches to customer confidence and satisfaction is also evident from the fact they have been included in the criteria for management incentives since 2011.

Diversity
The Supervisory Board took the initiative to put this item on the agenda and drew up a memorandum that contained 20 questions for the Executive Board to answer. The Supervisory Board is encouraged by the many activities on diversity that are already in place and will be started at Delta Lloyd. The business unit boards at Delta Lloyd have been given diversity targets for the appointment of women.

One conclusion from the discussion was that it is important to get the best possible view of the underlying social and organisation-related factors that determine the career choices made by women (and men). The Supervisory Board and the Executive Board will conduct this in-depth review in 2013.

D) Other specific issues

Dividend
The Supervisory Board examined whether the payment of the final dividend for 2011 was responsible, and established from a sensitivity analysis by the Executive Board that it was within the agreed GRAS limits and the solvency criteria. There was, therefore, no reason to depart from the approved dividend policy.

The Audit and Risk Committees and then the Supervisory Board discussed the declaration of the interim dividend for 2012. The conclusion in this case, too, was that the payment was within the limits and in line with the dividend policy. However, the default option for the dividend payment was changed from cash to stock, with a premium of 4% on the stock dividend.

Exit of Delta Lloyd Germany
Delta Lloyd announced the proposed sale of the German activities to Nomura in 2011. After a lengthy process, Delta Lloyd withdrew from the negotiations with Nomura and the sale has been suspended. Strategic opportunities in Germany are now being explored further. This is dealt with in more detail in the Report of the Executive Board and the Financial Statements.

Aviva's shareholding
In line with its previously-announced intention, Aviva reduced its stake in Delta Lloyd further to 19.4% at the end of 2012 and it sold its remaining shares in January 2013. Heavy demand for the shares offered on the market was a sign of confidence in Delta Lloyd. The almost complete free float

and the cross-listing on the Brussels stock exchange in January 2013 have increased the relative attractiveness of the shares.

International marine insurance
In 2010, Delta Lloyd started underwriting international marine business. This proved to be loss-making because of the excessive risk profile and so it was decided to discontinue this activity in 2012. The Supervisory Board discussed this disappointing development with the Executive Board, partly on the basis of a specific audit. The resulting recommendations were adopted by the Executive Board.

Dutch partial disability insurance market (WGA-ER)
The Supervisory Board discussed the need for a provision as a result of rising claims in the WGA-ER portfolio (return to work of partially disabled persons-own risk). Although the government's policy on this makes it an industry-wide issue, it has had a material effect on our results. For more information, please see the Executive Board report.

Top 15
Two members of the Nomination Committee (the chairman of the Remuneration Committee and the vice-chairman of the Supervisory Board) joined an external adviser to conduct individual interviews with the 15 most senior executives of Delta Lloyd Group who report directly to the Executive Board. The intention was to enable the Supervisory Board to form a better picture of this level of management and of the executives' perceptions of Delta Lloyd Group, both now and in the future, as these executives play a key role in the continuity of the company.

These frank interviews were summarised in a report that was discussed in 2012 with the Executive Board, the Nomination Committee and the plenary Supervisory Board. This is the second time that such interviews have been held. This process is repeated once every two years.

2.3. Membership of the Supervisory Board

The current membership of the Supervisory Board is set out in section 3.1.1 of the Corporate Governance report.

During the first half of 2012, Andrew Moss resigned from the Supervisory Board following his departure as CEO of Aviva. The Supervisory Board greatly appreciated the way in which he performed his duties as a member of the Delta Lloyd Supervisory Board during his time in office when Aviva and Delta Lloyd had a legal dispute. He was a member of our Supervisory Board for almost five years and a member of the Remuneration and Nomination Committees. His knowledge and experience as CEO of a large international listed insurance company were very valuable. The number of candidates Aviva had a right to nominate for appointment to the Supervisory Board fell from two to one when it reduced its shareholding in Delta Lloyd later in the year. The Supervisory Board decided not to fill this vacancy and to set its membership at eight.

In early 2013, following the sale of its remaining shares in Delta Lloyd, Aviva lost its right to nominate one Supervisory Board member. At the request of the Supervisory Board, Patrick Regan remained as an independent member. The Supervisory Board greatly values his contribution. His knowledge of and experience in the insurance market and his management experience as CFO of a large listed company make a significant contribution to the profile of the Board.

Jean Frijns was appointed to the Supervisory Board during the General Meeting of Shareholders in 2012. The preparations for his appointment were explained in the 2011 Report of the Supervisory Board. He followed an individual introduction programme.

In the second half of 2012, Pamela Boumeester announced her resignation from the Supervisory Board on 1 April 2013 in connection with her appointment as a Supervisory Board member at Ziggo later that month. Pamela Boumeester has been a member of our Board for almost nine years. The Board regrets her departure; she has played a significant role in the functioning of the Supervisory Board as a Board member, chairman of the Remuneration Committee and member of the Nomination Committee. Her experience as a manager and supervisor in combination with her insights into the human side of organisations contributed to the essential diversity of the Board. The Supervisory Board has begun the process of finding her successor.

The profile of the Supervisory Board was drawn up in relation to the business objectives and main risks. It was developed into a competence matrix from which the Supervisory Board concluded that all required competences are represented in its current composition. This was also confirmed in the evaluation of the Supervisory Board's functioning. The supervisory board aims to have a gender balance by having at least 30% female members. In 2012, this criterion was not met. The reason was that one vacancy occurred in 2012 for which, despite our best efforts, no suitable female candidates could be found. As set out in the annual report for 2011, Jean Frijns was subsequently appointed to this vacancy. The current vacancy arose in 2012 due to the departure of Pamela Boumeester. During the selection process for her successor, two executive search agencies (including one specialised in searching for female Supervisory Board members) were enlisted. This led to the nomination of a woman for appointment to the Supervisory Board.

The profile of new members will depend partly on the profile of the members who are due to resign in the future. Naturally, there will be a strong focus on improving gender balance. With each vacancy it is explicitly stated that a female candidate is preferred (on condition, of course, that she meets the profile requirements). Overall, the Supervisory Board aspires to a reasonable balance in the gender, age, expertise, experience and background of its individual members. The relevant biographical details of the Supervisory Board members are set out on the website www.deltalloydgroep.com

Membership of the committees changed in 2012. Each Supervisory Board member is now a member of two committees (each of which has four members). The membership is in line with the appropriate competences.

With the exception of the two Supervisory Board members nominated by Aviva, all members of the Supervisory Board were 'independent of the company' in the meaning of the Dutch Corporate Governance Code. Following the sale of the remaining Aviva shares in Delta Lloyd in 2013, Patrick Regan also remained as a member 'independent of the company'.

At the end of 2011, the chairman of the Supervisory Board, René Kottman, notified the Supervisory Board, the Executive Board and the external regulators that he had a potential conflict of interest as he was also chairman of the Supervisory Board of Wavin N.V. At that time, a bid was being made for the entire share capital of Wavin, in which Delta Lloyd had an equity interest of 8%. For this reason, Wavin and Delta Lloyd Group decided that he would not be involved in the deliberations and decision-making on the transaction and would not receive any information on the progress of the bid. Wavin was sold in 2012.

In order to safeguard the independence of their supervision, the members of the Supervisory Board mutually agreed not to hold any shares in the company for the time being.

The secretary to the company/Executive Board is also the secretary to the Supervisory Board. This dual role offers added value in that the secretary has a thorough knowledge of the affairs and issues within both Boards, the procedures to be followed and the decision-making planning. The secretary performs the customary secretarial duties for the Supervisory Board and provides individual support to its members, but mainly assists the chairman of the Supervisory Board in steering the Board and its committees. Elise Stevens-Fokkens acted as interim secretary until 15 March 2012, after which Caroline van Reedt Dortland took on the role.

2.4. Meetings of the Supervisory Board in 2012

The Supervisory Board held seven plenary meetings in 2012, some of which were preceded by a meeting which was not attended by the members of the Executive Board. The attendance rate of the Supervisory Board members at the plenary meetings in 2012 was 91%. There were also many informal contacts between individual Supervisory Board members outside the meetings. None of the Supervisory Board members were frequently absent.

Between meetings, the chairman of the Supervisory Board maintained intensive personal contact with the chairman of the Executive Board. The chairman acts as the first point of contact within the Supervisory Board for the chairman of the Executive Board, who discusses topical issues and the company's general affairs with him. Further to this, the chairman serves as the 'entry point' for providing information to the Supervisory Board. In this sense, the chairman acts as the Supervisory Board's listening post. The chairman and the secretary, acting on behalf of the Supervisory Board, monitor the action taken to implement decisions made in meetings and agreements made with the Executive Board.

The chairman of the Audit Committee has frequent personal contact with the Chief Financial and Risk Officer (CFRO) and his staff. The chairman of the Risk Committee holds frequent talks with the CFRO, the chairman of the Executive Board and the risk management staff. The chairmen of the Remuneration Committee and the Nomination Committee have direct contact with the Executive Board member responsible for human resource management and the relevant corporate staff director. Members also paid individual visits to various business units within Delta Lloyd Group and spoke with employees.

The discussion of the management letter with the external auditor revealed no issues that need to be mentioned in this Report of the Supervisory Board. In addition, all issues discussed in the Audit Committee and mentioned in section 2.5 were also reviewed with the external auditor.

Members of the Supervisory Board take it in turns to attend meetings of the Works Council. Once a year, there is a joint meeting of the Supervisory Board, the Executive Board and the full Works Council. The theme of the 2012 meeting was innovation. There was also informal consultation between the chairman and vice-chairman of the Supervisory Board, the chairman of the Executive Board and the executive committee of the Works Council. The Supervisory Board monitors the subjects raised in the consultative meetings and appreciates the contacts with the Works Council.

As part of the commitment to lifelong learning, the Supervisory Board took part in various modules:

1. Financial reporting, risk & controls and Solvency II;
2. Assurance and in control statement and performance measurement, soft controls, financial behaviour;
3. Financial reporting, management control and understanding financial markets and products;
4. Developments in the financial sector and at insurers/banks in particular;
5. Audit and Risk Committees in-depth review; and
6. Customer Focus.

These meetings were addressed by external speakers.

2.5. Supervisory Board committees

As noted above, in 2012 the Supervisory Board was supported by its four committees: the Audit Committee, the Risk Committee, the Remuneration Committee and the Nomination Committee. These committees prepare their delegated subjects ahead of the decision-making in the plenary meetings of the Board. The members of the committees are members of the Supervisory Board and are listed in section 3.1.1. Each committee reports its findings to the plenary Supervisory Board through its chairman. The committees also provide written reports on the items discussed.

Audit Committee

The Audit Committee met five times in 2012. All meetings were attended by the CFRO (and some also by the chairman of the Executive Board) as well as the directors of Audit, Finance, Control & Tax, Integrity and Actuarial & Risk Management. The external auditor was present for part or all of four meetings.

The Audit Committee naturally devoted significant attention to the periodic financial reports, auditor’s reports, actuarial analyses, control framework and internal audit reports. It also paid considerable attention to the strong declines in interest rates and its impact on the results. In this connection, the Audit Committee urged a clarification of the effects of the measurement methods used by Delta Lloyd compared with the traditional, more customary methods in the market.

Other subjects raised in the Audit Committee included the development of the operational result including LTIR, the external provision of financial information (including guidance for the investment market), capital position, dividend proposals, reduction of the exposure to various countries (not just the GIIPS countries), the implementation of a new mortality table, fraud risks and product margins. Naturally, the sale of Delta Lloyd Germany, the developments in the Dutch partial disability insurance market (WGA-ER) and the discontinuation of loss-making acceptances in international marine insurance were discussed intensively and critically by the Audit Committee.

The Audit Committee is also monitoring the progress of preparations for compliance with new regulatory requirements, such as Solvency II.

The Audit Committee held a meeting with the external auditor in the absence of the Executive Board. As usual, the topic of discussion was the company's performance.

Risk Committee

This committee met five times in 2012 to discuss specific risk management issues, including the Risk Management Framework, the Group Risk Appetite Statement, the Financial Risk Report, the Own Risk and Solvency Assessment report, the outcomes of internal controls and analyses made by DNB.

The most topical risks facing Delta Lloyd are discussed using the ORSA report. Special attention was devoted to the risks attached to interest rate movements, the debt crisis and the mortgage and property markets. This led to a reduction in risk limits in some areas. The economic capital ratio was monitored closely. The package of measures to reduce risk further (see section 2.3.) was discussed intensively. At the request of the Risk Committee, there was extensive discussion of the capital position, partly with a view to the introduction of Solvency II. The Risk Committee also discussed the allocation of capital, the associated growth opportunities of the different business lines and the need for proper pricing of individual products with the Executive Board. Non-financial risks, such as operational risks, IT risks (including cyber-crime) and integrity policy, were also reviewed.

Remuneration Committee

The Remuneration Committee met four times in 2012. Its standard duties include assessing the achievement of the Executive Board's performance targets and setting targets for short-term and long-term incentives. The Remuneration Committee also discussed the evaluation of the remuneration policy at various management levels and concluded that bonuses being paid were not excessive.

Assisted by external advisors, the Remuneration Committee follows remuneration policy trends and developments and regularly assesses whether the current remuneration policy still corresponds with the latest market practices and corporate governance provisions. The three-yearly evaluation of the Supervisory Board's remuneration took place in 2012, on the basis of a benchmark survey by an independent specialist agency. The conclusion was that remuneration is in line with market standards.

In February 2013, on the advice of the Remuneration Committee, the Supervisory Board decided to cap the variable payment to the Executive Board at 50%, due to the financial performance of Delta Lloyd Group. The Executive Board has decided to cut variable payment to management and directors with at least 50%.

For more information on the Committee's work, please see the Remuneration Report, which is posted on www.deltalloydgroep.com simultaneously with the publication of this annual report.

Nomination Committee

The Nomination Committee met five times in 2012. Its standard duties include the evaluation process of the Supervisory Board, the assessment of the Executive Board, the preparation of appointments and corporate governance monitoring.

The review of the management layer directly below the Executive Board is also discussed annually. In this connection, specific attention is paid to eligible candidates for key future vacancies, including the succession of Executive Board members. The Supervisory Board is delighted to note that almost all Board and senior executive positions can be filled with internal candidates.

As stated in section 2.2., the Supervisory Board held individual interviews with the top 15 executives reporting to the Executive Board. The report on these interviews was first discussed by the Nomination Committee.

The Nomination Committee also discussed the membership of the committees following the reduction in size of the Supervisory Board (see section 2.3.).

2.6. Practices and procedures of the Supervisory Board

The Supervisory Board operates within the legal framework of statutory, corporate governance and external regulatory requirements governing the work of supervisory boards. However, we consider our own views on our role to be equally, if not more, important in determining the manner in which we fulfil our duties and responsibilities in practice.

In this connection, we see a certain shift within Delta Lloyd Group. Supervision, control and critical monitoring are increasing in importance, mainly as a result of the greater uncertainty and risks in the market and the need to further restore trust in the industry. At the same time, we are playing a more prominent role in areas such as strategy-setting processes, key operational decisions, risk management and the implementation of large projects. To facilitate this shift, we are kept more broadly informed by the Executive Board. We also request additional information and hire external advisers where necessary. Contacts and information flows are more frequent and intensive.

In a two-tier governance structure, such a shift in focus must be managed with due attention, care and transparency. Clear lines of demarcation must be drawn between our deeper supervisory role and the Executive Board's own responsibilities. There is an inherent tension between the intellectual independence vis-à-vis the Executive Board and involvement in the processes managed day-to-day by the Executive Board. This tension was therefore discussed during the evaluation of the functioning of our Board.

One important theme concerns the approach taken by the Executive Board and Supervisory Board in conducting their mutual relationship. Our starting point as the Supervisory Board is to engage critically and intensively with the company's affairs while simultaneously seeking to prevent a regressive slide into more control and rules, information overload and interference at a detailed level. The Supervisory Board works on the basis of trust. We understand that putting a trust-based approach into practice is more difficult and demanding in a high-risk business. Nevertheless, we see this as the only proper way forward. The success of this approach depends largely on the knowledge, experience, skills, professional behaviour and attitude of everyone involved in the two Boards. These 'board dynamics' cannot, or can only partly, be laid down in rules and procedures. What matters, above all, is the spirit and integrity with which we fulfil our various roles. The Supervisory Board therefore adheres to rules of conduct in its relationship with the Executive Board. The 'tone at the top' of a company, both in the Executive Board and in the Supervisory Board, is of great importance. This is not only a standard element of the internal evaluation but also has our ongoing attention.

Our supervisory duties include the supervision of the good relations between the Executive Board and the company's shareholders. The Supervisory Board is regularly updated on investor relations, including feedback after roadshows by the Executive Board. If it is thought important, the Supervisory Board will ensure that the Executive Board accepts requests from shareholders to talk to the company. The Supervisory Board is also open to contacts and consultation with them, albeit within a set of formal and procedural requirements with which we must comply as a listed company. The chairman fulfils this role on behalf of the Supervisory Board.

The Supervisory Board holds personal talks with external regulators. For example, on request, delegations from the Supervisory Board hold frequent discussions on a variety of issues with DNB and the AFM. Risk management has a significant place in this. Delegations also attend roundtable meetings that DNB and the AFM organise for supervisory boards in the financial sector.

The Executive Board discusses contacts and correspondence with external regulators with the committees and the chairman of the Supervisory Board. The chairmen of the committees then report on these matters to the plenary Supervisory Board. The chairman of the Supervisory Board monitors the follow-up to contacts with the external regulators.

2.7. Evaluation

Every year, the Supervisory Board evaluates its functioning, including the board dynamics referred to above. An external consultant assists the evaluation once every three years. Early in 2011, the Supervisory Board discussed the results of an evaluation performed by PwC. There was an internal evaluation in 2012. The chairman of the Supervisory Board held individual talks with the members of the Supervisory Board on the functioning of the Board as a whole and of the individual members. The Executive Board also gave its comments. The chairman drew up a summary for discussion by the Nomination Committee and then by the plenary Board in the absence of the Executive Board. The vice-chairman of the Supervisory Board undertook a round of interviews on the functioning of the chairman and prepared a report, which was also discussed by the Supervisory Board. The general conclusion of the evaluation was that the Supervisory Board is functioning well. Suggestions for improvements were discussed and no real bottlenecks or serious weaknesses were identified.

DNB and the AFM performed a separate assessment of the expertise of all Supervisory Board members of Delta Lloyd. There was also discussion of the Supervisory Board as a whole.

2.8. Financial statements and profit appropriation

In accordance with the provisions of Section 2:101(3) of the Dutch Civil Code, we submit the financial statements drawn up by the Executive Board to the General Meeting of Shareholders for adoption. Taking into account the unqualified auditor's report of Ernst & Young Accountants LLP, which is included in this annual report, we recommend that the shareholders adopt the financial statements. In view of the positive operational result after tax and non-controlling interests, and in accordance with Article 44 of the Articles of Association, the Supervisory Board approves the Executive Board's decision to pay out a dividend. The dividend proposal is contained in section 5.3.1.

2.9. A word of thanks

The Supervisory Board wishes to thank the shareholders for their confidence in the company. We also express our gratitude to the Executive Board which, in our opinion, showed successful leadership amid challenging conditions. The company derives its strength from the professionalism, experience and ambition of all employees of Delta Lloyd Group. The Supervisory Board thanks them for their hard work and dedication in 2012.

The Supervisory Board
René Kottman, chairman; Nomination Committee chairman
Eric Fischer, vice-chairman
Pamela Boumeester, Remuneration Committee chairman
Jean Frijns, Risk Committee chairman
Jan Haars, Audit Committee chairman
Peter Hartman

Fieke van der Lecq
Patrick Regan

3. Good governance

Corporate governance ensures the sound management of our company's affairs. This chapter describes how Delta Lloyd Group ensures the good, efficient and responsible management of the company and safeguards the rights of all stakeholders.

3.1. Corporate governance

Introduction and general outline
Delta Lloyd Group has a two-tier board structure consisting of an Executive Board and a Supervisory Board, in accordance with the Dutch full large company regime. This means that the Supervisory Board appoints the members of the Executive Board, while the members of the Supervisory Board are appointed by the General Meeting of Shareholders (the 'General Meeting') based on nominations by the Supervisory Board. In addition, certain important Executive Board resolutions require the Supervisory Board's approval.

The Delta Lloyd Group website (www.deltalloydgroep.com) contains the articles of association, various by-laws and other corporate governance-related documents.

Due to the sale by Aviva plc ('Aviva') of its remaining stake in Delta Lloyd Group in January 2013, the Strategic Investment Agreement that Delta Lloyd Group and Aviva entered into prior to the initial public offering was terminated, with the exception of certain specific termination clauses. This agreement contained orderly market arrangements and covered key corporate governance issues including Aviva's role in the composition of the Supervisory Board. Since Aviva's rights according to the Strategic Investment Agreement have ended, this chapter does not contain a description of the agreement.

Structure of Delta Lloyd Group
The legal structure of Delta Lloyd Group has been radically simplified since 1 January 2011. The present structure groups similar activities, as far as possible, at single locations within the organisation. This way, we can share knowledge and systems, save costs and improve service quality. Our Delta Lloyd and OHRA brands operate from a single commercial division and work closely with the two life and general insurance businesses. The ABN AMRO Verzekeringen joint venture has maintained its separate position within Delta Lloyd Group and conducts general and life insurance activities under the ABN AMRO Verzekeringen label.

3.1.1. Supervisory Board

The function of the Supervisory Board is to supervise the management carried out by the Executive Board and the general course of affairs of Delta Lloyd Group and its business, and to advise the Executive Board. In performing their duties, the Supervisory Board members must serve the interests of the Group and its affiliated enterprises. The Supervisory Board is collectively responsible for carrying out the Supervisory Board's duties.

Due to the divestment of its remaining stake in Delta Lloyd Group in January 2013, Aviva lost the right to nominate a member to the Supervisory Board. Also, the Supervisory Board decided to reduce the number of Supervisory Board members to eight, two of them nominated by the Supervisory Board on the recommendation of the Works Council. Anyone nominated for membership of the Supervisory Board must, in order to be appointed, satisfy the profile of the Supervisory Board as set out in its by-laws.

Composition of the Supervisory Board
René Kottman, chairman
Eric Fischer, vice-chairman
Pamela Boumeester (to resign on 1 April 2013)
Jean Frijns (appointed on 23 May 2012)
Jan Haars
Peter Hartman
Fieke van der Lecq
Andrew Moss (resigned on 8 May 2012)
Patrick Regan

The Supervisory Board has an Audit Committee, a Remuneration Committee, a Nomination Committee and a Risk Committee. These committees are tasked with preparing the decision-making of the Supervisory Board, although the Supervisory Board remains collectively responsible for the fulfilment of the duties delegated to its committees. The Supervisory Board has no other standing committees.

Composition of the Committees
Membership of the committees changed in 2012. Each Supervisory Board member is now a member of two committees (each of which has four members). The membership is in line with the appropriate competences.

Audit Committee
Jan Haars, chair
Jean Frijns
Fieke van der Lecq
Patrick Regan

Nomination Committee
René Kottman, chair
Pamela Boumeester
Eric Fischer
Peter Hartman

Remuneration Committee
Pamela Boumeester, chair
Eric Fischer
Peter Hartman
René Kottman

Risk Committee
Jean Frijns, chair
Jan Haars
Fieke van der Lecq
Patrick Regan

Further information (profile, by-laws, rotation plan, personal details) about the Supervisory Board and its members is available on the Delta Lloyd Group website (www.deltalloydgroep.com). The remuneration of the members of the Supervisory Board is determined by the General Meeting of Shareholders.

3.1.2. Executive Board

The Executive Board is responsible for the management of Delta Lloyd Group under the supervision of the Supervisory Board. At least once a year, the Executive Board submits a written report to the Supervisory Board outlining the company strategy, the general and financial risks facing the company and the company's risk management and control systems. The Executive Board is responsible for formulating the Group's strategy and policies, as well as for its internal control systems.

Composition of the Executive Board
Niek Hoek, chairman
Paul Medendorp
Emiel Roozen
Onno Verstegen

The Executive Board has adopted by-laws governing its internal organisation. The by-laws are posted on the website, as are the CVs and personal details of the members of the Executive Board.

3.1.3. Codes

Dutch Corporate Governance Code
This section refers to the provisions of the Dutch Corporate Governance Code (the 'Code'). The full text of the Code is posted on www.commissiecorporategovernance.nl.

Delta Lloyd Group applies the Code. However, the following best practice provisions of the Code are not applied in full for the reasons given below:

Best practice provision II.1.1: 'A management board member is appointed for a maximum period of four years. A member may be reappointed for a term of not more than four years at a time.' The members of the Executive Board who assumed office before 2004 were appointed for an indefinite period. Thereafter, all members of the Executive Board were appointed in accordance with the Code.

Best practice provision II.2.8: 'The maximum remuneration in the event of dismissal may not exceed one year's salary (the 'fixed' remuneration component). If the maximum of one year's salary would be manifestly unreasonable for a management board member who is dismissed during his first term of office, such board member shall be eligible for severance pay not exceeding twice the annual salary.' The Executive Board members who assumed office before 2004 were appointed under different terms in their employment agreements. Delta Lloyd Group believes that existing employment agreements should be honoured. All members who joined the Executive Board after this date were appointed in accordance with the Code. Delta Lloyd Group subscribes to the principle that failure by members of the Executive Board should not be rewarded.

Best practice provision III 3.5: 'A person may be appointed to the supervisory board for a maximum of three four-year terms.' Mr. Kottman was appointed member of the Supervisory Board in 1999. For reasons of continuity, he was reappointed with effect from the IPO for a four-year term commencing 6 November 2009. Mr. Kottman's current term will expire in 2014.

Governance Principles and Banking Code

Background
Developments in the financial sector focused attention onto the corporate governance of the financial sector as whole. To help restore trust in the sector as whole, two self-regulation codes, the Governance Principles and the Banking Code, were drawn up by the Dutch Association of Insurers (Verbond van Verzekeraars) and the Banking Code of the Dutch Bankers' Association (Nederlandse Vereniging van Banken/NVB). The Governance Principles are applicable to all insurance activities of Delta Lloyd and have been in force since 1 January 2011. The only exception is principle 6.3.2, which we comply with partially. Based on this principle, if a member of the Executive Board is dismissed, severance pay may not exceed one annual salary. We refer in this respect to Delta Lloyd's application of best practice provision II.2.8. The Banking Code is applicable to all banking activities of Delta Lloyd Group and has been in force since 1 January 2010.

Compliance with Governance Principles and Banking Code
By complying with the Codes and disclosing this compliance, Delta Lloyd contributes to the strengthening of trust in the financial sector. This requires a sustainable approach and unflagging attention. Complying with the Codes is an important step, but is also an ongoing process. Delta Lloyd strives continuously to meet the principles of the Codes - not only their letter but also their spirit.

Below, we explain our approach to compliance with the Code. In this context, we give further information on four subjects: lifelong learning, the moral and ethical conduct declaration, customer focus and remuneration policy. Our approach to risk management is discussed in chapter 3 of this annual report.

The 'Corporate Governance' section of the Delta Lloyd Group website contains an up-to-date overview of the manner in which Delta Lloyd and its business units apply the Governance Principles and the Banking Code.

Lifelong learning
Knowledge is core to our business, and this places high demands on the professionalism within our organisation. We believe it is hugely important that knowledge be kept up-to-date. The lifelong learning programme we began in 2011 continued last year for Executive Board members and directors. In 2012, four meetings were held to address a variety of topics, including risk management, Solvency II, management controls, financial reporting and upcoming regulatory developments. The programme will be continued in 2013.

The members of the Supervisory Board also joined these meetings. At the request of the Supervisory Board, two additional meetings were organised, one for the whole Supervisory Board (at which customer focus was discussed), and an expert meeting for the risk and audit committee, where financial reporting was discussed.

Moral and ethical conduct declaration

The text of the declaration is posted on the Delta Lloyd Group website. All members of the Executive Board sign a moral and ethical conduct declaration. They originally signed these declarations in 2011. Every year, the members of the Executive Board reaffirm their commitment by re-signing the declaration. The Executive Board reaffirmed the declarations in August 2012.

The moral and ethical conduct declaration also acts as a guideline for the actions of all Delta Lloyd Group employees. The spirit of this declaration is reflected in our core values: honest, approachable and we work together. The declaration and the spirit of this declaration were also part of our Strong Behaviour e-learning, an obligatory course for the colleagues of Delta Lloyd in 2012.

Customer Centric

Customer Centric (Klantbelang Centraal) is a key focus for Delta Lloyd Group. This is clearly reflected in our core values: honest, approachable and we work together. Customer trust in the financial sector has been severely eroded; regaining it is a fundamental goal. The theme ‘customer centricity’ is broad and requires a comprehensive approach.

To support this commitment, we set up a customer centricity programme under the direct supervision of the Executive Board in 2011. This programme focuses on short-term actions, structural changes in products and processes and the behaviour of Delta Lloyd Group employees. Wherever possible, we tackle projects as an integral whole. The Customer Centric programme has four priorities: products, services, advice and organisational control. For example, customer information should be easy to understand and useful. All employees must strive for customer centricity: to stimulate this all staff are judged by their customer centric performance, which is laid down in specific key performance indicators (KPIs).

The Customer Centric programme has made many improvements in the interests of customers. In 2011 and 2012, all existing and new products were checked against our product approval process standards. As part of this review, we verify regulatory compliance, as well as whether the product is cost-efficient, useful, safe and understandable.

The labels Delta Lloyd, OHRA, ABN AMRO Verzekeringen and Erasmus have been awarded the Customer-Centric Insurance Quality Label. The quality label is issued by *Stichting Toetsing Verzekeraars*.

Remuneration policy

Delta Lloyd Group applies a controlled, sound and sustainable remuneration policy. This helps us recruit, retain and motivate employees and to stimulate excellent results. This policy is in line with our risk appetite and devotes attention to all stakeholders of Delta Lloyd Group: customers, employees, shareholders and society. Our Customer Centric KPIs reinforce our strategy and stimulate employees to strive for customer centricity. We take account of long-term interests and social acceptance. Our remuneration policy supports and strengthens the strategy and core values of Delta Lloyd Group.

In 2011, the basic principles of the remuneration policy were tightened with due regard to the Regulation on Sound Remuneration Policies pursuant to the Financial Supervision Act 2011 (‘*Regeling beheerst beloningsbeleid Wft 2011*’). A maximum fixed-variable remuneration ratio has been set for each job grade. The variable remuneration for the members of the Executive Board has been capped at 100% of fixed remuneration. The purpose of the variable remuneration is to stimulate the employee to achieve the desired results. On our website, further information about the Delta Lloyd remuneration policy is published in the Remuneration Disclosures.

3.1.4. Articles of Association

Introduction
At the forthcoming General Meeting, the Executive Board will propose to amend the Articles of Association to reflect the fact that Aviva is no longer a shareholder of Delta Lloyd Group, to remove any Aviva-specific provisions, and to implement legislation that has recently come into force.

Appointment and dismissal of Supervisory Board members
The members of the Supervisory Board are appointed by the General Meeting upon nomination by the Supervisory Board. Each nomination is supported by arguments. The General Meeting and the Works Council can submit recommendations for nominations to the Supervisory Board. In addition, the Works Council is entitled to have its opinion on the nomination included in the notice convening the General Meeting where the nomination is decided upon. At the General Meeting itself, the Works Council is entitled to take the floor explaining its opinion.

One-third of the Supervisory Board members are nominated by the Supervisory Board upon the recommendation of the Works Council, unless the Board objects to the recommendation. The Supervisory Board may object if it believes that the recommended person is unsuitable for the role of Supervisory Board member, or that the appointment of this candidate would lead to an improper composition of the Supervisory Board.

The General Meeting can reject a nomination by the Supervisory Board with an absolute majority of votes cast, representing at least one-third of the issued capital. If the General Meeting passes such a resolution without this majority, a new meeting will be convened in which the nomination may be rejected by an absolute majority of votes cast. In this case, the Supervisory Board will submit a new nomination. If the General Meeting neither appoints nor rejects the nominated person, the Supervisory Board shall appoint the nominated person.

A member of the Supervisory Board can only be dismissed by the Enterprise Section of the Amsterdam Court ('Ondernemingskamer') on the grounds of neglect of duties, other weighty reasons or a radical change in circumstances as a result of which Delta Lloyd Group can no longer be reasonably required to maintain the person in question as a member of the Supervisory Board. The request can be submitted to the Enterprise Section by Delta Lloyd Group, represented by the Supervisory Board, as well as by a representative designated for this purpose by the General Meeting or the Works Council. In addition, the General Meeting can withdraw its confidence in the Supervisory Board with an absolute majority of votes cast, representing at least one-third of the issued capital. If the General Meeting passes such a resolution without such a majority, a second meeting can be convened. At that meeting, confidence in the Supervisory Board can be withdrawn, again only with an absolute majority of votes cast, representing at least one-third of the issued capital. The resolution must be supported by arguments. If the resolution is approved, it results in the immediate dismissal of the Supervisory Board. In this case, the Executive Board will request that the Enterprise Section immediately appoint one or more Supervisory Board members. The resolution cannot be passed in respect of Supervisory Board members appointed by the Enterprise Section.

The Supervisory Board can suspend a Supervisory Board member at any time. The suspension is cancelled if Delta Lloyd Group fails to submit a request to the Enterprise Section for the dismissal of the suspended Supervisory Board member within one month after the start of the suspension.

Appointment and dismissal of Executive Board members
The members of the Executive Board are appointed by the Supervisory Board, which notifies the General Meeting of a proposed appointment. The Executive Board can nominate candidates for appointment. The Supervisory Board shall not dismiss an Executive Board member until the General Meeting and the Enterprise Section have been informed of the proposed dismissal. A member of the Executive Board can be suspended by the Supervisory Board at any time. A suspension can be extended once or several times, but cannot exceed six months.

Resolutions
Certain Executive Board resolutions identified in the Articles of Association require the Supervisory Board's approval. In addition, resolutions concerning a significant change in the identity or nature of Delta Lloyd Group require the approval of the General Meeting. Any such resolution may only be adopted by the General Meeting with a qualified majority. Certain resolutions of the General Meeting can only be made if proposed by the Executive Board.

3.1.5. Capital and shares

The authorised share capital of Delta Lloyd Group amounts to € 150,000,000, divided into:
- 360,000,000 ordinary shares with a nominal value of € 0.20 each;
- 15,000,000 preference shares A with a nominal value of € 0.20 each; and
- 375,000,000 protective preference shares with a nominal value of € 0.20 each.

All shares are registered shares. No share certificates will be issued.

Delta Lloyd Group's issued share capital outstanding at 31 December 2012 was divided into:
- 176,770,871 ordinary shares - 93.1% of the issued capital;
- 13,021,495 preference shares A - 6.9% of the issued capital.

On 31 December 2012, Aviva held 19.4% of Delta Lloyd Group's ordinary shares. In January 2013, Aviva sold its remaining ordinary shares in Delta Lloyd Group through an accelerated book-building process.

Fonds NutsOhra owns all preference shares A. According to a disclosure to the Netherlands Authority for the Financial Markets on 7 May 2010, Greenlight Capital directly or indirectly holds more than 5% of the issued ordinary shares in Delta Lloyd Group. Delta Lloyd Group has repurchased 1,650,000 ordinary shares. In the meantime, 106,887 of these ordinary shares have been transferred to employees of Delta Lloyd Group under the Variable Incentive Plan (see section 5.1.7.10 for further details). With respect to the remaining 1,543,123 shares, Delta Lloyd Group has no voting or dividend rights.

Delta Lloyd Group has granted a call option on protective preference shares to Foundation Continuïteit Delta Lloyd. This call option is exercisable at any time, either wholly or partly. See section 3.1.8 'Protective measures' for further details.

3.1.5.1. Voting rights

Each shareholder is entitled to cast one vote per share held.

The Strategic Investment Agreement sets restrictions on the exercise of voting rights in the event that a party obtains a holding of 5% or more in the issued share capital of Delta Lloyd Group via Aviva while the notification to Delta Lloyd, as stipulated in the Articles of Association, has not been made. The proposal to amend the Articles of Association of Delta Lloyd, as mentioned in section 3.1.4., will no longer contain the aforementioned provision.

3.1.5.2. Dividend

The portion of the profit remaining after the addition to the reserves is at the disposal of the General Meeting. Distribution of the profit shall take place after the adoption of the financial statements confirming that distribution is permitted, taking into account all laws and regulations, including the capital requirements of the Dutch Central Bank. The General Meeting may resolve, upon a proposal of the Executive Board approved by the Supervisory Board, that an ordinary share dividend be paid out wholly or partly in shares.

The Executive Board may resolve to pay out an interim dividend on the shares, subject to the approval of the Supervisory Board.

For further details regarding dividend payments on preference shares A and preference shares B (if issued), reference is made to Article 44 of the Articles of Association of Delta Lloyd NV.

The dividend policy of Delta Lloyd Group is set out in section 5.3.1.

3.1.5.3. Issuance of shares

On 23 May 2012, the General Meeting resolved to designate the Executive Board as the competent body to resolve to issue ordinary shares and to grant rights to subscribe for ordinary shares for a period of 18 months, starting 23 May 2012 and ending on 23 November 2013, subject to approval of the Supervisory Board. In its resolution, the General Meeting resolved to restrict the competency of the Executive Board as regards the issue of ordinary shares to a maximum of 10% of the outstanding share capital at the time of issue, plus a further issue up to 10% of the outstanding share capital if an issue occurs in the context of a merger or acquisition. After this 18-month period, the Executive

Board may propose to the General Meeting to extend its designation as the competent body to issue shares.

If the General Meeting has not designated the Executive Board as the competent body to issue shares, it may resolve, upon a proposal of the Executive Board approved by the Supervisory Board, to issue shares. Such a decision can only be taken with a qualified majority.

A resolution to issue preference shares A requires the approval of the meeting of holders of preference shares A, regardless of the body that is competent to issue preference shares A. In the event of an issue of protective preference shares by a body other than the General Meeting, a General Meeting shall be convened, to be held no later than 20 months after the date on which the protective preference shares were first issued. See also section 3.1.8 ‘Protective measures’.

3.1.5.4. Pre-emptive rights

On 23 May 2012, the General Meeting of Shareholders decided to designate the Executive Board as the competent body to limit the pre-emptive rights of holders of ordinary shares. This designation was given for a period of 18 months, starting on 23 May 2012 and therefore ending on 23 November 2013. In its resolution, the General Meeting resolved to restrict the competency of the Executive Board as regards the limitation of pre-emptive rights of holders of ordinary shares to the authorisation it gave to the Executive Board to issue ordinary shares.

If the General Meeting has not designated the Executive Board as the competent body to limit the pre-emptive rights of holders of ordinary shares, the General Meeting may resolve to limit or exclude the pre-emptive rights at the proposal of the Executive Board, subject to approval of the Supervisory Board. Such a resolution requires a qualified majority.

3.1.5.5. Depositary receipts

The General Meeting may resolve, but only pursuant to a proposal of the Executive Board as approved by the Supervisory Board, that Delta Lloyd Group cooperate in the issuance of depositary receipts for shares. Holders of depositary receipts issued with Delta Lloyd Group's cooperation shall have the rights conferred upon them by law.

3.1.5.6. Repurchase of shares

On 23 May 2012, the General Meeting resolved to designate the Executive Board as the competent body to acquire ordinary shares or depositary receipts through a purchase on a stock exchange or otherwise for a term of 18 months, therefore ending on 23 November 2013. The designation relates to 10% of the issued capital, for which purpose the acquisition price must be between the nominal value of an ordinary share and the quoted price of an ordinary share, plus 10%. The quoted price is defined as the average of the closing prices of an ordinary share as reported in the official price list of NYSE Euronext Amsterdam over the five trading days prior to the acquisition date.

Subject to the approval of the Supervisory Board, the Executive Board may resolve to transfer shares acquired by Delta Lloyd Group. No pre-emptive right shall exist in respect of such transfer.

Delta Lloyd Group can derive no right to any distribution from shares it acquires in its own capital. Furthermore, it may not exercise voting rights for any such treasury shares, unless the shares are subject to the right of usufruct or to a pledge in favour of a company other than Delta Lloyd Group. In that case, the other company may be entitled to the voting rights on the shares. Delta Lloyd Group may not exercise voting rights for shares in respect of which Delta Lloyd Group itself has a right of usufruct or a pledge.

3.1.5.7. Transfer of shares, transfer restrictions and notification of repurchase of shares

No restrictions apply to the transfer of ordinary shares. The approval of the Executive Board, after consultation with the Supervisory Board, is required for every transfer of preference shares A. The approval must be in writing and include the name and address of the intended acquirer.

3.1.5.8. Amendments to the Articles of Association, legal merger or demerger

A resolution to amend the Articles of Association, to merge or to demerge may only be taken by the General Meeting with a qualified majority, pursuant to a proposal of the Executive Board that has been approved by the Supervisory Board. The Strategic Investment Agreement provides that no amendment to the Articles of Association may be proposed by Delta Lloyd Group and Aviva that would violate the Strategic Investment Agreement.

3.1.5.9. General Meeting of Shareholders

The annual General Meeting will be held within six months of the end of the financial year. Its general purpose is to discuss the annual report, to adopt the financial statements, to discharge the Executive Board and Supervisory Board in respect of their management and supervision, respectively, and to decide on dividend policy and the dividend to be declared. Extraordinary General Meetings of Shareholders are held as often as the Executive Board or Supervisory Board deem necessary.

3.1.5.10. Notice, agenda items

A General Meeting is called by means of a convening notice that is sent by the Executive Board or the Supervisory Board, stating the place and time of the meeting, the agenda detailing the subjects to be discussed and any proposals for items to be added to the agenda. Shareholders and/or holders of depositary receipts who, alone or jointly, represent at least 1% of Delta Lloyd Group’s issued capital or a block of shares worth at least € 50 million may request that items be added to the agenda of these meetings. Such requests will be granted, providing they are received in writing by the Executive Board or the Supervisory Board at least 60 days before the day of the meeting and unless important interests of the company dictate otherwise.

3.1.5.11. Admission to the General Meeting

Every shareholder and holder of depositary receipts may attend and address the General Meeting. Each shareholder entitled to vote, and each usufructuary and pledgee to whom the right to vote on the shares accrues, is authorised to exercise the voting right. Those entitled to attend a General Meeting may be represented at a General Meeting by a proxy authorised in writing.

3.1.5.12. Resolutions

Unless Dutch law or the Articles of Association require a larger majority, resolutions of the General Meeting are passed by an absolute majority of votes cast. Certain resolutions, such as those to increase or reduce Delta Lloyd Group's share capital or limit pre-emptive rights, require a larger, qualified majority. Pursuant to the Articles of Association and given the fact that Aviva no longer holds shares in Delta Lloyd, a qualified majority means at least two-thirds of the votes cast at a meeting regardless of the capital present or represented at the meeting.

3.1.5.13. Powers of the General Meeting

The most important powers of the General Meeting are to:

- Appoint the members of the Supervisory Board following nomination by the Supervisory Board;
- Recommend persons to the Supervisory Board for nomination as a member of that Board;
- Approve the remuneration of the members of the Supervisory Board;
- Withdraw confidence in the Supervisory Board;
- Discharge the Executive Board and the Supervisory Board in respect of their management and supervision, respectively;
- Adopt the financial statements;
- Approve Executive Board resolutions regarding important changes in the identity or nature of Delta Lloyd Group;
- Authorise the Executive Board to issue shares and to restrict or exclude the pre-emptive rights of shareholders;
- Authorise the Executive Board to repurchase shares;
- Adopt the remuneration policy for the Executive Board;
- Dispose of the profit remaining after the payment of dividend on any outstanding preference shares B and preference shares A and after a decision has been taken on the addition of all or part of the profits to the reserves; and
- Pass resolutions to amend the Articles of Association and to merge, demerge or dissolve the company upon a proposal of the Executive Board approved by the Supervisory Board.

3.1.5.14. Meeting of holders of preference shares

A meeting of holders of preference shares of the same class is convened as often as a resolution of a meeting of holders of preference shares of the same class is required pursuant to the Articles of Association of Delta Lloyd Group.

3.1.6. Strategic Investment Agreement

Due to the fact that Aviva plc ('Aviva') sold its remaining stake in Delta Lloyd Group in January 2013, the Strategic Investment Agreement that Delta Lloyd Group and its major shareholder Aviva entered into prior to the initial public offering has terminated, except for certain specific termination provisions.

3.1.7. Fonds NutsOhra

Fonds NutsOhra's objects and purposes are, among others, to initiate, manage and support projects relating to healthcare. With effect from April 2011, the Board of Directors and the Supervisory Board of Fonds NutsOhra were merged. The composition of the board is now as follows:

Kick Visser, chairman
Rudolf Bosveld
Paul de Bot
Wendela Hingst
Marg Janssen
Trees van der Maat
Johan Mackenbach
Niko van Niekerk

In the context of the initial public offering of Delta Lloyd Group, Fonds NutsOhra and Delta Lloyd Group agreed an amendment to the subordinated loan agreement dated December 1999. Under this agreement, Fonds NutsOhra and Delta Lloyd Group consented to certain restrictions on the right to convert the preference shares A (13,021,495) into ordinary shares. Fonds NutsOhra is now entitled each year to convert up to 6,510,748 preference shares A (50% of its current preference shares A) one-for-one into newly-issued ordinary shares against payment of the conversion price detailed below. Fonds NutsOhra must observe an interval period of six months between the conversion of the first 50% of the preference shares A and any subsequent conversion.

Fonds NutsOhra will be entitled to fully convert its preference shares A into newly-issued ordinary shares at all times if any of the following events occur:

- A public bid for Delta Lloyd Group;
- A legal merger ('juridische fusie') or legal demerger ('juridische splitsing') involving Delta Lloyd Group;
- The sale by Delta Lloyd Group of the majority of its assets; or

- A resolution by the Executive Board on a significant change to Delta Lloyd Group, for which approval of the General Meeting is required pursuant to Section 2:107a of the Dutch Civil Code.

The conversion price for the preference shares A amounts to € 33.21 per ordinary share received upon conversion, minus € 0.20 (the nominal value of the preference share A). In specific circumstances as defined in the agreement, Fonds NutsOhra will be compensated for the dilutive effect of certain Delta Lloyd Group actions through an adjustment of the conversion price.

Conversion of the preference shares A into newly-issued ordinary shares will result in a dilution of the issued ordinary shares at that time.

The agreement between Fonds NutsOhra and Delta Lloyd Group can be viewed on the website of Delta Lloyd Group (www.deltalloydgroep.com).

3.1.8. Protective measures

The object of Foundation Continuïteit Delta Lloyd is to protect Delta Lloyd Group from influences that could jeopardise the continuity, independence or identity of the Group. The Board of Foundation Continuïteit met three times during 2012. During these meetings, the chairman of the Executive Board, the CFRO and the investor relations manager of Delta Lloyd Group gave an account of the company's general affairs, financial reporting and relationships with the shareholders of the Group. In addition, attention was devoted to the Foundation's financial housekeeping and the documentation of procedures and processes.

Delta Lloyd Group granted a call option to Foundation Continuïteit Delta Lloyd under an agreement dated 15 December 2009, which outlines the conditions under which the call option can be exercised. This call option is exercisable at any time, either wholly or partly. When exercising the call option, the Foundation is entitled to acquire protective preference shares up to a maximum equal to 100% of Delta Lloyd Group's issued share capital, minus one share, which will entitle it to 49.9% of the voting rights after the issuance of such shares. Within 20 months following the issuance of protective preference shares to Foundation Continuïteit, a General Meeting shall be held to decide on the proposal to repurchase or withdraw the outstanding protective preference shares. Any repurchase or withdrawal of protective preference shares shall be without prejudice to the Foundation's right to subscribe for protective preference shares again, up to the maximum mentioned above, following the repurchase or withdrawal.

The Foundation can exercise this call option in order to:

- Prevent, slow down or complicate an unwanted takeover bid or unwanted acquisition of shares through stock market transactions or otherwise;
- Prevent concentration of the voting rights in the General Meeting;
- Resist unwanted influence on or pressure to amend the strategy of Delta Lloyd Group by the shareholders; and
- With respect to the foregoing situations, give Delta Lloyd Group the opportunity to consider and explore possible alternatives and, if required, to work these out in the event that an

actual or threatened concentration of control arises among the shareholder base of Delta Lloyd Group. Such actual or threatened concentration is considered unwanted and not in the interest of Delta Lloyd Group and its affiliated enterprise, according to the judgement/provisional judgement of the Executive Board or the Supervisory Board and the Board of Foundation Continuïteit Delta Lloyd, and exercising the call option enables Delta Lloyd Group to temporarily neutralise such concentration of control.

Foundation Continuïteit independently determines its strategy and tactics for exercising the call option and any resulting issuance of protective preference shares.

The board of Foundation Continuïteit Delta Lloyd is currently composed of the following members:
Dick Bouma, chairman
Aart van Bochove, vice-chairman
Rob Ruijter

All board members of Foundation Continuïteit Delta Lloyd are independent from Delta Lloyd Group. The Foundation meets the independence requirement as referred to in Section 5:71 (1)(c) of the Dutch Financial Supervision Act (‘*Wet op het financieel toezicht*’).

3.1.9. Works Council

Framework and focus areas
The Works Council’s basic principle is that employees make the business. The Works Council therefore believes it is important to give employees the scope to take initiatives, air and implement their ideas, and use and maintain their knowledge. It is the Works Council’s conviction that Delta Lloyd Group can only then remain innovative and successful.

In 2011, the Works Council identified four focus areas, in order to set direction for its three-year period of office. These topics, which also framed how the Works Council viewed developments at Delta Lloyd in 2012, were:

- the new way of working;
- employee development;
- career progression and knowledge retention; and
- innovation.

In 2012, the Works Council fleshed out these focus areas. All requests for advice made to the council and its five sub-committees (see below) were assessed on these points. The Works Council also wishes to make a contribution on these four topics. For this purpose, it formed project groups in 2012 which aim to create proposals this year for future initiatives.

Organisation
The employee representation structure of Delta Lloyd Group was adjusted with effect from January 2011. In line with the simplification of the organisation, Delta Lloyd Group has since then had a

single Works Council and five Works Council sub-committees (SCs) for the various business units within the Group. The sub-committees are as follows:
- The AAV SC represents the interests of all employees working at ABN AMRO Verzekeringen.
- The Commercial SC represents the interests of all employees working in the commercial division.
- The Services SC represents the interests of all employees working at IT & Services and the seven corporate staff departments of Delta Lloyd Group.
- The Life Asset Management Bank SC represents the interests of all employees working in Life, Asset Management and Banking.
- The General SC represents the interests of all employees working in General Insurance.

In 2012, the composition of the Works Council was as follows:

Executive Committee
Ravi Kuitems, chair
Rachel Struijk, vice-chair

Other members
Mathilde van Erven
Robert Heinsbroek
Max Hendriks
Marnix Labadie
Peter Losekoot
Jos van den Nieuwenhof
Bart Sipma
Robert Wonnink
Jurrit Zimmerman

Review of 2012
Last year, the Works Council used its enhanced right of recommendation on the appointment of a new member of the Supervisory Board. There was good dialogue between the Works Council and the Supervisory Board throughout the process, from the vacancy and selection up to the appointment. The Works Council also nominated employees for various committees within Delta Lloyd Group.

The Works Council gave positive advice and approval on items such as Sterk Werk (the new way of working), adjustment of the staff savings scheme and the creation of the HR Resource Desk. The sub-committees advised on items such as changes to the working hours system, the implementation of client teams and the termination of the joint venture with Friesland Bank.

A new permanent sub-committee was set up to focus on health, safety, welfare and environment.

The Works Council made further progress on structure and process in 2012, in line with the renewed, simplified organisation. The structure is now fully in place, as is the internal way of working, which enhances efficiency. Good cooperation, open communication, a critical attitude and clear allocation of tasks were the hallmarks of how the Works Council and its SCs operated in 2012.

Contact between the Works Council and the Executive Board and Supervisory Board took place in an open and constructive atmosphere. It was and remains important for the Works Council to behave in a proactive and constructive manner as it contributes to changes in the company. For this reason, the Works Council sets great store by conscientious stakeholder management.

3.1.10. Corporate Governance statement

This chapter – together with sections elsewhere in the report and the contents of the Delta Lloyd Group website - constitutes the corporate governance statement within the meaning of the Royal Decree of 20 March 2009 on the annual reporting of listed companies. The corporate governance section on the website www.deltalloydgroep.com contains our Articles of Association, various by-laws and the agreement between Delta Lloyd Group and Fonds NutsOhra. The composition of the Supervisory Board and the Executive Board is also set out here, including the CVs of the members, the by-laws and the rotation plans of both Boards. In this annual report, the report of the Supervisory Board and the description of the internal risk management and control systems in section 3.2 form part of the corporate governance statement.

3.1.11. EU Directive on Takeover Bids

Pursuant to the EU Directive on Takeover Bids (Decision of 5 April 2006 implementing Article 10 of Directive 2004/25/EC of the European Parliament and the European Council of 21 April 2004 on takeover bids), further requirements have been set regarding the contents of the annual report. The prescribed information is summarised below. Also given are references indicating where this information can be found in this annual report, in addition to the information contained in this chapter.

EU Directive on takeover bids

Prescribed information	Where to find it
The control mechanism for schemes that grant rights to employees to take or acquire shares in the capital of Delta Lloyd Group if the control is not exercised directly by the employees themselves.	This is described in the remuneration report for 2012, which is posted on www.deltalloydgroep.com.
Important agreements to which Delta Lloyd Group is a party and which are made, amended or dissolved subject to a change of control over Delta Lloyd Group after a takeover bid has been made.	The shareholders' agreement that Delta Lloyd NV and ABN AMRO Bank NV concluded regarding their Delta Lloyd ABN AMRO Verzekeringen Holding BV joint venture includes a change of control provision, which entitles ABN AMRO Bank to obtain the shares held by Delta Lloyd Group in ABN AMRO Verzekeringen at the set price in the event of a change of control at Delta Lloyd Group.
Every agreement between Delta Lloyd Group and a director or an employee providing for a payment upon termination of their employment as a result of a takeover bid.	Delta Lloyd Group has concluded no agreements with directors and/or employees that provide for any payment upon termination of employment as a result of a takeover bid.

3.2. Risk management

Risk management philosophy
Delta Lloyd Group's risk management policy is closely linked to the strategic pillar "**certainty**" and provides protection against events that may jeopardise the achievement of sustainable results, the required minimum solvency or our strategic objectives. Delta Lloyd's mission is to offer **financial security**. Our risk management system is fully embedded in our daily operations. It seeks to identify, analyse, measure, manage, control and audit risks that may arise in the course of business operations, in a timely manner. This helps the Group maintain its ratings, meet our obligations to customers and other creditors and comply with applicable legislative and regulatory requirements. Our approach to risk management is based on the following elements:

- **Risk governance**: the risk management organisation, based on a governance framework comprising 'three lines of defence' and risk committees. This framework outlines the responsibilities and guidelines for Delta Lloyd Group's management structure. Each division has a dedicated audit and risk committee which supervises the effectiveness of the business control systems within the responsibility of the respective business units, as well as a dedicated Asset & Liability Committee (ALCO).
- **Risk processes and systems**: the risk management framework takes into account all relevant elements of risk management, including an internal model for economic capital calculation, a solid risk management cycle and the interrelationship between governance and management information.
- **Risk culture**: the correct 'tone at the top' and active involvement of the Executive Board and the business units' boards in risk/return considerations.
- **Risk taxonomy and mitigation**: the risk management policy framework that encompasses the 'risk universe' of all relevant risks for Delta Lloyd and contains a set of mandatory policies to control and manage risk according to specific guidelines .The annual Group Risk Appetite Statement defines the risk appetite for all risks within Delta Lloyd Group.
- **Capital model**: Delta Lloyd uses the IGD Group Solvency model and has opted to report future regulatory solvency on the basis of an internal model for Solvency II. Delta Lloyd already applies this model for internal purposes to calculate economic capital.

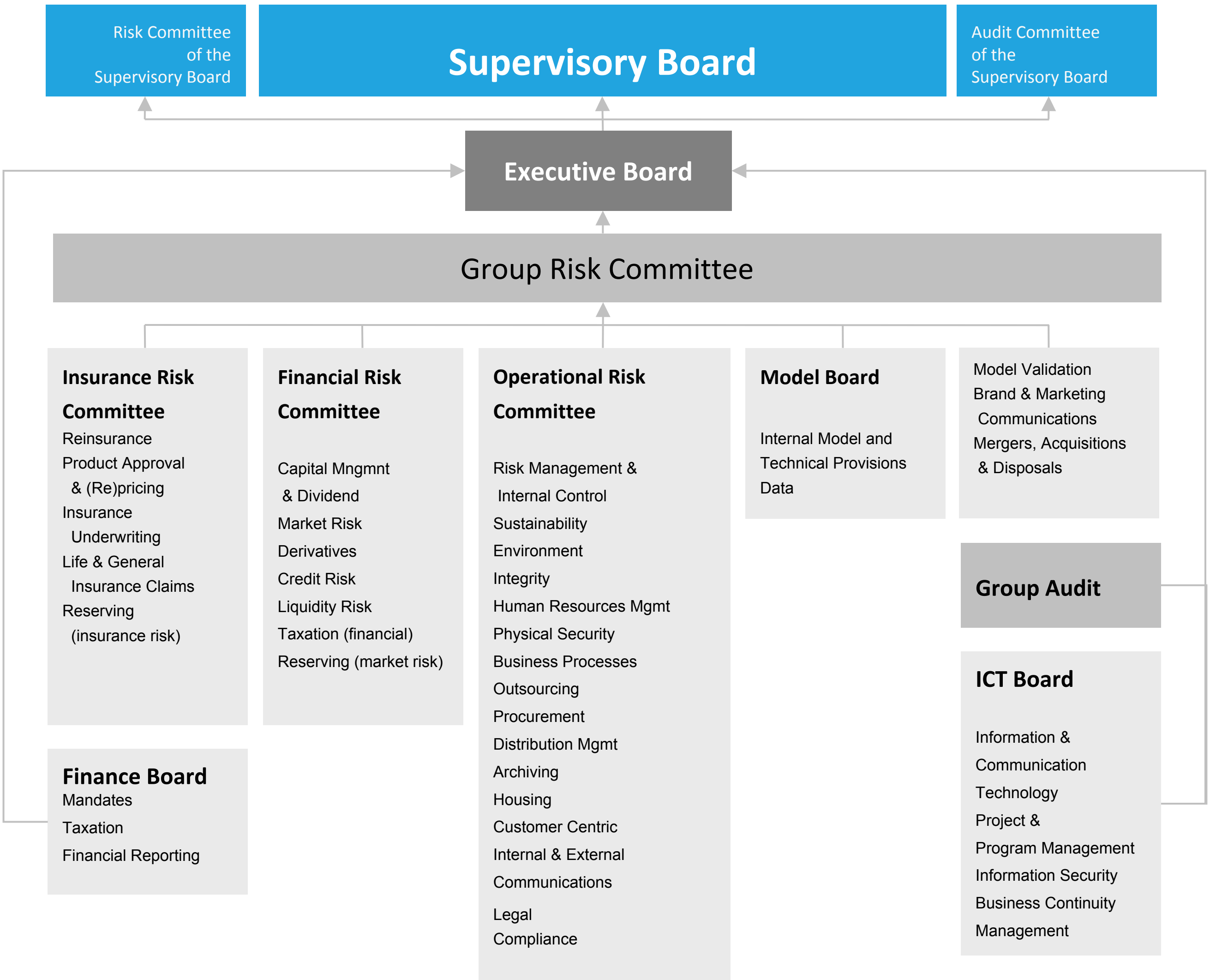
3.2.1. Risk governance

Our **governance structure** is based on roles and delegated authorities, the risk management policy set that comprises guidelines for all major risk types as described in section 3.2.4. 'Risk taxonomy and mitigation', and the (risk) committee structure.

Delta Lloyd Group's risk management has 'three lines of defence':

- First line: risk management strategy at each business unit. The activities of this line include implementing policies, day-to-day duties, reporting and managing information. This line of defence is executed by business unit management.
- Second line: risk management and compliance organisation. This line focuses on the coordination and development of policies, the reporting structures and the monitoring of compliance with statutory rules and internal policies. This line of defence is executed by Group Actuarial & Risk Management, Group Integrity, Group Finance, Control & Tax, the risk management committees and the risk management and compliance departments/officers in each division.
- Third line: internal audit function. Group Audit performs regular internal auditing of key controls. Delta Lloyd Group is supervised by external supervisory authorities such as the Netherlands Authority for the Financial Markets (Autoriteit Financiële Markten/AFM), the Dutch Central Bank (De Nederlandsche Bank/DNB), the Netherlands Competition Authority (Nederlandse Mededingingsautoriteit/NMa) and the Dutch Data Protection Authority (College bescherming persoonsgegevens) in the Netherlands; the National Bank of Belgium (Nationale Bank van België/NBB), the Commission for the Protection of Privacy (Commissie voor de bescherming van de persoonlijke levenssfeer/CBPL), the Financial Services and Markets Authority (Autoriteit voor Financiële Diensten en Markten/FSMA) and the Belgian Competition Authority (Belgische Mededingingsautoriteit) in Belgium; and the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht/Bafin) in Germany.

The Group's risk management is organised as follows:



The various risk management committees of the Group analyse and monitor risks within their areas of expertise and prepare reports and advice to facilitate decision-making at the Group Risk Committee and Executive Board level. At business unit level, this task is delegated to the appropriate risk committee and audit committee of the business. Group Audit reports its audit risks directly to the Group Audit Committee.

Risk management responsibilities

- The Executive Board is responsible for making decisions relating to Delta Lloyd Group's risk profile. The Executive Board determines the risk appetite for Delta Lloyd Group at least once a year. The risk appetite for the Group serves as the basis for setting separate limits for each business unit's key risks.
- The Group Risk Committee prepares this decision-making by regularly analysing Delta Lloyd Group's risk profile and solvency and making specific policy proposals. The Group Risk Committee is made up of senior executive officers of Delta Lloyd Group, including the chairman of the Executive Board, the CFRO of Delta Lloyd Group, the director of Group Actuarial & Risk Management (GARM), the managing directors of Delta Lloyd Asset

Management and Delta Lloyd Life, the CFO of Delta Lloyd Bank Netherlands and the CRO of Delta Lloyd Life Belgium. Specialists in specific areas are also invited, depending on the subject discussed. The risk analyses of the Group Risk Committee focus on the consolidated economic balance sheet and risks of Delta Lloyd Group, taking account of restrictions arising from (banking and insurance) regulations at entity level.

- The management of each business unit within Delta Lloyd Group is responsible for identifying, assessing and controlling the risks falling within the responsibility of that business unit.
- The Chief Financial Risk Officer carries overall responsibility for the independent oversight of all risks. GARM is responsible for overall financial risk policy and monitors the effective management of these risks. The director of GARM bears delegated responsibility for the supervision of all risks.
- Group Integrity is responsible for Compliance, Security, Business Continuity and the Financial Crime Unit.
- Finance, Control & Tax is responsible for financial management and reporting and gives advice and instructions to the business units. In addition, it is responsible for controlling, monitoring and reporting on the tax position of Delta Lloyd Group, and for compliance with tax laws and provisions.
- Group Audit reports to the Executive Board and the Audit Committee of the Supervisory Board and is responsible for internal audits to establish the effectiveness of the internal control systems within Delta Lloyd Group.
- Group policy owners are responsible for providing oversight of specific risks and monitoring of the risks group-wide.

3.2.2. Risk processes and systems

Delta Lloyd Group's risk management framework is based on the Enterprise Risk Management (ERM) model of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and meets the future Solvency II requirements. This framework assists Delta Lloyd Group in understanding, quantifying and managing the risks to which we are exposed. Management information and governance are linked to each other according to the cycle below.

Specific **risk management** and **control systems** have been set up for key areas of risk as follows:

- The management of each Delta Lloyd Group business unit assesses and manages that business unit's risks and controls and updates its risk profile every quarter. In 2012, these reports and processes were expanded into Own Risk and Solvency Assessments (ORSAs), which is also a requirement of Solvency II. Issues covered include the control of inherent risks, the effectiveness of controls and an assessment of the probability and consequences of residual risks. One major objective is to keep residual risks within the limits of the defined risk tolerance.

- Each quarter, GARM draws up a financial risk report for Delta Lloyd Group. It addresses financial factors, such as recent developments in the financial markets, and their consequences for the Group's capital position. Delta Lloyd Group uses an economic capital model based on stress test analyses and stochastic scenario analyses. Risk positions (including hedges) are assessed to determine whether they are still compatible with Delta Lloyd Group's risk appetite. Collateral is managed on a day-to-day basis. GARM draws up a monthly overview of the capital position for each legal entity and for the entire Group, based on local reporting requirements. In addition, an economic balance sheet is prepared and economic capital is calculated on a quarterly basis. In 2012, considerable efforts were expended on meeting the requirements of Solvency II; there are already indications, to the extent possible, of the consequences of the new legislation.
- Each year, the banking units of Delta Lloyd Group carry out their own risk assessment, known as the Internal Capital Adequacy Assessment Process (ICAAP). This assessment is in line with Basel II, which is the revised solvency framework for the banking sector that was developed by the Basel Committee on Banking Supervision of the Bank for International Settlements (BIS). The ICAAP indicates whether the current capital position is still sufficient, given the financial risks to which Delta Lloyd Bank is exposed.
- GARM also coordinates the Annual Group Risk Appetite Statement, which defines the risk appetite for all risks within Delta Lloyd Group. The Group Risk Appetite Statement is used to cascade risks down to the Business Unit Risk Appetite Statements.
- Delta Lloyd Group has set-up its own internal control framework which is based on SOx principles, e.g. a top-down risk-based approach.
- In order to assess Delta Lloyd Group's operational risk, the Bank, Asset Management and Insurance segments use a series of key risk indicators that are partly based on Basel II. In addition, Delta Lloyd Group has a system for recording all operational losses above € 10,000.
- Business units with large corporate customers apply a risk analysis and a risk management method that is subject to verification by external auditors. These units issue an ISAE 3402 statement regarding their internal controls (the standard for auditing service organisations).
- Group Legal and Group Integrity guide legal and regulatory risk management. Group Integrity is also responsible for the compliance network of Delta Lloyd Group and the Regulators Desk unit within Group Compliance.

Delta Lloyd Group uses the following **management information (MI)** to support decision-making:

MI incidents & loss events

Recording and determining the cause of undesired incidents, near misses and loss events contributes to the identification of weaknesses in the business processes and their underlying causes. Loss data relating to both internal incidents (such as fraud, near misses in the reporting process or frequent problems with IT systems) and external incidents supports better-informed and correct decision-making, while providing input for building capital models.

MI risk profiles & quantification analysis
Delta Lloyd Group sets up risk profiles that reflect the residual risk as well as the design and effectiveness of the key controls for the identified risks. Examples of such controls include:

Separation of functions
- No unilateral individual decision-making;
- Daily monitoring of assets;
- Designation of owners;
- Clearly demarcated roles;
- Codes of conduct;
- Budgeting;
- Confirmations;
- Reconciliation of information from several sources;
- Service level agreements (SLAs); and
- Written policies.

MI predictor events
These events are determined on the basis of information in standard management reports or forecasts of possible future developments. They offer an opportunity to monitor changes in Delta Lloyd Group's risk position and prevent controls proving ineffective. Specific stress tests and scenario analyses are used to estimate and manage the longer-term effects.

MI quantitative analyses
Analyses are supported by and derived from the actuarial and business models that Delta Lloyd Group uses. This applies in particular to the 'internal model' and its accompanying risk modules. The model was developed further in 2012.

MI economic capital model
The economic capital model is a method that is used internally to quantify all significant risks coherently and realistically. It is logical that Delta Lloyd Group wishes to continue using this model, even after the Solvency II regulations take effect. The internal model contains all material market (interest rate, equity, property), credit, insurance and operational risks. Delta Lloyd Group conducts analyses of economic capital quarterly or as often as circumstances require. All insurance entities in the Netherlands and Belgium use the internal model, both on an individual basis and for Group reporting purposes.

3.2.3. Risk culture

For a well-established **risk culture**, the tone at the top is an indispensable factor. Executive Board members and directors must set the example and 'walk the talk' in everything they do. In general, it is important that management be approachable on risk management issues and open to discussions about improvement. In addition:

- Executive Board members include risk management objectives in performance goals they set for directors.

- Business unit directors take direct responsibility for the implementation of Enterprise Risk Management activities.
- The Executive Board and the chairmen of the various Risk Committees provide an overview of risks and the actions undertaken from their functional role to address these risks.
- A programme is being implemented to provide continuous proficiency education for all directors and managers with respect to risk management.
- Executive Board members and directors regularly emphasise the importance of compliance by all Delta Lloyd Group staff with the company's code of conduct ('gedragscode').
- The chairman of the Executive Board and Chief Financial Risk Officer promote the top 10 principles for CEOs, as contained in the CEO Guide - Better Business Decisions and the CFO Guide - Better Business Decisions of Delta Lloyd Group, and ensure that senior and operational managers put these principles into practice, in order to make effective risk-based decisions.

Delta Lloyd Group uses a number of **systems and tools** to support the risk management cycle (analyses, reports, workflow management charts). These include interfaces with systems within business units that deliver management information and data for specific risk management systems. Data quality is crucial for the Group. Naturally, close attention is paid to good system support and technology. We have specific policy documents for the internal model: the Group data policy, Group model policy and Group validation policy. The Model Board reviews the effectiveness of the controls on the systems and tools used for risk management purposes.

3.2.4. Risk taxonomy

The risk management process, which has developed into an integrated Enterprise Risk Management process and fits into our preparation for the Solvency II legislation, consists of a **risk management cycle** where each action is used as a stepping stone for the following action. Delta Lloyd Group carries out risk assessments and risk calculations in order to:

- Determine how much risk we are prepared to accept (our 'risk appetite');
- Determine the probability of risks occurring and their consequences, as well as potential scenarios and the possible regulatory capital consequences; and
- Decide which measures or additional measures should be taken.

In the Line Management & Reporting phase of the cycle, management reports are delivered and used to make decisions, which subsequently lead to action in the Planning & Change phase. The risk appetite for the adjusted business activities must then be re-determined, after which the cycle begins again. Delta Lloyd Group has drawn up a Group Risk Appetite Statement, which is used to generate business unit risk appetite statements. The statements are reviewed and adjusted at least once a year.

An important part of the risk management cycle is the Risk and Control Self Assessment (RCSA). This is a mechanism for identifying and assessing risks, including scenarios (a combination of risks occurring at the same time), as well as assessing the effectiveness of existing controls and identifying control gaps. The RCSA forms an integral element of the ERM framework and the Own Risk and Solvency Assessment (ORSA) process. This is because it offers an excellent opportunity for us to integrate and coordinate our risk identification and risk management efforts and generally to improve the understanding, control and oversight of our risks.

The findings from an RCSA can be used to formulate appropriate action plans that address identified control gaps, taking into account risk-reward (cost-benefit) considerations. Progress on these plans is then monitored as part of the overall risk management approach. In this respect, RCSA promotes analysis and monitoring of factors that affect the level of risk exposure.

A consistent and regular information flow helps give management, the Executive Board and the Supervisory Board a deeper **understanding and awareness** of risk management. Delta Lloyd Group organises regular workshops for the Supervisory Board and Executive Board on topics such as risk management, changes in financial reporting and value, to enhance the understanding of risk control and current developments, such as the preparations for Solvency II. Regular workshops are organised for all management layers and specialists on themes relating to risk management and financial reporting in general, and Solvency II in particular. A special web-based portal contains all available information on risk management and Solvency II, as well as providing a summary of the relevant developments for Delta Lloyd Group.

Delta Lloyd Group has a set of formal policies for the management and control of all financial and non-financial risks - the so-called **risk universe**. The risk universe is the full range of risks which could either positively or negatively affect the ability of the organisation to achieve its long-term objectives.

The policies cover the following risk areas as specifically mentioned in the Solvency II proposals:

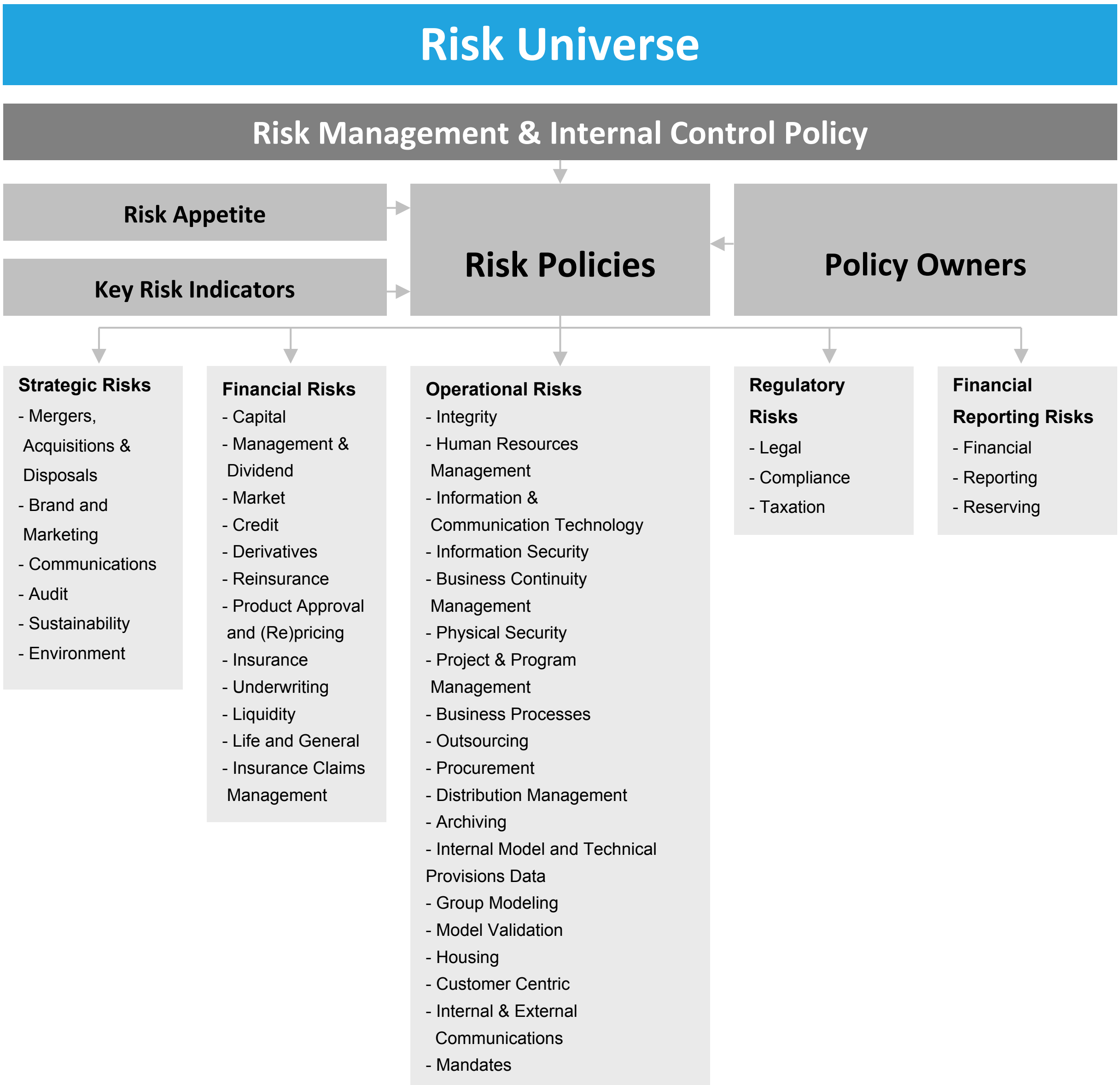
- Underwriting and provisioning;
- Asset-liability management;
- Investment, in particular derivatives and similar commitments;
- Liquidity and concentration risk management;
- Operational risk management; and
- Reinsurance and other risk mitigation techniques.

The risk management & internal control policy is the foundation for the Group’s risk management and internal control framework. This framework is designed to support the identification, assessment, monitoring, reporting, management and control of the material risks involved in achieving the Group’s business objectives.

The objective of each policy is to provide the minimum standards for risk management and internal control in the relevant area within Delta Lloyd Group. It recognises that we are in the business of accepting risk, meaning that putting capital at risk in a structured and disciplined manner is essential to the successful execution of strategy. In other words, within the limits set in the Group Risk Appetite Statement, we must strike a balance between risk and return that allows us to make best use of our capital while displaying the appropriate prudence.

Our risk management policies provide practical direction on how to safeguard the business from events with excessive operational, financial or reputational impact while enabling us to deliver on our business strategy.

The Group uses five main conceptual categories of risks and policies within the overarching risk management & internal control policy. The categories are based on the Dutch Corporate Governance Code and describe the risk universe.



Financial risk
Financial risk means the uncertainty of a return and the potential for monetary loss. Financial risk includes credit, equity, property, inflation, interest rate, currency, insurance and liquidity risk.

Strategic risk
Strategic risk is defined as the risk to current and future earnings or capital arising from adverse business decisions, improper implementation of decisions and lack of responsiveness to changes in

customer demand and the industry. Strategic risk includes the risk of not meeting targets as a result of Delta Lloyd Group's business units not responding or not responding adequately to changes in the business environment.

Operational risk
Operational risk is the risk of losses that may occur due to the inadequacy or malfunctioning of internal processes or systems, human error, criminal behaviour or external events. Operational losses may have a direct impact (e.g. losses expected to have an accounting entry or give rise to a quantified economic or financial loss) or an indirect impact (e.g. lower future sales, opportunity costs, productivity losses and other impacts that will unfold in the future but may be hard to establish accurately). Operational risks relate to areas such as integrity and fraud, crime prevention, human resources management, information and communication technology, information security (including risk of innovative multi-media), business continuity management, physical security and outsourcing.

Regulatory risk
Regulatory risk is the risk of not complying with laws, regulations and our policies and procedures, e.g. risks related to legal (litigation), compliance and tax.

Financial reporting risk
Financial reporting risk is the risk that Delta Lloyd Group's financial statements contain a material error. Financial reporting risk includes reserving risk, the risk that the insurance liabilities of life, non-life and investment business are not adequately determined and reported.

In addition, we consider systemic risk to be an inherent risk. This is the risk that the economic system or the entire market will collapse due to wars, global illiquidity, hyperinflation or similar massive episodes.

Delta Lloyd Group has a number of mitigating techniques and measures to manage its risks. Mitigation and actual development of risk management in 2012 is extensively described in the Financial Statements 2012, section 5.1.7.1. (1) Risk management.

The top five risks for Delta Lloyd Group are a combination of some of the material risks of the risk universe. A description of the top five risks, including their impact and measures of control, is outlined below.

(1) Sustained low interest yield environment
Interest rates fell to all-time lows during 2012 and current economic development and circumstances do not indicate an immediate rise in interest rates. Delta Lloyd's current portfolio is protected against the present low interest rate risk ('matched'), but a longer period of low interest rates creates additional challenges:

- Higher price for long-term minimum guarantees;
- Lower economic growth leading to lower demand;
- Insurance products become less attractive for clients to buy, especially in a period of negative real interest rates (inflation exceeds interest rates); and
- Yields on the asset portfolio can decrease when instruments need to be reinvested.

Delta Lloyd has taken the following actions to mitigate this risk:

- Reduction of interest rate risk on existing exposures;
- Lowering guarantees on Belgium Life business;
- Diversification to illiquid markets and asset types (private loans, infrastructure, property, mortgages);
- Promoting benefits of 'insuring' and focus on client; and
- Regularly evaluating and optimising risk/return balance.

(2) Real estate market and resulting mortgage defaults
Delta Lloyd faces the risk of decreasing total return on real estate and mortgages caused by the negative economic situation in the Netherlands. Furthermore, the supply of Dutch offices exceeds demand, which leads to increased vacancy rates and value reductions. Another risk for office investments is the trend towards environmentally-friendly offices and the trend that fewer desks are needed because of employees working from home. This, for instance, resulted in less space needed for Delta Lloyd employees in 2012. Shopping centre investments are affected by the economic downturn as well as the increased market penetration of online retailers, which leads to pressure on vacancy rates and prices.

Although revaluation and increasing vacancy rates are already reflected in the balance sheet, the risk remains that a fire sale auction (caused by liquidity problems) of a large market participant could result in further price erosion. In the retail portfolio, the default of a large retailer or fierce renegotiations could lead to additional discounts on rental prices.

For the residential market, Delta Lloyd is confronted with an ongoing decline in house prices, which needs to be reflected in the IFRS balance sheet. S&P expects the downturn in the Dutch housing market to accelerate (5.9% for 2013) with no expected improvement in the short term. Vacancy rates remain low, however, and rental income increases with inflation, which leads to increases in direct returns.

The ongoing pressure on house prices, together with increased unemployment, leads to an increased risk of late or limited payments on mortgages. Delta Lloyd has seen a slight increase in the amount of arrears in its mortgage portfolio, but the amounts remain low, due to the strict underwriting criteria used and the legal framework around Dutch mortgages.

Delta Lloyd has taken the following actions to mitigate this risk:

- Delta Lloyd has decided not to increase investments in offices;
- Where possible, the company will sell office space or convert in order to rebalance;
- A dedicated team has been established to identify early and manage mortgages in late payments;
- Underwriting for mortgages has been further tightened.

(3) Longevity risk
Longevity risk exists due to the increasing life expectancy trends among policyholders and pensioners, and can result in payout levels that are higher than originally anticipated by Delta Lloyd Group. As new mortality tables were issued last year by the Dutch Association of Actuaries (AG2012)

and Central Bureau of Statistics (CBS2012), Delta Lloyd adjusted its mortality table compared to the latest available public data (AG2012).

In addition, an unexpected increase in the longevity trend will most likely be long lasting, as has been observed historically. Unforeseen advances in medicine remain present and may increase life expectancy significantly. The increasing socio-economic status of families (which is a substantial indicator for longevity) could also lead to unexpected growth in life expectancy in coming years. Delta Lloyd Group applies the most recent mortality rate prognoses (based on the most recent historic mortality figures), actively monitors longevity trends to anticipate longevity trends at an early stage and continuously investigates various risk-mitigating actions to reduce the exposure to longevity risk.

(4) Euro break-up scenario
There is a risk that financial and political instability in certain European countries will lead to a break-up of the euro, leading to financial and operational losses. Although some recent developments are encouraging, the situation remains volatile since not all underlying financial and political problems are yet solved.

A break-up of the euro zone could happen in different ways:

1. No credible firewall. Spain's request for support is delayed by internal political considerations and Italian yields skyrocket; markets fear that the Outright Monetary Transactions program/European Stability Mechanism (OMT/ESM) constructions might be insufficient while resistance in Germany increases. Funding dries up for peripheral countries, which are left with little choice but to exit.
2. Muddle through. The Outright Monetary Transactions program helps extinguish immediate fires without solving the underlying problems. Fiscal union deepens with Spain requesting ESM funding but control mechanisms and sanction mechanisms remain dependent on political decisions. Germany, unwilling to disrupt the euro zone balance, turns a blind eye to the fiscal slippages, a tendency reinforced under the 'grand coalition' resulting from the 2013 elections.
3. The OMT turns out to be an efficient and credible firewall. The euro zone moves towards a proper bank resolution mechanism (audit, stress test, banks split, foreclosures, debt-equity swaps, etc) and a political/fiscal union (credible system of fiscal carrots and sticks). Flexibilisation of markets for goods, services and labour improves competitiveness and growth prospects.

In the longer term (one to two years), these scenarios could either lead to a break-up or an implicit/explicit fiscal union.

Delta Lloyd has taken the following actions to mitigate this risk:
- A core crisis team has been assembled to deal with and simulate emergencies. Closely monitoring early warning signs and preparing the organisation for crisis situations is core for this team. A daily euro risk monitor is distributed;
- Exposure to Southern Europe has been minimised;
- Equity risk has been further reduced; and

- There is continuous consultation with government, regulators and other financial organisations at national level.

(5) Dutch government agreement
A coalition agreement was presented on 29 October 2012, which includes the following changes:
- Tax rate on non-life products increased from 9.7% to 21% ('*assurantiebelasting*');
- Tax deduction of paid interest on mortgages will be reduced gradually;
- Deductibility for pensions and life annuities will be limited to € 100,000; and
- The pension age will gradually increase from 65 to 67.

On top of this, the fiscal framework of pension savings and payments is under review by the government.

A provisional impact analysis by Delta Lloyd indicated that gross written premium income may decline by 20%-25% as a result of these measures. Except for the increased rate of tax on non-life products, legislative proposals for these measures have yet to be developed and approved by the Dutch parliament. The impact of the measures can only be assessed more precisely when legislation is agreed upon by parliament. Implications also include several required changes to IT systems in order to comply with the revised regulatory environment, as well as informing clients of these changes.

Delta Lloyd will continue to lobby for less drastic changes in the pension legislation, accommodating long-term pension savings.

3.2.5. Capital model

The capital structure of Delta Lloyd Group is managed on the basis of the economic risks and the balance sheet as well as on the current legal requirements for insurers (Solvency I) and banks (Basel II). Minimum capital requirements are set for each individual entity based on different economic and operating scenarios. Total capital employed is allocated in such a way that the minimum required levels are met and the expected returns are maximised, while the operational result on issued capital is higher than the cost of capital.

In managing its capital, Delta Lloyd Group seeks to:
- Match the profile of its assets and liabilities, taking account of the risks inherent in each division, in such a way that the vast majority of capital is held in fixed-income securities;
- Maintain financial strength in order to support new business and satisfy the requirements of policyholders, management, regulators and rating agencies at all times;
- Retain financial flexibility by maintaining strong liquidity, including substantial unutilised credit lines, and access to a range of capital markets; and
- Allocate capital efficiently in order to support growth.

The solvency ratio (Solvency I) developed under IFRS and the regulatory requirements (Insurance Group Directive or IGD) for insurance and all non-banking activities are monitored closely. The capital relating to the banking activities is assessed based on the Basel II system.

See section 5.1.7.2. for more detail and actual 2012 figures.

Delta Lloyd Group has opted to report regulatory solvency on the basis of an internal model starting from the adoption of the new capital regime for insurers, Solvency II. This is the model that Delta Lloyd Group already applies for internal purposes to calculate its economic capital. The risk types mentioned below have been **identified specifically for calculation of economic capital** and calculated using this method. These risks are also tested and actively monitored separately.

Market risks

Equity risk
For equities, the effect of an extreme fall in market prices on investments and related liabilities is examined. This stress test is based on an underperformance of the equity portfolio by 50%, which reduces the value of the equity portfolio and the total capital employed and may increase the value of put options in the portfolio. The futures programme, which is activated as soon as the loss on equities exceeds the pre-set levels, is also taken into account. Apart from the impact on the proprietary investment portfolio, falling equity prices also affect the equities held by investment funds and the value of the guarantees given to policyholders.

Property risk
An extreme average fall of 16.5% in property prices is taken into account for the property portfolio, based on the long-term volatility of the Dutch property sector. This also affects the property held in investment funds. There is virtually no impact on liabilities with respect to investment property, with the exception of the liabilities in Germany.

Credit risk
The stress test also calculates the effect of an extreme change in the credit spread. A widening of the credit spread depends to an extent on the actual rating of the bond. Part of the widening of credit spreads is attributed to an increase in the underlying liquidity premium, which will push up the discount rate on liabilities where a liquidity premium is assumed. This compensating effect is taken on board in the stress tests. There is also a stress test for the default risk, both for corporate loans and for sovereign and semi-sovereign exposures. The default risk of reinsurers is tested in the credit risk and calculates the risk that reinsurers will actually default within one year, taking account of the reinsurer's rating.

Interest rate risk
This test assumes a shift in the risk-free interest rate curve, testing both parallel and non-parallel shifts based on historical figures. A shift in the curve immediately leads to a change in the value of fixed-income investments and mortgages, as well as of the technical provisions. Interest rate swaps and swaptions are also taken into account in the calculation of the overall effect. The shift actually leading to the highest capital requirement at Group level is determined, and this is then allowed for in the overall capital requirement calculation. The volatility in interest rates is also considered.

Currency risk

This test serves to determine the impact of an extreme decline in foreign currency exchange rates versus the euro. The effect on both the equity portfolio and the fixed income portfolio is taken on board. The (limited) impact on foreign currency liabilities is also taken into account.

Underwriting and other risks

Mortality risk

Delta Lloyd Group distinguishes three types of mortality risk: catastrophe risk, mortality trend risk and portfolio-specific mortality risk. Catastrophe risk concerns extreme mortality, such as in the case of a pandemic. Mortality trend risk relates to the possibility of people living longer or shorter than expected and is based on national mortality trends. Portfolio-specific mortality risk concerns differences between the national mortality trend and the portfolio of Delta Lloyd Group. The scope of this test is based on differences with the Delta Lloyd Group insurance portfolios observed in the past.

Expense risk

This concerns the risk of a change in the expected expense ratios. This test is based on an extreme increase in expenses. For short-term general insurance business, the test consists of an expense increase over the next year. For long-term life business, all expenses related to the management of the policies are stressed, taking into consideration an increase over the remaining term of the contract. The scope of the test is based on the expense variances observed in the past at the entities of Delta Lloyd.

Lapse risk

This concerns the risk of policyholders prematurely terminating or changing their insurance. The stress test assumes a change in the probability of policies being surrendered or paid up, leading to lower-than-expected future profits. The lapse risk is applicable to life and occupational disability insurance policies and to general insurance policies. The test is based on variances in policy surrender and other policyholder options observed within Delta Lloyd and a mass lapse scenario.

Catastrophe risk

This concerns the risk of a catastrophe occurring and the capital needed as a result of it. The catastrophe risk concerns the property and casualty portfolio of the general insurance policies. Delta Lloyd Group also recognises a risk of extreme health catastrophic events, which have an effect on the medical and income portfolio, but also on the life portfolio, which has products that insure premium waivers when people are incapable of working.

Windstorm catastrophe scenarios are simulated in a stochastic simulation model which takes into account reinsurance as well as a possible default of reinsurers and reinstatement premiums. In addition to this extreme health catastrophe, scenarios are considered which cannot be properly taken into account in the disability risk and claims ratio volatility risk.

Reserve risk

This concerns the risk that the required claims run-off provision turns out to be higher than expected. The risk is applicable to general insurance and some health products. The consequences of possible scenarios are calculated using simulation techniques, after which a stress percentage is derived and the required capital for deterioration in the net reserves is determined.

Claims ratio volatility risk
This concerns the risk of the claims ratio deviating from the expected pattern, which is only applicable to the general insurance products and health products that act as general insurance products. The claims ratio is the total amount of claims divided by total earned premiums. Higher claims can be caused by larger claims by the policyholder, for example, while lower-than-planned premium income can also lead to higher claim ratios. A calculation of the claims ratio is made for the following year, using a stochastic simulation model.

Disability risk
This concerns the risk of the realised recovery rates being lower than expected and the incapacity for work rates being higher than expected. This risk is applicable to occupational disability products and life products.

Other risks
In this test, scenarios/events are analysed based on the Group's risk profile, whereby an estimate is made of the possible impact according to a three-point methodology. This methodology comprises both a frequency estimate (interval or point) as well as a three point severity estimate (optimistic, median, and pessimistic; corresponding to a 0.1-,0.5- and 0.9 quantile) for each operational risk. This test addresses all other risks faced by the Group that are not already taken into account in other tests. Each risk is assessed to determine whether it is extremely remote, remote, possible or likely to occur. An assessment is also made to determine whether the impact of the risk, if it actually occurs, would be catastrophic, critical, significant or important. These assumptions are translated into probabilities and losses. Together, they combine to indicate an overall operational risk capital.

Solvency II

Solvency II is the updated set of regulatory requirements for insurance firms that operate in the European Union. In 2012, it became clear that the presumed date for the introduction of the framework would probably be postponed to 1 January 2016. The exact implementation date is expected to be announced by the European Commission in 2013.

Under Solvency I, liability volumes are used to calculate solvency. By contrast, Solvency II takes into account all balance sheet and operational risks. Solvency II is based on economic principles for the measurement of assets and liabilities. It is a risk-based system, with risk measured according to consistent principles and capital requirements directly related to the outcomes. As a result, insurance companies will be forced to review their internal risk management and internal control environment, test existing processes and implement improvements.

The preparations that insurers are required to make for Solvency II are far-reaching and wide-ranging, but Delta Lloyd Group endorses the principles underlying the new framework. A European level playing field for insurers is an improvement. Solvency II enforces more uniformity. This is in line with Delta Lloyd Group's strategy, which revolves around simplicity. In addition, Solvency II ensures better protection for the consumer as it imposes the same new rules on all insurers. These new regulations thus help to build and maintain trust in the sector.

The valuation of technical liabilities under Solvency II is a key topic for Delta Lloyd Group, as it is for any insurer providing long-term guarantees. The outcomes for solvency ratios, however, will remain uncertain until the adoption of Omnibus II and Implementing Measures by the European Parliament, which will probably take place in 2013. All components to determine the interest rate curve used to calculate liabilities are being tested in the Long Term Guarantee Assessment (LTGA) in the first half of 2013. The LTGA is a study commissioned by the European Commission among insurers in Europe to test the various ways to calculate liabilities under Solvency II.

Often called 'Basel for insurers', Solvency II is somewhat similar to the Basel II banking regulations. For example, the proposed Solvency II framework has three main areas (pillars):

- Pillar 1: quantitative requirements (such as the amount of capital an insurer must hold);
- Pillar 2: requirements for the governance and risk management of insurers, as well as for the effective supervision of insurers; and
- Pillar 3: disclosure and transparency requirements.

Delta Lloyd Group's approach to Solvency II

Delta Lloyd Group set up a Solvency II programme in order to meet the future requirements in 2010. The programme comprises ten projects with specific objectives related to the requirements from the three pillars of the framework. The overall objective of the programme is to ensure that the business units of Delta Lloyd Group and the Group on a consolidated basis comply with the Solvency II guidelines. At the end of 2012, Delta Lloyd Group discontinued some of the programme activities as they were either transferred to the business or postponed.

Solvency II Pillar 1

Delta Lloyd Group has opted to report the required solvency as from the Solvency II implementation date on the basis of an internal model. This is the model that Delta Lloyd Group already uses to calculate its economic capital for internal purposes. Meeting all the requirements for the use of the internal model demanded a major effort from Delta Lloyd Group in 2012. Delta Lloyd Group is planning to present the application package for the internal model to the Dutch Central Bank (DNB) in 2014.

Solvency II Pillar 2

Delta Lloyd Group continued to carry out Own Risk & Solvency Assessments on a quarterly basis. In December 2012, Delta Lloyd Group participated in the sector-wide 'General Rehearsal' of the ORSA, organised by DNB. In 2013, further improvements will be made to ORSA in order to achieve full compliance with all Solvency II requirements.

Solvency II Pillar 3

Delta Lloyd Group is making preparations for generating the required reports from 1 January 2014. These include the Regular Supervisory Reporting (RSR) and the Solvency and Financial Conditions Report (SFCR). The implementation plan for the reports was completed and submitted to DNB in November 2011. In 2012, the Dutch insurance entities successfully participated in the so-called 'Parallel Run' to submit a number of the new reporting templates containing Solvency II figures based on year-end 2011 data.

3.3. Capital developments 2012

Good risk and capital management have translated into a strong capital position. The section on capital management deals in greater detail with shareholders' funds and solvency, the ratings of Delta Lloyd Levensverzekering and Delta Lloyd Schadeverzekering, and determination of economic capital, based on various risk types as defined by our internal model within the Solvency II framework.

3.3.1. Equity and solvency demonstrate financial strength

Shareholders' funds at year end 2012 were € 2.3 billion versus € 3.9 billion at year end 2011. This 40% decline was mainly due to prolonged low interest rates which negatively affected the values of liabilities, only partly offset by increased value of assets. The valuation of the liabilities is based on the Collateralised AAA curve and decreased approximately 200 basis points at the 10-year point. In comparison, the DNB Swap curve, which underlies the asset values, only decreased by around 100 basis points. Consequently, liabilities and assets moved in extreme opposite directions which lead to sharply shrunken shareholders' funds, resulting in IFRS solvency levels decreasing from 302% to 205%.

Tangible capital (equity excluding e.g. goodwill and acquired value of in-force business) makes up 84% of shareholders' funds.

Regulatory solvency (IGD; measured under the current solvency system) of Delta Lloyd Group uses the Collateralised AAA curve to value liabilities, applying the ECB AAA curve for calculation of the liability adequacy test (LAT). Given the decrease of the ECB AAA curve with 94 basis points in relation to the significantly decreased Collateralised AAA, regulatory LAT margins improved. This phenomenon mainly contributed to IGD solvency rising three percentage points to 177% compared to year end 2011 (2011: 174%). The regulatory solvency of the supervised insurance entities at year end 2012 was strong at 212%. Required capital also increased significantly as a secondary effect of the low interest rates experienced in the market.

Helping offset the movement in regulatory solvency was the introduction of the ultimate forward rate (UFR) at the end of the second quarter. This measure was taken by DNB due to the persistence of exceptional market conditions (low interest rates) and faltering liquidity in the long tail of the market. The UFR entails the convergence of the interest rate to a level of 4.2% over a period of 40 years, with extrapolation starting after 20 years ('last liquid point').

The BIS ratio of Delta Lloyd Bank increased to 13.9% and is at a healthy level (2011: 12.1%), while the Core Tier 1 ratio of Delta Lloyd's banking operations improved to 10.6% (2011: 8.9%). The improvement in both ratios was achieved as a result of Delta Lloyd Group strengthening the shareholders' funds of Delta Lloyd Bank by € 100 million.

Ratios at year-end	2012	2011
Solvency (IGD)	177%	174%
Regulatory solvency insurance entities	212%	206%
BIS ratio	13.9%	12.1%
Core Tier 1 ratio	10.6%	8.9%

3.3.2. Ratings

Standard & Poor's has assessed Delta Lloyd Group on a standalone basis since April 2011, following the reduction of Aviva's stake in Delta Lloyd Group to a minority interest in that month. Delta Lloyd Levensverzekering NV and Delta Lloyd Schadeverzekering NV received an A rating (stable outlook), while Delta Lloyd NV and Delta Lloyd Treasury BV were rated BBB+ (stable outlook). In September 2012, all existing ratings and the outlook for Delta Lloyd Group were reconfirmed, indicating strength in the context of deteriorating financial and economic market conditions.

In 2010, Delta Lloyd Group introduced a Euro Medium Term Note (EMTN) programme, to enable the Group to attract working capital in an efficient and flexible manner, in addition to the sources of debt already in use. There were no transactions under the EMTN programme in 2012.

S&P ratings: stable outlook

Group company	Rating
Delta Lloyd Levensverzekering NV	A
Delta Lloyd Schadeverzekering NV	A
Delta Lloyd NV	BBB+
Delta Lloyd Treasury BV	BBB+

3.4. Management statement under Financial Supervision Act

With reference to Section 5.25 (c) (2c) of the Financial Supervision Act ('*Wet op het financieel toezicht*'), the Executive Board states that to the best of its knowledge:

- The financial statements for 2012 give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and its consolidated enterprises;
- The annual report gives a true and fair view of the position as at 31 December 2012 and developments during the year ended 31 December 2012 relating to the company and its consolidated enterprises for which data are included in the financial statements, as well as a description of material risks to which the company is exposed.

Executive Board
Niek Hoek, chairman
Paul Medendorp
Emiel Roozen
Onno Verstegen

3.5. In control statement 2012

The Executive Board is responsible for designing and maintaining an adequate system for internal control of financial reporting. Financial reporting is the product of a structured process carried out by our various divisions under the direction and supervision of Group Finance, Control & Tax in cooperation with Group Audit. We monitor changes in the reporting rules and discuss them in good time with our external auditor.

Delta Lloyd Group has voluntarily chosen a process for internal control of financial reporting that is based on SOx 404 principles. However, this statement may not be interpreted as a statement under the Sarbanes-Oxley Act, Section 404.

In 2012, our business units evaluated the design and effectiveness of the relevant risk management and control systems and classified the outcomes by priority. These outcomes were reviewed at Group level. There are no indications that these will not operate effectively in 2013. Group Audit has discussed the complete range of activities performed in connection with our internal risk management and internal control systems, and the resulting findings, recommendations and measures with the Audit Committee of the Supervisory Board.

With reference to best practice provision II.1.5 of the Dutch Corporate Governance Code on financial reporting risks, the Executive Board believes, to the best of its knowledge, that our internal risk management and control systems provide reasonable assurance that the financial reporting is free of any errors of material importance and that the risk management and control systems worked properly during the reporting year.

Executive Board
Niek Hoek, chairman
Paul Medendorp
Emiel Roozen
Onno Verstegen

3.6. Case: Specialising in risk

As an insurance company, we are in the business of evaluating, mitigating and managing risk. Our clients pay us to take on their risks – be it the risk of a life or health-changing event, a theft, fire, a car accident, a natural disaster, or almost any other risk imaginable. Managing risk is a top priority for us – and our clients.

Not only do we need to understand and measure risk, but also mitigate it. “Risk management is based on statistics and sophisticated models. Yet the human aspect is at least as important,” says Theo Berg, Director of Group Actuarial and Risk Management . “It is crucial that we know our customers and understand the risks they are exposed to. Our insurance experts can advise clients on preventing, reducing or avoiding certain risks.”

In addition to managing the risks of our customers, we need to monitor and manage our own operational and other internal business-related risk at Delta Lloyd. Is our internal payment system solid and safe? Do we have secure online systems for internet banking, asset management and treasury? Our Business Continuity Management unit monitors the risk of system failures and develops contingency plans to act in case of any serious problems.

Stricter regulation, partly triggered by the financial crisis, has moved risk management even higher up on the agenda. The international regulatory framework for insurance companies, Solvency II, requires that we describe and show detailed evidence of how we organise our risk management. Many of the revised regulatory requirements are already in place. To embed knowledge about the risk culture more widely in our organisation, we launched a risk management e-learning programme in 2012.
Fine-tuning and further developing risk management makes our company more efficient and secure, to the benefit of our customers, and helps us to make better decisions. Understanding risk makes perfect business sense.

3.7. Case: Prepared for today and tomorrow

Change is constant. New social trends, new behaviours and new ways of thinking are reshaping the world as we know it – and this is likely to gain momentum in the future. At Delta Lloyd we have a tool that helps us prepare for the uncertainties ahead. We use scenarios that anticipate various outcomes for current and future trends. It allows us to better respond to developments and adjust and sharpen our strategy today so we can deal with the challenges of tomorrow. We believe this helps us take better care of our company, our clients and our stakeholders.

Of course we can't predict the future. But we can try to imagine what the world will be like in 15 years' time. What will be the major economic, political and financial developments? How will society change? Will sustainability be the panacea that brings new balance to the world, as one of our basic scenarios describes, or will economic stagnation continue, societies splinter and political coalitions fail, as another scenario suggests? The outcomes of our scenarios differ widely, but it is only by exploring all possible roads leading to the future that we can make sure we are ready.

In addition to preparing ourselves for the future, we also want to stimulate discussion and exchange ideas, because one thing is certain: Europe – and indeed the world – is changing.

Delta Lloyd is already benefiting from scenario thinking. By mapping out the consequences of a possible break up of the euro we were quick to reduce our credit risk and retreat from government bonds of at-risk countries as events unfolded in Europe in recent years.

4. Sustainability

We are aware our activities can have a direct bearing on people's everyday lives, be they customers, suppliers or other business partners. As a result, we view it as our duty to strike a healthy balance between entrepreneurial spirit and social responsibility, offering clear and transparent financial products and services that our customers can easily understand. To achieve this, we strive to align our business and sustainability strategies as closely as possible.

To us, sustainability is about making the right choices in our business: choices that benefit our stakeholders and society at large, balancing their interests in a responsible way. By the very nature of its business, Delta Lloyd has the advantage of taking a long-term view. Over the many years in which we have pursued sustainability goals, we have learned that sustainability and good business go hand in hand.

4.1. Sustainability strategy

As a socially responsible company, we seek to balance our financial and non-financial goals. Our sustainability strategy guides us in achieving these non-financial objectives. We are committed to entering a dialogue with our stakeholders to gain the insights needed to update and fine-tune our approach.

Founding signatory	Bronze class award	Quality label
Founding signatory of UN principles of sustainable insurance (PSI)	Delta Lloyd among top 10 insurers sustainability leaders	Quality label retained for all labels, three years in a row
UNEP PSI	RobecoSAM DJSI	KKV ☑☑☑

4.1.1. Sustainability highlights

Product approvals
Entire portfolio approved by regulator

200+ products ☑

Customer satisfaction
Best Dutch pension provider in terms of customer service

IG&H: #1

Handling complaints
Number of standard complaints reduced

10,612

Fraud prevention
Crime prevention efforts paying off

26 m

Responsible investing
Amount of responsible and sustainable invested assets

44,003 m

+9.2% change since 2011

Code of conduct
86% of our 100 biggest suppliers signed our CSR code of conduct

86%

Sponsorships ▼
Maintained amounts at same level

5.8 m

-3% change since 2011

The DL Foundation
Activating more than 600 volunteering jobs in 2012

600+

Charitable giving
Balancing out our charitable giving

1.3 m

Employees (FTEs)
Steady decline in total staff

5,549

Female directors ▲
Rising percentage of female directors

23%

+10pp change since 2011

Absenteeism rate
Further decline towards target of 3.5%

3.9%

Carbon emissions
Carbon footprint further reduced

7,850

Energy use
Further reduced (in thousands of KWh.)

18,888

Paper use
Digitalisation (in thousands of kg.)

759

4.1.2. Sustainability pillars

We aim to respond to complex and often volatile market conditions in a resilient manner, while meeting or exceeding our stakeholders' expectations. In order to achieve this, we strive to align our business and sustainability strategies as closely as possible. We believe our company tradition of taking a long-term view and our many years of experience in pursuing sustainability goals is of great value to the business and helps us realise our strategy. This is particularly so for our strategic goals of providing transparent and simple products and operating as an honest and approachable organisation, dedicated to cooperating with stakeholders.

We have translated our sustainable ambitions into concrete objectives and efforts, focusing on five priorities relevant to our business objectives and stakeholder interests. These are: customer interest, integrity, community involvement, good employment practices and the environment.

Customer interest
Customer-centric financial services are vital to long-term sustainable value creation. At Delta Lloyd Group, we strive to offer simple and clear products and services that our customers truly understand. This helps us safeguard our customers against risky decisions. In our view, our duty of care does not end here: we extend our responsibilities beyond our own operations, focusing on the role and duties of intermediaries, too. We believe our customer-centric approach promotes and strengthens the solid reputation of Delta Lloyd Group. See section 4.2.

Integrity
Regulators, civil society organisations and the media are right to demand that financial services providers act with integrity and live up to generally-accepted values and principles, as well as complying with all applicable legislation and regulations. To this end, Delta Lloyd Group considers solid compliance and the strict prevention of fraud as fundamental to our business. In addition, we aim to increase the proportion of responsibly-invested assets; this strengthens the sustainability of our own business as well as increasing the corporate responsibility of companies we invest in. Lastly, we extend our responsibility via our supplier code of conduct and our supply chain responsibility programmes. See section 4.3.

Community involvement
Delta Lloyd is firmly rooted in society; we believe that a stable environment and a solid economy are good for our stakeholders and indeed the world at large. We are aware that our activities have a direct bearing on peoples' everyday lives, be they customers, suppliers or other stakeholders. As such, Delta Lloyd Group is conscious of its corporate citizenship and responsibility. We participate in society through community activities and voluntary work, using our financial skills and expertise to benefit society and fight financial illiteracy. The Delta Lloyd Foundation, supported by many volunteers among our staff, is key in achieving this. In addition, we offer financial support to the clubs and societies for which our employees volunteer in their own time and in their own communities. See section 4.4.

Good employment practices
The division between work and free time is becoming increasingly blurred. Expectations of where and how people want to work and how they are motivated are shifting. We believe that our employees'

skills, expertise and engagement with Delta Lloyd Group are crucial to the realisation of our long-term sustainable ambitions. We are committed to offering competitive compensation and benefits, personal training and development and a diverse working environment, and we pay particular attention to health and vitality. We believe this approach attracts new talent, retains valuable employees and underlines the reputation of Delta Lloyd Group as a sustainable employer and a good place to work. See section 4.5.

Environment
Delta Lloyd wants to minimise the impact of its business processes on the environment. To ensure focus on these objectives, we have an environmental policy covering these areas: climate change, energy and paper conservation, waste prevention and mobility management. Delta Lloyd Group is committed to offsetting the CO2 emissions released as a result of energy consumption in its offices, to the use of lease and pool cars and to business travel by plane and train. We also make every effort to reduce our existing CO2 emissions to a minimum and to purchase green or carbon offset power. See section 4.6.

4.1.3. Governance and policy

Sustainability is an integral part of our business strategy. We seek to ensure that sustainability objectives, roles and responsibilities and their implementation are embedded at every level within in our organisation.

The chairman of the Executive Board is responsible for our sustainability policy. The director of Corporate Communications is the sustainability policy owner. The Corporate Communications department is responsible for translating our sustainability objectives into concrete actions in the business divisions. This task is specifically assigned to the Corporate Social Responsibility Manager. Corporate Communications is also responsible for reporting on the sustainability policy and communicating the sustainability strategy, both internally and externally.

In our businesses, implementation of our sustainability plans for customer interest, integrity and product integrity, community involvement, good employment practices and the environment is monitored by the relevant directors, who report on progress to the CSR Manager.

The director of Corporate Communications and the chairman of the Executive Board regularly discuss the progress we have made on our sustainability policy, which is included on the Executive Board agenda at least twice yearly. The Supervisory Board is kept informed about progress on sustainability through quarterly information memorandums.

In 2012, sustainability performance was a key performance indicator for the variable remuneration of the executive board and of the directors of the separate business units. For 2013, customer centricity is a key performance indicator for the variable remuneration of the chairman of the Executive Board.

Agenda 2013 - 2015
For the coming three years we have decided to leave the sustainability agenda unaltered, maintaining our focus on all five key priorities – customer interest, integrity, community involvement, good

employment practices and the environment – and their respective goals. For 2013, sustainability will be incorporated into our annual planning cycle, thereby merging financial and non-financial performance at the highest strategic and tactical level of our business.

In 2013, we will install an ESG Committee, which will discuss environmental, social and governance (ESG) issues, monitor progress and report directly to the sustainability policy owner. The committee is chaired by the CSR Manager. People responsible for each of the five policy areas will also be members of the committee.

From 2013 onwards, we will align our sustainability activities with the Principles for Sustainable Insurance. We will continue to monitor our progress using benchmarks and indices. Our goal is to be included in the Dow Jones Sustainability Index.

We strive to expand our stakeholder dialogue further by conducting regular dialogues covering the various aspects of our sustainability policy.

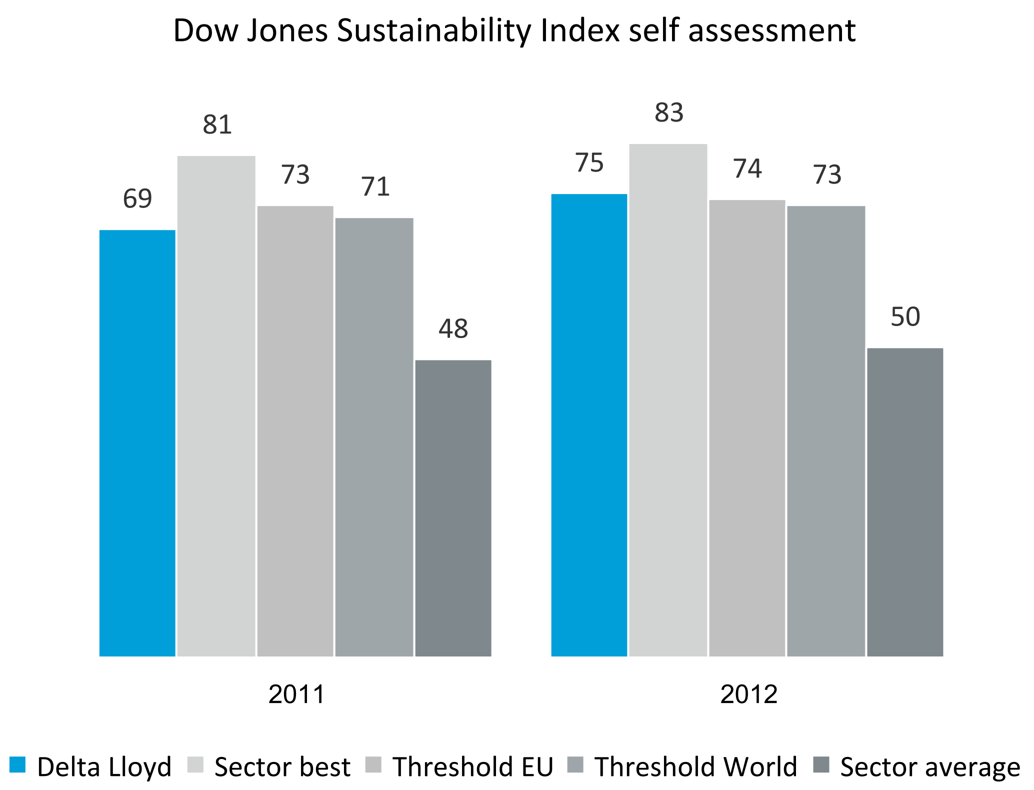
4.1.4. Benchmarks and indices

We consider it important that our sustainability policy can be objectively assessed. For this reason, we benchmark our policy and results against those of comparable organisations. The most relevant criteria against which we measure our progress include those of:

- The Dutch Transparency Benchmark, set by the Ministry of Economic Affairs;
- Sustainalytics, an independent institute for sustainability research; and
- The Dutch Association of Investors for Sustainable Development (‘*Vereniging van Beleggers voor Duurzame Ontwikkeling*’), which carries out research into sustainable entrepreneurship and sustainable investment by listed companies.

In addition, we endorse several sustainability-related codes of conduct. We report on our progress and the results of our sustainability policy. Endorsing these codes underlines the importance we attach to sustainability and our ambition to be transparent about our results. It also gives us a further stimulus to continue moving in the direction we have chosen.

Dow Jones Sustainability Index
Last year Delta Lloyd Group expressed the ambition to be included in the Dow Jones Sustainability Index (DJSI) in 2012. This internationally-recognised index, which is compiled by the RobecoSAM group, tracks the most sustainable companies in specific sectors.



Delta Lloyd Group achieved a strong sustainability score in the 2012 DJSI self-assessment. Compared to 2011, we increased our score from 69 to 75 points. This is just above the 2012 threshold value of 74 for inclusion in the European Insurers sector. However, the DJSI remained just out of reach this year because we did not satisfy the following additional conditions:

1. DJSI applies the criterion that the free float should have a minimum value of $ 1.6 billion on 31 December of the preceding year. Delta Lloyd Group did not meet this criterion on 31 December 2011.
2. Delta Lloyd Group must be among the top 20% of best-scoring European insurers. In addition, DJSI protects companies that are already listed. Although Delta Lloyd Group's score was just within the top 20%, its newcomer status prevented inclusion in the DJSI.

However, RobecoSAM awarded us a ‘Sustainability Award Bronze Class 2013’ because performance was within a 10% range of the highest score in the insurance sector (83). We see this award as recognition by the capital markets of our sustainability performance.

We remain committed to our ambition to be included in the DJSI. Following Aviva’s sale in January 2013 of its remaining stake in Delta Lloyd Group, the value of the free float has increased above the required level. Combined with our continuous efforts to promote sustainability, this puts us in a good position to achieve inclusion in the DJSI.

4.1.5. Results in 2012

General achievements in 2012
In the summer of 2012, Delta Lloyd Group committed itself to the Principles for Sustainable Insurance (PSI), a global framework for insurance companies to better manage environmental, social and governance risks and opportunities in their core business. See also section 4.4.3. Worldwide, nearly 30 insurers have endorsed the Principles, which were presented at the United Nations Conference on Sustainable Development in Rio de Janeiro (RIO+20). To find out more on PSI, see www.unepfi.org/psi.

The Delta Lloyd Group Advisory Board is a stakeholder platform promoting the exchange of views between employer and employee organisations as well as politicians, scientists and business people. It met three times in 2012. Themes discussed were the influence of the internet on decision-making processes, principles for sustainable insurance and the impact of long-term societal and macroeconomic trends on changing consumer behaviour.

Action was taken during the year to raise awareness among employees of the Delta Lloyd Group sustainability policy. Three ‘sustainability tours’ were organised, demonstrating to a motivated group of colleagues the different facets of our policy in action and on location. Each tour was hosted by a member of the Executive Board. A total of 43 colleagues joined the tours. On average, they rated the tour eight out of 10 points. We also polled employees on their familiarity with our sustainability policy. Employees say Delta Lloyd Group is serious about sustainability (67.9%), and indicate they are especially attracted to working for a sustainable organisation (78.7%). The poll also showed our employees see the urgency for Delta Lloyd Group to be a sustainable business (77.4%).

Our Young Talent Network, a platform enabling employees aged under 35 and with high education degrees to exchange ideas and experiences, organised a ‘think tank’ session to discuss how the cradle-to-cradle concept could be applied to Delta Lloyd. A small group of network members is researching the feasibility of applying the cradle-to-cradle principle in the claim handling department of our ABN AMRO Verzekeringen general insurance business.

Objectives and results achieved in 2012

Sustainability objectives and results in 2012	
Objectives sustainability strategy	**Results in 2012**
Inclusion in Dow Jones Sustainability Index (DJSI)	Not included, but given the Bronze class sustainability leader award in the insurance sector, see section 4.1.4.
Further publication of all relevant Delta Lloyd Group sustainability policy documents	In 2012 we did not publish or update relevant sustainability policy documents due to capacity constraints
Objectives customer centricity	**Results in 2012**
Retain the Customer-Focused Insurance Quality Label for all Delta Lloyd Group brands	Label retained for all Delta Lloyd Group brands, see section 4.2.1.
Improve customer satisfaction for the Delta Lloyd Group brands	Average customer satisfaction stable at 7.12, see section 4.2.2.
Further reduce the total number of standard complaints	Total number of standard complaints reduced by 11% (2011: 11,899, 2012: 10,612), see section 4.2.3.
Objectives integrity	**Results in 2012**
Increase employee awareness by means of workshops and presentations on behaviour, culture and fraud awareness	Number of preventive actions by employees raised by 15% (2011: 3,811, 2012: 4,374), see section 4.3.2.
Further increase the percentage of responsibly managed assets	Responsibly managed assets at 55% in 2012, see section 4.3.3.
Further increase number of top 100 biggest suppliers to sign our sustainability code of conduct	86 of our top 100 suppliers signed our code of conduct, see section 4.3.4.
Objectives community involvement	**Results in 2012**
Maintain sponsorship and donation amounts at same level	Sponsorship and donations remain roughly at same level (down by only 3.6%), see section 4.4.1.
600 volunteers active for the Delta Lloyd Group Foundation	Foundation activated over 600 volunteering jobs in 2012, see section 4.4.2.
Endorse global sustainability initiatives	Founding signatory of Principles for Sustainable Insurance (PSI), see section 4.4.3.
Objectives good employment practices	**Results in 2012**
Pilot new way of working concept more structurally, and further elaborate home working policy	Flexible work places increased in 2012 by 34% to 3600, see section 4.5.2.
Woman on the Executive Board in 2015	Male/female ratio for directors up from 13% to 23% in 2012, see section 4.5.4.
Absenteeism rate at 3.5% in 2012	Absenteeism down from 4% in 2011 to 3.9% in 2012, see section 4.5.5.
Objectives environment	**Results in 2012**
Reduction of total CO2 emissions of 2% per year through further emission and offset efforts	CO2 emissions reduced by 30% since 2011, see section 4.6.1.
Reduction in energy consumption by 2% per year	Energy consumption (KWh.) reduced by 14% since 2011, see section 4.6.2.
Annual reduction of 2% in paper consumption at Delta Lloyd Group	Paper consumption(kg) reduced by 16% since 2011, see section 4.6.4.

4.1.6. Dilemmas in 2012

Profitability versus assurance and the impact on trust
Judging purely by the figures in our annual accounts, which show a substantial IFRS loss, 2012 was a tough year for Delta Lloyd, especially when compared to other insurers, who reported profit levels or profit increases.

However, these simple observations require some clarification. Sometimes you have to look beyond the figures and the profits or losses to see what's really going on. An important point here is that Delta Lloyd is one of the few insurance companies that prudently marks its IFRS balance sheet to market values. We have made this conscious choice to give insight into our financial situation, in order to give long-term assurance to all Delta Lloyd's stakeholders. Especially now, amid sustained sharp declines in interest rates, this makes a crucial difference.

Large life insurers like Delta Lloyd make commitments to their customers that they will be able to pay out pensions, for example, in future. To this end, they invest the premiums they receive, mostly in government or other bonds.

If market interest rates fall, there is a rise in the value of the bonds. That generates profit for the insurance company invested in those bonds. But on the other side of the balance sheet are commitments to policyholders. Those policyholders are counting on a fixed sum of money when they are paid out on their insurance or pension. In order to be able to pay out the same (guaranteed) sum on the end-date, however, more has to be set aside when interest rates are low. The insurer has to reserve more money – and that, in turn, comes at the expense of the investment profits mentioned earlier.

That is precisely the crux. Delta Lloyd is one of the few insurance companies that uses market rates (which fell sharply in 2012 to 1.99% for 10-year rates) to calculate both sides of the balance sheet. This prudency means customers know that even if rates remain low for a long period, Delta Lloyd has enough money set aside to be able to fulfil its commitments to customers.

Most insurers, by contrast, persist in calculating their obligations in their annual figures at the old (i.e. higher) interest rates. So they get the benefits of a lower interest rate, but not the complete burden. And in effect, they remain dependent on a future increase in interest rates to at least their notional interest rate in order to be able to fulfil commitments to their customers.

In concrete terms, this meant that in 2012, the investment profits that Delta Lloyd made due to the lower interest rate on bonds, was completely wiped out by the additions we made to reserves for policyholders. Delta Lloyd set aside around € 4.7 billion extra to safeguard commitments to policyholders against the lower interest rates. In net terms, this led to a loss of € 1.5 billion in 2012. In this way, a reported loss – even a big one – can actually evidence extra assurance for customers and other stakeholders.

Securing sustainable value creation in a restrictive climate

The new laws and policy regulations with which the financial sector is confronted place a burden on the sector as a whole. Besides solidifying our risk management, this development drives us to cut operational costs, striving for operational excellence. In practice, this means doing the same amount of work with fewer resources. At the same time, our customers are growing better informed about their rights and responsibilities and so expect insurers to develop more transparent, simple and low-risk products. Welcoming the trend of customers' growing awareness and improving our products and services, we must simultaneously deal with the challenge of achieving more effective operational results. The very same trend implies greater work pressure for our employees. How can we keep them motivated to strive for operational excellence? Activating staff to volunteer for our Foundation complicates this dilemma even further.

A similar dilemma holds true for our environmental ambitions. Delta Lloyd has signed the Multi-Year Energy Efficient Agreement (MJA3), committing itself to concrete, long-term environmental objectives (30% more energy efficient in 2020). The agreement implies that management must take environmental issues into consideration when making decisions about acquiring new office equipment. However, this can conflict with urgent cost-cutting programmes. The tension between short-term cost-cutting options and long-term investments remains complex.

Sustainable business practices versus reporting activities

On the one hand, Delta Lloyd Group commits itself to various standards of sustainability reporting and undertakes the necessary actions. On the other hand, requirements of the sustainability benchmarking market are growing. This requires us to devote ever more time and effort to filling in questionnaires and providing all required information and documentation.

The true ambition of Delta Lloyd Group lies in sustainable entrepreneurship and thus becoming a leading insurance company with a strong sustainability profile. This forces us to be selective and restrict ourselves to reporting only on sector-specific issues that have material impact on our financial and extra-financial performance with regard to environmental, social, ethical and governance issues. Delta Lloyd has chosen to participate in the Dutch Transparency benchmark of the Ministry of Economic Affairs and in research by Sustainalytics and the Dutch Association of Investors for Sustainable Development (VBDO). As internal guidance for measuring our sustainability performance, we use the Dow Jones Sustainability self-assessment. See also section 4.1.5.

4.2. Putting our customers first

Our number one priority is putting our customers first. We are committed to building lasting customer relations based on our 'customer centric' value. Our Customer Centric programme emphasises accessibility, easy-to-understand information and communication, as well as listening to customers and making improvements based upon their feedback. The programme includes projects relating to our products, services, advice and managing our organisation.

Among the achievements of our Customer Centric programme in 2012 were the launch of a project to improve the quality of our advice to customers and efforts to improve our complaints handling processes in the Netherlands. We reviewed more than 200 products to check whether they are cost-efficient, safe, understandable and suitable for our customers' needs. We retained the Customer-Focused Insurance Quality Label issued by '*Stichting Toetsing Verzekeraars*', an independent foundation dedicated to promoting trust in the insurance sector and we began developing a company-wide policy to deal with customer complaints.

As part of the implementation of Solvency II, we tested our consumer policy with the aim of mitigating risks relevant to customer satisfaction and the Quality Label.

Product approvals

Entire portfolio
approved by regulator

200+ products ☑

Customer satisfaction

Best Dutch pension provider in
terms of customer service

IG&H: #1

Handling complaints

Number of standard
complaints reduced

10,612

4.2.1. Transparency of products and services

Customer-Focused Insurance Quality Label retained
In 2012, Delta Lloyd NV and its labels OHRA, ABN AMRO Verzekeringen and Erasmus again retained the Customer-Focused Insurance Quality Label issued by '*Stichting Toetsing Verzekeraars*'. The Quality Label gives insight into the standards insurers apply and allows customers to compare insurers based on their service and performance.

Awarded for the first time in 2010, the Quality Label was based on four themes comprising 17 standards in 2012. Among other requirements, insurers must provide understandable, clear information and careful swift service. They must be easily accessible by phone, must measure customer satisfaction and should have an in-house quality policy and quality management system in place.

Retaining the Quality Label is by no means an automatic process or a formality. Insurers must demonstrate each year that they meet requirements, which are made increasingly challenging each year. In 2012, we made significant progress in ensuring our product information is written in a clear and simple style, making it accessible for all customer segments.

We continually seek to improve our products and services by putting customer interest and simplicity at the heart of all our processes, products and communications. All products are reviewed and assessed for their added value to the customer. The Customer-Focused Insurance Quality Label stipulates that insurers must have a product approval and review process, involving a careful assessment of the risks and compliance with such aspects as duty of care to the customer.

Product Approval and Review Process

Our Product Approval and Review Process (PARP) aims to assess whether our products meet our requirements regarding duty of care to the customer. This means that we assess if products are cost-efficient, safe, understandable and meet customers' needs. These criteria are in line with the Dutch Financial Markets Authority's (AFM) regulations and apply to both new and existing products offered by our Dutch businesses.

We submitted more than 200 products to our PARP in 2011 and 2012. Based on the review, a Product Approval Report (PAR) is submitted for approval to the Executive Board and sent to the Supervisory Board for information purposes. Reviews are conducted by internal stakeholders such as Compliance and Actuarial & Risk Management. Our internal auditors (Group Audit) audit our PARP annually and report to business unit directors, the Executive Board and the audit committees, including the audit committee of the Supervisory Board, on both its design of the process and the way it is applied.

The above-mentioned review process led to several insights and plans for improvements. Last year, we continued implementing these improvements, which began in 2011, and we will proceed further in coming years. We will continue reviewing our products to ensure our customers' interests remain the top priority in designing and marketing them.

Personal unit-linked insurance

As early as 2008, Delta Lloyd Group became the first insurer to sign an agreement for unit-linked insurance policies with consumer activist organisations to cost-cap unit-linked insurance policies. In 2010, Delta Lloyd Group made additional arrangements with these consumer activist organisations about the simplification and improvement of unit-linked insurance policies. An arrangement was also made for customers in 'distressed' situations. These additional arrangements were implemented in 2011. Delta Lloyd Group thus became the first insurer to fully implement the arrangements.

To achieve a smooth resolution of this episode, Delta Lloyd Group has taken extra measures to help customers switch to alternative financial products. Among other things, Delta Lloyd Group will not charge any policy surrender or switch costs in such cases. In addition, we have developed the Investment Policy Scan for our various brands, an online tool that helps customers decide whether switching to an alternative product might be worth considering in their specific case. In 2011, a survey by the Minister of Finance, acting at the request of Parliament, showed that Delta Lloyd Group had put in place sufficient facilitating measures. One focus of attention was Delta Lloyd Group's decision to settle compensation retroactively in the policy (as was agreed with the customer interest groups). Compensation was settled directly in the customer's policy as at 31 December 2012.

4.2.2. Customer satisfaction

Results in 2012

Measuring and improving customer satisfaction is crucial to realising our ambition to be a customer-centric business. In 2012, the average customer satisfaction score for Delta Lloyd Group settled at 7.12, with a marked difference between Dutch and Belgian total averages (7.28 and 6.81, respectively). The highest Group score is seen for our commercial services (7.41), followed by our general insurance services (7.20). Life services and overall service levels scored 7.03 and 6.90, respectively.

Customer satisfaction scores in 2012

(scale: 1 to 10)	Average	Overall	Life	GI	Commercial
The Netherlands					
General Insurance	7.10	-	-	7.10	-
Delta Lloyd Life	-	-	-	-	-
Commercial division	7.45	7.50	7.10	7.70	7.50
ABN AMRO Verzekeringen	7.20	-	6.90	7.50	-
Delta Lloyd Bank Netherlands	7.35	7.35	-	-	-
Total average The Netherlands	**7.28**	**7.43**	**7.00**	**7.43**	**7.50**
Belgium					
Delta Lloyd Bank Belgium	6.70	5.70	-	-	7.70
Delta Lloyd Life Belgium	6.92	7.05	7.10	6.50	7.04
Total average Belgium	**6.81**	**6.38**	**7.10**	**6.50**	**7.37**
Total average Delta Lloyd Group[1]	**7.12**	**6.90**	**7.03**	**7.20**	**7.41**

1) The total average of Delta Lloyd Group is calculated as the average of the individual business units' average customer satisfaction scores (i.e. the lightblue cells).

ABN AMRO Verzekeringen scored an average customer satisfaction of 7.20, a decrease from 2011 (8.2), but still in line with the results of other business units. In 2012, ABN AMRO Verzekeringen had both its General Insurance services and Life services surveyed, whereas in 2011 the survey was conducted at General Insurance only.

Delta Lloyd Life did not measure its customer satisfaction in the same way it did the previous years. It did participate in the IG&H annual review of the Dutch market, which focused on customer satisfaction among pension advisors. In this survey Delta Lloyd Life ranked first with a score of 6.90, up from 6.40 in 2008, when Delta Lloyd Life also participated in this survey.

Average customer satisfaction scores at both our Belgium divisions ranked below the Group average: 6.70 for Delta Lloyd Bank Belgium and 6.81 for Delta Lloyd Life Belgium. Nevertheless, Delta Lloyd Bank Belgium's commercial services did particularly well with a score of 7.70, as did the commercial services of Delta Lloyd Life Belgium (7.37).

Benchmark
We use the customer satisfaction survey of the Association of Insurers (*Verbond van Verzekeraars*) as our primary benchmark. This survey was initiated by the insurance sector several years ago to enable insurers to identify where they can further improve their services and how their scores compare with those of their peers. The association's customer satisfaction figures enable customers to assess the extent to which insurers succeeded in implementing renewal processes to make the industry more customer-focused.

The Association of Insurers' customer satisfaction score for life insurers was unchanged at 7.10. Delta Lloyd Group scored slightly lower with an average of 7.03 for all its life insurance services. At Delta Lloyd, the customer satisfaction score for life insurance of the commercial division was 7.10 and for ABN AMRO Verzekeringen life insurance 6.90. Delta Lloyd Life Belgium scored on a par with the Dutch benchmark (7.10).

The Association of Insurers' average customer satisfaction scores for general insurance increased from 7.66 in 2011 to 7.72 in 2012. Delta Lloyd Group scored below the Dutch benchmark, with an average of 7.20 for all its general insurance services. At Delta Lloyd, the customer satisfaction score of general insurance was 7.10, for the commercial division 7.70 and for ABN AMRO Verzekeringen life insurance 7.50, averaging a total of 7.43 for the Dutch divisions.

Responding to customer feedback
In 2012, Delta Lloyd Direct/OHRA launched the 'Customer experience' programme. This business unit deals directly with retail clients and the new programme aims to ensure our customers' interests are at the centre of everything we do. The programme includes a six-step customer feedback management system to guide the business to assess, analyse and prioritise feedback and design, and implement improvements based on the comments received on our products and services via phone, e-mail or in person.

We introduced a process to measure satisfaction immediately after contact with customers. In combination with our customer satisfaction survey, this monitoring process will give us deeper insight into the drivers of customer satisfaction and which areas we can improve to enhance customer satisfaction most effectively.

Our OHRA customer panel provides insights into customer satisfaction on a regular basis. The panel consists of approximately 500 customers who volunteered to participate in surveys, allowing our OHRA business to assess how its products and services are perceived.

We also launched a project in our Insurance business to assess customers' perception of our products. This project, called Customer Journey, aims to provide more detailed insight into how clients feel about our products and their interactions with Delta Lloyd representatives. The first results show, among other things, that customers support our efforts in making our products transparent and simple.

Outlook for 2013
In 2013, we will continue focusing on improving customer satisfaction. We will again conduct

customer satisfaction surveys, enabling us to gain insights into where and how we can further improve our customer centric approach. We will sharpen our focus on customer interaction and enhancing transparency through providing clear and accessible information to customers.

4.2.3. Complaints

Internal policy
All the Dutch business units of Delta Lloyd Group operate a complaints system. The system's standards and definitions apply throughout our business units in the Netherlands. Every year, the numbers of complaints received and handled are reported and posted on the website. Standard complaints comprise all complaints received in writing or over the telephone. These complaints must be fully processed within 15 working days.

We seek to keep complaints to a minimum by providing good products and services, handling incoming complaints efficiently and effectively and learning from mistakes, taking action to make improvements.

New complaints handling process
In 2012, we started developing a company-wide policy to deal with customer complaints. Statistics on complaints are included in our regular reporting cycle.

We broadened our definition of 'complaint' so it better meets our customers' interests. Since 2012, we define a complaint as 'any expression of discontent about the service provided by Delta Lloyd Group or its partners'. Previously, this was defined as 'a verbal or written expression of a customer expectation, which has not been fulfilled and to which a written response is required'.

Our complaints management process plays an important role in monitoring and tracking improvements in the processes of all business units that directly interact with customers, either in person or in writing.

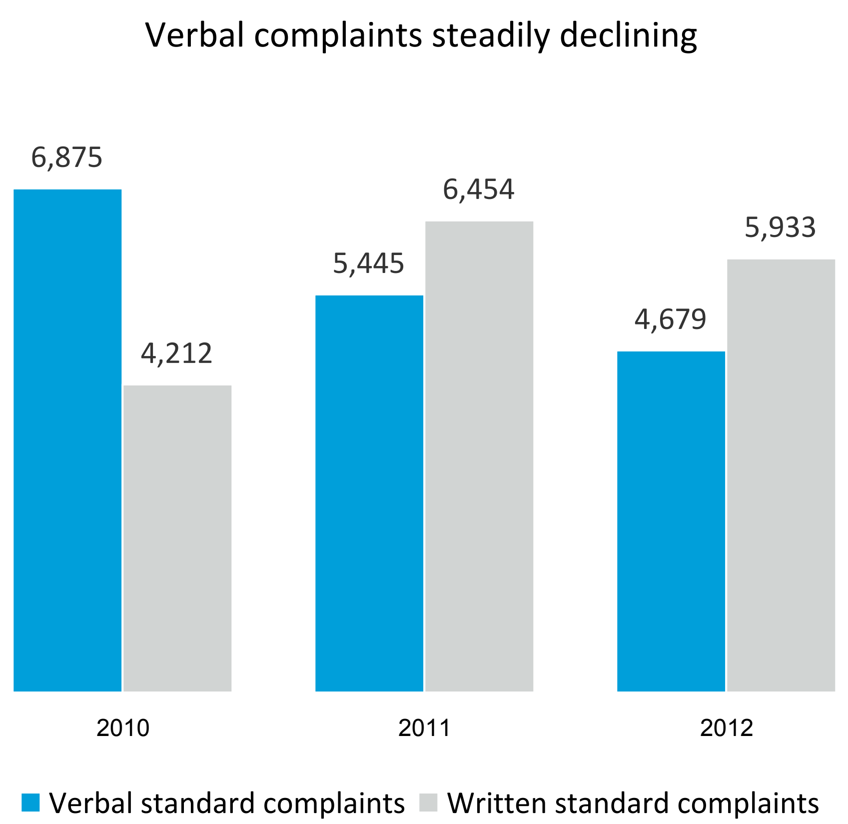
This process is based on our ambition to enhance consumer trust in our products and services. We seek to improve customer satisfaction regarding the settling of complaints and to continuously evaluate and, whenever possible, improve our complaints management process. We aspire to learn from complaints and other customer feedback to further improve our overall services. To achieve this objective, we are committed to open, honest and clear communications.

Results in 2012
The total number of regular complaints decreased by 11% to 10,612 (2011: 11,899). At Group level, the percentage of regular complaints settled within 15 working days declined slightly in 2012 to 89% (2011: 91%). However, for our Dutch business units the percentage increased from 93.1% in 2011 to 96% in 2012 - well above our target of 90%. The increase is partly due to a broader working definition of 'complaint'. The total number of official complaints filed with Kifid, the Dutch complaints institution for the financial services sector, increased to 140 in 2012 (2011: 112).

Complaints			
In numbers, unless otherwise stated	**2012**	**2011**	**Change**
Standard complaints			
Verbal complaints	4,679	5,445	-766
Written complaints	5,933	6,454	-521
Total standard complaints	**10,612**	**11,899**	**-1,287**
Handled within 15 days	9,428	10,776	-1,348
Handled within 15 days (in %)	89%	91%	-2%

In 2012, each business unit strove to improve the complaints handling process. For example, Delta Lloyd Life ran training sessions to improve people's writing skills, so that paper and email complaints are handled more effectively. In addition, a specialised complaints team coaches the customer service team to reinforce these learned writing skills.

At Delta Lloyd Bank, the Management Board itself calls customers to discuss about their complaints. To share the insights gained from these discussions, Delta Lloyd Bank invited one customer to tell their story to a select group of banking staff of the mortgage department. The conversation was filmed and later shown to the rest of the mortgage department. The experience proved to be fruitful and will be repeated in future with other customer complaints.



Outlook for 2013

We aim to further improve our complaints cycle and response time process in 2013. We believe that receiving feedback from customers, in any form, presents an opportunity to make improvements to our business. We will use the opportunity that the complaints process gives us to make further improvements to our products and business processes across the Group.

4.2.4. Reputation of Delta Lloyd Group

Reptrak research

Strengthening our reputation is a strategic theme for Delta Lloyd Group. The 'Reptrak' research method of the Reputation Institute (affiliated with Erasmus University Rotterdam) measures the reputation of an organisation through seven drivers and provides a benchmark against other companies. Every year the Reputation Institute measures the reputation of the 30 largest Dutch companies (in terms of revenue) within the context of a worldwide survey. In the 2012 survey, a different weight was assigned to the impact on the answers of cultural differences worldwide. Figures from previous years were adjusted to reflect this change.

The reputation score in 2012 showed a slight improvement compared to 2011: from 58.6 (27th place) to 59.9 (26th place). Reputation is measured on a 100-point scale, with scores above 70 considered very strong. It is worth noting that all insurers fell in the rankings and that their scores were more or less similar. Within our peer group, which contains five Dutch insurers, we ranked third. By contrast, the reputation of most banks improved, averaging around 67.5.

There is a clear correlation between Delta Lloyd Group's reputation and that of the sector as a whole. Since 2009, the sector has been engaged in an intensive effort to restore trust with a fundamental industry-wide process of change entitled *'VerzekeraarsVernieuwen*'. This process is aimed at promoting a situation in which insurers earn trust, through products that offer security.

Alignment research

Supportive behaviour ('alignment') for Delta Lloyd's strategy and its core values continued to grow. In the 2012 report of the international Reputation Institute, alignment with core values was 73.0 (2011: 62.9), which is considered a very high score in the worldwide benchmark. Alignment with Delta Lloyd's strategy was 62.2 (2011: 61.3) It was the third consecutive year that scores increased, due to organisational simplification and focus on strategic communication by management.

Scores above 60 indicate that this level of alignment should be maintained and that no additional measures for improvement are required.

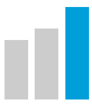
4.3. Integrity

Delta Lloyd is committed to conforming to laws and regulations, industry codes and Delta Lloyd's internal codes of conduct. Every employee has a duty to protect Delta Lloyd's reputation by abiding by the rules and being open and ethical in everything we do. We regularly meet with Dutch regulators, such as the Authority for the Financial Markets (AFM) and the Dutch central bank (DNB) to discuss regulatory issues. We are committed to fighting fraud and maintaining the highest possible level of integrity in our business. Our focus lies with fraud prevention. We train our staff to detect fraud at an early stage. Our responsible investment policy ensures we include non-financial criteria - environmental, social and governance (ESG) - in the investment decisions we take. We extend our responsibility beyond our operations via our supplier code of conduct and our supply chain responsibility programmes.

Fraud prevention

Crime prevention cost savings

26 m



Responsible investing

Amount of responsible and sustainable invested assets

44,003 m

+9.2% change since 2011

Code of conduct

86% of our 100 biggest suppliers signed our CSR code of conduct

86%

4.3.1. Compliance

As a financial institution, Delta Lloyd Group is required to comply with various laws and regulations. These are set by legislators, supervisory bodies and various industry codes. However, compliancy goes further than merely sticking to the rules. To keep people's confidence in our business, protect our good name and restore trust in the banking and insurance industry, we have our own internal codes of conduct that express our values – such as integrity – and the behaviours we expect from our employees.

Responsibility for compliance lies with the entire organisation. Every employee has a duty to protect Delta Lloyd's reputation by conforming with the rules and being open and ethical in everything we do. In this, we apply three lines of defence:

- Line managers are the first line of defence. They have primary responsibility to ensure we comply with the rules and regulations in our everyday work.
- The second line of defence is our Compliance department. This consists of at least one compliance officer per division, Group Compliance (part of Group Integrity) and the compliance officers of Group Finance, Control & Tax and Group Human Resources Management (HRM).

- The third line of defence is the audit function. This supports the line managers and compliance officers by auditing the structure, existence and effectiveness of compliance measures.

Our efforts to conform to laws and regulations, industry codes and Delta Lloyd's internal codes of conduct are controlled and coordinated by our Compliance department. It pays particular attention to those laws and regulations that effect Delta Lloyd Group's integrity as a financial institution and fall within the responsibility of the relevant regulators. The department's tasks include translating the laws and regulations into policy, developing codes of conduct, advising the boards of the business units and the Executive Board on implementation issues, promoting policy awareness and monitoring policy compliance.

The Compliance and Group Audit departments report their findings and recommend necessary improvements to the boards of the business units, the Executive Board, the Audit and Risk Committees and the Supervisory Board.

Objectives 2012

The most important goals for the Compliance department in 2012 were:

- To actualise the Compliance policy as part of Solvency II, including the Compliance Risk and Control Matrix (RCM), and test its operational effectiveness in Q4 2012 and Q1 2013;
- To promote awareness about compliance subjects, laws and regulations and the integrity of the organisation;
- To update the Compliance Charter;
- To participate in the internal Customer Centric programme.

Results in 2012

During 2012, the Compliance department updated the Compliance policy and RCM and started testing the RCM in the fourth quarter. Furthermore, we took action to raise awareness about compliance and integrity including:

- Setting up an obligatory e-learning programme for all employees on 'Strong Behaviour';
- Continuing the lifelong learning programme for business unit directors, members of the Executive Board and members of the Supervisory Board in cooperation with Group HRM;
- Four meetings were held in 2012 to address topics such as risk management, Solvency II, management controls, financial reporting and upcoming regulatory developments. The programme will be continued in 2013;
- Participating in an integrity workshop for team leaders;
- Updating the internal codes of conduct in cooperation with the Integrity Issues department;
- Participating in the Oversight and Regulation Committee ('*Commissie Toezicht en Regelgeving*') of the Dutch Association of Insurers ('*Verbond van Verzekeraars*')
  Periodic meetings with Group Legal; and
- Initiating an overview of all laws and regulations applicable to Delta Lloyd Group; and
- The Regulators Desk, as part of Group Integrity, coordinated all requests from industry supervisors for information about compliance issues.

The Compliance department also cooperated with the Customer Centric programme to answer questions about customer centricity, and initiated the design of a Management Information Report to measure and monitor our customer centric objectives. All business units use the tool to report on customer centricity to Group Finance, Control & Tax.

Changes in the compliance risk framework of the Compliance policy are due in 2013, which may influence the Compliance Charter. In Q3 we decided to postpone updating the Charter until 2013.

Outlook for 2013
The Compliance department will analyse new legislation that was announced in 2012, review those laws and regulations that apply to Delta Lloyd Group, and advise on their implementation and the departments and business units that will be responsible for this. We expect European supervisors will monitor compliance more closely in 2013, and that the Dutch central bank will pay particular attention to integrity and behaviours within organisations. We will also continue our general compliance activities from 2012, bringing the following into scope:

- Update the Compliance Charter, the Compliance policy and RCM;
- Update the instructions for insiders with regards to private investment transactions;
- Initiate key performance indicators for employees on customer centricity in co-operation with Group HRM;
- Implement legislation requiring the daily management of Delta Lloyd Group and the Supervisory Board members to sign a moral and ethical conduct declaration; and
- Continue to raise compliance awareness.

4.3.2. Fraud prevention

Fraud can harm Delta Lloyd Group's interests as well as those of our customers and our industry. Unjustified or exaggerated claims lead to higher insurance premiums. Fraud undermines trust in our company and the financial sector as a whole. Delta Lloyd Group is committed to fighting fraud and maintaining the highest possible level of integrity in our business.

Fraud prevention policy
Delta Lloyd Group's approach to preventing and fighting fraud is based on a combination of internal policies and industry guidelines. Our Integrity Policy aims to prevent dishonest behaviour among staff and to limit the consequences, such as reputational damage and/or harm to the company's financial interests, if such behaviour occurs. It also seeks to raise awareness of integrity. Delta Lloyd Group endorses and is committed to respecting the Code of Conduct of the Dutch Association of Insurers (*Verbond van Verzekeraars*) and its protocol regarding insurers and criminality.

Our fraud and crime prevention efforts are directed by the Integrity Investigation department, which is part of Group Integrity. Employees can report suspicions of fraud or other infringements to one of our three Integrity Desks, located in Amsterdam, Arnhem and Zwolle, to initiate an investigation. Employees can also anonymously submit notifications, including so-called whistleblower notifications, to the Integrity Disclosure Office, which, among other things, acts as a sounding board for integrity-related issues. Delta Lloyd Group also appointed about 80 employees as “fraud contact persons” to enhance the exchange of information on fraud-related topics between employees and the Integrity Investigations department.

Results in 2012

Our fraud and crime prevention efforts in 2012 led to savings of € 26.1 million, which is a steep increase compared to previous years. This increase was partly caused by a large individual case of fraud representing € 4.5 million.

In 2011, Integrity Investigations sharpened its focus on promoting fraud prevention, alongside its continued efforts to raise awareness of fraud among employees. Because of the good results booked in 2011, this focus continued in 2012. We held various presentations and workshops to help employees adopt a critical approach to customer integrity during acceptance and claims processes. Employees were instructed how to carry out checks and what questions to ask if in doubt about a claim or other issues. In addition, team leaders attended fraud awareness workshops.

As a result, the number of files concerning preventive actions by employees rose 15% and savings from preventive actions increased in 2012. This was due to shared efforts by the business units and Integrity Investigations and shows awareness of fraud increased.

By looking more critically at the integrity of customers during the acceptance process and, for instance, rejecting customers with a proven fraud record, we managed to reduce the number of unjustified claims. Although the number of suspicious claims investigated in 2012 increased only slightly compared to 2011, the consequences of changing our focus in 2011 to preventive measures remain significant.

Delta Lloyd Group is committed to creating an open and integrity-based environment in which all employees can report malpractice or suspected malpractice without fear of compromising their position. This is reflected in our Whistleblower Policy and in the possibility to make reports to the Integrity Disclosure Office. In 2012, the Integrity Disclosure Office received 18 notifications about behaviour that potentially breached our integrity standards (2011: 8), as well as more than 800 reports of spam, phishing mails and false invoices. Reports of both types of notices doubled compared to 2011. This indicates employees know where to report incidents and where to ask questions.

A total of 41 internal notifications of incidents involving employees were investigated in 2012, of which three were whistleblower reports. The number of internal incidents has increased since the centralisation of Integrity Investigations in 2008 but is slowly stabilising, from four incidents in 2007, to 23 and 30 in 2008 and 2009, respectively. The number of incidents has been stable since 2010, with 40 in that year, 37 in 2011 and 41 in 2012. It is noteworthy that in 2012 more incidents were reported concerning threats by customers to Delta Lloyd Group employees.

In 2012, Integrity Investigations succeeded in strengthening cooperation with our operations in Belgium and the Integrity department of Delta Lloyd Life in Belgium was expanded.

Outlook for 2013
In 2013, we will continue to focus on fraud prevention. This includes:

- Providing employee workshops and presentations on behaviour, culture and fraud awareness to enable effective screening of potential clients and claims
- Screening new and modified products for fraud sensitivity. Integrity Investigations has formally participated in the Group's product approval process since 2011
- Analysing processes, procedures and systems to identify and assess fraud risks
- Using and constantly keeping an eye out for smart analysis tools

In addition, since the end of 2012, Integrity Investigations cooperates with the other Delta Lloyd Group departments to formulate integrity criteria that will form the basis for a Group-wide customer acceptance policy.

To help us work more proactively we introduced a fraud detection system (Synerscope) in 2012, which enables us to detect possible fraud trends within claims or within the organisation in an efficient way. In 2013, we will use this detection system to analyse fraud risk on insurance products and in the Group's insurance portfolio so we can intervene earlier, if necessary.

4.3.3. Responsible asset management

Responsible investment policy
Creating long-term value is central to Delta Lloyd Group's investment policy, while at the same time heeding the interests of the environment and society. Our responsible investment policy facilitates in applying the integration of non-financial criteria - environmental, social and governance (ESG) - in our analyses and research, which form the basis for our investment decisions. In addition, we reserve part of our portfolio for investments in companies that explicitly focus on providing products and services that help meet future energy, food or water needs in a sustainable way. Our extensive direct investment portfolio also includes companies that focus exclusively on promoting sustainable development.

In 2012, we took steps to further align responsible investing practices across our businesses and further integrate ESG criteria in our investment decision-making processes and portfolio management. We also addressed several dilemmas regarding sustainable investing, to which we consistently applied our responsible investment policy. Delta Lloyd Group's responsible investment committee, which provides guidance on implementing our responsible investment policy, met four times in 2012. Summaries of these discussions are disclosed on our website.

Joining peers in promoting sustainable investing
In 2012, Delta Lloyd Asset Management became a member of Eumedion, the Dutch shareholders organisation promoting good governance and sustainability performance. Our membership means we are committed to operating in line with Eumedion's 'Best practices for engaged share-ownership'. These best practices guide investors in exercising their role as responsible shareholders. Our Eumedion membership allows us to join peers in mutual efforts to promote responsible investment

and engage with portfolio companies and stakeholders to enhance the efficiency and effectiveness of our sustainability activities. When we join common efforts, we take into account potential conflicts of interest and 'concert party' rules. In 2012, we participated in two stakeholder dialogue meetings organised through Eumedion.

Integrating ESG factors in our investment decisions

In addition to addressing ESG topics at our responsible investment committee meetings, we organised quarterly and ad-hoc meetings for portfolio managers to discuss ESG performance of investee companies and other ESG-related topics. Discussions focused in particular on the new Global Compact non-compliant profiles and companies on our watch list.

Responsible and sustainable investments

Investing responsibly means that non-financial criteria - environmental, social and governance (ESG) criteria - are explicitly considered in analysis, research and investment decisions. Delta Lloyd Group applies ESG criteria to all its investments under management by Delta Lloyd Asset Management*.

To invest sustainably means investing with the intention of promoting sustainable development, for example, by investing in companies that contribute to sustainable solutions to meet our future energy, food or water needs. A proportion of Delta Lloyd Group's shareholdings comprises investments in sustainable development. Examples are theme funds and funds with a specific focus on sustainability.

*Total AuM of Delta Lloyd Group and Responsible AuM of Delta Lloyd Asset Management differ because a significant part of assets, such as our Belgian assets, Delta Lloyd Bank's mortgages and Amstelhuys' assets are not managed by Delta Lloyd Asset Management.

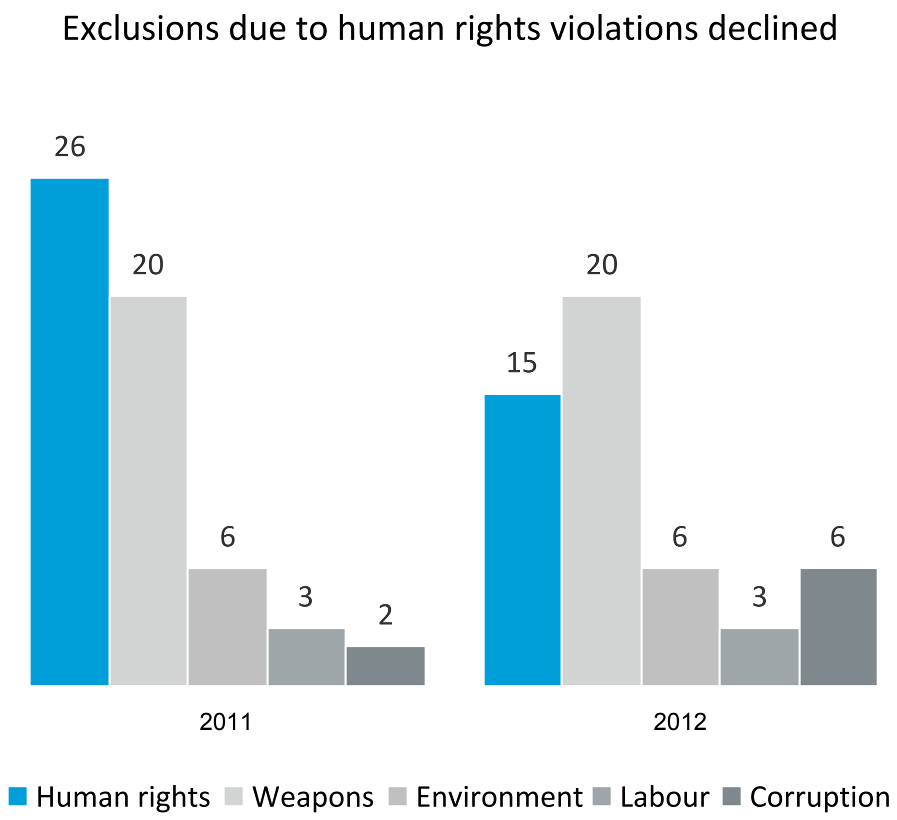
Sustainable and responsible asset management vs. total asset management

in millions of euros	2012	2011	Change
Sustainably managed assets	563.2	503.5	59.6
Responsibly managed assets	43,440.1	39,780.3	3,659.8
Total sustainably and responsibly managed assets	**44,003.2**	**40,283.8**	**3,719.4**
Other			
Total assets managed through 5% equity interests	1,969.2	2,402.6	-433.4
Total assets under management	**78,972.8**	**73,321.4**	**5,651.4**

Exclusions

Based on sustainability research by external research company Sustainalytics, Delta Lloyd Group can choose to exclude companies from its investments that have either repeatedly or seriously violated the United Nations Global Compact principles, or companies involved in the production, development or trade of controversial weapons. We may also apply other exclusions in compliance with laws and regulations or UN sanctions. Delta Lloyd always publishes the current list of excluded companies, based on the Global Compact principles and Controversial Weapons, at www.deltalloydassetmanagement.nl/en-gb/about-us/mvo/exclusions/.

In each quarter during the year, around 50 to 60 companies were excluded, based on criteria in line with our responsible investment policy. A specification of exclusion criteria can be found below.



Engagement

Delta Lloyd Group aims to engage in constructive dialogue with companies and does this on a regular basis. To implement this engagement, we attend general meetings of shareholders and take a 5% participating interest. The aim of this is to influence a company's behaviour, and to improve its financial and non-financial performance over the short and long term. If the dialogue fails to produce the desired result, the company in question may be excluded from our investment list or the equity interest may be steadily reduced.

During the year, the Responsible Investment Officer discussed the topic of sustainability with several investee companies, aiming to increase knowledge of each others' businesses and challenges we may face.

Voting behaviour

Acting in the interests of insurance customers and other beneficiaries, Delta Lloyd Group actively exercises its voting rights as a shareholder. We vote wherever possible at general meetings of shareholders of listed companies in which we hold an interest of 5% or more (in terms of control) or an interest of € 25 million or more (in terms of capital). For every shareholder meeting we attend, Delta Lloyd Group publishes its voting behaviour on each agenda item, at http://www.deltalloydgroep.com/en/corporate-governance/voting-policy/voting-policy-2012/.

Our voting policy takes into account Dutch best practices regarding corporate governance and, where appropriate, environmental and social aspects. Delta Lloyd uses the proxy voting services provided by ISS to cast an informed and well-advised vote. The latest version of the policy, as well as information about updates, best practices and regional applications, can be found at http://www.issgovernance.com/files/2013ISSEuropeanSummaryGuidelines.pdf.

In 2012 we voted at 99 annual general meetings (AGMs) and at 23 extraordinary general meetings (EGMs). Disclosure of our voting policy and the implementation thereof can be found at www.deltalloydgroep.com/en/corporate-governance/voting-policy/.

Stakeholder dialogue

In October 2012, we organised a 'Delta Lloyd & Sustainability' seminar for our institutional clients. We shared our view on sustainability and how we incorporate this in our business processes and portfolio management. We also discussed our clients' responsibilities as asset owners operating on behalf of their employees. This resulted in a dialogue with our customers on corporate social responsibility and the fiduciary duty of both asset owners and asset managers. Our institutional clients rated the meeting 7.6 on average. We will use the dialogue as a starting point for further communications with customers who expressed a special interest in our sustainability ambitions.

As a result of this dialogue with customers, Delta Lloyd has decided to exclude companies involved in nuclear weapons in the first quarter of 2013. The new definitions, criteria and policy, aligned with this decision, are expected to be published in the second quarter of 2013.

Outlook for 2013

In 2013, we will identify the next steps towards realising our sustainability ambitions. These steps will be geared towards further aligning of our focus on sustainable investment with Delta Lloyd Group's overall sustainability objectives. As an insurance company, climate change, for instance, is a sustainability issue of major importance to Delta Lloyd, which will require a holistic approach involving several of our business departments. In addition to our Investment Management department translating the concept of climate change into appropriate investment indicators, Risk Management will have to define our risk appetite for this domain and we may also have to adjust our policies regarding client acceptance and re-insurance. We also need to define relevant critical performance indicators for all these processes. Climate change-related investment indicators and how we measure them would also affect how we report to customers about their portfolios.

It is the ambition of the responsible investment officer to further develop the possibilities of analysing our investments on a portfolio and fund basis. In addition to analysing funds and portfolios based on geography or asset class, we would like to include aspects such as water dependency, carbon footprint and specific corporate governance indicators in our analyses.

4.3.4. Promoting a sustainable value chain

Supplier code of conduct
To enhance a sustainable value chain, we monitor our suppliers' adherence to corporate social responsibility standards. We increasingly select suppliers based on their respect for governance, fair business practices, labour practices, social responsibility and adherence to environmental and human rights standards. We ask our suppliers to sign our corporate social responsibility (CSR) code of conduct.

Each year, we assess compliance with our CSR code of conduct among our major suppliers. We focus on the 100 biggest suppliers in terms of amounts spent on products and services and assess how many signed our CSR code of conduct. In 2012, 86% of our top 100 suppliers had signed our CSR code. Several suppliers refrained from signing because they have their own CSR code of conduct or had already committed to a similar industry code. Some of the bigger suppliers indicated they can't possibly sign all their clients' codes. To increase the percentage of signatories, we intend to develop an industry-wide CSR code of conduct, together with our peers.

In 2012, we developed the CSR Audit Lite Process, enabling our suppliers to do a self assessment and determine whether they meet our CSR standards. The CSR Audit Lite Process is based on a proprietary template. We will test this process among a small selection of our suppliers in 2013. Based on the results, we will decide whether or not to introduce the process for major suppliers.

Supply chain management
Managing our supply chain has become even more important since a ban was announced on paying provisions to intermediaries, along with the introduction of stricter requirements for intermediaries. As part of our efforts to help our industry regain trust among the general public, we expect our intermediaries, who sell our insurance products, to meet Delta Lloyd's quality standards. We enhance adherence to these standards through our Supply Chain Management programme, which is part of our Customer Centric programme.

As part of the Supply chain management programme we provided detailed information on our supply chain management to the Dutch Authority for the Financial Markets. In addition, we developed a quality dashboard which allows monitoring of our intermediaries' quality of service. The dashboard will be implemented in 2013.

To enhance intermediaries' professionalism and compliance with legislation and regulation, Delta Lloyd, and other financial services companies and industry organisations, announced plans to set up a new institution, the Quality Institute for the Financial Sector (KIFS). KIFS will monitor compliance and register intermediaries who passed an exam for their profession. Regulators and industry organisations support establishing the new institution. We will decide in 2013 whether or not we will join this initiative.

4.4. Community involvement

Delta Lloyd is aware of its corporate citizenship and responsibility. We participate in society through community activities and voluntary work, using our financial skills and expertise to fight financial illiteracy. The Delta Lloyd Foundation is key in achieving this, as are the many volunteers among our staff. We cooperate with other companies in our local communities to increase the impact of our volunteer work. As a member of the Commission for Financial Education of the Dutch association of insurers, we cooperate with peers and other organisations to help improve the quality of education in the Netherlands and improve the lives of disadvantaged people.

Sponsorships

Maintained amounts at same level

-3% change since 2011

5.8 m

The DL Foundation

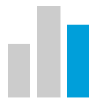
Activating more than 600 volunteering jobs in 2012

600+

Charitable giving

Balancing out our charitable giving

1.3 m



4.4.1. Donations and sponsorships

Delta Lloyd Group is aware of the beneficial role it can play in the community. We aim to contribute to the creation of a more sustainable Dutch society, opting for long-term sponsorship and donation agreements. Our objective for 2012 was to maintain sponsorship and donation amounts at the same level as 2011. In 2012 we met that objective, spending a total of € 5.8 million on sponsorship and donations (2011: € 6.0 million).

Delta Lloyd Group sponsorship

In thousands of euros	2012	2011	Change
Membership of civil society organisations	375	395	-20
Community-based activities	1,468	874	594
Charity*	1,347	1,716	-369
Commercial sponsorship	2,564	2,981	-418
Total	**5,753**	**5,966**	**-213**

* Charity is comprised of Delta Lloyd Group Foundation, regular donations, employee donation fund and project costs.

Community sponsorships

In total, Delta Lloyd spent € 1.5 million on community-based sponsorship in 2012, almost doubling the amount we spent in 2011.

Delta Lloyd Group supports a diverse range of cultural and social organisations in the Amsterdam area, including among others, the Netherlands Philharmonic Orchestra, the

National Maritime Museum, the Delta Lloyd Art Collection Foundation and the Disabled Sports Fund (‘*Fonds gehandicaptensport*’).

We also have a long tradition of supporting initiatives in the area of photography and since 2005 have been closely involved with the World Press Photo Foundation. Delta Lloyd Group entered into a three-year commitment in 2011 to support the annual World Press Photo Exhibition in Amsterdam. We also sponsor the Amsterdam photography museum Foam, which in 2012 featured works of the American photographer Diane Arbus. We intensified our partnership with the Foam museum, becoming one of the museum’s main sponsors, extending our support agreement for a three-year period until 2015.

Our employees are actively engaged in supporting local organisations through donations. The Young Talent Network, which involves Delta Lloyd employees aged 35 years and younger supports the foundation ‘*Tegenkracht*’, which enables cancer patients to participate in sports to help boost their physical condition before entering treatment. The Young Talent Network donated € 5,500 in 2012.

Commercial sponsorships
Delta Lloyd Group is one of the biggest water sports insurers in the Netherlands and a long-time sponsor of Dutch water sports. A few examples include our official partnership with the KNWV (Royal Netherlands Water sports Association) and our role as chief sponsor of the Delta Lloyd national Yachting Team, the Delta Lloyd 24-hour Yachting Race, the Amsterdam In-Water Boat Show (Hiswa), the Delta Lloyd Regatta and the Delta Lloyd North Sea Regatta. We also support the Delta Lloyd Solar Boat Team and the Optimist Club Netherlands, which helps young sailing enthusiasts, develop their sailing skills from a very early age.

The Delta Lloyd National Yachting Team brings together world-class yachtsmen and women who have a chance of winning a medal in the European Yachting Championships, the World Yachting Championships or the Olympics. These top yachtsmen and women are among the best in the world. The Delta Lloyd national Yachting Team had an exceptionally good 2012, the high point being winning three medals during the London summer Olympics. Dorian van Rijsselberghe won the gold medal in the RS:X class. Marit Bouwmeester took the silver medal in the laser radial class, and Lobke Berkhout and Lisa Westerhof won the bronze medal in the 470 class.

In addition to sponsoring our Yachting Team during the Olympics, we also sponsored our Yachting Team during the Paralympics, which saw our Sonar-boat team, consisting of Udo Hessels, Mischa van Rossen en Marcel van de Veen, take home a Paralymic gold medal. Thierry Schmitter also won a bronze medal in the 2.4mR-class.

During the 2012 Olympic year, Delta Lloyd spent € 2.5 million on commercial sponsorship activities, down from € 3 million in 2011.

Charitable giving
All permanent employees of Delta Lloyd Group can ask the company to make a donation to an organisation, association or institution of which they are members and to which they are

involved in their spare time as active volunteers. The donation must be used to further the organisation's objectives. Each member of staff is entitled once every three years to nominate an organisation of their choice to receive € 500. Of the total donations budget of Delta Lloyd Group, 10% goes to the employee donation fund. In 2012, this fund granted a total of € 23,000 to a wide range of organisations and associations. In 2012, Delta Lloyd Group donated over € 400,000 to charitable causes.

4.4.2. Taking community action in 2012

Delta Lloyd Foundation, the Netherlands
Delta Lloyd Foundation is dedicated to promoting financial self-reliance in communities in the Netherlands. It supports and initiates projects aimed at helping people to better manage their finances and prevent financial problems. We stimulate our staff to become involved in these projects as volunteers.

The difficult economic situation that evolved in the Netherlands over the past few years, with unemployment rising and more people facing financial hardship, confirmed the relevance of our projects and objectives. Our support to BASTA, for instance, the network of Amsterdam businesses joining forces to help fight poverty in Amsterdam, seemed more urgent then ever. We also continued our partnership with local organisations in the city of Arnhem, where about 20 Delta Lloyd employees work as volunteers, teaching pupils at primary schools and homeless youngsters to manage their finances. Other volunteers help people in disadvantaged local communities fill in their tax returns or act as 'buddies' for families relying on debt assistance services and the food bank.

Objectives
The objectives of the Delta Lloyd Foundation are:

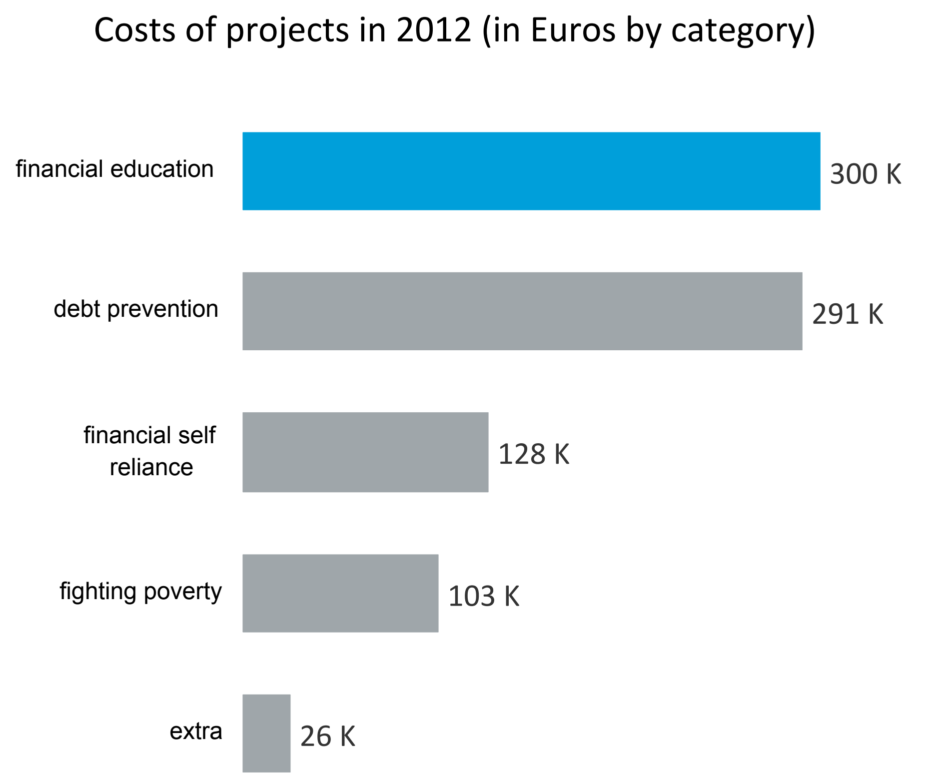
- Activating staff to volunteer for the Foundation;
- Supporting community activities that facilitate the financial self-reliance of vulnerable groups in our society;
- Promoting awareness, education, communication and public relations concerning financial self-reliance; and
- Developing community activities in collaboration with partners.

The foundation focuses on disadvantaged people and within the scope of its four objectives identified four sub-themes: financial education, financial self reliance for women, debt prevention and fighting poverty.

The Delta Lloyd Foundation consists of the members of the Executive Board and our Corporate Communications Director, who acts as its secretary. Its day-to-day operations are run by two full-time employees. Recognised as an organisation for the common good, Delta Lloyd Foundation has the ANBI-status ('*Algemeen Nut Beogende Instellingen*') under Dutch law and is subject to related regulation.

Results 2012
Delta Lloyd Foundation spent € 1.0 million in 2012 of which 80% was spent on community projects, 13% on volunteer programmes and 7% on overhead costs. In total, the foundation sponsored 31 projects. The largest part of our budget was spent on financial education.

In 2012, Delta Lloyd Group activated over 600 volunteering jobs in Foundation projects, up from 505 in 2011. In total we spent € 78,000 on activating employees to participate.



To raise awareness about the financial position of women, we conducted a research project on the financial self-reliance of women in Dutch society. The research report, which showed three million Dutch women are not financially self-reliant, generated a great deal of media attention. See the report on the website of the Delta Lloyd Foundation, http://onderzoeken.deltalloydfoundation.nl/.

Our volunteers are key to realising Delta Lloyd Foundation's mission. The following examples show the three most popular projects among our employee volunteers:

- As part of 'national money week', organised by the Dutch Finance Ministry, Delta Lloyd employees joined volunteers from other financial institutions in hosting a 'cash quiz' at local schools aimed at familiarising youth with financial topics.

- The Dutch Orange Fund annually organises the 'Holland Acts' volunteering day, mobilising volunteers to do charitable work. Delta Lloyd seized this opportunity to join the initiative and organised its own Delta Lloyd Acts days, offering volunteering opportunities to employees.
- When celebrating '*Sinterklaas*', the Dutch version of Santa Claus, the Foundation collects and gives presents to children of families dependent on food banks.

Outlook for 2013
Delta Lloyd Foundation aims to increase the number of volunteering activities to at least 750. We want to achieve this target by increasing our activities in financial education for children and youngsters as well as our activities aimed at helping families manage their financial administration.

We will continue supporting the projects we supported in 2012, either financially, through volunteer work or both. Fighting poverty and enhancing the financial self-reliance of women will remain our main focus.

Delta Lloyd activities in Belgium
Seizing its responsibility as a corporate citizen, our Belgian business Delta Lloyd Life Belgium initiated activities to enhance awareness about pensions and help develop ideas on a reform of the pension system, a topical issue in Belgium. It issued a Pension Ambassador Award, conducted a national pension survey and offered retirees opportunities to do volunteer work through its '*Zilverstage*' initiative. The 2012 Pension Ambassador Award was won by building company Verhaeren-Kembo Groep. Delta Lloyd Life Belgium also supports a university chair in pension policy.

Delta Lloyd Life Belgium's community activities include a campaign to collect used batteries for recycling in cooperation with local schools. It donated used office equipment, including personal computers, to local schools and libraries. Its cafeteria's food surpluses are donated to Resto Du Coeur, an organisation than provides meals to disadvantaged people. Delta Lloyd Life Belgium's cafeterias support the local economy by ordering their food through local suppliers.

We seek to actively engage our employees in our sustainability activities. Employees who support a charitable cause can submit this cause for a donation from our CSR budget and we seek to enhance our employees' awareness about our sustainability activities during our annual sustainability day. Several employees also donate blood to the Red Cross, which visits Delta Lloyd Life Belgium twice a year for this purpose.

4.4.3. Affiliations and UN Commitments

For Delta Lloyd, sustainable entrepreneurship means we work together and maintain long-lasting relationships with numerous organisations dedicated to promoting sustainability. Below is an overview of the most important affiliations and United Nations initiatives we joined.

Affiliations
In 2012, Delta Lloyd joined Eumedion, the Dutch shareholders organisation promoting the good governance and sustainability performance of Dutch listed companies (see section 4.3.3 Responsible Asset Management).

We have also cooperated with the Global Reporting Initiative's (GRI) organisational stakeholder programme since 2008. GRI is a worldwide non-profit network with the mission of giving sustainability reports equal status to financial reports. As an organisational stakeholder, Delta Lloyd was consulted regarding the development of the new G4 principles, which are to be published in May 2013.

We are a long-time member of the GBN ('*Grote Bedrijven Netwerk*'), a Dutch network of large companies that share ideas and experiences in the area of corporate social responsibility. GBN is an organisation affiliated to CSR Netherlands (*MVO Nederland*). GBN connects a large number of financial service providers and we play an active role in the network's working groups, committees and seminars.

UN Commitments

In 2012, we were one of nearly 30 founding signatories worldwide establishing the new Principles for Sustainable Insurance (PSI), which were launched at the United Nations Conference on Sustainable Development in Rio de Janeiro (Rio 20+). See also www.unepfi.org/psi. Developed by the UN Environment Programme's Finance Initiative, these principles represent the first-ever global sustainability framework tailored to the insurance industry, addressing environmental, social and governance risks and opportunities. By signing PSI, Delta Lloyd committed to issuing a Communication on Progress to the United Nations' head office annually. This year's Communication on Progress is integrated in the annual report (see section 4.7.3.). In November 2012, we attended the world's first PSI annual meeting in Geneva, Switzerland.

In 2012, we also joined the UN Environmental Programme for financial institutions (UNEP FI), the programme that coordinates United Nations environmental activities, assisting developing countries in implementing environmentally-sound policies and practices, helping them to improve their quality of life without compromising that of future generations.

Delta Lloyd has signed the UN Principles for Responsible Investment (PRI), established in 2006. These principles provide a global framework for institutional investors to consider environmental, social and governance issues in their investment decisions, based on the notion that issues such as climate change and human rights can affect the performance of investment portfolios and should therefore be considered alongside more traditional financial factors.

Since 2010, Delta Lloyd is a signatory of the UN Global Compact for corporate social responsibility. As participants in this platform, set up in 1999 by the United Nations, we commit to ten principles aimed at improving human rights, labour standards, the environment and anti-corruption. By signing the Global Compact for corporate social responsibility, Delta Lloyd committed to issuing a Communication on Progress to the United Nations' head office annually. This year's Communication on Progress is integrated in the annual report (see section 4.7.3.). In 2013, we became a member of the Dutch Global Compact Network.

4.4.4. Supporting research

Delta Lloyd supports academic research relevant to two areas related to our business strategy and expertise: health care and pensions. We do this through the Fonds NutsOhra foundation and a pension policy chair at the University of Leuven, Belgium.

Fonds NutsOhra
Fonds NutsOhra is affiliated with Delta Lloyd Group as a shareholder. This foundation, which is active as a fund for health care subsidies, owns an interest in Delta Lloyd Group as a result of the merger between Delta Lloyd Group and NutsOhra Beheer in 1999. The annual income that Fonds NutsOhra generates from this interest is used to finance health care projects.

In 2012, funds were allocated to projects promoting health innovation and improvement, information and education, social inclusion of chronically ill or handicapped persons, and illness prevention. The foundation also donated € 2 million to two special health care projects in 2012. Through its support of the 'Putting the heart back in care' ('*Het hart naar de zorg*') initiative, Fonds NutsOhra helped promote a humane approach to health care. The foundation also funded a project managed by the not-for profit organisation 'Centre for Consultation and Expertise' to improve care to mentally challenged and psychiatric patients.

Fonds NutsOhra supports the Prevention Compass of the NIPED, a knowledge institute specialising in research into prevention and early diagnostics. OHRA made the online check available to companies and enabled a total of 12,500 people to take part free of charge.

In cooperation with the Applied Research Institute TNO and Amsterdam's VU University, Delta Lloyd Group is exploring opportunities for workplace health projects. These include exercise programmes and workplace health promotion, with a specific focus on small and medium-sized businesses. The projects are to be funded by Fonds NutsOhra, and form part of the group health contracts offered by Delta Lloyd Group.

Delta Lloyd Life Belgium pension policy chair
Delta Lloyd Life in Belgium finances pension research via the Pension Perspective Chair at the University of Leuven (KU Leuven) under the supervision of Professor Jos Berghman. This chair gathers and analyses data on Belgian pensions. As a responsible pension insurer, Delta Lloyd Life Belgium promotes pension data research focussing on how pensions relate to family situations and careers. This provides relevant information and insights to government policy makers.

At the request of the Belgian Federal Public Service for Social Security (*Federale Overheidsdienst Sociale Zekerheid*), the Pension Policy Research Group ('*Onderzoeksgroep Pensioenbeleid*') provided an analysis of Belgian pension data in the '*Pension Atlas 2010*'. Early in 2012, the Pension Policy Research Group issued an additional report based on new data, providing a more up-to-date insight on the relationship between pension and income. The research is still pending and we expect the outcomes to be published in May 2013. The findings of this scientific research will be shared with relevant organisations, such as the Chamber of Commerce.

4.5. Good employment practices

Our employees are key to achieving our business goals and realising our ambition to be a customer-centric company. We strongly believe we can serve our customers best if our employees are highly motivated and meet the highest standards in terms of expertise and competencies. Our human resources strategy is aimed at recruiting the talented people we need, enhance our staff's motivation, skills, competences and performance to ensure we achieve our business goals.

We strive to create a safe and entrepreneurial working environment where employees can develop themselves, share ideas and feel empowered to not only make suggestions for improvements but, whenever possible, also help implement them. We strive for our people to be ambassadors of Delta Lloyd Group when dealing with customers and other stakeholders. We invest in our managers' leadership skills, to ensure they support and stimulate our employees to perform well.

Number of FTEs

Number of FTEs at year end	**2012**	**2011**	**Change**
Ongoing permanent staff	4,730	4,782	-52
Ending permanent staff	320	373	-53
Temporary staff	499	544	-44
Total	**5,549**	**5,699**	**-149**

In 2012, we set new, ambitious diversity targets and established a Diversity Council, to further promote diversity. We continued the implementation of the Strong Work project, enabling our employees to find a good work-life balance.

As part of our commitment to operational excellence, we launched a project to implement an HR resource desk. We also began implementing a new human resources information system (HRIS), which became fully operational in early 2013. We will also implement a new performance management module at our HR department in 2013.

Employees (FTEs)

Steady decline in total staff

5,549

Female directors

Rising percentage of female directors

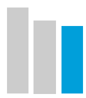
+10pp

23%

change since 2011

Absenteeism rate

Further decline towards target of 3.5%



3.9%

4.5.1. Enhancing development and performance

People performance & development
All our employees are talented and we are committed to managing their talent in the best possible way. We believe performance management is a key vehicle to achieving higher engagement levels and better business results. People want to know how they can contribute to their fullest potential and it is our job to make sure employees can use and develop their talents. Delta Lloyd offers a broad array of training, tools and services to improve employees' competences and skills for current and future positions.

The Delta Lloyd Group collective labour agreement provides for an annual training budget of 4% of the total wage bill. The 2012 training costs amounted to € 9.6 million. On top of this, once every three years employees are entitled to a freely disposable personal development budget equal to 1% of three gross annual salaries, with a minimum of €1,200.

Delta Lloyd Group continuously provides development opportunities as part of the lifelong learning drive to enhance the competency levels of all our employees. We encourage employees to participate in our leadership programmes, professional programmes, personal development assessments, career development planning conversations, internal training, and so-called 'onboarding' training. In addition, every year we recruit potential management and specialist trainees to join our company and participate in one of our training schemes. In 2012, Delta Lloyd Group received the Nobiles Best Traineeship award in the category 'Management'.

Regulators and professional organisations set specific requirements for management and content experts. In view of these requirements, several professional development programmes were developed and rolled out in 2011 and 2012 and we are continuing with these in 2013.

Our Belgian business organised a so called 360-degree evaluation project for managers. Peers and employees who report to them were invited to provide feedback on the competency level demonstrated by their manager. Managers performed a self-assessment with respect to the same set of competencies defined by Delta Lloyd Life. Feedback and self-assessment were discussed in a workshop allowing managers to design individual development plans aimed at improving their competency levels.

The HR department of Delta Lloyd Belgium began developing e-learning modules to familiarise employees with compliance issues. Fighting money laundering was the first module to be developed. E-learning modules aimed at strengthening employees' business expertise regarding our different product offerings, such as life insurance products, will also be developed. The first modules will be available to employees in 2013.

To improve the technical expertise of employees and comply with the Financial Supervision Act (*Wet op het financieel toezicht/ Wft*), Delta Lloyd organises internal training to familiarise employees with these guidelines.

4.5.2. Employer of choice

Employee Motivation Survey
Satisfied employees perform well, motivated employees even better. This is one of the reasons why we measure the extent to which our employees are motivated and committed to our brand and business.

In 2012, we invited Dutch and Belgian employees to participate in our sixth annual Employee Motivation Survey (EMS). A total of 4,061 employees completed the questionnaire, a response rate of 81% *. The high response rate points to strong engagement among employees and managers.

Based on the survey, we identified two areas in which making improvements is a high priority. These are management at the division level and internal communications. Both areas received lower scores from employees in the survey and have a high impact on employee motivation. Employees also indicated division management could improve their communication.

The percentage of 'highly motivated' staff is highest among managers (71%), followed by team leaders (59%). Among employees who do not manage others, 43% are highly motivated. New employees (those who have been with the company for less than a year) are more highly motivated than staff who have worked here longer (62% versus 44%). Employees who have been in their current role for less than three years are more highly motivated than those who have been in their present role for longer.

* Delta Lloyd Life Belgium did not participate in last year's survey

Employer of choice surveys
We assess our position as an employer annually to gain insights that we use to fine-tune our efforts to enhance employee motivation and attract talented people.

To this end, we took part in the annual Best Employer Survey of NRC Next/SatisAction in 2012. We were proud to finish in fourth place in the overall category of 'best employers' and rank third on the list of 'compensation and benefits'. We believe we can improve our role as an employer even further and will continue efforts to enhance employee engagement in 2013.

The new way of working
Delta Lloyd Group's policy for implementing a new way of working, dubbed Strong Work ('*Sterk Wer*k'), is built on three pillars: bricks, bytes and behaviour. 'Bricks' refers to a stimulating and well-equipped physical working environment; the term 'bytes' refers to providing the required ICT facilities, such as iPads and wireless internet access; and 'behaviour' refers to adopting new ways of interacting as a result of flexible working hours and flexible workplaces.

In 2012, all business units designed a plan to implement the new way of working by 1 January 2014. Significant steps towards implementation were already made in 2012. We increased the number of flexible work places to 3,600 from 2,694 in 2011 and several units in our Claim, Life and Bank businesses switched to a digital, paperless way of working.

We aim to implement digital and flexible ways of working in all our businesses and departments in 2013 and our Strong Work programme, which outlines our new way of working, should be fully implemented by 2014.

Referral Programme and social networks
In the second half of 2012, we launched the Referral Programme, which encourages employees to use their social networks to help us attract the talented people we need. In 2013 we will broaden the scope of this programme, which is based on our vision that our employees are our best ambassadors.

4.5.3. Compensation and benefits

CLA and social plan
For employees in the Netherlands, we agreed on a new collective labour agreement (CLA) and social plan for a two-year term. The collective labour agreement is legally binding for 4,210 employees. Though not binding for directors and managers, the CLA is also applied to these categories of employees. Among other things, the new agreement included a salary increase of 3%. As part of the Strong Work ('*Sterk Werk*') project aimed at implementing a new way of working, employees were offered a choice between receiving an iPad or a one-off payment. The iPad was chosen by 79% of employees.

Our new social plan stipulates that all employees whose positions become redundant must join a programme to find an alternative position at Delta Lloyd Group. This includes employees aged 58 years or older, who were previously not offered this opportunity, and supports the goal of government and social organisations to reduce unemployment among middle-aged people. Only in cases where no alternative position is available are employees allowed to join our so-called 'non activity' programme.

Pensions
Pensions are an important element of our labour contracts and our pension fund aims to provide index-linked pensions to retired former employees and help current employees build up index-linked pensions for the future. In 2012, our pension fund increased accrued pension rights of current employees by 1.05% and those of retired employees and other former Delta Lloyd employees by 1.22% as of 1 January 2013. This increase represents 60% of our targeted increase and is higher than the level of accrued pension rights added by most other pension funds.

Our pension fund's investment strategy resulted in a funding ratio (the ratio between assets and liabilities) of a solid 122% by year-end 2012 (2011: 115%), better than many other pension funds. As our pension fund re-insured its nominal liabilities, there is no risk that payments to pensioners need to be cut in the event of decreasing returns on our fund's investments.

The indexation ambition for current employees is calculated based on the development of the wages agreed in the CLA. For retirees and former employees below retirement age (deferred members) we apply the price index as published by Statistics Netherlands (CBS).

4.5.4. Diversity

Diversity policy
Delta Lloyd Group strives to create a company culture that appreciates diversity in the workplace where people enjoy working and feel free to express and share their different views and use these to take the company forward. We believe that if all employees remain open-minded to the differences and common ground that exists between people, such a culture will have a positive effect on the atmosphere in the workplace and the cooperation between people. Dutch society is diversifying more and more nowadays and the people at Delta Lloyd mirror that development. Our diversity policy is geared towards maintaining that parallel. We believe that diversity is both a company responsibility as well as a personal responsibility. Managers and directors have targets for increasing diversity among their staff by motivating and encouraging individual employees to become team leaders, and attracting young talented people to join Delta Lloyd as new employees.

Delta Lloyd Group strives to recognise and stimulate diversity in promising individuals. In 2012, we set up a Diversity Council responsible for promoting our diversity policy in the businesses and for making the diverse character of Delta Lloyd visible inside and outside the company. In our diversity policy, we have defined three target groups:

- Male/female ratio in executive positions;
- Cultural diversity; and
- People at odds on the job market as a result of an incapacity, Delta Lloyd Group targets young people on incapacity benefit (Dutch: *Wajong*) belonging to this group in particular.

Objectives
Delta Lloyd Group aims to set specific targets for diversity, of which the male/female ratio is the most advanced objective. Delta Lloyd Group has set the following targets in relation to the male/female ratio for 2015:

- 35% of managers should be female;
- 25% of directors should be female; and
- There should be at least one female appointment to the Executive Board.

Compared to a benchmark survey (Women matter 2011, McKinsey) Delta Lloyd Group employs slightly more women than other financial institutions, but has fewer female directors. In March 2013 a female managing director was appointed, increasing the percentage to 25%.

Results
Delta Lloyd Group is a signatory of the Talent to the Top Charter and is dedicated to the objectives of this charter. For a number of years now, we have stimulated the inflow of female team leaders in particular, as team leaders are the basis for future management. For 2012 a target was set for an increase of 2% in female managers and directors. This target was met for directors with an increase of 10% (2012: 23%, 2011: 13%), as well as for managers, increasing by 3% (2012: 28%, 2011: 25%).

Cultural diversity so far has been difficult to manage, since adequate statistics on which to base decisions were lacking. Up until now, the focus on cultural diversity has been within our management traineeship, and the ‘diverse talent’ network. The decision has been taken to improve information and statistics, so that the efforts to enhance cultural diversity will increase.

Diversity: percentage of female employees per category*

In percentages	2012	2011	Difference
Female staff	43%	42%	1%
Female team leaders	40%	40%	-
Female managers	28%	25%	3%
Female directors**	23%	13%	10%

*Our Belgian business is not included in these figures. Starting in 2012, we slightly changed the definitions of team leaders, managers and directors, which had a minor effect on the resulting male/female ratio of these groups. As these differences are subtle, we decided not to retroactively correct the figures for 2011, 2010 and 2009.

** Based on a nominal increase to seven women directors in 2012, from five in 2011.

Diversity initiatives

To boost our diversity efforts and demonstrate our commitment to this topic, a member of the Management Board was appointed Cultural Diversity Ambassador in 2012. We also began efforts to evaluate and renew our vision for diversity.

We continued to support initiatives to promote diversity at Delta Lloyd. Our Lloyd’s Ladies network is a platform open to all women working at Delta Lloyd which aims to inspire, stimulate and motivate female staff. The network organises meetings to discuss topics relevant to women and also maintains an online community – www.lloydsladies.nl - where women working at Delta Lloyd share ideas and experiences.

Our Young Talent Network provides opportunities for employees under 35 to meet and share ideas. Each year, the network organises a congress where a work-related topic is discussed. In 2012, the Young Talent Network congress focused on entrepreneurship.

Our Diverse Talent Network promotes cultural diversity at Delta Lloyd. It organises a cultural event annually and offers a mentor programme for talented employees from bicultural backgrounds.

Delta Lloyd is a signatory to ‘Talent to the Top’, a Dutch public-private initiative to encourage talented people, particularly women, to occupy senior positions. The charter has been signed by more than 200 organisations from the private, non-profit and public sectors.

Outlook for 2013

In 2013, we aim to increase the share of female managers and directors by two percentage points. As part of our commitment to cultural diversity, we plan to register the cultural backgrounds of all managers on a voluntary basis in our employee management system, helping us to gain more insight into cultural diversity as a basis for our diversity policies. We maintain our goal of hiring 10 young disabled people (belonging to the so-called Dutch ‘Wajong’ category) per year, in line with our commitment made in 2010. In 2012 one young disabled intern started. Given the reason why we did not achieve the target, Delta Lloyd wishes to improve its supervision of team leaders when handicapped youths are placed in appropriate roles within their teams. By doing this, we hope to get closer to our target of placing one such youth in each of our divisions.

4.5.5. Health and vitality

Strong and Fit policy
Our employees' health and vitality are major priorities to Delta Lloyd Group. Providing a pleasant working environment benefits our employees' well-being and enhances their performance.

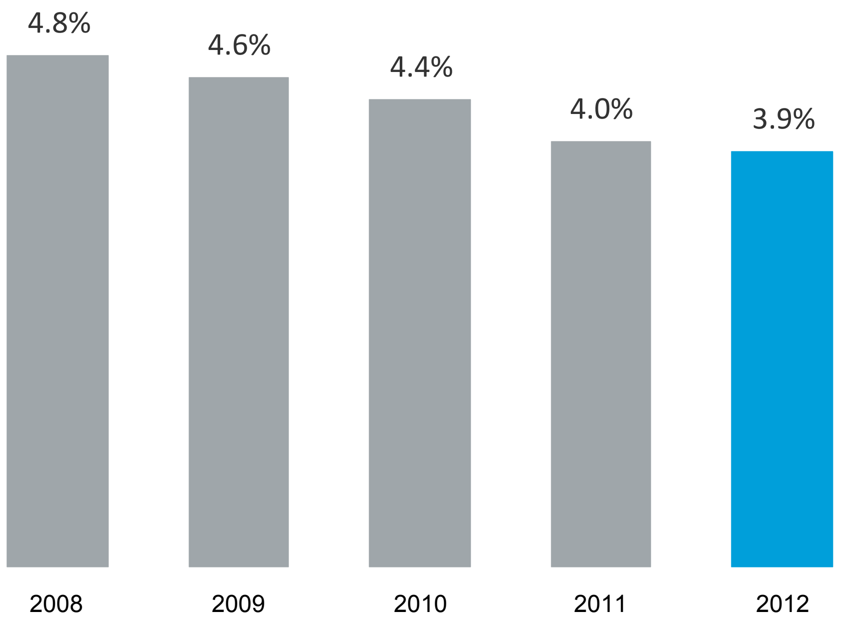
Our Strong and Fit ('*Sterk Fit*') policy, aimed at safeguarding our employees' well-being, focuses on prevention rather than cure. We offer employees and team leaders free 'vitality check-ups', conducted by our internal fitness and health specialists to assess life style, body mass index and athletic endurance. Based on the result, our fitness and health specialists provide advice to individuals to help them make improvements to their lifestyle. In addition, managers and directors can undertake an executive health check, which is free and voluntary and conducted by a medical doctor.

We continued efforts to further reduce sickness absenteeism. The workshop for managers on how to deal with sickness absenteeism was held five times in 2012. We also offered special workshop on the topic 'From work pressure to work pleasure' to help managers align their absenteeism reduction plans with the requirements of our 'new way of working' initiatives. In 2012, we launched a pilot deploying absenteeism coaches to enhance our managers' skills in dealing with absenteeism issues. The pilot was a success and we will role this out across other businesses units in 2013.

Reducing sickness absenteeism
Our Strong and Fit ('*Sterk Fit*') policy helped us reduce sickness absenteeism to 3.89%, down from 3.98% in 2011. This compares favourably to the average of 4.3% sickness absenteeism reported by the Dutch health and safety organisation, 365 ArboNed, which was based on monitoring one million Dutch employees. We are committed to taking further steps towards our goal of reducing sickness absenteeism to 3.5%.

The average number of times employees reported sickness fell to 1.05 times per employee in 2012, a decrease of 13.9% compared to 2011, achieving our target of keeping such notifications below 1.25 times. Our target for 2013 is an average number of sickness notifications of 1.0 times per employee or lower. The total number of sickness notifications grew to 4,599 cases in 2012, up from 3,814 in 2011.

Absenteism rates towards target level of 3.5%



Hiring disabled people
In 2012, six Delta Lloyd employees were declared long-term unfit for work (so-called '*WIA-instroom*'), representing 0.14% of our total staff. This means we met our target to limit this percentage to below 0.5%.

Physical and psychological complaints
Employees' complaints about physical discomfort, in particular locomotor complaints, decreased in 2012. We are aware, however, that this trend may reverse due to the increased use of iPads and laptops for work purposes but we will continue our focus on preventing locomotor complaints through providing information on the proper ergonomic use of such devices.

After increasing for several years, the number of reported psychological complaints dropped. We will continue our efforts aimed at monitoring and limiting stress among employees.

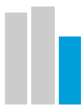
4.6. Environment

Delta Lloyd Group is aware of the impact our activities have on the environment and we take up the challenge to manage and reduce this impact responsibly. In our environmental policy for 2009-2012, we identified four areas for our environmental efforts: climate change, energy savings, waste prevention and transport management. We set targets for each area.

Delta Lloyd Group has committed to offsetting the CO_2 emissions released as a result of energy consumption in its offices, the use of lease and pool cars and business travel by plane and train. The Group also makes every effort to reduce its existing CO_2 emissions to a minimum and purchase green or carbon offset power.

Carbon emissions

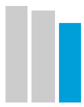
Carbon footprint further reduced



7,850

Energy use

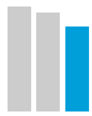
Further reduced (in thousands of KWh.)



18,888

Paper use

Digitalisation (in thousands of kg.)



759

4.6.1. Climate change

As carbon dioxide emissions are widely believed to contribute to global warming, we are committed to reducing our carbon footprint. In pursuing this objective, our main priorities are energy savings at our premises, reducing paper use and limiting the environmental impact of Delta Lloyd vehicles.

Climate change

CO2 emissions	2012	2011	Change
energy consumption in tonnes	3,909	5,148	-1,239
company cars in tonnes	2,616	4,278	-1,662
paper consumption	911	1,093	-182
business flights in tonnes	223	356	-133
business rail traffic in tonnes	81	69	11
waste generation in tonnes	96	327	-231
water consumptions in tonnes	14	13	1
Total	**7,850**	**11,284**	**-3,434**

We pursue these objectives company-wide, with our Facilities and Human Resources departments playing particularly prominent roles in achieving these objectives. Each business unit sets targets for reducing paper use by increasing the amount of work we do on computers (and tablets). This led to a significant reduction in the use of paper in 2012. Our Facilities department began applying the ISO

14001 norm to its work processes to ensure environmental aspects and objectives are efficiently addressed.

Carbon neutral
We seek to reduce our carbon emissions by using less energy and paper, by monitoring and reducing the environmental impact of our vehicles and by recycling more waste.

We reduced our carbon emissions from 11,284 tonnes in 2011 to 7,849 tonnes in 2012. We achieved this by decreasing the energy used in our buildings and limiting the impact of our business-related travel. A smaller work force by 150 FTEs, which requires less office space also contributed to the lower emissions.

To carbon neutralise our Belgian mail delivery, Delta Lloyd Life contributes an annual fee to BPost, a Belgian mail delivery company. The remaining CO2 emissions will be offset by projects under Gold Standard, VCS standard and Social Carbon. We will also invest in projects such as a hydropower plants in China, sustainable deployment in Kenya, geothermal power projects in Indonesia and bundled wind power projects in India.

Ecolution: fostering sustainable innovation

In 2012, Delta Lloyd Group sponsored the innovative Ecolution yacht, developed by Dutch environmentalist Wubbo Ockels, a former astronaut. Ecolution is the world's first boat to generate all its own energy. Last November, Ecolution set off for a transatlantic journey from the Netherlands to the Caribbean island of Aruba, where it arrived in January 2013. Ockels is advising the government of Aruba on renewable energy projects to help the island achieve its ambition to be fully independent of fossil fuels by 2020. By sponsoring the Ecolution project, Delta Lloyd Group aims to make a meaningful contribution to advancing innovative and sustainable technology.

4.6.2. Energy

Multi-year energy efficient agreement
Delta Lloyd Group aims to reducing its energy consumption by 2% each year in the next four years, in line with the Multi-Year Energy Efficiency Agreement (MJA3) for the Dutch banking and insurance sector. An initiative of the Dutch government, the agreement, which we signed, aims to enhance energy efficiency in the period 2001-2020. We committed to improve the energy efficiency of our *Toorop* building in Amsterdam and our building in Arnhem by 30% in 2020 compared to 2005. To do this, we introduced an energy management system for these buildings and designed energy efficiency plans which are reviewed regularly. We report on progress in this area annually.

Energy consumption Delta Lloyd Group			
(in thousands, except for percentages)	**2012**	**2011**	**Change**
Grid electricity consumption (KWh)	18,887.7	21,882.7	-2,994.9
% Share of renewable electricity purchased	92.1%	91.0%	1.1%
Natural gas consumption in m3	987.4	1,595.1	-607.8
Energy consumption for heating/cooling (in GJ)	18.4	21.8	-3.5
Oil consumption (in litres)	15.2	45.8	-30.6

Per FTE: Energy consumption Delta Lloyd Group			
	2012	**2011**	**Change**
Grid electricity consumption (KWh)	3,404	3,840	-436
Natural gas consumption in m3	178	280	-102
Energy consumption for heating/cooling (in GJ)	3.3	4.0	-0.7
Oil consumption (in litres)	2.7	8.0	-5.3

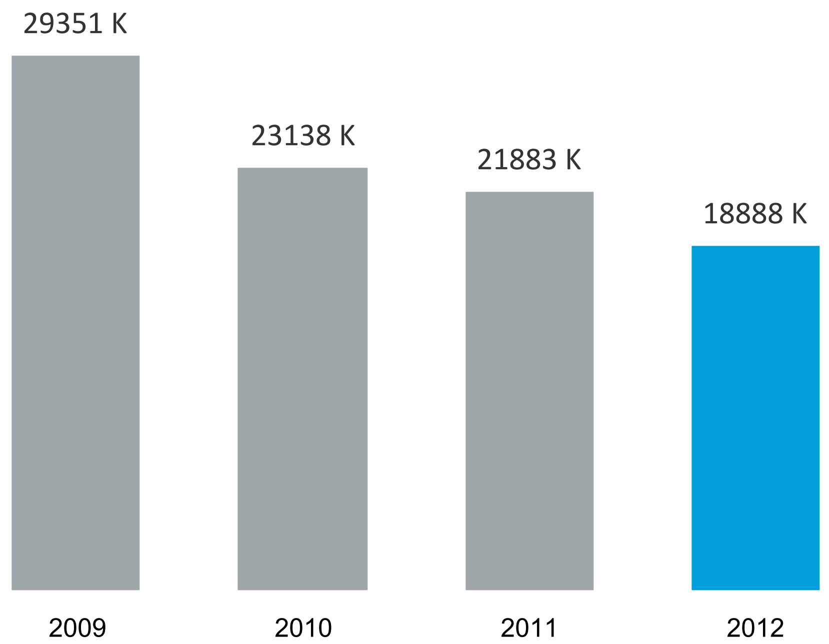
Results in 2012

We increased the share of ‘green’ electricity of our overall electricity consumption to 92% and plan to further increase it to 100% as soon as the last remaining purchasing contract for supply of electricity from non-renewable sources expires in 2014.

In 2012, we reduced our CO2 emissions related to energy use by introducing flexible working hours at one of our Amsterdam offices, thereby requiring less office space. In our Charleroi office, Belgium, we reduced CO2 emissions by replacing fuel oil with natural gas.

We refurbished the lobby, restaurant and kitchen of our *Toorop* building in 2012 and installed new heating and air conditioning systems using heat recovery, which help achieve significant energy savings. The waste heat from the refrigeration and freezer rooms are used to preheat the boiler of the dishwashers. This dishwasher is water and energy efficient. In addition, most of the lobby and restaurant is equipped with energy saving LED lights.

Grid electricity consumption (KWh)



4.6.3. Transport

We strive for an annual reduction of carbon emissions caused by business-related transport. This means we seek to increase the share of environmentally sound cars in our lease fleet, promoting the use of cars in the Dutch A, B and C label categories. In addition, we seek to reduce the mileage per lease car as well as the average emission per kilometre.

Results in 2012

The average number of kilometres each lease car travelled last year slightly increased. Despite this, the total amount of kilometres driven by lease cars decreased by 47% in the period 2009-2012 due to a reduction in the number of lease cars related to staff reductions.

We continued to promote electric cars and temporarily added a new brand to our electric car fleet to pilot additional options for employees. The number of kilometres travelled by environmentally-sound hybrid cars increased in 2012 by 3% in the Netherlands.

Mobility Delta Lloyd Group			
(in thousands)	**2012**	**2011**	**Change**
Average kilometrage lease cars	32.1	32.0	0.1

Average CO2-emission per lease car (grams/km, ECE standard)	0.1	N.M.	-
Total fuel consumption (litres)	1,012.2	1,601.1	-588.9
Total kilometres all automobility - (km)	14,963.0	21,729.3	-6,766.3
Kilometres company electrical and hybrid cars	337.9	1,088.6	-750.7
Business rail traffic	2,368.3	2,041.4	326.9
Total kilometres - business travel by air	1,673.2	2,910.5	-1,237.3

Per FTE: mobility Delta Lloyd Group

(in thousands, except for percentages)	**2012**	**2011**	**Change**
Total fuel consumption (litres)	182.4	281.0	-98.6
Total kilometres all automobility - (km)	2,696.5	3,813.0	-1,116.5
Kilometres company electrical and hybrid cars	60.9	191.0	-130.1
Business rail traffic	426.8	358.0	68.8
Total kilometres - business travel by air	301.5	511.0	-209.5

In 2012, the total number of kilometres employees in the Netherlands travelled by train increased by 15.8%, thanks to our MobilityMixx card. Employees use this card to pay for gasoline, park and ride, train tickets, taxis or rental bikes. Delta Lloyd Bank Belgium has made it possible in 2012 to report its train kilometres for the first time. These kilometres are included in the total number of business rail traffic.

The total amount of kilometres per plane in 2012 was reduced by 42% compared to 2011. This can be explained by the exceptionally high amount of business air travel due to Delta Lloyd's IPO.

Number of lease cars per CO2 brand category in the Netherlands*			
number of cars	**2012**	**2011**	**Change**
CO2 band A	232	149	83
CO2 band B	143	126	17
CO2 band C	79	113	-34
CO2 band D	22	48	-26
CO2 band E	5	17	-12
CO2 band F	1	3	-2
Total	**482**	**456**	**26**

* In Belgium, lease cars are classified into labels A to G but the classification is based on a different calculation to the Netherlands. If Belgium measured by the Dutch system, then the share of Delta Lloyd Bank Belgium lease cars with labels A-B-C would be considerably higher than the current 6%. This is because the average CO2 emissions of Delta Lloyd Belgium Bank lease cars, which is 135 grams per kilometres, is almost the same as the emissions of Dutch lease cars. Nevertheless, due to the slight difference in calculating emissions it is not possible to provide overall figures for Delta Lloyd Group.

4.6.4. Raw materials use

Paper reduction

Delta Lloyd Group is committed to using raw materials in a responsible way. We aim to reduce paper use by 8% during the four-year period 2009-2012. All paper used must be FSC or PEFC-certified. After an increase in the three-year-period 2009-2011, we achieved a 16% reduction in paper use in 2012. The increase in previous years was partly due to improved measurement of paper purchasing transactions, which widened the scope of paper used. In 2012, for the first time since we set our target, the scope did not increase. The 16% reduction in paper usage in 2012 reflected the shift to a digitalised, paperless ways of working among employees and management. The introduction of iPads resulted in fewer documents printed.

In 2012, we introduced a new company logo. We made the decision to first use up all existing branded stationery before using new branded materials, in order to reduce the amount of paper waste this would create. With 96% of our paper FSC or PEFC-certified we moved closer to our target of 100% certification.

Reducing water use

We aimed to reduce our water use by 4% in the period 2009-2012*. We achieved this target through a combination of measures that increased the efficiency of our water usage, and a reduced number of full time equivalents. Water installations that reach the end of their life cycle are replaced by newer, more efficient versions. In 2012, this included water installations in our cafeteria kitchen, among others.

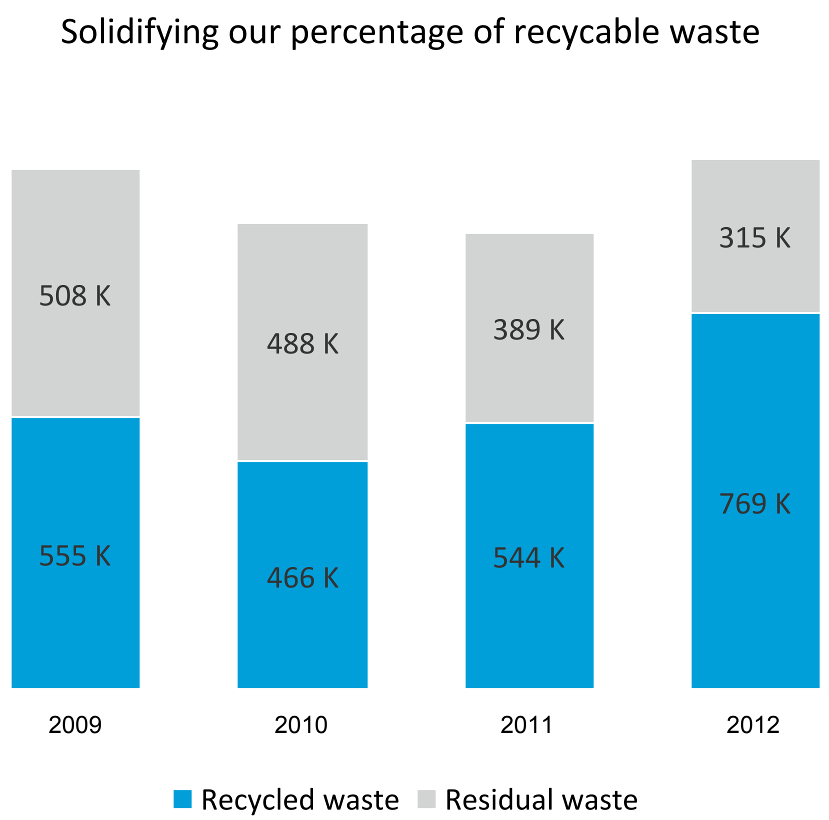
Raw materials use Delta Lloyd Group			
(in thousands, except for percentages)	**2012**	**2011**	**Change**
Water consumption in m3	47.1	44.9	2.2
Paper used in kg	759.2	904.5	-145.4
Share of green purchased paper (in %)	96%	91%	5%
Environmentally-friendly paper used in kg	729.8	823.1	-93.3

Per FTE: Raw materials use Delta Lloyd Group	2012	2011	Change
Water consumption in m3	8.5	7.9	0.6
Paper used in kg	136.8	159.0	-22.2
Environmentally-friendly paper used in kg	131.5	-	-

4.6.5. Waste

Recycling waste
We aimed to increase the share of recyclable residual materials to 70% of total waste in 2012. We met our target only due to the fact that we separated the waste produced during the refurbishment of one of our Amsterdam offices.

In the period 2009 to 2012 we reduced the amount of waste created by our day-to-day operations by 18%, excluding waste from construction activities. We met our target of 70% recyclable waste as a result of separating the waste produced by refurbishment activities in Amsterdam.



Delta Lloyd Group waste			
(in thousands, except for percentages)	**2012**	**2011**	**Change**
Paper and cardboard waste (in kg)	464.1	389.8	74.3
Other recyclable residual materials (in kg)	305.1	154.4	150.8
Harmful waste (in kg)	0.9	10.8	-9.9
Residual waste (in kg)	314.2	377.9	-63.7
Total	**1,084.3**	**932.8**	**151.5**
Recycling percentage (in %)	71%	58%	13%

4.7. Reporting

In this sustainability report, as incorporated in Chapter 4 of the annual report, Delta Lloyd Group aims to provide a transparent view of its activities and objectives in the field of sustainability. The sustainability report also contributes to raising awareness of sustainability within Delta Lloyd Group.

4.7.1. Reporting principles

The 2012 sustainability report is once again integrated into the financial annual report of Delta Lloyd Group. In Chapter 4 we report on our efforts and the achievement of our objectives during the year. In addition, we outline our plans and vision for the future. This future-oriented information can be recognised by the use of such words as continue, aim, envisage, predict, expectation, goal, objective, vision, planning, ambition, scenario, intention and prediction.

The outcomes of future expectations are inherently subject to risks and uncertainties and their realisation is uncertain. The external auditor therefore provides no assurance concerning the realisation of future-oriented information. It should be noted that for the gathering of fraud data no assurance can be given as to the completeness of this data.

Scope
The sustainability report describes the national and international activities of Delta Lloyd Group in 2012 (1 January-31 December), excluding the German operations. The sustainability data of Delta Lloyd Group was verified by Ernst & Young.

Reporting process
Relevant themes were selected for the 2012 report, which forms part of an integrated report on both the financial results and developments within the Group in the area of sustainability. These themes co-determine the structure and content of the report. The quantified data was gathered centrally. Qualitative information was collected from memoranda, reports, news bulletins and interviews with relevant staff.

Delta Lloyd Group values readers' views and opinions on the annual report and incorporated sustainability report. For this reason, Delta Lloyd Group has applied the Dutch Transparency Benchmark for corporate social responsibility (CSR) reporting since 2007. Delta Lloyd Group ranked 72 among 472 companies that submitted data in the 2012 Transparency Benchmark (2011: 48th place out of 468). Among banks and insurers, Delta Lloyd Group ranked 15 out of 27.

The transparency of company policy is also assessed in the Scenter annual report survey carried out among Dutch organisations. The survey was carried out for the 18th time in 2012. Delta Lloyd Group scored 5.8. The overall average was 3.1, and the average for financial services providers was 5.3. The study comprised 118 annual reports of both listed and unlisted organisations. Prior to the study, a stakeholder survey was conducted among the primary audience of the annual report, i.e. financial experts, financial media and retail investors. The aim was to take stock of their opinions and information requirements concerning policy transparency. The findings were taken on board in the methodology of the study. The study looked at the profile, the strategic objectives, the SWOT analysis and the challenges, the corporate strategy, business units and strategic objectives, the action plans in the financial year and those planned for the coming year.

Information systems
Since 2005, Delta Lloyd Group has used a management information system (SAP Business Objects) to gather and process the relevant quantitative and qualitative sustainability data. Data gathering is coordinated at corporate level by Corporate Communications. We are continuously seeking to further refine our reporting process by adding new relevant indicators and improving the reporting lines. Since 2011, we have used the IBM Cognos Financial Statement Reporting system to process and publish the reports online. The figures for this year's report were gathered by Group Finance, Control & Tax and came from the responsible divisions within Delta Lloyd Group.

Global Reporting Initiative guidelines
The sustainability report of Delta Lloyd Group was compiled in line with multiple standards, including the Global Reporting Initiative (GRI). We believe that the GRI's G3 guidelines provide a good framework for corporate social responsibility reporting. The G3 guidelines distinguish different levels of application. Based on a self-assessment, Delta Lloyd Group will submit this year's sustainability report to the GRI for verification at A+ level as an organisational stakeholder. Delta Lloyd Group reports on many of the GRI key indicators and provides transparency in such areas as vision, objectives, achievements, progress and dilemmas relating to sustainability policy. The GRI index explicitly states the indicators Delta Lloyd Group is reporting on.

More information
The online version of the integrated report 2012 contains a number of links between the 'Sustainability' chapter and other sections of the annual report and vice versa. Links to sources on the Delta Lloyd Group website are also included. Further information about Delta Lloyd Group can be found in the other chapters of this integrated annual report and on www.deltalloydgroep.com.

Executive Board
Niek Hoek, chairman
Paul Medendorp
Emiel Roozen
Onno Verstegen

4.7.2. Global Reporting Initiative-index

Delta Lloyd Group reports in accordance with the guidelines prepared by the Global Reporting Initiative. The index shows all key indicators and the relevant supplementary indicators. References used, include:

- + (included in Annual Report)
- / (partially included in Annual Report)
- - (not included in Annual Report)
- NR (data irrelevant)

Global Reporting Initiative-index (G3.0) Delta Lloyd Groep 2012				
Application level				
A+				
Strategy and Analysis	**ref.**		**Reason for omission**	**To be reported in**
1.1 Statement from the most senior decision-maker of the organization	+	section 1.3.		
1.2 Description of key impacts, risks, and opportunities	+	section 1.4.2., section 1.4.3., section 3.2.4., section 3.12., section 5.1.7.1.		
Organizational Profile	**ref.**			
2.1 Name of the organization	+	section 5.1., section 6.3.		
2.2 Primary brands, products, and/or services	+	section 1.7, section 4.2.1.		
2.3 Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures	+	section 3.1., section 4.1.3.		
2.4 Location of organization's headquarters	+	section 5.1., section 6.3.		
2.5 Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	+	section 5.1., section 5.1.7.5.		
2.6 Nature of ownership and legal form	+	section 5.1.		
2.7 Markets served	+	section 1.7.		
2.8 Scale of the reporting organization	+	section 1.2., section 1.5., section 4.5.		
2.9 Significant changes during the reporting period regarding size, structure, or ownership	+	section 1.6., section 1.9.1.		
2.10 Awards received in the reporting period	+	section 1.2., section 1.3., section 4.1.4., section 4.5.1.		

Report Parameters	ref.			
3.1 Reporting period (e.g., fiscal/calendar year) for information provided	+	section 4.7.1.		
3.2 Date of most recent previous report (if any)	+	section 4.7.2.		
3.3 Reporting cycle (annual, biennial, etc.)	+	section 4.7.3.		
3.4 Contact point for questions regarding the report or its contents	+	section 6.3.		
3.5 Process for defining report content	+	section 4.7.1.		
3.6 Boundary of the report	+	section 1.6., section 4.7.1.		
3.7 State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope)	+	section 4.1.7.		
3.8 Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations	+	section 1.6., section 4.7.1.		
3.9 Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report (GRI indicator protocol apllicable)	+	section 5.1.6.2.		
3.10 Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g.,mergers/acquisitions, change of base years/periods, nature of business, measurement methods)	+	section 4.6.4.		
3.11 Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	+	section 4.7.1.		
3.12 Table identifying the location of the Standard Disclosures in the report	+	section 4.7.1.		
3.13 Policy and current practice with regard to seeking external assurance for the report	+	section 4.7.4.		
Governance, Commitments, and Engagement	**ref.**			
4.1 Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight	+	section 3.1.1., section 3.1.2.		
4.2 Indicate whether the Chair of the highest governance body is also an executive officer	+	section 3.1.1., section 3.1.2.		

4.3 For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members	+	section 3.1.3.		
4.4 Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	+	section 3.1.5., section 3.1.9.		
4.5 Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance)	+	section 5.1.6.31., section 5.1.7.9., section 5.1.7.10.		
4.6 Processes in place for the highest governance body to ensure conflicts of interest are avoided	+	section 2.6., section 2.7., section 3.1.1., section 3.2.1.		
4.7 Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity	+	section 2.4., section 3.1.3.		
4.8 Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	+	section 1.4.1., section 3.1.3., section 4.3.4.		
4.9 Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally	+	section 2.6., section 2.7.		
4.10 Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	+	section 2.		
4.11 Explanation of whether and how the precautionary approach or principle is addressed by the organization	+	section 1.4.1., section 4.2.		
4.12 Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	+	section 3.1.3., section 4.4.3.		
4.13 Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization	+	section 4.4.3.		
4.14 List of stakeholder groups engaged by the organization	+	section 3.1.3.		

4.15 Basis for identification and selection of stakeholders with whom to engage	+	section 4.1.2.		
4.16 Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	+	section 3.1.5.9., section 3.1.5.14., section 3.1.9., section 4.1.5., section 4.2.2., section 4.3.3., section 4.3.4., section 4.4., section 4.5.2.		
4.17 Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	+	section 4.1.5., section 4.2.2., section 4.3.3.		
Economic Indicators	**ref.**			
EC1 Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	+	section 1.5., section 1.8.		
EC2 Financial implications and other risks and opportunities for the organization's activities due to climate change	+	section 4.6.1.		
EC3 Coverage of the organization's defined benefit plan obligations	+	section 1.7., section 5.1.1., section 5.1.6.31.		
EC4 Significant financial assistance received from government	NR		Delta Lloyd did not recieve financial assistence from the Dutch government, as opposed to our peers.	
EC5 Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	NR		Our core markets are The Netherlands and Belgium, where wage levels are well regulated.	
EN6 Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	NR		Our core markets are The Netherlands and Belgium. We do not have activities outside these countries.	
EC7 Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	NR		Our core markets are The Netherlands and Belgium. We do not have activities outside these countries.	

EC8 Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	NR		Our core markets are The Netherlands and Belgium. We do not have activities outside these countries.	
EC9 Understanding and describing significant indirect economic impacts, including the extent of impacts	+	section 1.4., section 1.10., section 3.2.4.		
Environmental Indicators	**ref.**			
EN1 Materials used by weight or volume	+	section 4.6.4.		
EN2 Percentage of materials used that are recycled input materials	+	section 4.6.5.		
EN3 Direct energy consumption by primary energy source	/	section 4.6.2.	Due to system requirements, we are not able to report all energy sources on (multiples) of Joules.	
EN4 Indirect energy consumption by primary source	NR		Our core business does not significantly impact this environmental indicator.	
EN5 Energy saved due to conservation and efficiency improvements	+	section 4.6.1., section 4.6.2.		
EN6 Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	+	section 4.6.1., section 4.6.2.		
EN7 Initiatives to reduce indirect energy consumption and reductions achieved	+	section 4.6.1., section 4.6.2.		
EN8 Total water withdrawal by source	NR		Our core business does not significantly impact this environmental indicator.	
EN9 Water sources significantly affected by withdrawal of water	NR		Our core business does not significantly impact this environmental indicator.	

EN10 Percentage and total volume of water recycled and reused	NR		Our core business does not significantly impact this environmental indicator.	
EN11 Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	NR		Our core business does not significantly impact this environmental indicator.	
EN12 Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	NR		Our core business does not significantly impact this environmental indicator.	
EN13 Habitats protected or restored	NR		Our core business does not significantly impact this environmental indicator.	
EN14 Strategies, current actions, and future plans for managing impacts on biodiversity	NR		Our core business does not significantly impact this environmental indicator.	
EN15 Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	NR		Our core business does not significantly impact this environmental indicator.	
EN16 Total direct and indirect greenhouse gas emissions by weight	+	section 4.6.1., section 4.6.3.		
EN17 Other relevant indirect greenhouse gas emissions by weight	NR		Our core business does not significantly impact this environmental indicator.	
EN18 Initiatives to reduce greenhouse gas emissions and reductions achieved	+	section 4.6.1., section 4.6.3.		
EN19 Emissions of ozone-depleting substances by weight	NR		Our core business does not significantly impact this environmental indicator.	

EN20 NOx, SOx, and other significant air emissions by type and weight	NR		Our core business does not significantly impact this environmental indicator.	
EN21 Total water discharge by quality and destination	NR		Our core business does not significantly impact this environmental indicator.	
EN22 Total weight of waste by type and disposal method	+	section 4.6.5.		
EN23 Total number and volume of significant spills	NR		Our core business does not significantly impact this environmental indicator.	
EN24 Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	NR		Our core business does not significantly impact this environmental indicator.	
EN25 Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff	NR		Our core business does not significantly impact this environmental indicator.	
EN26 Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	+	section 4.6.		
EN27 Percentage of products sold and their packaging materials that are reclaimed by category	NR		Our core business does not significantly impact this environmental indicator.	
EN28 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	NR		Our core business does not significantly impact this environmental indicator.	
EN29 Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	+	section 4.6.3.		

EN30 Total environmental protection expenditures and investments by type	-	section 4.6.1.	Data not available. We do report on several related activities, such as the sponsohip of the Ecolution boat of Wubbo Ockels.	2015
Social Indicators	**ref.**			
LA1 Total workforce by employment type, employment contract, and region, broken down by gender	+	section 4.5., section 4.5.4.		
LA2 Total number and rate of new employee hires and employee turnover by age group, gender, and region	+	section 1.6., section 4.5., section 5.2.1.13.		
LA3 Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	+	section 5.1.6.31.		
LA4 Percentage of employees covered by collective bargaining agreements	+	section 4.5.3.		
LA5 Minimum notice period	-		Data available, though not reported.	2015
LA6 Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	+	section 4.5.5.		
LA7 Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender	+	section 4.5.5.		
LA8 Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	+	section 4.5.5.		
LA9 Health and safety topics covered in formal agreements with trade unions	+	section 4.5.5.		
LA10 Average hours of training per year per employee by gender, and by employee category	-	section 4.5.1.	Data not centrally administered, costs have been reported.	2015
LA11 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	+	section 3.3.1., section 4.3.1., section 4.5.1.		
LA12 Percentage of employees receiving regular performance and career development reviews	+	section 4.5.1.		

LA13 Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	+	section 4.5.4.		
LA14 Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	+		Data available, not yet reported.	2015
HR1 Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening	+	section 4.3.3.		
HR2 Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken	+	section 4.3.3., section 4.3.4.		
HR3 Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	/	section 4.3.1.	Data not available. We reported total amount of training costs.	2015
HR4 Total number of incidents of discrimination and corrective actions taken	+	4.3.3, 4.5.4		
HR5 Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights (by law)	+	(regulated by law)		
HR6 Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	-		Data not centrally administered	2015
HR7 Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	/	section 4.3.3.	Measures taken in 2012 were not mentiond because of the small number/little significance.	2015
HR8 Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations	NR		Our core business is not significantly dependent on trained security personnel.	

HR9 Total number of incidents of violations involving rights of indigenous people and actions taken	NR		Our core markets are The Netherlands and Belgium. We do not have activities outside these countries.	
SO1 Percentage of operations with implemented local community engagement, impact assessments, and development programs	+	section 4.4., section 4.4.1., section 4.4.2., section 4.4.4.		
SO2 Percentage and total number of business units analyzed for risks related to corruption	+	section 3.2.2.		
SO3 Percentage of employees trained in organization's anti-corruption policies and procedures	+	section 3.2.1., section 4.3.1.		
SO4 Actions taken in response to incidents of corruption	+	section 4.3.1., section 4.3.2.		
SO5 Public policy positions and participation in public policy development and lobbying	+	section 1.6., section 3.1.3., section 3.2.4., section 4.2.4., section 4.3.1., section 4.3.3., section 4.4.4., section 4.6.1.		
SO6 Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	NR		Delta Lloyd chose to take a neutral position in regards of politics.	
SO7 Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	NR		Our core business does not significantly impact this social indicator.	
SO8 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	-		data not available.	2015
PR1 Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	NR		Our core business does not significantly impact this product responsibility indicator.	
PR2 Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	NR		Our core business does not significantly impact this product responsibility indicator.	

PR3 Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	+	section 3.1.3., section 4.1.2., section 4.2.1., section 4.2.3., section 4.3.3.		
PR4 Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	+	section 1.6., section 4.2., section 4.2.1., section 4.2.2.		
PR5 Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	+	section 4.2., section 4.2.2.		
PR6 Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	+	section 1.6., section 4.2., section 4.3.3.		
PR7 Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes	-		Data not available.	2015
PR8 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	-	section 4.2.3.	Data not available. We do report on total number of official complaints filed by Kifid.	2015
PR9 Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	/	section 4.2.1.	Delta Lloyd chooses not to report on monetary value of fines. We do report on the settlement for unit-linked insurance policies.	
Financial Supplement Indicators	**ref.**			
FS1 Policies with specific environmental and social components applied to business lines.	+	section 3.1., section 3.3., section 4.1.		
FS2 Procedures for assessing and screening environmental and social risks in business lines.	+	section 3.3.2, section 4.2.1, section 4.3., section 4.5.2		
FS3 Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions.	+	section 4.3.1., section 4.3.2., section 4.3.3.		

FS4 Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines.	+	section 3.1.3., section 3.3.1., section 4.1.5., section 4.2., section 4.3.		
FS5 Interactions with clients/investees/business partners regarding environmental and social risks and opportunities.	+	section 4.3.3., section 4.3.4., section 4.4., section 4.4.3., section 4.4.4., section 4.6.1.		
FS6 Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector.	+	section 4.3.3.		
FS7 Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose.	+	section 4.3.3.		
FS8 Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose.	+	section 1.8.		
FS9 Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures.	+	section 3.2.1., section 4.3.4.		
FS10 Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues.	-	section 4.3.3., section 4.3.4.	Actual numbers were not administered. We did have several discussions with investee companies.	2015
FS11 Percentage of assets subject to positive and negative environmental or social screening.	+	section 4.3.3.		
FS12 Voting polic(ies) applied to environmental or social issues for shares over which the reporting organization holds the right to vote shares or advises on voting.	+	section 4.3.3.		
FS13 Access points in low-populated or economically disadvantaged areas by type.	NR		Our core markets are The Netherlands and Belgium. We do not have activities outside these countries.	
FS14 Initiatives to improve access to financial services for disadvantaged people.	+	section 4.2.1.		
FS15 Policies for the fair design and sale of financial products and services.	+	section 4.2.1.		
FS16 Initiatives to enhance financial literacy by type of beneficiary.	+	section 4.4.2.		

Summary of responsabilities and references to sections in Annual report Delta Lloyd Group 2012					
Disclosure Management Approch	Responsibility	Objectives and performanc e	Policy	Training	Monitoring
Economic					
Economic performance	Executive Board Chairman, divisional presidents	section 1.1., section 1.5.	section 1.4.	-	section 3.1.
Environment					
Emissions, water energy, paper consumption, transport and waste	Director IT & Services	section 4.1.5., section 4.6.	section 4.6.	-	section 4.6.
Labour					
Employment, labour/management relations, occupational health and safety, training and diversity	Director Group HRM, Legal & Business Development	section 4.1.5., section 4.5.	section 4.5.	section 4.5.1.	section 4.5.
Human rights					
Non-discrimination, Freedom of association and collective bargaining	Director Group HRM, Legal & Business Development	section 4.1.5., section 4.5.3., section 4.5.4.	section 4.5.3., section 4.5.4.	section 4.5.4.	section 4.5.4.
Investment and procurement practices	Director IT & Services	section 4.1.5., section 4.3.4.	section 4.3.4.	section 4.3.4.	section 4.3.4.
Investment and procurement practices, Child labor, Forced and compulsory labor	Director Asset Management	section 4.1.5., section 4.3.3.	section 4.3.3.	section 4.3.3.	section 4.3.3.
Society					
Community	Director Corparate Communications and investor relations	section 4.1.5., section 4.4.	section 4.4.	-	section 4.4.
Corruption, Compliance	Director Group Integrity	section 4.1.5., section 4.3.1., section 4.3.3.	section 4.3.1., section 4.3.2.	section 4.3.1., section 4.3.2.	section 4.3.1., section 4.3.2.
Product responsibility					
Product information, marketing communications	Divisional presidents	section 4.1.5., section 4.2.1., section 4.3.1.	section 4.2.1., section 4.3.1.	-	section 4.2.1., section 4.3.1.

4.7.3. United Nations Principles

United Nations Global Compact

In April 2010, Delta Lloyd Group joined the United Nations Global Compact for corporate social responsibility. This platform, which was established by the UN in 1999, asks participating companies and organisations to commit to aligning their operations with ten principles. These principles address the improvement of human rights, labour, the environment and anti-corruption. The underlying concept is that businesses play a key role (make a difference) in these areas.

Communication on Progress

In section 1.2 Letter of the CEO, Delta Lloyd Group endorses the United Nations Global Compact. In the table below you will find for each of the 10 principles, the references to the sections in our annual report.

UN Global Compact principles

Principle	Reference
1. Businesses should support and respect the protection of internationally proclaimed human rights; and	section 4.4.3.
2. make sure that they are not complicit in human rights abuses.	section 4.3.1., section 4.3.3., section 4.5.
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	section 3.1.9., section 4.5.3., section 4.5.4.
4. the elimination of all forms of forced and compulsory labour;	section 4.3.3., section 4.5.
5. the effective abolition of child labour; and	section 4.3.3.
6. the elimination of discrimination in respect of employment and occupation.	section 4.5.4.
7. Businesses should support a precautionary approach to environmental challenges;	section 4.6., section 4.6.1., section 4.6.2., section 4.6.3., section 4.6.4., section 4.6.5.
8. undertake initiatives to promote greater environmental responsibility; and	section 1.3., section 4.3.4., section 4.6.1.
9. encourage the development and diffusion of environmentally friendly technologies.	section 1.3., section 4.3.4., section 4.3.3., section 4.6.1.
10. Businesses should work against corruption in all its forms, including extortion and bribery.	section 3.1.3., section 3.2., section 4.3.1., section 4.3.2., section 4.3.3., section 4.3.4.

United Nations Principles for Sustainable Insurance

Delta Lloyd has committed itself to the Principles for Sustainable Insurance (PSI) that were launched in june 2012. Worldwide, nearly 30 insurers have signed the Principles, which were presented at the United Nations Conference on Sustainable Development in Rio de Janeiro.

Communication on Progress

In section 1.2 Letter of the CEO, Delta Lloyd Group endorses the United Nations Principles for Sustainable Insurance. In the table below you will find for each of the 4 principles, the references to the sections in our annual report.

UN Principles for Sustainable Insurance	
Principle	**Reference**
1. We will embed in our decision-making environmental, social and governance issues relevant to our insurance business.	section 3.2., section 4.2.1., section 4.3.2., section 4.3.3., section 4.3.4., section 4.4.1., section 4.4.2., section 4.4.4., section 4.5.1.
2. We will work together with our clients and business partners to raise awareness of environmental, social and governance issues, manage risk and develop solutions.	section 3.1.3., section 4.2.2., section 4.3.4., section 4.4.
3. We will work together with governments, regulators and other key stakeholders to promote widespread action across society on environmental, social and governance issues.	section 4.1.4., section 4.2.1., section 4.3.1., section 4.3.3., section 4.3.4., section 4.4., section 4.4.2., section 4.4.4., section 4.8., section 4.6.1.
4. We will demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the Principles.	section 1.3., section 4.1.4., section 4.7.1., section 4.7.2., section 4.7.3.

4.7.4. Assurance report

Independent Assurance Report on Sustainability information

To the management board of Delta Lloyd Group N.V.

Engagement
We have performed an assurance engagement on the Sustainability information included in Chapter 4 "Sustainability" (hereinafter Sustainability Report) of the accompanying Annual Report for the year 2012 of Delta Lloyd Group N.V. (hereinafter Delta Lloyd Group).

Our assurance engagement is aimed:
1) to provide reasonable assurance that the information is correctly presented in accordance with the criteria applied for the following paragraphs:

- 4.1.2. Sustainability pillars;
- 4.1.3. Governance and policy;
- 4.2.2 Customer satisfaction;
- 4.2.4 Reputation of Delta Lloyd Group;
- 4.3.1 Compliance;
- 4.3.2 Fraud prevention;
- 4.4.2 Taking community in action in 2012 (Delta Lloyd foundation in the Netherlands);
- 4.5.2 Employer of choice;
- 4.5.3 Compensation and benefits.

2) to provide limited assurance that the other information reported in the sustainability report are correctly presented in accordance with the criteria applied.

The references in the report (e.g to the website of Delta Lloyd Group or to other external websites and documents) are not part of our assurance engagement.

Limitations in the scope of our assurance engagement
The sustainability information contains forward-looking information in the form of ambitions, strategy, plans, forecasts and estimates. The fulfilment of such information is inherently uncertain. For that reason, we do not provide any assurance relating to that forward-looking information.

Criteria applied
Delta Lloyd Group applies the G3 guidelines of the Global Reporting Initiative supported with the internal reporting guidelines as described in paragraph "4.7.1 Reporting principles". It is important to view the Sustainability information in the context of these criteria. We believe that these criteria are suitable in the view of the purpose of our assurance engagement.

Responsibilities
The Managing Board of Delta Lloyd Group is responsible for the preparation of the Sustainability Report, stakeholder engagement and the selection of material topics in accordance with the criteria applied. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation of a Sustainability Report that is free of material misstatements, selecting and applying appropriate reporting policies that include the GRI reporting principles and using measurement methods and estimates that are reasonable in the circumstances. The decisions made by management in respect of the scope of the Sustainability Report and the internal reporting guidelines, including any inherent limitations that could affect the reliability of information, are set forth in the paragraph entitled "4.7.1 Reporting principles".

It is our responsibility to express a conclusion on the Sustainability Information based on the procedures we have performed and the evidence we have obtained.

Procedures performed
We conducted our engagement in accordance with Dutch law, including the Dutch Standards 3410N, "Assurance Engagements with respect to Sustainability Reports". This requires that we comply with ethical requirements and plan and perform procedures to obtain sufficient and appropriate evidence to substantiate our conclusion.

Procedures to obtain limited level of assurance are less extensive in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks, than those for a reasonable level of assurance and therefore less assurance is provided.

We have performed the procedures deemed necessary to provide a basis for our conclusions. Our main procedures with regards to the information for which limited assurance was provided, were:

- Assessing the acceptability of the reporting policies used and there consistent application, as well as reviewing significant estimates and calculations made in preparing the Sustainability report 2012,
- Obtaining an understanding of the sector, organization and its most relevant sustainability issues,
- Obtaining an understanding of the design and operation of the systems and methods used to collect and process the reported information, including the consolidation process,
- Reviewing based on a risk analysis the plausibility of the information contained in the Sustainability report 2012 by performing analytical procedures, conducting interviews with responsible company officers, and checking the substations of this information on a test basis, as well as retrieving the relevant corporate documents and consulting external sources,
- Evaluating the sufficiency of the Sustainability report 2012 and its overall presentation against the criteria mentioned above.

In order to obtain a reasonable assurance on the following paragraphs 4.1.2. Sustainability pillars, 4.1.3. Governance and policy, 4.2.2 Customer satisfaction, 4.2.4 Reputation of Delta Lloyd Group, 4.3.1 Compliance, 4.3.2 Fraud prevention, 4.4.2 Taking community in action in 2012 (Delta Lloyd foundation in the Netherlands), 4.5.2 Employer of choice and 4.5.3 Compensation and benefits, we additionally performed the following procedures:

- Identifying inherent risks relating to the reliability of the information and investigating the extent to which these risks are covered by internal controls,
- Performing tests of control to review the existence and effectiveness of internal controls aimed at reviewing the adequacy and reliability of the information,
- Following the audit trail on a test basis, from the source data to the information contained in the Sustainability report 2012,
- Performing tests of detail on a test basis aimed at reviewing the reliability of the primary information.

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

Conclusion

Based on our assurance procedures performed to obtain reasonable assurance we conclude that:

- The paragraphs 4.1.2. Sustainability pillars, 4.1.3. Governance and policy, 4.2.2 Customer satisfaction, 4.2.4 Reputation of Delta Lloyd Group, 4.3.1 Compliance, 4.3.2 Fraud prevention, 4.4.2 Taking community in action in 2012 (Delta Lloyd foundation in the Netherlands), 4.5.2 Employer of choice and 4.5.3 Compensation and benefits are in all material respects correctly presented in accordance with the Sustainability Reporting Guidelines (G3) of the Global Reporting Initiative, and the internal reporting criteria as described in the paragraph entitled “4.7.1 Reporting principles”;

Based on our assurance procedures performed to obtain limited assurance we conclude that:

- Nothing came to our attention that causes us to believe that the other information reported in the Sustainability report is not, in all material respects, correctly presented in accordance with the Sustainability Reporting Guidelines (G3) of the Global Reporting Initiative and the internal reporting criteria as described in the paragraph entitled “4.7.1 Reporting principles”.

Den Haag, 3 April 2013

Ernst & Young Accountants LLP

Signed by R. Bleis

4.8. Case: Sporting chance

7 August 2012 is a day Delta Lloyd will never forget. It was on this day that Dutch windsurfer Dorian Rijsselberghe won gold at the 2012 Summer Olympics in London. Adding to Delta Lloyd's triumph at these Olympic Games, the other sailors we sponsor also brought home medals. Marit Bouwmeester won silver in the Laser Radial class and duo Lisa Westerhof and Lobke Berkhout took the bronze medal in the women's 470 class.

Shortly thereafter, at the 2012 London Paralympic Games, the Dutch sonar team – Udo Hessels, Mischa van Rossen and Marcel van de Veen – won gold and Thierry Schmitter won the bronze medal in the 2.4mR-class.

As proud as we are of these achievements, medals are not the reason we have sponsored Dutch sailing since 2001. Sailing is a sustainable, environmentally-friendly sport. It is also closely tied to our roots: for centuries Dutch sailors used their expertise to navigate the oceans and explore the world. And, as the largest insurer of water sports in the Netherlands, we have a commercial link to the sport.
Delta Lloyd's sponsorship reaches from the top echelons of the sport right down to grassroots level. In addition to sponsoring the Dutch medal winners, we are the lead sponsor of the Optimist Club Nederland, which teaches children how to sail, the Amsterdam boat show HISWA, the North Sea Regatta, the Delta Lloyd 24 Uurs Zeilrace, the Watersportverbond, an overarching organisation representing 400 water sports clubs and societies, and a fund for disabled athletes.

Our employees are proud to be associated with this great sport, and of the achievements of the athletes that we sponsor. We also notice how much our customers appreciate our presence in the sailing world. There is a positive vibe and freshness about sailing that people really like, not to mention how much they enjoy attending sailing events, where we often host clients and business partners.

Delta Lloyd is committed to sailing. We will continue our 12-year bond with the sport in the build up to the 2016 Summer Olympics in Rio de Janeiro, where we hope to at least emulate the success and excitement of London 2012.

4.9. Case: Investing in democracy

At Delta Lloyd, we've always taken a long-term view on investing. We take up our responsibility as a shareholder in the companies we invest in. As a case in point, Delta Lloyd has been a major shareholder in small caps, often family businesses, for many years and has tried to bring companies facing headwind back on track, often in cooperation with fellow shareholders, rather than abandoning them at the first sign of trouble.

Likewise, we take a responsible approach when seizing investment opportunities across the world. Looking at every opportunity critically, we exclude companies and countries involved in the production or trade of controversial weapons, human rights violations or other activities that go against our standards for responsible investing. For many years, for instance, Myanmar was on our list of excluded countries. We refrained from investing in companies doing business in this authoritarian Southeast Asian country, where human rights violations were abundant.

We strongly believe excluding countries and companies comes with responsibilities. We constantly monitor developments so we are ready to support a change for the better as soon as it arises. In the case of Myanmar we changed our investment policy in 2012, after the Myanmar regime had started reforms the year before, allowing trade unions and freeing opposition leader Aung San Suu Kyi, who was under house arrest. Although we haven't dramatically stepped up investments, we are now open to invest in companies active in Myanmar.

We closely asses the environmental and social impact of these businesses, many of whom are involved in the oil and gas industry in Myanmar. We aim to make investments that contribute to accelerating the democratisation process in the country. We understand that reforms take time. But we also strongly believe that foreign investments, if made responsibly, can help build a democratic society.

4.10. Case: Women test pensions

When I retire, I'll go travelling: a dream cherished by many, but increasingly out of reach for most. In fact, reaching retirement age will result in a substantial decline in income for a large part of the population. And especially for women.

We, at Delta Lloyd, are pension experts. We understand the importance of looking after your pension throughout your working life in order to avoid unpleasant surprises when you reach retirement age. In order to reach a wider audience with this story, we asked two Belgian women to make do with € 927 for two months as part of the 'Women and retirement' campaign in Belgium.

The campaign was launched on the International Day of Old Persons on 1 October 2011, and ended in March 2012. The two women (a veterinary surgeon and a psychologist) wrote a blog highlighting what a hard time they had making ends meet. After paying their monthly bills for housing, food and health care, there was hardly any money left. Living on a tight budget was a wake-up call for these two.
Women are often hard hit when they reach retirement age as their pensions tend, on average, to be lower than that of men. Because women sometimes stop work temporarily or switch to part-time jobs after starting a family, their pension build-up is lower. These decisions can have a substantial impact in their later years.

We hope it is a wake-up call not just for these two, but for many women. Delta Lloyd is trying to raise awareness about financial solutions, including retaining a decent income after retirement. We at Delta Lloyd try to take it one step further. After the campaign we met with the then-Minister for Pensions, who announced the idea of split pensions, meaning couples can voluntarily split their rights to a pension between them. His successor has said he wants to continue building on this idea.

5. Financial statements 2012

This chapter includes the consolidated financial statements, the separate financial statements and other information. These financial statements have been authorised for issue by the Executive Board, following their approval by the Supervisory Board on 3 April 2013. The General Meeting of Shareholders will be asked to adopt these financial statements at the Annual Meeting on 23 May 2013.

5.1. Consolidated financial statements

Delta Lloyd NV is a public limited liability company ('naamloze vennootschap') incorporated and headquartered in the Netherlands. The company's registered address is Amstelplein 6, 1096 BC Amsterdam. With its subsidiaries (collectively 'Delta Lloyd Group') it provides life and pension insurance, long-term savings products, most classes of general insurance, banking and asset management. These activities are carried out through subsidiaries and associates in the Netherlands, Belgium and Germany.

The reporting segments within Delta Lloyd Group are structured based on the above activities. These segments are Life insurance, General insurance, Bank, Asset Management and Other. Further details are provided in section 5.1.7.3. 'Segment information'.

Until 3 November 2009, London-based Aviva plc indirectly owned Delta Lloyd NV's entire ordinary share capital. On 3 November 2009 (after exercising the greenshoe option) 41.1% of the ordinary share capital was issued to third parties in a public offering. After Aviva plc reallocated 25 million and 37 million of ordinary shares on 6 May 2011 and 6 July 2012, respectively, and after a few small increases in the number of ordinary shares issued as a result of stock dividends, Aviva plc's indirect interest in Delta Lloyd fell to 19.4% (2011: 41.9%) of the ordinary share capital and 18.2% (2011: 39.3%) of the voting rights NV on 31 December 2012. Fonds NutsOHRA holds the entire preference share A capital and, therefore, 6.9% (2011: 7.2%) of the voting rights in the General Meeting of Shareholders.

On 8 January 2013, Aviva sold its remaining stake in Delta Lloyd NV to various institutional investors, increasing Delta Lloyd's free float to approximately 99%.

5.1.1. Statement of financial position

Consolidated statement of financial position				
In millions of euros		**31 December 2012**	**31 December 2011**	**1 January 2011**
Assets				
Goodwill	O, 12	304.4	330.4	330.4
AVIF and other intangible assets	O, 13	113.9	148.2	140.7
Deferred acquisition costs	X, 14	180.7	200.2	220.1
Property and equipment	P, 15	140.8	160.6	178.9
Investment property	Q, 16	2,167.5	2,446.9	2,414.2
Associates and joint ventures	C, 17	193.6	334.8	375.4
Deferred tax assets	AF, 33	1,533.3	628.6	54.6
Debt securities	U, 18	25,232.8	20,366.2	19,473.7
Equity securities	U, 18	4,322.1	4,984.8	5,548.9
Derivatives	V, 18	2,550.3	2,436.2	1,149.2
Investments at policyholders' risk	U, V, 19	13,535.2	12,495.6	12,772.7
Loans at fair value through profit or loss	W, 18	6,249.1	6,104.6	6,331.5
Loans and receivables at amortised cost	W, 18	17,106.7	17,321.8	16,001.6
Reinsurance assets	H, N, 28	535.2	561.5	603.4
Plan assets	AE, 31	18.8	19.1	20.4
Inventory of real estate projects	A, 21	30.2	42.6	53.0
Receivables and other financial assets	A, 22	2,209.5	1,984.3	1,597.3
Current tax assets		79.7	116.3	31.2
Capitalised interest and prepayments	A	637.9	609.7	672.1
Cash and cash equivalents	Y	2,570.6	3,543.4	1,193.9
Assets held for sale	AG, 5	283.4	27.3	24.2
Total assets		**79,995.6**	**74,862.9**	**69,187.4**
Capital and reserves				
Share capital	23	35.4	34.1	33.5
Share premium		355.2	356.4	357.0
Revaluation reserves	25	637.7	406.0	737.8
Other reserves		-277.5	-90.5	39.8
Equity compensation plan		5.8	5.4	0.9
Treasury shares		-36.8	-37.9	-43.5
Retained earnings	26	1,586.4	3,191.9	3,501.0
Total capital and reserves		**2,306.1**	**3,865.6**	**4,626.6**
Non-controlling interests		306.7	309.4	334.2
Shareholders' funds		**2,612.8**	**4,175.0**	**4,960.8**
Liabilities				
Insurance liabilities	L, 27	44,722.7	39,104.3	35,961.3
Liabilities for investment contracts	K, L, M, 29	4,736.8	4,028.1	3,758.1
Pension obligations	AE, 31	2,370.7	2,046.2	1,802.8
Provisions for other liabilities	AD, 32	87.0	136.3	214.7
Deferred tax liabilities	AF, 33	1,220.2	911.4	472.7
Current tax liabilities		44.8	34.0	-
Subordinated debt	Z, 34	716.8	666.0	676.8
Securitised mortgages	Z, 34	4,897.2	4,860.4	5,890.0
Other borrowings	Z, 34	1,078.3	1,372.2	1,727.2
Derivatives	V, 18	2,078.0	1,708.2	1,284.7
Investments at policyholders' risk	19	22.8	37.3	-
Customer savings and deposits	C, 35	10,181.9	9,965.8	7,254.0
Other financial liabilities	C, 35	2,808.0	2,096.9	1,793.9
Other liabilities	A, 36	2,282.5	3,720.9	3,390.5
Liabilities relating to assets held for sale	AG, 5	135.2	-	-
Total liabilities		**77,382.8**	**70,688.0**	**64,226.7**
Total shareholders' funds and liabilities		**79,995.6**	**74,862.9**	**69,187.4**

Financial Statements 2012

The accounting policies (in alphabetical order) and notes (in numerical order) are an integral part of these financial statements.

5.1.2. Consolidated income statement

Consolidated income statement			
In millions of euros		**2012**	**2011**
Income			
Gross written premiums	F, 6	5,205.5	5,871.6
Outward reinsurance premiums	6	-201.5	-161.4
Net written premiums		**5,004.0**	**5,710.2**
Change in unearned premiums provision		1.6	20.6
Net premiums earned	**F, 3, 6**	**5,005.6**	**5,730.8**
Investment income	6	5,759.5	3,765.6
Share of profit or loss after tax of associates	C, 6	9.5	48.6
Net investment income	**I, 6**	**5,768.9**	**3,814.1**
Fee and commission income	G, H, 6	256.0	232.5
Other income	6	12.1	14.7
Total investment and other income	**3, 6**	**6,037.0**	**4,061.4**
Total income	**3, 6**	**11,042.6**	**9,792.2**
Expenses			
Net claims and benefits paid*	7	4,594.2	4,390.0
Change in insurance liabilities	7	6,433.9	3,526.0
Expenses relating to the acquisition of insurance, investment and other contracts		651.2	647.7
Finance costs	7	692.1	812.9
Other operating expenses	7	681.9	656.5
Total expenses		**13,053.4**	**10,033.2**
Result before tax from continuing operations	**3, 6**	**-2,010.8**	**-241.0**
Income tax	AF, 11	-533.6	-88.3
Result after tax from discontinued operations	AG, 5	11.8	-0.4
Net result		**-1,465.4**	**-153.1**
Attributable to:			
Delta Lloyd NV shareholders		-1,495.1	-182.5
Non-controlling interests		29.7	29.4
Net result		**-1,465.4**	**-153.1**

* Net claims and benefits paid includes profit sharing and discounts

Earnings per share			
In euros		**2012**	**2011**
Basic earnings per share from continuing operations	AB, 24	-8.70	-1.08
Basic earnings per share from discontinued operations	AB, 24	0.07	-
Basic earnings per share including discontinued operations		**-8.63**	**-1.08**
Diluted earnings per ordinary share from continuing operations	AB, 24	-8.70	-1.08
Diluted earnings per ordinary share from discontinued operations	AB, 24	0.06	-
Diluted earnings per ordinary share including discontinued operations		**-8.64**	**-1.08**

The accounting policies (in alphabetical order) and notes (in numerical order) are an integral part of these financial statements.

5.1.3. Consolidated statement of comprehensive income

Consolidated statement of comprehensive income		
In millions of euros	**2012**	**2011**
Net result	**-1,465.4**	**-153.1**
Other comprehensive income		
Changes in value of financial instruments available for sale	351.0	-476.9
Transfer of available for sale relating to DPF contracts to provisions	-52.7	-23.7
Impairment losses transferred to income statement	185.6	231.4
Reversal of impairment losses transferred to income statement	-1.7	-
Realised gains/losses on revaluations of financial instruments available for sale transferred to income statement	-235.1	-103.0
Fair value adjustments associates	25.5	21.1
Actuarial gains and losses (pension obligations)	-258.0	-173.3
Transfer of actuarial gains and losses relating to DPF contracts to provisions	8.4	-
Fair value adjustments property	2.8	-
Fair value adjustments due to micro hedge debt securities available for sale	-2.0	-
Aggregate tax effect	27.0	50.1
Total other comprehensive income	**50.7**	**-474.3**
Total comprehensive income	**-1,414.7**	**-627.4**
Attributable to:		
Delta Lloyd NV shareholders	-1,450.5	-644.6
Non-controlling interests	35.8	17.2
Total comprehensive income	**-1,414.7**	**-627.4**

The accounting policies (in alphabetical order) and notes (in numerical order) are an integral part of these financial statements.

5.1.4. Consolidated statement of changes in equity

Consolidated statement of changes in equity										
In millions of euros	Ordinary share capital	Share premium	Revaluation reserves	Other reserves	Equity compensation plan	Treasury shares	Retained earnings	Total capital and reserves [1]	Non-controlling interests	Shareholders' funds
At 1 January 2011	33.5	357.0	737.8	39.8	0.9	-43.5	3,495.7	4,621.3	334.2	4,955.5
Change in accounting policy	-	-	-	-	-	-	5.2	5.2	-	5.2
Restated opening balance 2011	**33.5**	**357.0**	**737.8**	**39.8**	**0.9**	**-43.5**	**3,501.0**	**4,626.6**	**334.2**	**4,960.8**
Total other comprehensive income	-	-	-331.8	-130.3	-	-	-	-462.1	-12.2	-474.3
Result for the period [2]	-	-	-	-	-	-	-182.5	-182.5	29.4	-153.1
Final dividend payment 2010	0.4	-0.4	-	-	-	-	-70.2	-70.2	-	-70.2
Interim dividend payment 2011	0.2	-0.2	-	-	-	-	-56.3	-56.3	-	-56.3
Non-controlling interests in dividend payment 2011	-	-	-	-	-	-	-	-	-49.5	-49.5
Movement non-controlling interests [3]	-	-	-	-	-	-	-	-	7.5	7.5
Change indirectly held shares in investment funds at policyholders' risk	-	-	-	-	-	5.6	-	5.6	-	5.6
Change options granted	-	-	-	-	4.5	-	-	4.5	-	4.5
At 31 December 2011	**34.1**	**356.4**	**406.0**	**-90.5**	**5.4**	**-37.9**	**3,191.9**	**3,865.6**	**309.4**	**4,175.0**
At 1 January 2012	34.1	356.4	406.0	-90.5	5.4	-37.9	3,191.9	3,865.6	309.4	4,175.0
Total other comprehensive income	-	-	231.7	-187.1	-	-	-	44.6	6.1	50.7
Result for the period [2]	-	-	-	-	-	-	-1,495.1	-1,495.1	29.7	-1,465.4
Final dividend payment 2011	0.5	-0.5	-	-	-	-	-76.2	-76.2	-	-76.2
Interim dividend payment 2012	0.7	-0.7	-	-	-	-	-34.8	-34.8	-	-34.8
Non-controlling interests in dividend payment 2012	-	-	-	-	-	-	-	-	-29.3	-29.3
Movement non-controlling interests [3]	-	-	-	-	-	-	-	-	-9.3	-9.3
Change treasury shares	-	-	-	-	-	1.5	-	1.5	-	1.5
Change indirectly held shares in investment funds for own risk	-	-	-	-	-	-	-	-	-	-
Change indirectly held shares in investment funds at policyholders' risk	-	-	-	-	-	-0.5	-	-0.5	-	-0.5
Change options granted	-	-	-	-	0.4	-	0.6	0.9	0.1	1.0
At 31 December 2012	**35.4**	**355.2**	**637.7**	**-277.5**	**5.8**	**-36.8**	**1,586.4**	**2,306.1**	**306.7**	**2,612.8**

1) Attributable to Delta Lloyd NV shareholders

2) The distribution of the result will be determined by the General Meeting of Shareholders (see section 5.3.1.)

3) Purchase and disposal of FBA and reclass of 15% non-controlling interest of Cyrte Investment to financial liabilities

Total other comprehensive income relates to the equity allocation of the items specified in section 5.1.3.

Payment and delivery of shares regarding the 2011 final dividend of € 0.61 per share took place on 20 June 2012. Around 26.1% of the shareholders elected to receive the dividend in ordinary shares. As a result, 2,720,954 new ordinary shares were issued as stock dividend and charged to the share premium account (€ 0.5 million). The remaining 73.9% of the shareholders received the dividend in cash (€ 76.2 million).

Payment and delivery of shares regarding the 2012 interim dividend of € 0.42 per share in cash or with a 4% premium if stock dividend was chosen (€ 0.44) took place on 2 August 2012. Around 51.7% of shareholders opted for the stock dividend. There were 3,471,220 new ordinary shares issued as stock dividend and charged to the share premium account (€ 0.7 million). The other 48.3% of the shareholders took the dividend in cash (€ 34.8 million). Section 5.3.1. gives further details on the dividend distributions and policy.

Treasury shares relate to shares held both directly and indirectly. Directly-held shares were acquired as part of a share repurchase programme whose sole purpose was to meet obligations under the equity compensation plans (both old and new plans) for management. In this context 1,650,000 shares were repurchased in 2010 at an average purchase price of € 14.12. A total of 106,877 shares (€ 1.5 million) were delivered under the equity compensation plan. In 2012, the movement in treasury shares held indirectly through investment funds was 44,680 shares amounting to € 0,5 million. Treasury shares held indirectly, either at own risk or at policyholders' risk, totalled 954,897 at 31 December 2012 (2011: 910,217), with an average purchase price of € 15.76 (2011: € 16.00).

The equity compensation plan refers to the Performance Share Plan and the Variable Incentive Plan for the Executive Board, directors and managers in control functions and functions which impact the risk profile. The € 0.4 million movement in options granted under the equity compensation plan consists of a settlement of € 1.6 million and € 2.0 million in grants of new options (see section 5.1.6.31. 'Employee benefits' and section 5.1.7.9. 'Employee information'). Options settled at a different rate than initially granted resulted in a movement of € 0.6 million in retained earnings.

The accounting policies (in alphabetical order) and notes (in numerical order) are an integral part of these financial statements.

5.1.5. Consolidated cash flow statement

Consolidated cash flow statement for the year ending 31 December			
In millions of euros		**2012**	**2011**
Net result		-1,465.4	-153.1
Net result from discontinued operations		11.8	-0.4
Net result from continuing operations		**-1,477.2**	**-152.7**
Adjustments for:			
- Tax	11	-533.6	-88.3
- Depreciation	7	16.5	16.2
- Amortisation		357.1	293.6
Impairments of:			
- Intangible assets	7	30.0	5.8
- Property and equipment	7	7.7	-
- Inventory of real estate projects	7	15.6	11.4
- Financial investments	6	183.9	231.3
- Loans and receivables including insurance receivables	6,7	27.1	20.6
- Property held for sale	7	1.5	0.6
Net unrealised fair value loss on financial assets and investment property		-2,107.5	-1,177.7
Share of profit or loss from associates	17	-9.5	-48.6
Cash generating profit of the year		**-3,488.3**	**-887.7**
Net (increase)/decrease in intangible assets related to insurance and investment contracts	13	9.6	4.2
Net (increase)/decrease in other intangible assets	13	-12.0	-31.5
Net (increase)/decrease in property and equipment	15	-9.6	-0.7
Net (increase)/decrease in investment property	16	181.8	-76.6
Net (increase)/decrease in plan assets	31	0.3	1.4
Net (increase)/decrease in associates	17	155.2	124.5
Net (increase)/decrease in reinsurance assets	28	26.4	41.9
Net (increase)/decrease in other assets		-516.6	-253.5
Net (increase)/decrease in receivables and other financial assets		-220.7	-601.8
Net (increase)/decrease in prepayments and accrued interest	5.1.1	-31.5	62.4
Net (decrease)/increase in insurance liabilities	27	5,618.4	3,143.0
Net (decrease)/increase in liabilities for investment contract	29	708.6	270.1
Net (increase)/decrease in pension obligations and provisions for other liabilities	31,32	275.1	164.9
Net (decrease)/increase in tax assets / liabilities		-30.1	-49.2
Net (decrease)/increase in borrowings	34	-171.7	-3.5
Net (decrease)/increase in other liabilities	36	-1,303.2	330.3
Net (decrease)/increase in financial liabilities	35	922.3	3,014.9
Net movement in derivative financial instruments (including at policyholders' risk)		-64.1	-47.5
Subtotal		**2,049.8**	**5,205.6**

Consolidated cash flow statement for the year ending 31 December			
In millions of euros		**2012**	**2011**
Subtotal		**2,049.8**	**5,205.6**
Income taxes paid		15.1	-48.9
Net cash flow from operating activities		**2,065.0**	**5,156.7**
Total		**2,065.0**	**5,156.7**
Cash flow from investing activities			
New equity capital	17	-4.6	-35.2
Purchase of joint venture, including cash and cash equivalents bought		-	-6.3
Disposal of subsidiaries, including cash and cash equivalents sold		15.1	-
Net (increase)/decrease in debt securities (including at policyholders' risk)		-3,884.0	-499.6
Net (increase)/decrease in equity securities (including at policyholders' risk)		792.9	-10.8
Net (increase)/decrease in other investments		-10.8	81.8
Net increase/decrease in loans against fair value through profit or loss (including at policyholders' risk)		-284.4	-160.7
Net (increase)/decrease in loans and receivables at amortised cost		684.5	-631.0
Purchases of property and equipment	15	-17.9	-11.7
Proceeds from sale of property and equipment	15	6.0	2.5
Net cash flow from investing activities		**-2,703.2**	**-1,271.0**
Total		**-2,703.2**	**-1,271.0**
Cash flow from financing activities			
Proceeds from borrowings	34	1,503.6	2,430.0
Repayments of borrowings	34	-1,688.3	-3,850.1
Dividends paid to shareholders	5.1.4	-111.0	-70.2
Dividends paid to non-controlling interests	5.1.4	-29.3	-49.5
Net cash flow from financing activities		**-325.0**	**-1,539.9**
Net cash flow from financing activities of discontinued operations		-	-
Total		**-325.0**	**-1,539.9**
Net (decrease)/increase in cash and cash equivalents		-963.3	2,345.8
Cash and cash equivalents at beginning of year		3,543.4	1,197.7
Net (decrease)/increase in cash and cash equivalents		-963.3	2,345.8
Cash and cash equivalents at year end		**2,580.1**	**3,543.4**
Cash and cash equivalents of discontinued operations at beginning of year		-	-
Net (decrease)/increase in cash and cash equivalents of discontinued operations		-	-
Cash and cash equivalents of discontinued operations at year end		-	-
Total cash and cash equivalents at 31 December		**2,580.1**	**3,543.4**
Cash and cash equivalents consolidated statement of financial position		2,570.6	3,543.4
Cash and cash equivalents risk reward policyholder		9.6	-
Total cash and cash equivalents at 31 December		**2,580.1**	**3,543.4**
Further details on cash flow from operating activities			
Interest paid		737.7	786.9
Interest received		1,762.1	1,883.5
Dividends received		359.6	323.2

The accounting policies (in alphabetical order) and notes (in numerical order) form an integral part of these financial statements.

Up until 2011 the investments were included under cash flow from operating activities.

From 2012 on Delta Lloyd Group includes investments under cash flow from investing activities as this provides a better insight. The comparative figures are adjusted accordingly.

5.1.6. Accounting policies

The principal accounting policies adopted in preparation of these financial statements are set out below. Unless otherwise stated, these policies are consistently applied throughout Delta Lloyd Group, in all the years presented.

Change in accounting policy due to amendment to IAS 19 Employee Benefits (mandatory from 1 January 2013)

On 5 June 2012, the European Union adopted the amendment to IAS 19. Delta Lloyd Group decided to adopt this amendment early, from 1 January 2012. The main changes are:

- Different processing of the actuarial gains and losses from the income statement to the statement of other comprehensive income;
- Past service pension costs are recognised in the income statement immediately as they occur;
- The expected return on reimbursement rights is determined using the Corporate AA curve; and
- The expected return on reimbursement rights forms part of interest expense on pension obligations and this interest expense is accounted for under finance costs rather than operating expenses.

This amendment also requires more extensive disclosure of the risks and characteristics of defined benefit plans.

The impact of the change in the accounting policy is as follows:

Restatement of comparative figures in the statement of financial position 31 December 2011

In millions of euros	Before adjustments	Change in accounting policy IAS 19	After adjustments
Statement of financial position			
Plan assets	18.3	0.8	19.1
Total assets		**0.8**	
Shareholders' funds	4,169.8	5.2	4,175.0
Pension obligations	2,052.3	-6.2	2,046.2
Tax liabilities	943.6	1.8	945.4
Total shareholders' funds and liabilities		**0.8**	

Restatement of comparative figures in the income statement 2011

In millions of euros	Before adjustments	Change in accounting policy IAS 19	After adjustments
Income statement			
Finance costs	724.1	88.8	812.9
Other operating expenses	918.6	-262.1	656.5
Income tax	-131.4	43.2	-88.2
Net result	-283.3	130.2	-153.1

5.1.6.1. (A) Basis of presentation

Delta Lloyd Group prepares its consolidated financial statements using International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union. Since 1 July 2012, Delta Lloyd Group uses the EU carve-out on hedge accounting for its banking activities in Belgium.

From 1 January 2012, Delta Lloyd Group applies the following new and amended IFRS standards and IFRIC interpretations. This did not affect the financial results.

Amendments to IFRS 7 Financial Instruments: Disclosures - Transfers of financial assets (mandatory for financial years beginning on or after 1 July 2011)
These amendments are intended to improve the understanding of users of financial statements regarding transfers of financial assets (e.g. securitisation) and include information on the possible effects of any risks retained by the entity which has transferred the assets. The amendments also require additional disclosures if a disproportionately large part of the transfers occur around the end of a reporting period. These amendments do not affect Delta Lloyd Group's result and equity. The additional disclosures are included in section 5.1.7.40. 'Transferred financial assets'.

Amendment to IAS 12 Deferred tax: Recovery of Underlying Assets (mandatory from 1 January 2012)
This amendment provides a practical approach to measuring deferred tax assets and liabilities if an investment property is measured using the fair value model in IAS 40, 'Investment Property'. Under IAS 12, measurement of deferred tax assets and liabilities depends on whether an entity expects to recover the carrying value of an asset through use or sale. The current assumption is that all investment properties will be fully recovered through sale, provided this is not refuted by the business model. This amendment does not affect the financial results of Delta Lloyd Group.

The IASB has published new standards, amendments and interpretations which were endorsed by the European Union by 31 December 2012 and which became mandatory from 1 January 2013 for Delta Lloyd Group.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income (mandatory for financial years beginning on or after 1 July 2012)
These amendments enhance the consistency and clarity in the way in which items in the statement of other comprehensive income are presented. The main change is the requirement for entities to group items within other comprehensive income according to whether they may be reclassified to the income statement. This amendment does not affect the financial results of Delta Lloyd Group.

IFRS 13 Fair Value Measurement (mandatory from 1 January 2013)
This standard defines how fair value should be measured using an overall definition of fair value. It also requires disclosures on fair value measurements. The fair value disclosures required under IFRS 7, 'Financial Instruments', including the fair value hierarchy, were transferred to this standard. Delta Lloyd Group does not expect this standard to affect its financial results but the notes to the financial statements will be expanded.

Amendments to IFRS 1 Severe hyperinflation and removal of fixed dates for first-time adopters (mandatory for financial years beginning on or after 1 July 2011)
The amendment regarding severe hyperinflation provides guidance for entities emerging from severe hyperinflation either to resume presenting IFRS financial statements or to present IFRS financial statements for the first time. In respect of the removal of fixed dates, first-time adopters of IFRSs are exempted from having to reconstruct transactions that occurred before the date of transition to IFRS. These amendments to IFRS 1 do not affect Delta Lloyd Group as it is not a first-time adopter and does not face hyperinflation.

Amendments to IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities (mandatory from 1 January 2013)
These amendments require additional information to be disclosed which will enable users of the entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. Delta Lloyd Group does not expect that this standard will affect its financial results or its equity but the notes to the financial statements will be expanded.

The IASB published new standards, amendments and interpretations which were endorsed by the European Union (EU) by 31 December 2012 and become mandatory as of 1 January 2014 for Delta Lloyd Group.

IFRS 10 Consolidated Financial Statements (mandatory within EU from 1 January 2014)
IFRS 10 replaces IAS 27, 'Consolidated and Separate Financial Statements', and SIC 12, 'Consolidation - Special Purpose Entities', although IAS 27 continues to apply to separate financial statements. The term 'control' is specified in more detail. An investor has 'control' of an entity if the following criteria are met:

- The investor has power over the entity;
- The investor is exposed, or has rights, to variable returns due to his involvement in the relevant activities of the entity; and
- The investor has the ability to use his power to affect the level of the returns. This is a combination of the first two elements.

Delta Lloyd Group is currently examining the precise effects of this new standard on its consolidation. The impact of these effects is expected to be limited, only consolidation of investment funds or new interpretation of the standard may have significant impact.

IFRS 11 Joint Arrangements (mandatory within EU from 1 January 2014)
This standard supersedes IAS 31, 'Interests in Joint Ventures', and SIC 13, 'Jointly Controlled Entities – Non-monetary Contributions by Venturers'. Under IFRS 11, proportionate consolidation is no longer permitted. IFRS 11 distinguishes between 'joint operations' and 'joint ventures' with the focus being on economic reality, i.e. on rights and obligations, rather than on the legal form of the joint arrangement ('substance over form'). A joint operator recognises the assets and liabilities of the arrangement and the related revenues and expenses. A joint venturer recognises its interest in the

arrangement using the equity method. This standard does not affect Delta Lloyd Group since all joint arrangements classified as joint ventures are already recognised using the equity method.

IFRS 12 Disclosure of Interests in Other Entities (mandatory within EU from 1 January 2014)
This standard requires more extensive disclosure of information on entities included in the consolidated financial statements and on participating interests not consolidated under IFRS 10, ‘Consolidated Financial Statements’, IFRS 11, ‘Joint Arrangements’, IAS 27, ‘Separate Financial Statements’ and IAS 28, ‘Investments in Associates and Joint Ventures’. The additional disclosures relate mainly to the extent and the nature of risks relating to investments in other entities. This standard will not affect Delta Lloyd Group’s financial results but the notes to the financial statements will be expanded.

Revised IAS 27 Separate Financial Statements (mandatory within EU from 1 January 2014)
This standard was revised due to the introduction of the new IFRS 10, ‘Consolidated Financial Statements’. All elements relating to ‘control’ and requirements on consolidation were eliminated from the old standard. In addition, elements from IAS 28 ‘Investments in Associates’ and IAS 31, ‘Interests in Joint Ventures’ that relate to separate financial statements were added to this standard. This standard does not result in changes to the separate financial statements and, therefore, does not affect Delta Lloyd Group’s financial results and disclosures.

Revised IAS 28 Investments in Associates and Joint Ventures (mandatory within EU from 1 January 2014)
The previous title of this standard was expanded to include joint ventures, because both associates and joint ventures must now be measured using the equity method due to the replacement of IAS 31, ‘Interests in Joint Ventures’ and the new IFRS 11, ‘Joint Arrangements’. The content of the standard was not changed, so there are no consequences for Delta Lloyd Group.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities (mandatory from 1 January 2014)
These amendments contain a change in the application guidance (and corresponding Basis for Conclusion) regarding the requirement that an entity ‘currently has a legally enforceable right to offset the recognised amounts’ and ‘intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously’. These amendments do not affect Delta Lloyd Group’s result and equity.

The IASB published new standards, amendments and interpretations which were not yet endorsed by the European Union by 31 December 2012. Delta Lloyd Group will decide after endorsement by the European Union whether it wishes to adopt these new standards, amendments and interpretations early for the 2013 financial statements.

IFRS 9 Financial Instruments Phase I (mandatory from 1 January 2015)
IFRS 9 Phase I replaces existing standards for the classification and measurement of financial assets (IAS 39). The date of mandatory application was changed in 2011 from 1 January 2013 to 1 January 2015. Measurement of financial assets depends on the business model and the contractual

characteristics of the financial assets. The key change up to 2012 involved the elimination of the 'available for sale' category for financial assets. Henceforth, there were only two categories (fair value and amortised cost). In 2012 the IASB decided that an additional category was to be added for debt instruments: fair value through other comprehensive income with recycling through profit and loss. If the European Union endorses this standard as proposed, it may have a material effect on Delta Lloyd Group's result and equity, depending on market conditions at the time of transition.

Amendments to IFRS 1 Government loans (mandatory from 1 January 2013)
The amendments add an exception to the retrospective application of IFRS, which requires that first-time adopters apply the requirements in IFRS 9 'Financial Instruments' and IAS 20 'Accounting for Government Grants and Disclosure of Government Assistance' prospectively to government loans existing at the date of transition to IFRSs. These amendments to IFRS 1 do not affect Delta Lloyd Group as it is not a first-time adopter.

Improvements to IFRSs 2009-2011 (mandatory from 1 January 2013)
These amendments to IFRSs and the related basis for conclusions and guidance address the following topics: IFRS 1 'First-time Adoption of International Financial Reporting Standards' - repeated application of IFRS 1 and borrowing costs, IAS 1 'Presentation of Financial Statements' - clarification of the requirements for comparative information, IAS 16 'Property, Plant and Equipment' - classification of servicing equipment, IAS 32 'Financial Instruments: Presentation' - tax effect of distribution to holders of equity instruments and IAS 34 'Interim Financial Reporting' - Interim financial reporting and segment information for total assets and liabilities. The improvements do not affect Delta Lloyd Group's financial result or equity because they are mainly a clarification.

Amendments to IFRS 10, IFRS 11 and IFRS 12 Transitional Guidance (mandatory from 1 January 2013)
The amendments clarify the transition guidance in IFRS 10, IFRS 11 and IFRS 12 and provide relief from presenting or adjusting comparative information for periods prior to the immediately preceding period. The amendments explain that the 'date of initial application' in IFRS 10 means 'the beginning of the annual reporting period in which IFRS 10 is applied for the first time' and clarify how an investor shall adjust comparative period(s) retrospectively if the consolidation conclusion reached at the date of initial application differs, depending on whether IFRS 10 or IAS 27/SIC-12. IFRS 12 is applied. IFRS 12 was amended further to provide additional transition relief by eliminating the requirement to present comparatives for disclosures relating to unconsolidated structured entities for any period prior to the first annual period for which IFRS 12 is applied. Delta Lloyd Group will use the described transitional guidance when IFRS 10, IFRS 11 and IFRS 12 become mandatory.

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment entities (mandatory from 1 January 2014)
The amendments define an investment entity and introduce an exception to consolidating particular subsidiaries for investment entities. These amendments require an investment entity to measure those subsidiaries at fair value through profit or loss in accordance with IFRS 9 'Financial Instruments' in its consolidated and separate financial statements. The amendments also introduce new disclosure requirements for investment entities in IFRS 12 and IAS 27. These amendments have no impact because Delta Lloyd Group is not an investment entity.

Other accounting policies
Unless stated otherwise, assets and liabilities are carried at historical cost. Where necessary, assets are shown net of impairment. Income and expenses are allocated in accordance with the matching principle. Expenses are accounted for in the expense category to which they relate. Expenses related to the acquisition of new business are classified as acquisition costs for insurance and investment contracts. Further information on the recognition of acquisition costs is given in accounting policy J. Financial assets and liabilities that are of a current nature (i.e. recoverable/payable within one year) are also accounted for at cost. The difference between cost and fair value is insignificant. Derivative financial instruments, which are measured at fair value irrespective of their duration, are an exception.

Other
Items in the financial statements of each of the Delta Lloyd Group entities are measured in the currency of the primary economic environment in which that entity operates ('the functional currency'). The consolidated financial statements are stated in euros, which is Delta Lloyd Group's key functional currency and also the presentation currency. Unless otherwise stated, the amounts shown in these financial statements are in millions of euros. Calculations in the tables are made based on unrounded figures; as a result, rounding differences can occur.

IAS 1 'Presentation of Financial Statements' requires a distinction between current and non-current assets and liabilities in the consolidated statement of financial position, unless a liquidity-based presentation provides better insight. For an insurance group, close control over liquidity, asset and liability matching, and highly regulated capital and solvency positions are considered to be more relevant. The distinction between current and non-current is therefore not made for insurance-related items. Further details of their risk management are provided in section 5.1.7.1. 'Risk management'.

As the income statement of Delta Lloyd NV for 2012 is incorporated in the consolidated financial statements, an abridged company income statement is presented in the separate financial statements, in accordance with section 2:402 of the Dutch Civil Code.

The consolidated cash flow statement is prepared according to the indirect method. A distinction is made between cash flows from operating, investing and financing activities.

5.1.6.2. (B) Use of assumptions and estimates

Preparing financial statements requires Delta Lloyd Group to make estimates and assumptions that affect items reported on the consolidated statement of financial position and income statement and the disclosure of contingent assets and liabilities at the date of the financial statements. This particularly concerns estimates and assumptions used to establish insurance contract provisions (including longevity risk), determine the fair value of assets and liabilities, establish impairment (including of goodwill and receivables), employee benefits and deferred acquisition costs. These estimates and assumptions are based on management's best knowledge of current facts, circumstances and, to some extent, future events and actions. Important assumptions made by management are set out in the relevant note. Actual results may ultimately differ, possibly significantly, from these estimates.

5.1.6.3. (C) Consolidation principles

Subsidiaries
Subsidiaries are those entities (including Special Purpose Vehicles) for which Delta Lloyd Group has the power to exercise control over financial and operating policies in order to gain economic benefits. Subsidiaries are consolidated from the date when effective control is transferred to Delta Lloyd Group and are excluded from consolidation from the date when effective control is lost. Subsidiaries with no material value are not consolidated. To ensure consistency, the accounting policies used by the subsidiaries have been aligned with those of Delta Lloyd Group. All intercompany transactions, balances and unrealised gains and losses on transactions between subsidiaries are eliminated.

Delta Lloyd Group uses the purchase method when a subsidiary is acquired. The acquisition price is the sum of the fair value of assets given, equity instruments issued and any acquisition-related liabilities. Separately identifiable assets, liabilities and contingent liabilities acquired, as well as net assets, are measured at fair value on the acquisition date. The difference between the acquisition price of a subsidiary and the share in net assets that is attributable to Delta Lloyd Group's equity interest is recognised as goodwill in the financial statements. If the acquisition price is lower than the fair value of the equity interest, the surplus is recognised through profit or loss.

Investment funds in which Delta Lloyd Group has the power to exercise control, either directly or indirectly, are consolidated. As Delta Lloyd Group is obliged to acquire non-controlling interests in such funds in the event that these are offered, they are classified as liabilities and appear as 'financial liabilities' in the statement of financial position (see section 5.1.7.35. 'Financial liabilities'). These liabilities are accounted for at fair value through profit or loss. For further details, see accounting policies I and U.

Securitisations
Delta Lloyd Group has securitised part of its mortgage portfolio in 'Special Purpose Vehicles' (SPVs). Under these transactions, beneficial ownership of these mortgage receivables is transferred to the SPV. Delta Lloyd Group does not directly or indirectly hold shares in these SPVs or their parent companies (see also section 5.1.7.20. 'Securitised mortgages and related assets') but it does hold notes of a number of SPVs (see section 5.1.7.34. 'Borrowings'). The SPVs are included in the consolidated financial statements of Delta Lloyd Group if and when the economic reality of the relationship between Delta Lloyd Group and the SPV means that it has control of the SPV, or if Delta Lloyd Group retains part of the risks and economic benefits, meaning that Delta Lloyd Group remains exposed to 100% of the prepayment, liquidity and interest rate risks after securitisation. Part of the credit risk is transferred to the note holders, but the full expected credit losses are absorbed by the reserve built up in the SPVs (of which the residual amount accrues to Delta Lloyd Group). Consequently, Delta Lloyd Group remains exposed to the majority of the residual risks.

Joint ventures
Joint ventures are entities over which Delta Lloyd Group has joint control. This control is contractually agreed, and strategic decisions on financial and operational policies are taken unanimously. Joint ventures are accounted for based on the same method used for associates (see below), i.e. the equity method, starting on the date when Delta Lloyd Group first has joint control until the date on which it ceases to have such control.

Associates
Associates are entities over which Delta Lloyd Group has significant influence, but which it does not control. It is generally presumed that Delta Lloyd Group has significant influence where it has between 20% and 50% of the voting rights.

Investments in associates are accounted for based on the equity method of accounting. This method accounts for any goodwill calculated on acquisition net of impairment charges since the acquisition date. Under this method, the cost of the investment in the associate, together with Delta Lloyd Group's share of that associate's post-acquisition changes to equity, is recognised as an asset in the consolidated statement of financial position. Where necessary, the accounting policies used by the associates are changed to ensure they are consistent with the policies of Delta Lloyd Group. Delta Lloyd Group's share of their post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition movements in equity is recognised in equity. The equity method of accounting is discontinued when Delta Lloyd Group no longer has significant influence over the investment or when it obtains control, in which case the entity is consolidated. All intercompany transactions, balances and unrealised gains and losses on transactions with associates are eliminated, unless unrealised losses provide evidence of impairment.

When Delta Lloyd Group's share of losses in an associate equals or exceeds its interest in the associate, Delta Lloyd Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the entity.

5.1.6.4. (D) Foreign currency translation

Foreign currency transactions are initially accounted for at the exchange rates of the functional currency prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

Translation differences on debt securities and other monetary financial assets measured at fair value through profit or loss are included in foreign exchange gains and losses in the income statement. Exchange differences resulting from changes in the amortised cost of monetary available-for-sale financial assets are accounted for in the income statement. Other changes in fair value are included in the investment revaluation reserve within equity.

Translation differences on non-monetary items which are held at fair value through profit or loss (see accounting policy U) are accounted for as part of fair value changes through profit or loss. Translation differences on non-monetary items whose movements are accounted for through equity are accounted for in the revaluation reserve. Translation takes place at the exchange rates prevailing when fair value is determined.

5.1.6.5. (E) Product classification

Insurance contracts are defined as those transferring significant insurance risk but only if, at the inception of the contract, an insured event could cause an insurer to pay substantial additional benefits in any scenario, excluding scenarios that lack commercial substance. Insurance risk is considered significant if the payment on the occurrence of an insured event differs at least 10% from the payment if the event does not occur. These contracts are considered to be insurance contracts throughout the remaining term to maturity, irrespective of when the insured event occurs. Any contract which does not qualify as an insurance contract under the IFRS 4 is classified as an investment contract and treated in accordance with IAS 39. Investment contracts can be reclassified as insurance contracts after inception if the insurance risk becomes significant.

Some insurance and investment contracts contain a participating feature, the value and timing of which depend on decisions taken by management. A participating feature is a discretionary right to receive additional benefits that make up a significant portion of the total contractual benefits. These contracts are referred to as discretionary participating feature (DPF) contracts. The additional benefits referred to are contractually based on the performance of a specified portfolio of contracts or a specified type of contract, realised and/or unrealised investment returns on a specified investment portfolio held by Delta Lloyd Group or the profit or loss of Delta Lloyd Group, the fund or the subsidiary entering into the contract. Finally, Delta Lloyd Group has non-discretionary participation based on an external benchmark (T or U yield).

5.1.6.6. (F) Income and expenses relating to insurance contracts

Premiums
General insurance premiums written reflect business entered into during the year, and exclude any sales-based taxes or duties. A limited part of the general insurance portfolio (mainly pools, exchange and inward reinsurance) is reported with a delay of one quarter. Unearned premiums are premiums written in a year related to periods of risk after the reporting period. Unearned premiums are computed daily, monthly or quarterly on a pro rata basis.

Premiums on life insurance contracts and discretionary or non-discretionary participating investment contracts are recognised as income when receivable. For single-premium business, this is the date from which the policy is effective. Premiums on regular-premium contracts and additional contributions are recognised when payments are due. Premiums on unit-linked insurance contracts are recognised when they are received. Premiums are shown gross of commission and before any sales-based taxes and duties. When policies lapse due to non-receipt of premiums, all accrued premium income is debited to premium income from the date on which the policies are deemed to have lapsed.

No premium income is recognised in the income statement for investment contracts without discretionary participating features (non-DPF). Recognition of fee income on such contracts is explained in accounting policy G.

Claims and benefits
General insurance claims incurred include all losses occurring during the year, whether reported or not, related handling costs for claims, reduced for the value of salvage and subrogation, and adjustments to claims outstanding from previous years. Claims handling costs relate to internal costs incurred in connection with the settlement of claims. Internal claims handling costs include the direct expenses of the claims department and allocated general expenses.

Life insurance benefits reflect the cost of all claims arising during the year, including handling costs and bonuses accrued.

5.1.6.7. (G) Income and expenses relating to investment contracts

Income
Investment contract policyholders are charged fees for policy administration, investment management, surrenders and other contract services. These fees are recognised as revenue in the period in which they arise unless they relate to future services, in which case they are deferred and recognised when the service is provided.

Policyholders are charged an initial fee on certain non-participating investment contracts and investment management contracts. If the fee relates to investment management services, it is deferred and amortised as the services are provided. If there is no contract for investment management services, the upfront fee is recognised as revenue on receipt. However, the fee forms part of the amortised cost for investment contracts which are measured at amortised cost in the statement of financial position.

Expenses
Expenses for investment contracts without discretionary participating features are recognised insofar as payments or recalculated obligations exceed the carrying value of the obligations.

5.1.6.8. (H) Fee and commission income and expenses

Fee and commission income consists primarily of investment fund management fees, distribution fees from investment funds, commission revenue from the sale of investment fund shares and intermediary fees. These fees are recognised in the period when the services to which they relate are provided. Reinsurance commissions receivable and other commission income are recognised on the trade date. Other fee expenses represent any uncapitalised commission expense paid during the reporting period to agents, advisers, brokers, and dealers (e.g. renewal commission).

5.1.6.9. (I) Net investment income

Investment income consists of cash and stock dividends, interest and rental income receivable for the year, fair value changes in investments through profit or loss (as defined in accounting policy U), impairment charges on available-for-sale investments, impairment charges on loans and receivables at amortised cost and book gains and losses on the sale of investments. Dividends on investments in equity securities are recorded as revenue on the ex-dividend date. Interest income is recognised as it accrues, taking into account the effective interest rate of the investment. It includes interest income as a result of interest rate differentials on forward foreign exchange contracts. Rental income is recognised based on the elapsed rental period.

The realised gain or loss on the disposal of an investment is the difference between the proceeds received, net of transaction costs, and its original cost or amortised cost as appropriate. Unrealised gains and losses represent the difference between the carrying value at year end and the carrying value at the previous year end or the purchase price during the year, less the reversal of previously recognised unrealised gains and losses on disposals made during the year.

Income from securities lending is settled with the counterparty and recognised in the income statement on a quarterly basis.

Securities sold under repurchase agreements (repos) are reclassified as related assets in the financial statements if the recipient is entitled by custom or contract to sell or offer the collateral as security. This obligation towards the counterparty is recognised as other liabilities to banks, bank deposits, other funds entrusted or deposits due to customers. Securities purchased under re-sale agreements (reverse repos) are recognised as loans and advances to other banks or customers. The difference between the selling price and the repurchase price is accounted for as interest using the effective interest rate method over the term of the contract. Lent securities are also recognised in the financial statements as beneficial ownership of these securities is retained.

5.1.6.10. (J) Acquisition costs

Acquisition costs comprise fixed and variable costs arising from writing insurance contracts.

Fee and commission expenses and other acquisition costs for insurance contracts and discretionary participating investment contracts represent the acquisition commission costs and other acquisition costs incurred during the period for these contracts, less the amounts deferred during the financial year, plus amortisation.

Transaction costs for non-participating investment contracts only include costs which are taken in the income statement during the term of these contracts. Transaction costs are incremental costs which are directly attributable to the acquisition of a financial asset or a financial liability, and include for example fees and commissions paid to advisers and brokers.

Acquisition costs relating to life insurance contracts and investment contracts are amortised systematically over a term no longer than the period expected to take to recover them out of future margins, subject to a maximum of ten years. Acquisition costs relating to general insurance contracts are amortised over the term in which premiums are earned.

Deferred acquisition costs are reviewed by business segment at the end of each reporting period. They are impaired if they are no longer considered recoverable.

5.1.6.11. (K) Contracts with discretionary participation features (DPF contracts)

Under DPF contracts policyholders are entitled to a profit share, the timing and/or level of which is at the insurer's discretion. This discretionary profit share comes on top of their entitlement to a guaranteed element. Delta Lloyd Group is entitled to decide whether this additional return is distributed to the policyholders or to the shareholders, subject to the contract terms and conditions. Movements in DPF contracts are recognised through profit or loss.

The Netherlands
Delta Lloyd Group offers only one DPF product in the Netherlands.

Belgium
In Belgium, all profit-sharing products have discretionary participating features. The discretionary participating features are defined in the policy setting out the DPF products, conditions and calculations. The actuarial department and the Management Board determine the policy, which is approved by the shareholders' meeting and must be authorised by the Belgian insurance regulator (NBB). DPF contracts can be either insurance contracts or investment contracts.

Germany
Profit sharing for traditional insurance contracts and single-premium investment contracts issued by Delta Lloyd Germany is based on the technical results plus the excess of interest-earnings over the base rate. A total of 90% of the excess interest earnings and 50% of the technical results are added to a provision for future distribution to policyholders. This percentage is based on management's assessment of the expected profit distribution and includes anticipated taxes. The timing of the release of this provision is at the discretion of the board of Delta Lloyd Germany. The difference between the (net) assets and (net) liabilities relating to discretionary participating contracts is classified as a liability.

5.1.6.12. (L) Insurance contract provisions

Life insurance business provisions
Delta Lloyd Group has used market interest rates to measure the insurance liabilities for most of its products since 2005. In view of developments in the financial markets, Delta Lloyd Group no longer regards the DNB swap curve as representative of the market rate. Consequently, Delta Lloyd Group decided to define the discount curve for a major part of its insurance liabilities from 1 January 2008 as the higher of the DNB swap curve and a yield curve derived from collateralised AAA euro area bonds. This composite curve is known as the collateralised AAA curve. Delta Lloyd Group believes that the collateralised AAA curve is a good representation of the market interest rate.

Explanation

The market interest rate is derived from financial instruments with characteristics that are as closely aligned to insurance liabilities as possible. The instruments chosen are almost free of credit risk and their liquidity matches that of the insurance liabilities. Until 2008, various instruments or combinations of these led to almost the same market interest rate:

- Cash plus swaps
- Government bonds
- Corporate bonds plus credit default swaps

The illiquidity premium was negligible for most financial instruments until 2008 but has risen strongly in the current market. The yield based on swaps is much lower than yields based on other credit risk-free instruments.

Insurance liabilities are relatively illiquid and offer long-term financing and a predictable development. Delta Lloyd Group believes that, in view of their illiquid nature, the higher illiquidity premium should be reflected in the market interest rate used to measure these liabilities.

Collateralised AAA bonds are less liquid than swaps. Delta Lloyd has found no information on historical defaults of collateralised bonds within the iBoxx index that were initially AAA-rated. As such Delta Lloyd Group regards them as sufficiently free of credit risk. Collateralised bonds are debt instruments secured by underlying collateral. Consequently, Delta Lloyd Group regards these instruments as the most suitable way to establish the market interest rate and value insurance liabilities.

In accordance with IFRS 4, Insurance Contracts, all insurance and DPF investment contract liabilities are recognised on the basis of the accounting policies which applied prior to the introduction of IFRS. The provision for a large part of the life insurance and investment contract liabilities is an exception and is calculated using the collateralised AAA curve (i.e. market interest rates instead of a fixed interest rate). This is the first adjustment towards the fair value measurement of the insurance liabilities in IFRS 4 Phase II.

Life insurance business provisions are calculated separately for each life operation, based on local accounting standards and general actuarial principles. The provisions are calculated on the basis of assumptions including a margin for prudence. The assumptions used in the calculations and any estimated margin for prudence depend on the specific situation of the entities involved. The principal assumptions used and a description of the liability adequacy test are set out in section 5.1.7.27. 'Insurance liabilities'. Within the life insurance business, explicit allowance is made for provisions for vested bonuses, including those arising contractually from linked investments. Movements in provisions are taken to the income statement. Explicit provisions are also formed for discretionary participation.

The provision for guaranteed benefits for participating insurance contracts is calculated, like all other insurance provisions, in accordance with prevailing actuarial principles using a deterministic approach and a prudent set of valuation assumptions. Other options in insurance contracts (including guarantees in unit-linked contracts) are measured stochastically at fair value. Related changes in value are recognised through profit or loss.

General insurance

(i) Outstanding claims provisions
Outstanding claims provisions for general insurance are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs, reduced for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years. Movements in provisions are taken to the income statement.

Significant delays are experienced in the notification and settlement of certain types of general insurance claims, particularly regarding liability business, including the insurance of asbestos and environmental exposure. The ultimate cost cannot be known with certainty at the reporting date. Anticipated benefit payments as a result of disability claims are discounted using either a fixed rate or the current collateralised AAA curve. Any estimate is determined within a range of possible outcomes. Further details of estimation techniques used and a description of the liability adequacy test are given in section 5.1.7.27. ‘Insurance liabilities’. Outstanding claims provisions are measured net of an allowance for expected future recoveries. Recoveries include assets that were acquired by exercising rights to salvage and subrogation under the terms of insurance contracts.

Outstanding claims provisions include ‘claims incurred but not reported’ (IBNR) and claims handling costs. Claims handling costs include all costs incurred internally in connection with the settlement or payment of claims, and are recognised in the income statement when the claims to which the costs relate are recognised in the income statement. Related costs also include costs which cannot be associated with specific claims, but which are related to claims paid or are in the process of settlement, such as internal costs of the claims functions or a proportion of overheads. Legal fees, doctors’ fees, loss adjusters’ fees, and external costs are recognised in incurred losses. Outstanding claims provisions include a margin for prudence. According to the guidelines of Delta Lloyd Group, each business unit's margin for prudence must ensure that the level of adequacy for the majority of the general insurance business provisions (disability contracts are an exception) is within a set range.

(ii) Provision for unearned premiums
The proportion of written premiums, gross of commission payable to intermediaries, attributable to subsequent periods, is deferred in a provision for unearned premiums. Changes in this provision are taken to the income statement during the risk period in question in order to ensure that the premium reflects the insured risk throughout the policy period.

(iii) Provision for unexpired risks
A provision for unexpired risks is made for contracts completed at a lower price than the premium required actuarially. This provision is based on the difference between the commercial premium and the premium required actuarially. Any shortfalls within Property & Casualty products can be offset with any surplus within other Property & Casualty products. This can also be done within income products.

(iv) Salvage and subrogation

Some insurance contracts allow Delta Lloyd Group to sell property (usually damaged) when settling a claim (i.e. salvage). Delta Lloyd Group may also have the right to pursue third parties for payment of some or all costs (i.e. subrogation). This reimbursement is reflected in section 5.1.7.27. 'Insurance liabilities' as part of recoveries on claims payments.

Other assessments and levies
Delta Lloyd Group is subject to various periodic insurance-related assessments or guarantee fund levies. Provisions related to these are established when there is a present obligation (legal or constructive) resulting from a past event. Such amounts are not included in insurance liabilities but are disclosed under section 5.1.7.32. 'Provisions for other liabilities', except for provisions for the Dutch Motor Insurers' Guarantee Fund *(Waarborgfonds der Motorrijtuigenverzekeraars)* which are part of the IBNR.

5.1.6.13. (M) Investment contract liabilities

Provision for non-participating investment contracts
Liabilities for non-participating investment contracts are measured at amortised cost, with the exception of unit-linked liabilities. The fair value of the liability is initially established through the use of prospective discounted cash-flow techniques. For unit-linked contracts, the value of the liability equals the fair value of the investments, plus a provision, if required, for guaranteed returns. Amortised cost is calculated as the fair value of the consideration received on the date of initial recognition, less the net effect of initial payments such as transaction costs and front-end fees. During subsequent periods, the cumulative amortisation (using the effective interest rate method) of any differences between that initial amount and the maturity value are either added or deducted, less any write-down for surrender payments. The effective interest rate is the rate at which the discounted cash payments are equal to the initial amount. On each reporting date, the amortised cost provision is determined as the estimated value of future cash flows discounted at the effective interest rate.

Provision for discretionary participating investment contracts
Liabilities for discretionary participating investment contracts are measured at fair value calculated in the same way as life insurance contracts (see section 5.1.7.29. 'Liabilities for investment contracts').

5.1.6.14. (N) Reinsurance

Delta Lloyd Group assumes and cedes reinsurance in the normal course of business, with retention limits varying according to the type of insurance contract. Reinsurance assets assumed are recognised in the same way as direct business, reflecting the product classification of the reinsured business. The cost of reinsurance relating to insurance contracts is accounted for over the life of the underlying reinsured policies, based on assumptions consistent with those used to account for the original policies.

Reinsurance assets primarily include amounts receivable from reinsurance companies on ceded reinsurance. In the case of life insurance, this is mainly non-proportional reinsurance relating to group contracts. Amounts recoverable from reinsurers are calculated in a manner which is consistent with the insurance provisions or the settled claims associated with the reinsured policies and in accordance with the relevant reinsurance contract.

If a reinsurance asset is impaired, Delta Lloyd Group reduces the carrying amount accordingly and recognises that impairment loss in the income statement. A reinsurance asset is impaired if there is objective evidence, resulting from an event occurring after the reinsurance asset is initially recognised for, indicating that Delta Lloyd Group may not manage to receive all amounts receivable under the terms of the contract. It is also essential that the impairment can be measured in a reliable way.

Delta Lloyd Group only reinsures its contracts with reinsurance companies with a certain credit rating. For contracts with a long duration, such as life, disability or liability reinsurance, an A rating is required as a minimum level. A lower rating may be acceptable for short-term reinsurance. Premiums ceded to reinsurers and income from reinsurance premiums are shown separately in the income statement.

5.1.6.15. (O) Intangible assets

Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of Delta Lloyd Group's share of net assets, including the (contingent) liabilities, of the acquired subsidiary on the date of acquisition. The carrying amount of goodwill for each cash generating unit, or combination of cash generating units, is reviewed annually, or more frequently when circumstances or events indicate a possible impairment. Goodwill is written down for impairment when the recoverable amount is insufficient to support its carrying value. The impairment is charged as an expense to the income statement (other operating expenses). Further details on impairment testing and goodwill allocation and impairment testing are given in accounting policy S and section 5.1.7.12. 'Goodwill'.

Acquired value of in-force business (AVIF)
The present value of future profits on a portfolio of insurance and investment contracts acquired, either directly or through the purchase of a subsidiary, is recognised as an intangible asset. The amortisation on AVIF follows the development of the portfolio to which it is linked. The amortisation charge is part of other operating expenses. The estimated values are adjusted if they differ from earlier estimates. The carrying amount of AVIF is reviewed annually for impairment by including it in the liability adequacy test. Any impairment is charged to the income statement.

Other intangible assets
Other intangible assets include software, customer relationships and distribution channels recognised in relation to an acquisition. An acquisition is initially recognised at fair value (cost). In subsequent periods, acquisitions are accounted for at cost net of amortisation and impairment. Amortisation and impairment are recognised through profit or loss. Both purchased and internally-developed software are recognised as other intangible assets, but the latter only qualifies if it is identifiable that Delta Lloyd Group has the power to exercise control over the software and if the software will generate positive future cash flows. Purchased and proprietary software are amortised

using a straight-line method over their useful lives, up to a maximum of three years. The amortisation charge is included in the income statement under 'Other operating expenses'.

Customer relationships and access to distribution channels, when acquired in a business combination, are capitalised when the definition of an intangible asset is met and when fair value can be measured reliably.

Upon the acquisition of ABN AMRO Verzekeringen, the access obtained to the ABN AMRO distribution channel was separately identified as an intangible asset and is being amortised over 30 years. This represents the duration of the agreement with ABN AMRO Bank.
Amortisation periods for other intangible assets are reviewed once a year. The estimated values are adjusted if they differ from previous estimates. Circumstances can also lead to impairments.

5.1.6.16. (P) Property and equipment

Owner-occupied properties (including those under construction) are carried at historical cost less accumulated depreciation and impairment. Depreciation and impairment are accounted for through profit or loss. The historical cost of assets which take a long time to develop, and owner-occupied properties in particular, also include capitalised borrowing costs. All other items classified as equipment in the statement of financial position are carried at historical cost less accumulated depreciation and impairments.

Depreciation of property and equipment to their residual values is calculated on a straight-line basis over their estimated useful lives as follows:

- Land: no depreciation;
- Properties (own use): 40 years
- Properties under construction (own use): no depreciation;
- Computer equipment: 4 years;
- Furniture, fixtures: 5 years.

If an asset consists of different ‘components’ with different useful lives and/or different residual values, it is broken down into those components, which are then depreciated separately. The useful life and residual value are reviewed once a year. If the estimated values deviate from previous estimates, adjustments are made.

Where the carrying amount of an asset is greater than its estimated recoverable amount, the impairment is taken to the income statement. Gains and losses on the disposals of property and equipment, representing the difference between the sales price and the carrying value, are taken to the income statement in the period in which the property or equipment is sold.

Repairs and maintenance are charged to the income statement in the financial period to which they relate. The cost of major renovations is included in the carrying amount of the asset when it is probable that additional future economic benefits from the existing asset will flow to Delta Lloyd Group. Major renovations are depreciated over the remaining useful life of the asset concerned.

5.1.6.17. (Q) Investment property

Investment property (including property under construction) is held for long-term rental yields and is not occupied by Delta Lloyd Group. Investment property (including property under construction) is measured at fair value, which is supported by market evidence, as assessed by qualified external valuers. Investment properties are impaired when historical costs including borrowing costs exceed market value. Changes in fair value are recognised in the income statement within net investment income. Borrowing costs on investment property under construction are capitalised until completion.

5.1.6.18. (R) Inventory of real estate projects

Inventory of real estate projects comprises real estate which is offered for sale as part of normal business operations or which is being built or developed for that purpose. This is real estate which is acquired either with the sole intention of being sold in the near future or for development and resale and which is not being held for long-term rental yields (see accounting policy Q 'Investment property').

Inventory of real estate projects is stated at the lower of cost and net realisable value. In addition to all costs of purchase, conversion and other expenses, cost may also include deferred financing charges if the real estate takes a substantial period of time to develop. Net realisable value is the estimated selling price which will be realised as part of normal business operations less the estimated cost of completion and the estimated costs required to bring about the sale. If a real estate project is sold, the carrying value is recognised as an expense in the period in which the related revenues are accounted for. The amount of impairment to net realisable value and all losses on inventory are accounted for in the period in which the write-down or loss occurs (see accounting policy S 'Impairment of non-financial assets').

5.1.6.19. (S) Impairment of non-financial assets

Property and equipment and other non-financial assets are reviewed for impairment losses when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Goodwill

Life insurance activities
The minimum recoverable amount related to life insurance activities is determined from the embedded value (EV) of the activities concerned. The embedded value is computed using estimates of future distributable profits arising from the existing portfolio of an insurance company. The embedded value provides a prudent estimate of the value in use (VIU) as it does not include the value of future new business. Whether goodwill is to be impaired, is verified as follows:

- There is no impairment if the carrying value (net assets including attributable goodwill) is lower than the embedded value;

- It is possible that impairment of goodwill must be recognised if the carrying value (net assets including attributable goodwill) is higher than the embedded value. In this case, a decision must be made as to whether asset spread contracts make up a significant portion of the life insurance activities. Asset spread contracts are insurance contracts in which the margin for the insurer consist of the difference between the return made on the underlying investments and the return paid to policyholders;
- If asset spread products do not make up a significant portion of the life insurance activities, appraisal value is used to determine the recoverable amount. Appraisal value is an actuarial value comparable to fair value and determined as the sum of two components: (i) the embedded value of the existing portfolio of life insurance activities and (ii) the present value of various annual tranches of future new business. The value of new business in one year is determined on EV principles in which expected future distributable profits are discounted. The present value of various annual tranches of expected future new business can generally be calculated by taking the value of new business in one year and extrapolating it into the future, taking into account:
  - Recent growth and volatility of new business;
  - Expected future growth and profitability of new business;
  - The types of distribution channel and degree of control over them; and
  - Recent estimates by analysts and industry benchmarks.
- If asset spread products make up a significant portion of the life insurance activities, the value attributed to these must be explicitly included in an appraisal value calculation.

The key assumptions for calculating embedded value are:

- Use of the Solvency II interest rate structure including a liquidity premium of 58 (2011: 96) basis points and an ultimate forward rate of 4.2%;
- No growth expectations for in-force business; and
- Tax rates of 25% in the Netherlands, 34% in Belgium and 30% in Germany.

If the recoverable amount is lower than the carrying value, the recoverable amount is impaired.

The calculation of the recoverable amount for ABN AMRO Verzekeringen takes the duration of the contract with ABN AMRO Bank into account.

General insurance and other operating activities

The recoverable amount relating to general insurance and other operating activities is defined as the higher of the VIU and fair value less costs to sell. The discounted cash flow method is used to establish the VIU and fair value less costs to sell. This uses net-of-tax forecasts of cash inflows and cash outflows which are incurred to generate the cash inflows. Factors at the basis of the expected future cash flows include historical growth, agreed business plans for the activities, expected working and fixed capital requirements and historical and expected levels of operating profits. In addition, the asset's ability to generate cash flows beyond the explicit forecast period is included through establishing a terminal value. The future cash flows and the terminal value are then discounted using a risk adjusted discount rate (often the Weighted Average Cost of Capital or the cost of equity) which accurately reflects the inherent risk of the asset. In order to avoid double counting, risks which have already been taken into account in determining the cash flows are not included in the discount rate.

The key assumptions used for calculating the recoverable amount of goodwill are:

- Expected cash flows for future periods are based on the plan figures for a period of three to five years, depending on the plan period of the cash-generating entity;
- For the years after management's plan period, the cash flows are extrapolated using an average growth rate ranging between 0% and 3.5% (2011: between 0% and 2.7%) depending on the specific circumstances of the activities; and
- Depending on the activities being valued, the risk adjusted discount rate is 9.0% to 10.2% (2011: 9.8% to 10.5%).

The expected cash flows for future periods are based on the figures for the 2013-2015 plan period. The expected cash flows beyond the plan period are extrapolated based on a growth rate that takes into account analysts' estimates of the increase in gross national product and inflation. If the recoverable amount is lower than the carrying value, the recoverable amount will be impaired.

Other non-financial assets
An impairment loss is accounted for in other non-financial assets for the amount by which the carrying amount of the asset exceeds its recoverable amount, whichever is the higher between an asset's net realisable value and the value in use. The net realisable value is the fair value less selling expenses. The value in use is the discounted value of the expected future cash flows generated by the asset in question. The assessment as to whether an impairment occurs takes place either at the level of the separate asset or at that of the smallest identifiable cash flow-generating entity.

5.1.6.20. (T) Derecognition and offset of financial assets and financial liabilities

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised when:
- The rights to receive cash flows from the asset have expired;
- Delta Lloyd Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- Delta Lloyd Group has transferred its rights to receive cash flows from the asset and either (a) has substantially transferred all the risks and rewards of the asset, or (b) has neither transferred nor substantially retained all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Financial assets and liabilities are offset and the net amount is reported on the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and simultaneously settle the liability.

5.1.6.21. (U) Financial investments

Delta Lloyd Group classifies its investments as financial assets at fair value through profit or loss (FVTPL), available-for-sale financial assets (AFS), or loans and receivables (see accounting policy W). The classification depends on the purpose for which the investments were acquired and is determined by Delta Lloyd Group when initially recognised. In general, the FVTPL category is used where this eliminates an accounting mismatch. An accounting mismatch can exist for insurance contracts when the insurance liability is measured using market-based interest rates.

Certain securitised mortgages and derivatives and related liabilities are managed on the basis of fair value. Delta Lloyd Group also evaluates their performance on the basis of fair value, in line with its risk strategy. The securitised mortgages are also recognised as 'financial assets at fair value through profit or loss'. The fair value is determined on the basis of the current swap curve and the likelihood of early repayment. Details of securitised mortgages are given in section 5.1.7.20. ‘Securitised mortgages and related assets’.

The category ‘financial assets at fair value through profit or loss’ has two sub-categories - those that meet the definition as being held for trading and those which Delta Lloyd Group chooses to designate as FVTPL (referred to in this accounting policy as ‘other than trading’). In addition to derivatives, certain investments held by Delta Lloyd Bank are classified in the ‘held for trading’ category.

Investments classified as ‘held for trading’, ‘other than trading’ and ‘available for sale’ are measured at fair value. Changes in the fair value of investments ‘held for trading’ and ‘other than trading’ are accounted for in the income statement in the period in which the value change occurs. Changes in the fair value of investments classified as available for sale, other than impairment losses and relevant foreign exchange gains and losses, are recorded in a specific investment revaluation reserve within equity.

Purchases and sales of investments are recognised at fair value when the trade occurs; i.e. on the date on which Delta Lloyd Group commits to purchase or sell the assets. Transaction costs directly attributable to the initial acquisition of investments are recognised as follows, depending on the measurement chosen after initial recognition:
- Transaction costs for investments designated at fair value through profit or loss are included in the income statement;
- Transaction costs for investments designated as available for sale are included in the initial measurement. Transaction costs for debenture loans are recognised as part of amortisation in the income statement using the effective interest rate method. Transaction costs for shares are recognised in the income statement on sale;
- Transaction costs for investments classified as loans and receivables are included in the initial measurement. Transaction costs are accounted for as part of amortisation in the income statement by using the effective interest rate method.

The interest amount recognised in the income statement for debenture loans and other fixed-income investments at fair value, including transaction costs, is set annually based on amortised cost. The difference between the initial value and future repayment is recognised through profit or loss as amortisation, using the effective interest rate method. The initial amortised cost is calculated as the fair value including transaction costs.

Investments carried at fair value are measured using the fair value hierarchy as described in section 5.1.7.39. ‘Fair value of financial assets and liabilities’. Fair values of investments are based on quoted bid prices or amounts derived from cash flow models. Fair values for unlisted equity securities are estimated using applicable price/earnings or price/cash flow ratios defined to reflect the specific circumstances of the issuer. Preference shares are measured using the discounted cash flow method. The discount rate applied is the market interest rate based on the 10-year government bond yield; where necessary, this rate is increased by a bad debt risk margin. When investments classified as available for sale are sold or impaired, the accumulated fair value adjustments are transferred out of the revaluation reserve to the income statement.

Impairment
Delta Lloyd Group reviews the carrying value of its investments on a regular basis. If the carrying value of an investment is greater than the recoverable amount over a prolonged period of time, the carrying value is reduced through a charge to the income statement in the period of decline. The following policies are used to determine the level of any impairment:

(a) Financial assets carried at amortised cost
A financial asset or a group of financial assets carried at amortised cost is considered to be impaired when there is objective evidence of impairment due to events occurring after the date of the initial recognition (a 'loss event'), and when that event has an impact on estimated future cash flows. Objective evidence that a financial asset or a group of assets is impaired includes observable data that comes to the attention of Delta Lloyd Group about the following loss events:
- Significant financial difficulty of the issuer or debtor;
- A breach of contract, such as a default or repeated delinquency in payment of interest or principal;
- The lender entering bankruptcy or a financial reorganisation;
- The disappearance of an active market for that specific asset because of financial difficulties;
- Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified based on the individual financial assets in Delta Lloyd Group, including:
  - adverse changes in the payment status of borrowers of Delta Lloyd Group;
  - national or economic conditions that correlate with defaults on the assets of Delta Lloyd Group.

Delta Lloyd Group first assesses whether objective evidence of impairments exists for financial assets that are individually significant. If Delta Lloyd Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and assesses them collectively for impairment. Assets which are individually assessed for impairment and for which an impairment loss is recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has occurred on loans and receivables carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. Future credit losses that have been incurred are not taken into account. The impairment is recognised in the income statement. If a financial investment has a variable interest rate, the discount rate for measuring the impairment loss is the current effective interest rate determined in the contract. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related to an event occurring after the impairment was recognised, the previously recognised impairment is reversed and accounted for in the income statement.

(b) Financial assets carried at fair value
At each reporting date Delta Lloyd Group assesses whether objective evidence exists that an available for sale financial asset is impaired. In the case of equity instruments classified as 'available for sale', this means a significant or prolonged decline in the fair value of the security below its cost. Significant is defined as:

- At least 20% over an uninterrupted period of six months; or
- More than 40% on the reporting date.

Prolonged is defined as measured below cost for more than a year. Delta Lloyd Group uses a graduated scale for the period between six months and one year and for a decline in value of up to 20%, to determine whether a financial asset available for sale is impaired. If the impairment proves to be structural, Delta Lloyd Group may decide to recognise an impairment despite the period being less than six months. Impairment losses on equity securities cannot subsequently be reversed through the income statement. If a financial asset has been impaired, any future reductions in value, irrespective of the amount, are recognised through the income statement.

Debt securities available for sale are impaired if there is objective evidence that they are unlikely to be redeemed or if it is known that the issuer is in financial difficulties. If such evidence exists, the cumulative loss, measured as the difference between the acquisition cost and current fair value (excluding previously recognised impairment losses) is removed from equity and recognised in the income statement. If, in a subsequent period, the fair value of a debt instrument classified as 'available for sale' increases and the increase can be related to an objective event occurring after the recognition of the impairment loss, the impairment is reversed through the income statement. Financial assets carried at fair value through profit or loss are not subject to impairment testing. The fair value of these assets already reflects possible impairments.

5.1.6.22. (V) Derivative financial instruments

Derivative financial instruments include foreign exchange contracts, interest rate futures, currency and interest rate swaps, currency and interest rate options (both written and purchased), swaptions, and other financial instruments which derive their value mainly from underlying interest rates, foreign exchange rates, commodity values or equity instruments. All derivatives are initially recognised in the statement of financial position at fair value, which usually represents their cost. They are subsequently measured at their fair value through profit or loss. Fair values are obtained from quoted market prices or, if these are not available, by using valuation techniques such as discounted cash flow models or option pricing models. Derivatives are carried as assets when fair values are positive and as liabilities when fair values are negative. Premiums paid for derivatives are recorded as an asset on the statement of financial position at the date of purchase, representing their fair value on that date.

Derivative contracts may be traded on an exchange or over-the-counter (OTC). Exchange-traded derivatives are standardised and include certain futures and option contracts. OTC derivative contracts are individually negotiated between contracting parties and include forwards, swaps, caps and floors. Derivatives are subject to various risks including market, liquidity and credit risk, similar to those related to the underlying financial instruments. The notional or contractual amounts associated with derivative financial instruments are not recorded as assets or liabilities on the statement of financial position as they do not represent the potential gain or loss associated with such transactions. These amounts are disclosed in section 5.1.7.18. ‘Financial investments’.

Fair value hedge accounting
Delta Lloyd Group uses derivatives to partially hedge the market value risk of certain financial assets due to interest rate movements. Fair value hedge accounting can be used for these derivatives in accordance with IAS 39, provided that they have been designated for this and that the following conditions have been met.

Before hedge accounting can be used, Delta Lloyd Group documents the hedging objective and strategy, the relationship between the hedged position and the derivative used as the hedging instrument, and the method used to assess the effectiveness of the hedge relationship. Before hedge accounting is applied, it must be established that the hedge is likely to be highly effective. During the hedging period, the effectiveness is tested and documented for each reporting period. A hedge is considered to be effective if the change in the fair value of the hedged position is offset almost fully by a change in the fair value of the hedging instrument. Delta Lloyd Group pursues a bandwidth of 80% to 125%. The EU carve-out on hedge accounting, which allows for a less strict way of calculating hedge effectiveness, has been in use since 1 July 2012 for the banking activities in Belgium.

Changes in the fair value of derivatives designated as 'fair value hedges' which meet the set conditions are recognised in the income statement under ‘result from derivatives’.
Changes in the fair value of the hedged assets are disclosed under the same heading, to the extent that those changes relate to the hedged risk. The net effect of this is that only the ineffective part of the hedge influences the result. An adjustment to the carrying value of a hedged financial instrument is amortised and credited or charged to the income statement under ‘result from derivatives’ from the moment when the carrying value is first adjusted and during the anticipated remaining life of the hedged instrument.

Derivatives not included in a hedge relationship
Changes in the value of derivatives which are not included in a hedge relationship are taken directly to the income statement and presented separately in the result from derivatives.

5.1.6.23. (W) Loans and receivables

Loans and receivables with fixed maturities, including policyholder loans, issued loans, mortgage loans, securitised mortgages and loans, are recognised on the statement of financial position when cash is advanced to borrowers. Measurement of these loans and receivables, excluding loans which are initially recognised as ‘at fair value through profit or loss’, is based on amortised cost, using the effective interest rate method taking impairments into account where necessary. To the extent to which loans and receivables are not collectible, they are written off as impaired. Any subsequent recoveries are credited to the income statement. The recognition of impairment losses on loans is explained under (a) of accounting policy U.

5.1.6.24. (X) Deferred acquisition costs

Costs directly attributable to the acquisition of new business for insurance and participating investment contracts are deferred provided that they are covered by future margins on these contracts. Acquisition and selling costs for non-participating investment contracts and investment management contracts which are directly attributable to security investment management services are also deferred.

Deferred acquisition costs for life insurance contracts are amortised systematically over the period in which they are expected to be recovered out of these margins, subject to a maximum of ten years.

Deferred acquisition costs relating to general insurance are amortised over the period in which the premium is earned. Deferred acquisition costs for investment management services relating to non-participating investment contracts are amortised over the period in which the service is provided. Deferred acquisition costs are reviewed by business segment at the end of each reporting period and are impaired if they are no longer considered to be recoverable.

5.1.6.25. (Y) Cash and cash equivalents

Cash and cash equivalents consist of cash at banks and in hand, deposits held at call with banks, treasury bills and other short-term highly liquid investments with less than 90 days maturity from the date of acquisition. For the purposes of the cash flow statement, cash and cash equivalents also include bank overdrafts, which are included within payables and other financial liabilities on the statement of financial position.

5.1.6.26. (Z) Borrowings

Borrowings are initially recognised at the proceeds of their issue less transaction costs incurred. Subsequently, borrowings are measured at amortised cost, and any difference between net proceeds and the redemption value is recognised in the income statement over the remaining term of the borrowings using the effective interest rate method.

Notes issued by Delta Lloyd Bank Nederland and certain notes of Amstelhuys relating to securitised mortgages are recognised at fair value through profit or loss. The fair value changes are recognised in the income statement under ‘other operating income’, even though they were initially recognised as loans and receivables under IAS 39. As the total of the financial assets and financial liabilities relating to securitised mortgages is managed on the basis of fair value, and their performance is also evaluated on the basis of fair value, the fair value option applies. These notes are restated to fair value through profit or loss at the end of each period, using the current three-month Euribor rates. Differences between the fair values and the market values calculated in this way are negligible. Details of the notes are given section 5.1.7.34. ‘Borrowings’.

As explained in section 5.1.7.34. ‘Borrowings’, the fair value of borrowings is calculated on the basis of future cash flows discounted at a market interest rate.

5.1.6.27. (AA) Share capital

Share issue costs
External costs directly attributable to and resulting from the issue of new shares are recognised in equity as a deduction, net of tax, from the proceeds.

Treasury shares
Shares which the company holds directly and indirectly in its own capital are deducted from equity at purchase price including direct transaction costs after tax. Treasury shares are not entitled to participate in either profits or dividends and are ignored when computing earnings per share. They are, however, included in the calculation of the dividend per share to be declared.

Reserves
Reserves consist of the share premium, the revaluation reserve and other reserves. The share premium includes calls paid on shares in excess of the nominal value. The revaluation reserve only comprises the revaluation of available-for-sale investments including value changes taken to equity less deferred tax liabilities and less any part of the revaluation allocated to the DPF provision. The other reserves include (since the application of IAS 19 Revised as of 1 January 2012) the actuarial gains and losses for pensions.

Dividend available for distribution
Dividends available for distribution on ordinary shares are recognised in equity over the period in which they are declared and, for the final dividend, approved by shareholders. Dividends available for distribution on preference shares are recognised in the income statement as interest costs or taken to equity in the period in which they are declared and approved, depending on the classification of the financial instruments.

Delta Lloyd Group may by law only pay a dividend if the sum of the share capital and reserves so permits. The profit remaining after additions to reserves have been made is first used to pay a dividend on the preference shares. The appropriation of the remaining profit, after any additions to reserves have been made as determined by the Executive Board, is at the disposal of the shareholders' meeting subject to the approval of the Supervisory Board.

5.1.6.28. (AB) Earnings per share

Earnings per ordinary share are calculated by dividing the net result attributable to holders of ordinary shares after deduction of the preference dividend for the period by the weighted average number of ordinary shares in issue during the period, excluding the weighted average number of ordinary shares repurchased by Delta Lloyd Group and held as treasury shares.

Diluted earnings per ordinary share are calculated by dividing the net result attributable to holders of ordinary shares for the period by the weighted average number of ordinary shares in issue adjusted for dilutive potential ordinary shares, such as convertible bonds and share options. Potential or conditional issues of shares are treated as dilutive if their conversion into shares would reduce net earnings per share.

5.1.6.29. (AC) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are recognised as operating leases. Payments made as lessee under operating leases (net of any incentives received from the lessor) are recognised in the income statement on a straight-line basis over the period of the lease. There are no material financial leases affecting Delta Lloyd Group as either lessor or lessee.

5.1.6.30. (AD) Provisions for other liabilities and contingent liabilities

Provisions are recognised if Delta Lloyd Group has a present legal or constructive obligation as a result of past events, if it is probable that an outflow of resources will be required to settle the obligation and if a reliable estimate of the scope of the obligation can be made. If Delta Lloyd Group deems it virtually certain that a provision will be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset.

The restructuring provisions include redundancy payments to employees and the cost of non-cancellable rental commitments. Delta Lloyd Group recognises a provision for onerous contracts when the expected benefits from a contract are less than the unavoidable costs of meeting the obligations under the contract.

Provisions are measured as the best estimate of the expenditure required to settle the present obligation on the reporting date. Liabilities which do not meet the criteria for recognition as outlined above are disclosed as contingent liabilities in the notes, unless the possibility of an outflow of economic benefit is deemed to be remote.

5.1.6.31. (AE) Employee benefits

Employee entitlements to annual leave and long-term leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service bonuses accumulated up to the reporting date.

Pension obligations
Delta Lloyd Group operates a number of defined benefit and defined contribution plans in all countries in which it operates. The assets of these are generally held in separate investment deposits. The pension plans are generally funded by payments from employees and by the relevant subsidiaries, reflecting the recommendations of qualified actuaries.

For defined benefit plans, the pension expenses and obligations are assessed using the projected unit credit method. According to this method, the cost of providing pensions is charged to the income statement so as to spread the regular cost over the service lives of employees, in accordance with actuarial calculations. Additionally, the interest cost and expected return on plan assets are included in the pension cost. The pension obligation is measured as the present value of the estimated future outflows using a discount rate based on market yields for high-quality corporate bonds. The net asset or liability in the statement of financial position is the difference between the liabilities and the qualified plan assets at fair value. These assets are assets held by a fund which is legally separate from Delta Lloyd Group, with the exception of non-transferable financial instruments issued by Delta Lloyd Group. They may only be used to pay employee benefits; they may not be used to meet any other obligations of Delta Lloyd Group. Actuarial gains and losses are recognised in other comprehensive income.

For defined contribution plans, Delta Lloyd Group pays contributions to collectively or individually administered pension plans. Once the contributions have been paid, Delta Lloyd Group, as an employer, has no further payment obligations. Delta Lloyd Group’s contributions are charged to the income statement. In the Netherlands, the Delta Lloyd Group Pension Fund has reinsured its pension obligations with Delta Lloyd Levensverzekering; as a result, the related investments do not qualify as plan assets. To avoid double stating of the assets and the liabilities, the insurance liabilities and the associated cash flows have been eliminated. See section 5.1.7.31. ‘Pension obligations’ for details.

Other employee benefits

Delta Lloyd Group offers schemes for anniversary payments and senior- and early retirement schemes. For a limited number of participants who were members of the pension plans before 1 January 1999, Delta Lloyd Group offers a compensation for social security contributions and a death benefit scheme as well.

Share-based and performance-related incentive plans

Phantom Option Plan

The final grants under the Phantom Option Plan were made in 2009. According to this plan, on 1 January of each year, conditional phantom options were granted to members of the Executive Board and to certain members of the (senior) management of Delta Lloyd Group. No initial payment was required. A phantom option entitles the holder to receive in cash the increase in value of a 'performance unit' measured from the grant date until the date of exercise. Subject to the fulfilment of set performance criteria and continued employment at Delta Lloyd Group, the phantom options vest and become exercisable at the end of the performance period. The vesting date is exactly three years after the grant date. The exercise period ends five years from the vesting date. There is a cap on the actual amount that can be realised on the exercise date, based on a percentage of the annual salary of the employee on the date of vesting. The Phantom Option Plan is recognised as a cash-settled share-based payment transaction (IFRS 2). The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed on a straight-line basis over the vesting period and the maturity is determined by the fair value of the options granted, which is measured using a binomial tree model, taking into account the terms and conditions under which the phantom options were granted, including the cap on the actual payment. The vesting conditions (i.e. performance criteria and continued employment) are included in the assumptions for estimating the number of phantom options which are expected to become exercisable in the vesting period. Delta Lloyd Group revises the estimate of the number of exercisable options on each reporting date and on the vesting date based on the number of phantom options which are unconditionally exercisable. Furthermore, Delta Lloyd Group re-measures the fair value on each reporting date and on the settlement date and immediately recognises all changes in the income statement, applying a corresponding adjustment to the provision.

Performance Share Plan and Phantom Performance Share Plan
Effective from 1 January 2010, the long-term incentive plan consists of a conditional grant of Delta Lloyd NV shares to members of the Executive Board and directors under the Performance Share Plan (‘PSP’) and conditional phantom shares under the Phantom Performance Share Plan (‘PPSP’) to eligible managers. The conditional shares under the PSP grant the right to a distribution of Delta Lloyd NV shares and the conditional phantom shares grant the right to a cash distribution based on the underlying value of the Delta Lloyd NV shares. The conditional shares and phantom shares may be settled in shares or cash after three years of becoming unconditional (vesting date), depending on the achievement of the set performance criteria and on continued employment at Delta Lloyd Group. The number of shares and phantom shares granted which will eventually vest depends on the relative percentage of the applicable performance criteria achieved during the performance period. The performance criteria relate to (i) total shareholder return (35% of the grant), (ii) return on equity (35% of the grant), (iii) employee engagement (20% of the grant) and (iv) reputation of Delta Lloyd Group (10% of the grant). On the dividend payment dates, based on the dividend distribution per Delta Lloyd NV share, additional conditional shares and conditional phantom shares will be granted on the shares and phantom shares granted to participants during the vesting period (‘dividend shares’ and ‘dividend phantom shares’ respectively). These dividend shares and dividend phantom shares are granted conditionally and are also subject to the set performance criteria applicable to the PSP and the PPSP and to continuation of employment. Fractions of dividend shares and dividend phantom shares are rounded to the nearest whole number.

Under the PSP, there is an additional holding period of two years after the grant becomes unconditional. The sole exception to the holding requirement is that the participant is entitled to sell part of the shares upon vesting up to an amount necessary to satisfy any taxes and social security contributions payable with regard to the vesting of the performance shares. Both plans also have a ‘clawback clause’ in which any variable remuneration may be recovered up to two years after vesting if it was based on incorrect financial or other data. In addition, under the PSP and the PPSP, the underlying value on the vesting date is capped at four times the grant value. If this cap is reached on the vesting date, the number of underlying shares and phantom shares which will vest is adjusted downwards.

The overall expense is calculated on the grant date of the conditional shares (PSP) as the fair value of a conditional share multiplied by the estimated number of conditional shares which will vest based on expectations regarding performance criteria to be achieved which are not related to market conditions, and the continuation of employment ('vesting conditions'). In determining the fair value, account is taken of the market conditions applicable to the part of the conditional shares and phantom shares, which is the performance criterion related to total shareholder return. The fair value does not change during the period up to vesting. The overall expense is allocated on a straight-line basis over the vesting period (3 years) based on the employee services rendered, taking into account the estimated number of conditional shares which can vest under the applicable vesting conditions on each reporting date. The expense is recognised in staff costs with 'equity compensation plan' in equity as the contra-account.

The expense of the PPSP is recorded against an 'equity compensation plan' provision in debt, and allocated on a straight-line basis over the vesting period. Delta Lloyd Group determines the fair value of the PPSP on each reporting and option settlement date, using the same conditions as for the PSP. All changes are immediately recognised in the income statement with a related adjustment to the provision.

The fair value of the grants under the PPSP and the PSP is measured using Monte Carlo simulation models that incorporate all the specific characteristics of both plans. Measurement of this fair value also takes into account the expected number of conditional dividend shares and dividend phantom shares, and this number is in fact ascertained on the date of the conditional grant.

Variable Incentive Plan (from 1 January 2011)

In 2011, the existing long-term and short-term incentive plans were modified based on the new 'Regulation on Sound Remuneration Policies' which applies to the Dutch financial sector. In the new variable incentive plan, which came into effect on 1 January 2011, the distinction between long-term and short-term incentives disappears. The variable incentive plan differentiates between two groups:

- Identified staff: Executive Board, directors, managers in control functions and functions impacting the risk profile. Their grant is paid 50% in cash and 50% in conditional shares. The conditional shares confer a right to a distribution of shares.
- Other managers: their grant is paid 50% in cash and 50% in conditional phantom shares. The conditional phantom shares confer a right to a payout of cash.

The performance period for all targets for both groups is one year. The one-year performance targets were drawn up in a balanced way at group, business unit and individual levels and are both financial and non-financial. The performance criteria are unchanged compared to the previous short-term incentive plan (divisional and individual performance objectives) and long-term incentive plan (group performance objectives). The settlement in shares and phantom shares is 50% after the performance year and 50% in equal installments over the three subsequent years. This payout depends on the achievement of the set performance objectives during the performance period and on continued employment at Delta Lloyd Group until the rights become unconditional. The total expense is recognised in equal installments over periods of one, two, three or four years, based on the services provided by the employees.

The conditional shares of identified staff are measured in line with the PSP as explained above, but without taking account of dividend shares since there is no entitlement to these under the new plan. Identified staff other than the Executive Board have a holding period of two years after the shares become unconditional. The holding period for the Executive Board is between two and four years depending on the vesting date.

The conditional phantom shares of other managers are measured in line with the PPSP as explained above, but without taking account of dividend shares since there is no entitlement to these under the new plan.

The cash distribution payout is 50% after the remuneration year and 50% in equal instalments in the three subsequent years. The provision for the cash payout is made on the basis of the PPSP up to the level to which it depends on the underlying value of Delta Lloyd NV shares. The remainder, which is not related to shareholder value, consists of a current liability and a long-term liability in cash.
The provision for the current liability and the long-term cash liability is made for the estimated liabilities accrued for performance received until the reporting date. The long-term liability is measured using the present value of expected future payments. The total expense is recognised in equal installments over periods of one, two, three or four years, based on the services provided by the employees. This allocation method is identical to that used for the conditional shares and conditional phantom shares.

There is an ex post risk adjustment for each deferred payout when the performance is reassessed against the original targets. There is also a clawback clause under which any variable remuneration may be recovered during a five-year period after the vesting date, if an employee has acted unethically and/or in conflict with Delta Lloyd Group's policy.

General (applicable to all share-based and performance-related incentive plans)
Delta Lloyd NV shares have been listed on NYSE Euronext Amsterdam since 3 November 2009. This means that insufficient historical share price data is available for some of the volatilities needed. As a result the expected volatility of the underlying Delta Lloyd NV shares in these cases is estimated in part by using the historical volatilities of comparable listed entities in the financial sector for periods in which the historical price information on Delta Lloyd is not available.
Expected dividends are applied in accordance with the dividend policy of Delta Lloyd Group.

The vesting of grants is subject to set performance criteria and continued employment at Delta Lloyd Group on the vesting date. If employment is terminated, the grants lapse immediately, except in a situation where the employee leaves as a result of early retirement, disability, death or because the entity for which the employee works is no longer part of Delta Lloyd Group. In this last case, the grants remain outstanding and become exercisable for a period of one year, after which time they lapse.

5.1.6.32. (AF) Income taxes

The tax expense is based on the taxable profits for the year, after any adjustments are made for previous years and after any changes in deferred tax assets and liabilities. Tax is allocated to the result before taxation and amounts are charged or credited to reserves, as appropriate.

Deferred tax assets and deferred tax liabilities are recognised on all material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the statement of financial position. Deferred tax assets are recognised to the extent to which it is probable that future taxable profit will be available against which the temporary differences can be utilised. The principal temporary differences arise from depreciation of property and equipment, revaluation of certain financial assets and liabilities, including derivative and insurance contract liabilities, provisions for pensions, other post-retirement benefits and tax losses carried forward. The rates enacted or decided upon on the reporting date are used to determine the deferred tax. Deferred tax related to fair value re-measurement of available-for-sale investments and other amounts taken directly to equity are recognised in the statement of financial position as a deferred tax asset or liability.

5.1.6.33. (AG) Discontinued operations and assets held for sale

Assets held for disposal as part of operations which are discontinued or held for sale are recorded at the lower of their carrying amount and their fair value, less the expected cost to sell the assets.

5.1.6.34. (AH) Segment information

Organisationally, reports to the Executive Board at Delta Lloyd Group are based on both operations and divisions. Delta Lloyd Group bases its operating segments on the nature of the products and services provided, i.e. the nature of the operations. This choice was made as operations will take a more prominent role in the decision-making and management process for allocating resources and measuring and evaluating financial performance. The following operating segments were identified: Life Insurance, General Insurance, Bank, Asset Management and Other. All transactions between the segments are at arm's length. Although the segment information for the Board of Directors is based on the IFRS figures, as shown in the financial statements, there are some exceptions which are explained in section 5.1.7.3. ‘Segment information'.

5.1.6.35. (AI) Off balance sheet commitments

Contingent liabilities, including credit facilities granted and guarantees issued for the liabilities of third parties, are not recognised in the statement of financial position as their existence is confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Delta Lloyd Group. The amount of these obligations cannot be measured with sufficient reliability.

The maximum potential credit risk of these contingent liabilities is stated in the notes. In order to determine the maximum potential credit risk the assumption is that all counterparties will fail to meet their contractual obligations and that all collateral received has no value.

5.1.7. Notes to the consolidated financial statements

5.1.7.1. (1) Risk management

Risk management is a description and an analysis of Delta Lloyd Group's risks and its approach to managing them. It also provides a sensitivity analysis, based on the main economic and non-economic assumptions which may lead to volatility in the results and in equity.

Risk management framework
Delta Lloyd Group's risk management framework aims to provide protection against events which may undermine the achievement of sustainable results, the required minimum solvency or the strategic objectives. The Group uses five main conceptual categories of risk based on the Dutch Corporate Governance Code which describes the risk universe:

1. *Financial risk*
   Financial risk means the uncertainty of a return and the potential for monetary loss. Financial risk includes Credit, Equity, Property, Inflation, Interest rate, Currency, Insurance and Liquidity risk.
2. *Strategic risk*
   Strategic risk is defined as the risk to current and future earnings or capital arising from adverse business decisions, improper implementation of decisions and lack of responsiveness to changes in customer demand and industry. Strategic risk includes the risk of not meeting targets as a result of Delta Lloyd Group's Business Units not responding or not responding adequately to changes in the business environment.
3. *Operational risk*
   Operational risk is the risk of losses which may occur due to the inadequacy or malfunctioning of internal processes or systems, human error, criminal behaviour or external events. Operational losses may have a direct impact (i.e. losses that are expected to have an accounting entry or give rise to a quantified economic or financial loss) or an indirect impact (i.e. lower future sales, opportunity costs, productivity losses and other impacts which will unfold in the future but may be hard to establish accurately).
   Operational risks relate to areas such as Integrity & Fraud and Crime Prevention, Human Resources Management, Information and Communication Technology, Information Security, Business Continuity Management, Physical Security and Outsourcing.
4. *Regulatory risk*
   Regulatory risk is the risk of not complying with laws, regulations and Delta Lloyd Group's policies and procedures, e.g. risks related to legal (litigation), compliance and tax.
5. *Financial reporting risk*
   Financial reporting risk is the risk that Delta Lloyd Group's financial statements contain a material error. Financial reporting risk includes reserving risk, the risk that the insurance liabilities of life, non-life and investment business are not adequately determined and reported.

In addition, Delta Lloyd Group considers systemic risk to be an inherent risk. This is the risk that the economic system or the entire market will collapse due to wars, global illiquidity, hyperinflation and similar massive episodes.

The risk management system is fully embedded in daily operations. It seeks to identify, analyse, measure, manage, control and audit risks which may arise in the course of business operations in a timely manner. This helps Delta Lloyd Group maintain its ratings, meet its obligations to its customers and other creditors and comply with applicable legislative and regulatory requirements. Delta Lloyd Group's approach to risk management is based on the following elements:

- Risk governance: the risk management organisation, based on a governance framework comprising 'three lines of defence' and risk committees. This framework outlines the responsibilities and guidelines for Delta Lloyd Group's management structure. Each division has a dedicated audit and risk committee which supervises the effectiveness of the business control systems within the responsibility of the respective business units, as well as a dedicated Asset & Liability Committee (ALCO).
- Risk processes and systems: the risk management framework takes into account all relevant elements of risk management, including an internal model for economic capital calculation, a solid risk management cycle and the interrelationship between governance and management information.
- Risk culture: the correct 'tone at the top' and active involvement of the Executive Board and the business units' boards in risk/return considerations.
- Risk taxonomy and mitigation: the risk management policy framework that encompasses the 'risk universe' of all relevant risks for Delta Lloyd and contains a set of mandatory policies to control and manage risk according to specific guidelines .The annual Group Risk Appetite Statement defines the risk appetite for all risks within Delta Lloyd Group.
- Capital model: Delta Lloyd uses the IGD Group Solvency model and has opted to report future regulatory solvency on the basis of an internal model for Solvency II. Delta Lloyd already applies this model for internal purposes to calculate economic capital.

Solvency II is the new regulatory framework for insurance companies operating in the European Union. In 2012, the envisaged implementation date of Solvency II was postponed from 1 January 2014 to a date not before 1 January 2016. The exact implementation date is expected to be announced by the European Commission in 2013. Despite this delay, several risk-based elements have already been included in the daily operations.

Solvency II is a risk-based system in which capital requirements depend directly on consistently-measured risk. Solvency II is based on economic principles for measuring assets and liabilities. The preparations which insurance companies have to make for Solvency II are far-reaching and comprehensive but Delta Lloyd Group supports the principles underlying the new framework. Delta Lloyd Group has opted to report its required solvency using an 'internal model'. This is the model which Delta Lloyd Group currently uses to calculate its economic capital for internal purposes. In 2012, significant efforts were made to meet all requirements for using the internal model and much has been achieved. The activities will be continued in 2013.
In 2012, the Dutch insurance entities successfully participated in initiatives organised by DNB, i.e. the Parallel Run (submission of Solvency II figures based on a standardised approach at year end 2011), and the general rehearsal of the Own Risk and Solvency Assessment.

The major risks Delta Lloyd Group is exposed to, their impact and the way they are managed are explained below.

Financial risks

Credit risk

Credit risk consists of default risk, credit spread risk and concentration risk. Default risk is the risk that counterparties will be unable to meet all or part of their payment obligations. Credit spread risk is the risk that the perceived risk of default increases, reducing the value of the asset (bond, mortgage or otherwise) to which the risk relates. Concentration risk arises from the concentration of default risk at large counterparties and from inadequate sector or country diversification. Defaults may occur in the bond, mortgage and consumer and commercial loan portfolios or at counterparties including reinsurers, insurance intermediaries, policyholders, banks, derivative counterparties and other debtors.

The own credit risk is shown in the table below. The risk reduction effect of credit default swaps is limited and hence not included. The residential mortgage portfolio of € 16.7 billion (2011: € 16.8 billion) is included under loans and includes the residential mortgages that have been securitised. More information about the residential mortgage portfolio of Delta Lloyd Group can be found in 5.1.7.18.

Credit risk own risk

		2012			2011	
In millions of euros	Gross credit risk	Collateral	Net credit risk	Gross credit risk	Collateral	Net credit risk
Debt securities	25,232.8	49.7	25,183.1	20,366.2	42.7	20,323.5
Loans and receivables at amortised cost	17,106.7	12,627.9	4,478.8	17,321.8	11,943.8	5,378.0
Loans at fair value through profit or loss (FVTPL)	6,249.1	3,794.3	2,454.8	6,104.6	5,104.0	1,000.6
Reinsurance assets	535.2	342.2	193.0	561.5	349.0	212.5
Receivables and other financial assets	2,209.5	-	2,209.5	1,984.3	-	1,984.3
Derivatives	2,550.3	2,369.1	181.2	2,436.2	1,714.2	722.0
Deferred tax assets	1,533.3	-	1,533.3	628.6	-	628.6
Tax assets	79.7	-	79.7	116.3	-	116.3
Capitalised interest and prepayments	637.9	-	637.9	609.7	-	609.7
Cash and cash equivalents	2,570.6	-	2,570.6	3,543.4	-	3,543.4
Maximum credit risk recognised on the statement of financial position	**58,705.1**	**19,183.2**	**39,521.9**	**53,672.5**	**19,153.7**	**34,518.8**
Gross maximum credit risk not recognised on the statement of financial position	673.8	-	673.8	793.8	-	793.8
Gross maximum credit risk own risk	**59,378.9**	**19,183.2**	**40,195.7**	**54,466.3**	**19,153.7**	**35,312.6**

As at 31 December 2012, Delta Lloyd Group's debt securities amounted to € 25.2 billion (2011: € 20.4 billion), 45% (2011: 42%) of which was invested in government bonds, 33% (2011: 36%) in corporate and collateralised bonds and 22% (2011: 22%) in bonds of non-central government institutions.

For the above-mentioned exposures, we received the following collateral:

- Loans and receivables at amortised cost: property, cash collateral, salary waiver, pledges, term accounts, deposits
- Loans at fair value through profit or loss: property
- Derivatives: cash collateral

In the table, for some asset categories the amount of collateral has been maximised at the credit exposure.

Delta Lloyd Group maintains a diversified fixed-income investment portfolio which is structured to match its insurance liabilities. Its credit risk is primarily related to government bonds, corporate bonds, mortgages, reinsurance assets and other loans. Delta Lloyd Group's bond portfolio managers and specialist staff are primarily responsible for managing default risk. Default rates of Delta Lloyd Group's mortgage loans are monitored on a daily basis and reported on a monthly basis. A significant part of the mortgage portfolio is securitised and some of the default risk relating to the securitised mortgages is passed on to third parties (the buyers of the mortgage-backed securities). All assets exposed to credit defaults are monitored at Group level. The exposure of the Delta Lloyd Group asset portfolio to default and concentration risk is analysed in depth each quarter.

Delta Lloyd Group's views on the eurozone debt crisis in southern European countries and Ireland are explained in greater detail in the report of the Executive Board. At year end, Delta Lloyd Group had further reduced its exposure to sovereign and sub-sovereign bonds in these countries to € 58.7 million (2011: € 178.4 million). Taking into account developments in peripheral countries, Delta Lloyd Group frequently evaluates opportunities to invest in these countries from a risk-return perspective.

The table below shows the total own risk exposure to these countries as at 31 December 2012. Besides sovereigns and sub-sovereign exposure, the fixed-income investments in these countries also relate to companies and institutions which by their nature and activities are not necessarily exposed to the same credit risk as the countries in which their headquarters are located. Delta Lloyd Group has hedged a nominal value of € 542,8 million, of default risk relating to all fixed-income investments in these countries using credit default swaps (2011: € 601.0 million). A nominal value of € 202.7 million is hedged against a default by Italy and € 340.1 million against a default by Spain.

The tables below are based on 'country of risk' and the figures include accrued interest. The risk-reduction effect of credit default swaps is not included.

Position in sovereign, sub-sovereign and other bonds and receivables at year end						
In millions of euros	Sovereign and sub-sovereign bonds	Corporate bonds (non-financials)	Corporate bonds (financials)	Other bonds	Loans and receivables	Position at 31 December 2012
Portugal	-	6.4	-	9.7	-	16.1
Italy	1.7	177.1	18.8	160.7	-	358.3
Ireland	-	12.7	33.2	122.2	-	168.1
Greece	-	6.8	-	0.9	-	7.7
Spain	57.0	133.3	-	332.0	215.0	737.3
Total	**58.7**	**336.2**	**52.0**	**625.5**	**215.0**	**1,287.4**

Position in sovereign, sub-sovereign and other bonds and receivables at prior year end						
In millions of euros	Sovereign and sub-sovereign bonds	Corporate bonds (non-financials)	Corporate bonds (financials)	Other bonds	Loans and receivables	Position at 31 December 2011
Portugal	-	18.1	-	29.8	-	47.9
Italy	42.2	186.5	31.5	145.6	-	405.8
Ireland	23.7	8.2	45.8	142.1	-	219.8
Greece	18.1	24.6	-	1.3	-	44.0
Spain	94.3	183.4	26.0	386.8	215.0	905.5
Total	**178.4**	**420.8**	**103.3**	**705.6**	**215.0**	**1,623.1**

Cash position limits are in place for the maximum exposure to counterparties based on their credit ratings. Delta Lloyd Group monitors this at regular intervals. Counterparty default risk related to derivative contracts is mitigated by collateral and by maintaining a diversified portfolio.

The concentration risk in relation to reinsurance contracts is monitored through the Delta Lloyd Group Security List, in order to ensure that exposures are within the limits of the Group Risk Appetite Statement. The Security List contains the maximum exposure per reinsurance counterparty.

The tables below show the own credit risks based on external ratings. The external ratings are based on Standard & Poor's. If these ratings are not available, Moody's or Fitch is used, respectively. Most of the loans and receivables without external ratings concern mortgages. The portfolio exposed to credit risk increased by about € 4.8 billion in 2012 due to factors such as interest rate movements, de-risking of the equity securities portfolio and mortgage origination. Due to downgrades and the search for a better risk-return trade-off, the average credit rating decreased.

Gross credit risk own risk at year end									
In millions of euros	AAA	AA	A	BBB	BB	B	Speculative rating	Without external rating	Total 2012
Debt securities	8,874.9	6,864.1	3,261.1	2,864.9	309.5	36.2	8.4	3,013.6	25,232.8
Loans and receivables	878.4	676.0	515.3	279.2	85.0	-	-	20,922.0	23,355.8
Reinsurance assets	-	388.6	86.0	5.9	-	-	-	54.6	535.1
Total	**9,753.3**	**7,928.7**	**3,862.4**	**3,150.0**	**394.5**	**36.2**	**8.4**	**23,990.3**	**49,123.7**

Gross credit risk own risk at prior year end									
In millions of euros	AAA	AA	A	BBB	BB	B	Speculative rating	Without external rating	Total 2011
Debt securities	11,169.7	2,871.7	1,828.1	2,040.7	212.5	35.9	25.9	2,181.6	20,366.2
Loans and receivables	971.0	802.2	571.5	175.1	-	-	-	20,906.5	23,426.3
Reinsurance assets	-	438.0	93.7	6.4	-	-	-	23.4	561.5
Total	**12,140.8**	**4,111.9**	**2,493.3**	**2,222.2**	**212.5**	**35.9**	**25.9**	**23,111.6**	**44,354.0**

The economic crisis has substantial consequences for the housing market and for employment. Delta Lloyd Group commits to proactively preventing and resolving the financial difficulties of customers, in the clients' interests and arising from the duty of care to the clients in all phases of the mortgage product cycle. Forbearance measures have been taken in cases where customers are temporarily experiencing:

- Double housing costs by offering under strict conditions the option to rent out the property; and
- Remaining debt problems after selling the mortgaged property, by stopping the required interest payments and intensive counselling.

The maximum exposure on double housing costs is € 21.4 million (2011: € 6.4 million) on a total mortgage portfolio of € 16.8 billion (2011: € 17.0 billion).
A proactive approach is in place for customers who are likely to get into financial difficulties due to the mortgage product type (securities-based). With these forbearance measures in place and further expansion in 2013 of the proactive approach, Delta Lloyd Group believes substantial financial difficulty for customers can often be avoided.

The tables below provide details on the carrying amount of financial assets which have been impaired and the ageing of financial assets which are past due but have not been impaired. The tables relate to own risk financial assets. The comparable 2011 figures have been changed to reflect own risk financial assets only. The increase in the financial assets which are past due but which are not impaired is caused by a deterioration of the payment behaviour of the customers due to the crisis.

Financial assets after impairments at year end				
In millions of euros	Neither past due nor impaired	Financial assets that are past due but not impaired	Financial assets that have been impaired	Total 2012
Debt securities	25,180.5	6.2	46.1	25,232.8
Loans and receivables	22,837.0	399.2	119.6	23,355.8
Receivables and other financial assets	1,744.9	456.3	8.1	2,209.4

Financial assets after impairments at prior year end				
In millions of euros	Neither past due nor impaired	Financial assets that are past due but not impaired	Financial assets that have been impaired	Total 2011
Debt securities	20,347.6	1.1	17.5	20,366.2
Loans and receivables	22,959.4	379.6	92.7	23,431.6
Receivables and other financial assets	1,619.8	347.3	13.5	1,980.7

Maturity of financial assets that are past due but not impaired at year end					
In millions of euros	Within three months	Between three and six months	Between six months and a year	More than one year	Total 2012
Debt securities	-	-	0.5	5.6	6.2
Loans	331.7	34.7	19.4	13.3	399.2
Receivables and other financial assets	413.9	24.3	17.9	0.1	456.3
Total	**745.7**	**59.1**	**37.8**	**19.1**	**861.7**

Maturity of financial assets that are past due but not impaired at prior year end					
In millions of euros	Within three months	Between three and six months	Between six months and a year	More than one year	Total 2011
Debt securities	0.7	-	-	0.4	1.1
Loans	317.3	34.8	12.7	14.8	379.6
Receivables and other financial assets	299.5	19.2	24.7	3.9	347.3
Total	**617.5**	**54.0**	**37.4**	**19.1**	**728.0**

The fair value of collateral held for loans which are past due and not yet impaired was € 316.2 million on 31 December 2012 (2011: € 279.5 million).

Equity risk

On 31 December 2012, Delta Lloyd Group's equity portfolio which is held at own risk was € 4.3 billion (2011: € 5.0 billion). About 24% (2011: 26%) of these equity investments was in shareholdings with an interest (stake) of 5% or more of the outstanding capital of mainly Dutch companies, 41% (2011: 39%) in investment funds and 17% (2011: 12%) in alternative equity (includes private equity, hedge funds, CDO equity). The property and bond funds with a value of € 506.1 million (2011: € 697.7 million) are accounted for in equity securities (investment funds). The remaining 18% (2011: 23%) of the portfolio is comprised of ordinary and preference shares. Excluding private equity, preference shares and bond funds, and including equity derivatives, the equity portfolio is € 3.0 billion (2011: € 3.5 billion). A considerable part of the equity portfolio is invested in large and medium-sized Dutch companies.

Delta Lloyd Group's risk management policy includes hedging against the downside risk in the equity portfolio while maintaining upward potential. Delta Lloyd Group has used this hedging strategy since 2006 and regularly tests whether the equity hedges are in line with its risk appetite. The risk appetite has been set at such a level that losses on equity securities may not exceed 10% of the total available economic capital at the beginning of the year.

To optimise its hedging strategy, Delta Lloyd Group purchases options with various exercise prices, underlying indices, maturity dates and counterparties. On 31 December 2012, the notional value of the long puts was € 2.6 billion (2011: € 2.4 billion). There is also a futures programme allowing for the purchase of short positions in futures when the equity market (Eurostoxx 50 or AEX) falls below pre-set levels. The hedging programme is reviewed periodically to determine whether it needs to be adjusted.

Besides hedging, Delta Lloyd Group has significantly reduced equity risk by selling € 0.8 billion of equity securities. The equity securities were sold across all categories (alternatives, equity funds, participations and ordinary shares).

Property risk
Delta Lloyd Group's risk management strategy for property risk focuses on retaining a self-managed portfolio of high-quality. Most purchases and sales take place through a tender process and the value is determined objectively through external appraisals. Delta Lloyd Group's overall property exposure is managed by volume limits and conducting periodic stress tests. Rental income from the residential portfolio offers protection from the long-term inflation risk faced by Delta Lloyd Group's life insurance business.

The largest part of Delta Lloyd Group's office portfolio is located in Germany, where demand, vacancy rates and prices are stable. The economic downturn depressed demand for commercial property in the Netherlands (mainly offices), resulting in a steep rise in vacancy rates in the Dutch market in 2012. This trend is reflected in Delta Lloyd Group's Dutch commercial property portfolio. In addition, vacancy rates increased as a result of less usage of offices by Delta Lloyd Group.

On 31 December 2012, Delta Lloyd Group's property portfolio (excluding property funds) which is held at own risk was valued at € 2.4 billion (2011: € 2.6 billion), divided into residential 47% (2011: 47%), offices 34% (2011: 34%), retail 12% (2011: 12%), property occupied by Delta Lloyd Group 5% (2011: 5%) and other 2% (2011: 2%). Of this portfolio 69% is located in the Netherlands (2011: 69%), 27% (2011: 27%) in Germany and 4% (2011: 4%) in Belgium. Residential property, which has to date remained relatively steady, accounts for the largest share of the portfolio. Vacancy rates for property in the Netherlands are 2% (2011: 2%) for residential, 4% (2011: 4%) for retail and 19% (2011: 8%) for offices. Vacancy rates for property in Germany are 3% (2011: 2%) for residential and 3% (2011: 2%) for offices. The vacancy rates for Germany are calculated based on the number of vacant square meters versus the total number of available square meters. The vacancy rates for the Dutch property portfolio are calculated by stating rental income foregone as a percentage of total gross rental income.

The section on sensitivity analysis quantifies the effect of changes in the value of property. In view of the increased risks in the Dutch market, the table below demonstrates the expiry dates of leases of offices rented out by Delta Lloyd Group in the Netherlands, where the value of the rented offices is shown as a percentage of the total office portfolio in the Netherlands (€ 269.7 million, excluding offices occupied by Delta Lloyd Group against € 289.0 million in 2011).

Contractual terms of leases for offices in the Netherlands at year end

	Within one year	Between one and three years	Between three and five years	More than five years	Total 2012
Offices in the Netherlands excluding those occupied by the group	12%	22%	33%	33%	100%

Contractual terms of leases for offices in the Netherlands at prior year end

	Within one year	Between one and three years	Between three and five years	More than five years	Total 2011
Offices in the Netherlands excluding those occupied by the group	9%	36%	19%	36%	100%

Interest rate risk

Delta Lloyd Group runs interest rate risk as the market value of its assets and liabilities depends on interest rates. There is an additional risk regarding fixed-income assets and instruments, as the yields on these assets may develop differently from the yields used for discounting the liabilities.

Delta Lloyd Group uses the Collateralised AAA curve to measure the value of the majority of its insurance provisions. This curve is compiled of 328 bonds on 31 December 2012 compared to 404 bonds on 31 December 2011, resulting in increased volatility around the compilation and estimation of the curve. The Collateralised AAA curve is materially lower than at year end 2011, and decreased by 2 percentage points (2%) at the 10-year point, partly due to a general fall in interest rate curves and spreads. In addition, all the Spanish and Italian bonds were removed from the Collateralised AAA curve in February 2012 due to downgrades.

The long end of the curve is based on a limited amount of Collateralised AAA bonds. The curve is particularly dependent on one bond from France. Therefore, the long end of the curve is very sensitive to changes in the yield of this particular bond, and the risk of a downgrade of this bond and or country. If this bond does not meet the criteria for the Collateralised AAA curve, Delta Lloyd Group will use alternatives to define the current market interest for longer durations.

The Collateralised AAA curve is also used to report under the Financial Supervision Act (*Wet op het financieel toezicht / Wft*) for Dutch insurance companies. The insurance liabilities are then assessed on the basis of DNB requirements. The majority of these liabilities are measured using the ECB AAA curve, and any deficit is added to provisions. The ECB AAA curve is composed of government bonds of AAA rated countries. Of those bonds, the French government bonds in particular are subject to the risk of a downgrade by rating agency Fitch. Given the relatively high spread contribution of these bonds, a possible downgrade of France is likely to lead to a decrease of the ECB AAA curve.

In July 2012, DNB decided to introduce the so-called Ultimate Forward Rate (UFR) in the prescribed interest rate curve under the Financial Supervision Act for insurance companies. This is in advance of expected Solvency II regulations. The reasons to use an UFR are disturbed market conditions and illiquid market conditions for fixed income investments with high maturities. The swap curve is extrapolated after 20 years, and forward rates converge to the UFR of 4.2% at a maturity of 60 years. As a result, long-term interest rates for the valuation of liabilities are more stable. Due to the current low levels of the swap curve long term interest rates for the valuation of liabilities are higher, which can dampen the market value of the liabilities.

In 2011, it was decided to switch to the interest rate curve used in Solvency II for risk management (economic capital) purposes. The currently-used Solvency II curve is based on the Euro Swap curve plus an illiquidity premium. The Solvency II curve converges after 20 year towards the Ultimate Forward Rate of 4.2%. The interest rate risk appetite is set as a limit which, in combination with inflation risk, is 15% of Delta Lloyd Group’s total available economic capital. When determining interest rate and inflation risk, the UFR is stressed in order to manage risk on an economic basis. In addition, the effect of interest rates on residential property is taken into account in managing interest rate risk. Interest rate risk is managed by matching the duration of assets and liabilities. The interest rate risk is controlled by means of bonds and derivatives, including swaps and swaptions. The unit linked guarantee is actively hedged in a separate portfolio. The section on sensitivity analysis explains the quantitative effect of interest rate movements.

A significant risk for Delta Lloyd Group is the relatively low yield on reinvestments as a result of low interest rates and because overall, less risk is being accepted in the investment portfolio (de-risking). Although the benefits of insurance have not changed, this may mean insurance products become less attractive. The lower reinvestment yield results in higher premiums for our customers and a higher cost of guaranteed products. In addition, saving has become less attractive as a result of the very low or negative real interest rates. To deal with this in an appropriate manner, Delta Lloyd Group regularly reviews the asset mix to achieve a good balance between yield and risk and uses scenario analyses to identify the long-term effects of persistently low interest rates.

Inflation risk
Delta Lloyd Group has written group pension contracts under which pension benefits are indexed in line with the Dutch inflation rate. Part of this inflation risk is hedged by inflation-linked derivative instruments. Delta Lloyd Group also faces inflation risk on claims provisions: if inflation increases, claims payments will be higher than was projected when the premium was set. One example is higher car damage repair costs. Finally, Delta Lloyd Group’s expenses are sensitive to inflation risk as a result of, for example, increasing wages. In the event of deflation, the pension obligations would not be adjusted downwards, although the value of the inflation swaps would fall. On the other hand, deflation reduces economic costs. The net effect on total required economic capital employed by Delta Lloyd Group as a result of deflation is positive.

The inflation risk appetite is set as a limit which, in combination with interest rate risk, is 15% of total available economic capital. The effect of expected inflation on residential property is taken into account when determining the required economic capital for inflation risk.

Currency risk
Delta Lloyd Group defines currency risk as the risk that the value of financial instruments will change due to exchange rate fluctuations.

Delta Lloyd Group operates primarily within the euro area. Its investments in foreign currencies are mainly in Pound sterling and the US dollar. In managing its foreign currency exposure, Delta Lloyd Group hedges investment positions in foreign currencies to limit the impact of fluctuations in exchange rates on profit and loss. The risk appetite for currency risk is set at 6% of total available economic capital.

Delta Lloyd Group does not apply hedge accounting under IAS 39 to offset currency risk. The sensitivity to foreign currency in the event of a 10% decrease in the exchange rate of all foreign currencies at the same time is € -127.5 million (2011: € -157.2 million) on the result before tax and € -95.6 million (2011: € -117.9 million) on equity. An increase in the value of equities of internationally operating companies expressed in foreign currency is to be expected if the exchange rate of the currency in which the equities are quoted falls. This compensating effect has not been included in the sensitivity analysis.

The table below demonstrates foreign currency assets and liabilities which are held at Delta Lloyd Group's own risk. The amounts are before and after hedging using currency derivatives. The own risk foreign currency exposure is lower than the foreign currency positions presented below. This is partly due to consolidated investment funds which are not wholly-owned by Delta Lloyd Group. The category 'Other' consists mainly of investment funds which invest in Eastern Europe and Asia.

The comparable 2011 figures have been changed to better reflect the risk-mitigating effect of currency derivatives. The exposure now excludes the fair value of currency hedges. In addition, currency derivatives of Bank and Treasury are now also included as hedges.

Foreign currency exposure own risk

In millions of euros	Currency exposure at year end	Hedged through currency derivatives at year end	Net currency exposure at year end	Currency exposure at prior year end	Hedged through currency derivatives at prior year end	Net currency exposure at prior year end
Pound sterling	156.9	86.1	70.8	230.0	0.4	229.6
US dollar	1,426.4	842.7	583.7	838.1	104.2	733.9
Brazilian real	132.9	-	132.9	156.1	-	156.1
Canadian dollar	14.5	-73.8	88.3	58.6	-103.7	162.3
Swedish krona	46.6	-18.3	64.9	38.3	-17.9	56.2
Singapore dollar	24.3	9.9	14.4	47.3	33.7	13.6
Hong Kong dollar	39.4	-	39.4	46.3	21.3	25.0
Danish krone	263.6	248.9	14.7	11.9	-	11.9
Other	306.5	40.8	265.7	163.4	-19.9	183.3
Total	**2,411.1**	**1,136.3**	**1,274.8**	**1,590.0**	**18.1**	**1,571.9**

Underwriting risk

Underwriting risks arise from the possibility that insurance premiums and/or provisions will not prove sufficient to meet future payment obligations. This can occur due to misselling, inadequate pricing or when claims differ from what was expected. In order to manage the underwriting risk, Delta Lloyd Group has a policy which is also periodically tested, in order to insure that the underwritten risks remain within the accepted limits.

Life insurance

The main underwriting risks for life insurance are mortality risk, lapse risk and expense risk.

Delta Lloyd Group distinguishes between three risk factors within mortality risk: catastrophe risk, trend risk and portfolio-specific mortality risk. Catastrophe and trend risks relate to national developments while the portfolio-specific mortality risk relates to variances in mortality between the national trend and the Delta Lloyd Group portfolio. The sensitivity analyses demonstrate separately the effects of a change in mortality assumptions.

Delta Lloyd Group manages longevity risk (the risk that people will live longer than expected) through detailed analysis, both of mortality data within its portfolio and of the latest external industry data and trends. It then uses these data to form adequate provisions. Expected mortality improvements over the next 50 years are incorporated in the pricing of policies. In principle and when appropriate, Delta Lloyd Group uses the most recent mortality forecasts when forming its provisions for insurance liabilities, other than term life policies.

Delta Lloyd Group used the CBS2010 mortality prognosis. On 13 December CBS published the 2012-version. Delta Lloyd Group decided not to use this table as it incorporates mortality from other European countries in their mortality model. This results in Dutch mortality converging to a European average, a trend that we cannot confirm with our own analysis. Furthermore, the use of causes of death in the prognosis was largely set aside in the CBS2012 mortality table. For Delta Lloyd Group, the incorporation of causes of death in the mortality prognosis was an important reason to use the CBS2010 mortality table in the past two years.

Therefore, Delta Lloyd Group decided to use the AG2012-2062 mortality prognosis per year end 2012, since this table is based on more up-to-date mortality figures compared to the previously used CBS2010 prognosis. One of the main strengths of the AG2012 mortality prognosis is that it is solely based on historic mortality figures in the Netherlands (when compared to the CBS2012 table). This makes it transparent, reproducible, and suitable for the Dutch population. It also incorporates a strong longevity trend for the first upcoming years in order to adequately capture the current accelerating longevity trend, occurring in Dutch mortality rates since 2002.

Delta Lloyd Group is setting aside additional longevity provisions for annuity and pension products on top of the premium principles in use. The additional longevity provisions were € 1,836.0 million at 31 December 2012 (2011: € 1,424.9 million).

Delta Lloyd Group does not use reinsurance for longevity risk.

Mortality risk (the risk that people will die sooner than expected) is also significant to Delta Lloyd Group's life insurance business. As with longevity risk, insight into this risk is obtained by extensive analysis of mortality statistics. Although mortality and longevity risks are opposite risks, they cannot always be netted because of the different age structures and exposures in the portfolios concerned.

Mortality risk is managed by reinsurance and checks on the acceptance of new business. The mortality risk reinsurance programme is set annually. On 31 December 2012, Delta Lloyd Levensverzekering renewed the additional one-year mortality reinsurance contract agreed in 2011 which, apart from covering the mortality risk, also reduces the capital requirements under the current capital regime (Solvency I). Mortality risk is also managed by Delta Lloyd Group's guidelines for term life business, which include mandatory medical examination above set limits.

The life insurance business is also exposed to lapse risk. This involves all the options available to policyholders to change their insurance. At Delta Lloyd Group, this mainly involves the possibility that the insurance may be surrendered, but also that the policy be paid-up. Maintaining the attraction of the life insurance products to customers, agents, intermediaries and banks is key to managing this risk. Trends in lapses in the portfolio are carefully monitored.

Expense risk to life insurance mainly involves the risk of an increase in the cost of maintaining current policies. Delta Lloyd Group manages this risk through detailed budgeting and monitoring of all costs, using Activity Based Costing (ABC).

Life insurance contracts do not have a high concentration risk.

Delta Lloyd Group regularly tests whether the provisions formed for insurance liabilities are adequate. The liabilities in this adequacy test are measured using realistic assumptions plus a margin for uncertainty. This testing is done for both IFRS (Liability Adequacy Test) and Wft (adequacy test) purposes. Each year, the qualified actuary provides an opinion on the adequacy of the tests and the provisions.

General insurance

Risk management of the general insurance portfolios focuses on risk mitigation through strict acceptance policies, stringent claims handling procedures and risk-based reinsurance contracts.

An acceptance policy is developed for each of Delta Lloyd Group's product lines and is evaluated each year and revised if necessary. Regular random checks are carried out on each product line to check whether underwriters are following the rules and regulations.

Delta Lloyd Group has customised reinsurance programmes for the various business units and risk groups. The exposure to the parent reinsurance companies of these reinsurance contracts (general insurance, life insurance and Delta Lloyd Life Belgium) are monitored in the Delta Lloyd Group Security List, to ensure that the exposures remain below the concentration limits of Delta Lloyd Group's risk appetite.

Catastrophic events are a major risk to Delta Lloyd Group's general insurance business. The main natural catastrophic threat in the Netherlands is from storms causing severe wind damage. Delta Lloyd Group's cumulative risk (maximum possible loss) resulting from natural disasters (particularly storms) is identified using postal codes. Delta Lloyd Group purchases a reinsurance contract offering protection against a 1 in 200 year storm based on the RMS catastrophe model.
The catastrophe reinsurance contract for 2012 provides a cover of € 390.0 million (2011: € 410.0 million) above the retention limit of € 50.0 million (2011: € 40.0 million).

In addition to catastrophic events, Delta Lloyd Group's general insurance business faces risks regarding the frequency and size of claims, unexpected claims, inaccurate pricing of the general insurance risks, inadequate reinsurance protection and concentration risk.

In order to manage the risk of higher claim frequencies and higher-than-expected claim and a higher ratio of claims to premiums (claims ratio), the probability of occurrence and the required economic capital per risk group are monitored.

In addition, reinsurance contracts per risk group are in place, covering Delta Lloyd Group against large one-off events such as fires. All these contracts cover both Dutch property and casualty entities within Delta Lloyd Group.

Delta Lloyd Group takes the 'premium rating cycle' characteristic of the general insurance industry into account when pricing general insurance policies. Favourable market results generate downward pressure on premiums (due to a higher capital supply) and this leads to weaker financial performance, necessitating an increase in premiums. Delta Lloyd Group has product teams and specific knowledge centres responsible for managing this risk and for the correct timing of premium pricing or adjustments.

In order to manage the provisions for the general insurances best estimates based on standard actuarial projection techniques are calculated. Delta Lloyd Group's past claims development is therefore used to project future claims development. This involves the risk that provisions may prove to be inadequate. The adequacy of claims provisions is therefore tested each quarter and each year, with the qualified actuary providing an opinion on the adequacy of the tests and the provisions. Both IFRS (Liability Adequacy Test) and the Wft (adequacy test) require that the overall technical provisions are adequate.

The sensitivity analysis demonstrates the quantitative effect of underwriting risks.

Delta Lloyd Group is also exposed to disability risk (the risk that people recover less than expected and the risk that more people become incapable of working). In order to manage the disability risk, the required economic capital for a 1 in 200 year event is monitored.

During 2012 an industry-wide issue arose around the assumed length of disability payments for WGA ER ('Werkhervatting Gedeeltelijk Arbeidsgeschikten - Eigen Risico') products. The underwriting of this product was based on an assumed maximum payment period of five years. In 2012 it became obvious that the criteria for disability were forward looking and that the maximum payment period was therefore only restricted by the contractual period. As such an additional provision of € 60.1 million was needed for this product.

Delta Lloyd Group has seen a large increase in claims arising from the International Marine Business. The claims exceeded the received premiums and were reported with a time lag. As a result, the underwriting for this business line is in run-off and technical provisions are € 259.9 million for the anticipated claims from the existing contracts. The increase in the claims reserve had a negative effect on the 2012 result of € 139.5 million.

Liquidity risk
Delta Lloyd Group has a strong liquidity position, and therefore liquidity risk is deemed to be limited. Active cash management within Treasury ensures that Delta Lloyd Group has sufficient liquidity to meet its liabilities when these fall due. Within Delta Lloyd Group the banking operations face the highest liquidity risk. This is the risk that short-term assets prove insufficient to meet short-term obligations.

In 2010, Delta Lloyd Group launched its Euro Medium-Term Note (EMTN) programme in order to gain efficient and flexible access to working capital. This is in addition to the sources of capital and liquidity already in use. There were no transactions under this programme in 2012. A Commercial Paper Programme was also launched in 2010 in order to raise short-term finance. Delta Lloyd Group continued to use the Commercial Paper Programme regularly in 2012 in order to meet part of its short-term financing requirement. The maximum total financing available under these programmes is € 4.0 billion. Delta Lloyd Group also has substantial credit facilities with several reputable financial institutions.

Delta Lloyd Group's insurance operations face a limited liquidity risk: there are sufficient liquid investments and inflows of new premiums compared to a stable outflow of payments. Delta Lloyd Group has defined a target Liquidity Coverage Ratio (LCR) of 105% for the insurance entities. The LCR largely meets the target, i.e. the ratios show that in case of a stress situation (e.g. mass lapse, catastrophe) Delta Lloyd Group's liquid stock of assets will prove sufficient.

Delta Lloyd Group's banking business requires liquidity to fund mortgage and retail lending. Delta Lloyd Group uses securitisation as a source of funding but the mortgage business is also funded from alternative sources, such as savings, premium deposits, intercompany loans and assignments, traditional bank financing and repo transactions. In 2012, mortgages with a total value of € 207 million were assigned to the statement of financial position of the life business (2011: € 1.5 billion). In this way the life business has been able to extend the term of its investments and reduce the interest rate risk. In addition, € 510.9 million (2011: € 471.1 million) of funding was obtained in 2012 through *banksparen*; this particular type of savings can be withdrawn less quickly than traditional savings. If necessary, Delta Lloyd Group can partially limit its funding needs by increasing the margins on mortgage loans, thereby limiting new mortgage lending. The liquidity risk is closely monitored by risk management functions and asset liability committees within Delta Lloyd Group's banking business.

The table below provides details on the contractual maturity of the assets on the statement of financial position. The amounts reported are Delta Lloyd's own risk. See section 5.1.7.18. and section 5.1.7.19. for a breakdown by risk bearer. The derivatives are presented in a separate table. The receivables and other financial assets are not included in the statement as they are held for the short term. See section 5.1.7.22. for further information on receivables and other financial assets.

Contract maturity date of assets at year end

In millions of euros	Within one year	Between one and three years	Between three and five years	More than five years	Not stated	Total 2012
Goodwill	-	-	-	-	304.4	304.4
AVIF and other intangible assets	-	-	-	-	113.9	113.9
Deferred acquisition costs	-	-	-	-	180.7	180.7
Property and equipment	-	-	-	-	140.8	140.8
Investment property	-	-	-	-	2,167.5	2,167.5
Associates	-	-	-	-	193.6	193.6
Debt securities	639.4	962.3	1,826.9	21,724.1	80.2	25,232.8
Equity securities	-	-	-	-	4,322.1	4,322.1
Loans	2,551.1	2,491.3	2,177.4	16,066.6	69.4	23,355.8
Reinsurance assets	74.6	77.6	51.1	331.9	-	535.2
Inventory of real estate projects	-	2.0	13.5	13.8	0.9	30.2
Capitalised interest and prepayments	637.9	-	-	-	-	637.9
Cash and cash equivalents	2,570.6	-	-	-	-	2,570.6
Assets held for sale	283.4	-	-	-	-	283.4
Total	**6,756.9**	**3,533.2**	**4,068.9**	**38,136.4**	**7,573.4**	**60,068.7**

Contract maturity date of assets at prior year end

In millions of euros	Within one year	Between one and three years	Between three and five years	More than five years	Not stated	Total 2011
Goodwill	-	-	-	-	330.4	330.4
AVIF and other intangible assets	-	-	-	-	148.2	148.2
Deferred acquisition costs	-	-	-	-	200.2	200.2
Property and equipment	-	-	-	-	160.6	160.6
Investment property	-	-	-	-	2,446.9	2,446.9
Associates	-	-	-	-	334.8	334.8
Debt securities	665.6	1,664.2	2,251.0	15,773.3	13.5	20,366.2
Equity securities	-	-	-	-	4,984.8	4,984.8
Loans	2,060.1	2,018.8	2,830.6	16,451.8	65.1	23,426.4
Reinsurance assets	92.9	97.3	54.0	317.3	-	561.5
Inventory of real estate projects	1.5	0.8	16.8	23.5	-	42.6
Capitalised interest and prepayments	606.7	3.0	-	-	-	609.7
Cash and cash equivalents	3,543.0	-	-	-	-	3,543.0
Assets held for sale	27.3	-	-	-	-	27.3
Total	**6,997.1**	**3,784.1**	**5,152.4**	**32,565.9**	**8,684.4**	**57,182.6**

The table below presents the maturity analysis for derivatives. The amounts reported are held at Delta Lloyd Group's own risk and at the risk of policyholders. All positive cash flows are added up and broken down by maturity, and all negative cash flows are added up and broken down by maturity. Neither the positive nor the negative cash flows are discounted, so they cannot be reconciled with the statement of financial position.

Maturity analysis of derivatives at year end					
In millions of euros	Within one year	Between one and three years	Between three and five years	More than five years	Total 2012
Negative cash flow	2,708.3	891.7	743.5	5,393.2	9,736.7
Positive cash flow	2,567.9	785.1	873.3	6,172.4	10,398.7

Maturity analysis of derivatives at prior year end					
In millions of euros	Within one year	Between one and three years	Between three and five years	More than five years	Total 2011
Negative cash flow	1,011.2	1,068.4	979.5	5,915.4	8,974.5
Positive cash flow	869.3	877.4	1,005.5	6,297.3	9,049.5

The table below provides information on the contract maturity dates of the insurance contracts. The amounts are discounted cash flows.

Contract maturity date of insurance contract liabilities at year end					
In millions of euros	Within one year	Between one and five years	Between five and fifteen years	More than fifteen years	Total 2012
Non-unit-linked insurance	1,999.7	6,700.4	11,005.7	10,089.9	29,795.6
Unit-linked insurance	739.9	2,599.7	4,455.9	4,832.3	12,627.8
Total life insurance contract liabilities	**2,739.6**	**9,300.1**	**15,461.6**	**14,922.1**	**42,423.4**
General insurance liabilities	979.1	897.1	382.3	40.9	2,299.3
Total	**3,718.6**	**10,197.2**	**15,843.9**	**14,963.0**	**44,722.7**

Contract maturity date of insurance contract liabilities at prior year end					
In millions of euros	Within one year	Between one and five years	Between five and fifteen years	More than fifteen years	Total 2011
Non-unit-linked insurance	1,825.3	6,345.0	9,440.4	7,769.3	25,380.0
Unit-linked insurance	735.7	2,512.1	4,223.6	4,195.5	11,666.9
Total life insurance contract liabilities	**2,560.9**	**8,857.1**	**13,664.0**	**11,964.8**	**37,046.8**
General insurance liabilities	798.1	805.0	403.3	51.0	2,057.5
Total	**3,359.0**	**9,662.2**	**14,067.3**	**12,015.8**	**39,104.3**

The table below provides details on the contract maturity dates of investment contracts. The amounts shown are undiscounted cash flows and cannot therefore be reconciled with the statement of financial position.
The increase in the undiscounted cash flows of the investment contracts (+ € 58.3 million) compared to last year is significantly smaller than the increase as reported on the statement of financial position (+ € 708.7 million). This is mainly due to the decrease in interest.

The comparable 2011 figure for non-unit-linked investment contract liabilities increased by € 532.3 million due to a sub-portfolio which was not included.

Contract maturity date of investment contracts at year end

In millions of euros	Within one year	Between one and five years	Between five and fifteen years	More than fifteen years	Total 2012
Non-unit-linked insurance	288.4	999.3	2,543.2	1,905.4	5,736.3
Unit-linked insurance	22.4	89.9	255.9	195.0	563.2
Total life investment contract liabilities	**310.8**	**1,089.2**	**2,799.1**	**2,100.4**	**6,299.5**

Contract maturity date of investment contracts at prior year end

In millions of euros	Within one year	Between one and five years	Between five and fifteen years	More than fifteen years	Total 2011
Non-unit-linked insurance	193.5	1,038.8	2,250.7	1,823.4	5,306.5
Unit-linked insurance	1.6	70.8	135.9	726.4	934.7
Total life investment contract liabilities	**195.1**	**1,109.6**	**2,386.6**	**2,549.8**	**6,241.2**

The table below provides details on the contractual maturities of borrowings. The amounts reported may differ from those in the consolidated statement of financial position, which are based on undiscounted cash flows. Items which do not generate cash flow are discounting, amortisation of expenses, value changes in derivatives, own risk surcharges and the like. In addition, undiscounted future interest payments are reported in a separate line and allocated to the relevant maturity category.

Interest payments on loans and loan terms are recognised until the contract end date. The comparable 2011 figure for future interest payments, with a maturity of over five years, was adjusted by an amount of € 5,525.4 million as this figure incorrectly included the redemption of the principal amount.

Amounts owed to credit institutions' decreased by € 171.7 million compared to 2011, mainly due to a reclassification of liabilities to banks from Borrowings to Financial liabilities (see section 5.1.7.35.).

Contract maturity date of borrowings at year end							
In millions of euros	within one year	Between one and two years	Between two and three years	Between three and four years	Between four and five years	More than five years	Total 2012
Subordinated debt	-	-	-	-	-	1,096.9	1,096.9
Amounts owed to credit institutions	15.5	11.6	58.2	-	-	-	85.2
Securitised mortgage loan notes	-	-	-	-	-	5,180.3	5,180.3
Medium-term note	-	-	-	-	575.0	-	575.0
Commercial paper	93.1	-	-	-	-	-	93.1
Convertible loan	-	-	-	-	-	2.6	2.6
Other	48.1	97.2	41.2	89.2	26.8	26.7	329.3
Total borrowings	**156.7**	**108.8**	**99.4**	**89.2**	**601.8**	**6,306.6**	**7,362.4**
Future interest payments	155.7	151.8	147.6	146.2	142.9	3,359.4	4,103.7
Total borrowings including future interest payments	**312.4**	**260.6**	**247.0**	**235.4**	**744.7**	**9,666.0**	**11,466.1**

Contract maturity date of borrowings at prior year end							
In millions of euros	Within one year	Between one and two years	Between two and three years	Between three and four years	Between four and five years	More than five years	Total 2011
Subordinated debt	-	-	-	-	-	996.9	996.9
Amounts owed to credit institutions	261.3	-	-	-	-	-	261.3
Securitised mortgage loan notes	-	-	-	-	25.3	5,242.2	5,267.4
Medium-term note	-	-	-	-	-	575.0	575.0
Commercial paper	40.4	-	-	-	-	-	40.4
Convertible loan	-	-	-	-	-	2.6	2.6
Other	114.7	55.7	115.8	101.2	95.5	48.4	531.2
Total borrowings	**416.4**	**55.7**	**115.8**	**101.2**	**120.7**	**6,865.1**	**7,674.8**
Future interest payments	225.7	211.7	218.4	211.0	209.8	4,612.4	5,689.1
Total borrowings including future interest payments	**642.1**	**267.4**	**334.2**	**312.3**	**330.5**	**11,477.5**	**13,363.9**

Sensitivity analysis

Due to the nature of Delta Lloyd Group's business, a number of assumptions were made in compiling the financial statements. These include assumptions concerning lapse rates, mortality rates and expenses in connection with in-force business. The investment return also affects the results. The sensitivity of the results and equity to changes in the assumptions is set out below. For each sensitivity factor, all other assumptions have been left unchanged. This is unlikely to occur in practice and changes in some of the assumptions may be correlated. For instance, a change in interest rate may be correlated to a change in equity prices or a change in lapses may be correlated to future mortality. These sensitivities can be described as follows:

Sensitivity factor	
Interest rate	The effect of a parallel 1% increase or decrease across the entire yield curve.
Equity markets	The effect of a change of 10% in equity markets (applicable to ordinary shares, 5% participations, investment funds and derivatives).
Property	The effect of a change of 10% in property (applicable to offices, residential, retail and other property).
Credit risk	The effect of a 0.5% change in credit spread (applicable to collateralised and sovereign/sub-sovereign bonds with a rating below AAA, corporate bonds, FV mortgages and FV loans).
Expenses	The effect of a 10% increase in the assumptions for rises in expenses.
Mortality and disability risk in life insurance	The effect of an increase of 5% in mortality and disability risk probabilities.
Longevity risk	The effect of a reduction of 5% in mortality probabilities.
Claims ratio	The effect of an increase of 5% in the gross claims ratio for general and health insurance.

The effects of the above sensitivity factors, which are determined using actuarial and statistical models, are demonstrated in the tables below. For life insurance, the sensitivities are only disclosed gross of reinsurance as the reinsured portion does not lead to a material change in value. For general insurance, the sensitivities are shown both gross and net of reinsurance. The sensitivity analysis of level 3 measurements in the fair value hierarchy (measuring method not based on (significantly) observable market inputs) is presented in section 5.1.7.39. 'Fair value of financial assets and liabilities'.

The tables below show the impact of the main market risks for Delta Lloyd Group on results and shareholders' funds. The IFRS sensitivities are based on Delta Lloyd Group accounting policies and are shown after tax.

Sensitivity analysis of investments of life insurance business

In millions of euros	Impact on result at year end	Impact on equity at year end	Impact on result at prior year end	Impact on equity at prior year end
Credit risk +50 bps	-260.6	-270.5	-161.3	-165.4
Credit risk -50 bps	278.9	289.3	176.5	180.7
Interest rate risk +100 bps	-2,417.3	-2,444.7	-1,753.2	-1,764.0
Interest rate risk -100 bps	3,014.0	3,044.6	2,220.6	2,231.0
Equity risk +10%	-34.3	89.8	20.6	194.5
Equity risk -10%	63.9	-60.2	-12.8	-175.2
Property risk +10%	176.7	184.0	199.4	198.5
Property risk -10%	-176.7	-184.0	-199.4	-198.5

Sensitivity analysis of liabilities of life insurance business

In millions of euros	Impact on result at year end	Impact on equity at year end	Impact on result at prior year end	Impact on equity at prior year end
Credit risk +50 bps	5.4	14.3	2.3	5.3
Credit risk -50 bps	-5.7	-15.0	-2.4	-6.9
Interest rate risk +100 bps	2,396.9	2,421.5	1,711.3	1,717.9
Interest rate risk -100 bps	-2,832.0	-2,833.0	-2,255.6	-2,243.4
Equity risk +10%	37.3	36.3	28.0	30.3
Equity risk -10%	-42.3	-41.4	-30.0	-32.4
Property risk +10%	-40.3	-40.3	-48.2	-48.2
Property risk -10%	40.3	40.3	46.6	46.6
Longevity risk -5%	-169.3	-169.3	-122.3	-121.4
Expense risk +10%	-34.9	-34.9	-31.7	-31.7
Mortality risk +5%	159.4	159.4	103.4	97.4

Sensitivity analysis of general insurance, gross of reinsurance

In millions of euros	Impact on result at year end	Impact on equity at year end	Impact on result at prior year end	Impact on equity at prior year end
Credit risk +50 bps	-1.9	-18.0	-1.6	-7.5
Credit risk -50 bps	2.0	18.9	1.6	7.9
Interest rate risk +100 bps	26.5	-49.9	1.4	-58.1
Interest rate risk -100 bps	-27.8	59.2	-2.7	62.8
Equity risk +10%	0.7	16.8	5.5	22.3
Equity risk -10%	-14.3	-16.8	-7.2	-22.3
Property risk +10%	0.2	3.5	0.2	5.3
Property risk -10%	-0.2	-3.5	-0.2	-5.3
Expense risk +10%	-25.6	-4.4	-19.1	-4.7
Claims ratio +5%	-51.2	-51.2	-38.2	-38.2

Sensitivity analysis of general insurance, net of reinsurance

In millions of euros	Impact on result at year end	Impact on equity at year end	Impact on result at prior year end	Impact on equity at prior year end
Credit risk +50 bps	-1.9	-18.0	-1.6	-7.5
Credit risk -50 bps	2.0	18.9	1.6	7.9
Interest rate risk +100 bps	26.4	-50.0	1.3	-58.2
Interest rate risk -100 bps	-27.7	59.3	-2.5	62.8
Equity risk +10%	0.7	16.8	5.5	22.3
Equity risk -10%	-14.3	-16.8	-7.2	-22.3
Property risk +10%	0.2	3.5	0.2	5.3
Property risk -10%	-0.2	-3.5	-0.2	-5.3
Expense risk +10%	-25.6	-4.4	-19.0	-4.6
Claims ratio +5%	-48.0	-48.0	-35.1	-35.1

Sensitivity analysis of bank and other

In millions of euros	Impact on result at year end	Impact on equity at year end	Impact on result at prior year end	Impact on equity at prior year end
Credit risk +50 bps	-58.1	-61.6	-48.9	-52.1
Credit risk -50 bps	58.1	61.6	48.9	52.1
Interest rate risk +100 bps	51.8	15.2	33.7	2.5
Interest rate risk -100 bps	-46.2	-7.4	-27.9	4.7
Equity risk +10%	-	7.5	0.1	9.5
Equity risk -10%	-	-7.5	-0.1	-9.5
Property risk +10%	-	-	8.7	8.7
Property risk -10%	-	-	-8.7	-8.7

The IGD sensitivities can be described as follows:

Sensitivity factor IGD

Interest rate	The effect of a 1% increase or decrease across the yield curve taking the UFR methodology into account.
Equity markets	The effect of a change of 10% in equity markets (applicable to ordinary shares, 5% participations, investment funds and derivatives).
Property	The effect of a change of 10% in property (applicable to offices, residential, retail and other property).
Credit risk	The effect of a change of 0.5% in credit spread (applicable to sovereign/sub-sovereign bonds with a rating below AAA, corporate and collateralised bonds and loans).

The table below shows the impact of the main market risks on the available IGD solvency after tax. The IGD sensitivities on 31 December 2012 and comparable figures on 31 December 2011 are all based on local Solvency I guidelines, instead of using a single consolidated approach. Due to the introduction of a UFR methodology and therefore a change in the valuation of insurance liabilities in the Netherlands, the interest sensitivities profile changed. The IGD interest sensitivity reflects the effects of yield curve changes using the prevailing legislative environment.

Sensitivity analysis according to IGD		
In millions of euros	Impact on available solvency at year end	Impact on available solvency at prior year end
Credit risk +50 bps	-224.5	-153.5
Credit risk -50 bps	239.3	165.0
Interest rate risk +100 bps (2012 based on UFR methodology)	-215.0	151.4
Interest rate risk -100 bps (2012 based on UFR methodology)	929.0	-449.4
Equity risk +10%	155.0	228.3
Equity risk -10%	-130.7	-221.6
Property risk +10%	135.4	158.1
Property risk -10%	-135.4	-158.1

Interest rate, credit and equity risk sensitivities have changed, mainly as a result of management actions.

Credit risk
Credit risk increases under IFRS due to an increased exposure and changes in the portfolio. As a result of these changes in the portfolio and of downgrades, there are more collateralised and government bonds with a rating below AAA. The increase in local IGD sensitivities is smaller because not all bonds are affected by changes in spreads when valued on local solvency basis.

Interest rate risk
As a result of the fall in the Collateralised AAA curve compared to December 2011, sensitivity of the provisions to a 100 basis point movement in interest rates has increased. Because the impact on the provisions diminishes as the interest rates approaches zero, the increase for the minus 100 basis point movement is relatively smaller than that of the plus 100 basis point movement. The effect on investments has also risen due to the decrease of the DNB swap curve, the increase in the duration of the investments and the purchase of swaps. The total interest rate risk under IFRS decreases as the increased impact on the investments is larger than the impact on the liabilities.

Under IGD, liabilities are measured using the ECB AAA curve. DNB's adjustment of this curve using the UFR methodology means that the ECB AAA curve falls for short maturities but rises for long maturities. The UFR methodology is also applied to the ECB AAA curve after a 100 basis point movement. Consequently, the sensitivity of liabilities to interest rates increases by a small amount for the plus 100 basis point movement and decreases for the minus 100 basis point movement, as interest rates have decreased. Similar to under IFRS, the effect on investments is rising compared to December 2011 because of lower interest rates, the increase in duration and the purchase of swaps. As a result, total IGD sensitivity has decreased so significantly that Delta Lloyd Group has become sensitive to an increase in interest rates for IGD as per year end.

Equity risk
Sensitivity to a fall in the equity markets has declined as a result of the sale of equities and an increased effectiveness of the hedging programme. In order to better demonstrate the impact of

equity market movements, the sensitivities and comparable figures exclude investments in alternatives and private equity.

For investments of the life insurance business, the impact of a change in equity markets on the result differs from the impact on equity because equity securities that are classified as held for sale do not have an impact on the result. As the exposure of equity securities classified as other than trading has decreased and the impact of the hedging program has increased, the impact for the life business on the result is opposite compared to that of last year.

Property risk
Sensitivity to a fall in property markets has declined mainly as a result of the sale of property and a revaluation of the property portfolio.

Claims risk
Sensitivity to a 5% increase in the claims ratio has increased compared to year end 2011 as a result of the increased claims ratio, due to international marine business and WGA ER.

Limitations of sensitivity analysis
The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, such an occurrence is very unlikely due to correlation between the factors. Furthermore, these sensitivities are non-linear, and larger or smaller impacts cannot easily be derived from the results. The sensitivity analyses do not take into consideration that Delta Lloyd Group's assets and liabilities are actively managed and may vary at the time that any actual market movement occurs. The financial risk management strategy aims to minimise the exposure to market fluctuations. The techniques used include selling investments, changing investment portfolio allocation and using derivative financial instruments. Another limitation in the above sensitivity analyses is that the hypothetical market movements used only represent Delta Lloyd Group's view of reasonably possible near-term market changes, which cannot be predicted with any certainty. A final limitation to the assumption is that all interest rates move in an identical direction (parallel increases or decreases) while this may not be the case in practice.

Strategic risk
Current economic and social developments demand a new vision for the future. No one can be sure what lies ahead, but it is possible to imagine what the world might look like fifteen years from now, given today's trends and developments. By using scenario thinking, Delta Lloyd Group has an indispensable instrument for coping with possible uncertainties of the future. Thinking through the consequences of entirely different future scenarios, gives Delta Lloyd Group a deeper understanding of the forces which will determine the dynamics of its prospective environment. Scenarios outline alternative futures by extrapolating current trends to extreme outcomes, providing Delta Lloyd Group insight into the context in which we will be doing business in 2025.

Scenario analyses and the changing financial and insurance market, shows us growing diversity in customer demands, continuing quest for transparency, increased regulation and ongoing virtualisation of the financial sector. Because of this changing environment, Delta Lloyd Group must continue to change and think differently and invest in the necessary competences. This is possible in an open culture and a refocused strategy based on the following five pillars:

- Certainty: being a most solid and trustworthy provider of financial services and contributing to a sustainable and certain future for all stakeholders;
- Distribution: employing distribution opportunities and knowledge to connect with customers and distribution partners and developing new solutions that fit customer needs;
- Simplicity: efficiency in processes, products, organisation and communication and offering transparent products and services; customer centricity is key;
- Expertise: being the financial service provider of (first) choice and seen as competent and trustworthy;
- Core values: respect at the heart of how we conduct business, be honest, approachable and work together.

In order to successfully achieve the strategic goals, a set of good competences is essential. Delta Lloyd Group already excels in a number of competences such as risk management, asset management, multi-channel distribution and niche-specific knowledge and expertise. It is essential to maintain these competences and, where possible, raise them to an even higher level. Four additional competences, which are of essential significance to the growth strategy, were identified but need to be developed further:

- Innovative power;
- Customer-focused culture;
- A balanced and broadly compiled set of simple modular standard products;
- Price and risk differentiation.

Other competences such as operational excellence and process management, human resource management, IT, expense level and efficiency, strength in execution, know-how in virtual technologies and culture, time to market, marketing, transparency and customer knowledge must also be developed. Delta Lloyd Group applies three complementary and mutually reinforcing business strategies to its portfolio, asset strategy, volume strategy and multi-niche strategy (i.e. being active in several small specific markets), to strengthen Delta Lloyd Group's market position.

This strategy was translated into the simplified organisational structure that was introduced on 1 January 2011. Subsequent strategic initiatives focused on the further implementation of the strategy. The INK model (Instituut Nederlandse Kwaliteit) was introduced in 2012 and is the new standard for the Group's plan cycle. The residual strategic risks are assessed during the quarterly risk management cycles and additional action is taken as necessary to ensure that the risk profile remains within the set risk appetite.

Legal and regulatory risk

Delta Lloyd Group is deeply committed to integrity, regulatory compliance, treating customers fairly and duty of care. One of the group-wide policies is the Compliance Policy. Compliance contributes to transforming legislation and regulations, industry codes and codes of conduct into policy (acceptable behaviour) and focuses on avoiding inappropriate behaviour. The Compliance function is responsible for legislation and regulations which is monitored by our supervisory authorities. Meanwhile, Group Finance, Control & Tax, Group Actuarial and Risk Management and Group HRM Business

Development and Legal deal with specific legislation and regulations on financial, risk-related and HRM-related subjects.

The Risk & Control Matrix (RCM) for the Compliance Policy has eight themes, which define subjects, standards and controls. All key controls with a high control failure risk are tested regularly as part of the Solvency II programme. In addition, the Division Compliance Officers report on the status of the various themes in quarterly reports to Group Compliance.

The eight themes are:
- Rules, internal values and awareness;
- Market forces;
- Customer Centric;
- Protection of personal data;
- Integrity in business operations and culture;
- Professional expertise;
- Sanctions Act & Anti-Money Laundering and Anti-Terrorist Financing Act;
- Incident reporting.

Customer Centric
Focus on the customer’s interest is an extremely important element Delta Lloyd Group’s strategy. A specific programme was set up to ensure that focus on the customer’s interest is a key priority at Delta Lloyd Group. The Compliance function actively contributes to the various pillars of this programme and encourages the implementation of any new legislation, regulations and industry codes in this area.

Regulators Desk
Regulation of the financial markets has increased significantly in recent years with the number of examinations by regulators up sharply. The Regulators Desk co-ordinates internal and external contacts with regulators and efficiently distribute regulators' supplementary guidelines more efficiently to the different business units. The Regulators Desk and Group Compliance are part of Group Integrity.

Operational risk
Operational risks are assessed according to their possible financial, operational or reputational impact on Delta Lloyd Group. Projects and programmes are aimed at increasing operational effectiveness. In today’s highly competitive market, operating expenses are critical to Delta Lloyd Group’s competitiveness. A key way of reducing costs is to set up processes that are as efficient and effective as possible. Delta Lloyd Group continued the short-term cost-saving programmes in 2012, including a hiring freeze and a reduction in staff.

Delta Lloyd Group recognises the risk of simultaneously implementing several major change processes, such as sharing services through chain integration and profit improvement programmes, since each of these initiatives requires careful monitoring and control. The Group Business Development (GBD) department is responsible for central coordination of the inception, management and implementation of change processes.

Delta Lloyd Group records and analyses operational losses in the business units and keeps a central register of losses exceeding € 10,000. Scenarios based in part on possible operational losses are computed for impact. This provides further support to the risk analysis and controls, which are in place or will be implemented. Delta Lloyd Group is a member of ORIC, an independent 'loss data' consortium set up by ABI (Association of British Insurance Companies) in order to provide and benchmark operational loss data for internal Solvency II modelling.

The Delta Lloyd Group Operational Risk Committee consists of risk management specialists from the divisions and discusses and advises on operational risks. These include the consequences of IT risks on operations, outsourcing, fraud and crime, business protection and human resources.

IT and infrastructure
Delta Lloyd Group believes that its ICT systems need to be appropriately structured and utilised to achieve its strategic and operational goals, look after its customers' interests and meet statutory and regulatory requirements. To this end, Delta Lloyd Group has in place an effective IT risk management and control system in place. The IT Risk Manager supervises compliance with and the further development of the risk management system in a changing environment and under changing market conditions. The ICT Board, consisting of managing directors, two members of the Executive Board and the Chief Information Officer of Delta Lloyd Group, is the risk committee on IT matters. Internally and externally reported issues are regularly discussed by the ICT Board.

Outsourcing
Companies are increasingly requesting their suppliers to provide an independent opinion (statement) on the effectiveness of their internal controls. This statement must be examined by an external auditor. Delta Lloyd Group asks its main outsourcing partners to provide a SAS 70 type II/ISAE 3402 statement. This statement is internationally recognised and constitutes a standard element in Delta Lloyd Group's contracts with important suppliers. Delta Lloyd Group also negotiates the right to perform or arrange audits of its business partners.

Delta Lloyd Group is exposed to dependency risk as it may not be able to immediately replace a supplier that has defaulted on or failed to fulfil its obligations. Delta Lloyd Group manages this risk by closely monitoring and overseeing the processes and stability of its business partners and, if relevant, opting to contract services from several suppliers who can replace each other. A risk management process for supplier risks was developed in 2011 and implemented in 2012.

Business Continuity Management
Delta Lloyd Group aims to deliver secure, reliable services. To ensure this, the Group has developed contingency ICT and business arrangements which aim to restore services to markets and customers in the event of a business interruption. Contingency and continuity plans have been prepared for all critical business operations and applications. These measures are tested annually, evaluated and where necessary improved.

In 2012 the Business Continuity programme made excellent progress in improving the plans as well in implementing high quality measures to match the ambition level to current customer expectations. ICT continuity measures and telephone technology improved considerably and all divisions have carried out crisis management team exercises aimed at responding appropriately to disruptions in operations and breakdowns in operating processes.

Information Security
Delta Lloyd Group is on track with the realisation of its information security programme, aiming to meet the expected ambition levels as set out by the regulator for all Dutch financials.
Delta Lloyd Group continued its e-learning awareness programme in order to further reinforce information security awareness through the rollout of additional modules. In addition, several information security controls were further strengthened, including updated policies and monitoring, website security, IT network redesign and additional controls in order to support Delta Lloyd Group's 'Strong Work' concept.

Human resources
Recruiting, developing and retaining qualified staff is vital to Delta Lloyd Group's business. Trainee programmes were developed in order to attract young talent and management's leadership abilities are being strengthened through a customised leadership programme. Employees' professional and personal development is appraised annually by management and facilitated by using performance-based management, including development programmes and professional courses. This enhances retention of qualified staff and preserves vital knowledge and expertise for the Delta Lloyd Group.

Fraud and crime
Losses caused by fraud and other criminal activities result in operational losses. Integrity Investigations by Group Integrity defined unacceptable risks in 25 fraud scenarios, and controls were put in place prevent such fraud. In addition, controls to minimise risks were implemented in the context of Solvency II. Delta Lloyd Group has taken out 'Crime insurance' for major claims (over € 5 million) resulting from fraud.

Integrity Investigations have a clear on preventing fraud by raising employees' fraud awareness, so that attempts at fraud are identified as quickly as possible and an honest portfolio is achieved. If losses are caused by fraud or other criminal activities, Integrity Investigations investigates them and aims to recover the loss and the cost of the investigation from the perpetrator.

Financial reporting risks
Delta Lloyd Group manages its financial reporting risks through an internal control framework and the external audit. Financial reporting within Delta Lloyd Group is the outcome of a structured process carried out by various divisions, directed and supervised by the financial management of Delta Lloyd Group. The Executive Board is responsible for the designing, maintaining and monitoring controls for financial reporting.

For the 2012 financial consolidation, Delta Lloyd Group carried out the so called SOx cycle as part of the above-mentioned internal control framework. The controls in the SOx cycle include controls in order to mitigate the risks in the financial reporting process in the Group system consolidation schedules. These controls are documented and executed within Delta Lloyd Group and were tested by the SOx team of Group Audit.

For 2012, Delta Lloyd Group has evaluated the design and operational effectiveness of the financial reporting controls, and evaluated and prioritised the test results. Based on this evaluation the managing director and/or the CFO of each division of Delta Lloyd Group has signed the Status Quo Confirmation Letter. An overall Group evaluation was performed and based on the overall results for Delta Lloyd Group, a formal report was drawn up for the Supervisory Board and the Audit Committee. In addition, the Annual Report includes an In-control Statement signed by the Executive Board. This In-control statement may not be interpreted as a statement under the Sarbanes-Oxley act, section 404.

Changes in accounting policies are monitored by Group Finance, Control & Tax.

5.1.7.2. (2) Capital management

The capital structure of Delta Lloyd Group is managed on the basis of the economic risks and the statement of financial position as well on the current legal requirements for insurers (Solvency I) and banks (Basel II). Minimum capital requirements are set for each individual entity based on different economic and operating scenarios. Total capital employed is allocated in such a way that the minimum required levels are met and the expected returns are maximised, while the operational result on issued capital is higher than the cost of capital.

In managing its capital, Delta Lloyd Group seeks to:
- Match the profile of its assets and liabilities, taking account of the risks inherent in each division, in such a way that the vast majority of capital is held in fixed-income securities;
- Maintain financial strength in order to support new business and satisfy the requirements of its policyholders, management, regulators and rating agencies at all times;
- Retain financial flexibility by maintaining strong liquidity, including substantial unutilised credit lines, and access to a range of capital markets; and
- Allocate capital efficiently in order to support growth.

An important aspect of Delta Lloyd Group's capital management process is setting after-tax profitability targets for the individual divisions. These targets are aligned to performance objectives and ensure that Delta Lloyd Group remains fully focused on creating of value for its shareholders. Delta Lloyd Group has access to a number of sources of capital and seeks to optimise its debt-to-equity ratio in order to ensure that it can consistently maximise returns to shareholders.

Total capital employed
Total capital employed is defined as share capital and reserves, adjusted for other capital items. Other capital items are subordinated loans received, goodwill, prudential margin and other capital items. The prudential margin is defined as the sum of the LAT margin for life insurance and the prudential margin for general insurance. The other capital items are conditional profit sharing in Germany (RfB), intangible assets, mortgage revaluation, Delta Lloyd Bank restructuring upstream and asset management fees. Capital employed is determined using IFRS accounting policies. The composition is as follows:

Total capital employed at year end		
In millions of euros	2012	2011
Total capital and reserves attributable to parent	2,306.1	3,865.6
Subordinated loans	718.3	676.8
Goodwill	-304.4	-330.4
Prudential margin	1,087.2	901.1
Other capital items	801.6	670.1
Total capital employed	**4,608.9**	**5,783.1**

On 29 August 2012, Delta Lloyd Levensverzekering successfully issued a new benchmark € 500 million Fixed to Floating Rate Subordinated Note transaction at a coupon of 9%. The notes replaced a subordinated note issue of € 400 million that Delta Lloyd Levensverzekering privately placed in 2009. The transaction is in line with Delta Lloyd Group's aspiration to develop a broader investor base to assure good access to the capital markets. This subordinated loan and the one from Rabobank can be accounted for as capital employed up to a limit of 25% of the lower of either the total of the actual solvency margin or of the required solvency margin at group level. The perpetual subordinated loan granted by Fonds NutsOHRA can be accounted for as capital employed up to a limit of 50% of either the lower of the total of the actual solvency margin or of the required solvency margin at group level. For further detailed information regarding subordinated debts see section 5.1.7.34. 'Borrowings'.

Total capital employed fell by € 1,174.2 million compared to 2011 for the following reasons:
- Total share capital and reserves fell by € 1,559.5 million, mainly as a result of the historically low interest rates;
- Subordinated loans increased with € 41.5 million, partly reflecting the € 100.0 million increase due to the note issue;
- A decrease in goodwill of € 26.0 million as a result of an agreement with the minority shareholder regarding the restructuring of Cyrte Investment;
- An increase in the prudential margin of € 186.1 million due to decreases in the Collateralised AAA curve;
- The increase in the other capital of € 131.5 million was due to mortgage revaluation and an estimated upstream from the restructuring of Delta Lloyd Bankengroep.

Capital requirements

In order to provide strong assurance that the demands of shareholders and policyholders are being met, management has defined a minimum capital requirement. Delta Lloyd Group aims to have a capital ratio of at least 160% to 175% of the regulatory solvency requirement in order to maintain the dividend policy. The Group tests the total capital employed and the required capital level at regular intervals. Delta Lloyd Group complied with the regulatory requirements during the year, both on a consolidated basis and at the level of the licence holders.

The table below provides details on how the solvency ratio (Solvency I) developed under IFRS and the regulatory requirements (Insurance Group Directive (IGD)) for insurance and all non-banking activities. The capital relating to the banking activities is assessed based on the Basel II system.

Solvency ratio at year end	2012	2011
IFRS Solvency	205%	302%
Regulatory solvency (IGD)	177%	174%
Bank-BIS ratio	13.9%	12.1%

Due to sound risk and capital management, Delta Lloyd Group still enjoys healthy solvency levels despite the troubled capital markets that persisted from 2011. At the end of the second quarter of 2012, De Nederlandsche Bank introduced the Ultimate Forward Rate (UFR) hoping to establish a more stable rate for long-term maturity liabilities. This measure was undertaken given the persistence of exceptional market conditions (low interest rates) and the faltering liquidity in the long tail of the market (no or at best limited market activity, amid low availability of negotiable risk-free instruments). The UFR entails that the interest rate converges to a level of 4.2% over a period of 40 years, with extrapolation starting after 20 years ('last liquid point').

During 2012 both the narrowing spreads between the Collateralised AAA curve and the regulatory curves led to a significant decrease in total IFRS share capital and reserves and a greater convergence in IFRS and regulatory IGD solvency.

During 2012 Delta Lloyd Group made a capital contribution of € 100 million to Delta Lloyd Bank. This resulted partly in the improved BIS ratio during 2012.

Regarding Solvency II capital requirements, Delta Lloyd Group aims to gain approval from DNB to use its economic capital model as an internal model. The target capital position is consistent with an AA rating. The internal model is explained further in section 3.3. 'Economic capital'.

5.1.7.3. (3) Segment information

(a) Operating segments

The operating segments have been determined from the reports used by the Executive Board for strategic decision-making. The principal activity of Delta Lloyd Group is financial services, which is managed using the following reporting segments: Life, General, Bank, Asset Management and Other. No operating segments have been aggregated to form these reportable operating segments for reporting purposes.

Life

Life business comprises life insurance, savings, pensions and annuity business written by the life insurance subsidiaries, including managed pension fund business and the share of the other life and related business written by associates. Premium and investment income are the main sources of revenues for this operating segment.

General

The general insurance business provides insurance coverage to individuals and businesses for risks associated with motor vehicles, property, disability and liability, such as employers' liability and professional indemnity liability. Premium and investment income are the main sources of revenues for this operating segment.

Bank
Delta Lloyd Bank has retail banking and mortgage activities in the Netherlands and Belgium. The main sources of revenue for this operating segment are interest income and fees.

Asset Management
The asset management business invests at both its own risk and policyholders' risk, provides investment management services to institutional pension fund mandates and manages a range of retail investment products, including investment funds.

Other
Any business activities that are not reportable segments are reflected in this category. It includes Delta Lloyd Group's mortgage business which is unrelated to the Life and Bank segments. The mortgages shown in the Life segment are part of the investment portfolios of life insurance companies. Health label activities are also included in the Other segment. Overheads, such as the financing of Delta Lloyd Group, expenses incurred by corporate staff departments and other activities not related to the core segments, as well as results on the run-off of the Health insurance business, are also classified as 'Other'. The Eliminations column relates to intercompany eliminations between operating segments and eliminations for Group purposes.

From 2012, the non-controlling interests of Delta Lloyd NV, ABN AMRO Verzekeringen and Cyrte Investments are allocated to operating segments. For 2011 figures the same presentation has been applied. This change led to a transfer in non-controlling interests from the Other segment (€ 19.9 million) to the segments Life (€ -0.2 million), General (€ -19.5 million) and Asset Management (€ -0.2 million). Non-controlling interest were already allocated to their operating segments in the presentation of operational result after tax and non-controlling interest.

(b) Basis of accounting
The accounting policies of the segments are the same as those described in the section on accounting policies, unless specifically stated otherwise. Any transactions between the operating segments are based on normal commercial terms and in line with market practice.

Segment performance is evaluated using a profit or loss measure, which is measured differently in certain respects from the profit or loss in the consolidated financial statements. The Executive Board assesses the performance of the operating segments using operational result after tax and non-controlling interests.

Operational result after tax and non-controlling interests as presented by Delta Lloyd Group is a non-GAAP financial measure and thus is not a measure of financial performance under IFRS. Delta Lloyd Group presents operational result after tax and non-controlling interests because it is less affected by short-term external market impacts than IFRS measures of performance and, thus in management's view, provides a better basis for assessing trends in the operational performance of Delta Lloyd Group over time. A key aspect of the calculation of operational result after tax and non-controlling interests is that it represents the normalised long-term performance of Delta Lloyd Group's investment portfolio. The actual investment return is reported under IFRS and is subject to short-term volatility.

Operational result after tax and non-controlling interests should not be considered in isolation as an alternative to the result before tax from continuing operations or to other data presented in Delta Lloyd Group's financial statements as indicators of financial performance. Since operational result after tax and non-controlling interests as presented by Delta Lloyd Group is not determined in accordance with IFRS, they may not be comparable to other similarly titled measures of performance of other companies.

Delta Lloyd Group's operational result after tax and non-controlling interests comprises the following elements:

- The actual technical result of the life insurance business line, consisting of the margins earned on mortality, disability, lapses and expenses;
- The actual technical result of the general insurance business line, which is the total of all the line items represented in the combined ratio. From 2012, the impact of interest rate changes on the technical provisions was excluded. This has a positive effect of € 64.1 million on the operational result (2011: € 7.3 million). Other effects not included in the operational result are explained later in this section;
- The actual technical result of the banking business line, consisting of the interest, fee and commission income less operating expenses;
- The results from the Asset Management and Other segments; Asset Management results are comprised of performance fees, treasury income and management fees less operating expenses;
- The long-term investment returns, which are given by the reference rate (10-year Collateralised AAA bond curve) on average shareholders' equity, the long-term excess return on policyholder assets plus the risk margins earned on investments at own risk. In 2012, due to a change in asset mix, the risk margin on mortgages of 0.8% is included besides the risk return on equities (3.5%) and real estate investments (2.0%). This has a positive effect of € 20.1 million on the operational result (2011: € 15.7 million);
- The long-term excess investment return on life policyholder assets, which consists of a 20-basis point margin on average assets backing non-linked life insurance liabilities;
- The long-term investment return on general insurance policyholder assets, which is given by the reference rate (10-year Collateralised AAA bond curve) on average assets backing technical liabilities; and
- Adjustments to exclude non-operational items, which reflect one-off circumstances or are, in the judgment of management, not attributable to the ongoing business operations of the Delta Lloyd Group.

The figures for operational result after tax and non-controlling interests presented were calculated by deducting (i) the actual amount of non-controlling interests for the relevant period and (ii) illustrative tax at a rate of 25 % from the operational result before tax and non-controlling interests. The tax rate employed for this purpose is the statutory corporate tax rate in the Netherlands.

In 2012, Delta Lloyd Group decided to discontinue its underwriting in the international marine business, which is experiencing an adverse claims development in a relatively unfavourable market for Delta Lloyd Group. According to management point of view, including this portfolio as operational business would distort management information to such an extent that incorrect conclusions could be drawn about the overall performance. As a result, it is no longer included in the operational result. This has a positive effect of € 104.6 million after tax on the operational result (2011: € 11.4 million).

During 2012 an industry wide issue arose around the assumed length of disability payments for WGA ER ('Werkhervatting Gedeeltelijk Arbeidsgeschikten - Eigen Risico') products. The underwriting of this product was based on an assumed maximum payment period of five years. In 2012 it became obvious that the criteria for disability were forward looking and that the maximum payment period was therefore only restricted by the contractual period. As such, an additional provision was needed for this product. In the eyes of management including this charge in the presentation of the operational result would distort management information to such an extent that incorrect conclusions could be drawn on the overall performance of Delta Lloyd Group and the General Insurance segment. As a result, it has not been included in the operational result. This has a positive effect of € 44.1 million after tax on the operational result (2011: negligible).

On 10 December 2012 Delta Lloyd Group announced its intention to transfer the General Insurance activities of Delta Lloyd Life Belgium to Fidea in the course of 2013. According to management point of view, the results of the Belgium General Insurance portfolio therefore do not represent the performance of the ongoing business operations. As a result, the operational technical results are no longer included in the operational result. This has a positive effect of € 4.6 million after tax on the operational result (2011: € 7.4 million).

At 31 December 2012, Delta Lloyd Groups' 51% share in Friesland Bank Assurantiën Holding has been sold to Friesland Bank NV. According to management, the results of the joint venture therefore do not represent the performance of the ongoing business operations. As a result, the operational technical results are no longer included in the operational result. This has a negative effect of € 1.0 million after tax on the operational result (2011: nil).

The impact of the changes on the operational result for 2011 is disclosed in the table 'Income and result for the prior financial year'.

(c) Segment information provided to the Executive Board
The segment information reported to the Executive Board on 31 December 2012 is as follows:

Income and result for the financial year

In millions of euros	Life	General	Bank	Asset management	Other	Eliminations	Total
Income							
Gross written premiums	3,555.2	1,650.3	-	-	-	-	5,205.5
Net premiums earned	**3,483.3**	**1,522.2**	**-**	**-**	**-**	**-**	**5,005.6**
Fee and commission income	16.1	73.7	74.0	146.2	39.7	-93.8	256.0
Net investment income							
Interest income	1,183.8	63.6	234.8	26.4	344.4	-128.0	1,725.1
Net rental income	126.3	-	-	-	-0.1	-7.8	118.5
Dividends	343.2	13.7	0.2	-	2.5	-	359.6
Movements in the fair value of investments classified as held for trading	-	-	1.9	-	3.0	-	4.8
Movements in the fair value of investments classified as other than trading	3,010.5	5.8	-25.4	0.1	285.0	-	3,276.0
Realised gains and losses on investments classified as available for sale	98.3	91.2	45.1	-	0.5	-	235.1
Impairment of investments classified as available for sale	-125.8	-27.5	-	-	-32.2	-	-185.6
Reversal of impairment of investments classified as available for sale	-	0.6	1.1	-	-	-	1.7
Result from loans and receivables	0.9	0.1	-0.2	-	-	-	0.8
Impairment of loans and receivables	-3.7	-	-15.6	-	-16.3	-	-35.6
Reversal of impairment of loans and receivables	3.4	-	5.2	-	3.0	-	11.6
Result from derivatives	611.2	-3.7	-19.6	4.7	-137.6	-	455.0
Other investment income	-31.1	15.5	0.1	-	-183.7	-6.8	-205.9
Share of profit or loss after tax of associates	17.1	3.2	-	-0.1	-10.8	-	9.5
Total investment income	**5,234.3**	**162.3**	**227.6**	**31.2**	**257.7**	**-142.5**	**5,770.6**
Other income	4.8	-0.4	0.3	-	7.4	-	12.1
Total income	**8,738.5**	**1,757.8**	**302.0**	**177.4**	**304.8**	**-236.2**	**11,044.3**
Total intercompany income	119.9	6.2	72.5	42.7	-5.0	-236.2	-
Revenue from external customers	**8,618.6**	**1,751.6**	**229.5**	**134.7**	**309.8**	**-**	**11,044.3**
Result after tax and non-controlling interests	-1,174.7	-121.6	-60.6	43.9	-182.0	-	-1,495.1
Operational result after tax and non-controlling interests	**319.5**	**53.9**	**-11.1**	**47.9**	**-6.1**	**-**	**404.1**

Expenses for the financial year							
In millions of euros	Life	General	Bank	Asset management	Other	Elimi-nations	Total
Net claims and benefits paid	**3,618.0**	**976.2**	**-**	**-**	**-**	**-**	**4,594.2**
Total change in insurance liabilities, net of reinsurance	**6,091.7**	**342.3**	**-**	**-**	**-**	**-**	**6,433.9**
Expenses relating to the acquisition of insurance, investment and other contracts	**233.7**	**421.9**	**17.6**	**51.8**	**20.0**	**-93.8**	**651.2**
Total finance costs	**184.9**	**28.1**	**199.6**	**8.2**	**406.2**	**-134.8**	**692.2**
Staff costs and other employee-related expenditures	145.2	121.8	71.2	29.8	200.4	-	568.3
Amortisation of intangible fixed assets	7.6	3.6	0.9	2.5	3.1	-	17.7
Depreciation of property and equipment	4.3	0.1	3.8	0.3	8.0	-	16.5
Operating expenses	158.0	142.7	84.4	25.5	-161.0	-7.6	242.0
Gains and losses on disposals	-	-	-0.5	-	2.0	-	1.5
Impairment of goodwill	-	-	-	-	30.0	-	30.0
Impairment of AVIF	-	-	-	-	-	-	-
Impairment of property and equipment	5.3	-	-	-	2.4	-	7.7
Impairment of inventory of real estate projects	-	-	-	-	15.6	-	15.6
Impairment of receivables	2.9	6.1	-	-	-	-	9.0
Reversal of impairment of receivables	-3.2	-5.8	-	-	3.2	-	-5.9
Foreign exchange differences	-0.2	-	-	-	-	-	-0.2
Allocated to expenses relating to the acquisition of insurance, investment and other contracts	-84.8	-149.7	-	-	-	-	-234.5
Total other operating expenses	**235.0**	**118.8**	**159.9**	**58.1**	**103.7**	**-7.6**	**667.8**
Total expenses	**10,363.3**	**1,887.2**	**377.1**	**118.1**	**529.9**	**-236.2**	**13,039.4**
Income tax	-463.3	-24.3	-14.4	15.0	-42.7	-	-529.7

* Net claims and benefits paid includes profit sharing and discounts

Differences compared to the consolidated statement of income are due to the run-off results of DLG Zorgverzekeringen.

Segment statement of financial position at year end							
In millions of euros	Life	General	Bank	Asset Management	Other	Eliminations	Total
Assets							
Intangible assets	61.1	29.4	16.2	17.5	294.0	-	418.2
Associates and joint ventures	190.2	-	-	0.3	3.2	-	193.6
Financial investments	52,864.2	2,414.2	9,880.9	950.5	6,723.2	-3,836.8	68,996.3
Reinsurance assets	416.9	143.5	-	-	-	-	560.4
Assets held for sale	107.0	-	6.3	-	20.4	-	133.8
Other assets	5,997.8	844.3	1,260.2	1,329.4	3,934.7	-3,673.0	9,693.3
Total assets	**59,637.2**	**3,431.5**	**11,163.7**	**2,297.8**	**10,975.4**	**-7,509.9**	**79,995.6**
Total shareholders' funds	**2,812.4**	**483.5**	**416.3**	**66.9**	**-1,166.2**	**-**	**2,612.8**
Liabilities							
Insurance liabilities	42,423.4	2,433.3	-	-	-	-	44,856.7
Borrowings	510.3	98.1	475.2	93.1	6,189.5	-673.8	6,692.3
Other liabilities	13,891.1	416.6	10,272.2	2,137.8	5,952.1	-6,836.1	25,833.8
Total liabilities	**56,824.8**	**2,948.0**	**10,747.4**	**2,230.9**	**12,141.6**	**-7,509.9**	**77,382.8**
Total shareholders' funds and liabilities	**59,637.2**	**3,431.5**	**11,163.7**	**2,297.8**	**10,975.4**	**-7,509.9**	**79,995.6**
Capital expenditure							
Property and equipment	1.6	-	3.1	-	13.2	-	17.9
Intangible assets	0.2	-	2.6	-	8.3	-	11.0
Total capital expenditure	**1.7**	**-**	**5.7**	**-**	**21.6**	**-**	**29.0**

Differences compared to the consolidated statement of financial position are due to the Belgium General Insurance portfolio, which is not presented as held for sale.

The segment information reported to the Executive Board is as follows:

Income and result for the prior financial year

In millions of euros	Life	General	Bank	Asset Management	Other	Eliminations	Total
Income							
Gross written premiums	4,321.3	1,550.3	-	-	-	-	5,871.6
Net premiums earned	**4,274.7**	**1,456.1**	**-**	**-**	**-**	**-**	**5,730.8**
Fee and commission income	31.8	25.6	79.1	142.2	53.3	-99.5	232.5
Net investment income							
Interest income	1,158.9	63.4	302.9	34.3	488.6	-159.4	1,888.7
Net rental income	126.7	-	-	-	0.3	-	127.0
Dividends	304.1	14.7	0.3	-	4.1	-	323.2
Movements in the fair value of investments classified as held for trading	-	-	1.2	-	0.4	-	1.6
Movements in the fair value of investments classified as other than trading	253.3	-5.4	-3.2	-	165.4	-	410.2
Realised gains and losses on investments classified as available for sale	85.5	9.9	8.1	-	-0.6	-	103.0
Impairment of investments classified as available for sale	-184.7	-3.7	-6.1	-	-36.8	-	-231.4
Result from loans and receivables	-1.5	-	-2.6	-	-	-	-4.2
Impairment of loans and receivables	-11.0	-	-13.5	-	-2.6	-	-27.0
Reversal of impairment of loans and receivables	1.5	-	5.5	-	-	-	7.0
Result from derivatives	1,465.7	0.4	-26.0	3.2	-192.7	-	1,250.5
Other investment income	-54.4	-	-	-	-28.3	-	-82.7
Share of profit or loss after tax of associates	48.4	7.9	-	-	-7.8	-	48.6
Total investment income	**3,192.4**	**87.3**	**266.5**	**37.5**	**390.1**	**-159.4**	**3,814.3**
Other income	33.4	-1.2	2.2	0.1	-18.7	-5.9	9.9
Total income	**7,532.2**	**1,567.8**	**347.8**	**179.8**	**424.7**	**-264.8**	**9,787.6**
Total intercompany income	125.7	6.1	94.9	48.2	-10.2	-264.8	-
Revenue from external customers	**7,406.5**	**1,561.7**	**252.9**	**131.6**	**434.9**	**-**	**9,787.6**
Result after tax and non-controlling interests	-43.0	31.8	-8.0	33.7	-196.9	-	-182.5
Operational result after tax and non-controlling interests in financial report 2011	**386.7**	**55.2**	**33.7**	**37.9**	**-75.4**	**-**	**438.1**
Impact of changes in interest on the technical provisions	-	7.3	-	-	-	-	7.3
Long term investment return on mortgages	15.7	-	-	-	-	-	15.7
Discontinuation international marine business	-	11.4	-	-	-	-	11.4
Discontinuation general insurance activities Delta Lloyd Life Belgium	-	7.4	-	-	-	-	7.4
Operational result after tax and non-controlling interests	**402.4**	**81.3**	**33.7**	**37.9**	**-75.4**	**-**	**479.7**

Expenses for the prior financial year							
In millions of euros	Life	General	Bank	Asset management	Other	Elimi-nations	Total
Net claims and benefits paid	**3,486.8**	**903.2**	**-**	**-**	**-**	**-**	**4,390.0**
Total change in insurance liabilities, net of reinsurance	**3,432.6**	**93.4**	**-**	**-**	**-**	**-**	**3,526.0**
Expenses relating to the acquisition of insurance, investment and other contracts	**242.1**	**394.4**	**17.8**	**54.2**	**38.7**	**-99.5**	**647.7**
Total finance costs	**219.1**	**26.7**	**194.6**	**18.9**	**519.2**	**-165.5**	**812.9**
Staff costs and other employee-related expenditures	133.5	96.3	73.2	31.3	195.5	-	529.8
Amortisation of intangible fixed assets	7.7	6.6	0.9	2.5	2.6	-	20.3
Depreciation of property and equipment	3.5	-	4.6	0.8	7.2	-	16.2
Operating expenses	153.1	131.8	74.1	26.4	-84.1	0.2	301.6
Gains and losses on disposals	-	-	0.6	-	-	-	0.6
Impairment of goodwill	-	-	-	-	-	-	-
Impairment of AVIF	5.8	-	-	-	-	-	5.8
Impairment of property and equipment	-	-	-	-	-	-	-
Impairment of inventory of real estate projects	-	-	-	-	11.4	-	11.4
Impairment of receivables	4.0	7.2	-	-	0.3	-	11.5
Reversal of impairment of receivables	-6.1	-4.2	-	-	-0.7	-	-11.0
Foreign exchange differences	-	-	-	-	-	-	-
Allocated to expenses relating to the acquisition of insurance, investment and other contracts	-83.1	-150.7	-	-	-	-	-233.8
Total other operating expenses	**218.4**	**87.0**	**153.4**	**61.0**	**132.3**	**0.2**	**652.4**
Total expenses	**7,599.0**	**1,504.7**	**365.9**	**134.1**	**690.2**	**-264.8**	**10,029.1**
Income Tax	-32.0	11.8	-10.0	11.8	-70.0	-	-88.4

* Net claims and benefits paid includes profit sharing and discounts

Segment statement of financial position at prior year end							
In millions of euros	Life	General	Bank	Asset Management	Other	Eliminations	Total
Assets							
Intangible assets	68.5	56.7	14.6	20.0	318.8	-	478.5
Associates and joint ventures	330.0	106.2	-	0.4	-101.8	-	334.8
Financial investments	47,463.3	2,090.7	9,244.3	1,104.6	7,312.4	-3,506.3	63,709.1
Reinsurance assets	423.7	137.8	-	-	-	-	561.5
Assets held for sale	-	-	4.9	-	22.3	-	27.3
Other assets	5,531.2	877.8	1,959.8	1,152.9	3,478.4	-3,248.5	9,751.7
Total assets	**53,816.8**	**3,269.2**	**11,223.6**	**2,277.9**	**11,030.1**	**-6,754.8**	**74,862.9**
Total shareholders' funds	**4,329.2**	**493.7**	**330.5**	**59.8**	**-1,038.2**	**-**	**4,175.0**
Liabilities							
Insurance liabilities	37,046.8	2,057.5	-	-	-	-	39,104.3
Borrowings	515.2	97.8	756.4	40.4	6,140.2	-651.5	6,898.6
Other liabilities	11,925.5	620.3	10,136.8	2,177.7	5,928.2	-6,103.3	24,685.1
Total liabilities	**49,487.5**	**2,775.6**	**10,893.1**	**2,218.1**	**12,068.3**	**-6,754.8**	**70,688.0**
Total shareholders' funds and liabilities	**53,816.8**	**3,269.2**	**11,223.6**	**2,277.9**	**11,030.1**	**-6,754.8**	**74,862.9**
Capital expenditure							
Property and equipment	0.4	-	2.7	0.2	8.5	-	11.7
Intangible assets	1.1	24.8	0.9	-	4.1	-	30.8
Total capital expenditure	**1.5**	**24.8**	**3.6**	**0.2**	**12.6**	**-**	**42.5**

(d) Reconciliation to primary financial statements

A reconciliation of operational result after tax and non-controlling interests to result before tax from continuing operations is as follows:

Reconciliation of the result		
In millions of euros	**2012**	**2011**
Operational result after tax and non-controlling interests	**404.1**	**479.7**
Income tax	147.2	160.2
Non-controlling interests	37.5	56.4
Operational result before tax and non-controlling interests	**588.9**	**696.3**
Assumed long-term investment return	-371.9	-501.9
Actual return after profit sharing / interest accrual	2,806.4	1,195.8
Fair value gains and losses	-4,704.2	-1,574.2
Longevity - non operational	16.7	88.5
Non-operational items	-329.3	-143.3
Operational result before tax and non-controlling interests from discontinued operations	-17.5	-2.2
Result before tax from continuing operations	**-2,010.8**	**-241.0**

The decline in the assumed long-term investment return is mainly attributable to a decrease in the discount rate (10-year Collateralised AAA curve) from 4.0% to 2.0% and to lower average shareholders’ funds. The increase in the actual investment return is mainly caused by an increase in the market value of the fixed income portfolio of € 1,926.1 million (2011: € 631.9 million). The decrease in the Collateralised AAA Curve led to an addition to the fair value gains and losses on liabilities.

Life technical provisions in 2012 were determined using the AG2012 table combined with own experience variances, given the observed further increases in longevity. Combined with the impact of recalibration of the longevity risk margin, this had a positive impact on the IFRS result of € 16.7 million and is considered by Delta Lloyd Group as non-operational.

In 2011, longevity-non operational was adjusted for € 88.5 million as the contract extension of the Delta Lloyd Pensioenfonds in 2011 states that the Delta Lloyd Pensioenfonds will pay for this longevity risk.

Reconciliation IFRS operational costs to other operating expenses

In millions of euros	2012	2011
Other operating expenses	681.9	656.5
Allocated to expenses relating to the acquisition of insurance and investment contracts	234.5	233.8
Movement in other provisions	13.7	17.8
Non-operational costs	-147.1	-66.7
Expenses from discontinued operations	-1.1	-1.7
Management cost base	**781.9**	**839.7**

Non-operating expenses are mainly comprised of impairments on goodwill and intangible assets, expenses relating to projects, integration and restructuring expenses and other charges which Delta Lloyd Group regards as one-off circumstances or as not attributable to the ongoing business operations of Delta Lloyd Group.

The 2011 expenses were restated to reflect the adoption of IAS 19Revised. The actuarial gains and losses relating to Delta Lloyd Group are taken directly through shareholders' equity within OCI and not as a non-operational expense item.

(e) Entity-wide disclosures

Geographical areas

Delta Lloyd Group operates in three main geographical areas. These are the Netherlands, Belgium and Germany. Revenue by geographical area does not differ materially from the revenue by area of origin, as most risks are located in the countries where the contracts were written.

Gross written premiums in the financial year

In millions of euros	2012	2011
The Netherlands	4,018.3	4,705.4
Belgium	898.2	823.1
Germany	289.1	343.1
Total	**5,205.5**	**5,871.6**

Fee and commission income in the financial year		
In millions of euros	**2012**	**2011**
The Netherlands	204.5	171.1
Belgium	40.9	54.1
Germany	10.6	7.3
Total	**256.0**	**232.5**

Interest income in the financial year		
In millions of euros	**2012**	**2011**
The Netherlands	1,251.8	1,379.9
Belgium	321.7	350.5
Germany	151.5	158.3
Total	**1,725.1**	**1,888.7**

Assets per geographical area at year end								
In millions of euros	The Netherlands 2012	The Netherlands 2011	Belgium 2012	Belgium 2011	Germany 2012	Germany 2011	Total 2012	Total 2011
Assets								
Intangible assets	414.2	474.6	3.6	3.1	0.4	0.8	418.2	478.5
Associates and joint ventures	193.6	128.8	-	195.3	-	10.7	193.6	334.8
Financial investments	50,297.7	46,322.3	14,576.8	13,254.0	4,121.8	4,025.5	68,996.3	63,601.8
Reinsurance assets	516.6	518.1	41.6	41.0	2.2	2.5	560.4	561.5
Assets held for sale	-	-	6.3	4.9	127.4	22.3	133.8	27.3
Other assets	7,466.5	7,892.4	1,340.4	945.5	886.5	1,021.1	9,693.3	9,859.0
Total assets	**58,888.7**	**55,336.2**	**15,968.7**	**14,443.8**	**5,138.2**	**5,082.9**	**79,995.6**	**74,862.9**

As of 2012, the elimination is done at the subsidiary level instead of the parent company, as this better reflects the reality.

5.1.7.4. (4) Subsidiaries

Information on the principal associates as of 31 December 2012 is included in section 5.2.1.3. ‘Participating interest’.

The restrictions on dividend distributions relate to minimum regulatory capital requirements.

Acquisitions during the financial year
On 1 July 2012, ABN AMRO Verzekeringen acquired the intermediary activities in the commercial general insurance segment for the Small and Medium-Sized Enterprise sector from ABN AMRO Bank. Delta Lloyd Group holds 51% of the shares in ABN AMRO Verzekeringen and ABN AMRO Bank holds the remaining 49%. This transaction brings together the insurer and the intermediary and fits in with Delta Lloyd Group’s strategy, which focuses on simplicity. This will reduce the costs in

the distribution chain and give ABN AMRO Verzekeringen an even stronger commercial edge. As a result of the transaction, ABN AMRO Verzekeringen took over 116 FTEs from ABN AMRO Bank. Delta Lloyd Group's annual operating expenses will increase by about € 20 million.

This agreement contributed € 11.8 million to Delta Lloyd Group's revenues and € -3.3 million to the net result in 2012. This loss was mainly due to one-off start-up expenses, such as redundancy pay, restructuring costs, and other start-up expenses. Had the acquisition taken place on 1 January 2012, this agreement would have contributed € 25.0 million to Delta Lloyd Group's revenues and would have expected to contribute € 0.0 million to the net result.

In accordance with the agreement, no purchase price for the stand-alone interest was paid. No goodwill was recognised. The final acquisition statement of financial position was drawn up in accordance with the applicable reporting standards and states receivables and other financial investments for € 2.4 million and financial liabilities for € 2.4 million.

Disposal during the financial year

Friesland Bank Assurantiën joint venture

At 31 December 2012, Friesland Bank NV repurchased Delta Lloyds' 51% share in FBA Holding BV for € 20.0 million. The decision to repurchase Delta Lloyd's shares was made after Friesland Bank NV was bought by Rabobank Nederland earlier this financial year. As a result acquired value in force, other intangibles, and equity acquired were disposed, and the deferred payment released, leaving a net positive result of € 4.3 million which was recognised in the general insurance segment.

The net fair value of the identifiable assets, liabilities and contingent liabilities at the date of disposal were as follow:

Assets and liabilities disposed

In millions of euros	2012
Assets	
Intangible assets	11.5
Property and equipment	2.2
Receivables and other financial investments	1.7
Cash and cash equivalents	4.9
Total assets	**20.3**
Liabilities	
Net tax liability	0.2
Other provisions	3.3
Total liabilities	**3.5**
Equity	**16.9**
Equity disposed (51%)	8.6

5.1.7.5. (5) Discontinued operations and assets and liabilities held for sale

The composition of the assets and liabilities classified as held for sale and of discontinued operations at year end 2012 was:

Assets and liabilities relating to assets held for sale

In millions of euros	2012	2011
Assets held for sale		
Property relating to Belgium	6.3	4.9
Investment property relating to Germany	127.5	22.3
Non-life insurance business relating to Belgium	149.6	-
Total assets held for sale	**283.4**	**27.3**
Liabilities held for sale		
Non-life insurance business relating to Belgium	135.2	-
Total liabilities held for sale	**135.2**	**-**

Several offices in Belgium merged during 2011 and 2012. As a result, a number of buildings became vacant, and Delta Lloyd Group decided to sell these properties. It is expected that these properties will be sold within one year.

An agreement was signed in November 2012 to sell the investment properties relating to Germany held for sale prior year. The sale was finalised in February 2013. The loss on the sale of this property was € 1.9 million and was adjusted to the carrying value of this property held for sale at year end so that the carrying amount of € 20.4 million represents the selling price. This property was impaired for € 0.6 million in 2011.

The addition to investment properties relating to Germany concerns Delta Lloyd Lebensversicherung AG selling its residential real estate portfolio, realising the gains in order to strengthen Delta Lloyd Deutschland's solvency ratio. An agreement was signed in November 2012 to sell the investment properties. This sale was finalised in February 2013. The carrying amount of € 107.0 million represents the selling price.

Delta Lloyd Life Belgium's strategy is to focus on life insurance products. For this reason it was decided to dispose of a major part of the general insurance business, trading under the name of Zelia. Delta Lloyd Life Belgium acquired this business when they took over Swiss Life Belgium in 2008, retaining disability insurance and health insurance. Terms of agreements with two parties have been signed (Fidea and D.A.S. Rechtsbijstand) and will become effective when the Belgium financial markets authority (FSMA) and the Belgian National Bank (NBB) approve these sales. On 2 April 2013, Delta Lloyd Life Belgium sold its general insurance portfolio to Fidea.

Discontinued operations

On 1 January 2009, DLG Zorgverzekeringen was sold to CZ Group. In accordance with the sales contract, Delta Lloyd Group continued to bear the insurance risks up to 1 January 2009. Run-off results are set out in the table below.

Result after tax from discontinuing operations		
In millions of euros	**2012**	**2011**
Delta Lloyd Group Health		
Income	15.8	4.6
Expenses	-	5.1
Income tax	3.9	-0.1
Total result after tax from discontinued operations	**11.8**	**-0.4**

5.1.7.6. (6) Details of income

Details of income		
In millions of euros	2012	2011
Premiums earned		
Life	3,555.2	4,321.3
General	1,650.3	1,550.3
Gross written premiums	**5,205.5**	**5,871.6**
Premiums ceded to reinsurers		
Life	-71.9	-46.6
General	-129.6	-114.8
Net written premiums	**5,004.0**	**5,710.2**
Gross movement in provision for unearned premiums	0.6	19.4
Reinsurers' share of movement in provision for unearned premiums	1.0	1.2
Net movement in provision for unearned premiums	**1.6**	**20.6**
Net premiums earned	**5,005.6**	**5,730.8**
Net investment income		
Interest income	1,723.4	1,888.5
Net rental income	118.5	127.0
Dividends	359.6	323.2
Movements in the fair value of investments classified as held for trading	4.8	1.6
Movements in the fair value of investments classified as other than trading	3,276.0	410.2
Realised gains and losses on investments classified as available for sale	235.1	103.0
Impairment of investments classified as available for sale	-185.6	-231.4
Reversal of impairment of investments classified as available for sale	1.7	-
Result from loans and receivables	0.8	-4.2
Impairment of loans and receivables	-35.6	-27.0
Reversal of impairment of loans and receivables	11.6	7.0
Result from derivatives	455.0	1,250.5
Other investment income	-205.9	-82.7
Share of profit or loss after tax of associates	9.5	48.6
Total investment income	**5,768.9**	**3,814.1**
Fee and commission income		
Fee income from investment contract business	2.2	0.6
Fund management fee income	120.0	116.2
Other fee income	24.9	33.6
Total income from reinsurance premiums	37.4	29.7
Other commission income	71.6	52.5
Total fee and commission income	**256.0**	**232.5**
Other income	12.1	14.7
Total income	**11,042.6**	**9,792.2**

Life gross written premiums decreased mainly due to a decline in single premium group insurance. Less large group contracts were signed compared to 2011, which was strongly influenced by one large single premium contract in 2011 (€ 541.2 million).

Movements in the fair value of investments classified as other than trading included € 620.1 million of realised fair value changes (2011: € 142.9 million) and € 1,306.0 million of unrealised fair value changes for debt securities at own risk (2011: € 489.0 million), due to lower interest rates. In addition, unrealised fair value changes to equity securities at policyholders' risk amounted € 841.7 million (2011: € -266.1 million), due to lower interest rates.

The results from derivatives included € -45.6 million of unrealised fair value changes (2011: € 1,097.7 million) and € 500.6 million of realised fair value changes (2011: € 152.8 million). Realised fair value changes are caused by interest rate swaps, as a result of lower interest rates.

Other investment income consists mainly of the revaluation of € -150.2 million (2011: € -28.3 million) of the loan notes issued by the Arena and DARTS companies in relation to the securitised mortgage loans.

Gross written premiums of Life in the financial year

In millions of euros	Individual insurance	Group insurance	Individual investment	Group investment	Total
Single premium	671.9	732.2	284.2	82.9	1,771.2
Annual premium	858.8	791.7	41.6	61.2	1,753.3
Reinsurance	31.4	-0.6	-	-	30.8
Total	**1,562.1**	**1,523.3**	**325.8**	**144.1**	**3,555.2**

Gross written premiums of Life in the prior financial year

In millions of euros	Individual insurance	Group insurance	Individual investment	Group investment	Total
Single premium	740.7	1,496.2	250.6	83.0	2,570.5
Annual premium	956.7	671.9	39.9	47.9	1,716.5
Reinsurance	31.2	3.2	-	-	34.3
Total	**1,728.6**	**2,171.2**	**290.5**	**131.0**	**4,321.3**

Result on outward reinsurance in the financial year

In millions of euros	**2012**	**2011**
Life	3.7	28.2
General	-87.0	-93.9
Total	**-83.2**	**-65.8**

Front-end fees for reinsurance contracts are recognised as income from reinsurance premiums and are therefore not included in the above statements.

Interest income in the financial year		
In millions of euros	**2012**	**2011**
Debt securities available for sale	96.4	103.9
Debt securities held for trading	0.7	52.4
Debt securities other than trading	723.9	711.9
Total debt securities	**821.0**	**868.2**
Total mortgages	**667.9**	**647.5**
Deposits	14.2	12.2
Issued loans	179.7	184.3
Loans to banks	8.2	20.1
Loans and advances to clients	82.7	94.0
Cash and cash equivalents	22.4	39.1
Other	-72.6	23.0
Other interest income	**234.5**	**372.8**
Total interest income	**1,723.4**	**1,888.5**

Movements in fair value of derivatives held for fair value hedge accounting		
In millions of euros	**2012**	**2011**
Movement in fair value of the hedging instrument	-154.0	-207.6
Movement in fair value of the hedged positions	153.0	204.2
Amortisation of the fair value of the hedged positions	-75.6	-17.3
Movements in fair value of derivatives held for fair value hedge accounting	**-76.6**	**-20.7**

Movements in the fair value of the hedging instrument and movements in the fair value of the hedged positions are included in result from derivatives. Amortisation of the fair value of the hedged positions is included in other interest income.

5.1.7.7. (7) Details of expenses

Details of expenses in the financial year		
In millions of euros	**2012**	**2011**
Life	3,700.5	3,538.8
General	1,013.2	964.1
Total claims and benefits paid	**4,713.7**	**4,502.9**
Claim recoveries from reinsurers		
Life	-82.5	-52.0
General	-37.0	-60.8
Total claim recoveries from reinsurers	**-119.5**	**-112.8**
Net claims and benefits paid	**4,594.2**	**4,390.0**
Change in insurance liabilities, net of reinsurance		
Change in insurance liabilities	6,431.8	3,507.6
Change in reinsurance assets for insurance provisions	2.2	18.4
Total change in insurance liabilities, net of reinsurance	**6,433.9**	**3,526.0**
Expenses relating to the acquisition of insurance, investment and other contracts	**651.2**	**647.7**
Finance costs		
Amounts owed to credit institutions	444.2	467.2
Debenture loans	17.3	19.6
Subordinated debt	70.2	66.8
Securitised mortgage loan notes	70.4	170.6
Pension interest cost	90.1	88.8
Total finance costs	**692.1**	**812.9**
Other operating expenses		
Staff costs and other employee-related expenditures	568.3	528.6
Amortisation of intangible fixed assets	17.7	20.3
Depreciation on property and equipment	16.5	16.2
Operating expenses	256.2	306.9
Impairment of property held for sale	1.5	0.6
Impairment of goodwill	30.0	-
Impairment of AVIF	-	5.8
Impairment of other intangible fixed assets	-	-
Impairment of property and equipment	7.7	-
Impairment of inventory of real estate projects	15.6	11.4
Impairment of receivables	9.0	11.5
Reversal of impairment of receivables	-5.9	-11.0
Foreign exchange differences	-0.2	-
Allocated to expenses relating to the acquisition of insurance, investment and other contracts	-234.5	-233.8
Total other operating expenses	**681.9**	**656.5**
Total expenses	**13,053.4**	**10,033.2**

* Total claims and benefits paid includes profit sharing and discounts

With the introduction of IAS 19Revised in 2012, Delta Lloyd Group reports the pension interest cost as finance costs rather than as staff costs and other employee-related expenses.

Of the total finance costs, € 650.2 million (2011: € 735.3 million) related to loans measured at amortised cost and € 42.0 million (2011: € 77.7 million) to loans measured at fair value.

Operational lease charges (included in expenses) were € 21.0 million (2011: € 32.3 million). No contingent rents or sublease payments are included in this amount.

Amounts owed to credit institutions relate to interest costs on borrowings (section 5.1.7.34.) and financial liabilities (section 5.1.7.35.).

5.1.7.8. (8) Exchange rates

A significant proportion of Delta Lloyd Group's operations are carried out in the eurozone.

The overall currency result recognised in the income statement was € -5.8 million (2011: € -13.3 million). An additional € 8.9 million (2011: € 2.9 million) was recognised in the revaluation reserve.

The overall currency result does not include any results on financial instruments held for trading.

5.1.7.9. (9) Employee information

Average number of employees (FTE) during the year

Number in FTEs	2012	2011
Permanent staff	5,430.8	5,491.9
Temporary staff	560.6	531.5
Total	**5,991.5**	**6,023.3**

The average number of employees decreased by about 206 FTEs as a result of a cost-saving programme. On the other hand, the average number of employees increased by 87 FTEs as a result of the transaction with FBA, and by 58 FTEs as a result of taking over the corporate non-life intermediary activities of ABN AMRO Bank.

Staff costs in the financial year

In millions of euros	2012	2011
Salaries	312.5	300.3
External staff	75.6	72.7
Social security contributions	54.5	49.9
Pension expenses [1])	52.2	46.8
Profit sharing and incentive plans	4.2	-1.1
Termination benefits	7.9	8.1
Other staff costs	61.5	51.8
Total	**568.3**	**528.6**

1) See section 5.1.7.31.

Staff costs charged to:		
In millions of euros	**2012**	**2011**
Expenses relating to the acquisition of insurance and investment contracts	74.5	80.8
Claims handling expenses	24.0	22.4
Other operating expenses	469.7	425.4
Total	**568.3**	**528.6**

Other staff costs include € 37.6 million in travel expenses, holiday allowances and training costs (2011: € 37.3 million).

An amount of € 2.0 million for share-based and performance-related incentive plans as described below was charged to the income statement under profit sharing and incentive plans (2011: release of € 6.7 million), and an amount of € 2.2 million for other profit sharing and incentives was charged to the income statement (2011: € 5.6 million).

Profit sharing and incentive plans		
In millions of euros	**2012**	**2011**
Equity-settled share-based payment transactions		
- Performance Share Plan (PSP)	0.8	0.7
- Variable Incentive Plan for identified staff	2.3	3.9
	3.1	**4.6**
Cash-settled share based payment transactions		
- Phantom option plan	-4.1	-16.9
- Phantom Performance Share Plan (PPSP)	-	0.2
- Variable Incentive Plan for other managers	0.5	1.1
- Variable Incentive Plan for identified staff and other managers for the cash settlement that is based on the Delta Lloyd NV share price development	0.2	0.5
	-3.4	**-15.1**
Cash-settled performance-related incentive plan		
Variable Incentive Plan for identified staff and other managers for the cash settlement that is not based on the Delta Lloyd NV share price development	2.3	3.8
Total share-based and performance-related incentive plans	**2.0**	**-6.7**
Other profit sharing and incentives	2.2	5.6
Total profit sharing and incentive plans	**4.2**	**-1.1**

Share-based and performance-related incentive plans

Delta Lloyd Group has five share-based and performance-related incentive plans:

- Delta Lloyd Phantom Option Plan (until 3 November 2009)
- Phantom Performance Share Plan (PPSP, from 3 November 2009 to 1 January 2011)
- Performance Share Plan (PSP, from 3 November 2009 to 1 January 2011)
- Variable Incentive Plan for identified staff (VIP-is, from 1 January 2011)
- Variable Incentive Plan for other managers (VIP-om, from 1 January 2011)

The existing long-term and short-term incentive plans were revised during 2011 based on the new 'Regulation on Sound Remuneration Policies' that applies to the Dutch financial sector. The Variable Incentive Plan was approved by the regulator on 8 December 2011 and took effect retroactively from 1 January 2011. In April 2011, grants were made under the PSP and the PPSP and in cash under the short-term incentive plan (STI). The grants made under these plans in 2011 were revised in line with the Variable Incentive Plan. Delta Lloyd Group has recognised the revision retrospectively in the figures for 2011.

Delta Lloyd Phantom Option Plan (to 3 November 2009)
Under the terms and conditions of the Delta Lloyd Phantom Option Plan (the 'Plan'), Delta Lloyd Group granted phantom options (the options) to members of the Executive Board and to certain senior managers each year. The options vest after three years (performance period) and are exercisable until five years after the vesting date (see section 5.1.6.31. 'Employee benefits').

The performance criteria attached to the options at the date of the grant are linked to Delta Lloyd Group's performance compared to a peer group of comparable companies on the basis of the improvement in embedded value over a three-year performance period.

The underlying value of the options that can be obtained by the employee on exercising those options was based on the increase in the embedded value of Delta Lloyd Group from the grant date. On exercising the options, an employee is entitled to receive the increase in the embedded value realised following the grant date. The value increase per option is settled in cash upon exercise of the options.

The actual benefit which can be realised at the date of exercise is capped at a percentage of the employee's 12-month salary at the time of vesting. The actual percentage is based on the employee's position as set out below:

Payment cap

Position	Payment cap (as % of the 12-month salary)
Chairman of the Executive Board	200%
Other members of the Executive Board	160%
Other (senior) managers	70-110%

As a result of the public offering on 3 November 2009, the Supervisory Board revised the terms and conditions of the Plan. Existing performance criteria attached to the outstanding options were dropped and the vesting percentage of the outstanding options granted in 2007, 2008 and 2009 was fixed at 75%. The vesting percentage for options granted in 2006 that vested on 1 January 2009 was set at 62.5%, based on the actual embedded value performance of Delta Lloyd Group compared to the peer group. The underlying value of all outstanding options at the date of the public offering was converted from embedded value to the price of Delta Lloyd NV shares on a value-neutral basis. Consequently, the underlying value of the options immediately before and after the public offering did not change and the exercise value of the options was converted to a value based on the share price. Application of the Plan did not, therefore, lead to additional costs for Delta Lloyd Group. The other terms and conditions attached to the options remained in place.

The fair value of the liability and the amount to be expensed at the end of the reporting period is determined using a binomial tree model incorporating the individual cap applicable to each outstanding option. The assumption is that the employees will exercise the options when the Delta Lloyd NV share price reaches a level equal to the individual cap applicable during the predetermined periods in which the options can be exercised.

Phantom options and parameters current year	2006 options	2007 options	2008 options	2009 options
Outstanding number at year end	1,059,302	1,648,958	1,496,251	1,705,379
Date of grant	1/1/2006	1/1/2007	1/1/2008	1/1/2009
Vesting date	1/1/2009	1/1/2010	1/1/2011	1/1/2012
Expiry date	12/31/2013	12/31/2014	12/31/2015	12/31/2016
Share price volatility	36.00%	41.00%	36.00%	44.00%
Exercise price (euros)	17.08	20.64	22.10	13.63
Dividend yield	8.02%	8.02%	8.02%	8.02%
Risk-free interest rate	-0.04%	-0.01%	0.13%	0.34%
Remaining term (years)	1	2	3	4
Lapse percentage	24%	27%	27%	22%
Salary increase (%)	-	-	-	-

Phantom options and parameters prior year	2006 options	2007 options	2008 options	2009 options
Outstanding number at year end	1,398,000	2,258,119	2,050,389	2,196,028
Date of grant	1/1/2006	1/1/2007	1/1/2008	1/1/2009
Vesting date	1/1/2009	1/1/2010	1/1/2011	1/1/2012
Expiry date	12/31/2013	12/31/2014	12/31/2015	12/31/2016
Share price volatility	36.00%	50.00%	50.00%	50.00%
Exercise price (euros)	17.08	20.64	22.10	13.63
Dividend yield	7.41%	7.41%	7.41%	7.41%
Risk-free interest rate	0.41%	0.80%	1.19%	1.56%
Remaining term (years)	2	3	4	5
Lapse percentage	-	-	-	14%
Salary increase (%)	-	-	-	1%

The movements in the number of options granted were as follows:

Statement of changes in phantom options granted		
In numbers of options	2012	2011
Outstanding at 1 January	**7,902,536**	**10,137,765**
Granted	-	-
Exercised during the year	-	-210,525
Forfeiture by termination of employment during the year	-1,992,646	-2,024,704
Forfeiture by performance criteria during the year	-	-
Outstanding at 31 December	**5,909,890**	**7,902,536**

All phantom options that were granted and have vested are unconditional at 31 December 2012. The total intrinsic value of options granted was nil at 31 December 2012 (2011: nil); the Delta Lloyd NV share price of € 12.34 at 31 December 2012 (2011: € 13.00) was below the exercise prices of the options granted between 2006 and 2009.

Phantom Performance Share Plan (PPSP, from 3 November 2009 to 1 January 2011)
The PPSP grants conditional phantom shares to eligible managers. The phantom shares entitle the holder to a cash payment at the end of a set performance period based on the underlying value of the Delta Lloyd NV shares. The phantom shares may become unconditional after three years (the vesting date), subject to the fulfilment of set performance criteria and continued employment at Delta Lloyd Group (see section 5.1.6.31. 'Employee benefits'). Grants under this plan were only made in 2010. The existing long-term and short-term incentive plans were revised in 2011 based on the new 'Regulation on Sound Remuneration Policies' that applies to the Dutch financial sector. The new Variable Incentive Plan came into effect on 1 January 2011.

The fair value of the provision for the PPSP is measured using Monte Carlo simulation models which take into account all the specific characteristics of the plan. In determining the fair value, market conditions applicable to part of the conditional phantom shares, namely the performance criterion related to total shareholder return, are taken into account. The expected number of dividend shares per ex-dividend date is also estimated, using simulated share prices, and these estimates are revised on the actual ex-dividend date. The PPSP is recognised in the same way as the Delta Lloyd Phantom Option Plan (see above). At each reporting date, Delta Lloyd Group examines the assumptions for determining the number of phantom shares which are expected to become unconditional on the basis of the vesting conditions. Costs of movements in the provision are recognised immediately through profit or loss, with the costs allocated on a straight-line basis over the vesting period.

The table below provides further information on the phantom shares and the parameters used to determine the fair value at 31 December 2012, based on the closing price of Delta Lloyd NV shares of € 12.34 (2011: € 13.00).

Parameters phantom shares

	2012	2011
Date of grant	1/1/2010	1/1/2010
Vesting date	1/1/2013	1/1/2013
Expiry date	1/1/2013	1/1/2013
Share price volatility	-	45%
Dividend yield	8.02%	7.41%
Risk-free interest rate	-	0.09%
Remaining term (years)	-	1
Lapse percentage	16%	14%
Salary increase (%)	-	1%

The charge of nil for 2012 (2011: € 0.2 million) accounted for the forfeiture of conditional phantom shares and 100% vesting (the maximum is 150%).

Movements in the number of phantom shares granted were as follows:

Statement of changes in phantom shares granted		
In numbers of shares	2012	2011
Outstanding at 1 January	**146,981**	**170,820**
Granted	-	154,863
Expected phantom dividend shares	9,615	274
Forfeiture by termination of employment during the year	-12,097	-24,113
Forfeiture due to change in variable incentive plan during the year	-	-154,863
Outstanding at 31 December	**144,499**	**146,981**

All phantom shares were fully unvested at 31 December 2012.

Performance Share Plan (PSP, from 3 November 2009 to 1 January 2011)
The PSP grants conditional shares to members of the Executive Board and directors. The conditional shares granted under the PSP entitle the holder to Delta Lloyd NV shares and may become unconditional after three years (the vesting date), subject to the fulfilment of set performance criteria and continued employment at Delta Lloyd Group (see section 5.1.6.31. ‘Employee benefits’). Grants under this plan were only made in 2010. The existing long-term and short-term incentive plans were revised during 2011 based on the new ‘Regulation on Controlled Remuneration’ that applies to the Dutch financial sector. The new Variable Incentive Plan came into effect on 1 January 2011.

The overall expense is calculated on the grant date of the conditional shares (PSP) as the fair value of a conditional share multiplied by the estimated number of shares that will vest based on current performance criteria. The fair value does not change during the period to vesting. The overall expense is allocated on a straight-line basis over the vesting period (three years) based on the employee services rendered, taking into account the estimated number of conditional shares which can vest according to the applicable vesting conditions at each reporting date. The expense is recognised in staff costs with 'share option plan' in equity as the contra-account.

The conditional shares granted are measured using Monte Carlo simulation models. In determining the fair value, market conditions applicable to the part of the conditional shares, namely the performance criterion related to total shareholder return, are taken into account. The expected number of dividend shares per ex-dividend date is also estimated, using simulated share prices, and these estimates are revised on the actual ex-dividend date.

The table below provides further information on the conditional shares granted and the parameters used to determine the fair value on the grant date:

Parameters of conditional shares at date of grant (28 May 2010)	
Date of grant	5/28/2010
Vesting date	1/1/2013
Share price volatility	60.00%
Share Price at grant date (euros)	14.85
Dividend yield	4.93%
Risk-free interest rate	0.80%
Remaining term (years)	2.6
Expected lapse percentage	7%

The charge of € 0.8 million for 2012 (2011: € 0.7 million) accounts for the forfeiture of conditional shares and 100% vesting (the maximum is 150%).

Statement of changes in conditional shares

In numbers of shares	2012	2011
Outstanding at 1 January	**237,049**	**245,905**
Granted	-	299,430
Expected dividend shares	11,771	7,497
Forfeiture by termination of employment during the year	-18,779	-16,353
Forfeiture due to change in variable incentive plan during the year	-	-299,430
Outstanding at 31 December	**230,041**	**237,049**

All conditional shares were fully unvested at 31 December 2012.

Variable Incentive Plan for identified staff (VIP-is, from 1 January 2011)
The VIP-is is a plan for the Executive Board, directors, managers in control functions and functions affecting the risk profile. Their grant is conditional and paid 50% in cash and 50% in shares. The conditional shares confer a right to a distribution of Delta Lloyd NV shares and may become unconditional after the respective vesting dates, depending on the achievement of set performance criteria and continued employment at Delta Lloyd Group (see section 5.1.6.31. 'Employee benefits').

Recognition and treatment are in line with the PSP as explained above, except that there is no right to dividend shares while the shares have not yet vested, and that the payout is 50% after the remuneration year and 50% is paid in equal instalments in the three subsequent years. This payout depends on the achievement of set performance criteria and continued employment at Delta Lloyd Group.

The table below provides further information on shares granted conditionally and the parameters applied to determine their fair value. For the grants in 2011, the 10 April 2011 parameters continue to apply to converted grants made under the PSP as their fair value is higher than it was on the date of the modification. The 8 December 2011 parameters only apply to additional grants made in 2011 under the VIP-is.

Parameters for conditional shares (VIP-is)	shares granted 2012	converted PSP shares 2011	shares granted 2011
Valuation date (grant date)	2/22/2012	4/10/2011	12/8/2011
Start vesting period	1/1/2012	1/1/2011	1/1/2011
End of vesting period	-	12/31/2013	-
First determination date	12/31/2012	-	12/31/2011
Vesting date first tranche	1/1/2013	-	1/1/2012
Vesting date second tranche	1/1/2014	-	1/1/2013
Vesting date third tranche	1/1/2015	-	1/1/2014
Vesting date fourth tranche	1/1/2016	-	1/1/2015
Share price volatility	-	55%	-
Share price volatility (first tranche)	47%	-	31%
Share price volatility (second tranche)	38%	-	44%
Share price volatility (third tranche)	39%	-	36%
Share price volatility (fourth tranche)	53%	-	50%
Share price at initial grant date (euros)	14.53	19.35	13.83
Share price at modification date (8 December 2011 in euros)	-	-	13.10
Dividend yield	6.66%	3.80%	7.36%
Risk-free rate	-	2.25%	-
Risk-free rate (first tranche)	0.18%	-	0.11%
Risk-free rate (second tranche)	0.42%	-	0.44%
Risk-free rate (third tranche)	0.74%	-	0.83%
Risk-free rate (fourth tranche)	1.10%	-	1.26%
(Average) fair value at grant date (in euros)	-	15.77	11.44

The charge for 2012 was € 2.3 million (2011: € 3.8 million). This accounts for the forfeiture of conditional shares and 50% vesting of grants made in 2012 and 100% of grants made in 2011 (the maximum is 150%). The change to a vesting of 50% is due to the discretionary decision of the Supervisory Board and the Executive Board to make downward adjustments based on the rules of the variable incentive plan. The modification date of 8 December 2011 is the date that the Dutch Central Bank gave its formal approval to the revised remuneration policy.

Statement of changes in conditional shares (VIP-is)		
In numbers of shares	2012	2011
Outstanding at 1 January	**333,209**	**-**
Granted (2011 at modification date)	412,255	333,209
Exercised	-146,850	-
Forfeiture by termination of employment during the year	-4,062	-
Forfeiture by performance criteria during the year	-52,083	-
Forfeiture due to maximum vesting cap of 50%	-206,128	-
Outstanding at 31 December	**336,341**	**333,209**

All conditional shares are fully unvested at 31 December 2012.

Variable Incentive Plan for other managers (VIP-om, from 1 January 2011)

The VIP-om is a plan for other managers who are not identified staff. Their grant is paid 50% in cash and 50% in conditional phantom shares. The conditional phantom shares confer a right to a distribution in cash and may become unconditional at the respective the vesting dates, depending on the achievement of set performance criteria and continued employment at Delta Lloyd Group (see section 5.1.6.31. ‘Employee benefits’).

Recognition and treatment are in line with the PPSP as explained above, except that there is no right to dividend phantom shares while the phantom shares have not yet vested, and that the payout is 50% after the remuneration year and 50% is paid in equal instalments in the three subsequent years. This payout depends on the achievement of set performance criteria and continued employment at Delta Lloyd Group.

The table below provides further information on the phantom shares and parameters used to determine the fair value at 31 December 2012, based on the closing price of Delta Lloyd NV shares of € 12.34 (2011: € 13.00).

Phantom shares and parameters current year (VIP-om)

	2012 shares	2011 shares
Grant date	22/2/2012	8/12/2011
Start of vesting period	1/1/2012	1/1/2011
First determination date	31/12/2012	31/12/2011
Vesting date first tranche	1/1/2013	1/1/2012
Vesting date second tranche	1/1/2014	1/1/2013
Vesting date third tranche	1/1/2015	1/1/2014
Vesting date fourth tranche	1/1/2016	1/1/2015
Share price volatility (first tranche)	-	-
Share price volatility (second tranche)	36%	-
Share price volatility (third tranche)	41%	36%
Share price volatility (fourth tranche)	36%	41%
Dividend yield	8.02%	8.02%
Risk-free rate (first tranche)	-	-
Risk-free rate (second tranche)	-0.04%	-
Risk-free rate (third tranche)	-0.01%	-0.04%
Risk-free rate (fourth tranche)	0.13%	-0.01%

Phantom shares and parameters previous year (VIP-om)	
	2011 shares
Grant date	8/12/2011
Start of vesting period	1/1/2011
First determination date	31/12/2011
Vesting date first tranche	1/1/2012
Vesting date second tranche	1/1/2013
Vesting date third tranche	1/1/2014
Vesting date fourth tranche	1/1/2015
Share price volatility (first tranche)	45%
Share price volatility (second tranche)	36%
Share price volatility (third tranche)	50%
Share price volatility (fourth tranche)	50%
Dividend yield	7.41%
Risk-free rate (first tranche)	0.09%
Risk-free rate (second tranche)	0.41%
Risk-free rate (third tranche)	0.80%
Risk-free rate (fourth tranche)	1.19%

The charge in 2012 was € 0.5 million (2011: € 1.1 million). This accounts for the forfeiture of conditional shares and 50% vesting of grants made in 2012 and 100% of grants made in 2011 (the maximum is 150%). The change to vesting of 50% is due to the discretionary decision of the Supervisory Board and the Executive Board to make downward adjustments based on the rules in the variable incentive plan.

The movements in the number of phantom shares granted are set out below.

Statement of changes in conditional phantom shares (VIP-om)		
In numbers of shares	2012	2011
Outstanding at 1 January	**141,613**	**-**
Granted (2011 at modification date)	160,186	141,613
Exercised	-49,990	-
Forfeiture by termination of employment during the year	-19,522	-
Forfeiture by performance criteria during the year	-26,086	-
Forfeiture due to maximum vesting cap of 50%	-80,093	-
Outstanding at 31 December	**126,108**	**141,613**

All conditional phantom shares were fully unvested at 31 December 2012.

Cash remuneration in the Variable Incentive Plan

The Variable Incentive Plans for identified staff and other managers include a grant which is paid 50% in cash and 50% in conditional shares or conditional phantom shares. The payment in cash may become unconditional at the respective vesting dates, depending on the achievement of set performance criteria and continued employment at Delta Lloyd Group (see section 5.1.6.31 'Employee benefits'). The payout is 50% after the remuneration year and 50% is paid in equal instalments in the three subsequent years. The parameters used to determine the provision for cash remuneration granted, which is dependent on the underlying value of Delta Lloyd NV shares, are identical to those described under the Variable Incentive Plan for other managers. The charges are recognised over the periods in which services are provided, per tranche, to Delta Lloyd Group.

The charge in 2012 was € 2.5 million (2011: € 3.8 million). This was calculated taking into account forfeiture of grants and 50% vesting of grants made in 2012 and 100% of grants made in 2011 (the maximum is 150%). The change to a vesting of 50% is due to the discretionary decision of the Supervisory Board and the Executive Board to make downward adjustment based on the rules in the variable incentive plan.

5.1.7.10. (10) Remuneration of directors and the Supervisory Board

Remuneration of directors
The remuneration of directors refers to the members and former members of the Executive Board. The costs involved are not allocated and are, therefore, part of the result of Delta Lloyd Group.

The Executive Board's remuneration package consists of three components: the base salary, a variable incentive plan and a pension plan. The remuneration policy as proposed by the Supervisory Board is approved by the General Meeting of Shareholders. The Supervisory Board determines the remuneration of the individual members of the Executive Board based on the recommendations of the Remuneration Committee and within the policy framework.

The General Meeting of Shareholders held on 23 May 2012 adopted the new remuneration policy. The existing long-term and short-term incentive plans were revised based on the basis of the new 'Regulation on Sound Remuneration Policies' that applies to the Dutch financial sector and came into effect on 1 January 2011. The remuneration policy is based on a review of the external market. With the assistance of an external remuneration consultant (Towers Watson), two benchmark groups were established: a peer group of financial institutions and a cross-industry group of companies which are similar to Delta Lloyd Group based on a number of criteria. In determining the remuneration levels at Delta Lloyd Group, the median of the two peer groups serves as a guide.

Base salary
The fixed-base salary of the chairman of the Executive Board was set at € 675,000 (2011: € 650,000), and that of the other members of the Executive Board at € 500,000 (2011: € 480,000), including holiday pay and a '13th month'. The base salary was adjusted in 2012 in line with the remuneration policy which allows for a biannual adjustment.

Variable Incentive Plan
The existing long-term and short-term incentive plans were revised in 2011 based on the new 'Regulation on Sound Remuneration Policies' that applies to the Dutch financial sector. In the new variable incentive plan, which came into effect on 1 January 2011, the distinction between long-term and short-term incentives disappeared. Consequently, the final distribution of short-term variable incentive under the old plan (in cash) for the 2010 financial year was made in 2011.

The following old long-term variable incentive plans remain in force but no further grants are being made under them:

- Delta Lloyd Phantom Option Plan (until 3 November 2009)
- Performance Share Plan (PSP, until 1 January 2011)

Options were granted to members of the Executive Board under the Delta Lloyd phantom option plan from 2006 to 2009, as explained in section 5.1.6.31. ‘Employee benefits’ and section 5.1.7.9. ‘Employee information’. No new grants were made under this option plan after 2009 because the Long-term Incentive Plan (PSP) came into effect.

Grants under the Long-term Incentive Plan (PSP) were only made in 2010 because the new Variable Incentive Plan came into effect on 1 January 2011. The PSP consists of an annual grant of conditional ordinary shares, which vest after three years if set objectives are met and employment continues. The targets were based on total shareholder return (35%), return on equity (35%), employee engagement (20%) and reputation (10%). There is an additional ‘holding period' of two years after vesting. There is one single exception to the holding requirement. This is that the participant is entitled to sell part of the shares upon vesting, to the extent required to satisfy any taxes and social security contributions payable for the vesting of the performance shares. The base salary served as the basis for determining the long-term variable incentive. A figure specifying which level of performance qualifies as threshold, target and outperformance is defined for each performance criterion. The total short-term and long-term variable incentive for the Executive Board is capped at 100% of the base salary.

The Supervisory Board is authorised to adjust the components of the variable remuneration upwards or downwards in exceptional circumstances during the performance period, if they believe that an unfair or unintended result would otherwise occur. In addition, the Supervisory Board may recover from the Executive Board any variable remuneration awarded on the basis of incorrect financial or other data (clawback clause). Further details are given in section 5.1.6.31. ‘Employee benefits’ and section 5.1.7.9. ‘Employee information’.

Variable Incentive Plan from 1 January 2011

The Variable Incentive Plan for members of the Executive Board, which took effect on 1 January 2011, has not led to material changes. The conditional grant is still 50% in cash and 50% in shares but there is partial vesting. Payout is 50% after the remuneration year and 50% in equal instalments in the three subsequent years and on each occasion payment is made half in cash and half in shares. The plan is described in greater detail in section 5.1.6.31. ‘Employee benefits’ and section 5.1.7.9. ‘Employee information’. As this plan was revised after grants were made under the PSP in 2011, there was a conversion: the number of conditional shares did not change although rights to dividend shares could no longer be accrued. Measurement takes into account the change in vesting period. The performance targets for the PSP, which were three-year targets, were adapted/converted into one-year targets. As a result of the conversion, the fair value changed by € 0.4 million, of which € 0.3 million was attributed to 2011 and the remaining € 0.1 million was attributed to future periods in accordance with services provided. There is a holding period of two to four years depending on the vesting date, unless a sale is made in order to satisfy any tax liabilities relating to the vesting of the performance shares.

The base salary is the basis for determining the incentive. The maximum variable incentive is 100% of the base salary. The performance targets are set at three levels (group, divisional and individual)

As the Executive Board has collective responsibility for the management of Delta Lloyd Group, individual performance targets for the Executive Board members represent 15% of the overall target base while the remainder (85%) are group targets.

Financial group targets	
2012	**2011**
Business Management Objective (BMO) efficiency (operating expenses Group)	Operating expenses
BMO life (IRR), BMO non-life (COR) and bank (result after tax and non-controlling interest)	New business margin and combined ratio
Equity (Solvency I score at end of 2012)	Operational return on equity
Total Shareholder Return	Total Shareholder Return
New business (NAPI-life, non-life and new money third party)	New business (life insurance, general insurance and banksparen)
Operational result after tax and non-controlling interest	Operational result after tax and non-controlling interest
	Development of shareholders' funds

Non-financial group targets	
2012	**2011**
Putting the customer first	Customer satisfaction
Employee engagement	Employee engagement
Sustainability	Reputation
Solvency II	Certain organisational matters, such as simplification of the organisation structure
	Reliability as a listed company

The financial and non-financial targets are broken down on a 50%-50% basis and are based on Delta Lloyd Group's strategy and long-term interests.

The Supervisory Board retains the right to adjust the variable incentive downwards if:

- There is evidence of misconduct or gross error by the eligible Executive Board member (for example, a breach of the code of conduct or other internal regulations);
- Delta Lloyd Group suffers a significant decline in its financial performance;
- Delta Lloyd Group suffers major failures of risk management; or
- There are major changes in the economic or regulatory capital requirements.

According to this plan, the Supervisory Board is authorised to adjust components of the variable incentive downwards (but no longer to adjust it upwards, as was the case under the previous plan) in exceptional circumstances, if it believes that they would otherwise create an unfair or unintended result.

The clawback clause covers a period of five years from the vesting date.

Pension plan

The pension plan for the Executive Board members is a defined benefit plan as explained in section 5.1.7.31. 'Pension obligations'. This plan differs in certain respects from that for the employees. The plan for the Executive Board members is as follows (in euros):

- The retirement, dependants' and orphans' pensions are based on maximum pensionable earnings of € 588,434. If the endowment capital exceeds € 5.0 million, the pension base will be reduced to a level to which the capital sum payable on death is € 5.0 million, unless the insurer accepts the risk of death. Higher cover has been agreed for the pension base of the chairman of the Executive Board, which is € 661,938 from 1 January 2012 (2011: € 637,115). The endowment capital of an Executive Board member exceeds € 5.0 million and higher cover has been agreed with the insurer;
- The annual retirement pension is 2.25% of pensionable earnings per year of employment, assuming uninterrupted employment until the retirement date;
- The annual dependants' pension is 70% of the retirement pension;
- The maximum insurable occupational disability pension is € 265,552 per year. The chairman of the Board has a higher cover, € 468,701 (2011: € 450,537) compared to € 337,451 (2011: € 323,011) for the other Executive Board members.

Executive Board members' salaries and incentives		
In thousands of euros	**2012**	**2011**
Niek Hoek, chairman		
Salary	675.0	650.0
Paid variable remuneration in cash	135.5	-
Paid variable remuneration in shares	125.6	-
Paid variable remuneration relating to prior year	-	325.0
	936.1	**975.0**
Paul Medendorp		
Salary	500.0	480.0
Paid variable remuneration in cash	100.1	-
Paid variable remuneration in shares	92.7	-
Paid variable remuneration relating to prior year	-	240.0
	692.8	**720.0**
Emiel Roozen		
Salary	500.0	480.0
Paid variable remuneration in cash	100.1	-
Paid variable remuneration in shares	92.7	-
Paid variable reward relating to prior year	-	199.7
	692.8	**679.7**
Onno Verstegen		
Salary	500.0	480.0
Paid variable remuneration in cash	100.1	-
Paid variable remuneration in shares	92.7	-
Paid variable reward relating to prior year [1])	-	131.1
	692.8	**611.1**
Henk Raué (until 1 April 2011)		
Salary	-	120.0
Paid variable remuneration relating to prior year	-	240.0
	-	**360.0**
Total	**3,014.5**	**3,345.8**

1) The variable remuneration relating to the prior year 2011 (€ 131.1) was paid in respect of the period before Mr Verstegen joined the Executive Board.

Former Executive Board members' salaries, incentives and pension expenses		
In thousands of euros	**2012**	**2011**
Henk Raué (from 1 April 2011)		
Transitional payment [1])	357.8	237.8
Paid variable remuneration in shares [2])	177.9	-
Pension expenses (surrender of pension rights)	-	363.4
Total	**535.7**	**601.2**

1) Mr Raué retains a monthly transitional payment until 1 March 2013.

2) Mr Raué received the vested shares and cash under the variable incentive plan 2011 fully in shares and in one single payout, rather than in four tranches, waiving all other rights under the 2011 variable incentive plan.

Delta Lloyd NV ordinary shares (including locked shares) owned by active members of the Executive Board at year end		
In numbers of shares	**2012**	**2011**
Niek Hoek, chairman	51,002	36,435
Paul Medendorp	34,008	23,594
Emiel Roozen	7,989	9
Onno Verstegen	7,989	9
Total	**100,988**	**60,047**

In view of the successful completion of the initial public offering, the Supervisory Board decided in 2009, based on Aviva's proposal, to award the members of the Executive Board at that time a transaction bonus consisting of ordinary shares with a value equal to 100% of their base salary. The Executive Board members must retain these shares for three years, with the exception that part of the shares may be sold to fulfil tax liabilities. Some members of the Executive Board also purchased shares using their own funds at the time of the initial public offering. The increase in 2012 is due to the settlement of the first tranche under the Variable Incentive Plan and stock dividend.

The table below presents the conditional cash grant to the members of the Executive Board under the Variable Incentive Plan. The conditional grant recognised in the financial statements differs from the notional grant because part of its value is calculated on the basis of share-based payments and partly involves deferred employee benefits. The plan and the related measurements are described in greater detail in section 5.1.6.31. 'Employee benefits' and section 5.1.7.9. 'Employee information'.

In 2012, the expense recognised for this type of incentive was € 0.4 million (2011: € 0.7 million), taking account of a maximum vesting of 50% for VIP 2012 grants due to the discretionary decision of the Supervisory Board to adjust the variable incentives downwards (2011: expected vesting of 100%, with a maximum of 150%). The cap of 50% vesting for grants made in 2012 is recognised as 'forfeited' in the statement of changes below. The forfeiture of the VIP 2011 grants is caused by not achieving all set targets (mainly total shareholders return) and by the agreement related to Mr Raué to pay his vested rights fully in shares.

Statement of changes in conditional cash incentive granted current year

In thousands of euros	Notional at 1 January 2012	Granted	Settled	Forfeited	Notional at 31 December 2012	Balance sheet liability at 31 December 2012
Niek Hoek, chairman						
VIP 2012	-	337.5	-	168.8	168.8	114.9
VIP 2011	325.0	-	135.5	54.0	135.5	97.9
	325.0	**337.5**	**135.5**	**222.8**	**304.3**	**212.8**
Paul Medendorp						
VIP 2012	-	250.0	-	125.0	125.0	85.1
VIP 2011	240.0	-	100.1	39.8	100.1	72.3
	240.0	**250.0**	**100.1**	**164.8**	**225.1**	**157.4**
Emiel Roozen						
VIP 2012	-	250.0	-	125.0	125.0	85.1
VIP 2011	240.0	-	100.1	39.8	100.1	72.3
	240.0	**250.0**	**100.1**	**164.8**	**225.1**	**157.4**
Onno Verstegen						
VIP 2012	-	250.0	-	125.0	125.0	85.1
VIP 2011	240.0	-	100.1	39.8	100.1	72.3
	240.0	**250.0**	**100.1**	**164.8**	**225.1**	**157.4**
Henk Raué (until 1 April 2011)						
VIP 2011	240.0	-	-	240.0	-	-
Total	**1,285.0**	**1,087.5**	**435.8**	**957.2**	**979.6**	**684.8**

Conditional cash incentive granted prior year

In thousands of euros	**Notional conditional grant**	**Balance sheet liability**
Niek Hoek, chairman	325.0	180.5
Paul Medendorp	240.0	133.2
Emiel Roozen	240.0	133.2
Onno Verstegen (from 1 January 2011)	240.0	133.2
Henk Raué (until 1 April 2011)	240.0	133.2
Total	**1,285.0**	**713.3**

The table below presents the remuneration of the members of the Executive Board in the form of outstanding options granted under the Delta Lloyd Phantom Option Plan in 2006, 2007, 2008 and 2009, conditional shares granted in 2010 under the Performance Share Plan and conditional shares granted in 2011 and 2012 under the Variable Incentive Plan (VIP).

Fair value of the conditional shares and phantom options related to long-term variable incentive current year				
In thousands of euros	Conditional shares VIP	Conditional shares PSP	Phantom options	Total
Niek Hoek, chairman	374.5	267.0	510.5	1,152.0
Paul Medendorp	277.0	197.2	326.3	800.5
Emiel Roozen	277.0	71.4	94.9	443.3
Onno Verstegen	277.0	78.0	111.6	466.6
Henk Raué (until 1 April 2011)	-	197.2	-	197.2
Total	**1,205.5**	**810.8**	**1,043.3**	**3,059.6**

Fair value of the conditional shares and phantom options related to long-term variable incentive prior year				
In thousands of euros	Conditional shares VIP	Conditional shares PSP	Phantom options	Total
Niek Hoek, chairman	370.4	252.4	642.7	1,265.5
Paul Medendorp	273.6	186.4	411.3	871.3
Emiel Roozen	273.6	67.5	115.1	456.2
Onno Verstegen	273.6	73.8	129.8	477.2
Peter Kok (until 27 May 2010)	-	-	190.1	190.1
Henk Raué (until 1 April 2011)	273.5	186.4	353.1	813.0
Total	**1,464.7**	**766.5**	**1,842.1**	**4,073.3**

In 2012, the total expense for this type of incentive was € 0.1 million (2011: income of € 2.7 million). This consists of an € 0.6 million expense (2011: € 1.0 million expense) in conditional shares (Variable Incentive Plan), an € 0.3 million expense (2011: € 0.3 million) in conditional shares (PSP) and an € 0.8 million income (2011: income € 4.0 million) in phantom options.

The fair value of the options is equal to the amount for which the options could be exchanged or settled in a transaction between knowledgeable, willing parties on 31 December 2012 and does not represent the value that could be achieved on that date by the members of the Executive Board as part of the options were still conditional at that time. The fair value of the conditional shares at 31 December 2012 was equal to the fair value at the grant date taking into account an expected 100% vesting (the maximum is 150%), except for 2012 grants which are capped by the discretionary decision of the supervisory board at 50% vesting. This is being recognised through profit or loss over the vesting period.

The cap of 50% vesting for grants made in 2012 is recognised as ‘forfeited’ in the statement of changes below. The forfeiture of the VIP 2011 grants is caused by not achieving all set targets (mainly total shareholders return).

The movements in the number of conditional shares granted were as follows:

Statement of changes in conditional shares granted under the VIP current year

In numbers of shares	At 1 January 2012	Granted	Exercised	Forfeited	At 31 December 2012
Niek Hoek, chairman					
VIP 2012	-	31,104	-	15,552	15,552
VIP 2011	23,492	-	9,796	3,900	9,796
Total	**23,492**	**31,104**	**9,796**	**19,452**	**25,348**
Paul Medendorp					
VIP 2012	-	23,040	-	11,520	11,520
VIP 2011	17,347	-	7,234	2,880	7,233
Total	**17,347**	**23,040**	**7,234**	**14,400**	**18,753**
Emiel Roozen					
VIP 2012	-	23,040	-	11,520	11,520
VIP 2011	17,347	-	7,234	2,880	7,233
Total	**17,347**	**23,040**	**7,234**	**14,400**	**18,753**
Onno Verstegen					
VIP 2012	-	23,040	-	11,520	11,520
VIP 2011	17,347	-	7,234	2,880	7,233
Total	**17,347**	**23,040**	**7,234**	**14,400**	**18,753**
Henk Raué (until 1 April 2011) VIP 2011 [1])	**17,347**	**-**	**13,877**	**3,470**	**-**
Total	**92,880**	**100,224**	**45,375**	**66,122**	**81,607**

1) In accordance with section 6 article 7 paragraph 9 (ii) of the Variable Incentive Plan, the conditional grants will vest on the original vesting date in the case of (early) retirement.

Statement of changes in conditional shares granted under the VIP prior year

In numbers of shares	At 1 January 2011	Granted	Exercised	Expired	At 31 December 2011
Niek Hoek, chairman	-	23,492	-	-	23,492
Paul Medendorp	-	17,347	-	-	17,347
Emiel Roozen	-	17,347	-	-	17,347
Onno Verstegen (from 1 January 2011)	-	17,347	-	-	17,347
Henk Raué (until 1 April 2011) [1])	-	17,347	-	-	17,347
Total	**-**	**92,880**	**-**	**-**	**92,880**

1) In accordance with section 6 article 7 paragraph 9 (ii) of the Variable Incentive Plan, the conditional grants will vest on the original vesting date in the case of (early) retirement.

Statement of changes in conditional shares PSP current year

In numbers of shares	At 1 January 2012	Granted	Expected dividend shares	Exercised	Expired	At 31 Decemb er 2012
Niek Hoek, chairman	22,437	-	1,580	-	-	24,017
Paul Medendorp	16,568	-	1,167	-	-	17,735
Emiel Roozen	6,001	-	423	-	-	6,424
Onno Verstegen	6,558	-	461	-	-	7,019
Henk Raué (until 1 April 2011) [1])	16,568	-	1,167	-	-	17,735
Total	**68,132**	**-**	**4,798**	**-**	**-**	**72,930**

1) Notwithstanding article 15 paragraph 2 of the Performance Share Plan, the conditional granted shares do not lapse after termination of employment, but vest on the original vesting date.

Statement of changes in conditional shares PSP prior year						
In numbers of shares	At 1 January 2011	Granted	Expected dividend shares	Exercised	Expired	At 31 December 2011
Niek Hoek, chairman	21,526	-	911	-	-	22,437
Paul Medendorp	15,895	-	673	-	-	16,568
Emiel Roozen	5,757	-	244	-	-	6,001
Onno Verstegen (from 1 January 2011)	6,291	-	267	-	-	6,558
Henk Raué (until 1 April 2011) [1])	15,895	-	673	-	-	16,568
Total	**65,364**	**-**	**2,768**	**-**	**-**	**68,132**

1) Notwithstanding article 15 paragraph 2 of the Performance Share Plan, the conditional granted shares do not lapse after termination of employment, but vest on the original vesting date.

The intrinsic value of outstanding phantom options at 31 December 2012 was nil (2011: nil) because the Delta Lloyd NV share price of € 12.34 (2011: € 13.00) was lower than the exercise prices of the options granted between 2006 and 2009.

Characteristics and the number of outstanding phantom options at 31 December 2012 was as follows:

Delta Lloyd Phantom Option Plan	Number of unconditional options outstanding at 31 December 2012 [1])	Vesting date	Expiration date	Exercise price (in euros) [1])	Total intrinsic value as at 31 December 2012 (in euros)
Niek Hoek, chairman					
2006	136,574	1/1/2009	12/31/2013	17.08	-
2007	191,762	1/1/2010	12/31/2014	20.64	-
2008	153,412	1/1/2011	12/31/2015	22.10	-
2009	131,254	1/1/2012	12/31/2016	13.63	-
Paul Medendorp					
2006	88,219	1/1/2009	12/31/2013	17.08	-
2007	123,869	1/1/2010	12/31/2014	20.64	-
2008	99,092	1/1/2011	12/31/2015	22.10	-
2009	84,787	1/1/2012	12/31/2016	13.63	-
Emiel Roozen (from 27 May 2010) [2])					
2006	21,119	1/1/2009	12/31/2013	17.08	-
2007	31,078	1/1/2010	12/31/2014	20.64	-
2008	27,285	1/1/2011	12/31/2015	22.10	-
2009	25,735	1/1/2012	12/31/2016	13.63	-
Onno Verstegen (from 1 January 2011) [3])					
2006	19,503	1/1/2009	12/31/2013	17.08	-
2007	28,701	1/1/2010	12/31/2014	20.64	-
2008	28,239	1/1/2011	12/31/2015	22.10	-
2009	32,995	1/1/2012	12/31/2016	13.63	-

1) The number of options was adjusted based on the vesting percentages and on the conversion with regard to the change in the exercise price before and after the public offering.

2) All options were granted in the period when Mr Roozen was not a member of the Executive Board. As a consequence, the upper limit was set at 90% of the 12-month salary.

3) All options were granted in the period when Mr Verstegen was not a member of the Executive Board. As a consequence, the upper limit was set at 90% of the 12-month salary, except for the year 2009, for which the upper limit is set at 110%.

The movements in the number of phantom options granted were as follows:

Long-term variable incentive (Delta Lloyd Phantom Option Plan) current year *In numbers of options*	At 1 January 2012	Granted	Exercised	Forfeited	At 31 December 2012
Niek Hoek, chairman	613,002	-	-	-	613,002
Paul Medendorp	395,967	-	-	-	395,967
Emiel Roozen (from 27 May 2010)	105,217	-	-	-	105,217
Onno Verstegen (from 1 January 2011)	109,438	-	-	-	109,438
Peter Kok (until 27 May 2010)	84,787	-	-	84,787	-
Henk Raué (until 1 April 2011)	313,611	-	-	313,611	-
Total	**1,622,022**	**-**	**-**	**398,398**	**1,223,624**

Long-term variable incentive (Delta Lloyd Phantom Option Plan) prior year					
In numbers of options	At 1 January 2011	Granted	Exercised	Forfeited	At 31 December 2011
Niek Hoek, chairman	613,002	-	-	-	613,002
Paul Medendorp	395,967	-	-	-	395,967
Emiel Roozen (from 27 May 2010)	105,217	-	-	-	105,217
Onno Verstegen (from 1 January 2011)	109,438	-	-	-	109,438
Peter Kok (until 27 May 2010)	395,967	-	-	311,180	84,787
Henk Raué (until 1 April 2011)	313,611	-	-	-	313,611
Total	**1,933,202**	**-**	**-**	**311,180**	**1,622,022**

Pension expenses relating to members of the Executive Board		
In thousands of euros	**2012**	**2011**
Niek Hoek, chairman	179.0	156.9
Paul Medendorp	128.9	113.4
Emiel Roozen	128.9	113.4
Onno Verstegen	128.9	113.4
Henk Raué (until 1 April 2011)	-	21.3
Total	**565.7**	**518.4**

Mortgages and loans

Delta Lloyd Group has granted mortgages on market-consistent terms and conditions to two current members of the Executive Board.

Loans and advances relating to members of the Executive Board						
In thousands of euros	Outstanding at 31 December 2012	Average interest rate	Repaid in 2012	Outstanding at 31 December 2011	Average interest rate	Repaid in 2011
Niek Hoek, chairman	797.8	4.7%	-	797.8	4.7%	-
Emiel Roozen	925.0	3.8%	-	925.0	4.1%	-
Henk Raué (until 1 April 2011)	-	-	-	-	4.1%	389.2

Remuneration of the Supervisory Board

The members of the Supervisory Board are remunerated in accordance with their positions on the Board. The remuneration also includes payment for membership of Supervisory Board committees and expenses incurred.

No bonuses, loans or mortgages have been granted to current or former Supervisory Board members. There are no pension entitlements or option plans for current or former members of the Supervisory Board.

The members of the Supervisory Board are not entitled to contractual severance payment on termination of service.

Remuneration was adjusted from 1 November 2009, as a result of changes in the weight of the position. Advice on the composition of the remuneration based on a peer group benchmark was obtained from an independent remuneration expert (Towers Watson).

From 1 November 2009, the annual remuneration of the members of the Supervisory Board is as follows (in euros):

- Chairman of the Supervisory Board: € 75,000;
- Vice-chairman of the Supervisory Board: € 60,000;
- Members of the Supervisory Board: € 50,000.

Payment for membership of the Supervisory Board committees from 1 November 2009, are as follows (in euros):

- Chairman of the Audit Committee and/or Risk Committee € 9,000;
- Members of the Audit Committee and/or Risk Committee € 6,000;
- Chairman of the Remuneration Committee and/or Nomination Committee: € 9,000; and
- Members of the Remuneration Committee and/or Nomination Committee: € 5,000.

Remuneration of the Supervisory Board

In thousands of euros	2012	2011
René Kottman, chairman [1])		
Remuneration	75.0	75.0
Committees	14.0	14.0
Expenses	0.2	0.2
	89.2	**89.2**
Eric Fischer, vice chairman		
Remuneration	60.0	60.0
Committees	14.5	16.0
Expenses	0.2	0.2
	74.7	**76.2**
Pamela Boumeester		
Remuneration	50.0	50.0
Committees	14.0	14.0
Expenses	0.2	0.2
	64.2	**64.2**
Jean Frijns (from 23 May 2012)		
Remuneration	37.5	-
Committees	11.3	-
Expenses	0.2	-
	49.0	**-**
Jan Haars		
Remuneration	50.0	50.0
Committees	16.5	15.8
Expenses	0.2	0.2
	66.7	**66.0**
Peter Hartman		
Remuneration	50.0	50.0
Committees	7.0	6.0
Expenses	0.2	0.2
	57.2	**56.2**
Jan Holsboer (until 27 September 2011)		
Remuneration	-	37.5
Committees	-	11.3
Expenses	-	0.2
	-	**49.0**
Fieke van der Lecq		
Remuneration	50.0	50.0
Committees	12.0	12.0
Expenses	0.2	0.2
	62.2	**62.2**
Andrew Moss [2]) (until 8 May 2012) and Patrick Regan [2])		
Remuneration	-	-
Committees	-	-
Expenses	-	-
	-	**-**
Total	**463.2**	**463.0**

1) Excluding € 20 (2011: € 20) remuneration of the Supervisory Board of the Delta Lloyd Bankengroep

2) Unpaid Supervisory Board member

5.1.7.11. (11) Tax expense

Tax charged to the income statement in the financial year		
In millions of euros	**2012**	**2011**
Current tax liabilities	35.3	-0.4
Adjustment for prior-year final assessments	-3.1	-1.8
Tax due for immediate payment	**32.2**	**-2.2**
Deferred taxation:		
Originating from timing differences	-564.0	-92.3
Measurement of deferred tax assets	-1.8	6.2
Total deferred tax	**-565.8**	**-86.1**
Total tax charged to income statement	**-533.6**	**-88.3**

The categories of movements in deferred tax were as follows:

Movements in deferred tax in the result		
In millions of euros	**2012**	**2011**
Insurance liabilities	-1,110.1	-543.5
Investments	356.8	349.9
Equalisation reserve	-4.1	10.5
Unused tax losses	106.7	85.3
Intangible fixed assets	-1.4	-3.7
Pension plans	61.0	40.6
Other movements	25.3	-25.2
Total	**-565.8**	**-86.1**

Tax charged to equity at year end		
In millions of euros	**2012**	**2011**
Deferred tax	-29.0	-50.1
Total tax charged to equity	**-29.0**	**-50.1**

Deferred tax taken from equity pertains to tax on gains and losses on investments recognised in equity. The nominal tax rates were 25.0% in the Netherlands, 33.99% in Belgium and 30.0% in Germany for the whole of 2012 and 2011. The difference between the effective tax rates and the nominal tax rates is explained below:

Tax charged to the income statement in the financial year		
In millions of euros	2012	2011
Result before tax from continuing operations	-2,010.8	-241.0
Tax calculated at standard Netherlands corporation tax rate of 25%	-502.7	-60.2
Non-assessable dividends	-18.2	-23.1
Impairment of 5% interests in investments	39.3	30.9
Untaxed un(realised) gains and losses	-30.9	0.1
Transfers from/to non-capitalised losses in Germany	-9.7	3.4
Transfers to capitalised losses in Belgium	7.9	-
Tax rate difference with Germany	0.3	-0.3
Tax rate difference with Belgium	-20.6	-24.8
Releases of tax provision	0.5	-16.2
Other	0.5	1.9
Total tax charged to income statement	-533.6	-88.3

5.1.7.12. (12) Goodwill

Statement of changes in carrying value of goodwill		
In millions of euros	2012	2011
Gross carrying value of goodwill		
At 1 January	340.2	340.2
Addition	4.0	-
Disposals	-	-
Other movements	-	-
At 31 December	344.2	340.2
Accumulated impairment		
At 1 January	-9.9	-9.9
Impairment losses	-30.0	-
Disposals	-	-
Other movements	-	-
At 31 December	-39.9	-9.9
Net carrying value of goodwill at 31 December	304.4	330.4

Goodwill allocation and impairment testing

For impairment testing purposes, goodwill is allocated to cash-generating units by division and operating segment.

Goodwill allocated to cash generating units					
In millions of euros	Delta Lloyd ABN AMRO Verzekeringen Holding BV	Swiss Life Belgium NV	Cyrte Investments BV	Other	Total
Carrying value at 31 December 2012	127.3	131.8	29.4	15.9	304.4
Carrying value at 31 December 2011	127.3	131.8	55.4	15.9	330.4

As set out in accounting policies O and S, the carrying value of goodwill is reviewed at least annually or when circumstances or events indicate possible impairment. For the purposes of the impairment test, assets are grouped at the lowest level for which there are separately identifiable cash flows. The test uses the most recent data available.

On the 8 January 2013, Delta Lloyd Group and the minority shareholder signed a terms of agreement regarding the restructuring of Cyrte Investments. Delta Lloyd Group has considered the effects of the future restructuring including acquiring the 15 % minority interest which has led to an adjustment in goodwill of € 4.0 million and the recalculation of the carrying amount and the recoverable amount leading to an impairment of € 30.0 million.

An impairment test for Swiss Life Belgium established a surplus value of € 318.3 million (2011: € 208.8 million). The main variable in this calculation is the level of market interest rates used to calculate the embedded value. A rise of 100 basis points in market interest rates would lead to an increase of € 78.0 million in the EV component of realisable value. A fall of 100 basis points in market interest rates would lead to a fall of € 400.4 million in the EV component of realisable value.

The impairment test for ABN AMRO Verzekeringen established a surplus value of € 81.9 million (2011: € 71.2 million). A rise of 100 basis points in market interest rates would lead to a fall of € 25.3 million in the EV component of realisable value (€ 12.9 million based on 51%). A fall of 100 basis points in market interest rates would lead to a rise of € 26.3 million in the EV component of realisable value (€ 13.4 million based on 51%). The calculation does not take new business into account.

5.1.7.13. (13) AVIF and other intangible assets

Statement of changes in AVIF and other intangible assets				
In millions of euros	AVIF	Software	Other	Total
Cost				
At 1 January 2011	**85.2**	**113.5**	**169.1**	**367.8**
Additions	5.9	6.1	18.9	30.8
Disposals	-	-9.4	-	-9.4
Other movements	-	12.3	-	12.3
At 31 December 2011	**91.1**	**122.5**	**188.0**	**401.5**
Additions	-	7.0	-	7.0
Disposals	-16.6	-6.7	-20.1	-43.3
At 31 December 2012	**74.5**	**122.9**	**167.9**	**365.2**
Accumulated amortisation				
At 1 January 2011	**-50.6**	**-97.5**	**-65.5**	**-213.6**
Amortisation for the year	-4.3	-4.9	-11.2	-20.3
Disposals	-	3.6	-	3.6
Other movements	-	-9.6	-	-9.6
At 31 December 2011	**-54.9**	**-108.3**	**-76.7**	**-239.9**
Amortisation for the year	-4.0	-5.8	-7.9	-17.7
Disposals	3.1	6.7	1.8	11.6
At 31 December 2012	**-55.9**	**-107.4**	**-82.7**	**-245.9**
Accumulated impairment				
At 1 January 2011	**-2.1**	**-11.2**	**-0.2**	**-13.5**
Impairment losses recognised	-5.8	-	-	-5.8
Disposals	-	5.8	-	5.8
At 31 December 2011	**-7.9**	**-5.4**	**-0.2**	**-13.5**
Disposals	7.9	-	0.2	8.1
At 31 December 2012	**-**	**-5.4**	**-**	**-5.4**
Carrying value				
At 1 January 2011	**32.4**	**4.8**	**103.4**	**140.7**
At 31 December 2011	**28.2**	**8.8**	**111.1**	**148.2**
At 31 December 2012	**18.6**	**10.0**	**85.2**	**113.9**

The AVIF (acquired value of in-force) refers to the acquired portfolio value of ABN AMRO Verzekeringen of € 18.6 million (2011: € 22.3 million). FBA Holding was sold at the end of 2012, therefore there is no acquired portfolio regarding FBA at year end 2012 (2011: € 5.9 million). AVIF is amortised on a straight-line basis. The remaining amortisation period for the AVIF portfolio at the end of 2012 is 5 years. The other AVIF disposal of € 10.7 million relates to Erasmus Levensverzekering, which is removed because it was fully amortised.

The category ‘Other' consists mainly of € 67.3 million (2011: € 70.7 million) for the distribution channel acquired as part of the takeover of ABN AMRO Verzekeringen. This item will be amortised over the next 20 years. In 2011 a distribution channel was acquired as part of the takeover of FBA. At 31 December 2012 FBA was sold, as a result of the takeover of Friesland Bank by Rabobank Nederland. The distribution channel of Erasmus Verzekeringen was fully amortised in 2012.

Accumulated amortisation of Delta Lloyd Deelnemingen Fonds over a 10-year period was € 7.5 million (2011: € 5.0 million) at year end 2012.

5.1.7.14. (14) Deferred acquisition costs

Deferred acquisition costs at year end						
In millions of euros	Life	General	Total 2012	Life	General	Total 2011
Participating insurance contracts	28.9	-	28.9	31.6	-	31.6
Non-participating insurance contracts	64.0	69.4	133.4	78.8	73.5	152.3
Investment contracts	18.4	-	18.4	16.4	-	16.4
Total deferred acquisition costs	**111.3**	**69.4**	**180.7**	**126.7**	**73.5**	**200.2**

Statement of changes in deferred acquisition costs of Life insurance contracts		
In millions of euros	**2012**	**2011**
At 1 January	**126.7**	**139.5**
Deferred acquisition costs	24.9	26.4
Amortisation	-38.9	-39.2
Other adjustments	-1.5	-
At 31 December	**111.3**	**126.7**

The € -1.5 million other adjustments of Life insurance contracts per 31 December 2012 relates to a surrender of clawback between ABN AMRO Levensverzekering and ABN AMRO Bank.

Statement of changes in deferred acquisition costs of General insurance contracts		
In millions of euros	**2012**	**2011**
At 1 January	**73.5**	**80.5**
Deferred acquisition costs	249.0	234.5
Amortisation	-253.1	-241.5
At 31 December	**69.4**	**73.5**

5.1.7.15. (15) Property and equipment

Statement of changes in property and equipment				
In millions of euros	Owner-occupied property	Computer equipment	Other equipment	Total
Carrying value				
At 1 January 2011	**144.9**	**13.0**	**20.9**	**178.9**
Additions	0.7	5.1	5.9	11.7
Changes within Group	2.3	-	-	2.3
Disposals	-1.3	-	-1.2	-2.5
Transfers to / from investment property	-7.0	-	-	-7.0
Depreciation	-5.0	-4.7	-6.5	-16.2
Impairment	-	-	-	-
Other movements	-3.7	-2.9	-0.1	-6.7
At 31 December 2011	**131.0**	**10.6**	**19.0**	**160.6**
Additions	1.6	9.5	6.9	17.9
Changes within Group	-	-	-	-
Disposals	-2.6	-0.2	-3.1	-6.0
Transfers to / from investment property	-5.9	-	-	-5.9
Depreciation	-4.2	-5.8	-6.5	-16.5
Impairment	-5.3	-	-2.3	-7.7
Other movements	-1.7	-	-	-1.7
At 31 December 2012	**112.8**	**13.9**	**14.1**	**140.8**
At 1 January 2011				
Cost	236.3	69.6	142.5	448.4
Depreciation	-75.6	-56.6	-117.7	-249.9
Impairment losses	-15.8	-	-3.8	-19.6
Carrying value	**144.9**	**13.0**	**20.9**	**178.9**
At 31 December 2011				
Cost	192.2	40.2	134.6	367.1
Depreciation	-46.5	-29.7	-115.6	-191.7
Impairment losses	-14.8	-	-	-14.8
Carrying value	**131.0**	**10.6**	**19.0**	**160.6**
At 31 December 2012				
Cost	178.2	47.1	137.3	362.6
Depreciation	-45.3	-33.2	-120.9	-199.4
Impairment losses	-20.1	-	-2.3	-22.4
Carrying value	**112.8**	**13.9**	**14.1**	**140.8**
Fair value				
At 1 January 2011	**211.2**	**13.0**	**20.9**	**245.2**
At 31 December 2011	**167.9**	**10.6**	**19.0**	**197.5**
At 31 December 2012	**147.2**	**13.9**	**14.1**	**175.2**

Delta Lloyd Group has no material financial leases for property and equipment, nor has it leased property and equipment to third parties under operating leases. There are no restrictions on ownership and no property and equipment has been pledged as security for liabilities.

There was no property under construction. As such no related borrowing costs were capitalised in the reporting period.

The fair value of computer equipment and other equipment is not materially different from the carrying value.

5.1.7.16. (16) Investment property

Statement of changes in investment property					
In millions of euros	Investment property under construction	Investment property - freeholds	Investment property - long-term leaseholds	Investment property - short-term leaseholds	Total
Cost					
At 1 January 2011	**25.4**	**1,771.3**	**90.1**	**56.9**	**1,943.7**
Additions	20.4	56.6	-0.1	-	77.0
Changes within Group	-	-	-	-7.4	-7.4
Disposals	-	-2.7	-	-	-2.7
Transfers to / from investment property	-	5.4	-	-	5.4
Other movements	-	-0.8	-	-	-0.8
At 31 December 2011	**45.8**	**1,829.9**	**90.1**	**49.5**	**2,015.2**
At 1 January 2012	**45.8**	**1,829.9**	**90.1**	**49.5**	**2,015.2**
Additions	11.5	28.1	1.1	-	40.7
Disposals	-	-116.9	-	-	-116.9
Transfers to / from investment property	-	5.8	-	-	5.8
Transfers to held for sale	-	-107.0	-	-	-107.0
Other movements	-	-0.3	-	-	-0.3
At 31 December 2012	**57.3**	**1,639.6**	**91.1**	**49.5**	**1,837.5**
Revaluation					
At 1 January 2011	**5.0**	**482.2**	**-14.4**	**-2.3**	**470.4**
Fair value gains and losses	1.7	-38.1	-6.9	-0.6	-43.9
Changes within Group	-	-	-	3.4	3.4
Disposals	-	-0.6	-	-	-0.6
Transfers to / from investment property	-	1.5	-	-	1.5
Other movements	-	0.8	-	-	0.8
At 31 December 2011	**6.6**	**445.7**	**-21.2**	**0.5**	**431.6**
At 1 January 2012	**6.6**	**445.7**	**-21.2**	**0.5**	**431.6**
Fair value gains and losses	-18.1	-64.2	-11.2	-4.2	-97.7
Disposals	-	-6.7	-	-	-6.7
Transfers to / from investment property	-	-	-	-	-
Other movements	-	2.6	-	-	2.6
At 31 December 2012	**-11.4**	**377.4**	**-32.4**	**-3.6**	**329.9**
Carrying value					
At 1 January 2011	**30.4**	**2,253.4**	**75.7**	**54.6**	**2,414.2**
At 31 December 2011	**52.4**	**2,275.6**	**68.8**	**50.0**	**2,446.9**
At 31 December 2012	**45.8**	**2,017.1**	**58.7**	**45.9**	**2,167.5**

Changes within Group in 2011 relate to the sale of Houdstermaatschappij Brumij BV, a subsidiary.

Transfers to held for sale in 2012 relate to investment property in Germany for € 107.0 million. See section 5.1.7.5.

Investment properties are stated at fair value assessed by qualified external valuers each half year as described in accounting policy Q. Desktop appraisals are performed every half year and a full appraisal is carried out every three years. Each appraisal is checked by another valuer; this means that there is a valuer and a checker for each appraisal. There is a fixed fee for desktop appraisals and the fee for a full appraisal is a fixed percentage of the rental value. The appraisals are performed in compliance with International Valuation Standards published by the International Valuation Standards Committee and/or the regulations and standards in the RICS Valuation Standards prescribed by the Royal Institution of Chartered Surveyors.

The valuers use the capitalised rental method, supported by the discounted cash flow method, to determine the market values. The discount rates used for the three main groups are:

- Residential: 4.8 to 8.2% (2011: 6.5 to 7.5%, with a few outliers from 5 to 9.7%)
- Retail: 7% (2011: 7%, with the exception of one project (9%))
- Offices: 6.8 to 10.7% (2011: 6.9 to 8.2%)

It has become more difficult to establish market values due to a lack of a sufficient number of comparable sales transactions. This implies that the degree of uncertainty in the appraisals is greater than customary. The appraisal values reflect the volatility of today’s market.

The main assumptions used in the appraisals of the investment properties are:
- Current leases are the basis for the appraisal.
- Investment properties are appraised using a gross initial yield, which is the percentage relationship between the annual rental income at 31 December 2012 and the fair value of the property excluding costs.
- The appraisal of investment properties is based on a best estimate of the costs of future renovations and maintenance.
- At the end of current leases, realistic estimates are made of the probability of vacancy, the potential impact of future rent discounts (lease incentives) and reletting expectations. These estimates reflect the current situation in the property market.

In the reporting period € 1.5 million of borrowing costs were capitalised (2011: € 1.1 million). The average weighted capitalisation rate used is 2.76%. In addition, € 18.5 million (2011: € 45.7 million) was invested in new purchases and € 10.9 million (2011: € 10.9 million) was incurred in additional investment expenditure.

See section 5.1.7.1. for the breakdown of the own risk property portfolio in residential, retail and offices.

Rental income

In millions of euros	2012	2011
Gross rental income	161.4	161.4
Operating expenses related to vacancies	-1.4	-0.7
Other direct operating expenses	-41.5	-33.7
Direct operating expenses	-42.9	-34.4
Net rental income	**118.5**	**127.0**

Lease agreements are at arm's length.

Expected future rental income is disclosed in section 5.1.7.38.

5.1.7.17. (17) Associates and joint ventures

Statement of changes in associates and joint ventures		
In millions of euros	**2012**	**2011**
Carrying value		
At 1 January	**334.8**	**375.4**
Additions	-	0.2
Disposals	-136.4	-94.0
New equity capital	4.6	35.2
Share of result after tax	9.5	48.6
Dividends received	-55.0	-0.1
Fair value changes in equity	25.4	21.1
Other movements	10.7	-51.7
At 31 December	**193.6**	**334.8**

The main disposal in 2012 was Delta Lloyd Group's interest in Bol.com held through the investment funds CFI Invest and Dasym Investments IV for € 134.6 million during the year. The transaction was concluded in May 2012 with a result on disposal of € 32.3 million including interest. Part of this result is attributed to non-controlling interests.

The changes in fair value and dividends received related mainly to the interests in Cyrte Fund I and Cyrte Fund II.

Delta Lloyd Group held a 31.2% interest in Van Lanschot NV at 31 December 2012 (2011: 30.7%). It is generally assumed that significant influence is exercised on the financial and operating policy of the entity when an interest is 20% or more. Delta Lloyd Group is unable to exercise influence on strategic financial and operating policy at Van Lanschot in line with the Delta Lloyd Group strategy. Furthermore, Delta Lloyd Group is unable to exert influence on dividend policy and it is not represented on the Van Lanschot NV Supervisory Board. Delta Lloyd Group's interest consists largely of non-voting depositary receipts. As a result, Delta Lloyd Group accounts for its stake in Van Lanschot NV as an equity security available for sale and not as an associate.

Delta Lloyd Group's principal associates and joint ventures and their total assets (excluding goodwill), total liabilities, total income and results are as follows:

Delta Lloyd Group's principal associates and joint ventures					
In millions of euros	Assets	Liabilities	Income	Result	Proportion held (in %)
CF I Invest CV	729.5	0.1	130.2	124.8	22.01%
Cyrte Fund II CV	273.4	39.6	29.1	0.3	10.48%
Project Holland Fonds CV	138.9	-	37.9	37.9	49.63%
BeFrank	7.4	2.9	0.4	-3.8	50.00%
End 2012	**1,149.2**	**42.6**	**197.5**	**159.2**	
CF I Invest CV	846.5	0.2	5.2	-2.9	22.06%
Cyrte Fund II BV	8.4	0.1	-1.9	-2.0	10.48%
Bol.com BV	287.3	123.9	311.5	9.1	44.05%
Project Holland Fonds CV	126.6	1.1	-13.5	-15.5	49.63%
BeFrank	4.9	1.4	-	-4.3	50.00%
End 2011	**1,273.6**	**126.8**	**301.3**	**-15.5**	

BeFrank is a joint venture of Delta Lloyd Group. € 1.2 million of the assets can be qualified as long-term. All the liabilities can be qualified as short-term.

The figures are based on the most recent financial information on the associates, made available to Delta Lloyd Group. As such, this financial information is not based on the carrying values (including goodwill) notionally recognised by Delta Lloyd Group as a result of the notional purchase price allocation performed on the date when significant influence commenced. Individual investments in other associates are not considered material and are therefore not included in the statement of Delta Lloyd Group's principal associates and joint ventures.

Delta Lloyd Group recognises its investments in the Cyrte Funds as associates since it has the ability to exercise significant influence over the investments through its voting power (both through its representation on key decision-making committees and its equity holding) and the nature of the commercial relationships with the Cyrte funds and the other investors. Delta Lloyd Group owns 85% of the shares in Cyrte Investments BV. For the remaining 15% there is a put option which is presented as other liabilities. This subsidiary of Delta Lloyd Group is the investment manager for the Cyrte Funds.

If a Cyrte fund is set up as a limited partnership (*commanditaire vennootschap* or CV), a subsidiary of Cyrte Investments BV becomes the general partner of the Cyrte fund. Irrespective of whether a Cyrte fund is structured as a BV (private limited company) or as a CV, the other investors' rights in aggregate allow them to participate effectively in important decisions to be made in the ordinary course of the business. As a result, Delta Lloyd Group is unable to control the Cyrte Funds' financial and operating policies in its role as the investment manager or, for the CVs, as the general partner. However, as Delta Lloyd Group has a direct ownership interest in the Cyrte Funds and can exert significant influence over the funds through its role as investment manager or as general partner, it classifies all the individual investments in the Cyrte Funds as associates.

5.1.7.18. (18) Financial investments

Financial investments for own risk at year end		
In millions of euros	**2012**	**2011**
Debt securities	25,232.8	20,366.2
Equity securities	4,322.1	4,984.8
Derivatives	2,550.3	2,436.2
Loans at fair value through profit or loss (FVTPL)	6,249.1	6,104.6
Loans and receivables at amortised cost	17,106.7	17,321.8
Total financial investments	**55,461.0**	**51,213.5**

Fair value of financial investments for own risk by category at year end					
In millions of euros	Recognised in the statement of financial position at amortised cost	Recognised at fair value through profit or loss trading	Recognised at fair value through profit or loss other than trading	Available for sale	Total 2012
Debt securities	-	14.4	21,695.1	3,523.3	25,232.8
Equity securities	-	3.4	672.0	3,646.7	4,322.1
Derivatives	-	2,550.3	-	-	2,550.3
Loans at fair value through profit or loss (FVTPL)	-	-	6,249.1	-	6,249.1
Loans and receivables at amortised cost	18,625.3	-	-	-	18,625.3
Total	**18,625.3**	**2,568.1**	**28,616.2**	**7,170.0**	**56,979.6**

Fair value of financial investments for own risk by category at prior year end					
In millions of euros	Recognised in the statement of financial position at amortised cost	Recognised at fair value through profit or loss trading	Recognised at fair value through profit or loss other than trading	Available for sale	Total 2011
Debt securities	-	28.7	17,401.5	2,935.9	20,366.2
Equity securities	-	3.0	905.0	4,076.8	4,984.8
Derivatives	-	2,436.2	-	-	2,436.2
Loans at fair value through profit or loss (FVTPL)	-	-	6,104.6	-	6,104.6
Loans and receivables at amortised cost	17,816.2	-	-	-	17,816.2
Total	**17,816.2**	**2,467.9**	**24,411.1**	**7,012.7**	**51,708.0**

Loans at fair value through profit or loss include € 6,089.1 million of mortgages (2011: € 5,925.7 million). Of the fair value gains and losses on loans at fair value through profit or loss, € 25.5 million (cumulative € 104.9 million) is attributable to changes in credit risk (2011: € 6.5 million and € 79.4 million respectively).

The increase in the fair value of loans and receivables at amortised cost in comparison to the amortised cost value was mainly caused by the low interest rate.

The revaluation of loans recognised at fair value through profit or loss was € 271.9 million positive (2011: € 99.2 million positive).

A significant portion of financial instruments is measured at fair value. The measurement methods are explained in section 5.1.7.39. 'Fair value of financial assets and financial liabilities'.

The non-consolidated investment funds have invested € 1.4 million in Delta Lloyd NV shares (2011: € 1.6 million).

Derivatives for own risk at year end

In millions of euros	Contract / notional amount 2012	Fair value asset 2012	Fair value liability 2012	Contract / notional amount 2011	Fair value asset 2011	Fair value liability 2011
Foreign exchange contracts						
OTC						
Forwards	9,355.7	75.5	52.3	1,936.3	16.7	14.7
Currency swaps 1)	-	158.8	157.4	-	156.9	156.9
Total foreign exchange contracts	**9,355.7**	**234.3**	**209.7**	**1,936.3**	**173.6**	**171.6**
Interest rate contracts						
OTC						
Interest rate and currency swaps held for fair value hedge accounting	2,037.5	-	118.6	3,650.1	125.5	182.6
Interest rate and currency swaps not held for fair value hedge accounting	21,592.9	1,601.5	1,403.5	22,965.1	1,268.3	990.9
Options	6,500.0	462.1	0.8	7,700.0	379.6	0.4
Exchange traded						
Futures	910.2	-	-	228.5	-	1.0
Options	550.0	0.6	-	550.0	7.7	-
Total interest rate contracts	**31,590.6**	**2,064.2**	**1,522.9**	**35,093.7**	**1,781.2**	**1,174.9**
Equity/index contracts						
OTC						
Options	6,477.3	191.7	343.4	5,549.6	350.4	339.4
Exchange traded						
Futures	259.9	-	-	1,378.7	-	3.9
Options	269.3	20.6	-	876.0	19.4	-
Total equity/index contracts	**7,006.5**	**212.3**	**343.4**	**7,804.3**	**369.8**	**343.3**
Credit default swaps	**956.4**	**39.5**	**2.0**	**1,492.6**	**111.7**	**18.4**
Total	**48,909.2**	**2,550.3**	**2,078.0**	**46,326.9**	**2,436.2**	**1,708.2**

1) No notional amount of the currency swaps is reported, as it is relates to back-to-back transactions.

In accordance with the new market standard, Delta Lloyd Group has applied an OIS (Overnight Indexed Swap) curve for the measurement of fully cash-collateralised derivatives since May 2012. The projected cash flows of these derivatives are discounted using the EONIA (Euro OverNight Index Average) swap curve, which reflects the fair value of future overnight interest rates and is regarded as the best estimate of a risk-free interest rate. On 31 May 2012, the impact of adjusting the curves was a € 66.0 million gain for Delta Lloyd Group, made up of a € 84.0 million gain for Delta Lloyd Levensverzekering, a € 7.0 million loss for Delta Lloyd Bankengroep and a € 11.0 million loss for Amstelhuys. Derivatives were previously measured using EUR swap curves which are mainly based on 3-month or 6-month Euribor fixings.

Delta Lloyd Group uses derivatives as part of its asset and liability management in order to hedge the fair value risk in financial assets arising from market interest rate movements. Fair value hedge accounting is applied to part of the hedged financial assets, provided these assets are designated as such and that the conditions for hedge accounting stated in section 5.1.6.22. ‘Derivative financial instruments’ are met. These derivatives are recognised in the 'held for trading' investment category.

The notional amounts of derivatives are not recognised on the statement of financial position because the notional amounts merely act as units of account. Derivatives include financial instruments embedded in contracts whose value depends on one or more underlying securities, reference prices or indices. Delta Lloyd Group mainly uses interest rate and currency contracts and equity options.

The result for derivatives held for fair value hedge accounting in 2012 was € -154 million (2011: € -207.6 million). The result on the hedged mortgages arising from the hedged interest rate risk was € 3 million in 2012 (2011: € 3.4 million).

Fair value hedge accounting is applied to the banking and other segment.

Interest rate and currency swaps
Interest rate swaps are contractual agreements between two parties to exchange interest payments in the same currency at a given time. The payments are calculated on the contractual principal sum, based on different terms to maturity. In most cases, interest rate swaps involve the exchange of fixed interest rates for variable interest rates. In their simplest form, currency swaps are contractual agreements to exchange two different currencies at regular intervals or on the final date. Gains or losses on interest rate or currency swap contracts will rise or fall during the period to maturity depending on the expiry date, interest rates, exchange rates and payment dates.

Interest rate futures, forward contracts and options
Interest rate futures are exchange-traded instruments representing the obligation to buy or sell a given security or money market instrument at a set price on a set future date. Interest rate forward contracts are OTC contracts in which two parties agree on an interest rate and other terms and conditions which, together with the contracted principal sum, determine the net amount which one party will pay the other based on the interest rate on a given date in the future. Interest rate options, such as caps and floors, are instruments which offer protection against changes in interest rates. The seller of an interest rate option is committed to paying the purchaser the difference between the current and the agreed interest on the contractual principal sum, in exchange for paying of a premium. Gains and losses on all interest rate contracts will rise or fall during the period to maturity depending on movements in interest rates.

Currency contracts
In currency contracts, including currency spot contracts, currency forward contracts and currency futures, there is an agreement to exchange one currency for another at a set exchange rate on the settlement date. Currency option contracts are similar to interest rate options, except that they are based on currencies rather than on interest rates. Gains and losses on these contracts will rise or fall during the period to maturity depending on movements in exchange rates and interest rates.

Part of the inflation risk is hedged by inflation-linked derivative instruments.

Loans recognised at fair value through profit or loss

Loans recognised at fair value through profit or loss consist mainly of mortgage asset which have first priority mortgage rights. Second ranking mortgages are only granted when the first priority mortgage assets were granted by Delta Lloyd Group.

Loans and receivables at amortised cost for own risk at year end		
In millions of euros	**2012**	**2011**
Loans to policyholders	153.6	126.7
Loans to banks	794.5	609.4
Loans and advances to clients and intermediaries	54.6	53.1
Issued loans	5,520.4	5,629.7
Total loans and advances	**6,523.0**	**6,418.8**
Securitised mortgages	3,589.5	3,608.6
Non-securitised mortgages	6,994.2	7,294.3
Total mortgages	**10,583.7**	**10,902.9**
Total loans and receivables	**17,106.7**	**17,321.8**
Terms of loans and receivables		
Less than one year	2,557.3	2,079.9
More than one year	14,549.5	15,241.8
Total	**17,106.7**	**17,321.8**

The increase in loans to banks relates mainly to deposits with banks which are deposited as collateral for obligations arising from derivatives.

In 2012, mortgages worth € 679.5 million (2011: € 2,144.4 million) were granted and € 872.4 million (2011: € 1,054.8 million) were redeemed. Due to market conditions the amount of new mortgages is very low in comparison to previous years. Amortisation of the fair value of hedged positions was € 12.8 million (2011: € 8.0 million) for ordinary mortgages, € 50.2 million (2011: € 5.2 million) for securitised mortgages and € 12.6 million (2011: € 4.0 million) for other loans, making up a total of € 75.6 million (2011: € 17.2 million).

Mortgage loans

Almost all mortgages are for residential properties. Of the mortgages granted, 37.3% (2011: 39.4%) have a loan-to-value ratio which is less than 90%. Dutch mortgages guaranteed through the National Mortgage Guarantee scheme (‘*Nationale Hypotheek Garantie*’) make up 47.0% (2011: 41.0%) of the portfolio. No mortgages were granted with a loan-to-value ratio exceeding 125% without additional collateral being pledged by the applicant. No derivative instruments were contracted to mitigate any credit risk related to mortgage loans; it is Delta Lloyd Group’s opinion that hedging is not required given the relatively small credit risk exposure.

Please refer to section 5.1.7.20. for further information on the securitised mortgages.

Accumulated impairment of debt securities available for sale		
In millions of euros	**2012**	**2011**
At 1 January	**59.7**	**22.6**
Impairment charges during the period	1.5	40.4
Reversal of impairment charges during the year	-1.7	-
Disposals	-35.9	-3.3
At 31 December	**23.6**	**59.7**

Accumulated impairment of equity securities available for sale		
In millions of euros	**2012**	**2011**
At 1 January	**1,135.3**	**1,033.5**
Impairment charges during the period	184.1	191.0
Disposals	-143.1	-89.1
At 31 December	**1,176.3**	**1,135.3**

Accumulated impairment of loans and receivables at amortised cost		
In millions of euros	**2012**	**2011**
At 1 January	**101.4**	**87.9**
Impairment charges during the period	33.9	17.2
Reversal of impairment charges during the year	-11.5	-7.0
Irrecoverable	0.5	8.3
Disposals	-7.4	-6.6
Other	-4.4	1.5
At 31 December	**112.5**	**101.4**

Impairment for the period is part of the realised gains and losses forming part of investment income. The € 33.9 million impairment charge for the reporting period (2011: € 17.2 million) includes € 14.6 million (2011: € 13.4 million) on loans held by Delta Lloyd Bankengroep. The reversal of impairment by Delta Lloyd Bankengroep was € 5.1 million (2011: € 5.5 million).

The gross value of loans on an individual basis on which an impairment loss is recognised before this impairment is € 154.7 million (2011: € 90.3 million). The impairment recognised on these loans was € 24.2 million (2011: € 18.4 million). The value of the collateral relating to these loans was € 127.9 million (2011: € 68.5 million). In 2011, Delta Lloyd Levensverzekering has not been taken into account when calculating the amounts presented above. In 2012, prior year amounts have been adjusted to include Delta Lloyd Levensverzekering. Delta Lloyd decided to present the gross value of impaired loans and the impairment on these loans excluding fully impaired loans. Prior year amounts have been adjusted accordingly. The collateral is measured mainly on the basis of the original appraisal value when the loan was granted, except at Delta Lloyd Bank Belgium where it is measured at fair value. Delta Lloyd Bank Belgium uses the STADIM and GUDRUN indices as the variable for appraising the collateral. The collateral consists mainly of mortgaged properties. Collateral for loans which have not been impaired is also mainly made up of mortgaged properties.

Accrued interest of € 0.8 million (2011: € 0.6 million) was recognised in financial assets subject to individual impairment.

Repurchase agreements
Delta Lloyd Group has entered into repurchase agreements worth € 1,151.4 million (2011: € 1,544.2 million) on debt securities across various investment portfolios. The agreements were entered into with KBC Bank NV, Belfius Bank, Rabobank and ING Groep and are accounted for as 'Other financial liabilities' in 'Financial liabilities' (see section 5.1.7.35.).

5.1.7.19. (19) Investments at policyholders' risk

Carrying value of financial investments related to unit-linked liabilities at year end		
In millions of euros	**2012**	**2011**
Debt securities	2,697.4	2,343.9
Equity securities	10,352.2	9,783.7
Derivatives	358.5	251.7
Loans and receivables	-	5.3
Receivables and other financial assets	114.3	111.0
Prepayment and accrued income	3.2	-
Cash and cash equivalents	9.6	-
Total	**13,535.2**	**12,495.6**
The associated liabilities are:		
Unit-linked contracts classified as insurance contracts	12,544.7	11,606.9
Unit-linked contracts classified as investment contracts	452.2	407.3
Derivatives liabilities	22.8	37.3
Third-party interests in investment funds	1,065.6	946.4
Total	**14,085.4**	**12,997.9**

In 2012 the loan recognised as loans and receivables was redeemed for € 5.3 million.

The above table provides further information on the nature of the various financial investments. The liabilities relating to unit-linked investments were adjusted to eliminate pension obligations as explained in section 5.1.7.31. Without this elimination, the obligations would be higher than presented here.

5.1.7.20. (20) Securitised mortgages and related assets

Revenues from eleven portfolios of residential mortgage-backed securities (RMBS) of group subsidiaries Amstelhuys and Delta Lloyd Bankengroep were transferred to nine special purpose vehicles ('SPVs'), Arena 2006-I BV, B-Arena NV/SA, Arena 2007-I BV, Arena 2009-I BV, Arena 2011-I BV, Arena 2011-II BV, Arena 2012-I BV, E-Arena-I BV and DARTS Finance BV ('securitisation companies'), which were primarily funded by the issue of notes. For the Arena 2004-I BV and Arena 2004-II BV transactions, group subsidiaries exercised their rights and paid down the transactions on the first optional redemption date.

All the shares in the securitisation companies are held by independent entities: Stichting Security Trustee Arena 2006-I, B-Arena Holding BV, Stichting Security Trustee Arena 2007-I, Security Trustee Arena 2009-I, Stichting Security Trustee Arena 2011-I, Stichting Security Trustee Arena 2011-II, Stichting Security Trustee Arena 2012-I, Stichting Security Trustee E-Arena 2011 and Stichting Trustee DARTS Finance respectively. Amstelhuys and Delta Lloyd Bankengroep do not hold shares either directly or indirectly, in the securitisation companies or their parent companies. Amstelhuys and Delta Lloyd Bankengroep have no right or obligation to repurchase the liabilities of any of the securitised mortgage loans prior to the optional call-date, except if, in certain circumstances, they are in breach representations and or warranties.

On 31 December 2012, Delta Lloyd Levensverzekering, Amstelhuys and Delta Lloyd Bankengroep held notes in the securitisation companies which are legally repayable on various dates between 2041 and 2066. The carrying value of these notes was € 3,259.9 million (2011: € 2,799.8 million). The notes were eliminated on the consolidated statement of financial position. Amstelhuys and Delta Lloyd Bankengroep received interest from the securitisation companies on issued subordinated debt.

Amstelhuys and Delta Lloyd Bankengroep have entered into interest rate swaps with third parties in order to hedge the interest payment flows for the SPVs. The effect of the swaps is that the securitisation companies convert all or part of the interest flows receivable from customers regarding the securitised mortgage loans into interest flows which are designed to substantially match the interest payable to the note holders.

In none of the above transactions are Delta Lloyd Group and its subsidiaries obliged to support any losses that may be suffered by the note holders other than those arising from the structure. Additionally, the notes were issued on the basis that note holders are only entitled to receive payment of principal and interest to the extent to which the available resources of the special purpose securitisation companies concerned are sufficient. This is including their funds due from customers regarding the securitised loans. Note holders have no recourse whatsoever to Delta Lloyd Group companies.

Total mortgage assets in the above securitisation companies were € 8,777.6 million on 31 December 2012 (2011: € 8,098.0 million). Apart from the administration fees payable to other Delta Lloyd Group undertakings, there are no other material gains or losses in these companies.

See section 5.1.7.34. 'Borrowings' for further information on the securitised mortgage loans.

5.1.7.21. (21) Inventory of real estate projects

Statement of changes in inventory of real estate projects		
In millions of euros	**2012**	**2011**
At 1 January	**42.6**	**53.0**
Additions	5.4	3.1
Disposals	-2.1	-2.0
Impairment	-15.6	-11.4
At 31 December	**30.2**	**42.6**

Inventory of real estate projects includes property under construction held for sale of € 30.2 million (2011: € 42.6 million). Cumulative impairment of € 32.1 million (2011: € 16.4 million) was deducted from the inventory of real estate projects, including an impairment of € 15.6 million recognised on the value of land.

The net amount of inventory of real estate projects recognised at net realisable value was € 29.8 million (2011: € 28.0 million).

It is expected that none (2011: € 1.5 million) of the assets will be sold within one year of the reporting date.

5.1.7.22. (22) Receivables and other financial assets

Receivables and other financial assets at year end		
In millions of euros	**2012**	**2011**
Receivables from policyholders	531.3	384.1
Receivables from intermediaries	255.8	205.1
Deposits with ceding undertakings	6.0	7.2
Other receivables	316.9	415.0
Other financial assets	1,099.4	973.0
Total	**2,209.5**	**1,984.3**
Expected to be settled within one year	2,223.4	1,982.3
Expected to be settled in more than one year	13.9	2.0
Total	**2,209.5**	**1,984.3**

The carrying value of receivables and other financial assets at amortised cost is a good approximation of their fair value considering the short terms involved.

Concentrations of credit risk regarding receivables are limited due to the size and spread of Delta Lloyd Group's operations. Impairment is recognised when it is expected that the full amount of the receivables cannot be realised.

Most of the receivables from policyholders are owed to Delta Lloyd Levensverzekering, which had receivables from policyholders of € 400.9 million at year end 2012 (2011: € 256.5 million). The increase related to new insurance contracts included in 2012, for which the single premiums have not yet been received.

The increase in receivables from intermediaries is partly due to the increase in insurance tax from 9.7% to 21%.

Other receivables include receivables from reinsurance companies, short-term receivables, prepaid benefits and receivable dividend payments.

Amstelhuys holds non-transferable deposits, or margin accounts, for the financing of the securitised mortgage portfolio. The increase in other financial assets was caused by the high balance of these deposits in 2012 (€ 923.6 million) compared to the previous year (2011: € 802.2 million). This was due to a fall in long-term interest rates which led to an increase in the collateral for Interest Rate Swaps.

See section 5.1.7.1. 'Risk management' for an analysis of receivables and other financial assets adjusted for impairments, and an analysis of payment arrears regarding receivables and other financial assets.

5.1.7.23. (23) Share capital

The company's ordinary and preference share capital is as follows:

Share capital at year end

In millions of euros	2012	2011
The authorised share capital of the company was:		
360,000,000 ordinary shares with a nominal value of € 0.20 each	72.0	72.0
15,000,000 convertible preference shares A with a nominal value of € 0.20 each	3.0	3.0
375,000,000 convertible preference shares B with a nominal value of € 0.20 each	75.0	75.0
	150.0	150.0
The issued share capital of the company was:		
176,770,871 ordinary shares with a nominal value of € 0.20 each (2011: 170,578,697 with a nominal value of € 0.20 each)	35.4	34.1
	35.4	34.1
The 13,021,495 outstanding convertible preference shares A with a nominal value of € 0.20 each are recognised as a convertible loan	2.6	2.6

Ordinary shares have equal ranking. All the ordinary shares carry the same rights to dividends and other distributions declared, made or paid by the company.

The shares in issue were fully paid-up, and each share gives the right to cast one vote.

Movements in the issued capital in 2012 related to the distribution of a stock dividend.

Statement of changes in ordinary shares		
In numbers	**2012**	**2011**
At 1 January	**170,578,697**	**167,547,280**
Stock dividend	6,192,174	3,031,417
At 31 December	**176,770,871**	**170,578,697**

Convertible preference shares A

The convertible preference shares A carry a fixed dividend of 2.76%. Fonds NutsOHRA is entitled to convert these cumulative preference shares A on a one to one basis. The conversion price is € 33.21 (2011: € 37.02) per ordinary share less € 0.20 (the nominal value of the convertible preference shares A).

Preference shares B

The preference shares B are protective preference shares. The preference shares B have not been issued but there is an option agreement with Stichting Continuïteit Delta Lloyd, Amsterdam (see section 3 Corporate governance), which is legally and administratively independent of Delta Lloyd Group. Stichting Continuïteit Delta Lloyd has a call option to acquire protective preference shares B in Delta Lloyd NV for an indefinite period. The maximum to be acquired equals 100% of the share capital in issue in the form of ordinary shares and preference shares A immediately prior to the exercise of the call option, minus one share.

On acquisition, at least one quarter of the nominal value must be paid up on each preference share B. The call for further payment on preference shares B shall be made pursuant to a resolution of the Executive Board of Delta Lloyd NV. Such a resolution shall be subject to the approval of the Supervisory Board. Delta Lloyd Group believes that the call option is not material as meant by IAS 1.31 since there is a very small probability of the call option being exercised. In the highly exceptional circumstances in which the call option would be exercised, these preference shares B would, in all probability, be cancelled within a very short time. The option is, therefore, not recognised in the financial statements nor is any additional information presented pursuant to IAS 32 and IAS 39.

5.1.7.24. (24) Earnings per share

The earnings per share as calculated below are based on the current number of shares (basic earnings per share) and on potential shares. Net profit in the following tables is after tax and non-controlling interests.

Earnings per share at year end		
In millions of euros (unless indicated otherwise)	**2012**	**2011**
Net profit from continuing operations	-1,506.9	-182.1
Net profit from discontinued operations	11.8	-0.4
Net profit (loss) attributable to holders of ordinary shares for calculating the earnings per ordinary share	**-1,495.1**	**-182.5**
Weighted average number of ordinary shares in issue	173,194,656	168,943,401
Basic earnings per share continuing operations (in euros)	-8.70	-1.08
Basic earnings per share discontinued operations (in euros)	0.07	-
Basic earnings per share (in euros)	**-8.63**	**-1.08**

Diluted earnings per share at year end		
In millions of euros (unless indicated otherwise)	**2012**	**2011**
Net profit (loss) attributable to holders of ordinary shares for calculating the earnings per ordinary share	-1,495.1	-182.5
Net profit (loss) attributable to holders of ordinary shares for calculating the diluted earnings per ordinary share	**-1,495.1**	**-182.5**
Net profit from continuing operations	-1,506.9	-182.1
Net profit from discontinued operations	11.8	-0.4
Net profit (loss) attributable to holders of ordinary shares for calculating the earnings per ordinary share	**-1,495.1**	**-182.5**
Weighted average number of ordinary shares in issue	173,194,656	168,943,401
Effect of conversion rights of preference shares A (2012) at year end	13,021,495	13,021,495
Effect of stock dividend	5,919,430	7,968,102
Effect of employee equity compensation plan	723,826	868,606
Diluted weighted average number of ordinary shares	**192,859,407**	**190,801,604**
Diluted earnings per ordinary share from continuing operations (in euros)	-8.70	-1.08
Diluted earnings per ordinary share from discontinued operations (in euros)	0.06	-
Diluted earnings per ordinary share (in euros)	**-8.64**	**-1.08**

The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential ordinary shares which would have an antidilutive effect on earnings per share. The conversion of share options granted to employees under the Phantom Option Plan and the PPSP (see section 5.1.7.9. 'Employee information') will not lead to movements in the number of shares in issue as they are settled in cash. The conditional shares granted under the PSP and Variable Incentive Plan do have a dilutive effect (see section 5.1.7.9. 'Employee information'). The terms and conditions for the convertible preference shares A are set out in section 5.1.7.23. 'Share capital'.

No other transactions involving ordinary or potential ordinary shares occurred between the reporting date and the signing date of these financial statements.

5.1.7.25. (25) Revaluation reserves

Statement of changes in revaluation reserves	
In millions of euros	
Total revaluation reserves at 1 January 2011	**737.8**
Gross fair value gains and losses arising in period	-464.7
Transfer of available for sale relating to DPF contracts to provisions	-23.7
Impairment losses transferred to income statement	231.4
Reversal of impairment losses transferred to income statement	-
Realised gains/losses on revaluations of financial instruments available for sale transferred to income statement	-103.0
Fair value adjustments associates	21.1
Aggregate tax effect	7.0
Total revaluation reserves at 31 December 2011	**406.0**
Total revaluation reserves at 1 January 2012	**406.0**
Gross fair value gains and losses arising in period	342.9
Transfer of available for sale relating to DPF contracts to provisions	-52.7
Impairment losses transferred to income statement	185.6
Reversal of impairment losses transferred to income statement	-1.7
Realised gains/losses on revaluations of financial instruments available for sale transferred to income statement	-235.1
Fair value adjustments due to micro hedge debt securities available for sale	-2.0
Fair value adjustments associates	25.5
Fair value adjustments owner occupied property	2.8
Aggregate tax effect	-33.5
Total revaluation reserves at 31 December 2012	**637.7**

5.1.7.26. (26) Retained earnings

Retained earnings at year end		
In millions of euros	**2012**	**2011**
At 1 January	**3,191.9**	**3,501.0**
Result after tax and non-controlling interests	-1,495.1	-182.5
Dividends	-111.0	-126.5
Other movements	0.6	-
At 31 December	**1,586.4**	**3,191.9**

Movements in treasury shares held directly and indirectly are presented in section 5.1.4. ‘Consolidated statement of changes in equity’.

Of the shareholders' funds, € 1,245.4 million is available for distribution (2011: € 1,605.1 million). In 2012, € 76.2 million was distributed as a final dividend for 2011 and € 34.8 million as an interim cash dividend for 2012. Pursuant to article 44 of the articles of association, the proposal is to pay a final dividend of € 106.9 million (2011: € 104.1 million), being € 0.61 (2011: € 0.61) per ordinary share of € 0.20 nominal value. The final dividend may be paid entirely in cash or entirely in shares as the shareholder wishes. The value of the stock dividend (dividend in shares) will have an approximately 4% premium compared to the value of the cash dividend and will be charged to the share premium. The other movement of € 0.6 million refers to option settlements in the equity compensation plan at a different rate than initially granted.

5.1.7.27. (27) Insurance liabilities

Insurance liabilities at year end			
In millions of euros	Life	General	Total
Discretionary participating contracts	7,616.9	-	7,616.9
Non-discretionary participating contracts	4,334.8	0.1	4,334.9
Unit-linked non-participating contracts	12,544.7	-	12,544.7
Other non-participating contracts	17,926.9	-	17,926.9
Outstanding claims provisions	-	1,309.6	1,309.6
Provision for claims handling expenses	-	52.8	52.8
Provision for claims incurred but not reported	-	577.2	577.2
Provision for unearned premiums	-	344.6	344.6
Provision for unexpired risks	-	15.0	15.0
Total	**42,423.4**	**2,299.3**	**44,722.7**

Insurance liabilities at prior year end			
In millions of euros	Life	General	Total
Discretionary participating contracts	7,027.1	-	7,027.1
Non-discretionary participating contracts	3,987.8	0.1	3,987.8
Unit-linked non-participating contracts	11,606.9	-	11,606.9
Other non-participating contracts	14,425.1	-	14,425.1
Outstanding claims provisions	-	1,231.2	1,231.2
Provision for claims handling expenses	-	61.3	61.3
Provision for claims incurred but not reported	-	389.7	389.7
Provision for unearned premiums	-	369.2	369.2
Provision for unexpired risks	-	0.8	0.8
Other technical provisions	-	5.2	5.2
Total	**37,046.8**	**2,057.5**	**39,104.3**

See section 5.1.7.28. 'Reinsurance Assets' for information on insurance liabilities after reinsurance.

Life insurance business

Business description

Delta Lloyd Group underwrites life insurance as follows: in the Netherlands, the balance of profits, net of appropriate returns for policyholders, accrues to the shareholders. The basis for determining returns for policyholders is consistent with methods and criteria generally applied in the Netherlands. Except for one (marginal) product of Delta Lloyd Levensverzekering, profit sharing in the Netherlands is non-discretionary and its timing and/or level is based on an external standard (such as the U-return). Consequently, the timing and/or level of profit-sharing by policyholders does not depend on a management decision. In contrast, profit sharing in Belgium is discretionary. In Germany, profit sharing is based on realised interest income and the underwriting result.

Methodology
There are two main methods for the actuarial valuation of liabilities arising under life insurance contracts: the net premium method and the gross premium method. Both involve the discounting of expected premiums and benefit payments. Under the net premium method, the premium taken into account in calculating the provision is determined actuarially using policies on discount rates, mortality and disability. The difference between this net premium and the actual premium received provides a margin for expenses. This method does not allow for voluntary early termination of the contract by the policyholder. Explicit provision is made for vested bonuses, including those vesting contractually following the most recent investment valuation. No such explicit provision is made for the majority of future annual terminal bonuses.

The gross premium method uses the amount of contractual premiums payable and includes explicit assumptions for future profit sharing, discount rates, mortality and disability, early termination of the contract by the policyholder and future expenses.

The difference between the gross and net premium method is that the gross premium method allows for early termination of the contract by the policyholder. Assumptions can vary by contract type and reflect existing empirical data and future developments. Explicit provision is made for vested bonuses and expected future regular bonuses but not for terminal bonuses.

Delta Lloyd Group's methodology
Delta Lloyd Group generally uses the net premium method. An additional provision is formed for certain types of products for future costs of rendering contracts paid-up or relating to voluntary early termination. Provisions are determined according to applicable actuarial principles and statutory regulations. The provisions for the majority of non-unit-linked life insurance contracts in the Netherlands are calculated using the Collateralised AAA curve (Coll-AAA curve). Life insurance business provisions are calculated separately for each life operation of Delta Lloyd Group.

The measurement principles used within Delta Lloyd Group to calculate provisions vary by type of product and division because of differences in the insured population. Provisions are most sensitive to assumptions on discount rates and mortality rates. For participating contracts, bonuses paid during the year are reflected in claims paid, whilst those allocated as part of the bonus declaration are included in the movements in the life insurance business provision. Provision is also made for unearned premiums, outstanding payments and other technical provisions (including agreements with foundations, defined contribution plan and longevity provisions). These principles are described in detail below.

In general, Delta Lloyd Group's insurance companies carry out a deterministic liability adequacy test, using current estimates of future cash flows under insurance contracts (option contracts determined stochastically are measured at fair value). The future cash flows to be considered include all contractual cash flows such as administrative handling costs, as well as cash flows resulting from options and guarantees. The liability adequacy test is carried out at least twice a year, at the year end and at the half year reporting dates. The test meets the requirements of IFRS 4.

Life insurance business provisions where the insurer carries the investment risk

The provisions for traditional life insurance contracts are calculated in accordance with a prudent prospective actuarial method, taking into account the premiums to be received in the future and all future liabilities under the conditions of each current insurance contract. A provision is also formed for future administrative expenses. Provisions are formed for administrative expenses for the following types of contracts if the premium payment period is shorter than the term of the insurance:

- Individual contracts - all single premium and paid-up policies;
- Regular premium savings mortgage ('Spaarhypotheek') contracts;
- All group contracts.

Provisions are also formed for the longevity risk associated with certain types of individual and group life insurance contracts as the original life expectancy assumptions are no longer prudent. At the end of 2012, the longevity provision was strengthened on the basis of AG2012-2062, the most recent mortality table published by the Actuarieel Genootschap. For more information about the choice of this mortality table see section 5.1.7.1. ‘Risk management’.

The liabilities of the Dutch life business under self-administered non-unit-linked life insurance contracts, other than certain term life policies, are measured using the Collateralised AAA curve (market interest rates). In general, the portfolios administered externally and the additional provisions for non-unit-linked liabilities are not calculated using market rates. This means that more than 95% of the provision for the total non-linked insurance liabilities is calculated using market rates.

Life insurance business provisions where the policyholder carries the investment risk

Unit-linked contracts and segregated funds, which are classified as insurance contracts, are valued based on the same principles as those used for the measurement of the investments on behalf of policyholders. Any additional provisions that are needed to cover mortality risks or guaranteed surrender values are included in the insurance provisions where the insurer carries the investment risk. Stochastically measured minimum return guarantees are recognised in the insurance provision where the policyholder carries the investment risk.

Transparency around unit-linked insurance contracts

Following the public debate which began in 2006 around the lack of transparency concerning unit-linked insurance contracts and the level of the costs associated with these products, Delta Lloyd Group entered into agreements with Stichting Verliespolis and Stichting Woekerpolis, Vereniging van Effectenbezitters and the Vereniging Eigen Huis (consumer and investor interest groups) in 2008 and 2010. The agreements include a settlement on the standardised charges for individual, privately-held unit-linked insurance products concluded in the past.

Delta Lloyd Group created a provision of up to € 40.0 million for individual cases of distress of which part has already been used. This includes € 10.0 million for similar claims against ABN AMRO Levensverzekering; to the extent that this amount is not fully spent, it will be at the free disposal of

ABN AMRO Levensverzekering. The agreement specifies four categories of distress cases (leverage effect, involuntary surrender, large policy contracts and other).

In early 2010, the Labour Foundation '*Stichting van de Arbeid*' (social partners) and the Financial Services Ombudsman proposed a compensation scheme for customers with high charges for defined contribution plans concluded through their employers. This proposal was accepted by Delta Lloyd Group. If there was a future expense, it would be offset against the margin in the adequacy test. The total charge for individual and group defined compensation at 31 December 2012 was € 227.7 million. Part of this charge (€ 185.5 million relating to surrender payments) was accounted for directly in the income statement, largely in previous years, by the formation of a separate surrender provision. The remaining € 42.2 million is within the adequacy margin of the provisions. Changes in the separate surrender provisions are recognised each year in the income statement.

A decision was made in accordance with the advice of the Ministry of Finance relating to the debate associated with compensation schemes for unit-linked insurance contracts. On 6 March 2012 the Executive Board of Delta Lloyd Group decided to transfer the compensation held for unit-linked insurance contracts to the individual insurance contracts at 31 December 2012. The future liabilities offset against the margin in the adequacy test will be based on an expected future gross return of 6% which will be compensated to policyholders in annual annuity payments based on a 4.5% net discount rate. The total transfer will be finalised during the first and second quarter of 2013 when the exact compensation costs can be determined, with retroactive effect from 31 December 2012. Delta Lloyd Group provided for the compensation in previous years.

Provision for outstanding payments
This provision includes outstanding payments regarding both unit-linked and non-unit-linked business. It is determined based on an estimate of payments still to be settled at the end of the financial year and recognised in insurance liabilities.

Provision for unearned premiums
This provision equals the proportion of premiums written which relate to the period of risk after the reporting date and is included in insurance liabilities.

Provision bonuses and rebates
The provision relates to the bonus declarations for the current financial year and arises mainly on group life contracts in Germany. Bonus amounts are determined based on estimated interest returns rooted in underlying policy terms and conditions, and recognised in insurance liabilities.

Liability adequacy test for life insurance business provisions
IFRS 4 requires a liability adequacy test for life insurance business provisions to be conducted on each reporting date; this way possible losses will be recognised when they occur. The test considers current estimates of all contractual and related cash flows, such as administration costs, as well as cash flows resulting from embedded options and guarantees. Embedded derivatives (such as options and guarantees) are measured at fair value. The fair value is a 'best estimate' provision (including the intrinsic value and time value of options and guarantees) increased by a risk margin for unhedgeable insurance risks.

The test is performed for each portfolio component at company level. The portfolio components are classified as 'group' and 'individual', and then broken down into ‘traditional' and 'unit-linked'. Traditional is broken down further into participating and non-participating contracts. Unit-linked is broken down further into contracts with and without guarantee.

The adequacy test is established taking into account explicit (best estimate) assumptions for future profit sharing, discount rates, mortality and disability, early termination of the contract by the policyholder and future expenses. It also takes into account the risk margin and time value of options and guarantees in the insurance contracts.

An additional test is conducted at Delta Lloyd Group level which takes into account the unhedgeable financial insurance risks. This is done because Delta Lloyd Group applies a Group-wide policy for financial risk management. Financial risks are defined as risks to which Delta Lloyd Group is exposed to as a whole, including credit, equity, investment property, interest, inflation and currency risk, insurance risks and and liquidity and capital management.

If the tests performed at company level or at Delta Lloyd Group level show that the provision is inadequate, the entire deficiency is charged to the income statement. When the provision in the Netherlands and Germany becomes adequate again, no release is made to the income statement. In Belgium the adequacy test is leading.

Assumptions

(i) Netherlands

Valuation discount rates and mortality tables in the financial year

	Valuation discount rates in 2012	Mortality tables used in 2012
Short-life risk insurance	Coll-AAA curve, 3.0% - 4.0% or contract interest rate	GBM 61-65, GBM 71-75, GBM/V 76-80, GBM 80-85, GBM/V 85-90, GBM/V 90-95 and CRC
Longevity-life risk insurance	Coll-AAA curve, 3.0% - 4.0% or contract interest rate	GBM/V 76-80, GBM/V 85-90, GBM/V 95-00, Coll 1993/2003, DLG CRC 1988 and DIL 98, plus adjustment for future longevity based on AG2012

Life insurance business provisions are calculated primarily using the mortality rates on the tariff bases, while future life expectancy is accounted for through an additional longevity provision. Delta Lloyd Group uses the Collateralised AAA curve to calculate the discounted value of most of its products.

The provisions for group life contracts, with the exception of group contracts surrendered on the expiry date where the mortality bases are not equal to the Coll. 1993 mortality table, are increased by multiplying them by the ratio between the actuarial benefit factor based on the mortality table GBM/V 1990-1995 and the actuarial factor based on the tariff base.

Within Delta Lloyd Levensverzekering an additional provision for longevity risk has been made at portfolio level for group life contracts. This additional provision represents the amount required if the provision were to be formed on the basis of the AG2012 mortality table, taking into account historical figures rather than the GBM/V 1990-1995 table.

The longevity provision was € 1,742.0 million at 31 December 2012 (2011: € 1,337.4 million). The increase is mostly due to the decrease of the Collateralised AAA curve. The impact of AG2012 on the longevity provision is limited to an increase of € 7.6 million, because the current implicit risk margin in the longevity provision is applied. Historically, this margin was calculated by an age reduction. Due to the use of the AG2012 table the age reduction is adjusted and part of the margin is released. The remaining risk margin in the longevity provision is in order to cover uncertainty in some assumptions; future mortality assumptions, Cost of Capital rate and the risk margin within Solvency II.

ABN Amro Levensverzekering has no explicit longevity provision. The IFRS provision for longevity risk products ('DIL') is based on the Delta Lloyd Group used mortality table. The impact of the introduction of the AG2012 mortality table is limited to an increase of € 7.7 million. The IFRS provision for mortality risky products is based on tariff bases.

A provision has been made for contracts with an interest guarantee. For the majority of the portfolio, this provision is determined on a stochastic basis consistent with the valuation of option contracts.

A provision has also been made for traditional policies with a profit sharing guarantee in accordance with the Dutch regulatory requirements.

(ii) Belgium

Delta Lloyd Life uses local generally accepted interest rates and published standard mortality tables for different categories of business as appropriate. The tables are based on relevant experience and show mortality rates, by age, for specific groups of people. The table below presents the initial tariff base. Current provisions are calculated using market interest rates (Collateralised AAA curve). In Belgium the current provisions need to be adjusted to the level of the adequacy test; the adequacy test is leading. In the LAT the AG2012 mortality table is used and has led to a release of € 19.1 million of the current provisions. No explicit longevity provision is held.

Valuation discount rates and mortality tables in the financial year

	Valuation discount rates in 2012	Mortality tables used in 2012
Short-life risk insurance	Coll-AAA curve or 0% - 4.85%	MR, FR, MK, FK mortality tables
Longevity-life risk insurance	Coll-AAA curve or 3.25% - 4.75%	MR, FR mortality tables

In most cases, the life insurance business provisions are calculated using the tariff bases.

An additional provision is formed for policies with a guaranteed base rate, using an actuarial interest rate which is higher than the actuarial rate used for the regulatory reference rate. This provision is determined on a policy-by-policy basis using the reference interest rate and formed on a straight-line basis over ten years. An exemption from adding to this provision for part of the Delta Lloyd Life portfolio was requested from the NBB (National Bank of Belgium and the insurance regulator). This was granted for 80% of the non-group portfolio in 2011. For 2012, there is no exemption.

A participation provision has been made for contracts with discretionary participating features and is based on the guaranteed amounts insured. The surplus is distributed to policyholders at the discretion of the management after validation by the NBB and the shareholders' meeting. Profit sharing is effective for contracts with a guaranteed base rate lower or equal to 1.50% in the first month after the decision of the shareholders' meeting.

(iii) Germany

Delta Lloyd Lebensversicherung uses local generally accepted interest rates and published standard mortality tables for different categories of business as appropriate. The tables are based on relevant experience and show mortality rates, by age, for specific groups of people.

Valuation discount rates and mortality tables in the financial year

	Valuation discount rates in 2012	Mortality tables used in 2012
Short-life risk insurance	2.25%, 2.75%, 3.00%, 3.25%, 3.50% or 4.00%	Sterbetafel 60/62, Sterbetafel 1986 or Sterbetafel DAV 1994T
Longevity-life risk insurance	2.25%, 2.75%, 3.00%, 3.25%, 3.50% or 4.00%	Sterbetafel 49/51, Sterbetafel 1987R, Sterbetafel 1994R, Sterbetafel DAV 2004R, or Sterbetafel DAV 2004R Bestand/B20

In most cases, the life insurance business provisions are calculated using the tariff bases.

An additional provision was made to take longevity risk into account for life contingent annuity contracts on an old provision basis (e.g., Sterbetafel 1987R or Sterbetafel 1994R). This provision amounts to the difference between the provisions determined on the tariff bases and the provisions recalculated using a more modern mortality basis (Sterbetafel DAV 2004R-Bestand with statistics for 2003-2007). At 31 December 2012, this provision was € 94.0 million (2011: € 87.5 million).

Profit sharing for traditional policies is based on technical results plus the excess of interest-earnings over the base tariff. At least 90% of the excess interest-earnings and 50% of the technical results are added to a provision for future allocation to policyholders. This percentage is based on management's assessment of the expected profit distribution and includes the expected tax amounts. The allocation of this provision is at the discretion of the Board. The same procedure is used for investment contracts.

Movements

Statement of changes in life insurance business provisions		
In millions of euros	**2012**	**2011**
At 1 January	**37,046.8**	**33,921.2**
Provisions in respect of new business	1,494.5	2,343.5
Expected change in existing business provisions	-543.3	-1,253.6
Movement in longevity provision	411.1	19.0
Variance between actual and expected experience	-348.1	-334.0
Effect of operating assumption changes	-100.6	-79.7
Effect of economic assumption changes	4,456.2	2,350.6
Other movements recognised as expense	6.3	70.3
Change in liability recognised as expense	**5,376.2**	**3,116.1**
Other movements not recognised as expense	0.4	9.5
At 31 December	**42,423.4**	**37,046.8**

The changes in the operating assumptions are a result of:

- Adjustments to the use of the new mortality table AG2012;
- Adjustments to explicit assumptions in Delta Lloyd Life's adequacy test;
- Delta Lloyd Levensverzekering adjusted their lapse rate for the individual portfolio in the third quarter;
- Germany adjusted their annuity mortality assumptions and persistency assumptions.

The changes in economic assumptions are mainly a result of price effects and the effect of interest rate movements reflected in the Collateralised AAA curve on which many of the provisions are based (see section 5.1.7.30. 'Effect of changes in assumptions and estimates on provisions for insurance and investment contracts'). The related effect of changes in market interest rates increased insurance provisions by € 4,125 million (2011: € 2,045 million). The movements in the provisions for interest rate guarantees on unit-linked and segregated funds are also included in the economic assumption changes. The movements in the provision for the unit-linked portfolio due to changes in the underlying investments are recognised as expected changes and the variance between expected and actual movements.

Other movements recognised as expenses in 2012 amounted to a total of € 6.3 million (2011: € 70.3 million) were caused by:

- The agreement between Delta Lloyd Group (including ABN AMRO Levensverzekering from 21 December 2010) and Stichting Verliespolis and Stichting Woekerpolis Claim on details of the compensation scheme for caps to the charges for individual and group unit-linked insurance products;
- Adjustments to explicit assumptions in the adequacy test at Delta Lloyd Life.

Other movements not recognised as expense in 2012 totalling € 0.4 million (2011: € 9.5 million) relate to:

- Profit sharing in Germany of € 14.3 million;
- Internal transfer of value for Delta Lloyd Herverzekeringsmaatschappij of € -13.9 million to general insurance liabilities.

Non-discretionary participating insurance contracts

The following amounts of policyholder bonuses relating to non-discretionary participating insurance contracts were recognised during the financial year:

Policyholder bonuses

In millions of euros	2012	2011
Bonuses allocated in anticipation of a bonus declaration, included in claims paid	65.1	69.5
Reversionary and similar policyholder bonuses, included in provisions for life insurance contracts	9.0	13.3
Total	**74.1**	**82.7**

Participating investment contracts are disclosed in section 5.1.7.29. ‘Investment contract liabilities’.

Process used to decide on assumptions for life insurance business provisions
Mortality assumptions are derived from industry expertise and are based on national mortality tables. The mortality assumption underlying the provisions often reflects the pricing assumptions. The longevity provision was adjusted at the end of 2012; it was recalculated on the basis of the new AG2012 mortality table plus historical statistics from the company’s own portfolio. In 2012, DL changed the experience factors for group contracts to reflect that its mortality trend is gradually converting to the Dutch population. The necessary increase in the longevity provision was financed by reducing the implicit risk margin which is included in this provision. Pricing assumptions for mortality are generally based on the most recent national mortality tables. The disability insurance provisions which are part of Delta Lloyd Group's life portfolio do not make specific allowance for assumptions on rehabilitation. This builds an element of prudence into the provision for these products. Provisions for traditional saving-products are calculated based on either the Collateralised AAA curve or based on a fixed interest rate. Savings-based mortgages, however, have contract-related interest rates.

General insurance business

Business description
Significant delays occur in the notification and settlement of claims and substantial experience and judgement is involved in assessing outstanding liabilities. The ultimate cost cannot be known with complete certainty at the reporting date. The provisions for general insurance are based on information available when the provision is determined; however, it is inherent in the nature of the business that the ultimate liabilities differ from the reported liabilities because of subsequent developments.

Provisions for outstanding claims are made covering the outstanding expected ultimate liability for losses and loss adjustment expenses regarding all claims that have already occurred. The provisions established cover reported claims and associated loss adjustment expenses, as well as claims incurred but not reported (IBNR) and estimated loss adjustment expenses. Outstanding claims provisions are based on undiscounted estimates of future claim payments, except for disability business for which discounted provisions are held.

Average discount rate and mean term of liabilities	Average discount rate 2012	Mean term of liabilities in years 2012	Average discount rate 2011	Mean term of liabilities in years 2011
The Netherlands and Belgium				
Disability insurance contracts	2.35%	7.51	3.29%	6.96

No equalisation or catastrophe provisions are recognised as this is not permitted under IFRS. The general reserves (included in shareholders' funds) will be used to absorb the impact of any catastrophes and, in addition, part of the catastrophe-related risk is reinsured. Outstanding claims provisions are determined using facts known at the date of assessment, including statistics on the development of claim payments, incurred losses, average costs per claim and the number of similar claims. Delta Lloyd Group also uses a method according to which a proportion of the premium income is retained and amortised on a straight-line basis. The outstanding claims provisions are continually refined as part of a regular ongoing process as claims experience develops, losses are settled and further losses reported.

There is a provision of € 39.4 million (2011: € 49.4 million) for the exposure to claims associated with asbestos-related diseases. The provisions were estimated by claims handlers on a case-by-case basis. A provision was also made for future asbestos-related claims. Claims development is monitored periodically.

The provision required for benefit payments for individual occupational disability class B (post-first year risk) and WIA/WAO was established using best estimate principles. The benefit provision is the discounted value of expected future cash flows including recovery and mortality probabilities. The recovery and mortality probabilities are derived from the company's own statistics and industry expertise. The best estimate principles for the WIA provisions are in line with the most recent rates. The principles for individual occupational disability are based on AOV 2009. The best estimate IBNR for WIA was established using the actuarial premium excluding the embedded profit margin and a prudential loading. The discount rates used are either a fixed discount rate or the Collateralised AAA curve.

WGA ER

During 2012, an industry-wide issue arose around the assumed length of disability payments for WGA ER ('Werkhervatting Gedeeltelijk Arbeidsgeschikten - Eigen Risico') products. The underwriting of this product was based on an assumed maximum payment period of five years. In 2012 it became obvious that the criteria for disability were forward-looking and that the maximum payment period was therefore only restricted by the contractual period. As such, an additional provision of € 60.1 million was needed for this product. Furthermore, the provision increased due to claims higher than anticipated in pricing and reserving as claims information improved. Also from LAT deficiencies, mainly caused by low interest rates, the provision is increased by a total amount of € 101.0 million.

International Marine Business

During the first half of 2012 it became obvious that a huge delay in claim reporting existed in the International Marine Business. Together with a lack of information, this resulted in a significant negative result. All these factors combined led to the decision to put this business in run-off. At the end of 2012, a total amount of € 259.9 million was recognised in the technical provision in relation to these anticipated claims from the existing contracts. The increase in the claims reserve had a negative effect on the 2012 result of € 139.5 million.

Assumptions
The ultimate level of outstanding general insurance claims is estimated by using a range of standard actuarial claims projection techniques. The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and hence the ultimate cost of claims. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim, and claim numbers for each accident year, based on the observed development of earlier years. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios, instead the assumptions used are those implicit in the historic claims development data on which the projections are based.

Judgement is used to assess the extent to which past trends may not apply in the future, for example to reflect changes in external or market factors such as public attitudes to claiming, internal factors such as portfolio mix, policy conditions, claims handling procedures and, to a lesser extent, economic conditions, varying levels of claims inflation, judicial decisions and legislation.

Assumptions for disability insurance business provisions
Explicit assumptions are used for disability insurance. A benefit is paid out if a policyholder becomes disabled. The provision of € 447.7 million required for these benefit payments is based on the assumptions as described below. An amount of € 260.6 million of the provision is based on a fixed discount rate that equals the tariff rate. The discount rate for certain portfolios (provision of € 187.1 million) in the Netherlands is based on the current Collateralised AAA curve. The assumptions on which the disability insurance business provisions are based can vary for each division of Delta Lloyd Group. Differences are partly attributable to different portfolios and historical rates. This section summarises the assumptions used under the previous accounting policies of Dutch GAAP (Belgium GAAP for Delta Lloyd Life), as permitted by IFRS 4, by product type.

Assumptions for the provision for future ascending risks
A best estimate is calculated by computing the actuarial provision for each policy based on the best estimate principles (AOV 2009) for occupational disability and rehabilitation for claims payments. If the actuarial provision calculated for a portfolio is negative, it is set at nil. The premiums used are those paid by the customers. Discounting is at an interest rate based on the average term of the premiums and a rate based on the average term of claims payments. A fixed interest rate is used for part of the portfolio and the Collateralised AAA curve for the remainder. These interest rates are set for each policy for each cover.

Assumptions The Netherlands		
	Premium calculation	**Outstanding claims provisions**
Individual	KAZO 90 (4%), KAZO 90 (3%), AOV 2009 (3%), Verbond 97 (4%), Verbond 97 (3%), Verbond 99 (3%), WIA 2006 (3%)	KAZO 90 (4%), KAZO 90 (3%), AOV 2009 (3%), Verbond 97 (4%), Verbond 97 (3%), Verbond 99 (3%), Verbond 99 (4%), Coll-AAA curve, WIA 2006 (3%)
Group	WAO 93 (4%), WAO 96 (4%), PEMBA 99 (4%), WIA 2006 (3%)	WAO 93 (4%), WAO 93 (3%), Coll-AAA curve, WIA 2006 (3%)

Assumptions Belgium		
	Premium calculation	**Outstanding claims provisions**
Belgium	MFRK (4.75%)	MFRK (4.75%)

Liability adequacy test for claims business provisions
The adequacy test for claims provisions tests whether the claims provision recognised in the statement of financial position is greater than the best estimate of the provision. The difference between these two amounts is called the surplus in the claims provision.

Property & Casualty
The best estimate for the claims provision is determined for each accident year by the loss development patterns. If considered necessary, the underwriting or notification period is also used for analysis. Certain lines of business are also further analysed by claim type or type of cover. In addition, large claims for each line of business are usually assessed on an individual basis. They are recognised either at the face value of the claim appraisal, or separately projected in order to reflect the development of large claims. For general insurance risks, Delta Lloyd Group's divisions use a range of statistical methods to incorporate the various assumptions for estimating the ultimate cost of claims. The two most commonly used methods are the chain-ladder and the Bornhuetter-Ferguson methods.

The chain-ladder method may be applied to claims paid or incurred (i.e. paid claims plus case reserves). The basic technique involves the analysis of historical claims development factors and the selection of development factors based upon this historical pattern. The selected development factors are then applied to cumulative claims data for each accident year which has not fully developed, in order to produce an estimated ultimate claims cost for each accident year.
Chain-ladder techniques are most appropriate for mature classes of business which have a relatively stable development pattern. Chain-ladder techniques are less suitable in cases where the insurer does not have a developed claims history for a particular class of business.

The Bornhuetter-Ferguson method uses a combination of a benchmark or market-based estimate and an estimate based upon actual claims experience. The former is based on a measure of exposure such as premiums; the latter is based on the claims paid or incurred to date. The two estimates are combined using a formula that gives more weight to the experience-based estimate as time passes. This technique is used in situations where developed claims experience is not available for the projection (recent accident years or new classes of business). The choice of estimate for each accident year of each line of business depends on an assessment of the technique that has proven most appropriate to observed historical developments. In some instances, this has meant that different techniques or combinations of techniques have been selected for individual accident years or groups of accident years within the same line of business.

Upper and lower limits for the surplus are determined using the bootstrap technique and have been applied to test the level of the provision for the Property & Casualty portfolio, excluding the asbestos portfolio, against Delta Lloyd Group's reservation policy. The surplus is the margin between the book value of the liability and the best estimate. Each division tests the adequacy of the provision each quarter and checks whether the group reserving policy is being met. If necessary, the provision is adjusted. The asbestos provision is tested by comparing it against a best estimate of the provision, including a risk margin based on the Cost of Capital method.

Income

The best estimate provision for Accident and Absenteeism is established using a method in line with that for Property & Casualty. The best estimate provision required for benefit payments is determined based on the established provision recognised on the statement of financial position, except that no prudential loading is incorporated in the IBNR. However a sufficient margin for uncertainty is deducted from that surplus. The margin for uncertainty is established using a 3% Cost of Capital. As this is the minimum adequacy level for the provision, the provision should be strengthened when the minimum requirement is not met. The best estimate provision is discounted using the interest rate curve set by DNB at 31 December 2012. The trend in the surplus is monitored by the divisions.

IFRS Liability Adequacy Test (LAT)

IFRS 4 requires an adequacy test to be performed on the total insurance liabilities. The IFRS LAT has to show that the total insurance liabilities are adequate: in other words, the insurance liabilities recognised in the statement of financial position must be higher than the best estimate of the insurance liabilities plus the risk margin. Any prudence margin in the insurance liabilities on the statement of financial position is incorporated when determining the actual solvency margin. The adequacy of the claims provision is discussed above. For the adequacy of the provision for unearned premiums, any shortfall in the premium is determined for each product with an expected Combined Operating Ratio (COR). Any shortfalls within Property & Casualty products can be offset with any surplus within other Property & Casualty products. This can also be done within Income products.

Process used to decide on assumptions for general insurance business provisions

Claims history is important input for forming and testing a large part of the provision. Claims triangles, showing trends in claims and loss development over several years, are available for this. Assumptions may have to be made on trends after the final loss development year for certain products with a long run-off period. These assumptions are made by the actuarial teams, using existing information. The claims history may also be affected by large claims and the actuarial teams also make assumptions on this. All these assumptions are discussed and reviewed regularly by the external actuary.

Claims provisions are regularly recalibrated using the most recent information. This leads to an adjustment of the provision and also often to a change in the provision recognised through profit or loss. To recalibrate the provisions, the actuarial teams make a proposal for changing the provision and this leads to a recommendation to local management. The recommendation is agreed upon with the external actuary. Local management takes the final decision on whether or not to change the provision.

If the regular testing of the provision does not meet the confidence level as set out in the reserving policy, there will also be a change to the provision, including recognition through profit or loss. In this case too, the actuarial teams make a proposal which leads to a recommendation to local management which, in the end, takes the formal decision on whether to follow the recommendation.

Movements
The movements in the claims provisions were as follows:

Statement of changes in claims provisions[1]

In millions of euros	2012	2011
At 1 January	**1,687.5**	**1,648.2**
Effect of changes in operational assumptions	-6.8	-11.5
Effect of changes in economic assumptions	27.7	5.6
Claim losses and expenses incurred in the current year	1,170.1	1,040.4
Movement in anticipated claim losses and expenses incurred in prior years	160.3	-34.1
Incurred claims losses and expenses	**1,351.3**	**1,000.5**
Payments made on claims incurred in the current year	-495.7	-484.8
Payments made on claims incurred in prior years	-531.4	-492.0
Recoveries on claim payments	13.9	12.8
Claims payments made in the year, net of recoveries	**-1,013.2**	**-964.1**
Increase in provision due to passage of time	15.5	15.3
Other movements in the claims provisions	8.8	-1.1
Movement in claims provision recognised as expense	**362.5**	**50.6**
Transfer to the Liabilities relating to assets held for sale category	-119.8	-
Other gross movements	9.6	-11.3
At 31 December	**1,939.7**	**1,687.5**

1) The statement of changes in general insurance provisions excludes provision for unearned premiums and provision for unexpired risk

The effect of changes in assumptions was € -6.8 million for operational assumptions and € 27.7 million for economic assumptions. See section 5.1.7.30. 'Effect of changes in assumptions and estimates on provisions for insurance and investment contracts' for further details. The increase in the current year and the previous year's incurred loss is mainly driven by the International Marine business and by an increase in the claims provision for WGA ER contracts, as discussed earlier in this section.
The other movements in the claims provisions of € 8.8 million relate to an addition to IBNR for past years as a result of the recognition of new WGA ER contracts in which the prior year risk is co-insured. A single premium has been received for this. This increase in the claims provision for past years should not be seen as a negative run-off of the cost of claims in past years.
The transfer to the liabilities relating to assets held for sale category relates to a large part of the Belgian business as held for sale, see also note 5.1.7.5. 'Discontinued operations and assets and liabilities held for sale'.
The Other gross movement of € 9.6 million is mostly due to a transfer from Delta Lloyd Herverzekeringsmaatschappij to Delta Lloyd Schadeverzekering of € 13.9 million. The remaining

balance comes from a reclassification of a claims provision to an unexpired risk reserve at Delta Lloyd Life Belgium.

Loss development table

The following table presents the development of cumulative claim payments and the claims for the accident years 2003 to 2012. The upper half of the table shows the cumulative amounts paid during successive years relating to each accident year. For example, by the end of 2012 € 1,175.3 million had been paid in settling claims (excluding the effect of acquisitions) relating to the accident year 2003. In addition, as reflected in the lower section of the table, the cost of claims of € 1,360.5 million, relating to the accident year of 2003, was revised to € 1,204.7 million in the years 2003 to 2012. The revision of the claims is generally due to a combination of factors, including claims being settled for larger or smaller amounts than originally estimated. The original estimates are also increased or decreased as more information becomes available about the individual claims, overall claim frequency and severity patterns.

Loss development gross of reinsurance

In millions of euros	All prior years	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Total
Gross cumulative claims payments												
At end of accident year		789.0	833.0	753.6	1,125.3	1,224.2	1,403.5	449.3	492.5	468.0	504.3	
One year later		1,091.5	1,138.7	1,177.2	1,752.7	1,977.1	2,299.4	717.8	776.0	792.1	-	
Two years later		1,116.1	1,177.1	1,227.2	1,815.9	2,062.3	2,364.4	784.0	864.5	-	-	
Three years later		1,130.2	1,190.8	1,257.8	1,840.5	2,100.2	2,418.5	828.8	-	-	-	
Four years later		1,140.5	1,202.1	1,270.3	1,861.3	2,136.2	2,446.3	-	-	-	-	
Five years later		1,150.1	1,210.2	1,283.3	1,875.1	2,150.4	-	-	-	-	-	
Six years later		1,159.0	1,217.5	1,293.9	1,883.3	-	-	-	-	-	-	
Seven years later		1,165.8	1,225.1	1,299.5	-	-	-	-	-	-	-	
Eight years later		1,172.4	1,229.7	-	-	-	-	-	-	-	-	
Nine years later		1,175.3	-	-	-	-	-	-	-	-	-	
Estimate of gross cumulative claims												
At end of accident year		1,360.5	1,493.3	1,533.2	2,191.3	2,397.8	2,556.2	954.3	1,054.1	1,046.0	1,184.6	
One year later		1,333.4	1,412.7	1,474.7	2,012.7	2,233.5	2,559.4	1,005.3	1,062.0	1,173.5	-	
Two years later		1,253.6	1,326.5	1,389.0	1,970.7	2,203.7	2,530.6	985.9	1,078.9	-	-	
Three years later		1,235.2	1,292.9	1,373.1	1,942.7	2,201.0	2,540.6	972.1	-	-	-	
Four years later		1,225.0	1,281.4	1,350.2	1,949.2	2,208.2	2,560.3	-	-	-	-	
Five years later		1,210.1	1,269.2	1,339.7	1,939.3	2,217.2	-	-	-	-	-	
Six years later		1,207.6	1,259.7	1,339.0	1,956.9	-	-	-	-	-	-	
Seven years later		1,203.1	1,253.0	1,356.6	-	-	-	-	-	-	-	
Eight years later		1,217.6	1,251.2	-	-	-	-	-	-	-	-	
Nine years later		1,204.7	-	-	-	-	-	-	-	-	-	
Estimate of cumulative claims		**1,204.7**	**1,251.2**	**1,356.6**	**1,956.9**	**2,217.2**	**2,560.3**	**972.1**	**1,078.9**	**1,173.5**	**1,184.6**	
Cumulative payments		**1,175.3**	**1,229.7**	**1,299.5**	**1,883.3**	**2,150.4**	**2,446.3**	**828.8**	**864.5**	**792.1**	**504.3**	
Total	195.4	29.4	21.5	57.1	73.7	66.8	114.0	143.3	214.3	381.4	680.3	1,977.4
Effect of discounting	-16.4	-2.2	-1.5	-2.6	-7.4	-6.4	-9.2	-9.2	-9.9	-17.8	-14.5	-97.2
Current value	**179.0**	**27.2**	**20.1**	**54.5**	**66.3**	**60.4**	**104.8**	**134.1**	**204.5**	**363.6**	**665.8**	**1,880.2**
Effect of acquisitions												
Reserves at acquisition date	54.5	108.1	37.7	405.6	53.4	47.0	15.5	-	-	-	-	721.8
Cumulative payments since acquisition	-11.2	-28.1	-11.0	-324.8	-28.3	-23.9	-14.1	-	-	-	-	-441.3
Reserves at balance sheet date	-	6.5	5.2	9.8	5.9	17.1	-	-	-	-	-	44.5
Value recognised in balance sheet	**179.0**	**33.7**	**25.2**	**64.3**	**72.2**	**77.5**	**104.8**	**134.1**	**204.5**	**363.6**	**665.8**	**1,924.6**
General technical provisions												1,939.7
Remaining provisions Delta Lloyd Life Belgium												-15.1
Value recognised in balance sheet												**1,924.6**

The loss development after reinsurance was:

Loss development net of reinsurance

In millions of euros	All prior years	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Total
Gross cumulative claims payments												
At end of accident year		778.4	823.2	743.0	1,112.7	1,216.9	1,386.7	441.9	483.9	455.9	491.6	
One year later		1,076.1	1,129.9	1,157.8	1,734.6	1,959.0	2,264.9	713.4	752.8	746.2	-	
Two years later		1,099.7	1,160.9	1,206.2	1,794.1	2,044.1	2,337.8	767.8	831.4	-	-	
Three years later		1,110.9	1,173.1	1,227.3	1,817.4	2,076.7	2,390.4	805.8	-	-	-	
Four years later		1,119.7	1,175.5	1,239.7	1,832.8	2,112.1	2,415.4	-	-	-	-	
Five years later		1,121.5	1,183.3	1,251.2	1,839.2	2,125.1	-	-	-	-	-	
Six years later		1,130.1	1,186.3	1,265.9	1,848.6	-	-	-	-	-	-	
Seven years later		1,130.1	1,191.6	1,269.8	-	-	-	-	-	-	-	
Eight years later		1,134.1	1,194.2	-	-	-	-	-	-	-	-	
Nine years later		1,135.4	-	-	-	-	-	-	-	-	-	
Estimate of gross cumulative claims												
At end of accident year		1,327.1	1,454.2	1,497.6	2,149.0	2,344.7	2,498.4	907.3	999.0	1,009.1	1,143.2	
One year later		1,304.1	1,387.9	1,438.6	1,963.3	2,194.5	2,550.3	966.4	1,017.3	1,111.0	-	
Two years later		1,228.8	1,303.6	1,352.3	1,919.8	2,170.7	2,487.5	958.5	1,036.7	-	-	
Three years later		1,207.6	1,264.4	1,326.1	1,897.6	2,169.1	2,502.3	944.0	-	-	-	
Four years later		1,201.1	1,243.8	1,309.9	1,906.3	2,180.4	2,525.1	-	-	-	-	
Five years later		1,175.5	1,231.7	1,302.9	1,903.0	2,188.3	-	-	-	-	-	
Six years later		1,172.7	1,225.2	1,309.7	1,920.1	-	-	-	-	-	-	
Seven years later		1,167.2	1,218.8	1,327.3	-	-	-	-	-	-	-	
Eight years later		1,179.2	1,213.5	-	-	-	-	-	-	-	-	
Nine years later		1,165.4	-	-	-	-	-	-	-	-	-	
Estimate of cumulative claims		**1,165.4**	**1,213.5**	**1,327.3**	**1,920.1**	**2,188.3**	**2,525.1**	**944.0**	**1,036.7**	**1,111.0**	**1,143.2**	
Cumulative payments		**1,135.4**	**1,194.2**	**1,269.8**	**1,821.5**	**2,125.1**	**2,415.4**	**805.8**	**831.4**	**746.2**	**491.6**	**-**
Total	170.4	30.0	19.2	57.6	71.5	63.2	109.7	138.2	205.3	364.8	651.6	1,881.4
Effect of discounting	-16.2	-2.2	-1.5	-2.6	-7.4	-6.4	-9.3	-9.3	-10.0	-18.3	-14.0	-97.1
Current value	**154.2**	**27.7**	**17.8**	**54.9**	**64.1**	**56.7**	**100.4**	**128.9**	**195.3**	**346.5**	**637.6**	**1,784.3**
Effect of acquisitions												
Reserves at acquisition date	42.0	76.8	32.6	396.9	45.0	33.6	15.5	-	-	-	-	642.4
Cumulative payments since acquisition	-8.7	-29.2	-10.7	-324.7	-27.7	-14.0	-12.4	-	-	-	-	-427.5
Reserves at balance sheet date	-	4.4	4.1	5.5	4.7	18.1	-	-	-	-	-	36.8
Value recognised in balance sheet	**154.2**	**32.2**	**21.9**	**60.4**	**68.8**	**74.9**	**100.4**	**128.9**	**195.3**	**346.5**	**637.6**	**1,821.1**
General technical provisions												1,833.6
Remaining provisions Delta Lloyd Life Belgium												-12.5
Value recognised in balance sheet												**1,821.1**

The increase in incurred claims for accident years 2005 to 2011 is the result of additional provisioning for WGA ER. The large increase in the incurred claims for accident year 2011 is also the result of the International Marine business as described previously.

The reduction in the cost of claims for accident year 2009 is caused by DLG Zorgverzekeringen which was acquired by CZ on 1 January 2009. This also altered the run-off pattern. In order to extract the Health figures from the loss development tables, all outstanding health provisions were assumed to be paid at 31 December 2008. All movements since the calendar year 2009, therefore, exclude the effects from the health portfolio. As of year end 2012 the same can be said for the non-life provisions for Delta Lloyd Life Belgium as this business is to a large extent classified as Held for Sale and therefore no longer included in the loss development tables. The tables above include information on asbestos and environmental pollution (A&E) claims provisions for business written before 2003. The uncertainty inherent in A&E claims provisions is largely due to the extremely long latency period, uncertainties in the cover and claims costs, the limited availability of data and uncertainties in the surrounding completeness and accuracy of the data. The A&E cumulative payments and claim reserves are shown separately in the following table.

Asbestos and environmental pollution loss development table

In millions of euros	Cumulative payments	Claims reserves	Estimate of cumulative claims
31 December 2003	10.0	32.5	42.5
31 December 2004	9.6	45.0	54.6
31 December 2005	10.7	49.6	60.3
31 December 2006	16.1	57.8	74.0
31 December 2007	20.3	53.2	73.5
31 December 2008	21.1	56.8	77.9
31 December 2009	22.6	55.8	78.4
31 December 2010	25.0	50.2	75.2
31 December 2011	27.8	49.4	77.2
31 December 2012	34.5	39.4	73.8

Asbestos and environmental pollution contracts have not been reinsured.

The large decrease in the claims reserves for asbestos claims is the result of the disposal of the US liability contracts containing asbestos claims. This disposal lowered the reserves by € 15.2 million. The Dutch asbestos provision increased by € 3.4 million after the LAT deficiency was reserved for. This LAT deficiency was mainly caused by low market interest.

Provision for unearned premiums and provision for unexpired risk

Movements provision for unearned premiums and provision for unexpired risk

In millions of euros	2012	2011
At 1 January	**370.0**	**391.8**
Premiums written during the year	1,650.3	1,550.6
Premiums earned during the year	-1,661.6	-1,570.1
Transfer to the Liabilities relating to assets held for sale category	-14.2	-
Other gross movements	15.1	-2.4
Total movements	**-10.4**	**-21.8**
At 31 December	**359.6**	**370.0**

Other gross movements relate mainly to the unexpired risk reserve of € 11.0 million for WGA ER contracts. The remaining balance is a reclassification of a claims provision to an unexpired risk reserve at Delta Lloyd Life Belgium.

5.1.7.28. (28) Reinsurance assets

The following is a summary of reinsured business included in insurance provisions. For the Life insurance segment, this relates primarily to pro-rata reinsurance. For the General insurance segment, it relates to risk reinsurance (primarily excess of loss).

Reinsured share in provisions in the financial year

In millions of euros	2012	2011
Life	416.9	423.7
General	118.3	137.8
Total	**535.2**	**561.5**

The net provision is calculated by deducting reinsured business included in provisions from the gross provision. The table below provides a comprehensive overview of the gross provisions, reinsurance assets and net provisions.

Gross provisions, reinsurers' share and net provisions at year end

In millions of euros	Gross insurance provisions 2012	Reinsurance assets 2012	Net 2012	Gross insurance provisions 2011	Reinsurance assets 2011	Net 2011
Discretionary participating contracts	7,616.9	16.1	7,600.8	7,027.1	18.5	7,008.6
Non-discretionary participating contracts	4,334.8	-	4,334.8	3,987.8	5.8	3,982.0
Unit-linked non-participating	12,544.7	-	12,544.7	11,606.9	-	11,606.8
Other non-participating	17,926.9	400.8	17,526.1	14,425.1	399.4	14,025.7
Life provisions	**42,423.4**	**416.9**	**42,006.5**	**37,046.8**	**423.7**	**36,623.1**
Discretionary participating policies	3,770.9	-	3,770.9	3,086.1	-	3,086.1
Non-participating policies	513.6	-	513.6	534.7	-	534.7
Unit-linked contracts	452.2	-	452.2	407.3	-	407.3
Investment contracts	**4,736.8**	**-**	**4,736.8**	**4,028.1**	**-**	**4,028.1**
Outstanding claims provisions	1,309.7	100.4	1,209.3	1,231.3	121.3	1,110.0
Provision for claims handling expenses	52.8	-	52.8	61.3	-	61.3
Provision for claims incurred but not reported	577.2	5.7	571.6	389.7	5.3	384.4
Provision for unearned premiums	344.6	12.2	332.4	369.2	11.1	358.0
Provision for unexpired risks	15.0	-	15.0	0.8	-	0.8
Other technical provisions	-	-	-	5.2	-	5.2
General provisions	**2,299.3**	**118.3**	**2,181.0**	**2,057.5**	**137.8**	**1,919.7**
Total	**49,459.4**	**535.2**	**48,924.3**	**43,132.4**	**561.5**	**42,570.9**

Assumptions

The assumptions used for reinsurance contracts typically follow those applied to insurance contracts. Reinsurance assets included in life insurance business provisions were not measured on the basis of market interest rates, but on the basis of fixed interest rates.

Movements

The movements in reinsurance assets during the year were as follows:

(i) Life insurance

Statement of changes in reinsurance assets		
In millions of euros	**2012**	**2011**
At 1 January	**423.7**	**400.9**
Assets in respect of new business	2.8	0.3
Expected movement in existing business assets	1.4	7.1
Variance between actual and expected experience	-11.0	9.1
Other movements	-	6.4
Movements reinsurance assets recognised as income	**-6.8**	**22.8**
At 31 December	**416.9**	**423.7**

The other movements in 2011 of € 6.4 million were mainly caused by the division of a quota share contract at ABN AMRO Levensverzekering into gross and reinsured portions.

(ii) General insurance

Statement of changes in reinsurance assets[1]		
In millions of euros	**2012**	**2011**
At 1 January	**126.7**	**191.7**
Effect of changes in assumptions	0.1	-1.0
Reinsurers' share of claim losses and expenses incurred in current year	40.9	48.1
Reinsurers' share of claim losses and expenses incurred in prior years	0.7	-27.5
Reinsurers' share of claim losses and expenses incurred	**41.7**	**19.7**
Reinsurance recoveries received on claims incurred in current year	-10.1	-23.3
Reinsurance recoveries received on claims incurred in prior years	-26.9	-37.5
Reinsurance recoveries received in the year	**-37.0**	**-60.8**
Movements in reinsurance assets recognised as income	**4.7**	**-41.2**
Transfer to the liabilities relating to assets held for sale category	-25.2	-
Other movements	-	-23.9
At 31 December	**106.1**	**126.7**

1) The statement of changes in reinsurance assets excludes provision for unearned premiums

The other movements consist of the reclassification to the held for sale category of a major part of the general insurance segment of Delta Lloyd Life Belgium.

(iii) Reinsurers' share of provision for unearned premium

Statement of changes in provision for unearned premium		
In millions of euros	**2012**	**2011**
At 1 January	**11.1**	**10.8**
Reinsurers' share in the year	129.6	114.8
Reinsurers' share of premiums earned during the year	-128.6	-113.6
Other movements	-	-0.8
Movements in provision for unearned premiums recognised as income	**1.0**	**0.4**
At 31 December	**12.2**	**11.1**

5.1.7.29. (29) Liabilities for investment contracts

Investment contract liabilities at year end		
In millions of euros	**2012**	**2011**
Discretionary participating policies (fair value)	3,770.9	3,086.1
Non-participating investment contracts (amortised cost)	513.6	534.7
Unit-linked contracts (fair value)	452.2	407.3
Total investment contracts	**4,736.8**	**4,028.1**

Investment contracts are those that do not transfer significant insurance risk from the contract holder to the risk bearer and are therefore treated as financial instruments under IFRS. The number of related group pensions contracts without insurance risk which are valued at amortised cost using the effective interest method is limited. In respect of contract liabilities valued at amortised cost, the book value is not significantly different from the fair value. The total interest expense on discretionary participating investment contracts was € 91.6 million (2011: € 75.5 million).

Many investment contracts contain a discretionary participation feature under which the contract holder has a contractual right to receive additional benefits as a supplement to guaranteed benefits. These are referred to as participating contracts and are measured at fair value or amortised cost. The discretionary participation feature of participating business concluded by Delta Lloyd Life is recognised separately from the guaranteed element and is classified as a separate liability within discretionary participating policies referred to as unallocated distributable surplus.
Investment contracts that do not contain a discretionary participation feature are referred to as non-participating contracts and the liability is measured at amortised cost.

Unit-linked contracts are measured at fair value. The liability is equal to the unit-linked investment value plus, if required, additional non-unit provisions on a fair value basis. For this business, deferred acquisition costs and a deferred income reserve liability are recognised for transaction costs and front-end fees respectively. These relate to the management of investments and are amortised on a systematic basis over the contract term. The related deferred acquisition costs are disclosed in section 5.1.7.14. 'Deferred acquisition costs'.

Statement of changes in investment contract liabilities		
In millions of euros	2012	2011
At 1 January	4,028.1	3,758.1
Provisions in respect of new business	132.6	55.4
Expected change in existing business provisions	284.1	260.9
Variance between actual and expected experience	-166.0	-230.3
Effect of changes in assumptions	507.8	242.5
Other movements	-49.9	-58.4
Change in liability	708.6	270.1
At 31 December	4,736.8	4,028.1

For further details on the movements and impact of changes in assumptions see section 5.1.7.30. ‘Effect of changes in assumptions and estimates on provisions for insurance and investment contracts’. The ‘Other movements’ (€ -49.9 million) relate mainly to adjustments in Delta Lloyd Life’s adequacy test and other adjustments within Delta Lloyd Life, which are mainly due to a lower guaranteed interest rate for future premiums for collective products, the establishment of projections of future premiums for some individual products, and the introduction of some group invalidity in Prophet results.

5.1.7.30. (30) Effect of changes in assumptions and estimates on provisions for insurance and investment contracts

The determination of the technical provision for life and general insurance contracts is dependent on the accounting policies and assumptions used. Changes in assumptions and estimates will directly affect the technical provision and have an indirect impact on the result.

The effect on the result is shown in the table below:

Effect of changes in assumptions and estimates on provisions for insurance and investment contracts		
In millions of euros	**Effect on result 2012**	**Effect on result 2011**
Life insurance contracts		
Interest rate/price movements	-4,432.7	-2,340.4
Expenses	34.2	44.5
Persistency rate	60.8	2.7
Mortality risk for life insurance contracts	13.3	33.9
Other	-10.0	-10.8
Investment contracts		
Interest rate/price movements	-516.4	-265.1
Expenses	-7.8	-0.8
Persistency rate	-3.0	20.9
Mortality risk for investment contracts	3.6	2.5
Other	15.7	-
General insurance contracts		
Change in discount rate assumptions	-27.5	-5.4
Change in expense rate assumptions	6.6	10.0
Total	**-4,863.0**	**-2,507.9**

Section 5.1.7.27. 'Insurance liabilities' addresses the effect of changes in economic assumptions on insurance provisions. This differs from the effect of movements in interest rates/prices. The interest rate effect on the result involves the consequences of movements during the year in the Collateralised AAA curve which decreased by 200 bps. The result impact of the movement in the Collateralised AAA curve in 2012 was € 4,124.7 million (2011: € 2,044.7 million) of life insurance contracts. These effects, and the effect of interest rate changes in particular, are partly offset by movements in the investment portfolio resulting from changes in market interest rates. The result will be affected primarily by differences in volumes and maturities.

The effect of the new mortality table AG2012 is included within the mortality risk for life insurance contracts and investment contracts.

Changes in the explicit assumptions in the adequacy test of Delta Lloyd Life resulted in lower 'Expenses' of € 34.2 million, changed the 'Persistency rate' by € 20.4 million and changed 'Other' by an amount of € 10.6 million with regards to the life insurance contracts. The other major change in 'Persistency rate' is due to a change in lapse rates in the individual portfolio of Delta Lloyd Levensverzekering (€ 41.3 million). The remaining effect on 'Other' results within the life insurance contracts (€ -20.5 million) is due to the movement in the Wabeke provisions within Delta Lloyd Levensverzekering and ABN AMRO Levensverzekering.

The movement of € 15.7 million in 'Other' results within the participating investment contracts can be explained by changes in the explicit assumptions in the adequacy test of Delta Lloyd Life. The impact on total results due to the movement in the Collateralised AAA curve in 2012 for General Insurance was € 27.5 million.

5.1.7.31. (31) Pension obligations

On 5 June 2012, the European Union adopted the amendment to IAS 19. Delta Lloyd Group has decided to adopt this amendment early from 1 January 2012. See section 5.1.6. ‘Accounting policies’ for the impact of the change in accounting policy. The tables below are presented in accordance with this amendment.

Delta Lloyd Group has a number of pension plans in the countries in which it operates, whose members are entitled to defined benefit pensions. The main defined benefit plan is in the Netherlands. Other defined benefit plans exist in Belgium and Germany. The main plan in the Netherlands is held in a separate foundation which has reinsured its pension obligations with the subsidiary Delta Lloyd Levensverzekering. In addition, a guarantee has been concluded with Delta Lloyd Levensverzekering which covers the risk of underfunding. The pension fund is under supervision of De Nederlandsche Bank; when the funding ratio falls below 105%, supervision will be intensified.

On 31 December 2012, Delta Lloyd Group sold its 51% share in Friesland Bank Assurantiën Holding (FBA) to Friesland Bank NV. The employees of FBA will remain part of the pension liability as inactive members. As the impact of this event is regarded as not significant, it is not accounted for as a curtailment, but as part of Other transfers. On 1 July 2012, ABN AMRO Verzekeringen acquired the intermediary activities in the commercial insurance segment for the Small and Medium-Sized Enterprise sector from ABN AMRO Bank. As a result, 116 employees of ABN AMRO Bank made a transfer to Delta Lloyd Group. Previous rights will remain at ABN AMRO Bank, while the future accrual and expenses from 1 July 2012 are within the figures disclosed in this section.

The figures include provisions to meet other post-retirement obligations to staff. Delta Lloyd Group also operates a variety of smaller pension plans in the Netherlands, Belgium and Germany, including defined contribution plans.

There were no significant contributions outstanding or prepaid during the past two years.

Details of the significant defined benefit plans
The measurement of the defined benefit plans is based on the most recent actuarial valuations, which were updated to assess the liabilities of the significant plans at 31 December 2012. The updates were made either by the actuarial departments of the divisions or by external actuaries in each country, within the rules set by Delta Lloyd Group. Plan assets are stated at fair value as at 31 December 2012.

The principal features of the current plan in the Netherlands are as follows:
- The main pension plan in the Netherlands is based on average pay with a retirement age of 65 years. Pension contributions are determined on 1 January of each year and based on the hourly salary of the employee (including holiday pay and a ‘13th month’) multiplied by the number of contract hours. The pension entitlements per service year are 2.15% of the employee's pension base.
- The actuarial rate used to determine the pension contribution by Delta Lloyd Group has been set at 3%.

- Delta Lloyd Group is not obliged to make additional contributions in relation to any indexation after 1 January 2011. The pension fund will only apply indexation on the basis of investment returns made by the fund, subject to an actuarial interest rate of 3%.
- The average weighted duration of the pension obligation is 19.2 years, an increase compared to last year (2011: 17.6 years) mainly due to the decrease in discount rate.

The pension obligations relating to the defined pension entitlements will be increased to the level of the investments if there is a surplus. The surplus accrues to the members and is used for indexation purposes. The pension and post-retirement obligations of Delta Lloyd Group are therefore equal to the pension plan assets at the reporting date. Based on the actuarial valuations set out below, the provision for pension and post-retirement obligations was increased by € 295.8 million (2011: € 362.7 million). Details of the main defined benefit plans are shown below. Where plans provide both defined benefit and defined contribution pensions, the assets and liabilities shown only relate to defined benefit pensions. The mortality table used for the Dutch pension plan from 31 December 2012 onwards is the AG2012 generation table, taking into account the “DLL Experience adjustment”. The previous table was the CBS2010 generation table.

Main financial assumptions used to calculate defined benefit obligations

In percentages	The Netherlands 2012	The Netherlands 2011	Other countries 2012	Other countries 2011
Inflation rate	2.20%	2.10%	2.20%	2.10%
General salary increases	2.30%+merit	3.10%+merit	2.30%+merit	3.10%+merit
Pension increases active members	1.40%	1.80%	0.00%-2.20%	0.00%-2.10%
Pension increases inactive members	1.35%	1.25%	0.00%-2.20%	0.00%-2.10%
Discount rate	3.20%	4.50%	0.80%-3.20%	3.30%-4.55%

The decrease in discount rate for ‘other countries’ from 3.3% to 0.8% is due to a closed prepension plan at Belgium which will cease in two years.

Delta Lloyd Group’s investment policy is aimed at maintaining a balanced portfolio. This limits the risks of underfunding that arise from the selected asset mix. The composition of the investments is considered the most important mechanism to optimise the revenue and risk structure of the pension fund. The investments are managed by the asset managers of Delta Lloyd Group, who are constrained to mandates. The composition of the portfolio is regularly evaluated and will be adjusted when it appears that the revenue and risk structure is no longer optimal.

The expected rate of return on plan assets equals the discount rate used to calculate the pension obligation (see table above).

Statement of changes in defined benefit obligation		
In millions of euros	2012	2011
At 1 January	**2,079.3**	**1,835.4**
Current service cost	49.0	47.9
Interest cost on pension obligations	92.9	91.9
Payments and acquisitions	-73.8	-70.5
Employee contributions current year	11.6	11.5
Past service cost	0.4	1.4
Other transfers	-10.0	-10.4
Actuarial (g)&l on pension obligations	261.5	172.2
At 31 December	**2,410.9**	**2,079.3**

Statement of changes in total net pension obligations		
In millions of euros	2012	2011
At 1 January	**2,015.9**	**1,772.6**
Pension expense for defined benefit plans	139.5	135.5
Charge / (credit) to OCI	258.0	173.4
Change in cash	-61.1	-57.9
Other transfers	-10.0	-10.4
Other	-	2.6
At 31 December	**2,342.2**	**2,015.9**

The difference between the total actuarial gains and losses recognised in the other comprehensive income and the actuarial gains and losses on the pension obligation is caused by the actuarial gains and losses on assets and the change in the asset limit totalling € 3.5 million (2011: € -1.2 million).

Statement of changes in plan assets		
In millions of euros	2012	2011
At 1 January	**64.5**	**63.8**
Return	2.8	3.1
Contributions	0.6	0.7
Benefits paid	-1.7	-1.9
Actuarial g&(l) on pension assets	3.0	-1.2
At 31 December	**69.2**	**64.5**

Net defined benefit liability and experience adjustments		
In millions of euros	2012	2011
Defined benefit obligation	2,410.9	2,079.3
Plan assets	-69.2	-64.5
Reimbursement rights	-2,297.2	-1,968.3
Elimination reimbursement rights	2,297.2	1,968.3
Asset ceiling	0.5	1.1
Net defined benefit liability	**2,342.2**	**2,015.9**
Experience adjustments on plan liabilities	19.5	36.8
Experience adjustments on plan assets	3.0	-1.1

As the Delta Lloyd Pensioenfonds has reinsured its pension obligations with Delta Lloyd Levensverzekering in the Netherlands, this entity recognises the related investments and related insurance liability. To avoid double recognition, under actual investments and reimbursement rights on the asset side and defined benefit obligations and insurance liabilities on the liability side, reimbursement rights and insurance liabilities have been eliminated. The remaining plan assets are mainly related to plan assets of the Belgian portfolios.

The gain of € 19.5 million (2011: € 36.8 million) due to experience adjustments on plan liabilities was mainly due to the actual development of the pension plan population and lower amount of pension increases recognised than presumed.

The defined benefit obligation recognised in the statement of financial position can be reconciled to the actual defined benefit obligation at year end as follows:

Defined benefit obligation recognised in the statement of financial position

In millions of euros	**2012**	**2011**
Net defined benefit liability	2,342.2	2,015.9
Other post retirement benefits	6.3	6.3
Net pension obligation recognised in statement of financial position	**2,348.5**	**2,022.1**
Recognised plan assets	18.8	19.1
Recognised defined benefit obligation	2,370.7	2,046.2
Other post retirement schemes	-3.3	-4.9
Net pension obligation recognised in statement of financial position	**2,348.5**	**2,022.2**

For the financial years 2012 and 2011, equity securities and bonds in the pension schemes did not include any equity securities and bonds in Delta Lloyd Group. In addition, the property of the pension schemes did not include any property that was in use by Delta Lloyd Group. ‘Other’ includes mainly interest rate swaps.

Pension obligations of € 65.4 million relate to plans that are completely unfunded (2011: € 57.8 million).

The assets of the pension schemes attributable to participants under the defined benefit plans can be specified as follows:

Assets of the pension schemes attributable to participants under the defined benefit plans at year end

In millions of euros	The Netherlands 2012	Other countries 2012	Total 2012	The Netherlands 2011	Other countries 2011	Total 2011
Equity securities	324.1	16.9	341.0	260.8	17.7	278.5
Bonds	1,558.9	27.1	1,586.0	1,403.6	31.1	1,434.7
Property	59.2	-	59.2	72.8	-	72.8
Other	327.9	52.3	380.2	216.9	39.9	256.9
Total fair value of assets	**2,270.1**	**96.3**	**2,366.4**	**1,954.1**	**88.7**	**2,042.8**

Pension deficit (without elimination of plan assets) at year end							
In millions of euros	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**
Fair value of plan assets and reimbursement rights at year end	2,366.4	2,042.8	1,801.1	1,639.5	1,564.9	1,465.8	1,450.6
Present value of defined benefit obligations at year end	2,410.9	2,079.3	1,835.3	1,667.2	1,564.9	1,500.1	1,493.6
Asset ceiling	0.5	1.1	-	-	-	-	-
Net pension deficit	**45.0**	**37.6**	**34.2**	**27.7**	**-**	**34.3**	**43.0**

The defined benefit obligation for the Dutch pension plans is set equal to the plan assets, as such no surplus or deficit is applicable here. Please refer to “Details of the significant defined benefit plans” at the beginning of this section for further information on the rationale and amount of the indexation. The total deficit shown is caused by the German plans as no specific plan assets are allocated to the defined benefit obligation. The German deficit is partially offset by the surplus for the Belgian plans.

Pension expenses		
In millions of euros	**2012**	**2011**
Service cost	49.4	49.3
Net interest expense / (income)	90.1	88.8
Pension expense for defined benefit plans	**139.5**	**138.1**
Pension expense for defined contribution plans	2.8	2.4
Other pension expenses	-	-5.0
Total pension expense recognised in income statement	**142.3**	**135.5**
Actuarial (g)&l recognised in OCI	258.0	173.5
Total pension expense	**400.3**	**308.9**

The differences between the pension expense reported in the annual report 2011 and shown above are due to the change in accounting principles from IAS 19 to IAS 19Revised. One of the main changes is the shift of the actuarial gains and losses from the income statement to other comprehensive income. The pension expense charged to the income statement does not take into account the investment income on pensions of € 327.5 million (2011: € 216.7 million). Adjusted for investment income, the net pension expense recognised in the income statement was € -185.2 million (2011: € -81.2 million).

The investment income is the actual return on the assets backing the pension obligations. For the Netherlands this amount of € 320.5 million (2011: € 214.5 million) was recognised in the investment income of the Life segment as this segment holds the investments. The actual return on plan assets of the Belgian defined benefit plan for 2012 was € 7.1 million (2011: € 2.4 million).

The employees' contribution to the pension expenses was € 11.6 million (2011: € 11.5 million). The employer's contribution to the pension assets for 2013 is expected to be € 52.9 million (2011: € 48.4 million).

Changes in other comprehensive income		
In millions of euros	**2012**	**2011**
Actuarial g&(l) on pension obligations due to changes in demographic assumptions	51.3	-
Actuarial g&(l) on pension obligations due to changes in financial assumptions	-399.2	-22.2
Actuarial g&(l)on pension obligations due to adjustment for funding agreement	66.9	-186.8
Actuarial g&(l) on pension obligations due to changes in experience adjustments	19.5	36.8
Actuarial g&(l) on pension assets	3.0	-1.2
Actuarial g&(l) due to change in asset limit	0.6	-
Total changes in other comprehensive income	**-258.0**	**-173.5**

Statement of changes in other comprehensive income		
In millions of euros	**2012**	**2011**
At 1 January	**-173.5**	**-**
Actuarial g&(l) in the reporting period	-258.0	-173.5
At 31 December	**-431.5**	**-173.5**

Sensitivity analysis of defined benefit obligations		
In millions of euros	Impact on equity at year end 2012	Impact on equity at year end 2011
Interest rate risk +100 bps	280.4	262.4
Interest rate risk -100 bps	-280.6	-262.6
Value of equity shares +10%	-33.8	-27.8
Value of equity shares -10%	33.8	27.8

The table above shows the effect of a 100 basis-point interest rate change for the total interest rate structure. A change in interest rate does not have a direct impact on equity or the result, as the impact is first recognised at the expense or favour of the surplus. The figures the table above assume that there is no surplus. See section 5.1.7.1. subsection 'Sensitivity analysis' for further explanation of the sensitivity analysis and the limitations of the analysis.

Estimated future benefit payments are as follows:

Estimated future benefit payments	
In millions of euros	
Financial year	
2013	53.7
2014	56.0
2015	61.4
2016	66.2
2017	70.3
2018-2022	417.4

5.1.7.32. (32) Provisions for other liabilities

Provisions for other liabilities				
In millions of euros	Restructuring provisions	Employee equity compensation plan	Other provisions	Total
At 1 January 2011	**84.3**	**26.3**	**104.2**	**214.7**
Changes in Group	-	-	1.8	1.8
Additional provision made in the year	-	6.0	3.6	9.6
Unused amounts released	-14.9	-16.5	-2.5	-33.9
Effect of discounting	-1.8	-	-	-1.8
Withdrawal from provision during the year	-35.0	-0.4	-18.6	-54.0
At 31 December 2011	**32.5**	**15.3**	**88.5**	**136.3**
Additional provision made in the year	0.5	2.5	9.3	12.3
Unused amounts released	-6.5	-4.1	-33.5	-44.0
Withdrawal from provision during the year	-6.2	-2.8	-8.7	-17.7
At 31 December 2012	**20.2**	**11.0**	**55.7**	**87.0**

The withdrawal from provision of € 6.2 million (2011: € 35.0 million) mainly relates to the restructuring at Delta Lloyd Germany (€ 5.0 million), Delta Lloyd Schadeverzekering (€ 0.5 million) and Delta Lloyd Houdstermaatschappij Verzekeringen (€ 0.3 million).

The equity compensation plan comprises € 5.0 million for the Phantom Option Plan, € 0.9 million for the PPSP and € 5.1 million for the Variable Incentive Plan (see section 5.1.7.9. 'Employee information').

There was a release of € 13.0 million from the run-off provision in 2012 (2011: € 2.3 million), which is part of the other provisions. In addition there was a release in the provision for onerous contracts of € 6.7 million and a release of the provision for loans of DL Vastgoedontwikkeling of € 8.5 million.

The expected funds outflow is € 26.1 million within a year and € 60.9 million after one year.

5.1.7.33. (33) Tax assets and liabilities

Deferred tax assets and liabilities caused by temporary differences in tax base at year end

In millions of euros	2012	2011
Insurance liabilities	1,431.3	321.2
Investments	-1,146.9	-755.4
Equalisation reserve	-8.0	-12.0
Unused tax losses	58.7	165.4
Intangible fixed assets	-21.1	-22.3
Pension plans	-	-1.6
Other	-0.9	21.8
Total deferred tax	**313.1**	**-282.8**

The full amount of tax assets and liabilities is expected to be recoverable or payable.

Statement of changes in deferred tax assets

In millions of euros	2012	2011
At 1 January	**628.5**	**54.6**
Recognised through the income statement	960.7	345.5
Movement in revaluation reserve	52.4	-4.7
Reclassification between deferred tax assets and liabilities	-108.3	233.1
At 31 December	**1,533.3**	**628.5**

Statement of changes in deferred tax liabilities

In millions of euros	2012	2011
At 1 January	**911.3**	**472.7**
Recognised through the income statement	394.9	259.5
Movement in revaluation reserve	25.3	-56.8
Changes in Group	-3.0	2.8
Reclassification between deferred tax assets and liabilities	-108.3	233.1
At 31 December	**1,220.2**	**911.3**

The deferred tax assets and liabilities of companies which are part of the corporate tax entity Delta Lloyd NV are netted. The same approach is used for the corporate income tax entity Delta Lloyd ABN AMRO Verzekeringen Holding BV.

The tax assets and liabilities are shown on an individual basis for each tax entity. As a result, there was a reclassification of € -108.3 million between deferred tax assets and liabilities in 2012 (2011: € 233.1 million).

Recognised tax loss carry forwards		
In millions of euros	**2012**	**2011**
Delta Lloyd NV tax entity	11.9	125.1
Delta Lloyd Life	22.8	18.5
Delta Lloyd Bank Belgium	14.3	21.8
Delta Lloyd Germany	9.7	-
Total	**58.7**	**165.4**

In the Netherlands, losses are carried forward to a maximum of nine years. Due to the taxable result of the corporate income tax entity Delta Lloyd NV in 2012 the tax losses as per year end 2011 are compensated at an amount of € 452.8 million. As per year end 2012 taxable losses of € 47.6 million remain. It is expected that these losses will be compensated within the remaining compensation period. The net deferred tax position of the corporate income tax entity Delta Lloyd NV has changed from a deferred tax liability into a deferred tax asset mainly due to changes in the insurance liabilities as a result of the lower market interest rate.

In Belgium, the tax position consists of the combination of tax losses and notional interest deduction, which is a taxable interest deduction that reduces the taxable amount. The tax losses can be carried forward indefinitely. The regulations on the deduction of notional interest have changed by which the carried forward period of seven years is abolished. As of 2012 the notional interest deduction is limited to the actual year. The existing notional interest deduction at the end of 2011 will under certain conditions, be deductible for the remaining seven years. Due to this change in regulations € 7.8 million in notional interest has not been recognised per year end 2012. The tax losses in Belgium are expected to be compensated within coming years.

In Germany € 9.7 million in taxable losses are recognised at year end 2012. Taxable losses can be carried forward indefinitely. Under tax regulations, the use of these losses on a yearly basis is limited to a certain part of the taxable profits. It is expected that the recognised losses will be compensated within coming years.

Delta Lloyd Group has recognised tax losses of € 189.2 million (2011: € 619.1 million). Tax loss carry forwards are recognised to the extent that realisation of the related tax benefit through future taxable profits is probable.

Delta Lloyd Group has unrecognised tax losses of € 253.5 million (2011: € 279.3 million) to carry forward against future taxable profits. These tax losses can be carried forward indefinitely.

5.1.7.34. (34) Borrowings

Description and features of loans at year end		
In millions of euros	**2012**	**2011**
Subordinated loans		
Institutional investors	441.9	-
Fonds NutsOHRA perpetual loan	176.8	176.8
Rabobank Nederland	98.1	489.2
	716.8	666.0
Securitised mortgages		
Amstelhuys valued at fair value	3,014.7	3,528.1
Amstelhuys valued at amortised cost	1,882.5	1,332.3
Delta Lloyd Bank Belgium	-	-
Delta Lloyd Bank Netherlands	-	-
	4,897.2	4,860.4
Amounts owed to credit institutions	85.2	261.3
Medium-term note	571.8	571.2
Commercial paper	93.1	40.4
Convertible loan	2.6	2.6
Other	325.7	496.7
Total	**6,692.3**	**6,898.6**

The decrease in ‘amount owed to credit institutions’ is due to a reclassification of liabilities to banks from Borrowings to Financial liabilities (see section 5.1.7.35. ‘Financial liabilities’).

Fonds NutsOHRA
The perpetual subordinated loan notes with an initial interest rate of 2.5% were issued to finance the acquisition of Nuts OHRA Beheer BV in 1999. The notional amount (€ 496.9 million) and the carrying amount (€ 176.8 million) of the loan did not change in 2012 compared with 2011. The interest rate on the notes was 2.76% at 31 December 2012 (2011: 2.76%) and the fair value of the subordinated loan was € 292.2 million (2011: € 154.8 million). The fair value of the subordinated debt is based on the proxy curve compiled from credit curves in the same industry sector and industry group with a similar credit rating. Substantial tightening in the used swapcurve as well as illiquidity and the DeltaLloyd proxy curve resulted in the increase for the Fonds NutsOHRA subordinated loan.

Rabobank Nederland
On 26 February 2009, a subordinated loan of € 500.0 million was granted by Rabobank Nederland at an interest rate of 10.44%. Of the total loan, € 400.0 million was granted to Delta Lloyd Levensverzekering and € 100.0 million to Delta Lloyd Schadeverzekering.

Agreement was reached with Rabobank Nederland on restructuring the subordinated loan on 4 October 2010. This restructuring became effective retroactively on 30 September 2010, after DNB gave its approval on 15 February 2011. The main changes to the contract relate to the term, which is extended to 30 years from the original date, with no repayment during the first 10 years and to the suspensive conditions for interest payment and repayment. The restructuring costs have been deducted from the principal sum and are being amortised using the effective interest rate method.

On 29 August 2012, Delta Lloyd Levensverzekering successfully priced a new benchmark € 500.0 million Fixed to Floating Rate Subordinated Note Transaction at a coupon of 9%, replacing the subordinated note issue of € 400.0 million which was privately placed in 2009 at Rabobank Nederland. The notes have a final maturity of 2042 and can be redeemed at Delta Lloyd's option from 2022 onwards. The transaction was sold to institutional investors. The transaction costs were deducted from the principal amount. The fair value of this loan was € 560.0 million at 31 December 2012.

The subordinated loan between Delta Lloyd Schadeverzekering and Rabobank Nederland remained unchanged in 2012. The fair value of this loan was € 133.8 million on 31 December 2012 (2011: € 104.2 million). The fair value of the subordinated loan is based on the proxy curve, similar to the Fonds NutsOHRA subordinated loan.

In the event of bankruptcy, subordinated loans rank lower than other liabilities but higher than preference and other shareholders. The perpetual subordinated loan extended to Fonds NutsOHRA ranks below other subordinated loans.

Securitised mortgages

These borrowings (known as Arena and DARTS notes) are bonds where a part of the mortgage portfolio of Delta Lloyd Group is pooled and transferred to special purpose vehicles. See section 5.1.7.20. 'Securitised mortgages and related assets' for further information.

Amstelhuys (fair value) at year end

In millions of euros	Fair value 2012	Fair value 2011	Contract maturity date	Anticipated maturity date	Interest rate
Arena 2004-I	-	359.5	02/2037	02/2012	partly floating (1.7 - 2.4%) and Ebed 4.3%
Arena 2004-II	-	460.6	10/2051	10/2012	floating, range 0.7% - 1.2%
Arena 2006-I	751.4	789.3	12/2064	03/2013	floating, range 0.4% - 0.8%
Arena 2007-I	927.0	938.6	10/2049	10/2014	floating, range 0.5% - 3.0%
Arena 2011-II	745.2	778.0	09/2043	09/2016	floating, range 0.1% - 1.9%
DARTS 2004-I	434.9	409.3	10/2066	10/2014	floating, 0.6%
DARTS 2005-I	951.3	920.0	11/2064	11/2014	floating, 0.4%
Eliminations	-795.2	-1,127.1			
Total	**3,014.7**	**3,528.1**			

The cumulative revaluation at 31 December 2012 was € -8.3 million (2011: € -151.1 million). € 683.6 million (2011: € 870.3 million) of the elimination related to the Arenas at Amstelhuys and € 111.6 million (2011: € 256.8 million) to Arenas at Delta Lloyd Bank. Arena 2004-I and Arena 2004-II were redeemed in February and October of last year respectively. There were no new issued notes at fair value during 2012.

Amstelhuys (amortised cost) at year end					
In millions of euros	Amortised cost 2012	Amortised cost 2011	Contract maturity date	Anticipated maturity date	Interest rate
Arena 2009-I	758.8	796.6	11/2041	11/2014	floating. range 1.2% - 5.0%
Arena 2011-I	637.5	666.6	12/2042	11/2015	floating. range 0.2% - 1.7%
Arena 2012-I	708.3	-	11/2044	11/2017	floating. range 0.1% - 1.3%
Eliminations	-222.1	-130.9			
Total	**1,882.5**	**1,332.3**			

The fair value of these loans on 31 December 2012 was € 1,904.3 million (2011: € 1,331.4 million). The eliminations relate to Arena 2009-I, Arena 2011-I and Arena 2012-I at Amstelhuys. The notes of Arena 2012-I (€ 710.5 million) were issued in December 2012.

Delta Lloyd Bank Belgium at year end					
In millions of euros	Amortised cost 2012	Amortised cost 2011	Contract maturity date	Anticipated maturity date	Interest rate
Arena B-II	892.5	1,010.0	10/2044	10/2016	floating. 0.2 - 1.2%
Arena B-III	909.8	-	01/2045	01/2017	floating. 0.2 - 1.2%
Eliminations	-1,802.3	-1,010.0			
Total	**-**	**-**			

Arena B-III was incorporated and is wholly owned by Delta Lloyd Bank. The elimination relates entirely to Arena B-II and Arena B-III at Delta Lloyd Bank.

Delta Lloyd Bank Netherlands at year end					
In millions of euros	Fair value 2012	Fair value 2011	Contract maturity date	Anticipated maturity date	Interest rate
E-Arena 2011-I	440.2	467.0	05/2018	05/2018	floating. 1.25%
Eliminations	-440.2	-467.0			
Total	**-**	**-**			

There were no changes in fair value of the securitised mortgage loans as a result of changes in credit ratings of Delta Lloyd Group. The notional amount of the loans measured at fair value through profit or loss at 31 December 2012 was € 3,023.0 million (2011: € 3,679.3 million).

Statement of changes in borrowings		
In millions of euros	**2012**	**2011**
At 1 January	**6,898.6**	**8,294.0**
New borrowings	1,503.6	2,440.8
Restructuring borrowings	-	-10.8
Repayments of borrowings	-1,688.3	-3,850.1
Net cash inflow / outflow	**-184.8**	**-1,420.1**
Revaluation	150.2	24.8
Reclassified to Financial liabilities	-171.7	-
At 31 December	**6,692.3**	**6,898.6**

New borrowings include € 48.0 million due to the € 500.0 million subordinated note issue which replaced the € 400.0 million note issue placed in 2009. The costs incurred on behalf of this transaction have been deducted from the principal sum and are being amortised using the effective interest rate method. In addition, € 810.6 million of commercial papers were issued during 2012.

During the year, Arena 2004-I was redeemed for € 359.5 million and Arena 2004-II was redeemed for € 460.6 million. These transactions were funded entirely by Delta Lloyd Levensverzekering and Delta Lloyd Bankengroep. To replace these redeemed Arenas, Arena 2012-I was incorporated for € 710.5 million, of which € 94.5 million is kept on our book. In addition Arena B-III was incorporated and is wholly owned by Delta Lloyd Bank. Total repayments on commercial paper were € 757.8 million. The 2012 year end amount on commercial paper of € 93.1 million has repayment dates in January and February 2013.

5.1.7.35. (35) Financial liabilities

Financial liabilities at year end		
In millions of euros	**2012**	**2011**
Savings	4,844.5	4,993.6
Demand deposits	3,054.7	2,881.9
Deposits	2,282.7	2,090.3
Customer savings and deposits	**10,181.9**	**9,965.8**
Third-party interests in investment funds	1,065.6	946.4
Other financial liabilities	1,742.4	1,150.5
Financial liabilities	**12,989.9**	**12,062.7**
Expected to be settled within one year	12,618.5	11,720.3
Expected to be settled in more than one year	371.3	342.5
Total	**12,989.9**	**12,062.7**

Savings, demand deposits and deposits are liabilities primarily held by Delta Lloyd Bank and Delta Lloyd Levensverzekering.

Deposits with a fair value of € 175.4 million at 31 December 2012 (2011: € 695.6 million) were part of the other financial liabilities and held by Amstelhuys for the financing of the mortgage portfolio.

In 2012 certain liabilities to banks amounting to € 171.7 million at prior year end are reclassified from borrowings to financial liabilities as Delta Lloyd Group believes that these are better presented as demand deposits and deposits. The comparative figures have not been adjusted.

Furthermore, the repurchase agreements amounting to € 1,544.2 million at prior year end are reclassified from other liabilities to financial liabilities in 2012 as Delta Lloyd Group believes that these amounts are better presented as other financial liabilities. The comparative figures have not been adjusted.

5.1.7.36. (36) Other liabilities

Other liabilities at year end		
In millions of euros	**2012**	**2011**
Payables arising out of direct insurance	299.9	325.7
Payables arising out of reinsurance	90.7	94.2
Deposits received from reinsurers	369.9	378.4
Accruals and deferred income	851.1	742.2
Short-term creditors	671.0	2,180.3
Total	**2,282.5**	**3,720.9**
Expected to be settled within one year	2,207.7	3,628.3
Expected to be settled in more than one year	74.9	92.6
Total	**2,282.5**	**3,720.9**

Repurchase agreements are reclassified from other liabilities to financial liabilities in 2012 as Delta Lloyd Group believes that these amounts are better presented as other financial liabilities. The comparative figures have not been adjusted.

5.1.7.37. (37) Contingent liabilities and other risk factors

Uncertainty over claims provisions
Section 5.1.7.27. 'Insurance liabilities' gives details of the estimation techniques and assumptions used in determining the provisions for general insurance business and for the life insurance business. The assumptions are designed to ensure that the provisions for future liabilities, including any future bonuses, are prudent. Both are expected to give an estimated result. Due to the nature of the estimation process, there is uncertainty about this future liability, for example where actual outcomes are worse than assumed for the general insurance business, or where assumptions about inflation of life business claims may change in the future.

Asbestos, pollution and other environmental hazards
As part of their insurance business, companies in Delta Lloyd Group's divisions receive general insurance liability claims and, as a result, become involved in actual or threatened litigation, including claims in respect of pollution and other environmental hazards. Among these are claims relating to asbestos production and handling of asbestos in the Netherlands. Given the significant

delays experienced in the notification of these claims, the number of potential claims involved and the uncertainties associated with establishing liability, the ultimate cost cannot be determined with certainty. Delta Lloyd Group's net exposure to such liabilities is further explained in section 5.1.7.27. ‘Insurance liabilities’ and, on the basis of current information and taking into account the level of provisions made for these specific general insurance claims, Delta Lloyd Group considers that any additional costs arising are not likely to have a material impact on its financial position.

Guarantees
Delta Lloyd Group has granted warranties as part of insurance contracts. These warranties are taken into account in the calculation of the insurance liabilities. Warranties have also been granted with respect to investment properties. No other material warranties have been granted.

Litigation
Several claims against Delta Lloyd have been filed, all of which are being contested. Based on the legal advice and information obtained, it is assumed that these claims will not have a material adverse effect on Delta Lloyd Group's financial position. Accordingly, no significant provisions have been made in this respect.

The main pending legal proceedings are:

Swiss Life NV
On 4 May 2006, Swiss Life NV, now Delta Lloyd Life NV, was indicted in Belgium for breaches of the Belgian Consumer Credit Act *(Wet op het Consumentenkrediet)* and Trade Practices Act *(Wet Handelspraktijken)* in relation to the alleged mis-selling of investment products by Spaar Select. The case also has a civil component and to date 309 people have filed claims.

The judgement of the Belgian Court of Appeal dated 21 November 2012 was in favour of Delta Lloyd Life. One civil party has given notice of appeal against this judgement. At present, it is not certain whether or not this party will continue with this appeal, as the Court of Cassation does not disclose these facts. It only discloses information if there is a breach of law.

The civil parties (309 parties) announced their intention to claim compensation through the court of law. Before the conviction of the Court of Appeal, these cases were brought before the Justice of the Peace in Belgium (*vrederechter*), but have been deferred indefinitely. To date, civil parities have initiated no action.

SNS (the seller) made a provision for a warranty when Swiss Life SA was acquired by Delta Lloyd Life. This warranty also includes possible civil convictions, and on the basis of the available information at the time the warranty should be sufficient. The recent nationalisation of SNS did not have an impact on this warranty.

Vereniging van Gepensioneerden
Retired Delta Lloyd Group employees, represented by *Vereniging van Gepensioneerden Delta Lloyd Groep* (the Vereniging), and two pensioners initiated proceedings against five companies of Delta Lloyd Group and the Group’s pension fund before the District Court of Amsterdam in 2008. The

plaintiffs claim they have acquired an unconditional right regarding indexation of their pensions which cannot be unilaterally terminated. The sum involved is over € 50.0 million. In 2010, the District Court ruled in favour of Delta Lloyd Group and rejected the claims, except on a non-financial component. The plaintiffs appealed and a judgement is expected from the Court of Appeal this year.

The appeal of the Vereniging was denied by the Court of Appeal of Amsterdam (*Gerechtshof Amsterdam*). The Vereniging appealed against this judgement of the Court of Appeal in cassation to the Supreme Court (*Hoge Raad*). The Supreme Court admitted the appeal in cassation. Delta Lloyd Group expects the verdict before year end 2013.

Cyrte/Boekhoorn

On 9 May 2009, Mr Boekhoorn initiated legal proceedings against Delta Lloyd Group, Cyrte and the Chief Executive Officer of Cyrte, Mr Botman ('Cyrte c.s.'). Mr Boekhoorn claims that he was instructed to purchase shares in Telegraaf Media Groep by Mr Botman, acting on behalf of Cyrte, and that Cyrte had agreed that Mr Boekhoorn would have the opportunity to sell the Telegraaf Media Groep shares back to Cyrte for the original price (some € 60.0 million) or at a lower price to be determined. Cyrte c.s. contest Mr Boekhoorn's claim that there was a verbal agreement. On 6 April 2011, the District Court of Amsterdam ruled in favour of Cyrte c.s. and dismissed all Mr Boekhoorn's claims. Mr Boekhoorn appealed on 4 July 2011. The appeal is directed against Cyrte and Mr Botman. Unlike the proceedings in first instance, Delta Lloyd Group is no longer a party to the dispute, although it was noted in the pleadings in appeal that Delta Lloyd Group may possibly become a party in the case at a later stage. All written briefs in appeal have been filed. The case will be reviewed on 7 May 2013. On that date a decision will be made or the case will be referred to a later date.

Other

The company and several of its subsidiaries have guaranteed the overdrafts and borrowings of certain subsidiaries and associates. In addition, in line with standard industry practice, various subsidiaries have, in recent years, given guarantees, indemnities and warranties in connection with disposals of subsidiaries and associates to third parties. In the opinion of Delta Lloyd Group, no material loss will rise in respect of these guarantees, indemnities and warranties. The nature of the guarantees and security provided does not require them to be measured in accordance with IAS 39.

5.1.7.38. (38) Off-balance sheet positions

Contractual commitments for acquisitions of or capital expenditure on investment property, property and equipment and intangible assets not recognised on the statement of financial position are as follows:

Off-balance sheet liabilities at year end		
In millions of euros	**2012**	**2011**
Investment property	4.3	13.9
Property and equipment	8.6	11.1
Intangible assets	-	-
Repairs and maintenance	9.7	6.7
Investments	95.3	115.5
Outsourcing	2.0	6.0
Contingent liabilities	471.9	530.6
Operational lease commitments rental		
Within one year	9.9	6.8
Between one and five years	37.7	43.3
More than five years	19.9	19.1
Operational lease commitments non-rental		
Within one year	5.7	9.3
Between one and five years	8.8	31.5
More than five years	-	-
Total	**673.8**	**793.8**

Lease commitments are recognised on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which users benefit. All the leases are eligible for renewal. There are no subleases to third parties.

Contingent liabilities include irrevocable facilities of € 322.4 million (2011: € 379.9 million).

Off-balance sheet receivables at year end		
In millions of euros	**2012**	**2011**
Operational lease receivables rental		
Within one year	98.2	99.1
Between one and five years	305.0	247.6
More than five years	337.8	220.5
Operational lease receivables non-rental		
Within one year	-	-
Between one and five years	39.1	36.0
More than five years	-	-
Total	**780.2**	**603.3**

Rental receivables as at 31 December 2012 were € 741.0 million (2011: € 567.3 million). They related mainly to property investments held by Delta Lloyd Germany totalling € 271.4 million (2011: € 284.2 million) and Delta Lloyd Vastgoed to a total of € 398.9 million (2011: 222.6 million). The main increase within Delta Lloyd Vastgoed was caused by real estate offices.

The non-rental receivables include € 39.1 million due from LeasePlan and Athlon at 31 December 2012 for the financing of Delta Lloyd Group's vehicle fleet (2011: € 36.0 million). The non-rental receivables within one year regarding LeasePlan and Athlon are accounted for in the statement of financial position to a total of € 9.8 million (2011: € 9.0 million).

5.1.7.39. (39) Fair value of financial assets and liabilities

The tables below show financial assets and liabilities measured at fair value and the total carrying value to maintain the link with the relevant statement of financial position items.

Financial assets at year end

In millions of euros	Fair value 2012	Carrying value 2012	Fair value 2011	Carrying value 2011
Debt securities	27,930.2	27,930.2	22,710.0	22,710.0
Equity securities	14,674.4	14,674.4	14,768.9	14,768.9
Derivatives	2,908.8	2,908.8	2,687.9	2,687.9
Loans at fair value through profit or loss (FVTPL)	6,249.1	6,249.1	6,104.6	6,104.6
Loans and receivables at amortised cost	18,625.3	17,106.7	17,816.2	17,327.0
Receivables and other financial assets	2,323.8	2,323.8	2,095.4	2,095.4
Total	**72,711.5**	**71,192.9**	**66,183.1**	**65,693.9**

The above table does not break down financial assets into those for own risk and those at policyholders' risk. The financial assets at policyholders' risk were € 13.5 billion at year end (2011: € 12.5 billion). The other tables in this section present a detailed statement of the financial assets for own risk and at policyholders' risk.

Financial liabilities at year end

In millions of euros	Fair value 2012	Carrying value 2012	Fair value 2011	Carrying value 2011
Liabilities for investment contracts	4,795.9	4,736.8	4,048.7	4,028.1
Subordinated loans	986.0	716.8	675.8	666.0
Securitised mortgages	4,918.9	4,897.2	4,858.3	4,860.4
Amounts owed to credit institutions	85.5	85.2	261.3	261.3
Medium-term note	623.1	571.8	546.0	571.2
Commercial paper	93.2	93.1	40.4	40.4
Convertible loan	1.3	2.6	1.2	2.6
Other borrowings	325.7	325.7	496.7	496.7
Derivatives	2,100.8	2,100.8	1,745.4	1,745.4
Other financial liabilities	12,989.9	12,989.9	12,062.7	12,062.7
Total	**26,920.2**	**26,519.7**	**24,736.7**	**24,734.9**

The fair value of financial assets and liabilities is the amount at which an asset can be traded or a liability can be settled in a transaction between knowledgeable, willing, independent parties. The way the fair value is established for each statement of financial position category is set out below.

Financial assets

Financial instruments (debt securities, equity securities and derivatives)

Quoted prices in an active market ('unadjusted, market observable prices') are sought first. If such prices are not available or if there is no active market, financial instruments are measured using input other than market prices that is available in the market: measurement derived from pricing. If no direct external or derived market prices are available, Delta Lloyd Group uses brokers' quotes. This category includes measurement based on Delta Lloyd Group's own measurement models (for derivative financial instruments) and statements from fund managers (for private equity investments).

Loans at fair value through profit or loss
The fair value of loans at fair value through profit or loss is estimated by comparing future cash flows discounted using market interest rates at the date the loan was granted against current market interest rates for similar loans and advances at the reporting date. The future cash flows take account of the effect of early repayment. The fair value of securitised mortgages is calculated using the current swap curve, taking into account a 5.5% probability of early repayment (2011: 6.0%).

Loans and receivables at amortised cost
The fair value of loans and receivables at amortised cost is estimated by taking into account the creditworthiness of customers, the credit spread and the liquidity spread. This measurement model uses present value calculations to estimate the fair value. As far as possible, the input for the model uses observable market data rather than unobservable data. Market data used include interest rates, volatilities, correlations and credit spreads. Where necessary, various supplementary factors such as the bid-offer spread, counterparty risk and the model uncertainty are taken into account.

Receivables and other financial assets
The carrying value of receivables and other financial assets is regarded as a good approximation of the fair value.

Financial liabilities

Investment contracts liabilities
The fair value of the provision for non-participating investment contracts is initially established through the use of prospective discounted cash flow techniques. For unit-linked contracts, the value of the liability equals the fair unit-fund value, plus additional provisions for guaranteed returns, if required. The fair value of discretionary participating investment contracts is the same as that for life insurance contracts (as explained in section 5.1.7.27.).

Financial instruments (subordinated loans, medium-term notes, commercial paper, convertible loans)
The fair value of financial instruments is estimated by discounting future cash flows using the discount rate applicable for similar financial instruments at the reporting date.

Securitised mortgages
The fair value of the securitised mortgages is calculated by discounting the expected future cash flows at the market interest rates.

Amounts owed to credit institutions
The fair value of amounts owed to credit institutions is not materially different from the carrying value.

Other borrowings and other financial liabilities
The carrying value of other borrowings and other financial liabilities is regarded as a good approximation of the fair value.

These financial instruments are categorised according to the following fair value hierarchy:

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

Measurement method based on (significant) observable market inputs ('Level 2')
Fair value measured at level 2 uses inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. If an asset or liability has a given (contractual) term, a level 2 input variable must be observable for practically the full term of that asset or liability. Level 2 involves the following input variables:
- Quoted prices for similar (i.e. not identical) assets/liabilities in active markets;
- Input variables other than quoted prices observable for the asset (for example, interest rates and yield curves observable at customary intervals, volatility, early redemption spreads, loss ratio, credit risks and default percentages);
- Input variables arising mainly from or confirmed by observable market data by correlation or other means (market-confirmed inputs).

Examples of assets or liabilities at level 2 are financial instruments measured using discounted cash flow models. These are based on observable market swap yields (such as securitised mortgages or private interest rate derivatives) on investment property measured using observable market data and quoted debt instruments or equities in a non-active market.

Measurement method not based on (significant) observable market inputs ('Level 3')
Fair value measured at level 3 uses inputs for the asset or liability that are not based on observable market data. Unobservable inputs can be used if observable inputs are not available, and so fair value can still be measured at the reporting date in situations in which there is no or almost no active market for the asset or liability. Measurement is then based on the best management estimate that the market would use to measure the financial instrument. Examples are certain private equity investments and private placements.

A small percentage of the total assets are measured at fair value based on estimates and recorded as level 3. Where estimates are used, they are based on a combination of evidence from independent third parties and models developed in-house, calibrated where possible against observable market input. Although such measurements can be sensitive to estimates, it is presumed that changing one or more assumptions to another reasonable alternative assumption will not significantly change the fair value.

Carrying value of financial assets by measurement method at year end					
In millions of euros	Measurement based on published prices	Measurement based on observable market inputs	Measurement not based on observable market inputs	Amortised cost	Total 2012
Debt securities	26,123.4	1,744.4	62.4	-	27,930.2
Equity securities	8,767.0	4,762.7	1,144.7	-	14,674.4
Derivatives	-	2,908.7	-	-	2,908.8
Loans	-	6,249.1	-	17,106.7	23,355.8
Receivables and other financial assets	-	-	-	2,323.8	2,323.8
Total	**34,890.4**	**15,664.9**	**1,207.1**	**19,430.5**	**71,192.9**

Carrying value of financial assets by measurement method at prior year end					
In millions of euros	Measurement based on published prices	Measurement based on observable market inputs	Measurement not based on observable market inputs	Amortised cost	Total 2011
Debt securities	21,098.6	1,605.1	6.4	-	22,710.0
Equity securities	8,728.9	4,851.5	1,188.5	-	14,768.9
Derivatives	-	2,687.9	-	-	2,687.9
Loans	-	6,104.6	-	17,327.0	23,431.6
Receivables and other financial assets	-	-	-	2,095.4	2,095.4
Total	**29,827.6**	**15,249.0**	**1,194.9**	**19,422.4**	**65,693.9**

Sovereign and sub-sovereign loans of Italy and Spain are classified in the fair value hierarchy in level 1 at 31 December 2012, as there is still an active market for these listed bonds. See section 5.1.7.1.

The tables below show the fair value hierarchy of the financial assets for own risk.

Carrying value of financial assets for own risk by measurement method at year end					
In millions of euros	Measurement based on published prices	Measurement based on observable market inputs	Measurement not based on observable market inputs	Amortised cost	Total 2012
Debt securities	23,937.6	1,240.6	54.6	-	25,232.8
Equity securities	2,693.9	542.6	1,085.7	-	4,322.1
Derivatives	-	2,550.3	-	-	2,550.3
Loans	-	6,249.1	-	17,106.7	23,355.8
Receivables and other financial assets	-	-	-	2,209.5	2,209.5
Total	**26,631.5**	**10,582.5**	**1,140.3**	**19,316.2**	**57,670.5**

Carrying value of financial assets for own risk by measurement method at prior year end					
In millions of euros	Measurement based on published prices	Measurement based on observable market inputs	Measurement not based on observable market inputs	Amortised cost	Total 2011
Debt securities	18,850.8	1,509.0	6.4	-	20,366.2
Equity securities	3,006.5	854.2	1,124.2	-	4,984.8
Derivatives	-	2,436.1	-	-	2,436.2
Loans	-	6,104.6	-	17,321.8	23,426.3
Receivables and other financial assets	-	-	-	1,984.3	1,984.3
Total	**21,857.3**	**10,903.9**	**1,130.6**	**19,306.1**	**53,197.8**

The tables below show the fair value hierarchy of financial assets at policyholders' risk.

Carrying value of financial assets at policyholders' risk by measurement method at year end					
In millions of euros	Measurement based on published prices	Measurement based on observable market inputs	Measurement not based on observable market inputs	Amortised cost	Total 2012
Debt securities	2,185.8	503.8	7.8	-	2,697.4
Equity securities	6,073.1	4,220.1	59.0	-	10,352.2
Derivatives	-	358.5	-	-	358.5
Loans	-	-	-	-	-
Receivables and other financial assets	-	-	-	114.3	114.3
Total	**8,258.9**	**5,082.4**	**66.8**	**114.3**	**13,522.4**

Carrying value of financial assets at policyholders' risk by measurement method at prior year end					
In millions of euros	Measurement based on published prices	Measurement based on observable market inputs	Measurement not based on observable market inputs	Amortised cost	Total 2011
Debt securities	2,247.8	96.1	-	-	2,343.9
Equity securities	5,722.1	3,997.3	64.3	-	9,783.7
Derivatives	-	251.7	-	-	251.7
Loans	-	-	-	5.3	5.3
Receivables and other financial assets	-	-	-	111.0	111.0
Total	**7,969.9**	**4,345.1**	**64.3**	**116.3**	**12,495.6**

The tables below show the fair value hierarchy of the financial liabilities for own risk and at policyholders' risk.

Carrying value of financial liabilities by measurement method at year end					
In millions of euros	Measurement based on published prices	Measurement based on observable market inputs	Measurement not based on observable market inputs	Amortised cost	Total 2012
Liabilities for investment contracts	407.9	3,815.2	-	513.6	4,736.8
Subordinated loans	-	-	-	716.8	716.8
Securitised mortgages	1,348.8	1,665.8	-	1,882.5	4,897.2
Amounts owed to credit institutions	-	-	-	85.2	85.2
Medium-term note	-	-	-	571.8	571.8
Commercial paper	-	-	-	93.1	93.1
Convertible loan	-	-	-	2.6	2.6
Other borrowings	-	-	-	325.7	325.7
Derivatives	0.6	2,100.2	-	-	2,100.8
Financial liabilities	268.7	607.9	-	12,113.3	12,989.9
Total	**2,026.0**	**8,189.2**	**-**	**16,304.5**	**26,519.7**

Carrying value of financial liabilities by measurement method at prior year end					
In millions of euros	Measurement based on published prices	Measurement based on observable market inputs	Measurement not based on observable market inputs	Amortised cost	Total 2011
Liabilities for investment contracts	375.8	3,117.7	-	534.7	4,028.1
Subordinated loans	-	-	-	666.0	666.0
Securitised mortgages	1,184.0	2,465.1	-	1,211.4	4,860.4
Amounts owed to credit institutions	-	-	-	261.3	261.3
Medium-term note	-	-	-	571.2	571.2
Commercial paper	-	-	-	40.4	40.4
Convertible loan	-	-	-	2.6	2.6
Other borrowings	-	-	-	496.7	496.7
Derivatives	39.4	1,706.1	-	-	1,745.4
Financial liabilities	-	695.6	-	11,367.1	12,062.7
Total	**1,599.1**	**7,984.4**	**-**	**15,151.3**	**24,734.9**

The tables below offer additional information on financial instruments for which there are insufficient observable market inputs (level 3 of the fair value hierarchy).

Statement of changes in financial instruments valued using a measurement method not based on observable market variables		
In millions of euros	**2012**	**2011**
At 1 January	**1,194.9**	**605.4**
Additions	371.2	43.6
Disposals	-403.3	-59.0
Changes in fair value recognised through equity	3.4	18.6
Changes in fair value recognised through profit and loss	-12.5	2.2
Impairment recognised through profit or loss	-2.0	-
Transfer from measurement with observable market inputs	55.6	584.1
At 31 December	**1,207.1**	**1,194.9**

During 2012 there were no reclassifications from level 1 (2011: € 1.4 million) to level 3. There were a number of reclassifications totalling € 55.6 million (2011: € 582.7 million) from level 2 to level 3, all related to debt securities. These transfers are mainly due to a lack of significant observable market variables.

The total gains and losses on level 3 investments comprise realised gains and losses on investments.

The total unrealised revaluation on level 3 investments at year end was € 185.2 million (2011: € 188.4 million) and is recognised in the revaluation reserve. The impairment on level 3 investments at year end was € 219.6 million (2011: € 209.2 million).

The total unrealised revaluation of the assets reclassified in level 3 at year end was € -4.2 million (2011: € 85.0 million) and is recognised in the revaluation reserve. The impairment of assets reclassified in level 3 at year end was zero (2011: € 91.5 million).

Sensitivity analysis using a measurement method not based on observable market variables

In millions of euros	Significant non-observable assumptions	Impact on result 2012	Impact on equity 2012	Impact on result 2011	Impact on equity 2011
Equity securities	Market spread +/- 10%	10.0	95.9	9.9	95.7
Debt securities	Liquidity premium +/- 0.5%	0.2	0.2	0.2	0.2

5.1.7.40. (40) Transferred financial assets

The tables below reflect the carrying amount of transferred financial assets that are not derecognised in their entirety.

Transferred financial assets that are not derecognised in their entirety at year end

In millions of euros	Mortgages at amortised cost	Mortgages at fair value	Available for sale equity securities and debt securities	Total 2012
Carrying amount of assets	3,589.5	5,188.1	1,208.8	9,986.4
Carrying amount of associated liabilities	-3,906.9	-4,250.0	-1,151.3	-9,308.3
Total net carrying amount	**-317.4**	**938.0**	**57.5**	**678.1**
Fair value of assets	3,589.5	5,188.1	1,208.8	9,986.4
Fair value of associated liabilities	-4,101.5	-4,250.0	-1,151.5	-9,503.1
Total net fair value	**-512.0**	**938.0**	**57.3**	**483.3**

Transferred financial assets that are not derecognised in their entirety at prior year end

In millions of euros	Mortgages at amortised cost	Mortgages at fair value	Available for sale equity securities and debt securities	Total 2011
Carrying amount of assets	3,608.6	4,489.4	1,722.6	9,820.6
Carrying amount of associated liabilities	-2,473.2	-5,122.1	-1,500.4	-9,095.7
Total net carrying amount	**1,135.5**	**-632.7**	**222.2**	**724.9**
Fair value of assets	3,608.6	4,489.4	1,722.6	9,820.6
Fair value of associated liabilities	-2,471.1	-5,122.1	-1,500.4	-9,093.6
Total net fair value	**1,137.6**	**-632.7**	**222.2**	**727.0**

The carrying amount of the liabilities includes securitisation transactions held on own book at group level which have been eliminated in the consolidated statement of financial position. The amounts in the consolidated statement of financial position are € 3,259.8 million (2011: € 2,734.9) lower.

The carrying amount of the securitised mortgages held at amortised costs equals fair value as Delta Lloyd Group uses hedge accounting for these assets.

Transferred financial assets can be categorised into two product lines: repurchase agreements and securitisation.

Repurchase agreements
Delta Lloyd Group has entered into repurchase agreements for € 1,151.3 million (2011: € 1,500.4 million) on debt securities from various investment portfolios. The agreements were made with Rabobank, KBC Bank NV, ING Groep and Belfius Bank. The obligations under these agreements are recognised in 'Financial liabilities'.

Securitisation
Delta Lloyd Group does not derecognise securitised mortgages; we refer to the accounting policies 5.1.6.3. 'Consolidation principles'. For more information relating to securitised mortgages and related liabilities see section 5.1.7.20. 'Securitised mortgages and related assets' and 5.1.7.34. 'Borrowings'.

5.1.7.41. (41) Assets under management

Third-party funds under management include funds managed by Delta Lloyd Group that have not been recognised elsewhere in the consolidated financial statements.

Assets under management at year end

In millions of euros	2012	2011
Total funds under management in the statement of financial position	71,480.6	66,616.1
Third-party funds under management	7,492.1	6,705.3
Total assets under management	**78,972.8**	**73,321.4**

5.1.7.42. (42) Related party transactions

Services provided to related parties

In millions of euros	Income earned in year 2012	Receivable at year end 2012	Income earned in year 2011	Receivable at year end 2011
Joint ventures	0.1	-	0.7	-
Aviva Group companies	-	-	34.9	59.4
Total	**0.1**	**-**	**35.6**	**59.4**

Services provided by related parties				
In millions of euros	Expenses incurred in year 2012	Payable at year end 2012	Expenses incurred in year 2011	Payable at year end 2011
Aviva Group companies	-	-	27.1	2.6
Employee pension plans	139.5	2,343.2	309.0	2,042.8
Total	**139.5**	**2,343.2**	**336.1**	**2,045.4**

All related party transactions are on terms equivalent to arm's length transactions.

Related party transactions mainly involve transactions with the pension fund. Aviva Group is no longer a related party (see section 5.1. 'Consolidated financial statements').

Related party payables are not secured and no guarantees have been received in respect of them. The payables will be settled on normal credit terms.

See section 5.1.7.31. 'Pension obligations' of the consolidated financial statements for the maturity of the pension obligations.

Information on remuneration, interests and transactions of the members of the Executive Board and the Supervisory Board is included in section 5.1.7.10. 'Remuneration of directors and the Supervisory Board'. Within Delta Lloyd Group, only the Executive Board and the Supervisory Board are considered as key management, as they determine and monitor respectively the company's operational and financial policy.

Key management personnel costs current year					
In millions of euros	Active Executive Board members	Former Executive Board members	Total Executive Board members	Supervisory Board	Total
Short-term employee benefits	2.6	0.2	2.8	0.5	3.3
Post-employment benefits	0.6	-	0.6	-	0.6
Other long-term benefits	0.3	-	0.3	-	0.3
Share-based payment	0.4	-0.4	-	-	-
Total	**3.9**	**-0.2**	**3.7**	**0.5**	**4.1**

Key management personnel costs prior year					
In millions of euros	Active Executive Board members	Former Executive Board members	Total Executive Board members	Supervisory Board	Total
Short-term employee benefits	2.7	0.3	3.0	0.5	3.5
Post-employment benefits	0.5	0.4	0.9	-	0.9
Other long-term benefits	0.3	-	0.3	-	0.3
Share-based payment	-1.8	-1.3	-3.0	-	-3.0
Total	**1.7**	**-0.6**	**1.2**	**0.5**	**1.6**

The crisis levy for Dutch companies of € 0.4 million has not been included in the key management personnel compensation 2012. This crisis levy is a one-off tax of 16% on the salary from present employment 2012 over € 150,000.

In addition to the positions presented in the above tables, Delta Lloyd Group has received a long-term loan from Fonds NutsOHRA. Further information on this loan is given in section 5.1.7.34. 'Borrowings' in the consolidated financial statements and section 5.2.1.8. 'Subordinated debt' in the separate financial statements.

5.1.7.43. (43) Subsequent events

On 8 January 2013 Aviva sold its remaining stake in Delta Lloyd Group to various institutional investors, thus increasing Delta Lloyd NV's free float to approximately 99%.

As of 23 January 2013, Delta Lloyd NV is also listed on NYSE Euronext Brussels. New stock has not been issued. The primary listing of Delta Lloyd NV will remain on NYSE Euronext Amsterdam. The new listing reinforces Delta Lloyd's profile and visibility as a player in the Belgian banking and pensions market, which is the second home market for Delta Lloyd. It also increases the Group's strategic flexibility. The listing will lead to further diversification of the shareholder base and create broader access to the capital market. No significant additional reporting requirements or costs are incurred by this cross listing.

Amsterdam, 3 April 2013

Executive Board
Niek Hoek, chairman
Paul Medendorp
Emiel Roozen
Onno Verstegen

Supervisory Board
René Kottman, chairman
Eric Fischer
Pamela Boumeester
Jean Frijns
Jan Haars
Peter Hartman
Fieke van der Lecq
Patrick Regan

5.2. Separate financial statements

Separate income statement for the year ending 31 December		
In millions of euros	2012	2011
Result from participating interests after tax	-1,364.1	-67.1
Other results after taxation	-131.0	-115.4
Total result after tax	**-1,495.1**	**-182.5**

Separate balance sheet before appropriation of profit for the year ending 31 December			
In millions of euros		2012	2011
Goodwill	I	156.6	182.6
Total intangible assets		**156.6**	**182.6**
Participating interests in group companies	II	3,134.8	4,706.2
Participating interests with significant influence	II	2.2	2.6
Long-term loans	III	155.0	157.3
Total financial fixed assets		**3,292.0**	**4,866.1**
Total fixed assets		**3,448.6**	**5,048.7**
Debt securities		2.0	1.9
Equity securities	III	69.2	101.9
Short-term loans	III	20.8	26.4
Receivables	IV	480.2	433.9
Cash and cash equivalents		4.1	-
Total current assets		**576.3**	**564.1**
Total assets		**4,024.9**	**5,612.8**
Share capital	V	35.4	34.1
Share premium	V	355.2	356.4
Other statutory reserves	V	1,072.7	1,498.1
Revaluation reserve	V	667.5	435.8
Other reserves	V	1,668.0	1,720.5
Equity compensation plan	V	2.4	3.2
Unallocated profit / (loss)	V	-1,495.1	-182.5
Total shareholders' funds	**V**	**2,306.1**	**3,865.6**
Provisions	VI	17.7	20.7
Subordinated debt	VII	179.4	179.4
Long-term borrowings	VIII	705.1	791.9
Total long-term liabilities		**902.1**	**992.1**
Other liabilities	IX	816.6	755.2
Total liabilities		**1,718.8**	**1,747.2**
Total shareholders' funds and liabilities		**4,024.9**	**5,612.8**

5.2.1. Notes to the separate financial statements

5.2.1.1. Accounting policies

The separate financial statements of Delta Lloyd NV have been prepared in accordance with the legal requirements of Part 9 of Book 2 of the Dutch Civil Code. As the income statement of Delta Lloyd NV for 2012 is incorporated in the consolidated financial statements, only an abridged company income statement is presented pursuant to Section 2:402 of the Dutch Civil Code.

The option to use the same accounting policies in the separate financial statements as in the consolidated financial statements, as described in section 2:362 of the Dutch Civil Code, has been exercised. Consequently, the accounting policies in the separate financial statements are the same as those presented in notes A to AI to the consolidated financial statements, except for the following:

Subsidiaries and associates
Subsidiaries and associates in which Delta Lloyd Group has a controlling interest are measured at the net asset value. The net asset value is determined by measuring the assets, provisions and liabilities and calculating the net result using the same accounting policies applied in the consolidated financial statements.

Restatement of comparative figures in the balance sheet at 31 December 2011

In millions of euros	Before adjustments	Change in accounting policy	After adjustments
Balance sheet			
Participating interests in Group companies	4,701.0	5.2	4,706.2
Total assets		**5.2**	
Other statutory reserves	1,628.3	-130.2	1,498.1
Other reserves	1,715.3	5.2	1,720.5
Unallocated profit	-312.7	130.2	-182.5
Total shareholders' funds and liabilities		**5.2**	

Restatement of comparative figures in the income statement for the year 2011

In millions of euros	Before adjustments	Change in accounting policy	After adjustments
Income statement			
Result from participating interests after tax	-197.3	130.2	-67.1

5.2.1.2. (I) Goodwill

The carrying value at 31 December 2012 was € 156.6 million, (2011: € 182.6 million). On the 8 January 2013, Delta Lloyd Group and the minority shareholder signed a terms of agreement regarding the restructuring of Cyrte Investments. Delta Lloyd Group has considered the effects of the future restructuring including acquiring the 15 % minority interest which has led to an adjustment in goodwill of € 4.0 million and the recalculation of the carrying amount and the recoverable amount leading to an impairment of € 30.0 million.

5.2.1.3 (II) Participating interests

Movements in investments in subsidiaries and associates were as follows:

Movements in associates

In millions of euros	Participating interests in group companies	Participating interests with significant influence	Total
At 1 January 2011	**5,468.7**	**2.6**	**5,471.2**
Disposals	-2.7	-	-2.7
Result for the year	-67.1	-	-67.1
Withdrawn dividend	-293.1	-0.1	-293.2
New equity capital	59.3	0.2	59.5
Fair value gains and losses through equity	-460.7	-0.1	-460.8
Other	1.8	-	1.8
At 31 December 2011	**4,706.2**	**2.6**	**4,708.8**
Disposals	-90.4	-	-90.4
Result for the year	-1,364.1	-	-1,364.1
Withdrawn dividend	-262.6	-	-262.6
New equity capital	99.5	0.2	99.7
Fair value gains and losses through equity	46.2	-0.6	45.6
At 31 December 2012	**3,134.8**	**2.2**	**3,137.0**

Restrictions on dividend distributions relate to minimum capital requirements.

List of major Group companies at year end
The major Group companies in which Delta Lloyd NV has an interest (100% unless otherwise stated) are:
Holding
Delta Lloyd Houdstermaatschappij Verzekeringen NV (Amsterdam)
Delta Lloyd Bankengroep NV (Amsterdam)
Delta Lloyd Deutschland AG (Wiesbaden, Germany)
Delta Lloyd Houdstermaatschappij België BV (Arnhem)
Delta Lloyd ABN AMRO Verzekeringen Holding BV (51%) (Zwolle)
Delta Lloyd Services BV (Amsterdam)
Amstelhuys NV (Amsterdam)
Cyrte Investments BV (85%) (Naarden)
Delta Lloyd Asset Management Holding BV (Amsterdam)
Delta Lloyd Treasury BV (Amsterdam)
Life
Delta Lloyd Levensverzekering NV (Amsterdam)
Delta Lloyd Lebensversicherung AG (Wiesbaden, Germany)
Delta Lloyd Vastgoed Fonds NV (Amsterdam)
Delta Lloyd Life NV (Brussels, Belgium)
ABN AMRO Levensverzekering NV (51%) (Zwolle)
Investment funds
Delta Lloyd Europa Fonds (95%) (Amsterdam)
Delta Lloyd Donau Fonds (51%) (Amsterdam)
Delta Lloyd Select Dividend Fonds (70%) (Amsterdam)
Delta Lloyd Investment Fund NV (95%) (Amsterdam)
Delta Lloyd Rente Fonds (75%) (Amsterdam)
Daedalus plc (Dublin, Ireland)
General
Delta Lloyd Schadeverzekering NV (Amsterdam)
Delta Lloyd Schadeverzekering Volmachtbedrijf BV (Amsterdam)
ABN AMRO Schadeverzekering NV (51%) (Zwolle)
ABN AMRO Assuradeuren BV (51%) (Zwolle)
Bank
Delta Lloyd Bank NV (Amsterdam)
Delta Lloyd Bank België NV (Brussels, Belgium)

The list pursuant to Sections 379 and 414 of Book 2 of the Dutch Civil Code has been filed with the Chamber of Commerce in Amsterdam.

5.2.1.4. (III) Investments

Statement of changes in investments in equity securities		
In millions of euros	2012	2011
At 1 January	**101.9**	**143.5**
Additions	-	-
Disposals	-0.7	-1.4
Fair value gains and losses	0.2	-3.4
Impairment losses	-32.2	-36.8
At 31 December	**69.2**	**101.9**
Cumulative fair value gains and losses	4.4	4.2
Cumulative impairment losses	-172.6	-143.5

Statement of changes in loans			
In millions of euros	Long-term loans	Short-term loans	Total
At 1 January 2011	**116.6**	**298.2**	**414.8**
Additions	78.1	3.5	81.7
Disposals	-44.4	-275.3	-319.7
Impairment losses	-	-	-
Reversal of impairment	-	-	-
Other adjustments	7.0	-	7.0
At 31 December 2011	**157.3**	**26.4**	**183.8**
At 1 January 2012	**157.3**	**26.4**	**183.8**
Additions	-	-5.5	-5.5
Disposals	-5.3	-	-5.3
Impairment losses	-	-	-
Reversal of impairment	3.0	-	3.0
Other adjustments	-	-0.1	-0.1
At 31 December 2012	**155.0**	**20.8**	**175.8**

The fair value of the total loan portfolio with an amortised cost of € 175.8 million (2011: € 183.7 million) was € 175.8 million (2011: € 183.7 million).

As in 2011, all short-term loans are due within one year.

An amount of € 154.6 million (2011: € 152.2 million) of the long-term loans and € 20.8 million (2011: € 26.4 million) of the short-term loans were held by subsidiaries and associates. Of the long-term loans held by subsidiaries and associates, € 102.0 million (2011: € 102.0 million) is subordinated.

As in 2011, there were no arrears on interest or repayments.

Accumulated impairment was € 21.4 million (2011: € 24.4 million).

5.2.1.5. (IV) Receivables

Receivables at year end		
In millions of euros	**2012**	**2011**
Receivables from Group companies	356.6	170.5
Receivables and other financial assets	6.5	6.4
Capitalised interest and prepayments	2.5	2.8
Tax assets (refer to section IX 'Other liabilities')	114.6	254.1
Total	**480.2**	**433.9**

As in the previous reporting period, all receivables are due within one year.

Capitalised interest and prepayments include € 1.6 million (2011: € 1.6 million) of Group companies.

5.2.1.6. (V) Equity

Statement of changes in equity		
In millions of euros	**2012**	**2011**
Share capital		
At 1 January	**34.1**	**33.5**
Final dividend for 2011	0.5	0.4
Interim dividend for 2012	0.7	0.2
At 31 December	**35.4**	**34.1**
Share premium		
At 1 January	**356.4**	**357.0**
Final dividend for 2011	-0.5	-0.4
Interim dividend for 2012	-0.7	-0.2
At 31 December	**355.2**	**356.4**
Other statutory reserves		
At 1 January	**1,498.1**	**1,212.7**
Result on associates in prior year	-67.1	708.6
Transfer to other reserves	90.2	-
Movements due to changes in accounting principles	-	-130.2
Other direct equity movements at associates	-185.9	-
Dividends received from associates	-262.6	-293.1
At 31 December	**1,072.7**	**1,498.1**
Revaluation reserves		
At 1 January	**435.8**	**766.0**
Movements in the value of investments	-0.4	-1.6
Movements in the value of associates	232.1	-328.7
Taxes on the above movements	-	0.2
At 31 December	**667.5**	**435.8**
Other reserves		
At 1 January	**1,720.5**	**1,630.9**
Change in accounting policy	-	5.2
Transfer from other statutory reserves	-90.2	-
Dividends received from associates	262.6	293.1
Result of the holding company excluding prior year result on associates	-115.4	-87.8
Final dividend paid	-76.2	-70.2
Interim dividend paid	-34.8	-56.3
Treasury shares	1.5	-
Change in options granted	0.6	-
Shares held indirectly in investment funds at policyholders' risk	-0.5	5.6
At 31 December	**1,668.0**	**1,720.5**
Equity compensation plan	2.4	3.2
Result for the year	-1,495.1	-182.5
Total shareholders' funds	**2,306.1**	**3,865.6**

Share capital
Issued shares are fully paid-up and each give the right to cast one vote.

Movements in the issued capital in 2012 related to distribution of a stock dividend.

Statement of changes in ordinary shares		
Numbers	2012	2011
At 1 January	170,578,697	167,547,280
Stock dividend	6,192,174	3,031,417
At 31 December	176,770,871	170,578,697

Convertible preference shares A
The convertible preference shares A carry a fixed dividend of 2.76%. Fonds NutsOHRA is entitled to convert these cumulative preference shares A one to one into ordinary shares.

The conversion price is € 33.21 (2011:€ 37.02) per ordinary share less € 0.20 (the nominal value of the convertible preference shares A).

Preference shares B
The preference shares B are protective preference shares. The preference shares B have not been issued but an option agreement has been entered into with Stichting Continuïteit Delta Lloyd, Amsterdam (see section 3.1 Corporate governance), which is legally and administratively independent of Delta Lloyd Group. Stichting Continuïteit Delta Lloyd, therefore, has a call option for an indefinite period to acquire preference shares B in Delta Lloyd NV, up to a maximum equal to 100% of the issued share capital in the form of ordinary shares and preference shares A immediately prior to the exercise of the call option, minus one share.

On acquisition, at least one quarter of the nominal value must be paid up on each preference share B. The call for a further payment on preference shares B shall be made pursuant to a resolution of the Executive Board of Delta Lloyd NV. Such resolution shall be subject to the approval of the Supervisory Board. Delta Lloyd Group believes that the call option is not material as meant by IAS 1.31 since there is a very small probability of the call option being exercised. In the highly exceptional circumstances in which the call option would be exercised, these preference shares B would, in all probability, be cancelled within a very short time. The option is, therefore, not recognised in the financial statements nor is any additional information as referred to in IAS 32 and IAS 39.

Share premium
This reserve includes amounts received from the issuance of shares in excess of their nominal value. The movement in 2011 and 2012 is entirely attributable to the stock dividend charged to the share premium. The share premium is freely distributable to the relevant class of shareholders (holders of preference shares A and ordinary shareholders) to the amount they have paid in.

Revaluation reserve
The revaluation reserve recognises unrealised value changes in investments available for sale, less the related deferred tax liability. It includes direct movements in the equity of associates that also cannot be distributed without restrictions.

Other statutory reserves
This reserve includes the associates' reserve, which is the profit from subsidiaries and associates. It is not freely distributable, partly because of solvency requirements imposed on subsidiaries and associates. The result of the subsidiary is transferred to the other reserves if the subsidiary has a negative equity.

Other reserves
The category 'Other reserves' includes dividends received from subsidiaries, the result of the company and treasury shares held directly and indirectly. These reserves are freely distributable.

5.2.1.7. (VI) Provisions

Statement of changes in provisions

In millions of euros	Restructuring provisions	Employee share option plan	Total
At 1 January 2011	**24.2**	**10.8**	**34.9**
Unused amounts released	-4.8	-4.4	-4.8
Withdrawal provision during the year	-5.0	-	-9.4
At 31 December 2011	**14.3**	**6.4**	**20.7**
Additional provision made in the year	0.2	1.0	1.1
Unused amounts released	-	-2.8	-2.8
Withdrawal during the year	-	-1.4	-1.4
Movement in provisions	**0.2**	**-3.3**	**-3.1**
At 31 December 2012	**14.5**	**3.1**	**17.7**

The restructuring provision of € 14.5 million relates to the discontinuation of the activities of OHRA Belgium NV, a general insurer operating in the Belgian market. This entity will be wound up as soon as the remaining claim files have been closed.

The expected funds outflow is € 0.4 million within a year and € 17.3 million after one year.

5.2.1.8. (VII) Subordinated debt

The following table provides information on the composition of the company's subordinated debt and preference shares. Both loans have terms of more than five years.

Subordinated debt

In millions of euros	**2012**	**2011**
Subordinated debt	176.8	176.8
Preference shares	2.6	2.6
Total subordinated debt	**179.4**	**179.4**

Fonds NutsOHRA

The perpetual subordinated loan notes with an initial interest rate of 2.5% were issued to finance the acquisition of NutsOHRA Beheer BV in 1999. Compared to 2011 the notional amount and the carrying amount of the loan was unchanged (notional amount € 496.9 million and carrying amount € 176.8 million). The interest rate on the notes was 2.76% at year end 2012 (2011: 2.76%). The fair value of the subordinated loan was € 292.2 million (2011: € 154.8 million).

The fair value of the subordinated debt is based on the proxy curve compiled from credit curves in the same industry sector and industry group with a similar credit rating. Substantial tightening in the used swap curve as well as illiquidity and DeltaLloyd proxy curve resulted in a fair value increase of € 137.4 million for the Fonds NutsOHRA subordinated loan.

At the time of the public offering, Delta Lloyd NV repurchased € 6.7 million convertible preference shares A, resulting in an outstanding debt of € 2.6 million at year end 2012 (2011: € 2.6 million). The convertible preference shares A are entitled to a fixed dividend of 2.76%. The terms and conditions for conversion are set out in section 5.2.1.6. 'Equity'.

In the event of bankruptcy, subordinated loans rank lower than other liabilities, but higher than preference and other shares. The perpetual subordinated loan extended to Fonds NutsOHRA ranks below other subordinated loans.

5.2.1.9. (VIII) Long-term borrowings

An amount of € 133.3 million (2011: € 220.7 million) of the long-term borrowings relates to group companies, the rest relates to the EMTN program which was issued in 2010. Delta Lloyd NV has pledged shares of about € 60.2 million (2011: € 228.3 million) to a subsidiary.

Statement of changes in borrowings

In millions of euros	2012	2011
At 1 January	**791.9**	**887.7**
New borrowings drawn down, net of expenses	0.6	0.6
Repayments of borrowings	-87.4	-96.3
Net cash inflow / outflow	**-86.8**	**-95.7**
At 31 December	**705.1**	**791.9**

None of the long-term borrowings falls due within one year and € 705.1 million (2011: € 220.7 million) falls due within five years. The average interest rate on these loans is 4.4% (2011: 5.2%).

The repayment was funded by selling the subsidiary Dellvom BV. This caused a reduction in the pledged shares.

5.2.1.10. (IX) Other liabilities

Other liabilities at year end		
In millions of euros	**2012**	**2011**
Tax liabilities	10.4	13.1
Accrued interest	13.2	13.2
Amount owed to Group companies	353.3	342.5
Credit on demand	434.6	357.5
Other	5.2	29.0
Total	**816.6**	**755.2**

As in 2011, all other liabilities are payable within one year.

Tax assets and liabilities at year end		
In millions of euros	**2012**	**2011**
Current tax assets	73.7	103.7
Deferred tax assets	40.9	150.4
Total tax assets	**114.6**	**254.1**
Current tax liabilities	10.0	9.5
Deferred tax liabilities	0.4	3.6
Total tax liabilities	**10.4**	**13.1**
Net tax asset	**104.2**	**241.1**

Delta Lloyd NV is the parent company of the Delta Lloyd tax entity. An amount of € 11.9 million (2011: € 125.1 million) of the deferred tax assets relates to tax losses of the Delta Lloyd tax entity. The recovery of this tax asset through future taxable profits is probable.

Deferred tax assets and liabilities at year end		
In millions of euros	**2012**	**2011**
Unrealised gains and losses on investments	3.7	-3.6
Unused tax losses	11.9	125.1
Other temporary differences	24.9	25.3
Net deferred tax asset	**40.4**	**146.9**

Statement of changes in deferred tax assets / liabilities		
In millions of euros	**2012**	**2011**
At 1 January	**146.9**	**64.0**
Amounts charged/credited to result	-106.4	0.8
Transfer tax assets within tax entity	-	81.9
Amounts charged/credited to equity	-	0.2
At 31 December	**40.4**	**146.9**

The company does not have unrecognised tax losses.

5.2.1.11. (X) Related party transactions

Services provided to related parties				
In millions of euros	Income earned in year 2012	Receivable at year end 2012	Income earned in year 2011	Receivable at year end 2011
Subsidiaries	227.2	531.2	231.8	350.7
Total	**227.2**	**531.2**	**231.8**	**350.7**

Services provided by related parties				
In millions of euros	Expenses incurred in year 2012	Payable at year end 2012	Expenses incurred 2011	Payable at year end 2011
Subsidiaries	49.6	921.1	65.8	920.6
Aviva Group companies	-	-	-	2.6
Total	**49.6**	**921.1**	**65.8**	**923.2**

The related party transactions concern intercompany loans between the holding and Group companies, and the related interest. All related party transactions are at arm's length.

Information on directors' remuneration is included in section 5.1.7.10. 'Remuneration of directors and the Supervisory Board' and section 5.1.7.42. 'Related party transactions'. Within Delta Lloyd Group, only the Executive Board and the Supervisory Board are considered key management, as they have respective responsibility for determining and monitoring the operational and financial policy.

Related party payables are not secured and no guarantees have been received in respect of them. The payables will be settled on normal credit terms. There are no arrears of interest or repayments.

5.2.1.12. (XI) Off-balance sheet commitments

Off-balance sheet commitments at year end		
In millions of euros	2012	2011
Contingent liabilities	10.8	4.8
Total	**10.8**	**4.8**

The contingent liabilities relate to three (2011: two) guarantees. The increase in contingent liabilities of € 6.0 million is due to a guarantee to OHRA Belgium NV. None of the contingent liabilities will expire within one year (2011: nil).

5.2.1.13. (XII) Employee information

Average number of employees (FTE) during the year		
Number in FTE	**2012**	**2011**
Permanent staff	1,038	1,053
Temporary staff	231	216
Total	**1,269**	**1,269**

Staff costs in the financial year		
In millions of euros	**2012**	**2011**
Salaries	67.3	65.1
External staff	45.1	37.4
Social security contributions	8.7	7.5
Pension and post-retirement expenses	18.2	16.9
Profit sharing and incentive plans	-0.3	-1.0
Termination benefits	1.1	2.0
Care	1.4	1.4
Other staff costs	12.6	11.7
Total	**154.1**	**140.9**

Details of the remuneration of directors and the Supervisory Board are given in section 5.1.7.10. ‘Remuneration of directors and Supervisory Board’ and section 5.1.7.42. ‘Related party transactions’ of the consolidated financial statements.

All staff are employed by Delta Lloyd Services BV. The costs included in the above table represent recharges to the company from Delta Lloyd Services BV. The recharges are based on allocated staff numbers relating to the Executive Board, corporate staff departments and include all related expenditures. The increase in salaries is mainly caused by indexation and reorganisation costs.

Section 5.1.7.9. ‘Employee information’ of the consolidated financial statements provides information on share-based and performance-related compensation plans. Income under share-based and performance-related compensation plans derives mainly from the release of the phantom option plan.

5.2.1.14. (XIII) Audit fees

Delta Lloyd Group recognised the following fees paid to the audit organisation Ernst & Young during the financial year.

Audit fees in the financial year

In millions of euros	2012	2011
Audit of the financial statements	3.2	3.9
Other audit services	0.6	0.7
Other non-audit services	0.1	1.0
Total	**3.9**	**5.6**

Amsterdam, 3 April 2013

Executive Board
Niek Hoek, chairman
Paul Medendorp
Emiel Roozen
Onno Verstegen

Supervisory Board
René Kottman, chairman
Eric Fischer
Pamela Boumeester
Jean Frijns
Jan Haars
Peter Hartman
Fieke van der Lecq
Patrick Regan

5.3. Other information

Subsequent events
On 8 January 2013 Aviva sold its remaining stake in Delta Lloyd Group to various institutional investors, thus increasing Delta Lloyd NV's free float to approximately 99%.

As of 23 January 2013, Delta Lloyd NV is also listed on NYSE Euronext Brussels. New stock has not been issued. The primary listing of Delta Lloyd NV will remain on NYSE Euronext Amsterdam. The new listing reinforces Delta Lloyd's profile and visibility as a player in the Belgian banking and pensions market, which is the second home market for Delta Lloyd. It also increases the Group's strategic flexibility. The listing will lead to the further diversification of the shareholder base and create broader access to the capital market. No significant additional reporting requirements or costs are incurred by this cross listing.

5.3.1. Dividends and appropriation of profits

Profit appropriation provisions in the articles of association
Article 44, relating to the appropriation of result, if appropriate here, specifies that, first of all, a percentage dividend shall be paid on the preference shares B equal to the average 1-month Euribor plus a premium set by the Executive Board and approved by the Supervisory Board of at least one percentage point but no more than four percentage points, depending on market conditions. The dividend shall be computed on the paid-up part of the nominal amount. If the profit is insufficient to pay this dividend in full, the shortfall shall be distributed from the reserves, except the dividend reserve A and the share premium A (article 44.1).

From the profit remaining after the dividend paid on the preference B shares, a dividend of 2.76% on the paid-up amount of the issued preference shares A shall be added to the dividend reserve A (and if applicable, on the dividend reserve A and the share premium A). If the profit in the year under review is insufficient to make the addition to the dividend reserve A, the provisions below shall not be implemented until the shortfall has been extinguished (article 44.2).

From the profit not distributed and added to the dividend reserve A pursuant to articles 44.1 and 44.2, such additions shall be made to reserves as determined by the Executive Board, subject to the approval of the Supervisory Board (article 44.3).
The profit remaining after the above (articles 44.1, 44.2 and 44.3) shall be at the disposal of the General Meeting of Shareholders.

The General Meeting of Shareholders may, on a proposal of the Executive Board approved by the Supervisory Board, resolve that a dividend be paid in full or in part in ordinary shares of the company and not in cash (article 44.9).

Dividend policy

Delta Lloyd Group will aim for a dividend payout ratio of around 40-45% of the yearly net operational result (operational result after tax and non-controlling interests) on the ordinary shares. In setting the annual dividend within the targeted payout ratio, Delta Lloyd Group will take into consideration the anticipated profitability over its three-year management planning period. By considering current and expected profitability, Delta Lloyd Group aims to achieve an appropriate degree of stability in dividend distribution in order to limit the impact of any short-term fluctuations in profits. Delta Lloyd Group aims to deliver a stable and progressive annual dividend and have a regulatory Group IGD solvency ratio in the range of at least 160% to 175% of the minimum regulatory requirement, in order to maintain the dividend policy.

Proposed dividend

Delta Lloyd Group proposes on the basis of the net operational result to distribute a final dividend of € 1.03 per ordinary share for the full year 2012 charged to the freely distributable reserves, being € 180.6 million. Taking into account the interim dividend of € 0.42 per share already paid, the final dividend will be € 0.61 per share. The final dividend may be paid entirely in cash or entirely in shares as the shareholder wishes. The value of the stock dividend (dividend in shares) will have a premium of approximately 4% compared to the value of the cash dividend and will be charged to the share premium.

To set the value of the stock dividend, Delta Lloyd Group will use a fraction of a share based on the weighted average share price over a period of five consecutive trading days (to take account of the prevailing market price). Shareholders have until 12 June 2013 to decide whether they wish to receive the dividend in cash or shares.

The number of shares that entitles shareholders to a new ordinary share (with a nominal value of € 0.20) will be decided after 5.30 pm on 12 June 2013, based on the weighted average closing price quoted on NYSE Euronext Amsterdam in the five trading days from 6 June 2013 to 12 June 2013.

Appropriation of result

Upon approval of the proposed dividend by the General Meeting of Shareholders, the appropriation of result shall be:

Appropriation of result

In millions of euros	2012	2011
Addition to/withdrawal from (-) other reserves	-603.1	-290.6
Addition to/withdrawal from (-) other statutory reserves	-1,072.5	-67.1
Dividend on ordinary shares	180.6	175.2
Total	**-1,495.1**	**-182.5**

5.3.2. Independent auditor's report

To the Shareholders, the Supervisory Board and the Executive Board of Delta Lloyd NV

Report on the financial statements
We have audited the accompanying financial statements 2012 of Delta Lloyd NV, Amsterdam as set out in sections 5.1 and 5.2. The financial statements include the consolidated financial statements and the separate financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2012, the consolidated income statement, the consolidated statement of comprehensive income and the consolidated statements of changes in equity and cash flows for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information. The separate financial statements comprise the separate balance sheet as at 31 December 2012, the separate income statement for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the Report of the Executive Board in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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

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

Opinion with respect to the consolidated financial statements
In our opinion, the consolidated financial statements give a true and fair view of the financial position of Delta Lloyd NV as at 31 December 2012 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Opinion with respect to the separate financial statements
In our opinion, the separate financial statements give a true and fair view of the financial position of Delta Lloyd NV as at 31 December 2012 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 Report of the Executive Board, 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 Report of the Executive Board, 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.

Amsterdam, 3 April 2013

Ernst & Young Accountants LLP

Signed by M. Koning

6. General information

The 2012 annual report is a publication of Delta Lloyd Group's Corporate Communications & Investor Relations department. It is posted on www.deltalloydgroep.com and is available as an iPad app. This app also contains our current financial press releases and presentations. The report is published in English, a Dutch summary is available on this website.

More details on Delta Lloyd Group, our brands, personal details of the Executive Board and our management and the addresses of our office locations are posted on www.deltalloydgroep.com.

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6.1. Glossary

Acquired value of in-force business (AVIF)
The present value of future profits on a portfolio of insurance and investment contracts acquired, either directly or through the purchase of a subsidiary, is recognised as an intangible asset.

Acquisition costs
Fixed and variable costs arising from writing insurance contracts.

Actuarial gains and losses
These comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and the effects of changes in actuarial assumptions.

Amortised cost of financial asset or financial liability
The amount at which the financial asset or financial liability is measured at initial recognition; less any principal repayments; plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount; and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability.

Asset and liability management (ALM)
The process a company uses to gain insight into mutual dependencies in the development of its assets and liabilities, with the aim of limiting market risks while at the same time achieving the highest possible return within those limits.

Associates
Entities over which Delta Lloyd Group has significant influence but does not control. Generally, it is presumed Delta Lloyd Group has significant influence where it has between 20% and 50% of the voting rights.

Available for sale (AFS)
This is a category of financial assets, other than derivative financial instruments, designated as available for sale or which are not classified as loans, held-to-maturity investments, or financial assets at fair value through profit or loss. They are measured at fair value with gains and losses recognised through equity.

Claims ratio
The claims ratio is claims, including claims handling costs, expressed as a percentage of net written premiums.

Collateralised AAA curve
The discount curve used to calculate the insurance liabilities of Delta Lloyd Group, being the yield curve derived from collateralised AAA euro zone bonds.

Collateralised debt obligation (CDO)
The general term for a type of debt obligation secured on collateral consisting mainly of receivables, such as a group of mortgages.

Combined operating ratio
A measure of profitability used by an insurance company to indicate how well it is performing in its daily operations. A ratio below 100% indicates that the company is making underwriting profit while a ratio above 100% means it is paying out more money in claims that it is receiving from premiums. The combined operating ratio is calculated by taking the sum of incurred losses and expenses and dividing this by earned premium.

Commercial paper
A tradable loan issued by a financial institution or large enterprise with a term of usually less than two years, and in general between one and six months, and which is not secured.

Control
The power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Credit default swap
A contract between two parties under which the credit risk is transferred from a third party.

Credit risk
The risk that one party to a financial instrument will cause a financial loss for the other party by failing to fulfil an obligation.

Currency risk
The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Deferred acquisition costs (DAC)
Costs directly attributable to the acquisition of new business for insurance and participating investment contracts are deferred provided they are covered by future margins on these contracts. Acquisition and selling costs for non-participating investment contracts and investment management contracts that are directly attributable to securing investment management services are also deferred.

Defined benefit obligation (DBO or DB)
Pension plan other than a defined contribution plan. The amount to be paid for the pension entitlement is set using a formula that is usually based on the employee's income and/or length of service.

Defined contribution plan (DC)
Pension plan under which an entity (a company) pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to meet its obligations to its current and future beneficiaries.

Delta Lloyd Group (DLG)
Delta Lloyd NV and its subsidiaries.

Derivative financial instruments
Derivative financial instruments include foreign exchange contracts, interest rate futures, currency and interest rate swaps, currency and interest rate options (both written and purchased), swaptions and other financial instruments that derive their value mainly from underlying interest rates, foreign exchange rates, commodity values or equity instruments.

Diluted earnings per ordinary share
This is calculated by dividing the net result for the period attributable to holders of ordinary shares by the weighted average number of ordinary shares in issue adjusted for dilutive potential ordinary shares, such as convertible bonds and share options.

Dilution
A reduction in earnings per share or an increase in loss per share resulting from the assumption that convertible instruments are converted, that options or warrants are exercised, or that ordinary shares are issued subject to the satisfaction of specified conditions.

Discretionary participating contracts
Contracts with discretionary participating features (DPF) are contracts in which policyholders are assigned, in addition to their entitlement to a guaranteed element, an entitlement to a profit share whose timing and/or level is at the insurer's discretion. Delta Lloyd Group is entitled to decide whether this additional return is distributed to the policyholders or the shareholders, subject to the contract terms and conditions.

Earnings per ordinary share
This is calculated by dividing the net result attributable to holders of ordinary shares after deduction of the preference share dividend for the period by the weighted average number of ordinary shares in issue during the period, excluding the weighted average number of ordinary shares purchased by Delta Lloyd Group and held as treasury shares.

Economic capital
Unlike external minimum capital requirements, such as those imposed by regulators, economic capital refers to the amount of capital that Delta Lloyd Group needs, according to its own insights, to absorb economic risks. The economic capital is the total capital employed according to a valuation of assets and technical obligations based on economic principles. The required economic capital is the required solvency, based on the internal models of Delta Lloyd Group, to meet the obligations over a one-year period with at least 99.5% probability.

Effective interest method
A method of calculating the amortised cost of a financial asset or a financial liability and allocating the interest income or interest expense over the relevant period.

Embedded value (EV)
Embedded value comprises the market value of the freely distributable shareholders' funds (net worth) and the present value of the expected future results on the life insurance portfolio itself (value of in-force).

Euro OverNight Index Average (Eonia)
Eonia is the one-day interbank interest rate for the euro zone. Hence it is the rate at which banks provide loans to each other with a duration of one day.

Equity method
A method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets of the investee. The profit or loss of the investor includes the investor’s share of the profit or loss of the investee.

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

Financial reporting risks
Risks that inherently have a ‘reasonably possible’ likelihood of causing a material error in Delta Lloyd Group’s financial statements. The term ‘reasonably possible’ goes further than ‘modest’.

Goodwill
The positive difference between the cost of an acquired activity and Delta Lloyd Group’s share in the fair value of the assets, liabilities and contingent liabilities of the acquired subsidiary on the acquisition date.

Gross written premiums
Total premiums (earned or unearned) in a given period on insurance and reinsurance contracts (including deposits for investment contracts with no or limited life insurance features).

Gudrun index
An index used to value commercial property in Belgium.

Incurred but not reported (IBNR) provision
A provision for claims that have occurred by the reporting date but have not yet been reported to the insurer.

INK model
The plan cycle model used by Delta Lloyd Group, based on the Dutch Quality Institute model (*Instituut Nederlandse Kwaliteit model*).

Insurance contract

A contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder in exchange of a premium.

Insured event
An uncertain future event that is covered by an insurance contract and creates insurance risk.

Interest rate risk
The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates or the collateralised AAA curve.

International Financial Reporting Standards (IFRS)
Reporting standards and interpretations for companies adopted by the International Accounting Standards Board (IASB). These comprise:

- International Financial Reporting Standards (IFRS);
- International Accounting Standards (IAS); and
- Interpretations by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC).

Joint control
The contractually-agreed sharing of control over an economic activity that exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

Joint venture
See joint control.

Lapse risk
The risk that policyholders will terminate their insurance contracts earlier or, more often, before the expiry date. The stress test assumes an increase in the lapse rate, meaning a decline in future profits and earlier benefit payments. This only affects the Life business, due to the permanent character of Life contracts. General insurance contracts are short-term contracts (usually one year).

Lease
An agreement where the lessor transfers the right to use an asset for an agreed period to the lessee in return for a series of payments.

Legal and regulatory risk
The risk of not complying with laws, regulations and Delta Lloyd Group's own policies and procedures, including risks related to legal proceedings, compliance and tax.

Liquidity coverage ratio
A ratio showing in case of a stress situation (e.g. mass lapse, catastrophe) how sufficient the liquid stock of assets is.

Liquidity risk
The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial assets.

Longevity risk
The opposite effect of mortality risk. The effects of a further improvement in life expectancy over and above the expected improvement already built into the current prognoses. These effects lead to higher benefit costs for annuities and lower payments under term life policies.

Market risk
The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Mortality risk
The opposite effect of longevity risk. The mortality figure may undergo an extreme increase as a result of external factors (e.g. a worldwide pandemic). This leads to accelerated payment of traditional life insurance policies, an increase in payments under term life policies and a possible decrease in benefits paid under annuities.

Mortgage-backed securities (MBS)
Mortgage-backed securities are securities where the cash flows are covered by the principal and/or interest payments in a portfolio of mortgages.

Net investment income
Investment income consists of cash and stock dividends, interest and rental income receivable for the year, fair value changes in investments through profit or loss, impairment charges on available-for-sale investments, impairment charges on loans and receivables at amortised cost, and gains and losses on the sale of investments.

Net written premiums
Gross written premiums less reinsurance premiums paid in a given period.

Non-controlling interest
That portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned directly, or indirectly through subsidiaries, by Delta Lloyd NV.

Operational risk
The risk that losses may occur from the inadequacy or malfunctioning of internal processes or systems, human error, criminal behaviour or external events and risks relating to matters such as fraud and crime prevention, personnel, IT/infrastructure, business protection, projects and programmes, business processes, third parties and distribution.

Over-the-counter (OTC) instrument

Non-standard financial instruments that are not exchange traded but negotiated directly between market parties.

Performance share plan (PSP)
The long-term incentive plan for members of the Executive Board and directors under which equity-settled conditional Delta Lloyd NV shares are granted.

Phantom option
A conditional option that entitles the holder to receive in cash the increase in value of a 'performance unit' measured from the date of grant until the date of exercise.

Phantom Performance Share Plan (PPSP)
The long-term incentive plan for eligible managers under which cash-settled conditional phantom shares are granted.

Premiums earned
The portion of net written premiums in the current and previous periods that relate to the expired part of the term or the policy, calculated by deducting movements in the provision for unearned premiums and unexpired risks from the net premiums.

Provision for unearned premiums
The proportion of written premiums, gross of commission payable to intermediaries, attributable to subsequent periods.

Proxy curve
The curve composed on the basis of credit curves with similar credit rating in the same industry sector and industry group.

Realistic net asset value
The value of shareholders' funds when all assets and liabilities have been measured on an economic basis.

Receiver swaption
A receiver swaption entitles the buyer to enter into a swap where a fixed interest rate is received on a principal sum and a variable interest rate is paid on the same principal sum. The seller of a receiver swaption undertakes, upon the exercise of the swaption by the buyer on the exercise date, to enter into a swap where the seller pays a fixed interest rate on the principal sum in exchange for a variable interest rate on the same principal sum. The seller receives a premium for entering into the swaption.

Repo
Contract under which parties commit to sell bonds or equities to each other at a given time and to trade those securities in the opposite direction in the future.

Share premium
Calls paid on shares in excess of the nominal value.

Significant influence
The power to participate in the financial and operating policy decisions of an entity, but not to exercise control over those policies. Significant influence may be gained by share ownership, by law or under an agreement.

Stadim index
An index used to value residential property in Belgium.

Strategic risk
The risk that targets are not achieved because the business units of Delta Lloyd Group fail to respond, or respond inadequately, to changes in the business environment and risks related to matters such as mergers and acquisitions, brands and reputation, risk management, audits, corporate social responsibility, climate, customers and communications.

Subrogation
Some insurance contracts allow Delta Lloyd Group to pursue third parties for payment of some or all costs (income from subrogation).

Subsidiary
An entity, including an entity without legal personality such as a partnership, over which another entity (the parent) exercises control.

Ultimate forward rate (UFR)
The UFR is the fixed forward discount rate, after the last liquid point in the swap futures

Unit-linked contracts
Contracts where savings are invested in investment funds. The savings are used to purchase units. There is often a choice between equity, bond and mixed funds.

Vesting conditions
The conditions that must be satisfied for the counterparty to become entitled to receive cash, other assets or equity instruments of the company, under a share-based payment arrangement. Vesting conditions include service conditions, which require the other party to complete a specified period of service, and performance conditions, which require specified performance targets to be met.

6.2. Abbreviations

A&E	Asbestos and environmental pollution claims
ABC	Activity-based costing
ABI	Association of British Insurance Companies
AEX	Amsterdam Exchange index
AFS	Available for sale
AG	Actuarial Society (*Actuarieel Genootschap*)
ALCO	Asset & Liability Committee
AOV	Occupational disability insurance (*Arbeidsongeschiktheidsverzekering*)
AVIF	Acquired value of in-force business
CBS	Statistics Netherlands (*Centraal Bureau voor de Statistiek*)
CDO	Collateralised debt obligation
CFO	Chief Financial Officer
Coll-AAA curve	Collateralised AAA curve
COR	Combined operating ratio
DIL	Longevity risk product (*Direct ingaande lijfrente*)
DNB	Dutch Central Bank (*De Nederlandsche Bank NV*)
DPF	Discretionary participating features
ECB	European Central Bank
EONIA	Euro OverNight Index Average
EMTN	Euro Medium Term Note
EV	Embedded value
FBA	Friesland Bank Assurantiën Holding
FSMA	Financial Services and Market Authority of Belgium
FTE	Full-time equivalent
FVTPL	Fair value through profit or loss
GAAP	Generally accepted accounting principles
GBD	Group business development
GBM/V	Entire population male/female (*Gehele Bevolking Mannen/Vrouwen*)
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IBNR	Incurred but not reported
IFRIC	International Financial Reporting Interpretations Committee
IGD	Insurance Group Directive
IFRS	International Financial Reporting Standards
INK model	Management model (*Instituut Nederlandse Kwaliteit model*)
ISAE	International Standard on Assurance Engagement
KAZO	Contact Committee for Disability, Sickness and Accident Insurance (*Kontaktcommissie Arbeidsongeschiktheid- Ziekengeld- en Ongevallenverzekeringen*)
LAT	Liability adequacy test
LCR	Liquidity coverage ratio

MFRK	Male/female interest capital (*Male/Female Rente Kapitaal*)
NBB	National Bank of Belgium (*Nationale Bank van België*)
NYSE Euronext	New York Stock Exchange Euronext
OCI	Other comprehensive income
OIS	OverNight Index Swap
ORIC	Operational Risk Consortium
OTC	Over-the-counter
PEMBA	Differentiation in contributions and market forces for occupational disability insurance Act (*Wet premiedifferentiatie en marktwerking bij arbeidsongeschiktheidsverzekeringen*)
PPSP	Phantom performance share plan
PSP	Performance share plan
RCM	Risk control matrix
Repo	Repurchase agreement
RfB	*Rückstellung für Beitragsrückerstattungen* (provision for premium refunds)
RICS	Royal Institution of Chartered Surveyors
RMBS	Residential mortgage-backed security
RMS	Risk Management Solutions (catastrophe model)
SAS	Statement on Auditing Standards
SEC	Securities and Exchange Commission
SIC	Standing Interpretations Committee
SOx	Sarbanes-Oxley Act
SPV	Special purpose vehicle
Stadim index	Study & Advice of real estate index in Belgium (*Studie & Advies in immo index*)
STI	Short-term incentive
UFR	Ultimate forward rate
VIP-is	Variable Incentive Plan for identified staff
VIP-om	Variable Incentive Plan for other managers
VIU	Value in use
WAO	Occupational Disability Insurance Act (*Wet op de arbeidsongeschiktheids-verzekering*)
Wft	Financial Supervision Act (*Wet op het financieel toezicht*)
WGA-ER	Return to work of partially disabled persons scheme-own risk (*Regeling werkhervatting gedeeltelijk arbeidsgeschikten eigen risico*)
WIA	Work and Income (Capacity for Work) Act (*Wet werk en inkomen naar arbeidsvermogen*)

6.3. Disclaimer

Certain statements in this annual report 2012 that are not historical information are "forward-looking statements". These forward-looking statements are based on management's understanding and assumptions and on information currently available to them. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond Delta Lloyd Group's control and all of which are based on management's current understanding and expectations about future events.

Forward-looking statements involve inherent risks and uncertainties and apply only on the date they were made. Delta Lloyd Group does not undertake to update any of the forward-looking statements in light of new information or future events, except to the extent required by law. A number of significant factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statement as a result of risks and uncertainties facing Delta Lloyd Group. Such risks, uncertainties and other significant factors include: (i) changes in the financial markets and general economic conditions, (ii) changes in competition from local, national and international companies, new entrants in the market and self-insurance and changes to the competitive landscape in which Delta Lloyd Group operates, (iii) the adoption of new, or changes to, existing laws and regulations such as Solvency II, (iv) catastrophes and terrorist-related events, (v) default by third parties owing money, securities or other assets on their financial obligations, (vi) equity market losses, (vii) long and/or short-term interest rate volatility, (viii) illiquidity of certain investment assets, (ix) flaws in underwriting assumptions, pricing and/or claims reserves, (x) the termination of or changes to relationships with principal intermediaries or partnerships, (xi) the unavailability and unaffordability of reinsurance, (xii) flaws in Delta Lloyd Group's underwriting, operating controls or IT systems, or a failure to prevent fraud, (xiii) a downgrade (or potential downgrade) of Delta Lloyd Group's credit ratings and (xiv) the outcome of pending, threatened or future litigation or investigations. Should one or more of these risks or uncertainties materialise, or should any underlying assumptions prove to be incorrect, Delta Lloyd Group's actual financial condition or results of operations could differ materially from those described herein as "anticipated", "believed", "estimated" or "expected".