Annual report 2011

5 April 2012

delta lloyd

1 Report of the Executive Board

Critical at the right time

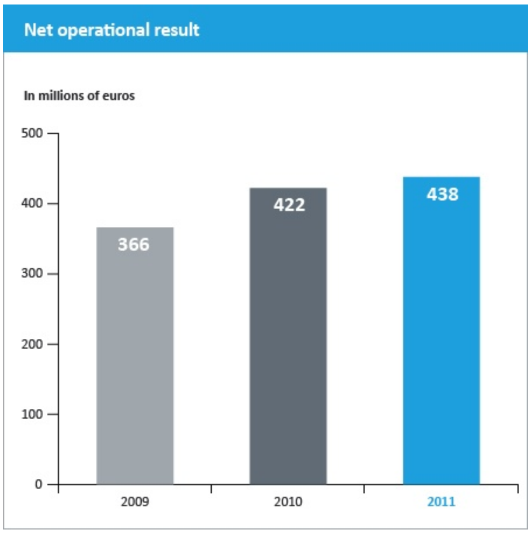
"Delta Lloyd Group has again demonstrated its ability to deal with market volatility. The downward risks have been effectively hedged and the balance sheet is highly resilient. Commercial successes were also achieved. We have secured strong new pension sales, we continue to grow in 'banksparen', and we are being rewarded for our efforts to increase customer satisfaction. Our focus on greater efficiency and simplification has put our cost reduction programme well ahead of target, enabling us to deliver on our recent, even tougher objectives for 2012 and 2013. We also remain committed to growing our operational result and dividend by at least 3% per annum. Our risk-return management has again proven effective in 2011, resulting in a strong solvency position and investment performance. The IFRS result and the development of shareholders' funds were strongly impacted by the effect of lower interest rates and tighter spreads on the value of our liabilities, which was only partly compensated by the good investment results.

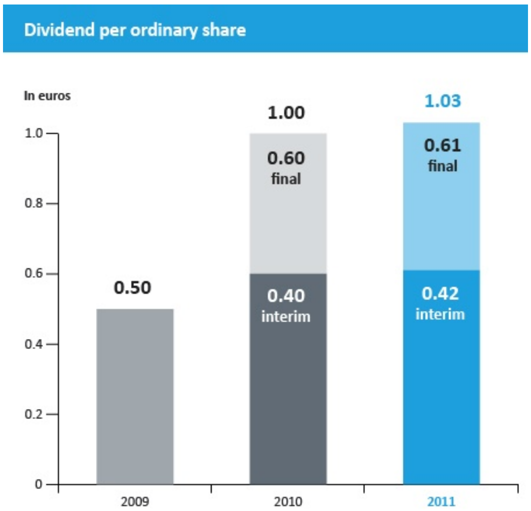
We are a sustainable financial services provider that puts customer interest first. This is reflected in the fact that we retained the Customer-Focused Insurance Quality Label for all brands of Delta Lloyd Group.

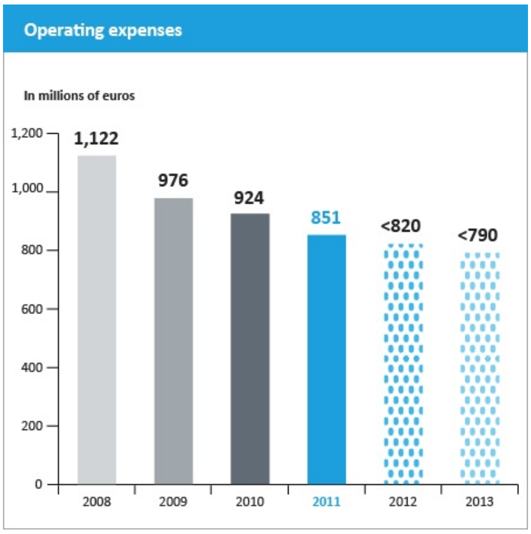
Thanks to our results and our stability, we are not only attractive to customers looking for a robust long-term partner but also well positioned to take advantage of future market uplift. Moreover, our performance has underpinned the ability to deliver value to all our stakeholders. Starting from this strong position, we look forward to the year 2012 with confidence."

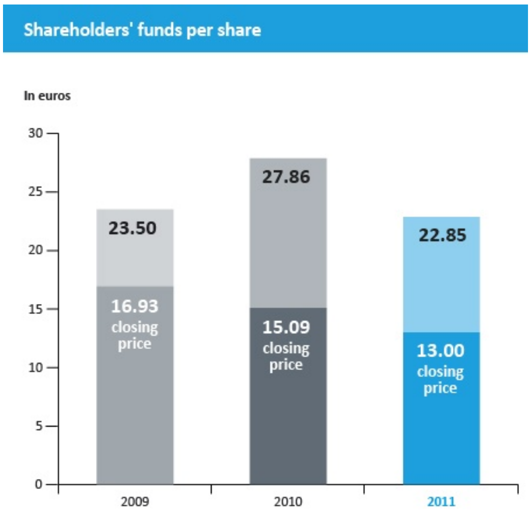
Niek Hoek
Chairman of the Executive Board

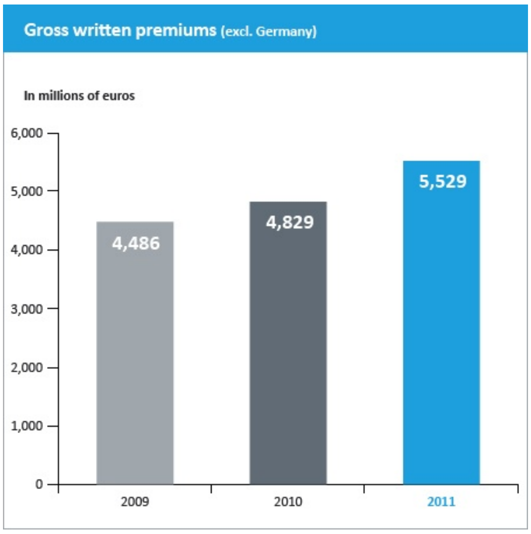
1.1 Key figures

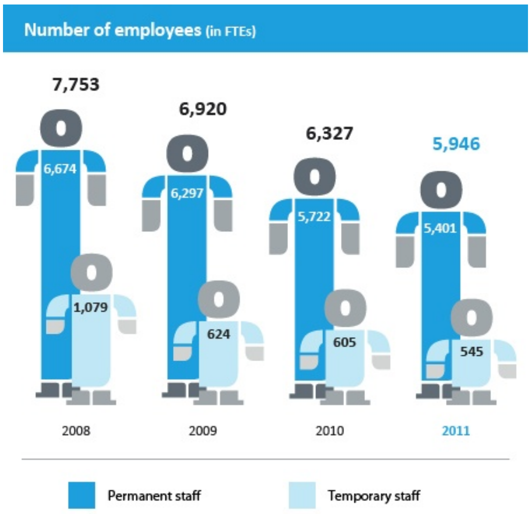


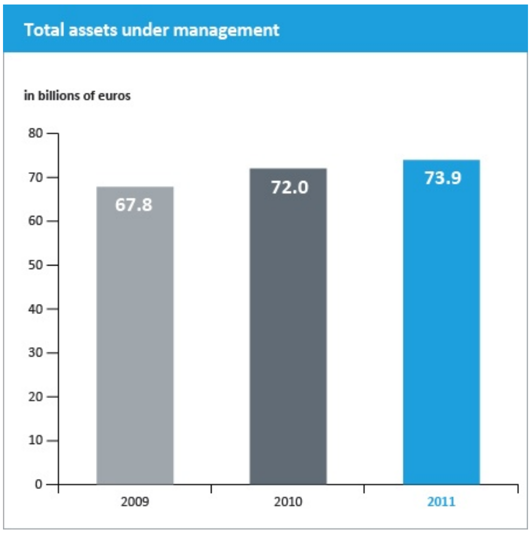


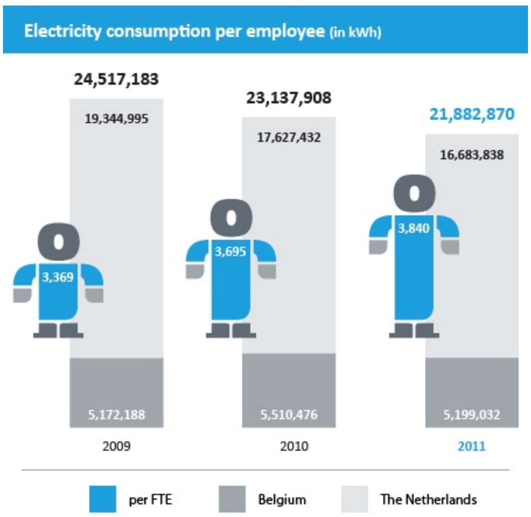

Operating expenses
In millions of euros
1,200
1,000
800
600
400
200
0
1,122
976
924
851
<820
<790
2008
2009
2010
2011
2012
2013


Shareholders' funds per share
In euros
30
25
20
15
10
5
0
23.50
16.93
closing
price
27.86
15.09
closing
price
22.85
13.00
closing
price
2009
2010
2011


Gross written premiums (excl. Germany)
In millions of euros
6,000
5,000
4,000
3,000
2,000
1,000
0
4,486
4,829
5,529
2009
2010
2011







Key figures

(in millions of euros, unless otherwise stated)	2011	2010	Change

Operational result after tax and non-controlling interests	438	422	4%
Result (IFRS) before tax and additional strengthening of longevity provision	-415	1,457	n.m.
Result (IFRS) before tax	-415	891	n.m.
Result (IFRS) after tax and non-controlling interests	-313	621	n.m.
Gross written premiums (excluding Germany)	5,529	4,829	14%
Shareholders' funds (excluding non-controlling interests)	3,860	4,621	-16%
Operating expenses	851	924	-8%
Internal rate of return	9%	7%	2pp
Life European Embedded Value	4,890	4,736	3%
Group European Embedded Value	4,696	4,799	-2%
COR	99.8%	98.0%	1,8pp
IGD Group solvency	174%	199%	-24pp
Regulatory solvency insurance entities	206%	227%	-21pp

Operational and financial objectives

To measure progress in fulfilling its strategic objectives, clear and specific management targets were set at the 2009 IPO. The table below shows the results achieved for the various objectives, followed by a brief review of each objective.

Operational and financial objectives

	Result 2011	Objective
Life new business		
Internal rate of return	9%	≥ 8%
General insurance		
Combined ratio across the cycle	99.8%	≤98%
Efficiency		
Operating expenses (in millions of euros)	851	<900
Shareholder return		
Operational return on equity	9.5%	8-12%
Proposed dividend per ordinary share	1.03[1]	
Capitalisation		
IGD Group solvency	174%[2]	>160-175%

1) Equal to a pay-out ratio of 40% of the annual operational result after tax and minorities.

2) 203% based on 3 month average ECB AAA curve

Profitable life new business

We use the internal rate of return (IRR) to measure profitability for life and pension new business. The IRR grew by 2 percentage points from 7% in 2010 to 9% in 2011. The IRR target was at least 8% in 2011 and has been set at a minimum of 9% from 2012 onwards.

Combined ratio

We succeeded in structurally improving the expense and commission ratios. At 99.8%, the combined ratio has increased and is above target. Through active claims ratio management and by improving cost levels, pricing and product design a clear trend towards a lower combined ratio developed in the second half of 2011. Many measures taken are structural and will bear fruit in 2012 and onwards.

Efficiency

The programmes aimed at the simplification of processes and IT systems and increased efficiency proved to be as successful in 2011 as they were in prior years. This underlines the structural improvements that Delta Lloyd Group has made in this respect. The operating expenses for the year were well below the target of € 900 million. At € 851 million, they were almost at the original target level of € 850 million set for 2012. Therefore, in November 2011, new targets were set for both 2012 (€ 820 million) and 2013 (€ 790 million).

Return on equity

At 9.5%, the operational return on equity was well within the target range of 8 – 12%.

Dividend

The proposed final dividend is € 0.61 per ordinary share, which brings the total ordinary share dividend for 2011 to € 1.03 (+3%). This represents a pay-out ratio of 40% of the operational result. Delta Lloyd Group has thus fulfilled its ambition to pursue a reliable, stable policy aimed at paying a slightly rising dividend.

Solvency

IGD Group solvency was 174% (2010: 199%) due to a sharp decline in the ECB AAA rate (down 74 bp at the ten-year point). Furthermore, the solvency ratio was influenced by the decrease in value of the equity portfolio and the dividend payment (€ 127 million). Regulatory solvency of the combined insurance entities stood at 206% (2010: 227%).

Ten year summary

In millions of euros, unless otherwise stated	2011 IFRS	2010 IFRS	2009 IFRS	2008 IFRS	2007 IFRS	2006 IFRS	2005 IFRS	2004 IFRS	2004 Dutch GAAP	2003 Dutch GAAP	2002 Dutch GAAP
Income											
Gross written premiums, Life	4,321	3,749	3,642	4,533	4,054	3,146	3,772	3,437	3,648	3,153	2,744
Gross written premiums, General	1,550	1,479	1,423	1,378	1,251	1,167	1,164	1,133	1,133	978	810
Gross written premiums, Health	-	-	-	1,563	1,357	1,503	781	834	834	851	787
Total premium income	**5,872**	**5,228**	**5,065**	**7,474**	**6,661**	**5,815**	**5,717**	**5,405**	**5,615**	**4,982**	**4,341**
Net investment income	3,814	3,687	3,200	481	1,905	2,131	3,348	2,407	2,255	2,210	1,021
Other operations	247	236	-61	833	444	436	417	364	165	177	124
Total	**9,933**	**9,152**	**8,203**	**8,788**	**9,010**	**8,381**	**9,481**	**8,176**	**8,035**	**7,369**	**5,486**
Result before tax and extraordinary income and expenses											
Life	-235	820	-134	150	631	795	236	286	249	238	152
General	63	152	137	25	247	189	228	141	135	92	13
Health	-	-	-	-11	-31	-2	31	17	16	5	12
Bank	-18	-54	7	-163	7	26	35	13	-	-	-
Asset Management	46	118	29	13	34	54	46	34	-	-	-
Other	-271	-132	-163	-190	-80	-151	-25	-52	-15	-44	-21
Total	**-415**	**904**	**-124**	**-177**	**809**	**912**	**552**	**439**	**385**	**291**	**156**
Extraordinary result	-	-	-	-	-	-	-	-	-	-28	-
Result before tax	-415	904	-124	-177	809	912	552	439	-	263	-
Current tax	132	-233	43	24	-22	-152	-120	-98	-98	-27	-20
Net result	**-283**	**671**	**-81**	**-153**	**787**	**759**	**432**	**340**	**287**	**236**	**136**
Attributable to:											
Delta Lloyd NV shareholders	-313	621	-124	-161	745	725	409	327	278	227	136

Non-controlling interests	29	50	43	8	42	34	23	13	9	9	-
Net result	**-283**	**671**	**-81**	**-153**	**787**	**759**	**432**	**340**	**287**	**236**	**136**
Total capital and reserves attributable to parent	**3,860**	**4,621**	**3,892**	**3,156**	**4,967**	**4,523**	**3,774**	**2,796**	**2,649**	**2,244**	**1,713**
Total assets	**- 74,862**	**- 69,187**	**- 65,980**	**- 63,244**	**- 62,370**	**- 59,598**	**- 57,084**	**- 49,275**	**40,730**	**38,077**	**32,781**
Amounts in euros											
Dividend on ordinary shares	1.03	1.00	0.50	-	67.68	51.77	31.73	24.01	24.01	-	-
Number of ordinary shares (in millions)	171	168	166	30	3	3	3	3	3	3	3
Dividend onpreference shares B	-	-	-	-	18.02	18.02	18.02	18.02	18.02	-	-
Dividend on preference shares A	0.01	0.01	0.01	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.23
Permanent staff at year-end in FTEs	**5,492**	**6,080**	**6,343**	**6,674**	**6,407**	**6,446**	**6,184**	**6,459**	**6,459**	**6,514**	**6,464**

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.

1.2 Delta Lloyd in 2011

Delta Lloyd Group puts customer interest first. This was reflected in the progress we made in implementing our strategy in 2011. This progress has been classified according to the strategic pillars of 'The Future Secured' strategy: security, distribution power, simplicity, expertise and our core values.

Security

Offering our customers reliability and financial security at a reasonable price is the essence of putting customer interest first. Customers must be able to rely on us to keep their money safe and to serve their best interests as a solid bastion of security and trust. Delta Lloyd Group is alone among Dutch insurers in largely measuring its liabilities and assets at market value. This means that the impact of market movements is reflected immediately in our balance sheet. As a consequence, the low interest rates and tighter credit spreads had a strong impact on the value of the liabilities in 2011. More information about this is included in section 3.5.2. We expect that all insurers will make the step towards market value accounting in the interest of transparency.

Delta Lloyd Group applies effective equity and interest rate risk hedging strategies. The downward risk in the equity portfolio is well-protected, while upward potential is preserved. The interest rate risk is dynamically hedged. Since late 2009, we have been reducing our marked-to-market investments in southern European countries and Ireland. In 2011, we further lowered our exposure to Irish and southern European sovereign and sub-sovereign debt.

Our activities are underpinned by very solid risk management. In order to anticipate developments, we drew up several plausible scenarios for the near to mid-term future for the eurozone, and the Supervisory Board has split the Audit Committee into a separate Audit Committee and aRisk Committee. We also made good progress towards implementing Solvency II, using our internal model. There is still a lot of uncertainty surrounding Solvency II, and its introduction has unfortunately been postponed to 2014. Meanwhile, we have taken various measures to strengthen our IT infrastructure and organisation and will continue to do so in the coming period as this serves to safeguard our operational continuity. See section 3.5.2 for more information on risk management.

Simplicity
Simplicity is essential for our customers and, hence, for us. It provides our customers with good and understandable products at a reasonable price, as well as better service thanks to structural improvements across the customer chain. Moreover, simplification contributes to a stronger operational result through cost savings. The simplification of the organisation, which began in 2010 and was completed in 2011, was a smooth process. This testifies to the group's strong sense of purpose. We do what we have agreed to do. The number of employees (in FTEs) decreased to 5,946 at year-end 2011 (2010: 6,327). Staff numbers decreased gradually throughout all units of the organisation, as a result of the simplification of processes and systems. More information about our human resources policy is included in section 4.5.

The new simplified organisation has created more focus, greater clarity, lower costs and better cooperation. Good cooperation, incidentally, is particularly vital for the development of new products that have the same modular structure for all labels and can all be administered in a single system. The occupational disability insurance product, which was renewed in 2011, is a prime example of this.

For 2012 and beyond, we will concentrate on the further group-wide improvement of processes. Thanks to the new organisation, the right conditions for progress are now in place and substantial steps have been taken towards efficiency enhancement. The way we approach things ensures the sharing of knowledge and optimum utilisation of best practices, thus helping to minimise our need for external expertise.

Better processes are a precondition for the introduction of Straight Through Processing (STP). IT is another area with scope for improvement, whereby the focus remains on legacy removal and the standardisation of processes and systems. These changes will mean we can make do with fewer systems. This translates into lower costs, faster throughput times and more flexibility: essential aspects to tackle the challenges of a rapidly changing distribution landscape.

We have set up a product approval and product review process for testing all new and existing products for regulatory compliance and, above all, for adherence to our own standards aimed at putting customer interest first. Our philosophy is that products should be cost-efficient, useful, safe and understandable. New products that are exclusively offered on a commission-free basis were launched. Examples of such products are the new PPPc group pension product, various bank savings products and 'Hypotheek SpaarVerzekering', a savings-based mortgage product.

Distribution power
The distribution landscape is undergoing radical change whereby online communication, mobile internet and social media are playing increasingly important roles. Delta Lloyd Group is responding to this development on various fronts, for instance by providing online investment services. Our approach to the market is driven by a multi-channel multi-label strategy. With our three strong brands – Delta Lloyd, OHRA and ABN AMRO Insurance – we are well-represented across the entire spectrum of distribution channels and are able to benefit from the new opportunities presented by the changing distribution landscape.

Delta Lloyd has emphatically opted for sustainable cooperation with insurance intermediaries. We are convinced of the importance of keeping the option of insurance and banking advice and assistance open for customers, also in the future. Delta Lloyd supports the proposed ban on commissions on complex products and is also in favour of cost transparency in the relationship between advisers and consumers. We are playing a pioneering role in this connection, for instance through the offering of products on a commission-free basis. The commission ban will lead to shifts between the distribution channels, but in view of our multi-channel strategy there is no reason to adjust our business model as a whole. Due to the changes in distribution, the quality of service will become more important in direct customer contacts. This matter is receiving our close attention. It is worth noting, incidentally, that in 2011 OHRA received the award for the best telephone customer service.

At the end of 2011, we completed the formation of the joint venture with Friesland Bank and thus further reinforced our distribution power. The partnership will give us rights to the exclusive distribution and sales of insurance products under the Friesland Bank Insurance label for a thirty-year period. The new joint venture (Delta Lloyd Group's interest is 51%) combines the best of two strong brands: the network and customer and market knowledge of Friesland Bank with the insurance expertise and efficiency of Delta Lloyd Group. Of course the customers of Friesland Bank will also have access to the broad range of insurance products offered by Delta Lloyd Group.

Expertise
Delta Lloyd is projecting itself as a knowledge insurer - which places high demands on the professionalism within our organisation. This applies to everyone, at all levels. Delta Lloyd Group *and* the employees themselves are therefore investing in the further development of their professionalism across all relevant areas, ranging from insurance knowledge to legal and marketing expertise. See section 4.5 for more information on the personal development of our employees. Professionalism is also a key component in our active recruitment efforts.

Our focus on knowledge is bearing fruit and we are able to develop innovative products that are appreciated in the market. As is illustrated, for instance, by the thirteen large group pension contracts that we procured. We also make our knowledge available in various forms to intermediaries and pension professionals.

Our professionals are active within such organisations as the Netherlands Bankers' Association *('Nederlandse Vereniging van Banken / NVB')*, the Holland Financial Centre and the Dutch Association of Insurers *('Verbond van Verzekeraars')*. In this context, these professionals are contributing to the innovation of the financial sector in the Netherlands and the drafting of new laws and regulations. We are particularly committed to the further development of good risk management.

Delta Lloyd has been actively involved in the drafting of a standard for Dutch mortgage portfolio securitisation programmes. This will enable the legislator to treat securitisations on a more equal basis with other fixed income investments such as corporate bonds. The Dutch financial sector hopes this will make securitisations more interesting to investors.

In Belgium, Delta Lloyd Life funds the Pension Policy Chair at the University of Leuven (KU Leuven). Within this research line, an analysis of the Belgian pension system is conducted to serve as the basis for the development and renewal of the system.

Clearly, we use our financial expertise in the Netherlands to achieve strong commercial results. But also use it to help people in difficult circumstances to increase their financial self-reliance. We do this through the Delta Lloyd Group Foundation. See section 4.4 for more information on our community-based activities.

Core values
We have encapsulated our core values in three commitments: honest, approachable and we work together. The core values guide everything we do, give direction to the 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 too. Our core values are naturally central to our sustainability policy. Chapter 4 is devoted to this topic.

The core values are also reflected in our corporate culture. This is evident in, for instance, the open and constructive relationship between the Executive Board and the Supervisory Board. The atmosphere is good, but also businesslike: the Supervisory Board is critical wherever necessary, and is deeply aware of its own responsibilities. Delta Lloyd Group cooperated with the *board effectiveness* investigation that the Dutch central bank ('De Nederlandsche Bank N.V. / DNB') initiated among large financial services providers.

Our view on culture and behaviour is clearly and concisely outlined in a booklet containing our internal code of conduct, which was published in 2011. The corporate culture largely determines our status as employer of choice. Our attractiveness as an employer is high indeed, given the results of the annual Best Employer Survey of Intermediair in 2011. Delta Lloyd Group is classified in the survey as an excellent employer. Employees feel involved in their work and are satisfied with their development opportunities. See section 4.5 for more information about our view on good employment practices.

1.3 Results

Strong commercial performance, premium income up 14% to € 5.5 billion

- Growth recorded in all segments
- Group gross written premiums: € 5,529 million (2010: € 4,829 million), mainly due to € 1.1 billion in group pension contracts
- Life gross written premiums up 19% to € 3,978 million (2010: € 3,350 million)
- Growth in '*banksparen'* continued; '*banksparen'* balances were up 72% to € 1,227 million (2010: € 715 million)

Delta Lloyd Group's customer-centric strategy translated into a consistently strong commercial performance during 2011, emphasising its leading position in the markets for group pensions and '*banksparen'*. Gross written premiums in General Insurance were up 5% to € 1,550 million (2010: € 1,479 million). Life showed growth in premiums to € 3,978 million, due to 13 new large group pension contracts, which more than offset the decline in individual life policies. Delta Lloyd Group also made good progress in the '*banksparen*' market, with '*banksparen*' balances increasing by 72% to reach a total of € 1,227 million (2010: € 715 million). Furthermore, the Group's market share in Dutch mortgages increased slightly to 2.8% (2010: 2.6%).

IGD Group solvency at year-end 2011 remained strong at 174% (2010: 199%)

- Regulatory solvency of insurance entities at 206% (2010: 227%)
- Based on three-month average ECB AAA curve, IGD Group solvency stood at 203% and regulatory solvency of insurance entities at 235%
- Shareholders' funds amounted to € 3.9 billion (2010: € 4.6 billion)
- Group European Embedded Value of € 4.7 billion (-2%)

Delta Lloyd Group maintained its strong capital position, even in the extremely volatile markets we saw in 2011. Shareholders' funds on Delta Lloyd Group's marked-to-market balance sheet decreased to € 3.9 billion (year-end 2010: € 4.6 billion) or € 22.85 per ordinary share. Shareholders' funds contain a high share (89% or € 3.4 billion) of tangible assets. This decrease in shareholders' funds reflects the IFRS result and Delta Lloyd Group's transparent accounting policies. It is the only Dutch insurance company that largely recognises both investments and insurance liabilities on its balance sheet on a marked-to-market basis. The decrease of the Collateralised AAA curve led to a strengthening of the insurance liabilities and hence to lower shareholders' funds. Shareholders' funds also decreased due to the valuation of the equity portfolio and the dividend payments. Conversely, Delta Lloyd Group benefited from the effects of a lower interest rate environment through the corresponding increase in the value of its fixed income portfolio.

German insurance activities

Since 2010, the German insurance activities have been placed in run-off. On 30 September 2011, Delta Lloyd Group announced the sale of its German business to Nomura. The transaction comprises the transfer of all the assets and liabilities of Delta Lloyd Lebensversicherung and the sale of all shares in other German subsidiaries. Shareholders' funds for the German insurance activities attributed to the transaction stood at € 212 million at year-end 2011. The final transaction price will depend on the development of interest rates, credit spreads within the bond portfolio of the German activities and the real estate portfolio. The transaction is subject to a minimum price at closing. The regulatory approval process is expected to be finalised in the third quarter of 2012.

The German Insurance activities are not classified as 'held for sale' for IFRS reporting purposes. The transaction value at year-end is below the agreed minimum price, due to the deteriorating market situation (in particular due to decreasing interest rates and the widening of credit spreads). Therefore, according to IFRS accounting, the deal is not deemed 'highly probable' to proceed. Nevertheless, the sale to Nomura is still considered possible if financial markets improve or Nomura exercises its call option at closing.

Net operational result up 4% to € 438 million

- Operational result after tax and non-controlling interests increased by 4% to € 438 million (€ 2010: 422 million), mainly due to the improved technical result in the Life Insurance segment

- IFRS result after tax and non-controlling interests decreased to € -313 million, mainly due to the impact of lower interest rates and spread narrowing on the value of the liabilities

Operational result

In millions of euros	2011	2010
Life	540	406
General	103	158
Bank	45	17
Asset Management	51	124
Other	-99	-72
Operational result before tax and non-controlling interests	**640**	**633**
Tax	-146	-144
Non-controlling interests	-56	-67
Operational result after tax and non-controlling interests	**438**	**422**

The operational result grew by 4%, in spite of a decrease in the LTIR (long-term investment return) of € 56 million. The growth was driven by cost savings and a strong increase in the technical result of the Life business. The IFRS result, after tax and non-controlling interests, was € -313 million. This negative result was mainly caused by movements in market interest rates and spread narrowing as – due to Delta Lloyd Group's marked-to-market balance sheet – the impact of these movements is directly reflected in the IFRS result. At year-end 2011, the Collateralised AAA curve was 112 basis points lower at 10-year maturity compared to year-end 2010. A lower curve requires higher life insurance business provisions, which negatively impacts the IFRS result.

Successful cost saving programme through simplification

- 2011 target of € 900 million amply beaten at € 851 million (2010: € 924 million)
- 2012 and 2013 targets as set in November 2011 remain unchanged

Cost level

(in millions of euros)	2008	2009	2010	2011	2012	2013
Operating expenses (target)		<1,000	<950	<900	<820	<790
Operating expenses (actual)	1,122	976	924	851		

The programmes aimed at the simplification of processes and IT systems as well as increased efficiency proved to be as successful in 2011 as they had been in prior years. This underlines the structural improvements that Delta Lloyd Group has made in this respect. The operating expenses for the year were well below the target of € 900 million. At € 851 million, they were almost at the original target level of € 850 million set for 2012. Therefore, in November 2011, new targets were set for both 2012 (€ 820 million) and 2013 (€ 790 million).

Sustainable value creation

- All Delta Lloyd Group brands have retained the Customer-Focused Insurance Quality Label for 2012
- Dow Jones Sustainable Index (DJSI): invited for self-assessment to qualify for inclusion in DJSI Europe

We see commercial success and sustainability as inextricably linked. What is good for our customers is good for all our stakeholders and for us too. Our approach centres on five key priorities for the entire company: customer interest, integrity, community involvement, good employment practices and the environment. The total value of responsibly and sustainably managed assets grew by 2% to € 40.3 billion (2010: € 39.6 billion). The total amount spent on community-based activities and charity was 73% higher at € 1.7 million. Delta Lloyd Group's electricity consumption fell by 5% in 2011. Delta Lloyd Group aims to be included in the Dow Jones Sustainability Index (DJSI) in 2012. Chapter 4 of this annual report is devoted to corporate sustainability.

1.4 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 Insurance) and the internet and other direct distribution channels (OHRA). The segments are described below.

Life Insurance
Through the intermediary distribution channel, Delta Lloyd Group focuses on group pensions but also offers a wide range of life insurance products. Erasmus is a niche brand, offering 'white label' term life insurance products and mortgage-related life insurance products tailored to certain large distributors. The Group sells life insurance under the ABN AMRO Insurance brand through its joint venture with ABN AMRO Bank in the Netherlands. Through ABN AMRO Insurance, Delta Lloyd Group also sells individual term life insurance under the Florius and MoneYou brands. OHRA sells life insurance products directly, mainly to individual customers. The focus at OHRA is on online distribution and pricing. Services are provided online wherever possible with the support of a contact centre.

In Belgium, the Group sells individual and group life insurance under the Delta Lloyd brand, distributed through intermediaries and the Group's own network of bank branches and tied agents. The current business volume was achieved through both organic and acquisition-driven growth. One of the acquisitions was Swiss Life Belgium, which has since been fully integrated.

General Insurance
Delta Lloyd Group offers a broad range of general insurance products, principally in the Netherlands, to both personal and corporate customers. The products are distributed using different customer and pricing strategies through intermediaries, brokers, pools and underwriting agents (Delta Lloyd), bank branches and the internet (ABN AMRO Insurance) and the internet and other direct distribution channels (OHRA). Delta Lloyd serves various niches, such as yachts, wind farms, and technical installations and production facilities. In Belgium, general insurance is not a core activity. Certain general insurance products are offered under the Zelia brand.

Bank
All of Delta Lloyd Group's banking and mortgage activities in the Netherlands and Belgium have been incorporated in Delta Lloyd Bank, which serves personal and business customers. In Belgium, Delta Lloyd Bank is active through Delta Lloyd Bank Belgium, and operates under the names of OHRA

Bank and Delta Lloyd Bank in the Netherlands. Delta Lloyd Bank Belgium offers a comprehensive range of products and services through its own bank branches and independent agents. The focus of the Dutch banking activities is on mortgage and '*banksparen*' products. These products are distributed through the Group's sales channels.

In the Netherlands, Amstelhuys (a wholly-owned subsidiary of Delta Lloyd NV, which is reported in the 'Other' segment) is the originator of the majority of the residential mortgage portfolio and a funding vehicle.

Asset Management
The Asset Management segment comprises the activities of Delta Lloyd Asset Management (including Cyrte Investments) and the asset management activities of various lines of business. Delta Lloyd Asset Management's product offering includes a range of investment funds for institutional and retail customers 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.

Institutional fund sales take place primarily through the segment's dedicated sales force. For sales to retail investors, Asset Management generally relies on third-party banks in the Netherlands, Belgium and Germany, though a small portion of retail fund sales (unit-linked insurance) are distributed through the Group's own distribution channels. In the Netherlands, funds are distributed largely by Dutch retail banks, including ABN AMRO Bank, Rabobank and ING.

Other
The 'Other' segment mainly consists of non-attributable holding company costs (overhead), interest expenses and the result of Amstelhuys, the runoff healthcare business as well as the commercial results of the label health activities.

1.4.1 Life Insurance

- Organic growth of 19% in premium volume, totalling € 4.0 billion
- € 1.1 billion in new pension contracts
- NAPI up 22% to € 475 million
- Annual premiums for pension contracts and annuities up 25% to € 193 million

Life Insurance segment by country in 2011

In millions of euros	The Netherlands	Belgium	Germany	Total
Gross written premiums [1])	3,223	755	-	3,978
Operational result after tax and non-controlling interests	318	58	11	387
Result after tax and non-controlling interests	23	-187	-5	-169

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

Life Insurance segment by country in 2010

In millions of euros	The Netherlands	Belgium	Germany	Total

Gross written premiums [1])	2,516	834	-	3,350
Operational result after tax and non-controlling interests	249	39	-2	286
Result after tax and non-controlling interests	448	210	-47	610

1) Excluding Germany; gross written premiums Life including Germany total € 3.749 miljoen.

Life gross written premiums grew organically to € 3,978 million (2010: € 3,350 million). NAPI increased 22% to € 475 million (2010: € 390 million), as a result of an increase in both single premiums (35% to € 2,481 million) and annual premiums (10% to € 227 million) at improved margins. The value of new business increased to € 46 million and IRR grew by 2 percentage points to 9% (2010: 7%). The operational result rose 35%, due to increased efficiency and a better mortality result. In 2010, Delta Lloyd Group had already fully strengthened its longevity provision, on the basis of the higher life expectancy announced by Statistics Netherlands ('Centraal Bureau voor de Statistiek / CBS') that year.

Delta Lloyd Group executed all the agreed steps for cost capping and cost compensation relating to defined contribution plans and has put sufficient facilitating measures in place with respect to the Flanking Policy (additional measures as advised by the minister of Finance to mitigate the effect of high costs in individual unit-linked products). Delta Lloyd Group was the first insurer to reach an agreement with consumer activist organisations on compensation for individual unit-linked insurance policies and is the first to have fully implemented the settlement. Compensation will be settled directly in the customer's policy as at 31 December 2012. We already provided for the compensation in previous years; as a result, additional provisions are hardly needed. See section 4.2.4 for more information about this issue.

BeFrank

In June 2011, BeFrank, our joint venture with BinckBank, received its licence from DNB as the first premium pension institution (PPI) in the market. BeFrank offers innovative pension products at extremely low costs. The year 2011 saw a successful start. Various companies, including two listed companies, transferred their pension plans to BeFrank. The total deposits amounted to € 23 million. Meanwhile, several other financial services providers have followed our example and also set up a PPI.

Delta Lloyd Life Belgium

Premium income decreased by 9% compared to last year due to the conclusion of a large single premium contract in 2010. However, annual new premiums increased by 22% and the operational result was 48% higher. Thus, Delta Lloyd Life Belgium contributed positively to the increase in the operational result of the Life Insurance segment, mainly due to the change in best estimate cost assumptions affecting the LAT provisions.

On 8 December 2011, Delta Lloyd Life announced its intention to enter into a partnership in the field of employee benefits with DKV Belgium, a market leader and specialist in health insurance. Both companies are keen to take advantage of their complementary product ranges through a commercial partnership. Effective from 1 January 2012, Delta Lloyd Life has transferred its legal assistance insurance policies, as marketed under the brand name Zelia, to DAS. DAS is market leader in this segment and was selected with a view to guaranteeing continuity, optimum service and independence.

Life gross written premiums - Netherlands

In millions of euros	2011	2010
Group policies		
Traditional		
Single premium	1,170	313
Annual premium	173	154
Reinsurance premium	3	4
	1,346	**471**
Unit Linked		
Single premium	212	240
Annual premium	249	278
	461	**518**
Individual policies		
Traditional		
Single premium	669	740
Annual premium	194	199
Reinsurance premium	1	1
	863	**939**
Unit Linked		
Single premium	49	63
Annual premium	504	525
	553	**588**
Total	**3,223**	**2,516**

Life gross written premiums - Belgium

In millions of euros	2011	2010
Group policies		
Traditional		
Single premium	137	114
Annual premium	220	287
	357	**402**
Unit Linked		
Single premium	-	-
Annual premium	-	1
	1	**1**
Individual policies		
Traditional		
Single premium	264	282
Annual premium	91	105
Reinsurance premium	31	34
	386	**421**
Unit Linked		
Single premium	8	8
Annual premium	3	3
	11	**11**
Total	**755**	**834**

1.4.2 General Insurance

- Gross written premiums up 5% to € 1,550 million (2010: € 1,479 million)
- Combined ratio at 99.8% (2010: 98.0%); claims ratio improved in second half of 2011, partly through structural measures

General Insurance segment by country in 2011

In millions of euros	The Netherlands	Belgium	Total
Gross written premiums	1,482	68	1,550
Operational result after tax and non-controlling interests	58	-2	55
Result after tax and non-controlling interests	54	-2	51

General Insurance segment by country in 2010

In millions of euros	The Netherlands	Belgium	Total
Gross written premiums	1,415	64	1,479
Operational result after tax and non-controlling interests	94	-5	89
Result after tax and non-controlling interests	117	4	120

Although competition in the general insurance market remained fierce, Delta Lloyd Group has managed to expand its volumes. Gross written premiums were up 5% to € 1,550 million. New business grew to € 183 million (2010: € 180 million). The operational result decreased mainly due to lower reserve releases.

Combined ratio: structural measures taken

Delta Lloyd Group succeeded in structurally improving the expense and commission ratios. At 99.8%, the combined ratio improved considerably compared to half-year 2011, but is still above target. Through active claims ratio management and by improving cost levels, pricing and product design a clear trend towards a lower combined ratio developed. Most of the measures taken are structural and will bear fruit in 2012 and onwards.

1.4.3 Bank

- Mortgage origination increased, Dutch market share up 0.2 percentage points to 2.8%
- Extremely low percentage of losses (less than 0.031%) in total mortgage portfolio
- Continuing growth in '*banksparen*': balances up 72% to € 1,227 million

Bank

In millions of euros	2011	2010
Mortgage origination	1,913	1,839
Savings (excluding 'banksparen')	6,375	5,224
Banksparen' balances	1,227	715
Operational result after tax and non-controlling interests	34	13
Result after tax and non-controlling interests	-8	-33

The operational result grew to € 34 million (2010: € 13 million) as operating expenses were lower due to the restructuring in Belgium. Mortgage origination increased to € 1,913 million (2010: € 1,839 million), mainly in NHG (Dutch state guaranteed) mortgages. Our share in the Dutch mortgage market grew to 2.8%, as several competitors either left the market or were unable to maintain their market position. The mortgage portfolio of Delta Lloyd Group is high quality, and losses were minimal in 2011: 0.031% for the Dutch portfolio, and 0.00% for the Belgium portfolio. '*Banksparen*' continues to grow year-on-year: balances grew to € 1,227 million in 2011, an increase of 72% compared to 2010.

1.4.4 Asset Management

- Lower performance fees due to market conditions
- Outperformance of investment portfolio, particularly in fixed income
- Well positioned for market recovery

Asset Management

In millions of euros	2011	2010
Assets under management[1])	73,917	72,042
Net new assets	1,108	762
Operational result after tax and non-controlling interests	38	87
Result after tax and non-controlling interests	34	88

1) Including accrued interest

The operational result of Asset Management benefited from higher fee income, but this was offset by lower assets under management (in the segment) and lower performance fees compared to 2010. The own risk investment portfolio, particularly in fixed income, outperformed the benchmark by 6.2 percentage points (7% as compared to 0.8% for the benchmark). Several equity interests (such as Crucell, Draka, Wavin and Bol.com) received bids, resulting in realised / unrealised capital gains. Net new assets amounted to € 1,108 million (2010: € 762 million), mainly as a result of large new group pension contracts.

1.4.5 Other

- Amstelhuys: revaluation of marked-to-market mortgage portfolio
- Health insurance: focus on margin
- Run-off health business: lower release of provisions while risks decrease

Other segment

In millions of euros	2011	2010
Operational result after tax and non-controlling interests	-75	-52
Result after tax and non-controlling interests	-221	-165

The operational result of ‘Other’ was mainly influenced by a lower release of health insurance provisions and lower margins on label health activities, which were partly offset by the lower long-term investment return (LTIR).

Amstelhuys is the originator of the majority of the residential mortgage portfolio and a funding vehicle. In 2011, Amstelhuys successfully placed two securitisation transactions of a portfolio of residential mortgages. The 2003 and 2005 Arenas were fully redeemed. In 2011, interest income at Amstelhuys remained stable, however revaluation of the mortgage portfolio at market value, as well as lower commission income, negatively impacted the result.

Since 2009, Delta Lloyd Group has marketed health insurance under the Delta Lloyd and OHRA brands, and CZ is the underwriter for these policies. Delta Lloyd Group carries no insurance risk and hence is not required to maintain any capital in respect of this business. Health activities showed a positive result, but it was lower than last year due to lower margins on the contracts concluded in the 2011 health campaign. During the 2012 health campaign, Delta Lloyd Group decided not to take part in the price war in the lower segments of the market. Our aim is to deliver excellent service at a fair price. We therefore let go of a number of contracts and gained new, more profitable ones. In total, the number of Delta Lloyd Group health insurance customers decreased by 60,000 to 742,000.

1.5 Embedded value

The embedded value provides insight into the value development of the life insurance business, the principal activity of Delta Lloyd Group. Starting from the full-year report for 2008, reporting has taken place according to the Market Consistent Embedded Value (MCEV) principles, as laid down by the CFO Forum, with the MCEV calculated according to the Collateralised AAA curve. However, many members of the CFO forum continued to report according to the previously defined European Embedded Value (EEV) principles. For comparison purposes, from the financial year 2010 Delta Lloyd Group has determined the embedded value according to the method that was customary before 2008. However, the MCEV results continue to form the basis for Delta Lloyd Group's risk management and the determination of its economic capital.

A detailed explanation and an overview of the results will be posted on the website of Delta Lloyd Group in the document entitled 'Delta Lloyd Group Embedded Value 2011'.

EEV involves a valuation method of insurance operations that takes account of risks inherent in the insurance business. The valuation takes account of the differences in the economic risk profiles of the various portfolios, as well as an implicit premium for non-financial risks, such as insurance and operational risks and unhedgeable financial risks.

The EEV consists of the market value of shareholders' equity (net worth) and the present value of expected future cash flows on life policies already in force (value in force). This involves a detailed estimation of both the expected (future) results from the insurance and investment portfolios, and the operating and economic circumstances under which these results are to be achieved. Among other things, Delta Lloyd Group makes assumptions about specific investment returns from bonds, equities and property, but also about specific economic factors such as interest rates and inflation.

The EEV is determined for the existing portfolios but also - separately - for the new business value (NBV). The value development provides a good understanding of the various components affecting the annual result, including investment and economic circumstances.

Analysis of movement in embedded value
The table below provides an analysis of the movement in embedded value for the life businesses.

Development Embedded Value				
(in millions of euros)		2011		2010
EEV on 1 January		**4,736**		**4.224 (MCEV)**
Value of new business	46		34	
Value of in-force business	738		129	
Operating earnings (LEOR)		784		163
Exceptional items		-81		-107
Asset outperformance		-538		63
Capital (re)allocation		-11		86
Transition to EEV		-		306
Life EEV on 31 December		**4,890**		**4,736**

Despite the turbulent financial markets marked by negative equity returns, low interest rate levels and property write-downs, the total embedded value increased by 3% to € 4.9 billion. This is the consequence of profitable new business, cost control effects and positive mortality experiences in 2011. All these factors had a positive effect on the operating earnings (LEOR). EEV increased by € 271 million due to the use of a lower discount rate of 7% (2010: 7.75%). Market volatility had a negative effect on the economic variances.

The table below shows the EEV per country for 2010 and 2011.

EEV by country			
(in millions of euros, unless otherwise stated)	2011	2010	Change
Netherlands	4,214	3,802	11%
Belgium	436	748	-42%
Germany	181	177	2%
Diversification	60	10	500%
Total	**4,890**	**4,736**	**3%**

New business value

One of the most important activities for an insurer consists of writing new business that adds value over the term of the contract: the new business value. The following table sets out the premium volumes and the contribution from new business written by the life operations. The contribution generated by new business written during the period under review is the present value of the projected stream of after-tax distributable profit from that business, taking account of the required capital for these products. New business value is calculated using economic assumptions at the start of the relevant quarter (sometimes month) and operating (demographic) assumptions as at the end of the period, and is rolled forward to the end of the reporting period.

New business value

(in millions of euros, unless otherwise stated)	**2011**	**2010**	**Change**
New business value (2010: MCEV)	46	34	n/a
Internal rate of return	9%	7%	2pp
Single premiums (excluding Germany)	**2,481**	**1,833**	**35%**
- Life insurance and savings	120	138	-13%
- Pensions and annuities	2,361	1,695	39%
Regular premiums (excluding Germany)	**227**	**207**	**10%**
- Life insurance and savings	34	52	-35%
- Pensions and annuities	193	155	25%

The Internal Rate of Return (IRR) is the expected annual rate of return on new policies and contracts.

1.6 Challenges and choices

The developments around us are constantly challenging us to think about our direction, our products, our organisation and our future. Our 'The Future Secured' strategy is our road map for moving forward.

1.6.1 Changing environment

The environment in which Delta Lloyd Group operates is in constant motion and changes almost daily. In analysing the external environment, a distinction can be made between demographic, economic, political, ecological, social and technological developments (DEPEST for short). Clearly, the various developments are highly interrelated. The relevant trends are briefly summed up below.

DEPEST analysis

Demographic	***Ecological***
- Ageing and increasing life expectancy lead to rising healthcare costs and inevitable increase in retirement	- Sustainability is the standard
- Elderly employment is on the rise, average retirement age is increasing	- Companies must meet more stringent CSR reporting requirements
- Growing mobility	- Deteriorating air and water quality, climate change
- Uncertainty due to minority government in the Netherlands, slow political decision-making due to need to strike coalition deals on each separate issue	- Investments in sustainability, energy security and innovation by government (e.g. subsidies) and companies
- Growing importance of online communities (location-independent coalitions of people and entrepreneurs)	
- Greater diversity between customer target groups, each with their own specific wishes	
- Changing household composition and more smaller households	
Political	***Economic***
- Major concerns about the stability of the eurozone and the possible financial consequences	- Economy in recession, more bankruptcies, rising unemployment
- Deep austerity measures necessary in the wake of the financial crisis, falling consumer purchasing power	- Growing probability of prolonged period of low interest rates
- Political indecision stagnates economic growth/markets (mortgage interest relief, healthcare privatisation, regulation)	- Position of stronger EU countries under pressure due to need to help less strong countries
- Major EU influence (energy market, Solvency II guidelines, new IFRS guidelines, SEPA)	- Pension funding ratios under pressure, threat of pension reductions
- Regulatory postponement (Solvency II, IFRS) creates uncertainty over the interpretation/ reliability of figures	- Bank lending is stagnating due to additional capital requirements, falling investments
- Growing anti-Europe sentiment in society	- Rising inflation
- Government still has interests in banking and insurance groups in the Netherlands and Belgium, no level playing field	- Sovereign and corporate credit ratings are being reduced
- Increasing supervisory, regulatory and transparency requirements	- Consumer confidence is negative
	- Number of transactions in housing market remains low (partly due to further mortgage market regulation)
	- Rising sovereign debt, eurozone crisis
	- Change in commission system alters role of intermediary
Social	***Technological***

- Poor image of financial institutions due to credit crisis/lack of trust	- Ongoing digitisation and automation
- Customers want affordable and understandable products that offer security	- Exponential growth in mobile device usage
- Consumers are better informed, switch more and co-create	- Strong growth in online insurance sales
- Shift in focus from economic prosperity to well-being	- IT makes complex products more transparent and accessible
- Changing relationship between consumer and financial services provider	- Ongoing commoditisation
- Financial institutions face increasing duty-of-care claims	- Renewal and innovation (e.g. straight-through processing)
- Rise of social media	- Multifunctional use of communication equipment, including within insurance processes
	- Comparison sites are playing an increasingly important role

1.6.2 Market developments

- **Growing diversity in customer preferences, wishes and risk profiles**
  Consumer groups ('communities') are gaining steadily in significance and bargaining power. At the same time, such groups open up excellent opportunities for specific labels and products, as well as package deals for small-scale groups. Note that, in this context, customer loyalties shift quickly and easily, particularly among young people.

- **Growing commoditisation of financial products**
  Customers are demanding affordable tailor-made products and services. They want simplicity, low prices, transparency and flexibility. At the same time, the position of distributors is becoming stronger. This is forcing providers to develop modular products, introduce price and risk differentiation, and use economies of scale. Successful market players have in-depth knowledge of the customer and excel in the co-creation of solutions *together* with the customer.

- **Rise of new 'organisers' and platforms**
  The distribution costs of products and services are falling (and must fall). Products are like water: each product seeks the path of least resistance, i.e. the fastest and cheapest distribution channel. More and more simple basic products are reaching the market through DIY online providers and cheap retail chains. The share of complex products requiring personal advice is rapidly decreasing. Expensive intermediaries are pricing themselves out of the market. They are being quickly replaced by new, rapidly consolidating 'organisers' and platforms that are making the advisory and sales process much simpler thanks to smart use of the internet. To be truly successful, intermediaries must have an online presence and/or concentrate on complex advisory products.

- **Great variety of business models**
  Market developments are leading to far-reaching differentiation and fierce competition between new and existing players, with a wide variety of business models and products. Meanwhile, 'lean & mean' budget providers are active at the lower end of the market, together with cheap DIY websites and broadly-oriented internet platforms that also sell financial products. Other players are coming up with subscription models, or apply revenue models where customers only pay when they make a claim. Smart 'organisers' and community-based mutual funds launch low-cost tailor-made products for specific target groups, which may be united in communities. Full-

service providers who combine maximum flexibility with optimum innovation capability have the best chance of operating successfully in these highly competitive and rapidly changing markets.

- **Choosing position in the value chain**
  Market developments are compelling providers to choose position in the value chain. Some insurers – either by choice or necessity – will confine themselves to production and risk management. Others are successfully active across the entire spectrum of the chain and can thus benefit from their economies of scale and scope. The players who manage to claim a leading role in each link of the value chain will be the winners in the coming years.

Market and competition

- The market for individual life insurance is still suffering from a lack of trust. This is causing problems for insurers who purchased large portfolios when the market peaked.
- Many consumers see '*banksparen*' as a good and transparent wealth accumulation alternative. However, not all insurers are able to offer this tax-driven savings product. The market is growing strongly. Delta Lloyd was the first to launch a '*banksparen*' product and now holds a market share of approximately 10%.
- The pension landscape is changing due to the arrival of PPIs. Delta Lloyd was the first organisation to obtain a PPI licence for BeFrank (joint venture with BinckBank), followed by Brand New Day and ASR, Robeco. The PPI market is expected to be highly competitive.
- There is fierce competition in general insurance, along with a varying picture in the development of the claims ratio.
- All insurers are successfully reducing their cost levels. The largest percentage decrease is at Delta Lloyd Group.
- Results before tax are under pressure due to the impact of the problems in the financial markets.
- Solvency has improved at most insurers.
- The large financials that are required to repay state aid are not paying out any dividend.
- There are large differences in sovereign debt exposure to southern European countries and Ireland.
-

1.6.3 Implications for Delta Lloyd

The market conditions for financial services providers remain as complex as ever. The general economic uncertainty, alongside the current interest rate and investment climate, is a source of concern. The economic uncertainty is compounded by political uncertainty about e.g. mortgage interest relief and the future of the pension system. The distribution landscape is also undergoing rapid change. This is due to changing customer needs and the growing trend towards researching and buying financial services online. Customers pick and choose the channels through which they obtain information and purchase financial services on a case-by-case basis.

These developments will bring about major shifts within the industry. Agile and responsible players can turn changing markets to their advantage and capture market share at the expense of competitors.

With the new, simpler and more effective organisation, Delta Lloyd Group is well-positioned to respond to market opportunities and realise portfolio growth in its core markets. Innovation within the Group is mainly aimed at strengthening its distribution power and customer processes (searching, quotes, buying, viewing, changing and claiming).

1.6.4 SWOT analysis

The opportunities for and threats to Delta Lloyd Group stem from the prevailing market conditions, the Group's position in the market environment and its strategic developments.

SWOT Analysis

Strengths	*Weaknesses*
- Multi-label, multi-channel with a good market position in all distribution channels. Full service	- Complex ICT infrastructure
- Strong capital position, effective risk-return management	- Insufficient chain integration
- Powerful implementation through cost reductions and simplification	- Low leveraging of customer base (SOW/cross-selling)
- Strong position in the Netherlands and mature presence in second home market in Belgium	- Limited knowledge of / insight into customer in non-direct channel
- Customer's interest first: Customer-Focused Insurance Quality Label for all brands	- Profitability of new business under pressure in entire market
- Structure in place for cross-selling and deep-selling	- Managing outflow of personal customers
- Strong position in pensions market, strong position in the 'banksparen' market to offset collapsed life market	
- Availability of extensive customer data	
- First mover with new initiatives (BeFrank, 'banksparen')	
- Strong in asset management	
- High profile thanks to strong integrated brand campaigns	

Opportunities	*Threats*
- Demand for products with a guaranteed return	- More competition (internet insurers, non-bank/insurer A brands, foreign competitors)
- Demand for savings products (incl. banksparen)	- Organic growth difficult to achieve in this saturated market
- Acquisition opportunities in Dutch and Belgian markets	- Deterioration of image of financial institutions due to contentious issues and lack of confidence
- Fewer company pension funds	- Intermediary distribution under pressure from commission ban and new 'Wft' pension knowledge requirements
- Size of self-employed / director-owner market is very attractive	- Price pressure due to growing consumer focus on cost is putting margins under pressure
- Scope for innovation in distribution chain and blurring of boundaries between intermediary, direct writer and bank	- Lack of distinctive capability among insurers
- Consumers feel need for security and assurance due to financial crisis	- Financial instability in several EU countries
- Accelerated virtualisation and rise of social and mobile media	- Uncertainty in housing market is putting mortgage business under pressure

1.6.4.1 Scenarios

The current economic and social dynamics are causing constant shifts in perspective. For some ten years now, Delta Lloyd Group has seen scenario thinking as an indispensable instrument for dealing with an uncertain future. Scenarios sketch different possible versions of the future by extrapolating a number of current trends to their most extreme consequences. Scenarios cast light on the context in which Delta Lloyd Group will be operating a good many years from now. By 'looking back' from that future, Delta Lloyd Group can determine the extent to which the current strategy needs to be adjusted and what choices are necessary to maintain success in the longer term. In 2004-2005 and 2009-2010, we developed long-term scenarios, which have proved their value in helping us shape and refine our strategic focus. We are also using scenarios to explore the shorter-term implications of major developments. One example is the euro crisis: we are looking at what might happen to the euro, how this could affect Delta Lloyd Group and what actions we should take in response. The scenarios vary from decisive Europe-wide political action to the collapse of the eurozone.

1.6.5 Strategy

Our mission is the core of our 'The Future Secured' strategy:

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.

1.6.5.1 Strategic pillars

Our 'The Future Secured' strategy rests on five pillars:

- Security and transparency for our customers, other stakeholders and society.
- Distribution power: reinforcement of the multi-channel approach; interaction and connectivity with our customers.
- Simplicity in everything we do: products, services, communications and organisation. This also serves to promote efficiency and minimise costs.
- Expertise is essential to improve innovation and competitiveness.
- Our three core values: honest, approachable and we work together.

1.6.5.2 Strengthening our strategic base

The market conditions for financial services providers remain as complex as ever. The current interest rate and investment climate makes it difficult to generate sufficient investment returns. In addition, competition is intensifying, partly because markets are saturated and new entrants are stepping up the pressure in sub-markets. At the same time, the consumer is seeking simplicity and greater transparency. Alongside the prevailing strong economic uncertainty, there is also a lot of political uncertainty about e.g. mortgage interest relief, the exact content of new legislation on intermediary remuneration and the introduction of Solvency II.

The challenge for the Group in these difficult market conditions is to achieve profitable market growth in its core segments. Customers are opting for the brand and channel that suit them best.

Delta Lloyd Group is perfectly positioned to take advantage of this with its multi-label / multi-channel strategy and its strong brands: Delta Lloyd, ABN AMRO Insurance and OHRA. The insurance business (both intermediaries and direct channels) and the banking operations complement and reinforce each other and synergy benefits are pursued wherever possible.

To further shape our strategy, our central focus in the coming years will be on **simplification**, devoting particular attention to four aspects:

- Focus on markets and products in which we can achieve **strong** profitable **growth**.
- Reinforce our **reputation** by offering excellent products that also enhance our communication to the market.
- Strengthen the organisation's mentality and approach to put **customer interest first**.
- Create an inspiring working environment based on **good employment practices** in which employees are optimally able and willing to make a contribution.

Radical simplification

Simpler, more customer friendly and cheaper: this is what we must achieve to meet the customer's demand for low-cost, transparent and flexible products. To this end, the organisation, processes, IT and products must be structurally and radically simplified. This vision is given shape through the realisation of a single general insurance business and a single life insurance business, supported by an increasingly flexible and less complex IT platform. In addition, we are developing more and more standardised products, which can be flexibly combined into customised propositions in all the various distribution channels, based on smart price and risk differentiation. This enables the labels to fully concentrate on marketing, sales and distribution, while making optimum use of the synergy opportunities in the back offices in order to realise economies of scale in terms of new business, service and expertise. We are pressing ahead with this radical and structural simplification of our organisation, processes, IT and products. By focusing on the customer and offering a simpler and cheaper product range, Delta Lloyd is in a good position to take maximum advantage of opportunities in the changing market. Organisational agility is a decisive factor in this connection.

Profitable growth

Delta Lloyd Group realises multi-label and multi-channel new business and profitable expansion of its customer base in core product-market combinations and target groups. In the advisory market, we are aiming at pension funds, SMEs (group pensions, general insurance and income), bank products (annuities, mortgages, premium pension institution) and the Entrepreneur Package. The focus in the direct channel is on standardised consumer products (general insurance, health insurance and bank).

Special attention is paid to group pension and other contracts, the interaction of distribution channels and online sales and the strengthening of the client processes.

Delta Lloyd Group seeks to anticipate opportunities in the changing market environment by reinforcing its multi-channel distribution. To this end, choosing the best position in each part of the chain is essential. This is done along three lines:

- Online sales and cooperation with successful online providers and comparison sites.
- Business-to-business turnover among corporate clients, particularly pension funds, and in strategic niches that require specialised knowledge.

- Delta Lloyd aims to benefit from the growth potential among new and established intermediaries by entering into alliances and investing in such partners. The total turnover via intermediaries is declining, but professional providers of more complex advisory products will retain a strong market position. The same applies to intermediaries that manage to distinguish themselves in the online market. We will also respond to the rise of flexible ‘organisers’ and ‘shared platforms’ to retain chain control and preserve margins.

Reputation
Sustainability and customer focus contribute to a good reputation. A good reputation is essential to secure the customer’s trust in Delta Lloyd Group, and hence the Group’s commercial success. Responding to a world that is becoming increasingly virtual and in which customers make their purchase decisions using new media and expect high-quality service calls for an integrated customer contact strategy based on a single over-arching view of customers and their needs. This, combined with a sharp cost focus and a strongly simplified product range, will lead to an organisation that responds to the changing customer needs for transparency and simplicity.

Customer interest – building customer knowledge
We invest in building customer knowledge. We do this at centralised level for all labels and distribution channels and for all customer groups: from personal customers to large corporate clients. Gaining more insight into the application of mobile and social media is also important in this connection. By constantly collecting, comparing and analysing customer data, we can develop and offer attractive, successful products tailored to specific customer groups.

We invest in the development of our marketing policy and expertise. One example is the intelligent collation of customer and market knowledge, which is a precondition for effectively competing with new entrants.

Attractive employer for ambitious employees
The challenges we face demand a professional working environment that stimulates people to get the best out of themselves, and rewards them accordingly. We aim to be an attractive employer for innovative employees who are eager to learn, aware of the needs of the external community and have entrepreneurial blood in their veins. These are people who are not only creative and have a high level of expertise, but who also get the job done. This effort also includes the organisation-wide promotion of a mentality and implementation of an approach that put the customer’s interest first.

In view of developments in society and the labour market (such as ageing), recruiting and retaining motivated and highly qualified staff is of major importance. We are therefore doing our utmost to remain an attractive employer, for instance by adopting flexible working practices and compensation and benefits, including the New Way of Working.

1.6.5.3 Commercial focus

The strategic choices of Delta Lloyd Group have been translated to the organisation’s diverse segments. This leads to the following commercial focus:

Life Insurance
We aim to grow in the market of group pensions and pension funds. Our high-quality asset management and distinctive knowledge in the area of pension and risk management create good opportunities. We will seek new business both through new distribution channels and the expansion of our use of existing channels.

General Insurance
We strengthen our position by continuing to work on lowering costs and providing better and faster service, with price and risk differentiation by target group and a balanced use of our diverse distribution channels. We see growth opportunities in niche markets, which demand specialised knowledge and products.

Bank
Mortgages and '*banksparen'* will be central to our targeted and competitive product range. Since the launch of '*banksparen'*, in which online distribution is a priority, Delta Lloyd Group has built up a strong position. Thanks to this powerful foundation, we are well-positioned to continue growing.

Asset Management
We aim to grow in asset management through specialised investment boutiques in the Dutch, Belgian and German markets. Superior knowledge of specific niches and companies offers attractive opportunities. We want to strengthen our position in promising investment niches, focusing initially on the sustainability sector and the further expansion of our long-term participating interests strategy. In addition, we aim to retain our position as an interesting partner for *third-party distribution*. Intensification of the cooperation with the Life Insurance segment and BeFrank will enable us to optimise our distribution capabilities.

Expansion in Belgium
The key elements of our Belgian growth strategy are the expansion of bank distribution and growth in direct online sales. The primary focus of Delta Lloyd Life is on pensions and individual life insurance. Any further growth in market share in the intermediary segment must be achieved through organic growth and close cooperation with Delta Lloyd Bank. Delta Lloyd Bank in Belgium will position itself as a niche player that primarily targets affluent customers.

1.7 The Delta Lloyd share

A year of two halves
For investors, 2011 was a year of two halves. The mood was upbeat in the first six months of 2011, but took a turn for the worse in the summer. The bond market hit new lows as the euro crisis spread to

Portugal, and later also to Italy and Spain, while Greece's woes deepened further. Interest rates on southern European and Irish sovereign bonds soared to new highs, while investors staged a flight to the perceived safe havens of Dutch and German government paper. The equity market was also hard-hit, reaching a low point around September, followed by a modest recovery.

The Delta Lloyd share price (adjusted for dividend) declined by 7.2% in 2011. This was better than the overall performance of the AEX (minus 8.9%) and also significantly better than the Dutch Financials Index (down 32.0%, adjusted for dividend).

19 Analysts (2010: 18) are tracking the Delta Lloyd share, and sustainability rating agencies are showing increasing interest in the Delta Lloyd share. This is evidenced by the rise in the number of sustainability reports published.

Aviva sells majority stake

On 12 April 2011, Aviva placed 25 million shares with several institutional shareholders through an accelerated book building process. The sale further reduced Aviva's interest in Delta Lloyd Group to about 42% of the outstanding ordinary shares and lifted Delta Lloyd Group's free float to about 57% on 31 December 2011. Delta Lloyd Group has thus become an independent and fully autonomous listed company without a majority shareholder. The sale is in line with Delta Lloyd Group's ambition to operate with greater strategic and financial independence from Aviva.

Outstanding shares at 31 December 2011

	Voting rights	*Ordinary shares (number)*	*Ordinary shares (%)*	*Preference shares A (number)*	*Preference shares A (%)*
Free float	53.6%	97,439,902	57.1%	-	0.0%
Fonds NutsOHRA	7.2%	-	0.0%	13,021,495	100.0%
Aviva	39.3%	71,488,795	41.9%	-	0.0%
Treasury shares	0.0%	1,650,000	1.0%	-	0.0%
Total	**100.0%**	**170,578,697**	**100.0%**	**13,021,495**	**100.0%**

General Meeting of Shareholders

The General Meeting will be held in the Okura Hotel in the city of Amsterdam on 23 May 2012. Further details will be announced at www.deltalloydgroep.com. Information on the structure of, admission to and voting rights at the General Meeting of Shareholders is included in section 3.1.5 of this annual report.

Key dates in 2012

10 May 2012	Q1 2012 Interim Management Statement
23 May 2012	General Meeting of Shareholders
9 August 2012	Publication of 2012 half-year results
8 November 2012	Q3 2012 Interim Management Statement

23 November 2012	Investor and Analyst Day

The above dates are provisional. Please see our website (www.deltalloydgroep.com) for the most up-to-date calendar 2012.

1.7.1 Dividend 2011 once again matches ambition

Based on the operational result after tax and non-controlling interests, Delta Lloyd Group proposes to declare a dividend for 2011 of € 1.03 per ordinary share payable from the freely distributable reserves, which amount to € 175.2 million. The total interim dividend paid for 2011 was € 0.42 per ordinary share. This leaves a final dividend for 2011 of € 0.61 per ordinary share. The dividend paid for full-year 2010 was € 1 per ordinary share.

Delta Lloyd Group has paid out a dividend each year since 2009, the year in which the company obtained a public listing. This reflects the Group's ambition: to be a reliable listed company that pursues a stable dividend policy. The dividend underlines the importance that Delta Lloyd Group attaches to its shareholders. Within the stakeholder approach, the shareholder, as the provider of capital, plays an important part in securing the continuity of Delta Lloyd Group. Due to the adjusted variable remuneration policy and the shareholdings of members of managers, the interests of individual senior executives of the company and individual shareholders largely run in parallel.

The shareholder can elect to have the dividend paid out either wholly in cash or wholly in shares. The stock dividend will have approximately the same value as the cash dividend and will be charged to the share premium. If no choice is indicated, the dividend will be paid out in cash. The ordinary share final dividend for 2011 will be made payable after the annual General Meeting on 23 May 2012.

Delta Lloyd Group determines the value of the stock dividend using a share fraction based on the weighted average closing price over a period of five trading days (to allow for the prevailing market price) prior to the definite determination of the dividend. The shareholders can state whether they wish to receive the dividend in cash or in shares no later than 12 June 2012. If no choice is indicated, the dividend will be paid out in cash.

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 2012 after 5.30 p.m., based on the weighted average quoted closing price on NYSE Euronext Amsterdam for the five trading days from 6 June 2012 to 12 June 2012 (inclusive).

2012 dividend dates

25 May 2012	Ex-dividend date
29 May 2012	Record date
30 May 2012	Start of dividend election period
12 June 2012	End of dividend election period
20 June 2012	Dividend payment date

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

Dividend policy

The dividend policy of Delta Lloyd Group is described in section 5.3.1 of the financial statements.

1.7.2 The Delta Lloyd share in 2011

In 2011, the Delta Lloyd share outperformed both the other Dutch financials and the AEX. This is a good result for a financial in the eurozone. Nevertheless, compared with year-end 2010, the share price fell by 7.2% (adjusted for the 2010 final dividend of € 0.60 and the 2011 interim dividend of € 0.42) from € 15.09 to € 13.00. Compared with 2010, the Delta Lloyd share trading volume (number of shares traded multiplied by share price) rose by 34% to over € 190 million monthly. This rise was mainly attributable to the increased free float following the sale of 25 million shares by Aviva. As a result of this sale, the free float rose by 36%.

For a listed company like Delta Lloyd Group, optimum transparency and consistency in financial communication is of the utmost importance. All public information on our results, strategy and activities can be found under the Investor Relations section of the Delta Lloyd Group website. In addition, the Executive Board regularly organises presentations for analysts, investors and other interested parties. The most important presentations are webcast live and remain available on our website for subsequent viewing. We also maintain contacts with institutional investors and analysts through one-on-one interviews and conferences. On 23 November 2011, Delta Lloyd Group held its second Investor Day. At this event, members of the Executive Board and the management team gave presentations on strategy, market performance, market developments and the upward revision of financial targets. The presentations at the event can be followed via a live webcast and the most important messages have been communicated previously in a pres release. We also maintained contacts with retail investors, mainly through events that are open to the public, such as the ‘Day of the Investor’ and the well-attended General Meeting of Shareholders in 2011.

Figures per share

In euros, based on total number of shares outstanding at 31 December	2011	2010
High (8 February, 20 April)	19.88	17.99
Low (23 September, 9 September)	9.96	13.20
Closing price (31 December)	13.00	15.09
Market capitalisation Delta Lloyd Group (in millions of euros)	2,218	2,528
Result (IFRS) after tax and non-controlling interests	-1.85	3.75
Operational result after tax and non-controlling interests	2.59	2.54
Shareholders' funds	22.85	27.86
Group European Embedded Value	27.80	28.93
Return on Equity	9.5%	10.8%
Closing price / operational result after tax and non-controlling interests (P/E ratio)	5.02	5.94
(Proposed) dividend (including interim dividend paid)	1.03	1.00

Average daily trading volume

2011	600,271 shares
2010	426,731 shares
2009*	570,550 shares

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

On 14 March 2012, NYSE Euronext Global Index Group announced that the Delta Lloyd share would continue to be listed on the AMX , with a weighting of 6.09% effective as at 19 March.

Allocation of Delta Lloyd shares as at 31 December 2011

Based on information from several large banks and own estimates.

Major shareholders (over 5% of ordinary shares) as at 31 December 2011

- Aviva plc, London

Greenlight Capital, New York

-

1.8 Outlook for 2012

Delta Lloyd Group is well-positioned for further growth. Market conditions permitting, we expect to strengthen our position in 2012, particularly in life insurance, pensions and assets under management.

Thanks to our targeted attention for more efficiency and organisational simplification, our cost saving programme is ahead of schedule. We believe that the tougher targets we recently set for 2012 and 2013 are feasible. We remain committed to grow our operational result and dividend by at least 3% per annum.

In the opening three months of 2012, the Collateralised AAA curve decreased by 94 basis points at the 10-year point. Delta Lloyd Group uses this curve to measure the value of the majority of its life insurance business provisions. A lower curve leads to higher life insurance business provisions; as explained in section 5.1.7.1 ‘Risk management’, this has a significant negative effect on the IFRS result. It should be noted that regulatory solvency under the IGD (Insurance Group Directive) is based mainly on the ECB AAA curve; as a result, different sensitivities apply to IGD solvency. In the first three months of 2012, the ECB AAA curve fell by 5 basis points at the 10-year point. Our investment portfolio and risk management have been structured to ensure that we can benefit from a recovery of the financial markets.

We are a sustainable financial services provider that puts customer interest first. We expect our efforts in 2012 to further increase our customer satisfaction and we foresee retaining the Customer-Focused Insurance Quality Label: not only in 2012, but also in the years thereafter.

The Executive Board

Niek Hoek, chairman
Paul Medendorp
Emiel Roozen
Onno Verstegen

2 Report of the Supervisory Board

Insurance products, markets and regulatory frameworks are steadily becoming more complicated. Complexity and risk are inherent in the operations of companies active in the financial sector. This is especially true now, as the sector is going through turbulent times. The current challenging environment not only requires high-quality management, but also the effective internal supervision of that management. The Supervisory Board must ensure that the company is effectively managed in these hectic times and that market opportunities and risks are properly balanced.

2.1 Required supervision

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 the respective reports of the Executive Board and the Supervisory Board.

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 describe and explain how we fulfilled our duties and responsibilities as the internal supervisor. We aim to provide clarity about our approach, with a focus on relevant governance information, such as strategy, risk management and a number of issues that received particular attention in the Supervisory Board in 2011. This report also includes a section on our own practices and procedures.

2.2 Macro-economic developments in 2011

The markets in which Delta Lloyd Group operates fluctuated even more strongly in 2011 than in 2010. Throughout the year, recurring uncertainties unleashed violent reactions in the financial markets. This determined the context in which the Supervisory Board acted. The most important factors were the movement of yield curves in the Netherlands and interest rate spreads between EU countries, the crisis in the PIIGS countries, the challenging mortgage market, strong equity market volatility, fierce competition, the need to restore trust in the sector and increased external supervision. At the same time, the sector is preparing for new regulations (including IFRS, Solvency II and Basel III). Even in the market environment outlined above, Delta Lloyd Group has demonstrated that it can rely on a strong competitive position in the insurance market, successful asset management, a robust capital base, great financial flexibility, effective risk management and strong leadership.

2.3 Key issues in 2011

The discussions within the Supervisory Board were based mostly on documents and presentations prepared by the Executive Board. The Supervisory Board has four committees: the Audit Committee, the Risk Committee, the Nomination Committee and the Remuneration Committee. By way of preparation for the meetings of the Supervisory Board, the subjects were discussed in advance in one of the committees, wherever necessary. The committee chairmen reported on the outcomes to the plenary meeting.

In the case of proposals requiring its consent or approval, the Supervisory Board discussed the business case, possible alternatives and the risks involved. Where necessary, the Board obtained information from the relevant director.

All customary subjects were also addressed in the Supervisory Board meetings. Particular attention was devoted to the company's financial performance. 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. These discussions were prepared in detail by the Audit Committee.

The Supervisory Board established to its satisfaction that market opportunities and risks were effectively managed through strong efficiency enhancement, dynamic hedging and solid asset management.

In 2011, the Supervisory Board devoted special attention to the following subjects:

a) Strategy
In 2011, the Supervisory Board held a separate strategy day to explore whether the strategy required any adjustments. There were three main themes:

- The question of whether our strategy can withstand the crisis in the financial and non-financial markets and whether the developments in mid-2011 necessitate changes in strategy.
- Changes in the distribution landscape and our response.
- The geographical focus on the Netherlands and Belgium. In particular, the reinforcement of our position in the Belgian market was intensively discussed. Various strategic options were reviewed in this connection.

In addition, various dilemmas were reviewed. One dilemma that the Supervisory Board discussed in detail concerned the tension between the ambition to further reduce costs on the one hand, and to continue starting up new initiatives and investing in the quality of the organisation on the other.

The conclusion was that adjustment of the strategy is not necessary, but that certain aspects need to be refined. These aspects will be addressed. In addition, new emphases must be placed, mainly in relation to the volatile financial markets and the fast-moving developments related to the internet, telecommunication and social media. The discussion in the Supervisory Board was largely structured around dilemmas.

The strategic process has convinced the Supervisory Board that the Group is fully capable of operating independently as a listed financial institution with a focus on the Dutch and Belgian markets. We have identified how this can be strengthened. Delta Lloyd Group does not require merger or acquisition activity to successfully carry out its strategy. Any opportunities for further consolidation or investments will be judged on their potential contribution to the business objectives and on the consequences for the shareholders. The Supervisory Board has agreed with the Executive Board on the framework, in terms of both content and processes within which any consolidation initiatives should take place. In such cases, the Supervisory Board will consider its own, independent position and role in the process, and define its position and role in greater detail, depending on the situation.

b) Risk management

Risks are inextricably linked to doing business in the financial sector. Delta Lloyd Group is no exception. The revenue model of Delta Lloyd Group is based on taking on and managing a broad spectrum of risks. Risk management is therefore not an isolated activity but an integral part of its core business and, as such, embedded throughout the organisation and in all operational processes. The Supervisory Board performs its task along the same lines. This means 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 these risks and monitor the consequences of decisions for the risk profile.

Now more than ever, the Supervisory Board sees risk management as a focus area for the entire Board. And the most important risk documents are now placed on the agenda of the plenary Supervisory Board meeting, whereas previously the preparatory discussion of the risk management and the accompanying documents took place in the Audit Committee. In view of the increased attention for risk management, and in line with the Governance Principles drawn up by the Dutch Association of Insurers *('Verbond van Verzekeraars')*, a separate Risk Committee was set up alongside the Audit Committee in 2011. The chairman of each committee is also a member of the other committee. This ensures optimum coordination of the subjects to be addressed in these committees.

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 is subsequently placed on the agenda of the plenary Supervisory Board meeting for discussion and approval. The GRAS is not confined to financial risks, but comprises non-financial risks as well. It defines the overall risk appetite and gives a detailed indication of the acceptable levels for the identified risks. Every quarter, the Supervisory Board discusses the Own Risk Solvency Assessment Report and the Financial Risk Report in a comparable manner. 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 subject that was discussed most extensively in the Supervisory Board in 2011 involved the effects of the developments in the financial markets, such as interest rate and equity price movements, government bonds, credit spreads and mitigating measures (e.g. through the hedging programme). The implications of a eurozone break-up were examined and discussed on the basis of four scenarios. The conclusion was that Delta Lloyd Group is well-prepared for contingencies, but that ongoing vigilance remains vital in view of the rapidly changing circumstances with potentially major consequences. The Supervisory Board was informed of internal measures taken in this respect.

One of the pillars underpinning the revenue model of Delta Lloyd Group is an investment policy that responds quickly and adequately to market changes. This policy sets out clear limits, within which investment risks are managed and hedged.

In addition, the Supervisory Board looked specifically at the risks associated with the increased life expectancy (the longevity risk). Another important issue involved the organisation's capability and flexibility to prepare for the various new regulatory requirements, such as Solvency II.

During the year, the Supervisory Board closely monitored the development of the risk profile through the Risk Committee. The Supervisory Board came to the conclusion that the Executive Board correctly assessed and balanced the various risk and return factors in its risk management policy and set up a good risk management system.

c) Trust

In 2011, 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 Delta Lloyd Group in particular. One example of this is the discussion of 'Customer Focus', a group-wide programme centring on customer interest and delivering security. The new simplified organisation contributes to clearer products, improved service, lower costs, and better expectation management. The Supervisory Board sees the preservation of the national Customer-Focused Insurance Quality Label for all Delta Lloyd Group brands as an important indication of the progress made towards realising the objectives in this field.

The Supervisory Board discussed the Product Approval and Product Review processes for new and existing products. This system is controlled by the Executive Board by means of the Product Development governance model. The role of the Supervisory Board in this system is to take note of the irregularities referenced by the compliance department in a quarterly report.

The Supervisory Board is informed of important new products, including the risk profile for the customers and the company. The Executive Board is obliged to provide this information of its own accord. Customer Focus is not an isolated programme for Delta Lloyd, but an overall way of looking at the customer's interest in relation to the company's revenue model. The intrinsic tension that can arise in this respect was discussed with the Executive Board. The Supervisory Board is satisfied to note (partly in light of a visit to one of our offices) that Delta Lloyd has made major strides towards putting the 'customer focus' principle into operation.

The Supervisory Board critically monitors the outcomes of customer satisfaction surveys, and considers the comparison with competitors in this connection. The importance the Supervisory Board attaches to customer confidence and satisfaction is also evident from the inclusion of these aspects in the criteria for the management's variable remuneration in 2011.

d) Other specific issues

Exit of Delta Lloyd Germany

In line with the strategy and the announced withdrawal from the German market, Delta Lloyd Group unveiled the proposed sale of the German activities to Nomura in 2011. The closing of this asset/liability transaction will not take place until the third quarter of 2012, partly because of the approval process in Germany. The transaction includes conditions about the definite pricing and the options of the buyer and seller to pull out of or continue the transaction. This is dealt with in more detail in the Report of the Executive Board and the Financial Statements.

Interest of Aviva

In 2011, in line with its previously expressed intention, Aviva reduced its interest in Delta Lloyd. At year-end 2011, Aviva's interest was 42%.

Human Resources

Two members of the Nomination Committee, including the chairman of the Remuneration Committee, 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 management level and of the executives' perceptions of Delta Lloyd Group, both now and in the future. After all, these executives play a key role in the continuity of the company. The interviews were summarised in a report, which was discussed in early 2012 with the Executive Board, the Nomination Committee and the plenary Supervisory Board. This process will be repeated once every two years.

The Supervisory Board also sought and obtained information on the outcomes of a periodic motivation survey held among all employees of Delta Lloyd Group, including a comparison with the benchmark. The Supervisory Board discussed possible areas for improvement with the Executive Board.

Unit-linked insurance

The subject of unit-linked insurance was extensively discussed at the initiative of the Supervisory Board. In response to a memo that was prepared by the Supervisory Board, the Executive Board presented a detailed overview of the policy and the various measures taken. Following the discussion, the Supervisory Board expressed its support for the Executive Board's prudent approach to this matter.

Pension system

During a workshop, the Supervisory Board was informed of the political and social aspects of a possible new pension system.

Presentations

Several presentations were held to inform the Supervisory Board of developments at company and business unit level:

- Delta Lloyd Asset Management: in view of the major importance of the Asset Management results for the entire company and the turmoil in the equity and bond markets, a SWOT analysis was discussed with the relevant managing director.
- Joint venture with ABN AMRO Insurance: present and future.
- New advertising campaign: 'Critical at the right time'.
-

2.4 Composition of the Supervisory Board

The current composition of the Supervisory Board is detailed in section 3.1.1 of the annual report. Jan Holsboer announced his departure from the Supervisory Board in the second half of 2011. The Supervisory Board regrets his departure. Jan Holsboer played an important role both as a member of the Supervisory Board and, more specifically, in preparing and chairing the Risk Committee. We thank him for his hard work and substantive contributions as well as for being an excellent colleague.

The departure of Jan Holsboer created a vacancy on the Supervisory Board. The Works Council has a reinforced right of recommendation for this vacancy, subject to the set profile. The Nomination Committee and the Works Council jointly searched for suitable candidates, with the support of an external agency. International candidates were also selected, but ultimately the short list consisted exclusively of candidates of Dutch or Belgian nationality. The Works Council put forward Jean Frijns as its candidate. This recommendation was adopted by the Supervisory Board, which therefore nominates Mr Frijns for appointment at the forthcoming General Meeting of Shareholders, subject to regulatory approval. Jan Haars, deputy chairman of the Risk Committee and chairman of the Audit Committee, expressed his willingness to act as chairman of the Risk Committee for the time being.

In 2011, Andrew Moss was reappointed, upon the nomination of Aviva, by the General Meeting of Shareholders. The reappointment, which was prepared by the Nomination Committee and the Supervisory Board, was based on individual assessments of Mr Moss. The chairman of the Supervisory Board gauged the opinions of the other members of the Supervisory Board and the positive outcome was discussed in the Nomination Committee in the absence of Mr Moss.

With the aid of a competence matrix, 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 as discussed at the beginning of 2011. The profile of new members will depend partly on the profile of the members who are due to resign in the future. Diversity objectives will naturally also be included in this process. The Supervisory Board aspires towards a reasonable balance as regards nationality, gender, age, expertise, experience and background of its individual members.

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.

At the time of the initial public offering, 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 double 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 takes care of 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. This concerns the interaction between the Executive Board, Supervisory

Board and General Meeting of Shareholders as well as planning, agenda-setting, progress control, corporate governance monitoring and communications with all other relevant parties (such as the Works Council, external regulators, external advisers).

In August 2011, Debbie Bouguenon resigned as company secretary. The Nomination Committee discussed the profile for the position and was involved in the appointment of Caroline van Reedt Dortland as the new company secretary. She took up her new post on 1 March 2012. In the interim, Elise Stevens-Fokkens temporarily filled the vacancy.

2.5 Meetings of the Supervisory Board in 2010

The Supervisory Board held six plenary meetings in 2011, including one meeting outside the presence of the Executive Board, as well as four conference calls. In addition, various informal contacts took place 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 contact, both in person and by telephone, 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 the Supervisory Board chairman. In extension of this role, 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 whether the necessary actions are taken to implement decisions taken in meetings and agreements made with the Executive Board.

The chairman of the Audit Committee has regular personal contact with the Chief Financial Officer (CFO) and his staff. The chairmen of the Remuneration Committee and the Nomination Committee have direct contact with the Executive Board member responsible for Human Resource Management (HRM) and the relevant corporate staff director. In addition, members paid individual visits to the various business units within Delta Lloyd Group and spoke with employees. A delegation of the Supervisory Board paid a working visit to OHRA in Arnhem.

The discussion of the management letter with the external auditor revealed no issues that need to be mentioned in this Supervisory Board report. In addition, all issues discussed in the Audit Committee and mentioned in section 2.6 were also reviewed with the external auditor.

Members of the Supervisory Board attended the meetings of the Works Council in turns. Once a year, there is a joint meeting of the Supervisory Board, the Executive Board and the full Works Council. The theme of the 2011 meeting was ‘reputation’.

In addition, informal consultation took place between the chairman and vice-chairman of the Supervisory Board, the chairman of the Executive Board and the executive committee of the Works Council. In 2011, the Supervisory Board discussed the general state of affairs within the company, with a particular focus on social policy.

As part of the commitment to lifelong learning, the Supervisory Board took part in various modules dealing with such subjects as the Pension Accord and governance. Several members of the Supervisory Board also attended courses for directors on supervision and regulatory developments that NIBE-SVV specifically tailored to the needs of Delta Lloyd Group. In 2012, the lifelong learning programme will be continued with, among other things, a risk module. Members of the Supervisory Board can also opt to follow a programme developed by the Dutch Association of Insurers and Nyenrode Business University.

2.6 Supervisory Board committees

In 2011, the Supervisory Board was supported by four committees that prepare their delegated subjects ahead of the decision-making in the plenary Supervisory Board: the Audit Committee, the Risk Committee, the Remuneration Committee and the Nomination Committee. The members of the committees form part of the Supervisory Board. Their composition is set out in section 3.1.1. Each committee reports its findings in 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 2011 and held two conference calls. All meetings were attended by the CFO, as well as by the Directors of Audit, Finance, Control & Tax, Integrity and Actuarial & Risk Management. Three meetings were attended by the external auditor.

The Audit Committee devoted significant attention to the periodic financial reports, auditor’s reports, actuarial analyses, control framework and internal audit reports. Special attention was given to the manner in which the compliance and internal audit departments have been set up and function. The Audit Committee is satisfied with these points. However, there are concerns about the workload due to the market conditions and the intensified relationships with external regulators. In addition, the Audit Committee was involved in a tender for audit services. This tender has led to the Supervisory

Board's advice to put the reappointment of Ernst & Young as the external auditor for approval to the General Meeting of Shareholders in 2012.

Other subjects raised in the Audit Committee included the external provision of financial information (including guidance for the investment market), the risks of government bonds, the dividend proposal, fraud risks (as well as the related prevention, detection and investigation activities) and the development of product margins. The combined ratio received particular critical scrutiny.

As described elsewhere in this report, risk management was one of the tasks of the Audit Committee until mid-2011. Accordingly, the risk management reports were discussed in this committee. The Audit Committee is also monitoring the progress of preparations for compliance with new regulatory requirements, such as Solvency II.

Risk Committee

This committee, which was set up in mid-2011, met three times in 2011 to discuss specific risk management issues. These included the Risk Management Framework, the Group Risk Appetite Statement, the Financial Risk Report, the ORSA report, the outcomes of internal controls and analyses made by the Dutch Central Bank ('De Nederlandsche Bank N.V. / DNB'). Special attention was devoted to the risks attached to the interest rate movements, the debt crisis and the mortgage and property market. Non-financial risks, including operational risks, IT risks and integrity policy, were also reviewed.

The position of chairman of the Risk Committee is vacant due to the departure of Jan Holsboer in the second half of 2011. Jan Haars acts as temporary chairman.

Remuneration Committee

This committee met three times in 2011. The recurring tasks of the Remuneration Committee include assessing the realisation of the Executive Board's performance targets and setting targets for the short- and long-term variable remuneration. 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. In this context, the committee discussed how to adjust the remuneration policy to the requirements that DNB has set in connection with the Regulation on Sound Remuneration Policies.

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

Nomination Committee

The Nomination Committee met three times in 2011. Its recurring tasks include the evaluation process of the Supervisory Board, the assessment of the Executive Board, the preparation of appointments and corporate governance monitoring. More information about this – notably the search for a new member of the Supervisory Board – was provided in previous sections of this report. The Nomination Committee has verified that the Executive Board members meet DNB's suitability criteria.

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.

2.7 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. While supervision, control and critical monitoring remain of essential importance, we are increasingly playing a more prominent role in such areas as strategy-making processes, key operational decisions, risk management and the implementation of large projects. To facilitate this shift, we are informed more broadly by the Executive Board. We also request additional information of our own accord 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 mental independence vis-à-vis the Executive Board and the involvement in the processes managed daily by the Executive Board. This tension was therefore discussed (also with the chairman of the Executive Board) as a separate theme in the evaluation of our functioning as Supervisory Board. We have concluded that there are no problems in this area.

One important theme concerns the approach taken by the Executive Board and Supervisory Board in conducting their mutual relations. This was also a topic of discussion between the Supervisory Board and the Executive Board in 2011. 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. Our 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 risky 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 every individual 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 diverse roles. The Supervisory Board therefore adheres to informal rules of conduct in its relationship with the Executive Board.

Our supervisory task includes the supervision of the good relations between the Executive Board and the company's shareholders. The Executive Board and Supervisory Board actively seek the views and opinions of shareholders and are 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 is also open to personal consultation with external regulators. For example, delegations from the Supervisory Board consult, upon request, with DNB and the Netherlands Authority for the Financial Markets *('Autoriteit Financiële Markten / AFM')* about a variety of issues. They also attend roundtable meetings that DNB and the AFM organise for Supervisory Board delegations in the financial sector.

The Executive Board discusses contacts and correspondence with external regulators with the Audit Committee and the chairman of the Supervisory Board. The chairman of the Audit Committee subsequently reports on these matters to the plenary Supervisory Board. The chairman of the Supervisory Board monitors whether the necessary actions are taken in response to the contacts with the external regulators.

In 2011, the Supervisory Board and Executive Board took part in a 'Board Effectiveness' assessment at the request of DNB. This consisted of three parts: desk research, interviews with various members of the Executive Board and Supervisory Board as well as several directors, and an observation during a meeting of the Supervisory Board.

2.8 Evaluation

Every year, the Supervisory Board evaluates its functioning, including the aforementioned board dynamics, based on a questionnaire that is completed by all members. The Executive Board is also asked to complete the questionnaire. The evaluation is performed once every three years with the aid of an external consultant. Early in 2011, the Supervisory Board discussed the results of an evaluation performed by PwC. PwC conducted individual interviews with all members of the Supervisory Board, the company secretary and the chairman of the Executive Board. This resulted in an anonymised report, which was discussed in a separate plenary workshop under the consultant's direction. The chairman of the Executive Board attended the first part of this workshop. The general conclusion was that the Supervisory Board is functioning well. Suggestions for improvements were discussed and no real bottlenecks or serious weaknesses were identified.

2.9 Financial statements and profit appropriation

In accordance with the provisions of Section 2:101 (3) of the Netherlands 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, our Board approves the Executive Board's decision to pay out a dividend for the 2010 financial year. The dividend proposal is contained in section 1.7.1.

2.10 A word of thanks

The Supervisory Board wishes to thank the shareholders for their trust in the company. We also express our gratitude to the Executive Board which, in our opinion, showed successful leadership amidst 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 the past year.

The Supervisory Board
René Kottman, chair; Nomination Committee chair
Eric Fischer, vice-chair
Jan Haars, Audit Committee chair; temporary Risk Committee chair
Pamela Boumeester, Remuneration Committee chair

Peter Hartman
Fieke van der Lecq
Andrew Moss
Patrick Regan

3 Good governance

Corporate governance ensures the sound management of the company's affairs. This chapter describes how Delta Lloyd Group ensures the good, efficient and responsible management of the company, while safeguarding 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. Furthermore, 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.

The full text of the Strategic Investment Agreement that Delta Lloyd Group and its major shareholder Aviva plc ('Aviva') entered into prior to the initial public offering is also available on the website. This agreement contains orderly market arrangements, subject to which Aviva may sell its shareholding, and covers key issues in the area of corporate governance, including Aviva's role in the composition of the Supervisory Board. A summary of the most important elements of this agreement is given in section 3.1.6.

Structure of Delta Lloyd Group

Since 1 January 2011, the legal structure of Delta Lloyd Group has been radically simplified. In the new structure similar activities are concentrated, insofar as possible, at a single location within the organisation in order to share knowledge and systems, save costs and improve the quality of service. Our Delta Lloyd and OHRA brands operate from a single commercial division and work closely together with the two life and general insurance businesses. The ABN AMRO Insurance joint venture has retained its separate position within Delta Lloyd Group and carries out general and life insurance activities under the ABN AMRO Insurance label.

3.1.1 Supervisory Board

The function of the Supervisory Board is to monitor the policy pursued by the Executive Board and the affairs of Delta Lloyd Group and its affiliated enterprise. In performing their duties, the Supervisory Board members must serve the interests of the Group and its affiliated enterprise. The Supervisory Board is collectively responsible for carrying out the Board's duties.

The Supervisory Board consists of nine members. Delta Lloyd Group aspires to have a Supervisory Board that is reasonably representative of the interests of all stakeholders. The Board consists of two members nominated by Aviva and seven independent members, three of whom are nominated by the Supervisory Board on the recommendation of the Works Council. Any person nominated for membership of the Supervisory Board must satisfy the profile of the Board as set out in its by-laws.

The arrangements between Delta Lloyd Group and Aviva concerning Aviva's right to nominate Supervisory Board members have been laid down in the Strategic Investment Agreement (see section 3.1.6).

Composition of the Supervisory Board
René Kottman, chairman
Eric Fischer, vice-chairman
Pamela Boumeester
Jan Haars
Peter Hartman
Jan Holsboer (resigned on 27 September 2011)
Fieke van der Lecq
Andrew Moss
Patrick Regan

The Supervisory Board currently 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, but the Supervisory Board remains collectively responsible for the fulfilment of the duties delegated to its committees. The Supervisory Board does not have any other standing committees.

Composition of the Committees

Audit Committee
Jan Haars, chair

Eric Fischer
Fieke van der Lecq
Patrick Regan

Remuneration Committee
Pamela Boumeester, chair
Eric Fischer
René Kottman
Andrew Moss

Nomination Committee
René Kottman, chair
Pamela Boumeester
Eric Fischer
Andrew Moss

Risk Committee
Jan Haars, chair (ad interim)
Peter Hartman
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.

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 its internal control systems.

Composition of the Executive Board
Niek Hoek, chairman
Paul Medendorp
Henk Raué (until 1 April 2011)
Emiel Roozen
Onno Verstegen (from 20 May 2011)

The Delta Lloyd Group Supervisory Board appointed Onno Verstegen to the Executive Board. He succeeded Henk Raué, who stepped down on 1 April 2011, having reached the retirement age for Delta Lloyd Group Executive Board members. Onno Verstegen was chairman of Delta Lloyd Insurance until 31 December 2010. The Supervisory Board notified the shareholders of the proposed appointment of Onno Verstegen on 20 May 2011.

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 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 2006 were appointed for an indefinite period. Delta Lloyd Group is of the opinion that existing employment agreements should be honoured. All members who joined the Executive Board thereafter, 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.' Delta Lloyd Group subscribes to the principle that failure by members of the Executive Board should not be rewarded, but also believes that Executive Board members are entitled to reasonable severance pay.

Best practice provisions II.3.2 and II.3.4: Delta Lloyd Group adheres to the best practice provisions on conflicts of interest among Supervisory Board members and Executive Board members. Furthermore, Delta Lloyd Group is not aware of any potential conflicts of interest between any duties of the Supervisory and Executive Board members and their private interests and/or other activities, with the exception of the fact that two members of the Supervisory Board are not independent in the meaning of the Code, as they were appointed upon Aviva's nomination (see 'best practice III.2.1').
In November 2011, the Supervisory Board was informed by its chairman, René Kottman, of a possible conflicting interest on his part. The issue concerned his chairmanship of the Supervisory Board of Wavin N.V. It had just been announced that Mexichem had made a non-binding offer for all shares in Wavin. At that time Delta Lloyd Group held about 8% of the Wavin shares, which could result in a conflicting interest for Mr. Kottman. For this reason, it was decided at Wavin and Delta Lloyd Group that he would not be involved in the deliberations and decision-making about the bid and would also

not receive any information on this matter. This decision was published in press releases by both Delta Lloyd Group and Wavin.
The Supervisory Board members provide quarterly updates on other positions.

Best practice provision III.2.1*:* 'All supervisory board members, with the exception of not more than one person, shall be independent within the meaning of best practice provision III.2.2.' The Supervisory Board has two members who are not independent within the meaning of best practice provision III.2.2. These members were nominated by Aviva. Like all members, they are required to perform their duties in the interests of Delta Lloyd Group and its stakeholders. Pursuant to the Strategic Investment Agreement, Aviva is entitled to nominate two Supervisory Board members and to propose replacements for each. This right will lapse in accordance with the following provisions of the agreement:

- if Aviva, directly or indirectly, holds less than 35% of the shares in Delta Lloyd Group excluding the protective preference shares, Aviva is entitled to nominate one Supervisory Board member; and
- if Aviva, directly or indirectly, holds less than 15% of the shares in Delta Lloyd Group excluding the protective preference shares, Aviva is no longer entitled to nominate a Supervisory Board member.

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

Governance Principles and Banking Code

Background
The Governance Principles of the Dutch Association of Insurers ('Verbond van Verzekeraars') and the Banking Code of the Netherlands Bankers' Association ('Nederlandse Vereniging van Banken / NVB') are two self-regulation codes. Both codes comprise principles on the composition, mutual relations and functioning of the Executive Board and the Supervisory Board, risk management and remuneration policy. The purpose of the principles is to help restore trust and confidence in the insurance and banking sector. The Governance Principles are applicable to all insurance activities of Delta Lloyd Group and have been in force since 1 January 2011. The only exception is principle 6.3.2, which is complied with in part. On the grounds of this principle, in the event of the dismissal of a member of the Executive Board, the severance pay may not exceed one annual salary. The two members who already formed part of the Executive Board prior to 1 January 2010 had different arrangements. Delta Lloyd Group has opted to respect the existing arrangements with these two members. For further information, we refer to the comment about Delta Lloyd Group'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
Below we explain our approach to compliance with the Code. In this context we provide further information on four subjects: lifelong learning, the moral and ethical conduct declaration, customer focus and remuneration policy. 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
Delta Lloyd Group believes it is of major importance that knowledge be kept up to date. A lifelong learning programme is in place for members of the Executive Board and the directors. In 2011, two meetings were held to address a variety of topics, including general developments in the financial sector, duty of care to the customer, integrity and upcoming regulatory developments. The programme will be continued in 2012. A session in January 2012, for instance, centred on risk management, Solvency II and financial reporting. In addition, members of the Executive Board and directors are able to attend training courses that cater to their specific wishes and needs.

A lifelong learning programme is also available for the Supervisory Board. Subjects discussed in 2011 included the pension agreement, corporate governance and general developments in the financial sector. This programme will be continued in 2012; risk management and financial reporting are among the items on the agenda.

Moral and ethical conduct declaration
All members of the Executive Board sign a moral and ethical conduct declaration. The declarations were signed by the incumbent members of the Executive Board in March 2011. Onno Verstegen signed the declaration when he was newly appointed to the Executive Board. The text of the declaration is posted on the Delta Lloyd Group website. Every year, the members of the Executive Board reaffirm their commitment by re-signing the declaration.

The moral and ethical conduct declaration also applies 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.

Customer focus
The customer's interest is a key focus for Delta Lloyd Group. This is already clearly reflected in our core values: honest, approachable and we work together. To further support this commitment, a Customer Focus programme has been set up under the direct supervision of the Executive Board. The programme is aimed at 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. One good example is the product approval process, whereby we will check all existing and new products against our standards. As part of this review, we verify regulatory compliance, as well as whether the product is cost-efficient, useful, safe and understandable.

Remuneration policy
Delta Lloyd Group applies a controlled, sound and sustainable remuneration policy. This policy is in line with the risk appetite and devotes attention to all stakeholders of Delta Lloyd Group: customers, employees, shareholders and society. We take account of long-term interests and social acceptance. The policy supports and strengthens the strategy and core values of Delta Lloyd Group.

In 2011, the basic principles of the remuneration policy were tightened up 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 the fixed remuneration. The purpose of the variable remuneration is to stimulate the employee to achieve the desired results, while ensuring that the policy contains no improper incentives. To this end, the variable remuneration is based on both financial and non-financial criteria. In addition, the variable remuneration based on the financial performance criteria includes a correction for all types of risk and the costs of capital (ex-ante risk analysis).

3.1.4 Articles of Association

Appointment and dismissal of Supervisory Board members

The members of the Supervisory Board are appointed by the General Meeting on nomination by the Supervisory Board, which simultaneously notifies the General Meeting and the Works Council of the nomination. Each nomination is supported by arguments. The General Meeting and the Works Council can submit recommendations for nominations to the Supervisory Board.

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 based on the expectation 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 the nomination by the Supervisory Board with an absolute majority of the votes cast, representing at least one-third of the issued capital. If the General Meeting passes such a resolution without said majority, a new meeting will be convened in which the nomination may be rejected with an absolute majority of the votes cast. In this case, the Supervisory Board submits 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 the votes cast, representing at least one-third of the issued capital. If the General Meeting passes such a resolution without said majority, a second meeting can be convened. In that meeting the confidence in the Supervisory Board can be withdrawn, again only with an absolute majority of the 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 all times. 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 heard about the proposed dismissal. A member of the Executive Board can be suspended by the Supervisory Board at all times. A suspension can be extended one 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. Furthermore, resolutions regarding 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. In addition, certain resolutions of the General Meeting can only be made at the proposal of 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 2010 was divided into:
- 170,578,697 ordinary shares, being 92.9% of the issued capital;
- 13,021,495 preference shares A, being 7.1% of the issued capital.

Aviva holds 41.9% of Delta Lloyd Group's ordinary shares. 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 (D. Einhorn) directly or indirectly holds 8,931,508 ordinary shares in Delta Lloyd Group (about 5.2% of the issued ordinary shares). Delta Lloyd Group has repurchased 1,650,000 ordinary shares. These shares carry no voting or dividend rights.

Delta Lloyd Group 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 provides for 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 as stipulated in the Articles of Association has not been made. For more details see section 3.1.5.7 ‘Transfer of shares, transfer restrictions and notification’.

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 said distribution is permitted, taking into account all laws and regulations, including the capital requirements of the Dutch Central Bank. The General Meeting may resolve, on a proposal of the Executive Board approved by the Supervisory Board, that an ordinary share dividend be paid out in full or in part 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 12 October 2009, the General Meeting resolved to designate the Executive Board as the competent body to resolve to issue ordinary shares and protective preference shares and to grant rights to subscribe for both classes of shares for a period of three years, starting 6 November 2009 and ending on 6 November 2012, 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. The General Meeting did not restrict the competency of the Executive Board to issue protective preference shares and to grant rights to subscribe for protective preference shares. This competency concerns all unissued protective preference shares in the authorised share capital. After this three-year period, the Executive Board may propose to the General Meeting to extend its designation as the competent body to issue shares and to limit or exclude pre-emptive rights.

If the General Meeting has not designated the Executive Board as the competent body to issue shares, it may resolve, on 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’.

See section 3.1.6 ‘Strategic Investment Agreement’ for specific arrangements between Delta Lloyd Group and Aviva about the issuance of ordinary shares.

3.1.5.4 Pre-emptive rights

In principle, upon the issuance of ordinary shares, each holder of ordinary shares has a pre-emptive right in proportion to the aggregate nominal value of its ordinary shares. Holders of ordinary shares do not have a pre-emptive right upon the issuance of preference shares A or protective preference shares. Furthermore, no pre-emptive right exists in respect of shares that are issued for a consideration other than in cash or shares issued to employees of Delta Lloyd Group or any company belonging to the Group.

At the proposal of the Executive Board, subject to approval of the Supervisory Board, the General Meeting may resolve to limit or exclude the pre-emptive rights. Such resolution requires a qualified majority. The General Meeting may also designate the Executive Board as the competent body to limit or exclude the pre-emptive rights, subject to the approval of the Supervisory Board. This designation may be granted to the Executive Board for a specified period of time not to exceed five years and only if the Executive Board has also been designated, or is simultaneously designated, as the competent body to resolve to issue shares. The designation may be extended for no longer than five years at a time and only applies as long as the Executive Board’s designation as the competent body to issue shares is in force. On 12 October 2009, 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 three years, starting on 6 November 2009 and therefore ending on 6 November 2012.

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 to them by law.

3.1.5.6 Repurchase of shares

The acquisition of shares and/or depositary receipts by Delta Lloyd Group in a way other than for no consideration is only permitted if the General Meeting has authorised the Executive Board to this effect. As part of this authorisation, the General Meeting must specify the number of shares or depositary receipts that may be acquired, the manner in which the shares or depositary receipts may be acquired and the price limits.

On 20 May 2011, 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 20 November 2012. The designation relates to 50% of the nominal amount of the issued share capital of Delta Lloyd Group. The acquisition can take place at a share price of at least the nominal value and at a maximum share price equal to the quoted ordinary share price plus 10%. The quoted ordinary share price is defined as the average of the closing ordinary share prices published in the official price list of Euronext 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 cannot derive any 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, with the exception of the restrictions set out in the Strategic Investment Agreement in respect of the transfer of ordinary shares by Aviva (see section 3.1.6).

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 the Supervisory Board deems 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 with 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 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, a qualified majority means at least two-thirds of the votes cast at a meeting at which at least two-thirds of the issued capital is present or represented. If this quorum is not met, a second meeting will be held, where a qualified majority means at least two-thirds of the votes cast regardless of the capital that is present or represented at the meeting. If the quorum at the first meeting is not met because Aviva is not present or represented, qualified majority at the first meeting means at least two-thirds of the votes cast, regardless of the capital that is present or represented at the meeting. In the event that Aviva holds less than 15% of the issued capital of Delta Lloyd Group, qualified majority means a majority of two-thirds of the votes cast, 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 (part) of the profits to the reserves;
- 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

Right to nominate Supervisory Board members
As long as Aviva holds at least 35% of the issued share capital of Delta Lloyd Group, it is entitled to make nominations for two Supervisory Board members. If Aviva, directly or indirectly, holds less than 35% of the share capital, this right will be restricted to the nomination of one Supervisory Board member. The right to nominate Supervisory Board members lapses in full if Aviva, directly or

indirectly, holds less than 15% of the issued share capital. These percentages are calculated without taking account of any outstanding protective preference shares.

3.1.6.1 Information and reporting

Delta Lloyd Group has agreed with Aviva to provide certain financial and other information to enable Aviva to satisfy its financial reporting requirements and other legal and regulatory requirements, taking into account Delta Lloyd Group's requirement to comply with legal obligations concerning the content and timing of disclosure. Aviva and Delta Lloyd Group have agreed that Aviva will not use the information for any other purpose than to satisfy the applicable relevant requirements.

It has been agreed that Delta Lloyd Group will implement processes and procedures aimed at enabling Aviva to certify its compliance with the Sarbanes-Oxley Act 2002 (SOx) as long as Aviva holds more than 20% of the issued share capital (excluding protective preference shares). Delta Lloyd Group has no additional reporting obligations to Aviva and the SOx certifications do not entitle Aviva to any additional audits or rights of access to supporting records.

3.1.6.2 Orderly market arrangements

Aviva may transfer ordinary shares it holds, providing the transfer is conducted in an orderly market manner. The aim of this provision is to avoid a negative impact on the price of the ordinary shares as a result of the transfer. Delta Lloyd Group will cooperate to a reasonable extent with Aviva to optimise the transfer of ordinary shares. Aviva will cooperate with Delta Lloyd Group so that the latter's shareholder base is diversified and trading volumes and liquidity are enhanced.

Aviva may conduct a transfer of ordinary shares it holds by means of:

- trading in a regulated market up to 5% of the issued share capital of Delta Lloyd Group, where the shares are sold and transferred over a two-month period;
- a fully-marketed offering, provided that this takes place only once every six months;
- a bought deal involving up to 10% of the issued share capital of Delta Lloyd Group; and
- an accelerated book-build offering of up to 15% of the issued share capital of Delta Lloyd Group.

These percentages are calculated without taking account of any outstanding protective preference shares.

These provisions shall terminate at the earlier of (i) five years following 6 November 2009, or (ii) when Aviva's economic interest in Delta Lloyd Group falls below 20%. The orderly market arrangements shall terminate if Delta Lloyd Group is not willing to assist Aviva in preparing a fully-marketed offering of no less than 10% of the issued share capital or € 250 million of shares.

Aviva will not sell 5% or more of the ordinary shares to competitor strategic investors as part of a fully-marketed offering, bought deal and/or accelerated book-build offering without Delta Lloyd Group's prior consent. This provision shall terminate when Aviva's economic interest directly or indirectly falls below 10%. A competitor strategic investor is defined as (i) a financial institution having more than € 500 million of insurance premiums in the Dutch market, (ii) an insurance group with a market capitalisation of over € 5 billion and (iii) a publicly listed investment company with a stated intent of acquiring operational control of insurance groups. Delta Lloyd Group and Aviva agreed on a list of parties that have been identified as competitor strategic investors immediately prior to the initial public offering. Delta Lloyd Group and Aviva have agreed to discuss and agree in good faith to an updated list of competitor strategic investors every three months as from 6 November 2009.

3.1.6.3 Transfer of shares

Any party, except a subsidiary of Aviva, that obtains ordinary shares representing 5% or more of the issued share capital through an offering or block trade (other than in regular trading on Euronext Amsterdam) from Aviva or a group company of Aviva, must immediately notify Delta Lloyd Group in writing with confirmation of receipt. The notification must be accompanied by written confirmation from Aviva to the party concerned and to Delta Lloyd Group that the shares were acquired by a party that does not qualify as a competitor strategic investor.

In the event that, and for the period during which, the party obliged to notify does not meet or is not able to meet its obligation to notify in accordance with Article 16 of the Articles of Association, the voting rights, the right to attend the General Meeting and the right to distributions relating to the shares so acquired from Aviva are suspended. The party obliged to notify may exercise these suspended rights as soon as it has reduced its interest to less than 5% of the issued share capital or as soon as it has provided Delta Lloyd Group with the required notification. Delta Lloyd Group may grant dispensation from the obligations and consequences as provided for in Article 16 of the Articles of Association. A resolution to that effect by the Executive Board requires the approval of the Supervisory Board.

3.1.6.4 Tag-along right

If Delta Lloyd Group effects a primary offering of ordinary shares, Aviva has tag-along rights for an amount equivalent to 25% of the amount raised, or 10% of the total issued and outstanding ordinary shares, whichever is less.

3.1.6.5 Right to make a public bid

Aviva has undertaken not to make a public offer for Delta Lloyd Group without the support of the Executive Board and the Supervisory Board. Furthermore, Aviva has undertaken not to do anything that would trigger Aviva having to make a mandatory offer for Delta Lloyd Group, unless it has the support of the Executive Board and the Supervisory Board. Likewise, Delta Lloyd Group will refrain from taking any action that would trigger Aviva having to make a mandatory offer for Delta Lloyd Group.

3.1.6.6 Issuance of shares

As long as Aviva, directly or indirectly, holds 15% or more of the issued capital, the Executive Board shall not make a proposal to the General Meeting to extend the designation of the Executive Board as the competent body to issue shares and to limit or exclude pre-emptive rights for a period of more than 18 months without the approval of Aviva.

Furthermore, Delta Lloyd Group and Aviva have agreed that the Executive Board will not use its delegated authority to issue shares if, as a result of such issuance, Aviva's (direct or indirect) shareholding in Delta Lloyd Group would dilute below 20% of the issued share capital, unless consented to by Aviva, which consent Aviva may grant or withhold at its discretion. This restriction on the use of the delegated authority to issue shares will terminate when Aviva, directly or indirectly, holds less than 20% of the issued share capital.

These percentages are calculated without taking account of any outstanding protective preference shares.

3.1.6.7 Termination

Except for certain specific termination provisions, the provisions of the Strategic Investment Agreement shall terminate if and when Aviva, directly or indirectly, holds less than 15% of the issued share capital of Delta Lloyd Group (excluding protective preference shares). The Strategic Investment Agreement may not be terminated other than as provided in the agreement.

3.1.7 Fonds NutsOhra

Fonds NutsOhra's objects and purposes are, '*inter alia*', 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
Paul de Bot
Annet Brouwer
Marg Janssen
Niko van Niekerk
Trees van der Maat
Nico Mogendorff

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 (the 'Agreement'). 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. During the first three years following 3 November 2009, Fonds NutsOhra will not exercise its right to convert its preference shares A. After this three-year period, Fonds NutsOhra will be entitled each year to convert up to 6,510,748 preference shares A (50% of its current preference shares A) 1:1 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 (partial) 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, such that approval of the General Meeting is required pursuant to Section 2:107a of the Netherlands Civil Code.

The conversion price for the preference shares A amounts to € 37.02 per ordinary share received upon conversion, less € 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 (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 twice during the reporting year. During these meetings the chairman of the Executive Board, the CFO and the Investor Relations Manager of Delta Lloyd Group gave an account of the company's general affairs, financial reporting and the 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 twenty 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 referred to 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 and an unwanted acquisition of shares through stock market transactions or otherwise;
- prevent concentration of the voting rights in the General Meeting;
- resist unwanted influence on and pressure to amend the strategy of Delta Lloyd Group by the shareholders; and
- with respect to the foregoing, 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 would be considered unwanted and not in the interest of Delta Lloyd Group and its affiliated enterprise, according to the (provisional) judgement of the Executive Board or the Supervisory Board and the Board of Foundation Continuïteit Delta Lloyd, and exercising the call option would enable 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

The employee representation structure of Delta Lloyd Group was adjusted with effect from 1 January 2011. In line with the simplification of the organisation, Delta Lloyd Group now has a single works council and five works council sub-committees (SC) for the various business units within Delta Lloyd Group. The following sub-committees have been set up:

- the AAI SC represents the interests of all employees working at ABN AMRO Insurance;
- the Commercial SC represents the interests of all employees working at 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 at the Life Insurance, Asset Management and Banking Divisions;
- the General SC represents the interests of all employees working at the General Insurance Division.

In 2011, the composition of the Works Council was as follows:

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

Other members
Robert Heinsbroek
Max Hendriks
Nico Konjanan
Marnix Labadie
Peter Losekoot
Jos van den Nieuwenhof
Bart Sipma
Mark Verburg

Review of 2011
The Works Council of Delta Lloyd Group can look back on a busy and constructive year. The organisation changed and so did the Works Council, with simplicity as the central theme. In line with the renewed organisation, the former structure consisting of a single Central Works Council and three Works Councils was changed to a single Works Council and five Sub-Committees. This new structure was implemented following the elections in May 2011.

In December 2011, the Works Council issued a positive opinion on the joint venture with Friesland Bank. Prior to issuing its opinion, the Works Council of Delta Lloyd Group held consultations with the Works Council of Friesland Bank, which also issued a positive opinion. In a joint information bulletin we noted that the joint venture will lead to a win/win situation. Other issues on which the Works Council issued opinions in 2011 included a number of appointments, the monitoring of customer service telephone calls, and the policy on inappropriate behaviour.

The contacts between the Works Council and the Executive Board took place in an open and constructive atmosphere.

The Works Council wishes to focus on four priorities in the coming years: the New Way of Working, employee development potential, career progression and knowledge retention, and innovation. The Works Council's basic principle is that employees make the business. Therefore, the Works Council believes it is important to give employees scope for taking initiatives, airing and implementing their ideas, and using and maintaining their knowledge. It is the Works Council's conviction that only then can Delta Lloyd Group remain innovative and successful.

Requests for opinion will be assessed on whether they afford sufficient scope for pursuing the four priorities. The Works Council will also take any necessary initiatives, in line with the slogan of the Delta Lloyd Group campaign: critical at the right time.

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 the Articles of Association, various by-laws, the Strategic Investment Agreement with Aviva 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, together with references indicating where this information can be found in this annual report insofar as it is not contained in this chapter.

EU Directive on takeover bid

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 2011, 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 issued.	The Shareholders Agreement that Delta Lloyd NV and ABN AMRO Bank NV have 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 Insurance 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 employees providing for a payment upon termination of their employment as a result of a takeover bid.	Delta Lloyd Group has not concluded any 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

Delta Lloyd Group’s risk management policy provides protection against events that may undermine the achievement of sustainable results, the required minimum solvency or the strategic objectives. The risk management system is fully embedded in the 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 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:

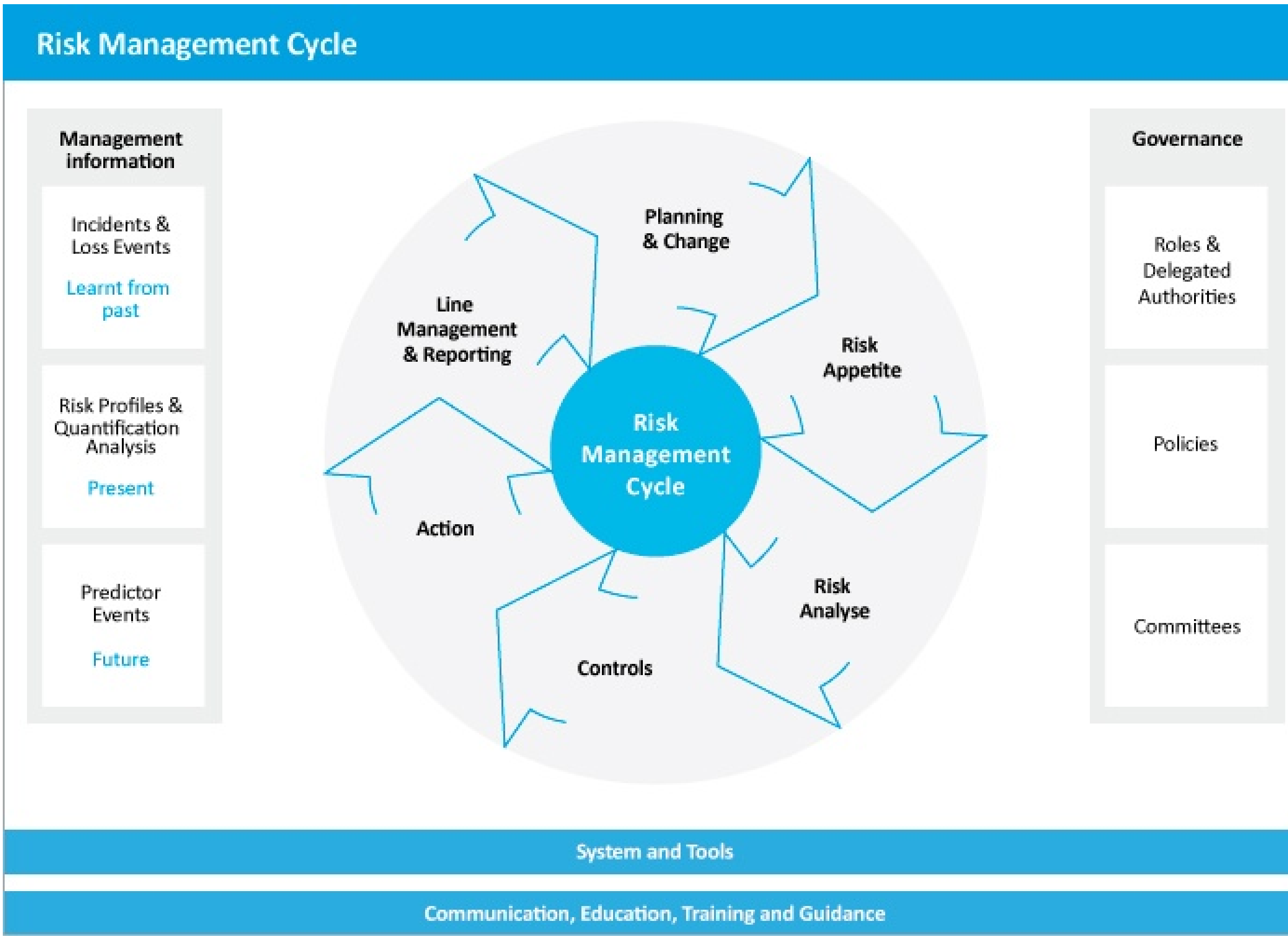
- *Delta Lloyd Group’s risk management framework:* this framework takes into account all relevant elements of risk management, including an internal model for economic capital calculation, a solid risk management cycle and the interrelationship between governance and management information.
- *Risk management culture:* with the correct 'tone at the top' and active involvement of the Executive Board and the business units’ boards with risk / return considerations.
- *Delta Lloyd Group’s risk management organisation:* this structure is 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.
- *Delta Lloyd Group’s internal governance system:* in addition to the Group Risk Committee, the Remuneration Governance Committee and the Model Board (specifically for the internal model), each division has a dedicated audit and risk committee that 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).

- *Delta Lloyd Group's policy set:* this contains a number of mandatory policies to establish, define and evaluate risk appetite at both Group and business unit level, as well as risk tolerance levels and risk control.
- *Delta Lloyd Group's commitment to compliance with the Dutch Corporate Governance Code:* see section 3.1.3 'Codes'.

3.2.1 Risk management framework

Delta Lloyd Group's risk management framework is based on the Enterprise Risk Management 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 it is exposed. Management information and governance are related to each other according to the cycle below.



Risk management cycle / Own Risk and Solvency Assessment (ORSA)

The risk management process, which is increasingly developing into an integrated ORSA process in the run-up to the Solvency II legislation, consists of a cycle where each step is used as a stepping stone for the step that follows. Delta Lloyd Group carries out risk assessments and risk calculations to:

- determine how much risk it is prepared to accept ('risk appetite');
- determine the probability of risks occurring and the resulting consequences, as well as which scenarios could occur and the possible regulatory capital consequences;
- decide what 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 starts all over 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 yearly.

Management information

Delta Lloyd Group uses the following management information to support decision-making:

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.

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 diverse sources;
- service level agreements (SLAs);
- written policies.

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 ineffectiveness of controls. Specific stress tests and scenario analyses are used to estimate and manage the longer-term effects.

Quantitative 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 attendant risk modules, which was developed further in 2011.

This economic capital model is a method that is used internally to quantify all significant risks on a coherent and realistic basis. Logically, Delta Lloyd Group wants to continue using this model, even after the Solvency II regulations take effect in 2014. The internal model comprises all material market (interest rate, equity, real estate), credit, insurance and operational risks. Delta Lloyd Group carries out its analysis of the economic capital on a quarterly basis or as often as circumstances require. All supervised and non-supervised legal entities active in the insurance industry in the Netherlands and Belgium make use of the internal model, both on an individual basis and for Group reporting purposes.

ORSA

The ORSA, as required under Solvency II, comprises a wide variety of integrated quantitative and qualitative management information, including:

- changes in the risk profile;
- major control weaknesses;
- losses above € 10,000, both internal and external;
- most important risk indicator for securities;
- outcome of the economic capital calculation (internal model) and standard model;
- results of stress tests and sensitivity analyses;
- compliance with policy documents at Group level;
- the actual use of the outcomes of the internal model in business operations;
- inventory of capital requirements over the three-year plan period;
- actions and follow-up.

FRR (Financial Risk Report)

These reports contain all the detailed information on the interest rate, equity, property and credit risks, namely:

- recent developments in the financial markets and their impact on the capital position of Delta Lloyd Group;
- assessment of risk positions (including hedges) to determine if these are still in line with the Group's risk appetite and/or whether the allocation of investments must be adjusted.

Governance

The governance framework consists of three elements:

- *Roles & Delegated Authorities:* one essential aspect of the governance framework of Delta Lloyd Group is that selected groups of officers have specific roles and responsibilities within that framework. Individuals to whom authorities have been delegated take decisions within set parameters. Decisions outside their authorities are taken by a higher level.
- *Policy documents:* Delta Lloyd Group has formulated a policy set for controlling both financial and non-financial risks. The Delta Lloyd Group policy comprises policy lines for all major risk types as described in section 3.2.4 'Risk taxonomy'. In 2011, the policy set was updated, adopted by the Executive Board and prepared for the adoption of Solvency II.
- *Committees:* there are several committees in place; see section 3.2.2 'Risk management organisation'.

Systems and tools

Delta Lloyd Group uses a number of systems and tools to support the risk management cycle (analyses, reports, workflow management charts). These include interfaces to 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 devoted to good system support and technology. Delta Lloyd Group has drawn up specific policy documents for the internal model: Group Data Policy, Group Model Policy and Group Validation Policy.

Communication, education, training and guidance

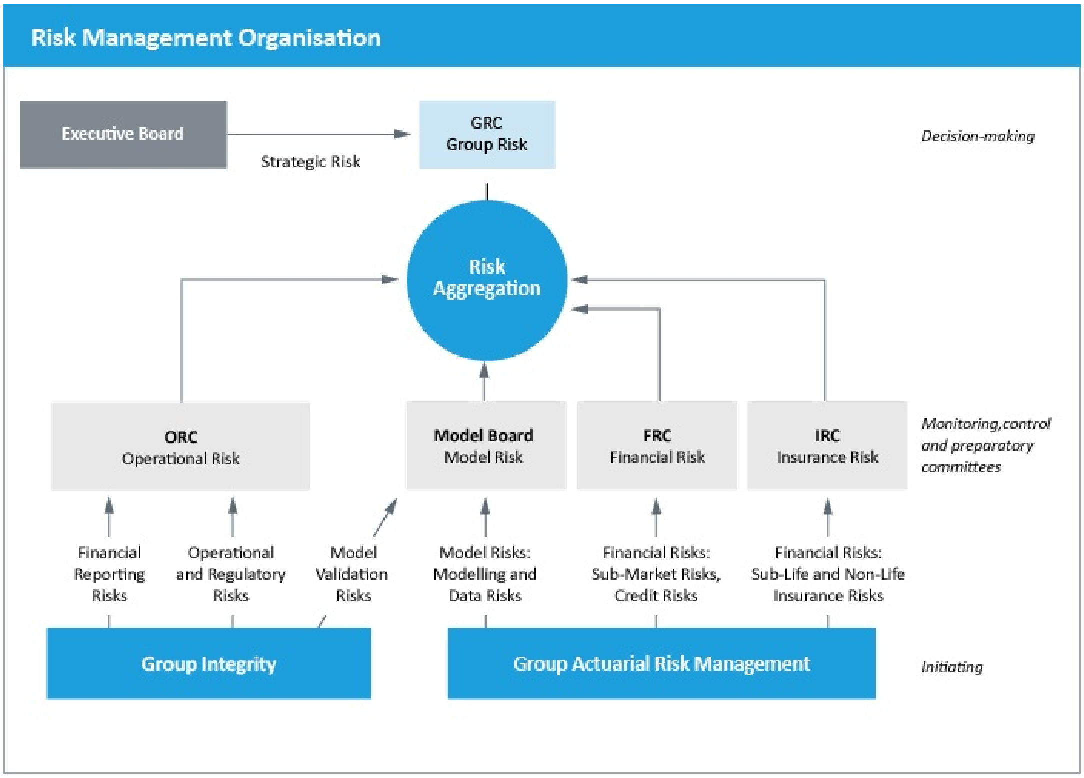
A consistent and regular information flow helps giving management, the Executive Board and the Supervisory Board a deeper understanding and awareness of risk management. Delta Lloyd Group organises regular workshops for the Supervisory Board and Executive Board on topics like risk management, changes in financial reporting and embedded values 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 includes all available information on risk management and Solvency II, while also providing a summary of the relevant developments for Delta Lloyd Group.

3.2.2 Risk management organisation

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

First line – Risk management strategy at each business unit:
This line includes implementing policies, day-to-day responsibilities and reporting and managing information. This line of defence is executed by the business unit's 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 audits 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')* and the Belgian Competition Authority *('Belgische Mededingingsautoriteit')* in Belgium, and the Bundesanstalt für Finanzdienstleistungsaufsicht *('Bafin')* in Germany.

Risk management at Delta Lloyd Group is organised as follows:



The various risk management committees, including the Group Risk Committee, the Operational Risk Committee, the Financial Risk Committee, the Insurance Risk Committee and the Model Board, analyse and monitor the risks within their area of responsibility, provide advice and prepare reports to facilitate decision-making in the Group Risk Committee and the Executive Board.

- The Executive Board is responsible for the decision-making on Delta Lloyd Group's risk profile and determines the risk appetite for Delta Lloyd Group at least once a year. The Group's risk appetite serves as the basis for setting the separate limits for each business unit's key risks. Specific risks such as IT risks and reporting risks are discussed in committees such as the IT Board and Finance Board under the chairmanship of a member of the Executive Board.
- 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 CFO of Delta Lloyd Group, the Chief Risk Officer (also Director of Group Actuarial & Risk Management / GARM), the Director of Group Integrity and the Managing Directors of Delta Lloyd Asset Management, Delta Lloyd Bank, Delta Lloyd Life Belgium and Delta Lloyd Life. In addition, specialists in specific areas are invited to discussions, depending on the subject. 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 Risk Officer (CRO) carries overall responsibility for the supervision of all risks. GARM is responsible for the overall financial risk policy and monitors the effective management of these risks.
- Group Integrity ensures the consistent application of the risk management framework within Delta Lloyd Group. The integrity framework comprises control, monitoring and reporting activities and is aimed at, among other things, the prevention of serious fraud, circumvention of rules and misconduct by employees and management. Group Integrity also includes Enterprise Risk Management, Compliance and Internal Control (including financial reporting risks) and the Financial Crime Unit. Finance, Control & Tax is responsible for the financial management and reporting and gives advice and instructions to the business units. It is also responsible for controlling, monitoring and reporting on the tax position of Delta Lloyd Group, and for compliance with tax laws and provisions.
- Monthly Enterprise Risk Management meetings are held between GARM and Group Integrity under the direction of the CRO to discuss all risk-related issues and developments concerning the Group as a whole.
- 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 and measures within Delta Lloyd Group.

3.2.3 Risk management and control systems

Specific risk management and control systems have been set up for key areas of risk.

- The management of each Delta Lloyd Group business unit assesses and manages that business unit's risks and controls on a regular basis and updates its risk profile each quarter. In 2011, these reports and processes were expanded further into ORSAs, as required under Solvency II. Issues covered in these ORSAs include the control of inherent risks, the effectiveness of existing controls and an assessment of the probability and consequences of residual risks. One major objective is to keep the residual risks within the limits of the defined risk tolerance. The ORSA process results in ORSA reports for individual business units as well as for the overall Group. The ORSAs have a mainly forward-looking focus to permit pre-emptive measures in anticipation of scenarios that threaten the Group's strategic objectives.
- Each quarter, GARM draws up a Financial Risk Report for Delta Lloyd Group. This report is reviewed by the Group Risk Committee. It addresses financial factors, such as recent developments in the financial markets and their consequences for the Group's capital position.

Delta Lloyd Group makes use of 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 the local reporting requirements (Solvency I). In addition, an economic balance sheet is prepared and the economic capital is calculated on a quarterly basis. In 2011, considerable efforts were focused on meeting the requirements of Solvency II and there are already indications, to the extent possible, of the consequences of the proposed 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, 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.

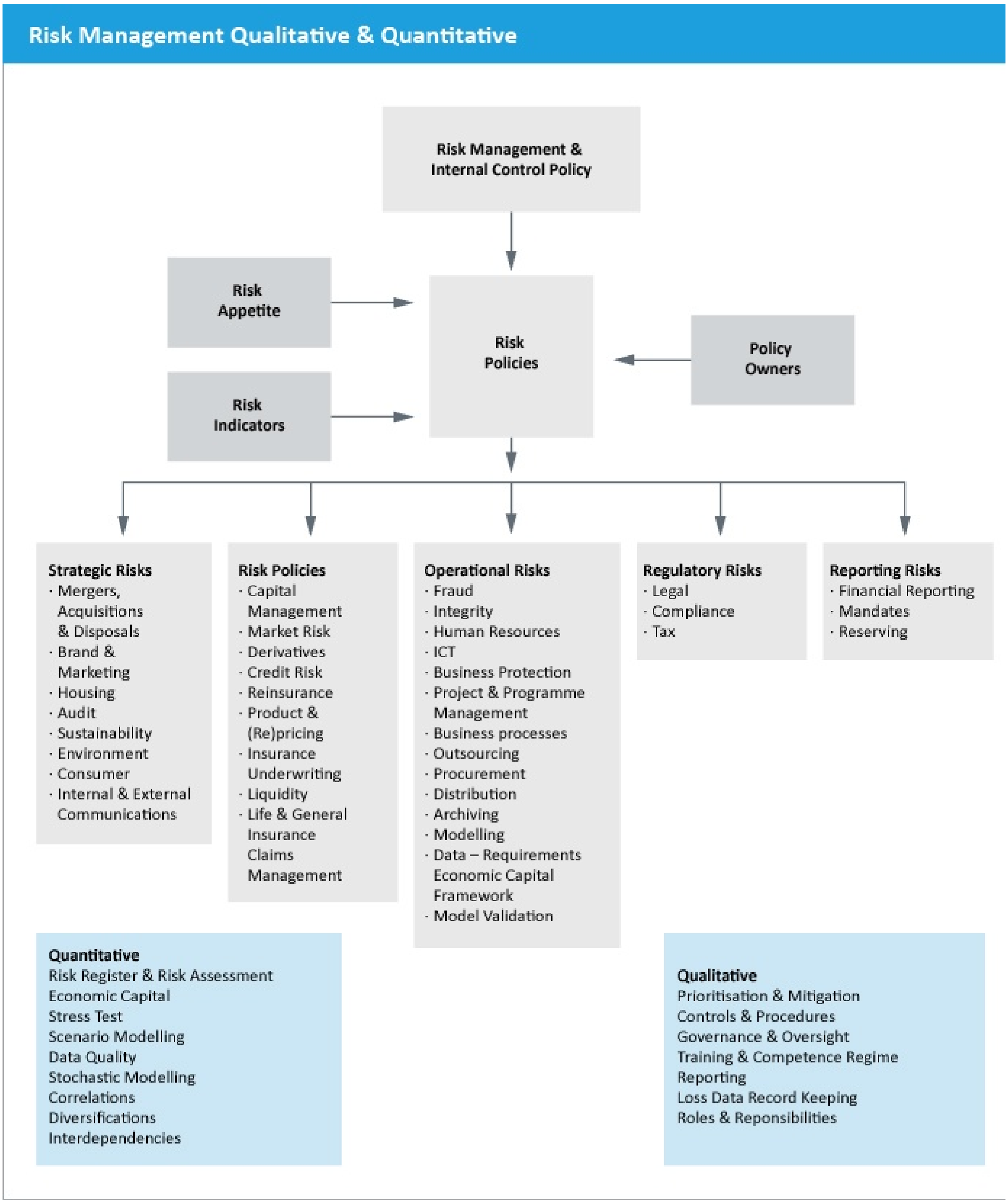
- Delta Lloyd Group's approach to financial reporting risk management is based on Section 404 of the Sarbanes-Oxley Act 2002 (SOx). When Delta Lloyd Group formed part of Aviva, the SOx process was set up and implemented for the Group. Despite the reduction of Aviva's interest, Delta Lloyd Group continued the SOx cycle in 2011 as part of its own internal control framework. In this process, no formal SOx 404 statement is issued any longer. During the year, the business units evaluated the design and effectiveness of the relevant risk management and control systems and classified the outcomes by priority. The operational risk is assessed making use of key risk indicators that form a standard element of all risk policies defined within Delta Lloyd Group. 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 ISAE3402 statement regarding their internal controls (the new 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.
-

3.2.4 Risk taxonomy

Delta Lloyd Group has a set of formal policies for the management and control of all financial and non-financial risks.

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. The policies recognise that the Group is in the business of accepting risk. Therefore, successfully executing its strategy requires putting capital at risk in a structured and disciplined manner. In other words, within the limits set in the Group Risk Appetite Statement, a balance must be achieved between risk and returns that allows the group to make best use of its capital while respecting the appropriate prudence.

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



- **Strategic risk**: the risk of the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. This includes the risk of not meeting targets if Delta Lloyd Group's business units do not respond or do not respond adequately to changes in the business environment and risks related to matters such as mergers and acquisitions, brand and reputation, audit, corporate social responsibility, environment, customers, sustainability and communication. In its sustainability policy Delta Lloyd Group distinguishes five specific strategic priorities: customer interest, integrity, community involvement, good employment practices and the environment.

- **Financial risk**: this risk type includes capital management risk, market risk (equity, interest and property), derivatives, credit risk, liquidity and concentration risk, reinsurance risk, underwriting risk, claims management risk and pricing risk. Within capital management risk, Delta Lloyd Group recognises typical financial risks such as market risk, credit risks, equity risks, interest rate risks, property risks and reinsurance risks.

- **Regulatory risk**: the risk of not complying with laws, regulations and the Group's policies and procedures, e.g. risks related to legal aspects (litigation), compliance and tax.

- **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 related to matters such as fraud and crime prevention, personnel, IT/ infrastructure, business protection, projects and programs, business processes, third parties and distribution. This category also comprises the internal model risks, such as modelling, data and validation.

- **Financial reporting risk**: risks that inherently have a 'reasonably possible' likelihood of causing a material error in Delta Lloyd Group's financial statements ('reasonably possible' is a term from SOx and means more than remote) and the provisioning risks, for instance the assumptions used in establishing the provisions and the adequacy of provisions.

The policies are aligned with the risk classification and cover the Solvency II risk areas:

- underwriting and provisioning;
- asset–liability management;
- investment, in particular derivatives and similar commitments;
- liquidity and concentration risk management;
- operational risk management;
- reinsurance and other risk mitigation techniques.

The adoption of these policies throughout the Group enables a broadly consistent approach to the management of risk in businesses.

Delta Lloyd Group risk profile management

The insurance operations of Delta Lloyd Group use the economic capital method, whereby a stress test analysis is performed to determine the impact of an extreme scenario on the market value of Delta Lloyd Group's equity for each type of financial and insurance risk. Since it is unlikely that multiple extreme scenarios would occur simultaneously, the test results are consolidated using correlations, to determine Delta Lloyd Group exposures after accounting for the mitigating effects of risk diversification. The sum of the total diversified test result is the economic capital requirement.

Calculations are performed with a confidence level of 99.5% on a one-year horizon. This implies a probability that once every 200 years the capital requirements cannot be met within the next twelve months.

3.2.5 The top five risks

The top five risks for Delta Lloyd Group, including their impact and measures of control, are outlined below.

3.2.5.1 Euro break-up scenarios

The likelihood of a break-up of the euro has increased. Economic divergence within the monetary area, a weak coordination mechanism for fiscal policy and banking supervision, absence of political leadership and disagreement on the terms for rescue funds as well as weak growth and tax revenues are the basic sources of this risk. For 2012, Delta Lloyd Group distinguishes several scenarios. In our basic scenario, a robust rescue plan will lead to restored confidence in the euro area and financial markets, with a possible long-term low interest rate environment and tightening spreads in the region due to ECB and IMF support. In the absence of a robust rescue plan, financial markets will remain volatile and compulsory recapitalisations and nationalisations would be needed to rescue banks. In a worst-case scenario, one or more countries could exit the euro or the euro would cease to exist.

Possible impact
The impact of the scenario without a euro break-up is significant, while the impact in the event of an actual break-up would be very severe. To handle potential emergencies resulting from the various scenarios, Delta Lloyd Group has created a core crisis team. This team simulates and prepares for escalation in several scenarios. It also closely monitors the early warning signs and prepares the organisation for crisis situations.

Risk management
Delta Lloyd Group has significantly reduced its exposure to the euro zone's more credit-risky countries through disinvestment and hedging through credit default swaps.

3.2.5.2 Inadequate level of service delivered to clients and intermediaries

Delta Lloyd Group aims for operational excellence in customer service. In 2011, action plans resulted in significant improvements, but certain areas within Delta Lloyd Group's business units still realise service levels below our ambition. Competition in service is becoming increasingly important, which makes the inherent risk higher. Maintaining operational excellence also requires high levels of availability of IT systems. When IT systems are not available, customers cannot be served adequately and new business can be impacted. A few incidents in 2011 led to an increased focus and (planned) improvements to ensure the availability of critical IT systems.

Possible impact

The residual risk is estimated as a critical risk with possible knock-on effects to operations, reputation and attractiveness as a financial services provider. In addition, there is a high probability that it will occur.

Mitigating actions taken

- To retain the Customer-Focused Insurance Quality (KKV) Label, Delta Lloyd and OHRA have implemented an improvement plan.
- Compliance with the KKV standards is periodically reviewed internally and externally by the foundation KKV.
- To ensure the availability of IT systems, improvements have been and will continue to be made.

Further actions to be taken

- Service levels will be identified and monitored from a business perspective instead of a system availability perspective.
- In order to test the quality of intermediaries, a monitoring program will be set up.

3.2.5.3 IT critical systems failure and insufficient internet innovation

Delta Lloyd Group acknowledges the importance of adequate IT systems and infrastructure to sufficiently support internet and business process innovation. Innovation – especially in the internet domain – must be stepped up. Cost cutting puts pressure on the level of control over IT systems throughout the organisation and can lead to system failures. Phasing out of legacy systems is a requirement for more innovation.

Possible impact

The impact of the residual risk is estimated as critical. The risk of insufficient internet innovation is high.

Mitigating actions taken

- A new development method was introduced to save time and money.
- Internet development and expertise has been more centralised.

- Phasing out of legacy systems is carried out as a line activity.

Further actions to be taken

- Allocate budget for product and internet innovation.
- Actively pursue targets for phasing out legacy systems.

3.2.5.4 Property markets

Delta Lloyd Group considers a further decline of the residential mortgage market and residential housing market as a potential significant risk. Despite the financial crisis, the default rates on residential mortgage loans held by Delta Lloyd Group are very low. Nevertheless, issues like low consumer confidence, decreasing housing prices, uncertainty about the fiscal treatment of mortgages and fewer funding options have a negative effect on the risk profile.

In the commercial property markets, the current situation is difficult for offices in non-A locations. The vacancy rates show an increase and are expected to increase further. This will last as long as the current economic circumstances remain challenging and will get worse in an economic downturn. Less office space is needed because more employees work from home and there is greater demand for offices that are eco-friendly. The biggest threat to shopping centres is an economic downturn, which will hurt the vacancy rates and rental income.

Possible impact

Delta Lloyd Group has direct and indirect investments in the commercial property markets, as well as in the residential property markets through the ownership of residential property and through the mortgages on the balance sheet. The impact of a decline in the residential mortgage or commercial property market would be significant.

Risk management

Delta Lloyd Group has responded to the increased credit risk by changing its lending conditions to attract lower risk mortgages. Since the European securitisation market is not at its pre-crisis capacity, alternative funding sources are also being considered. As a result of the situation in the office market, Delta Lloyd Group has decided not to invest in new offices and to convert existing properties to meet new customer demand.

3.2.5.5 Change of insurance business model (distribution/commissions to intermediaries)

Business models are changing. The main drivers are legislation regarding commissions, new regulations affecting products, licences or competition, and customer trends such as the use of mobile, social and online media. Delta Lloyd Group is actively monitoring these changes to ensure an optimum fit between customer needs and our business partners.

Possible impact
The impact of the current residual risk is estimated as significant for Delta Lloyd Group. The risk of this happening is very high and Delta Lloyd is therefore preparing for it.

Mitigating actions taken
- A new strategic business model plan has been developed. This strategy considers the balance between the service provided to intermediaries to satisfy their demands and legal and regulatory requirements.

Further action to be taken
- Implementation of the new strategic business model plan in 2012.

3.3 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 2011 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 2011 and developments during the year ended 31 December 2011 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

3.4 Delta Lloyd Group In control statement

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 the various divisions under the direction and supervision of the financial management of Delta Lloyd Group. Changes in the reporting rules are monitored and discussed in good time with the external auditor.

When Delta Lloyd Group was a member of the Aviva Group, the SOx process for the Group was structured and implemented. Despite the reduction in Aviva's interest, Delta Lloyd Group continued the SOx cycle in 2011, as part of its own internal control framework.

In 2011, the 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 the current year. The totality of the activities performed in connection with the internal risk management and internal control systems and the resulting findings, recommendations and measures were discussed 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 the 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.

This statement may not be interpreted as a statement under the Sarbanes-Oxley Act, Section 404.

Executive Board

Niek Hoek, chairman
Paul Medendorp
Emiel Roozen
Onno Verstegen

3.5 Capital management

Good risk and capital management has translated into a strong capital position. The section on capital management deals in greater detail with the shareholders' funds and solvency, the ratings of

Delta Lloyd Levensverzekering and Delta Lloyd Schadeverzekering, as well as the determination of the economic capital, based on various risk types as defined by our internal model within the Solvency II framework.

3.5.1 Economic capital

As stated in section 3.6, 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 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 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 somewhat 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 the 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 due to the long-term nature of these contracts. The scope of the test is based on variances in policy surrender and conversion frequencies observed with the insurance products within Delta Lloyd.

Catastrophe risk
Catastrophe scenarios are simulated and take into account reinsurance as well as a possible default of reinsurers and reinstatement premiums.

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

Claims ratio volatility
This concerns the risk of the claims ratio deviating from the expected pattern. The claims ratio is the total amount of claims, divided by total received premiums. Higher claims can be caused by e.g. larger claims at the policyholder, while lower-than-planned premium income can also lead to higher claim ratios. A calculation is made of the risk of lower-than-expected premiums and higher-than-expected claims over the next year, using a stochastic simulation model.

Other risks
In this test, scenario analyses/events are analysed based on the Group's risk profile whereby an estimate is made of the possible impact according to the three-point methodology. This test addresses all other risks the Group faces 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.

3.5.2 Equity and solvency demonstrate financial strength

Shareholders' funds at year-end 2011 were € 3.9 billion versus € 4.6 billion at year-end 2010. This 16% decline was partly due to the unrest in the capital and equity markets. 'Hard' capital (equity excluding e.g. goodwill and acquired value of in-force business) makes up 89% of shareholders' funds.

The regulatory solvency (IGD; measured under the current solvency system) of Delta Lloyd Group is 174%, a decline of 25 percentage points compared to year-end 2010 (199%). Due to good risk and capital management, the IGD is still at a healthy level, despite the volatile money and capital markets.

Alongside the movement in shareholders' funds, the lower ECB AAA yield curve was a major contributing factor to the decrease in IGD solvency. The dividend payment (€ 127 million) also had a downward effect. The regulatory solvency of the supervised insurance entities at year-end 2011 was strong, at an average of 206%.

If Delta Lloyd Group had applied the three-month average ECB AAA curve, as was recently permitted by the Dutch regulator, the Group's IGD solvency at year-end 2011 would have worked out at 203%. Based on the three-month average ECB AAA curve, the regulatory solvency of the insurance entities would have been 235% at year-end 2011.

The BIS ratio of Delta Lloyd Bank improved slightly to 12.1% and is at a healthy level (2010: 11.8%), partly thanks to a subordinated loan issued by Delta Lloyd NV to Delta Lloyd Bank.

Ratios at year-end

	2011	2010
Solvency (IGD)	174%	199%
Solvency (IFRS)	302%	313%
BIS ratio	12.1%	11.8%
Core Tier 1 ratio	8.9%	9.4%

3.5.3 Ratings

In February 2011, Standard & Poor's revised the outlook for Aviva from 'Negative' to ' Stable', with Delta Lloyd Group automatically receiving the same improved outlook. In April 2011, Aviva announced a further reduction of its stake in Delta Lloyd Group to a minority interest (under 50%). Standard & Poor's responded with the decision to assess Delta Lloyd Group on a stand-alone basis. This resulted in a change in ratings: Delta Lloyd Levensverzekering NV and Delta Lloyd Schadeverzekering NV received an A rating (Stable Outlook) and Delta Lloyd NV and Delta Lloyd Treasury BV was rated BBB+ (Stable Outlook). In the course of 2011, all existing ratings 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 capital already in use. In 2011, no transactions were effected under the EMTN programme, which contributes to the stable rating of Delta Lloyd Group.

3.6 Progress of Solvency II programme

Solvency II is the updated set of regulatory requirements for insurance firms that operate in the European Union. In 2011, it became clear that the presumed date for the introduction of the framework would be postponed to 1 January 2014.

Under Solvency I, liability volumes are used to calculate the solvency, while 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 being measured on consistent principles and capital requirements being directly related to the outcomes. As a result, insurance companies will be forced to review their internal risk management and internal control environment, test the 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 a good thing. Solvency II enforces more uniformity. This is in line with Delta Lloyd Group's tightened strategy, which centres on 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.

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

Delta Lloyd Group's approach
Delta Lloyd Group has set up a Solvency II programme in order to meet the future requirements. 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.

Pillar 1
Delta Lloyd Group has opted to report the required solvency from 2014 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 2011. These activities will continue to demand a significant effort in 2012. Delta Lloyd Group is striving to present the application package for the internal model to the Dutch central bank ('DNB') at the end of 2012.

Pillar 2
Delta Lloyd Group has documented its policy (as approved by the Executive Board) and is currently testing the measures that have the greatest risk control impact (key controls). The focus is on measures that carry the greatest risk of failure according to the policy and corresponding test scripts. Testing the key controls is an important part of the process involved in demonstrating that the Group

meets the Solvency II requirements; a large number were already tested in 2011. Delta Lloyd Group currently carries out its Own Risk & Solvency Assessment (ORSA) on a quarterly basis. In October 2011, Delta Lloyd Group participated in DNB's ORSA pilot. In 2012, further improvements and additions will be made to ORSA in order to achieve full compliance with all Solvency II requirements.

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. Starting in 2011 and 2012, Dutch insurers are also already required to fill in certain Solvency II reporting templates on a best-effort basis. Delta Lloyd Group made the necessary preparations for this at the end of 2011.

4 Sustainability

The activities of Delta Lloyd Group have a direct bearing on our customers' daily lives. We therefore aim to develop and offer products and services that testify to the Group's involvement and integrity, striking the right balance between entrepreneurial spirit and social responsibility. Delta Lloyd Group sees commercial success and sustainability as inextricably linked. For us, sustainability boils down to contributing to sustainable value creation for all our relevant stakeholders.

4.1 Sustainability policy

The way in which Delta Lloyd Group has organised such key aspects as governance and risk management and the way in which we operate in the social, economic and environmental context contribute to the long-term sustainable success. Delta Lloyd Group has a long-standing tradition as a responsible company dating back 200 years. The recurring theme is: doing the right thing. What is good for our customers, is good for all our relevant stakeholders and for ourselves. Our approach to sustainability covers every aspect of operations: the way we do business, develop and sell products, and provide services.

Our approach focuses on the ambition to promote the development of our employees and society (people), a healthy environment (planet) and profitable economic growth (profit). Sustainable entrepreneurship underpinned by sustainable financial products is a winning combination that creates commercial opportunities. While the market conditions for financial services providers remain as complex as ever, financial sustainability is increasingly the decisive criterion in the purchase of products and services and in investment decisions. As part of our sustainability policy, we have already reported on our results and objectives for more than five years. This report highlights how we give shape to our sustainability policy and thus clearly defines to all relevant stakeholders (customers, employees, intermediaries, shareholders, suppliers, business partners, regulators and civil society organisations) what the Group means by sustainability and how sustainability has been embedded in the organisation.

4.1.1 Five priorities

We translate our sustainability policy into concrete objectives and efforts. This approach focuses on five priorities: customer interest, integrity, community involvement, good employment practices and the environment.

Customer interest

- Delta Lloyd Group aims to deliver simple and clear products and services, which genuinely benefit the customer.
- The customer's interest must come first in advice offered through all distribution channels.
- All efforts in this respect allow for fair customer treatment, clear product information and a long-term relationship with the customer.
- Sustainable entrepreneurship and a customer-centric approach promote a good reputation, which is essential for building and maintaining the trust in, and commercial success of, Delta Lloyd Group.

Integrity

- Society and the market require financial services providers to act with integrity, comply with laws and regulations, and live up to values and principles.
- Essential to this is a strict fraud prevention policy. We require the same from our partners and suppliers.
- Delta Lloyd Asset Management pursues a socially responsible investment policy.

Community involvement

- Delta Lloyd Group is aware of its important position in society. This is evidenced by its support for community activities.
- We use our financial expertise to benefit society, with a strong focus on financial self-reliance, notably via the Delta Lloyd Group Foundation.

Good employment practices

- Employee knowledge, expertise and engagement are crucial to Delta Lloyd Group's realisation of its ambitions.
- The sustainable nature of Delta Lloyd Group's HRM policy is reflected in, among other things, our active commitment to personal development, diversity and health & safety.

Environment

- Delta Lloyd Group aims to minimise the impact of its business processes on the environment.
- The four focus areas in the environmental policy are: climate change, energy saving, waste prevention and mobility management.

4.1.2 Sustainability agenda for 2010-2012

Sustainability is an integral part of the business strategy and is laid down in the sustainability agenda 2010-2012 of Delta Lloyd Group. The sustainability agenda for 2010-2012 runs until 2013. Towards the end of 2012, the agenda will therefore be redefined and presented to the Executive Board for decision-making. In order to implement our sustainability policy and ambitions within an internal structure, a management information system has been developed for recording and monitoring the most important sustainability objectives. In this way we can manage the progress made in realising our ambitions and objectives. The implementation of sustainability actions and objectives is entrusted to the directors who are responsible for customer interest, (product) integrity, community involvement, good employment practices and the environment. Based on the formulated policy, in the first half of 2011 we started devising sustainability performance indicators and incorporating these into the variable remuneration policy of all Delta Lloyd Group directors and managers.

4.1.3 Embedment of the sustainability policy

Responsibility for sustainability, as described in our sustainability policy and our responsible investment policy, is embedded at the highest level of the Delta Lloyd Group organisation. Delta Lloyd Group has committed to the Code of Conduct for Insurers and the Sustainable Investing Code as adopted in 2011 by the Dutch Association of Insurers *('Verbond van Verzekeraars')*. In 2011, our sustainability policy was incorporated in detail into the code of conduct for all our employees:

- The sustainability policy comes under the responsibility of the Executive Board, where it forms part of the chairman's focus area. The policy is a scheduled item on the Executive Board's agenda at least twice a year and discussions include the sustainability ambitions, strategy and reporting.
- The Corporate Communications Director has been appointed as the Sustainability policy owner. The policy's progress is regularly discussed with the chairman of the Executive Board.
- The managing directors of the divisions are responsible for the sustainability policy within their respective divisions: they assure its proper implementation by involving the right people in the sustainability initiatives within their division.
- The manager of the Delta Lloyd Group Foundation is entrusted with the task of describing the internal sustainability policy and facilitating the internal translation into concrete action. The Stakeholder Relations manager is responsible for the reporting on the sustainability policy and strategy.
- A number of sustainability coordinators in the company monitor the implementation of the sustainability policy, including measurements and reports for the divisions. The issues they cover include sustainable investing, customer interest, the environment and the Delta Lloyd Group Foundation.

4.1.4 Core values

Delta Lloyd Group has identified three core values:

- Honest: our behaviour and our products are sincere and transparent. We have a central focus on the customer. We are open in what we do, and all our stakeholders can monitor and check this.
- Approachable: we actively seek dialogue with our customers, stakeholders and colleagues and match our working practices with their needs. We have a central focus on the customer. We listen carefully, are open to feedback, respond in clear and concrete terms and make sure our meaning is understood.
- We work together: we work closely together with our customers to ensure an optimum service and we work closely with other colleagues. By learning from each other and making optimum use of each other's strengths, we constantly improve our service to the customer.

The core values express what we stand for. They are the guiding force in everything we do, give direction to the policy and determine our corporate culture and identity. As part of the internal communication campaign surrounding the refined strategy, meetings were organised for our employees at the various Delta Lloyd Group locations in 2011 in order to highlight the substance and significance of the core values.

4.1.5 Stakeholder dialogue

Delta Lloyd Group actively engages in a dialogue with all its relevant stakeholders in order to make a recognisable and meaningful contribution to the discussion about sustainability in the financial sector. Delta Lloyd Group also frequently seeks contact with opinion leaders and financial target groups to raise relevant themes such as risk management, community involvement, scenario thinking and customer trust. We want to demonstrate that our commitment to sustainability is genuine: we practise what we preach and are transparent about our objectives and results.

Towards the end of 2011, Delta Lloyd Group organised two dialogue sessions, with 30 relevant stakeholders being invited to engage with us in a dialogue about our sustainability policy and initiatives. This type of dialogue helps us determine whether the substance and priorities of our sustainability policy still reflect the wishes and needs of our stakeholders and society. The session revealed that Delta Lloyd Group's five priorities are closely aligned with the most important sustainability themes and the role of a financial services provider within these themes. The sessions help us to obtain certainty as to whether we report on the themes that matter most to our stakeholders. The dialogue enables us to take up the relevant social and community challenges, to leverage opportunities and to tighten up our sustainability strategy and policy.

Delta Lloyd Group uses various platforms to engage in a dialogue with its stakeholders. The Delta Lloyd Group Advisory Board was set up to promote the sharing of opinions and views so as to achieve a deeper insight into trends and social developments that affect our industry and the day-to-day operations of Delta Lloyd Group. The Advisory Board, consisting of a maximum of twelve members, comprises representatives of employer and employee organisations as well as politicians, scientists and business people. It is chaired by a member of the Executive Board of Delta Lloyd Group, and the divisions are represented by the managing directors. The Advisory Board met once in 2011. The theme was 'pensions and risks'. The members of the Advisory Board were also invited to attend the FD Summit on new leadership in December. Delta Lloyd Group is a partner of the FD Summit 2011, an initiative of the financial daily Het Financieele Dagblad.

In 2011, Delta Lloyd Group published four editions of Q magazine, which was distributed as an insert in Het Financieele Dagblad. Q magazine highlights how we view the world around us and the role and position of the financial sector, with each issue covering a different perspective. The magazine also serves to deepen and enrich the dialogue with opinion leaders in the political and financial arenas, intermediaries, corporate customers, employees and potential recruits. As a companion to the magazine, Delta Lloyd Group started the Q-blog on a separate website. Q is the name under which Delta Lloyd Group communicates with its stakeholders about the Group and the world of financial services. In the blog Delta Lloyd Group employees and other stakeholders enter into a dialogue to discuss relevant issues concerning financial services and their future.

4.1.6 Priorities, dilemmas and results achieved in 2011

Sustainability confronts Delta Lloyd Group with specific dilemmas. We must constantly look for the right balance between economic, social and environmental interests. This process needs to be carried out with due care, while making all our considerations visible and involving as many stakeholders as possible. The most important results achieved by Delta Lloyd Group for each of its five priorities in 2011 are listed below:

1. Customer interest:
- All Delta Lloyd Group brands retained the Customer-Focused Insurance Quality Label.
- Customer satisfaction for the Delta Lloyd Group brands increased slightly in 2011.
- All products were reviewed and assessed for added value for the customer.

- The number of complaints rose slightly in 2011;91% of complaints received were handled within 15 working days (unchanged from 2010).

2. Integrity:

- Fraud prevention policy yielded € 11.3 million in 2011.
- Total of responsibly and sustainably managed assets increased by 2% to € 40.3 billion (2010: € 39.6 billion).
- All employees of Delta Lloyd Group received the code of conduct of Delta Lloyd Group.

3. Community involvement:

- The total amount spent on community-based activities and charity was 73% higher at € 1.7 million.
- Delta Lloyd Group Foundation was active in 46 projects with 500 volunteers.
- Delta Lloyd Group spent € 6.0 million on sponsorship and donations in 2011.

4. Good employment practices:

- As part of the New Way of Working, the number of virtual workspaces was expanded by 1,000 to almost 2,700 in 2011. Three pilots were started up in the context of the New Way of Working.
- In 2011, Delta Lloyd Group ended in 15th place in the Best Employer Survey of Intermediair (30 places higher than in 2010).
- Absenteeism was reduced from 4.3% to 4%.

5. Environment:

- The code of conduct for suppliers was renewed.
- Delta Lloyd Group's electricity consumption fell by 5% in 2011.
- The percentage of lease cars with A label doubled from 16% to 33%.
-

4.2 Customer interest

Customer interest or self-interest?

Do our customers' interests coincide with the interests of Delta Lloyd Group? We think they do. Customers want simple, clear and affordable products and services, which genuinely help them. A company can only be successful if it meets these wishes and this is why we put the customer's interest first. We also recognise that we do not have a monopoly on wisdom, and that our customers carry responsibility too. We therefore invite them to be critical at the right time. It is not for nothing that we chose this as the theme of our campaign: if you buy a financial product, you need to give the matter careful thought.

Objectives and achievements for customer interest

Objective for 2011	Achievement in 2011	Objective for 2012 and beyond
Retain the Customer-Focused Insurance Quality Label for the OHRA, Delta Lloyd, ABN AMRO Insurance brands	All Delta Lloyd Group brands retained the Customer-Focused Insurance Quality Label	Retain the Customer-Focused Insurance Quality Label for all Delta Lloyd Group brands
Improve customer satisfaction for the Delta Lloyd Group brands	Customer satisfaction for the Delta Lloyd Group brands increased slightly during 2011. Customer satisfaction for Delta Lloyd Bank Belgium declined slightly	Strive for further increase in customer satisfaction
Formalise product approval process	As part of the customer focus drive, Delta Lloyd Group reviewed all products in 2011 and assessed these for added value for the customer	Delta Lloyd Group seeks to further reduce the total number of standard complaints
Effective complaints procedure, service and shorter handling time lead to a further decline in the number of dissatisfied customers	The number of complaints rose slightly in 2011, 91% of complaints received were handled within 15 working days (unchanged from 2010)	

4.2.1 Customer satisfaction

In 2011, all customer focus activities led to an improvement in the customer satisfaction scores for OHRA, ABN AMRO Insurance and Erasmus. At Delta Lloyd, certain aspects showed a clear improvement but this is not yet visible in the overall score.

‘Customer Focus’ is a group-wide theme that affects all parts of the business. For this reason, the projects in this context have been brought together in a single integrated programme. We have identified four priorities: products, services, advice and organisational control. The programme is targeted at short-term actions, structural changes in products and processes, and employee behaviour throughout Delta Lloyd Group.

The customer satisfaction survey of the Association of Insurers *(‘Verbond van Verzekeraars’)* forms part of the renewal programme initiated by the insurance sector several years ago. The survey enables insurers to identify where they can further improve their services and how their scores compare with those of other market parties. In 2011, the Association of Insurers published results at sector level for the first time. This should provide better insight into the extent to which customers notice the effects of the renewal process within the sector at their own insurer. Incidentally, customer research is one of the qualifying conditions for the Customer-Focused Insurance Quality Label.

One striking result among life insurers concerns the marked improvement in the satisfaction with complaints handling in 2011: 65% said they were satisfied with the complaints handling versus only 40% in 2010. By comparison: the satisfaction score in the general insurance sector was 45%, while the health insurance sector had an even higher score than the life sector (80%).

Delta Lloyd
Insurance intermediary satisfaction scores for Delta Lloyd Life, General and Income & Absenteeism were on average at the same level as in 2010. The overall performance of Delta Lloyd General

improved, with Personal General Insurance rising from 6.8 to 7.0 and Commercial General Insurance being unchanged at 6.9. The score of Delta Lloyd Life remained flat at 6.8.

Delta Lloyd Life came second in the Pension Performance Survey 2011 of IG&H Consulting, which is held annually among pension advisers. According to the survey, Delta Lloyd Life has the best account management in the market and achieved a high score for its competitive product range. Nationwide surveys by IG&H Consulting revealed areas for improvement. In 2012, these issues will continue to guide our efforts to further improve Delta Lloyd's performance.

Delta Lloyd Life is aiming to be among the top three in customer satisfaction surveys among intermediaries and personal customers in 2014. The primary focus in 2011 was on further enhancement of customer service, chiefly through the simplification of products as well as the renewal and reinforcement of the organisation and support systems.

In 2012, Delta Lloyd Life will continue the 'Customer Challenge' process that was started in 2010 with e.g. team-building days, intervision sessions, videos and a special magazine. The performance targets of all employees for 2011 comprised at least one goal relating to increasing customer satisfaction. Other initiatives in the context of the Customer Focus programme include good accessibility, a rapid response and fast, error-free administration.

In 2011, we again devoted a lot of attention to the use of simpler language in our written communications, such as letters. A correspondence appraisal desk to evaluate the quality of letters was set up, and manuals were written to provide guidance on simple language usage and customer-friendly writing. A large number of standard letters were rewritten in more understandable language.

OHRA

Overall customer satisfaction at OHRA remained level in 2011 at 7.5. The survey, which was conducted by Marketreponse, showed that the score of OHRA General Insurance improved slightly from 7.5 in 2010 to 7.6 in 2011, while the score of OHRA Life Insurance was flat at 7.2. Customer satisfaction for the health labels improved from 7.5 in 2010 to 7.6 in 2011.

We pursue a comprehensive customer approach for the OHRA brand, with a growth strategy aimed at Operational Excellence. The focus is on online distribution and, as a corollary, sharp cost reductions. The services for OHRA customers are provided online wherever possible, with support from a customer contact centre. This approach encapsulates the OHRA brand values: sympathetic, no-nonsense and 'genuine'. In November 2011, the OHRA customer contact centre won the National Consumer Quality Test 2011 and earned the right to call itself the Netherlands' best customer service desk. The employees were tested for corporate etiquette skills, analytical skills, escalation procedure and customer satisfaction. The OHRA team came top on all four themes.

ABN AMRO Insurance

The personal customers of ABN AMRO Insurance are extremely satisfied with the claims handling service: the score improved to 8.2 in 2011. This is also partly expressed in the percentage of customers that recommend ABN AMRO Insurance (up from 27% to 29%). Satisfaction among commercial customers improved to 7.5. The MarketResponse survey showed that the claims handling process is a major determinant of customer loyalty. This aspect received a very high score, with 94%

of the personal customers and 88% of the commercial customers giving a good or excellent rating. Despite this outstanding result, ABN AMRO Insurance remains extremely sharp and focused, with plans for further service improvements. To this end, it will seek even closer cooperation with ABN AMRO Bank and its partners within Delta Lloyd Group.

Delta Lloyd Bank Netherlands

The customer satisfaction rating in 2011 was 7.1, slightly higher than in 2010 (6.9). Delta Lloyd Bank Netherlands does not conduct customer satisfaction surveys of its own, but is included in the Delta Lloyd Group surveys.

The data were derived from the satisfaction surveys carried out by IG&H and MarketResponse on behalf of Delta Lloyd Life and OHRA. These surveys included questions about the services of Delta Lloyd Bank. The score of 7.1 is an average. The individual scores were: Delta Lloyd Bank Wealth Creation 7.2, Delta Lloyd Mortgages 6.8 and OHRA Bank 7.4. Customer satisfaction is closely linked to the interest rates that Delta Lloyd Bank Netherlands offers. These were slightly more favourable than in 2010.

Delta Lloyd Bank Belgium

Delta Lloyd Bank Belgium also performed a continuous customer satisfaction in 2011. Customer satisfaction fell from 6.5 in 2010 to 5.9 in 2011, possibly due to the strategic review of Delta Lloyd Bank Belgium and related publicity, the difficult economic conditions and the generally lower satisfaction ratings for the banking sector.

Delta Lloyd Life

Delta Lloyd Life saw a fall in customer satisfaction among consumers, from 7.6 in 2010 to 7.1 in 2011. This is evident from internal research. Satisfaction ratings among commercial customers remained stable at 7.1, while the average rating among insurance intermediaries rose from 6.3 to 6.6. Thorough analysis of the survey will determine the direction of the action plans for 2012, which will include a new commercial approach by our sales organisation. Wherever possible, these plans will be integrated into the year plans of the business units.

4.2.2 Complaints

There are three aspects to complaints handling within Delta Lloyd Group:

- keep complaints to a minimum by providing good products and services;
- handle incoming complaints efficiently and effectively;
- learn lessons from complaints by picking up signals and undertaking adequate improvement actions.

In 2011, Delta Lloyd Group received 11,899 standard complaints on a total of some 7.3 million policies (0.16%). Compared with 11.087 complaints in 2010, this represents an increase of 812.

Number of complaints	2011	2010	2009
Verbal standard complaints	5,445	6,875	7,625
Written standard complaints	6,454	4,212	4,759
Total standard complaints	**11,899**	**11,087**	**12,384**
Handled within 15 days	10,776	10,063	11,187
Handled within 15 days (in %)	91%	91%	90%

Standards and definitions

All the business units of Delta Lloyd Group operate a complaints system. The system's standards and definitions apply throughout Delta Lloyd Group. 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 which have not been passed on by an official body. These complaints must be fully processed within 15 working days. In 2011, Delta Lloyd Group handled 91% of the cases within that timeframe (unchanged from 2010). The percentages were 85% at Delta Lloyd Life, 98% at Delta Lloyd General and OHRA and 74% at ABN AMRO Insurance. Our complaints management is aimed at ongoing quality enhancement and the systematic and structured identification, recognition and handling of complaints. Our complaints management plays an important role in monitoring and tracking the improvements in the primary (customer) processes of all business units that maintain any form of contact with customers. The aim is to further improve the complaints cycle and the process surrounding response times in 2012. This is also an important guideline for the Customer-Focused Insurance Quality Label. In cases where complaints are submitted to the Financial Services Complaints Institute *('Klachteninstituut Financiële Dienstverlening / Kifid')* and the Foundation for Complaints and Disputes in Health Insurance *('Stichting Klachten en Geschillen Zorgverzekeringen')*, an initial substantive response must be given to the relevant authority within 20 working days.

Statistics on complaints are included in the regular reporting cycle of Delta Lloyd Group. Clear consistent definitions and guidelines have been drawn up to ensure sound reporting, namely:

- a complaint is a verbal or written expression of a customer expectation which has not been fulfilled and to which a written response is required;
- the handling time is the time that elapses between the date on which the customer has made the complaint and the date on which the complaint has been fully settled and the promised remedial action has been carried out.

Kifid

The Financial Services Complaints Institute *('Klachteninstituut Financiële Dienstverlening / Kifid')* is a one-stop shop where consumers can go to settle (potential) disputes with financial services providers and obtain information on financial issues (investments, insurance, mortgages and loans).

The Kifid Ombudsman and Kifid Disputes Committee are alternatives to legal proceedings: within a relatively short period of time (compared with a court case, which can take several years), Kifid tries to find a solution with the relevant financial services provider or issues a ruling. The basic principle is that consumers must first try to settle the dispute with the financial services provider concerned. If the latter fails to come up with a satisfactory solution for the customer through its standard internal procedure, the complaint can be taken to Kifid. The Arbitrators' Board *('Bemiddelingscollege')* is the Belgian counterpart. In 2011, Delta Lloyd Group received 112 official complaints via the Kifid, compared to 141 in 2010.

Delta Lloyd Life

Delta Lloyd Life, which bundles standard complaints from Delta Lloyd Life, OHRA and Erasmus Insurance, received a total of 862 complaints in 2011, virtually unchanged from 2010 (873). In 2011, 85% of the customers received a reply to their complaint within 15 working days against 87% in 2010. Part of the complaints concerned the failure to meet commitments (145) and unclear communication (135). In 2011, we once again devoted extra attention to customer-focused handling of complaints and to increasing the speed of the complaints handling process.

Delta Lloyd Commercial General Insurance

Delta Lloyd Commercial General insurance received a total of 247 standard complaints in 2011, a slight increase compared to 2010 (231). A quarter of the complaints concerned administrative processing. In 2011, extra attention was again devoted to customer-focused complaints handling and increasing the complaints handling speed. It also focused on quality management in order to learn from complaints and improve processes where necessary. In 2011, 84% of the complaints received a reply within 10 working days. This is a substantial improvement compared to the 59% in 2010.

Delta Lloyd Personal General Insurance

The number of standard complaints received by Delta Lloyd General Insurance increased from 3,189 in 2010 to 4,074 in 2011. The increase is attributable to better and more consistent record-keeping. In addition, the portfolio of Delta Lloyd General Insurance grew substantially, partly due to the Erasmus brand being renamed Delta Lloyd and the addition of the Delta Lloyd X-clusief brand to Personal General Insurance. Ninety-eight per cent of the complaints were handled within fifteen working days.

OHRA

At OHRA, the number of standard complaints increased from 3,012 in 2010 to 5,044 in 2011. This was caused by the fact that the complaints of Delta Lloyd Health were newly included in 2011. Ninety-eight per cent of the complaints were handled within fifteen working days.

OHRA has exact monthly figures on incoming complaints, including their nature and where they originate. Each month, a list of top five complaints is compiled from the incoming complaints and analysed in greater detail. This analysis is used to recommend improvements to the departments and to provide ‘quick wins’ in complaints handling and tips for staff.

ABN AMRO Insurance

In 2011, ABN AMRO Insurance received 1,646 standard complaints, a slight increase compared to 2010 (1,579). ABN AMRO Insurance broadened its definition of ‘complaint’ in 2011. A complaint is now every signal from a customer indicating that ABN AMRO Insurance failed to live up to customer expectations. This means that customers are effectively invited to come forward with any type of question, complaint or suggestion.

The complaints handling term showed an improvement: in 2011 74% of the standard complaints were handled within 15 working days, against 69% in 2010. In 2012, ABN AMRO Insurance will continue to focus on the improvement of the complaints handling process. Customer signals are seen as important input for the further improvement of service levels.

Delta Lloyd Banking

Delta Lloyd Bank Netherlands

The number of standard complaints at Delta Lloyd Bank Netherlands increased from 501 in 2010 to 600 in 2011. The increase is mainly visible in the number of written complaints and is attributable to:

- increased inflow of applications for bank annuities;
- greatly increased inflow of applications for standard savings accounts due to rising interest rates;
- increase in salary savings accounts following the government’s decision to permit the early withdrawal of savings in these accounts in 2012.

The number of complaints rose in line with consumer interest in these products. After all, the growth in the number of customers also leads to increased pressure on the call centre and the back office.

Delta Lloyd Bank Belgium

Since as early as 2008 Delta Lloyd Bank Belgium has operated a central IQ desk for handling quality problems, questions and suggestions from within the organisation and initiating improvement actions wherever possible. The number of complaints decreased to 760 in 2011 (2010: 844). The percentage of complaints handled within 15 working days fell to 70% (2010: 79%). In 2011, Delta Lloyd Bank Belgium focused on quality improvement and complaints handling.

Delta Lloyd Life Belgium

In 2011, the number of standard complaints declined from 888 to 604. The number of official complaints via the Belgian Insurance Ombudsman was 32. The average complaints handling time improved in 2011, and 566 of the 604 complaints (94%) were handled within 15 working days. Telephone staff received training to immediately pick up signals from dissatisfied customers in order to avoid escalation to formal complaints. Monthly reports highlight the causes of complaints, as well as the remedial actions undertaken by Delta Lloyd Life Belgium. These actions, as well as training for written and telephone communication, will continue in 2012.

4.2.3 Reputation of Delta Lloyd Group

Reinforcing its reputation is a strategic theme for Delta Lloyd Group. The '*Reptrak'* research method of the Reputation Institute (affiliated with Erasmus University Rotterdam) enables the reputation of an organisation to be measured among target groups. 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 2011 survey, a different weight was assigned to the impact of cultural differences – worldwide – on the answers. Figures from previous years were adjusted to reflect this change.

The reputation score in 2011 showed a decline compared to 2010: from 60.7 (20th place) to 58.6 (27th place). It is worth noting that all insurers fell in the rankings and that all have roughly this score. By contrast, the reputation of most banks improved.

The reputation of Delta Lloyd Group is also evident from various customer satisfaction surveys as well as Delta Lloyd Group's sustainable investment performance.

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 where insurers deserve trust, through products that offer security.

Each quarter, the Dutch Centre for Insurance Statistics *('Centrum voor Verzekeringsstatistiek / CVS')* measures Dutch consumer confidence in insurers and insurance products. At the end of 2011, trust in the insurance sector had improved slightly compared to 2010 and was almost back at the level of 2009. The causes, according to the sector, were the general decline in consumer confidence (due to the unrest in the financial markets) and trust-undermining issues such as unit-linked insurance policies and commissions.

4.2.4 Transparency of products and services

Customer-Focused Insurance Quality Label retained

In 2011, Delta Lloyd, OHRA, ABN AMRO Insurance and Erasmus retained the Customer-Focused Insurance Quality Label awarded in 2010. The Izio and De Nationale brands have been terminated, so that the quality label is no longer relevant for these labels. The quality label is awarded by '*Stichting Toetsing Verzekeraars*', an independent foundation dedicated to promoting the trust of personal and commercial customers in the insurance sector. It makes the standard of service offered by insurers visible and verifiable, and allows comparisons among insurers. The board of the Foundation decides whether the Quality Label is awarded or withdrawn. The Quality Label is based on five themes comprising fifteen standards that insurers must satisfy to qualify:

- Understandable and clear information for the customer
- Careful and fast service
- Good telephone accessibility
- Customer satisfaction measurements
- In-house quality policy and quality management.

Retaining the quality label is by no means an automatic process or a formality. Insurers must demonstrate each year that they continue to meet the set requirements. Moreover, the requirements are not static: they are tightened up or adjusted on a yearly basis.

Delta Lloyd Group is seeking to improve its products and services even further by putting customer interest and simplicity at the heart of all its 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 process, involving a careful assessment of the risks and compliance with such aspects as duty of care to the customer. The criteria are: cost-efficient, useful, safe and understandable. These criteria have been laid down by the AFM in policy rules. Delta Lloyd Group sees the award of the label as independent recognition that the foundation is solid, but also as a starting point for ongoing improvements in its customer service.

Fair Bank Guide

Since the end of January 2011, Delta Lloyd Bank has been included in the Fair Bank Guide, an initiative of Oxfam Novib, the FNV trade union, Amnesty International, Friends of the Earth Netherlands *('Milieudefensie')*, the Dutch Animal Welfare Organisation *('Dierenbescherming')* and IKV Pax Christi. However, the Fair Bank Guide is not suitable for Delta Lloyd Bank's product offering, given its limited scope in the Netherlands. Therefore, Delta Lloyd Bank will reconsider its continued participation in the Fair Bank Guide.

Pension Register

Towards the end of 2010, Delta Lloyd Life linked up with the Pension Register. The Pension Register Foundation is a joint initiative of the Dutch pension funds, pension insurers and the Dutch Social Insurance Bank *('Sociale Verzekeringsbank')*. Together, they have developed the website mijnpensioenoverzicht.nl, which went live in January 2011. Via the site, Dutch residents can view their accrued pension capital and future pension accrual at pension funds and pension insurers as well as their accrued state pension rights. In the course of 2011, the Pension Register expanded the information shown on the national pensions website 'mijnpensioenoverzicht.nl' to include net amounts and information about the financial effects of divorce. The Pension Register service is free and is a non-profit public service.

Personal unit-linked insurance

As early as 2008, Delta Lloyd Group became the first insurer to sign a cost-capping agreement for unit-linked insurance policies with consumer activist organisations. In 2011, customers received an indication of their compensation for the third consecutive year.

In 2010, Delta Lloyd Group made additional arrangements with the 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 widely-publicised and damaging episode, Delta Lloyd Group has taken extra measures to help customers switch to alternative financial products. Amongst other things, Delta Lloyd Group will not charge any policy surrender or switch costs in such cases. In addition, Delta Lloyd Group has developed the Investment Policy Scan for its various brands. This online tool helps customers decide whether switching to an alternative product may be worth considering in their specific case.

In 2011, the Minister of Finance, acting on the Lower House's request, conducted an investigation into the measures taken by insurers to help customers switch to alternative products. The investigation showed that Delta Lloyd Group has put sufficient facilitating measures in place. One focus of attention concerned Delta Lloyd Group's decision to settle the compensation retroactively in the policy as, incidentally, was agreed with the customer interest groups. Compensation will be settled directly in the customer's policy as at 31 December 2012.

It should be stressed, incidentally, that many personal unit-linked insurance policies of Delta Lloyd Life hardly deserve the general censure levelled at this product, as the majority of our unit-linked insurance policies were combined with a valuable guarantee assuring customers of a guaranteed capital sum or investment return at maturity in the event of an adverse stock exchange climate and disappointing returns.

Unit-linked pensions

There are costs attached to the management and payment of unit-linked pensions, also known as defined contribution schemes, in terms of e.g. administration, advice and information. Insurers withhold these costs from the contribution that customers pay for their pension. In view of the cost adjustments to individual unit-linked insurance policies, the Association of Insurers issued a recommendation in 2010 about the level of unit-linked pension costs. The costs that insurers withhold for pension schemes concluded in the past may not exceed the recommended cost level.

In 2011, Delta Lloyd Group was the first major insurer to inform almost all its customers about the implementation of the Dutch Association of Insurers' recommendation and of their eligibility for compensation. Eligible customers were also informed of the amount of compensation they stand to receive. Any compensation is immediately added to the unit-linked pensions.

Bonuses and commissions paid to financial advisers

On 1 January 2012, the first commission legislation came into force. This legislation comprises:

- passive commission transparency for general insurance products;
- abolition of bonus commission for general insurance products;
- abolition of volume-related profit commission for underwriting agents.

In 2011, Delta Lloyd Group made all the necessary preparations and we now comply with the new laws. In addition, in 2011 we already started with our preparations for compliance with the obligations applicable from 2013. This relates to a letter to the Lower House of Dutch Parliament, in which the Minister of Finance expressed his intention to ban commission payments on complex products such as mortgages, life insurance and pensions with effect from 2013.

Regarding a number of essential points, including the approach to ongoing contracts (grandfather clause), there is still a patent lack of clear laws and regulations. The minister is aiming to have the necessary legislation ready by the spring of 2012. Delta Lloyd Group is monitoring these developments closely and is maintaining intensive contacts with its distribution partners about this issue. We are fully aware of the impact on the market and on the changing relationship with the intermediary that will arise from the new obligations. We consider it very important that the intermediary and direct channels for the distribution of financial products suffer no disruption to the detriment of the advisers.

Aid to orphans

OHRA offers a health insurance product via One for One, a young company that is mainly active via Facebook and Twitter. When a customer takes out health insurance, an orphan in Tanzania becomes entitled to three years of good medical treatment that also covers the costs of the five most common illnesses or conditions: pneumonia, malaria, flu, maternity care and diarrhoea.

Innovative pension product

In June 2011, BeFrank, our joint venture with BinckBank, became the first premium pension institution in the Dutch market to receive a licence from DNB. BeFrank offers innovative pension products at very low costs. Members of a BeFrank pension plan can make use of innovative and transparent services such as the pension planner and online access to their pension details. The online pension stabilisation funds substantially reduce the investment risks for our customers. Be Frank was awarded the Golden Shield for the best pension product of the year 2011.

Best sustainability idea

The Commercial Talent Group is a group of colleagues from all divisions of Delta Lloyd Group who champion commercial talent and are keen to develop and encourage this talent throughout the organisation. In 2011, the Commercial Talent Group organised a competition for 'the best sustainable idea of Delta Lloyd Group'. The entries were mainly assessed on customer interest and community involvement. The winner was the ‘National Inland Waterways Clean-Up Day’. The day will be held in 2012 during the Frysian Solar Challenge in the province of Friesland in cooperation with the Keep the Netherlands Clean Foundation *(‘Stichting Nederland Schoon’)*. In 2012, Delta Lloyd Group will approach its water sports insurance customers about taking part in this national clean-up day.

4.3 Integrity

Long and short term

Integrity and sustainability have much in common, including in the field of investing. We aim to contribute to sustainable value creation: not only today, but also tomorrow and beyond. We invest in companies that are committed to sustainability, because we believe this is crucial for the future growth in the company’s value. In practice, this means that we focus on the long term, without losing sight of the short term. After all, any flaws in our organisation’s integrity today can directly affect our reputation and the feasibility of our long-term objectives.

Objectives and achievements for integrity

Objective for 2011	Achievement in 2011	Objective for 2012 and beyond
Policy for relevant themes will be more widely publicised and further tightened. The same applies to enforcement	Delta Lloyd Group published relevant policy documents on its website	Further publication of all relevant Delta Lloyd Group sustainability policy documents
Further embedment of integrity among all employees	All employees of Delta Lloyd Group received the code of conduct booklet ‘What I may and may not do’	Ambition to be included in the DJSI 2012
Further integration of fraud, crime and corruption policy in a code of conduct	Fraud prevention yielded € 11.3 million	Increase employee awareness by means of workshops and presentations aimed at behaviour, culture and fraud awareness
	The total value of responsibly and sustainably managed assets grew by 2% to € 40.3 billion (2010: € 39.6 billion)	

Integrity is an essential condition for good corporate governance and one of Delta Lloyd Group’s core values. It is supported by legislation and regulations, Delta Lloyd Group’s own codes of conduct and industry codes of conduct.

Codes of conduct

Delta Lloyd Group actively applies codes of conduct aimed at upholding its integrity and restoring confidence in the financial sector. Legislation and regulations are translated into policy documents, instructions and guidelines at Group level. At divisional level, compliance officers help convert Group policy into operational procedures and work instructions.

Raising awareness

Delta Lloyd Group feels it is important that management actively promote conduct and integrity. We call this the ‘tone at the top’. Rules and regulations alone are not enough; communicating and discussing them is at least as important, as is holding each other accountable for our behaviour.

The codes of conduct, policy documents and relevant legislation and regulations are published internally so staff can view them at any time. Information is posted on the Group's Dutch intranet (‘*Sterknet*’) and published in the staff magazine (‘*Sterk magazine*’).

In 2011, Delta Lloyd Group published the Integrity Code of Conduct in the form of a booklet (‘What I may and may not do’). It prescribes both practical and mandatory rules of behaviour. The booklet outlines the basic legal and ethical principles in combination with the applicable rules. The code of conduct booklet fits seamlessly with the three core values of Delta Lloyd Group: honest, approachable and we work together. We want to do the right thing as a company and we attach great importance to the integrity of our employees’ behaviour. Meeting our promises and commitments forms the basis for good and pleasant cooperation.

4.3.1 Compliance

Organisation

As a financial services provider, Delta Lloyd Group wants to be a beacon of trust and security for its customers. Accordingly, Delta Lloyd Group operates in conformity with all laws and regulations as well as with the industry codes and codes of conduct. Codes such as the Code of Conduct for Insurers 2011, the Governance Principles and the Banking Code are seen as important steps in restoring trust in the financial sector. In addition, Delta Lloyd Group also has its own values and principles as laid down in various internal codes of conduct. Wherever possible, the same 'rules' are observed group-wide. The only situation in which this does not apply is when statutory or industry obligations or regulatory standards prevent group-wide application. Delta Lloyd Group comes under the supervision of various authorities. The Dutch divisions, including Delta Lloyd Bank, are supervised by the Netherlands Authority for the Financial Markets ('*Autoriteit Financiële Markten / AFM*') and the Dutch central bank ('*De Nederlandsche Bank N.V. / DNB*'). The business unit Delta Lloyd Bank Belgium and the division Delta Lloyd Life are under the supervision of the National Bank of Belgium ('*Nationale Bank van België / NBB*'). The supervisory rules can vary nationally.

The compliance function controls and coordinates the efforts aimed at ensuring that all parts of the group comply with the laws and regulations. The tasks of the Compliance department include translating the laws and regulations into policy, developing codes of conduct, providing advice on implementation issues to the divisional boards and the Executive Board, promoting policy awareness and monitoring policy compliance.

Three lines of defence

Delta Lloyd Group applies the 'three lines of defence' model to compliance, which basically forms part of the lines of defence the group uses for risk management purposes.

- Compliance with and enforcement of behavioural standards are largely embedded at operational level (divisions and other business units). Primary responsibility for compliance resides with the line managers: they are the first line of defence.
- Delta Lloyd Group has also created a compliance function. A Group Compliance Department has been set up within Group Integrity and each division has appointed at least one compliance officer. The overall compliance function is the second line of defence.
- The third line of defence is the audit function, which supports the line managers and compliance officers. The audit function aims to ensure that compliance measures are properly implemented by auditing the structure, existence and effectiveness of measures.

Compliance officers, Group Integrity and Group Audit report their findings and recommend necessary improvements to the divisional boards, the Executive Board, the audit and risk committees and the Supervisory Board.

Competition Compliance Regulations

The Competition Compliance Regulations *('Complianceregeling Mededinging')* were drawn up by the Dutch Association of Insurers *('Verbond van Verzekeraars')*, in consultation with the Netherlands Competition Authority *('Nederlandse Mededingingsautoriteit / NMa')*, to help insurers avoid infringements of national and European competition law. Delta Lloyd Group has incorporated these compliance regulations into its own Delta Lloyd Competition Compliance Rules.

Codes of Conduct governing Private Portfolio Investment Transactions
To protect its market integrity, Delta Lloyd Group has drawn up codes of conduct. In its Instruction on Inside Information and Private Portfolio Investment Transactions, Delta Lloyd Group has laid down rules for dealing with price-sensitive and other confidential information. The provisions prohibiting private portfolio investment transactions and insider trading are also included in the Instruction.

Delta Lloyd Group has designated 660 employees as insiders. These are employees who have regular or incidental access to price-sensitive information (inside information) and are therefore subject to stricter rules for their private portfolio investment transactions. For instance, insiders who engage in private portfolio investments are subject to the 'location duty': they must carry out their private portfolio investment transactions through the investment firm designated in the Instruction. The location duty does not apply if the insider has signed a discretionary management agreement.

Alongside the Instruction, Delta Lloyd, as an issuing institution, has drawn up Regulations on Inside Information and Private Portfolio Investment Transactions in Delta Lloyd Group. They contain rules on the ownership of and trading in Delta Lloyd shares. These rules are stricter once the employee is designated as an insider or is subject to a disclosure obligation. For instance, during closed trading periods, insiders and employees with a disclosure obligation are not allowed to trade in Delta Lloyd shares. In addition, employees with a disclosure obligation are obliged to disclose transactions to the AFM.

Compliance with the Instruction and the Regulations
Insiders and employees with a disclosure obligation are required to sign a compliance statement every year. In this statement, they confirm that they have complied with the Instruction and/or the Regulations. Private portfolio investment transactions of both insiders and employees with a disclosure obligation are monitored by Group Compliance on a daily basis. This means that infringements are immediately visible and reported to the internal supervisor. If necessary, incidents are reported to the external supervisor, the AFM. Every year the Executive Board receives a report on the monitoring of and compliance with both codes of conduct.

Compliance framework / risk control matrix

Integrity is high on the agenda at Delta Lloyd Group, whereby compliance with the laws and regulations and internal codes of conduct is crucial. To facilitate implementation and safeguard compliance, a compliance framework is applied. This framework comprises eight themes, for which compliance standards and accompanying controls have been defined. The effectiveness of these controls is tested on an annual basis. The eight themes are:

- internal values and awareness;
- market forces;
- alliance partners;
- personal data protection;
- central focus on the customer;
- product development and management;
- Sanctions Act *('Sanctiewet')* and Anti-Money Laundering and Anti-Terrorist Financing Act *('Wet ter voorkoming van witwassen en financieren van terrorisme / Wwft')*;
- incident reporting.

Regulators Desk

The supervision of the financial sector has greatly increased in the past years. To coordinate the contacts with regulators, the Executive Board decided to set up a Regulators Desk within Group Integrity. This Regulators Desk, which became operational early in 2011, performs a central role, recording and coordinating the correspondence and discussions with regulators as well as their requests about specific themes.

The Regulators Desk plays an important coordinating role in the investigations conducted by the AFM in connection with the Customer Focus theme within Delta Lloyd Group. In providing a single point of contact, the Regulators Desk ensures that group-wide investigations can be carried out efficiently and facilitates close consultation between the divisions concerned. Every question asked as part of the investigations were answered within the deadline.

The creation of a Regulators Desk has also increased the awareness around compliance within Delta Lloyd Group. Due to its coordinating role, the Regulators Desk has become widely known within the organisation and has thus lowered the barrier to discussing and reporting compliance issues.

Customer focus

A central focus on the customer's interest is vital in order to restore the consumer's trust in the financial markets. A specific programme has been set up to guarantee that Delta Lloyd Group always genuinely keeps a central focus on the customer's interest. The compliance function makes an active contribution to the various pillars within this programme.

4.3.2 Fraud prevention

Fraud increases the price of insurance. Unjustified or exaggerated claims mean that the insurance premium rates must be raised. Partly for this reason, Delta Lloyd Group takes all necessary measures to prevent and detect fraud wherever possible. Delta Lloyd Group attaches great importance to maintaining the integrity of its business, its employees and its products and aims to increase the integrity of the insurance sector as a whole through its own fraud policy. The measures that Delta Lloyd Group takes when claims are found to be fraudulent are clearly described in its communications to customers. This is one of the requirements of the Customer-Focused Insurance Quality Label.

Our fraud and crime prevention efforts are concentrated in a single central, independent Group Integrity Department. A Fraud Desk has been set up at three major locations in Amsterdam, Arnhem and Zwolle. Employees can report all suspicions of fraud and other infringements to this desk, which will then initiate an investigation.

In the past years the approach to fraud, crime and corruption has been laid down in a number of policy documents. In 2011, the Measures Policy and the Integrity Code of Conduct were drawn up. The Integrity Code of Conduct brings together all codes of conduct and guidelines that apply to all employees and the management. These have been bundled in the Code of Conduct booklet, which was handed out to all employees. The booklet has also been incorporated into the Staff Guide and posted on Sterknet, the intranet of Delta Lloyd Group.

The Measures Policy guarantees uniformity in the measures that are taken. The principal guideline is that Delta Lloyd Group pursues zero tolerance for all cases of internal and external fraud and related incidents. Measures can vary from employee disciplinary action (in the case of internal fraud), reports to the authorities, notification of the Insurance Fraud Disclosure Office *('Fraudeloket')* of the Dutch Association of Insurers or the Supervisor, and inclusion in a special register to cancellation of the insurance policy or termination of the relationship.

Fraud awareness and fraud prevention

Results achieved in 2011

In 2011, the focus was on increasing fraud awareness among employees and promoting fraud prevention. Various presentations and workshops were held 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 claims or other issues.

In addition, fraud awareness workshops were given for managers. These workshops will continue in 2012. The code of conduct, including the dilemmas contained in the code, is discussed in all presentations and workshops for employees. It was found that employees are keen to participate in discussions about integrity and to exchange views on any differences of opinion on this subject. In turn, these discussions promote the desired behaviour within Delta Lloyd Group.

The focus on increasing fraud awareness is reflected in the much higher savings from preventive actions by employees. Measured by the method of the Dutch Association of Insurers, fraud prevention led to cost savings of € 11.3 million in 2011, over € 4.7 million higher than in 2010. More than half the cost savings resulted from fraud prevention, and the remainder from fraud detection. The number of preventive investigations increased by over 75% compared to 2010.

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 percentage of unjustified claims. This effect also became visible in 2011: the number of investigations into suspicious claims for damages fell by 19% compared to the previous year.

The economic crisis initially led to an increase of about 35% in the number of 'suspicious claims'. The same development was seen at all insurers. This percentage has stabilised since 2010.

The number of claims due to illness or accidents also rose between 2008 and 2010, and the length of absenteeism is increasing. A large portion of the cost savings concerned unjustified disability and absenteeism insurance claims.

Fire claims

Since mid-2010, an increase in the number of fire claims has been noticeable across the Dutch insurance sector. In collaboration with the general insurance and loss adjustment departments, Group Integrity carried out analyses of fire claims above €100,000. Measures are now being taken on the basis of these analyses, particularly in the field of clauses and inspections. These measures are designed to improve fire claims management.

In 2011, Delta Lloyd sought cooperation with the 26 emergency response regions in the Netherlands to ensure that the parties involved are not impeded in doing their work properly at a fire scene.

Integrity Disclosure Office and whistleblowers

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. Incidents can be reported to the teams in Amsterdam, Arnhem and Zwolle, and to the Integrity Disclosure Office within Group Integrity/Financial Crime Unit. The Integrity Disclosure Office also acts as a sounding board for integrity-related issues.

In 2011, eight notifications were submitted to the Integrity Disclosure Office, in addition to several hundred reports of spam and phishing mails. This indicates that employees know where to report such incidents and ask questions. No whistleblowers came forward in 2011. A total of 37 internal notifications of incidents involving employees were investigated.

Fraud risk analyses

Within Delta Lloyd Group, various analyses were performed in relation to processes, procedures and systems in order to identify and assess fraud risks. This led to recommendations for improving existing processes, procedures and systems. Since late 2011, we have started the implementation of a standard fraud risk check for all new or modified products.

Focus for 2012

The objectives defined by Group Integrity/Financial Crime Unit for 2012 include the following:

- draw up and further elaborate integrity criteria for the Delta Lloyd Group acceptance policy;
- continue analyses of processes, procedures and systems to identify and assess fraud risks;
- continue the assessment of new and modified products for fraud sensitivity;
- give priority to employee workshops and presentations focusing on behaviour, culture and fraud awareness;
- improve public-private partnerships with criminal investigation authorities;
- strengthen the cooperation with Delta Lloyd Life and Delta Lloyd Bank in Belgium;
- implement the new Insurers and Crime protocol of the Dutch Association of Insurers.

4.3.3 Sustainable asset management

Delta Lloyd Group targets its investments at long-term value creation, while having due regard for people, the environment and society. In 2011, Delta Lloyd Group adopted and implemented an update of its responsible investment policy. In this update Delta Lloyd Group makes a distinction between responsible investing and sustainable investing. Investing responsibly means that non-financial criteria, known as the ESG (Environmental, Social and Governance) criteria, are explicitly considered in analysis, research and investment decisions. Delta Lloyd Group applies the criteria to all its investments. Investing sustainably means investing with a view to promoting sustainable development, such as investments in companies that contribute to sustainable solutions to meet our future energy, food or water needs. A portion of Delta Lloyd Group's direct investments consist of investments in sustainable development.

4.3.3.1 Integrated policy
Responsible investing is structurally embedded in our investment policy. The responsible investment policy contains the related guidelines, definitions and (process) arrangements. Delta Lloyd Group is a long-term investor. We invest in companies that demonstrate corporate social responsibility, because we believe that this makes a significant contribution to the company's value growth. Responsible entrepreneurship revolves around the continuity of the underlying values and prudent risk management. These are aspects that matter just as much to Delta Lloyd Group as to investors. In 2011, the responsible investment policy was updated and expanded further. The policy is available to all interested parties on the Delta Lloyd Group website.

Delta Lloyd integrates the ESG criteria into its investment decisions across all asset classes. These criteria are consistently applied during the initial research and business case construction as well as throughout the period that an investment is held in portfolio. This extra screening places the risks and opportunities of each individual company in a clearer perspective.

Careful monitoring
Delta Lloyd has set up a Responsible Investment Committee, which meets according to a fixed timetable. The committee:

- monitors compliance, reviews existing exclusions and advises on potential new exclusions and companies on the watch list;
- assesses external input and also carries out independent research into companies, sectors and themes;
- keeps close track of market developments.

The management of Delta Lloyd Asset Management makes its decisions on the basis of the Committee's advice.

In addition, the Responsible Investment Officer (RIO) was appointed in mid-2011 to act as a point of contact and sparring partner for the portfolio managers in relation to responsible investment issues. The RIO designs and helps to implement policy, and analyses companies and sectors.

International platforms

- Delta Lloyd Group endorses the United Nations Global Compact Principles. These internationally accepted principles are based on international treaties and conventions and cover human rights, labour standards, the environment and anti-corruption. The principles are applicable to all asset classes. Delta Lloyd Group uses data from Sustainalytics, the independent institute for sustainability research, to assess listed companies on their involvement in controversial business practices. This institute also provides information on controversial weapons. As a signatory of the UN Global Compact Principles, Delta Lloyd Group annually draws up a 'communication on progress' report, which appears after the annual report.

- Delta Lloyd Asset Management has signed the United Nations Principles for Responsible Investments (UNPRI). The UNPRI network, set up in 2006, is a fast-growing international group of investors dedicated to integrating the environment, society and good governance into their investment policies.
- In 2011, Delta Lloyd Group became a signatory of the Carbon Disclosure Project, the Forest Footprint Disclosure Project and the Access to Medicine Index.
- Delta Lloyd Group supports the Corporate Sustainability Reporting Coalition of Aviva Investors, which is developing a policy framework for sustainability reporting by companies.

National activities

- Delta Lloyd Group is a member of the Association of Investors for Sustainable Development *('Vereniging van Beleggers voor Duurzame Ontwikkeling / VBDO')* and participated in the Netherlands' first Sustainable Investing Week in November 2011. During this week, institutional investors engaged in a dialogue with each other and with retail investors about sustainable and responsible investing.
- Delta Lloyd Group contributed to the drafting of the Sustainable Investing Code of the Dutch Association of Insurers *('Verbond van Verzekeraars')*. This Code was adopted at the end of 2011 by the General Members' Meeting of the Dutch Association of Insurers and is aimed at providing insurers with stronger and more rigorous guidelines for sustainable and responsible investing.

4.3.3.2 Responsible investment strategies

Delta Lloyd Group gives shape to its role as a socially responsible investor in various ways, most notably through its exclusions policy, investing on the basis of positive criteria, engagement (i.e. dialogue with companies) and its voting behaviour at shareholders' meetings.

Exclusion policy

Delta Lloyd Group determined its first exclusion criteria for all investments in 2008. These initial criteria centred on involvement in the production of or trade in controversial weapons. In 2009, the criteria were expanded to include the 10 United Nations Global Compact Principles. Delta Lloyd Group excludes companies that seriously violate the Global Compact Principles and companies that are involved in the production of or trade in controversial weapons. Other exclusions may also be applied in compliance with laws and regulations or UN sanctions.

Investing on the basis of positive criteria

Delta Lloyd Group makes part of its investments on the basis of positive criteria. These are also referred to as dedicated investments. Examples are theme funds and funds with a specific focus on sustainability. Investing on the basis of positive criteria implies that the best performers within a sector are selected based on in-house and external research. A qualitative screening shows how a company performs relative to its peers. If the outcome of this screening is positive, the company can be included in a responsibly invested portfolio.

Engagement

Delta Lloyd Group aims to conduct a constructive dialogue with companies and does this on a regular basis. To implement this engagement, we attend General Meetings of Shareholders and take 5% participating interests. The aim is to influence the company's behaviour. If the dialogue fails to produce the desired result, the company in question may be excluded or the equity interest may be steadily reduced. Delta Lloyd Group makes particular use of its shareholder influence in the case of substantial interest investments. It works together with these companies to improve their performance over the short and long term. Delta Lloyd Group is increasingly using its acquired expertise in conducting such dialogues to exert influence on companies in which it does not hold a substantial interest.

Voting behaviour

Acting in the interests of insurance customers and other beneficiaries, Delta Lloyd Group exercises its voting rights wherever possible at general meetings of shareholders of listed companies in which the group holds an interest of 5% or more (in terms of control) or an interest of € 25 million or more (in terms of capital). For each shareholders' meeting it attends, Delta Lloyd Group publishes its voting behaviour on each agenda item.

4.3.3.3 Results achieved in 2011

Sustainable asset management versus total asset management by Delta Lloyd Asset Management

in millions of euros	2011	2010	2009
Sustainably managed assets	503.5	650.3	631.7
Responsibly managed assets	39,780.3	38,994.0	645.2
Total sustainably and responsibly managed assets	**40,283.8**	**39,644.3**	**1,276.9**
Total assets managed through 5% equity interests	2,402.6	3,049.9	2,292.3
Total assets under management	73,321.4	72,042.3	67,800.7

The proprietary investment portfolio of Delta Lloyd Group totals € 45.7 billion, including € 40.3 billion of sustainably managed assets.

In April 2011, Delta Lloyd Group launched the Delta Lloyd Institutioneel Global Equity Index Fund, which invests worldwide in listed companies included in the MSCI World Index. The fund almost exactly tracks this index, but Delta Lloyd Group screens the investment universe on responsible investing criteria. The result is an index-tracking fund that simultaneously meets Delta Lloyd Group's exclusion criteria based on the UN PRI, Global Compact principles and the Controversial Weapons Radar of Sustainalytics.

Sustainable investments

Delta Lloyd Group invests a certain portion of its investments in sustainable development. The Delta Lloyd Water & Climate Fund invests in sustainable solutions for climate and water issues. The Delta Lloyd New Energy Fund invests in companies that contribute to sustainable solutions for our future energy needs.

Investments covered by the narrow definition of sustainably managed assets declined from € 650 million in 2010 to € 504 million in 2011. Various sustainable investment funds showed a lower price performance in 2011, and Delta Lloyd Group no longer manages the Delta Lloyd Institutional Sustainable Future Fund. Because of the high expense level and limited investor interest, the Fund was unwound in 2011.

Sustainability and shareholder activities

Delta Lloyd Group holds a 5% equity interest in some 60 companies. Total assets managed through such 5% interests was approximately € 2.4 billion in 2011 (2010: € 3.0 billion). In order to comply with the provisions of the Dutch corporate governance code, Delta Lloyd Group votes, wherever possible, at the shareholders' meetings of companies in which it holds a 5% interest. These 5% interests are investments for the long term and constitute a core part of the investment portfolio and the capital base of the operating companies engaging in insurance activities. Delta Lloyd Group makes use of its voting right to influence the policy of the company in question and seeks to promote value creation through responsible, consistent and transparent voting behaviour. The same applies to companies in which Delta Lloyd Group has an interest of at least € 25 million (in terms of capital). Delta Lloyd Group regularly consults about corporate governance and the sustainability of business operations with all companies in which it has a 5% interest. In 2011, Delta Lloyd Group voted at 60 general shareholders' meetings and at 21 extraordinary shareholders' meetings. Reports on the voting behaviour during these meetings can be found on www.deltalloydgroep.com.

4.3.4 Benchmarks and indices

We consider it important that our sustainability policy can be objectively assessed. For this reason, we take part in indices and benchmarks that set our policy and results against those of comparable organisations. Relevant indices and benchmarks for Delta Lloyd Group include the Transparency Benchmark of the Ministry of Economic Affairs, Agriculture and Innovation and the Sustainability Barometer of PwC. In addition, we endorse several sustainability-related codes of conduct, which are accessible to our stakeholders. We naturally report on our progress and results. Our endorsement of the 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.

The study ‘Benchmark for Responsible Investing by Dutch Insurers 2011’ examined insurers’ investment policies. This study showed that companies that had already implemented a responsible investment policy developed this further in 2011. Almost all companies, including Delta Lloyd Group, achieved higher scores in the study.

The Association of Investors for Sustainable Development *(‘Vereniging van Beleggers voor Duurzame Ontwikkeling / VBDO’)* carries out research into sustainable entrepreneurship by companies and into sustainable investing by listed companies. The study showed that the companies that had already implemented a responsible investment policy developed this further in 2011, with almost all achieving a higher score. This also applied to Delta Lloyd Group. Delta Lloyd Group is included in the VBDO benchmark ‘Responsible Investment by Insurance Companies in the Netherlands’. In this benchmark, which comprises 30 insurance companies, Delta Lloyd Group ranks 7th.

Delta Lloyd Group has the ambition to be included in the Dow Jones Sustainability Index (DJSI) in 2012. This internationally recognised index tracks the most sustainable companies in specific sectors. Inclusion in the DJSI is seen as ‘gaining recognition from capital markets for your sustainability performance’. Based on our market capitalisation and free float at 31 December 2011, Delta Lloyd Group has been invited by the SAM Group to participate in the ‘self assessment’ to qualify for inclusion in the ‘life insurers’ category of the DJSI Europe.

4.4 Community involvement

Managing your money wisely
Every large company supports community-related initiatives. The relevant community stands to benefit if that support originates from specific expertise. We are aware that our strength lies in our financial knowledge and experience. Promoting financial self-reliance is therefore central to our

community involvement and to the work of the Delta Lloyd Group Foundation. Because managing your money wisely is by no means always simple. We can and want to help. In 2011, just under 500 employees took part in numerous projects targeted at improving financial self-reliance.

Objectives and achievements for community involvement

Objective for 2011	Achievement in 2011	Objective for 2012 and beyond
Sponsorship relevant to our community involvement is a priority in our sponsorship and donation policy	The total amount spent on community-based activities and charity was 73% higher at € 1.7 million	Maintain sponsorship and donation amounts at the same level
600 volunteers active for Delta Lloyd Group Foundation	Nearly 500 volunteers were active. 384 unique employees contributed to the Foundation's activities	600 volunteers active for the Delta Lloyd Group Foundation
Spending on sponsorship and donation amounts at comparable level	Delta Lloyd Group spent € 6.0 million on sponsorship and donations in 2011	Focus on financial independence among the selected target groups of young people and women

4.4.1 Sponsorship and donation policy

Delta Lloyd Group is aware of its position in society and this awareness plays a key role in our commitment to community-based activities.

The main themes of Delta Lloyd Group's sponsorship, charity and donation policy are 'Financial awareness' and 'Sustainable value creation'. These themes link up directly with Delta Lloyd Group's core activity: assuring a secure financial future for its customers. Delta Lloyd Group seeks to raise financial awareness among consumers through information and education, as well as by helping them find solutions to their financial problems. The emphasis is not on taking over problems, but on self-reliance: stimulating solutions by making know-how available and creating opportunities. The Delta Lloyd Group Foundation turns these ideals into practice.

Delta Lloyd Group aims to make a contribution to the creation of a more sustainable Dutch society, and opts for long-term sponsorship and donation agreements, in which cooperation is an essential aspect.

Based in Amsterdam, Delta Lloyd Group sponsors a diverse range of cultural and social organisations in the Amsterdam area, including the Foam photography museum, Artis Zoo, the National Maritime Museum, the Stedelijk Museum, the Anne Frank Foundation, Sinfonietta, the Concertgebouw and the Netherlands Philharmonic Orchestra.

In 2011, Delta Lloyd Group spent a total of € 6.0 million on sponsorship and donations, up from € 4.8 million in 2010. The difference is mainly attributable to Delta Lloyd Group's decision to sponsor, among other things, the Libelle Academy E-learning, the National Maritime Museum, the

Foam photography museum and Naranjina, a children's series on the Nickelodeon TV channel that centres on the financial self-reliance of children.

Delta Lloyd Group sponsorship

In thousands of euros	2011	2010	2009
Commercial sponsorship	2,981	2,636	5,989
Membership of civil society organisations	395	610	139
Community-based activities	874	560	244
Charity	1,716	989	1,438
Total	**5,966**	**4,797**	**7,811**

4.4.2 Delta Lloyd Group Foundation

Delta Lloyd Group Foundation is dedicated to promoting community-wide solutions in the field of financial self-reliance in the Netherlands. It supports and initiates projects aimed at preventing financial problems by offering knowledge and opportunities to, notably, vulnerable groups. The Foundation is particularly keen to get employees involved as volunteers in its projects. There are various initiatives that enable staff to volunteer during working hours. Helping vulnerable groups sort out their finances is one example of a project that reflects the Foundation's objectives. In Arnhem, the Foundation's Home Finances Pool has been integrated into a local partnership in which some 20 Delta Lloyd Group volunteers take part. Employees give classes at primary schools, teach homeless youngsters how to manage their money, show young working people how to fill in their tax return or act as supervisors at the IMC Weekend School in Amsterdam South-East. Others help out as buddies for people who use debt assistance services or rely on the Food Bank. And still other colleagues give budgeting classes at primary schools, teach children how companies operate or are active as quiz masters at primary schools during the Week of Money.

In 2011, Delta Lloyd Group Foundation was involved in 46 projects, to which nearly 500 Delta Lloyd Group volunteers (384 unique volunteers) personally contributed. This is slightly lower than last year (544 volunteers).

The following overview of the most important and striking projects of the past year reflects the scope and commitment of Delta Lloyd Group Foundation:

- Home Finances – teaching vulnerable people in their own homes how to organise and keep good financial records.
- Buddy Projects for Food Bank and debt assistance customers – helping people in debt assistance programmes with the major and minor challenges of making ends meet and getting their lives back on track.

- NL DOET! 2011 – National Volunteer Days. On 18 March 2011, 118 Delta Lloyd Group employees took part in this event.
- MUG website – online tool for finding social services and welfare organisations by postcode.
- BASTA – community of Amsterdam-based businesses that are actively fighting poverty in Amsterdam by supporting each other's social projects.
- Naranjina – children's series on Nickelodeon about a very independent girl. By contributing to this series, Delta Lloyd Group Foundation aims to help children understand the importance of financial self-reliance in a positive way.
- Bizworld – children learn entrepreneurial skills from Delta Lloyd Group guest teachers.
- B-team – teaching young people how to fill in their tax return.
- Cash Money Budget – peer-to-peer education whereby young people help warn their peers against monetary complacency.
- 'Geldkoffer' – a learning pack that guest teachers from Delta Lloyd use to give money classes for children.
- Libelle Academy E-learning – attention for the financial vulnerability of women in the Netherlands and materials to improve their money skills, available through various channels including the Libelle website.
- Regel 't programme – to improve the money skills of women facing divorce and enhance their financial awareness and self-reliance.

4.4.3 Community-based activities

Delta Lloyd Group takes its social responsibility very seriously as an insurer. It wants to make a meaningful contribution to the community because after all, serving society is its license to operate. Delta Lloyd Group therefore supports many initiatives: national and local, large and small. But we always make a critical assessment to ensure that the sponsored activity fits our identity and values. In 2011, Delta Lloyd Group spent over € 1.5 million on community engagement through the foundation.

Donations
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 give 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 2011, this fund granted a total of € 30,400 to a wide range of organisations and

associations covering a total of 53 initiatives. More and more employees of Delta Lloyd Group are taking part in sports for charity, such as cycling up the famous Alpe d'Huez mountain or participating in other charitable cycling events. In 2011, Delta Lloyd Group donated a total of € 258,371 to charitable initiatives.

The Young Talent Network (an initiative by and for Delta Lloyd employees under age 35) is aimed at bringing young talent together and forming a strong network. Last year, the Young Talent Network held a collection amongst its members and raised sufficient money to donate a special hoist for impaired yachtsmen to the Royal Netherlands Water Sports Association. Sponsor actions also raised substantial funds for the Spieren voor Spieren Foundation (charity for children with muscular disorders) and the whale project of The Green Miles. In 2011, the Young Talent Network won the Media Award during the 'Race of the Classics' sailing event, which resulted in a contribution to the renovation of the classic sailing yacht Ide Min.

4.4.4 Water sports

Delta Lloyd is a leading water sports insurer in the Netherlands and a long-time sponsor of Dutch water sports. It supports these activities in the broadest sense of the word: from enthusiastic children to top athletes. For instance, Delta Lloyd is the chief sponsor of Optimisten Club Nederland, an initiative to give children an early taste of competitive sailing. Delta Lloyd is also the official partner of the Royal Netherlands Water Sports Association and chief sponsor of the Delta Lloyd Regatta. For years, Delta Lloyd has been supporting major sailing events, including the Delta Lloyd Open Dutch Championships, the Delta Lloyd 24-hour sailing race, the Amsterdam In-Water Boat Show *('Hiswa')* and the Delta Lloyd North Sea Regatta. In addition, Delta Lloyd is chief sponsor of the Delta Lloyd Olympic Yachting Team, a collective of top yachtsmen preparing for the 2012 Olympic Games in London. In 2011, this Olympic Yachting Team was extremely successful and won numerous podium places at the world championships and pre-Olympic events. As part of our water sports sponsorship, Delta Lloyd Group is also a partner in the 1% fair share initiative. This means that 1% of our total annual budget for water sports sponsorship is made available to the Handicapped Sports Fund.

4.4.5 Culture

Delta Lloyd Group supports a diverse range of cultural and social organisations in the Amsterdam area, including Artis Zoo, the National Maritime Museum, the Stedelijk Museum, the Anne Frank Foundation, Sinfonietta, the Concertgebouw and the Netherlands Philharmonic Orchestra.

Over the years, Delta Lloyd Group has supported an array of initiatives in the area of photography. Since 2005, Delta Lloyd Group has been closely involved with the World Press Photo Foundation. Alongside its association with the Joop Swart Masterclass for talented photographers, Delta Lloyd Group entered into a three-year commitment in 2011 to support the World Press Photo Exhibition in Amsterdam.

In the past years Delta Lloyd Group also sponsored several special exhibitions of Foam, the Amsterdam Photography Museum, which in 2011 featured works of the successful Dutch photographer Anton Corbijn. Meanwhile, the partnership has been further intensified, with Delta Lloyd Group agreeing to support the Foam museum for a three-year period starting from 2012.

4.4.6 Membership of civil society organisations

For Delta Lloyd Group, sustainable entrepreneurship also means working together, and maintaining long-lasting relationships, with numerous external organisations that are dedicated to promoting sustainable entrepreneurship. Here is an overview of the most important civil society organisations in which we are represented.

- Since 2008, Delta Lloyd Group has been the organisational stakeholder of the Global Reporting Initiative (GRI), a worldwide non-profit network organisation. The GRI was established in 1997 by several parties including the UN with the mission of giving sustainability reports equal status to financial reports.
- Delta Lloyd Group is one of the initiators of the Holland Financial Centre, which develops proposals to help maintain the Netherlands as a strong, open and internationally competitive financial sector. Priority areas include pensions as export products, the Netherlands as a centre of financial expertise and innovative financial products.
- Since 2004, Delta Lloyd Group has been affiliated with the Netherlands Institute for New Technology, Economic and Social Studies (NINTES), which is aimed at revitalising leadership in business and the public sector in response to social and economic change.
- In 2005, Delta Lloyd Group joined Business & Society *('Samenleving & Bedrijf')*, a national network of companies that come together to develop themes relating to corporate social responsibility and share the knowledge they have acquired. This includes membership of MVO Nederland (CSR Netherlands), also since 2005. Business & Society connects a large number of financial services providers. Delta Lloyd Group plays an active role in its working groups, committees and seminars.

- In 2006, Delta Lloyd Group joined Good Company *('Goed Gezelschap')*, which invites select gatherings to discuss relevant social themes. The purpose of these meetings is to exchange ideas, conditions and future scenarios relating to corporate social responsibility.
- Delta Lloyd Group is also a partner in Amsterdam Partners, a government, private sector and civil society platform dedicated to cooperation in marketing the city.
- In addition, Delta Lloyd Group is involved in the VeerStichting, established in 1979 by a group of students at Leiden University to promote the exchange of ideas between students and opinion leaders. Since 1980 it has been organising annual symposia on ideological themes. In 2011, Delta Lloyd Group sponsored the symposium for the last time.
- In April 2010, Delta Lloyd Group joined the United Nations Global Compact for corporate social responsibility. Participants in this platform, set up in 1999 by the United Nations, commit to ten principles aimed at improving human rights, labour standards and the environment. In April 2011, Delta Lloyd Group reported on the activities undertaken in 2010 within the framework of the ten principles of the United Nations Global Compact by issuing a Communication on Progress.

4.4.7 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 equity interest in Delta Lloyd Group as a result of the merger between Delta Lloyd Group and NUTS OHRA Beheer in 1999. The annual income that Fond NutsOhra generates from this interest is used to finance health care projects. Examples include applied research, public information, new treatment methods, participation and prevention. In the year under review, funds were allocated for projects including:

Health innovation and improvement

- Start-up costs for a regional centre in Assen to improve health care and support for people with a mental handicap and psychiatric problems.
- Integration of psychiatric diagnostics into mainstream health care for people with heart complaints for which no somatic cause was found at the First Heart Aid.
- Early diagnostics for premature babies with serious bowel disorders.

Information and education

- Films about relationships, love, (homo)sexuality and safety, the wish to have children and parenthood among people with a mental handicap, based on interviews with these individuals.
- Information materials for younger people with dementia, as well as their friends and families.

Participation/self-reliance

- DVD to support self-reliance training for adults with a physical impairment, chronic illness or Acquired Brain Impairment.
- ‘Zorgvrager doet mee’, a project aimed at enabling the person requesting care to play a more active online role in determining their condition and treatment.
- Contribution towards the costs of equipping, furnishing and decorating communal spaces in small-scale facilities for people with an impairment.

Prevention

- ‘Identification of undernourished elderly people with dementia’ involves the creation of a screening tool and remedial dietary protocol.
- Development of an artificial stoma for patients with bladder cancer to reduce complications that occur with stomas made of bowel tissue.

Fonds NutsOhra also initiates projects itself. In 2011, the Fund earmarked € 1 million for a project to improve the use of volunteers for institutional elderly and handicapped care. The project is a continuation of ‘Zorg beter met vrijwilligers’ (Better Care with Volunteers), a pilot project subsidised by the Ministry of Health, Welfare and Sport. The implementation and roll-out will be realised at 15 organisations with financial support from Fonds NutsOhra.

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 health-at-work projects. These include exercise programmes and workplace health promotion, with a specific focus on the SME sector. The projects are funded by Fonds NutsOhra, and form part of the group health contracts offered by Delta Lloyd Group.

4.4.8 Delta Lloyd Belgium

Delta Lloyd Life in Belgium finances pension research via the Pension Policy Chair at the University of Leuven (KU Leuven). Under the direction of Professor Jos Berghman, the Chair gathers and analyses available data on Belgian pensions. As a responsible pension insurer, Delta Lloyd Life promotes the search for pension data and, above all, seeks to place these in the context of statutory pensions, family situation and career. This helps create a stronger basis for the appropriate policy measures to be taken at a federal level.

At the request of the Belgian Federal Public Service for Social Security *('Federale Overheidsdienst Sociale Zekerheid'),* the Pension Policy Research Group *('Onderzoeksgroep Pensioenbeleid')* (Centre for Sociological Research – KU Leuven) provided an accessible and reliable analysis of the available Belgian pension data in the 'Pension Atlas 2010'. Early in 2012, the Pension Policy Research Group issued an additional report examining whether Belgian pension policy offers retired people sufficient social security. In 2009, Professor Berghman had already carried out a study into the adequacy of pensions in Belgium. This study examined the pension situation in 2006, based on data from the Pension Register and the National Register. The new report uses 2008 pension data. As net pension amounts are now available, the report provides a clearer picture of the pension income of households.

In 2010, Delta Lloyd Life in Belgium launched the Pension Ambassador Award, an annual initiative to underline the importance of the public pension debate in general and the role of supplementary pensions in particular. In 2011, a professional jury under the direction of Professor Jos Berghman presented the award for the second time to a small and large Belgian company incorporating concrete measures (e.g. supplementary pension) in their HR policy to meet the challenges of the ageing population.

4.5 Good employment practices

Good flexible working arrangements
Delta Lloyd Group strives for flexibility, both for its employees and for the organisation as a whole. Virtual workplaces enable the organisation to more efficiently match the workload with available facilities, while employees have greater freedom to organise their work and achieve a good work-life balance. The number of virtual workplaces rose to 2,700. The further roll-out of the New Way of Working, dubbed 'Sterk Werk' at Delta Lloyd Group, has been approved, and profiles have been defined for employees whose jobs permit working from home to a lesser or greater extent. These profiles include technical facilities, but also arrangements to ensure that departments are adequately staffed at all times. Initiatives to ensure social cohesion are also necessary when colleagues see each other less often at the office. Another sensitive issue concerns the ergonomics of the virtual workplace: a laptop is not ideal in this respect.

Objectives and achievements for good employment practices

Objective for 2011	Achievement in 2011	Objective for 2012 and beyond
Implementation of pilot, development of overall 'New Way of Working' package	Three pilots were initiated. The number of virtual workplaces was expanded by 1,000 to 2,700	The pilots will be continued on a more structural basis. The home working policy will be elaborated further

More detailed description of diversity policy and stronger result-driven management	Diversity was explicitly raised as a topic for discussion by entering into partnerships with other companies through the diversity organisation 'Opportunity in Bedrijf' (aimed at women), Cultural Speed Dating and attention to diversity in trainee recruitment	Woman on the Executive Board in 2015
More employees fit and motivated thanks to personal health & fitness and development plans	Employees were given the opportunity to draw up a personal development plan	Continuation of Executive Health Checks and Sterk Fit health & fitness checks and scans
Reduce absenteeism to 3.5%	Absenteeism down from 4.3% to 4% 15th place in the Best Employer Survey of Intermediair (30 places higher than in 2010)	Absenteeism at 3.5% in 2012 Continued focus on position as employer of choice

4.5.1 HR vision and organisation

Delta Lloyd Group opts for a flat structure without unnecessary hierarchical layers. Responsibilities, including objectives and set tasks, are placed, measured and rewarded deep within the organisation. This allows teams to operate with great independence within the organisation. Attracting, retaining and developing highly skilled and motivated staff is key to Delta Lloyd Group's HR policy. Within this context, management (as well as the employees themselves) is responsible for the deployment, development and well-being of staff. The HR function provides support, and only exercises control where necessary. The simplification of the organisation within the various divisions received considerable attention in 2011.

In 2011, Delta Lloyd Group climbed to 15th place on the Intermediair list of the 50 best companies to work for (Intermediair Best Employer Survey 2011). In addition, a new labour market campaign was launched in 2011 around the theme: 'Growing by being yourself - join the group'. This campaign underlines Delta Lloyd's search for high-quality staff who contribute their personal strengths to the company.

Renewed organisation
In 2011, the merger of HR with Business Development and Legal led to good cooperation in recruitment & selection tenders and the development of a vision for the New Way of Working within Delta Lloyd Group. The strength of these partnerships lay in the project-based approach, alongside the intensive cooperation with Procurement and IT.

During the further simplification drive within the divisions, the HR department played a vital role, ranging from direct support from HR advisers to the administrative translation of the organisational changes with the assistance of the HR Front Office. Chain-wide cooperation received extra attention within HR, without compromising the independence of the divisions. This broad-based cooperation also led to the following three strategic frameworks for the coming years: linking recruitment, progression & departure, good employment practices and HR operational excellence.

Number of FTEs	2011	2010	2009
Permanent staff (indefinite contract)	4,782	5,040	5,710
Permanent staff (one-year contract)	373	443	553
Temporary staff (contract < 1 year)	544	594	657
Total	**5,699**	**6,077**	**6,920**

Number of FTEs at year end.

4.5.2 Personal development

Talented employees

Delta Lloyd Group's ambition calls for talented, motivated and well-trained employees and managers. It is important that people develop and make the right career choices so their roles and careers remain in tune with their backgrounds, aspirations and development. The employees themselves are responsible for making choices in their personal and career development. This requires an attitude characterised by cooperation, receptiveness to criticism, and a willingness to change and evolve. Crucial in this regard is broad-based versatility, which we promote by devoting special attention to employability, health and fitness, development of knowledge and skills, and management and executive development. HR develops policy in these areas and makes the resources available for the optimum development and retention of talent within Delta Lloyd Group.

HR cycle

One fixed component of Delta Lloyd Group's HR cycle is the Performance, Result and Development Plan. During this annual cycle, employees and their managers discuss a number of important issues relating to the employee's performance, results, (career) development and functioning. Performance targets are an essential criterion within the performance management system that Delta Lloyd Group applies. We ensure the proper and careful implementation of the HR cycle, including a performance appraisal and discussion of the results, development and training opportunities and competences. In this way, it becomes clear how each employee contributes to our organisation and what we as an organisation can contribute to the (career) development of each of our employees. The renewed core values form part of our performance management.

Employability and development

Delta Lloyd Group gives priority to the employability and sustainable development of employees. Promoting expertise goes hand in hand with advancing our employees' personal development within our organisation.

Delta Lloyd Group aims to grow and will constantly make new and greater demands on its employees. To achieve its long-term objectives, effective staff development and the efficient use of available talent are crucially important. In addition, offering targeted development and career opportunities is a good way to foster long-term loyalty among employees.

The employability policy concentrates on boosting staff flexibility to increase the growth potential of individuals across the organisation. To add further weight to the concept of 'workplace' learning, Delta Lloyd Group has placed training advisers and knowledge managers in the business units. They can give their business unit tailor-made advice about specific training and development issues.

Personal development scan

All Delta Lloyd Group employees can opt to do a voluntary personal development scan once every three years. The scan supports employees in developing their careers and making personal choices. In 2011, more employees made use of this opportunity, thus following in the footsteps of many of their Dutch colleagues. In 2011, 555 employees of OHRA (Commercial Division and Personal General Insurance) took part in the compulsory ‘Direct Yourself’ workshop.

To help new employees find their way around our organisation and to introduce them to their colleagues, ‘STERKE Start meetings’ were developed in 2011. These meetings are designed to give employees a welcoming, inspiring and optimum start to their career within Delta Lloyd Group.

Delta Lloyd Group employees can also make use of the Career Advice Centre in order to advance their personal and professional development.

Training

Delta Lloyd Group offers a wide range of training options and extended study facilities. Employees can go to the ‘Training Portal’ for a broad array of tools and services to improve their competences and skills for current and future positions. The training portal is linked to the study facilities scheme and helps employees quickly find and register for a suitable course.

The Delta Lloyd Group collective labour agreement provides for an annual training budget of 4% of the total wage sum. The 2011 training budget amounted to € 8.1 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 organises in-company programmes as part of the lifelong learning drive. To improve the expertise of employees and comply with the Financial Supervision Act (‘*Wet op het financieel toezicht / Wft*’), the training courses offered in the Training Portal are updated each year. By attending the courses and passing the exams, employees can keep their insurance diplomas up to date.

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

Talent Development

Delta Lloyd has development programmes for specific target groups, such as trainees, management and higher-educated specialists. These programmes are tailored to the organisation's strategy and target group. The subjects covered include leadership development, professionalisation and competence development, networking and culture.

Current programmes

- Delta Lloyd Group Traineeship (renewed in 2011)
- Professional Development programme
- Management Development programme for team leaders (renewed in 2011)
- New Leadership (the leadership programme for the Executive Board, directors, managers, team leaders and specialists). In 2012, the last groups of team leaders will participate in this programme.
- In 2011, the executive development (ED) training curriculum was further customised to the organisation's needs.

Management and Executive Development policy is aimed at the development, appointment and monitoring of staff in managerial positions. The progression to their next position also forms part of this policy.

Delta Lloyd Belgium

The many changes that Delta Lloyd Life has undergone in the past period made it necessary to set up a new job classification structure. This took place in 2011. The first phase involved listing and describing all relevant positions. Next, the positions were weighted and graded. The resulting job classification will serve as a building block as we continue to work on various HR processes in 2012.

In 2012, we are also addressing competence management as part of our performance management cycle. The aim is twofold: first, to give our organisation tighter control over the employability of our people and the development of (core) competences; and second, to help our managers give their employees better support in making the right choices for their personal and career development. In parallel with this, our efforts to implement e-learning modules will continue in 2012.

In 2011, the 'Customer Focus' training programme was on the agenda for all customer-facing employees and managers. The programme consisted of two important phases: training in professional complaints handling and training & coaching in professional telephone services. To ensure the proper embedment in our organisation, internal coaches have been trained to give employees personal assistance. Next year, the focus will be on professional written communication to customers.

The 'Sales & Marketing is for Top Performers' programme was started for internal sales consultants and external partners. The roll-out is continuing in 2012. In addition, a selection of internal sales consultants and external partners attended the European Financial Advisor training. HR Forums on specific topics such as sickness absenteeism were organised for managers.

4.5.3 Employer of choice

Employee Motivation Survey (EMS)
In February 2011, the Employee Motivation Survey (EMS) was conducted among Delta Lloyd Group employees in the Netherlands and Belgium. A total of 4,547 employees completed the questionnaire, a response rate of 77%. The high response points to extremely strong involvement in this issue among employees and managers. In general, Delta Lloyd Group employees are motivated, and Delta Lloyd Group has managed to retain staff loyalty. However, motivation declined slightly compared to 2010. This mainly related to the working atmosphere, the division as employer, and the internal provision of information. The last item was the most important aspect about which Delta Lloyd Group employees were less satisfied in 2011 than in 2010. Employee satisfaction with the other twelve aspects remained stable.

Employee motivation in 2011

- 77% of Delta Lloyd Group employees enjoy working in their division
- 59% would recommend others to work in their division
- 70% feel strongly involved in their division's progress and success
- 60% are proud to work for their division
- 55% feel strongly involved in Delta Lloyd Group's progress and success
- 58% are proud to belong to Delta Lloyd Group.

Best financial services provider
In 2011, Delta Lloyd Group again took part in the annual Best Employer Survey of Intermediair, ending in 15th place, no less than 30 places higher than in 2010. Delta Lloyd Group took fifth place in the league table of banks and insurers, and fourth in the compensation & benefits rankings. The survey characterises Delta Lloyd Group as an excellent employer who distinguishes itself in various areas, including compensation & benefits. Employees feel involved in their work and are satisfied with their development opportunities.

Survey of internal support for strategy

The support among employees for the strategy and the effectiveness of internal communication increased strongly in 2011. However, dialogue about and involvement in the strategy could be better. This is evident from the ECQ survey among a representative group of 553 employees from all sections of Delta Lloyd Group in the Netherlands. The survey, conducted by the Reputation Institute (which is affiliated with Erasmus University Rotterdam), took place in the autumn of 2011.

The support for the strategy is at its highest level since measurements started in 2006. Though the score is slightly lower than last year, employees remain extremely proud of their business unit and proud of Delta Lloyd Group, particularly compared to the benchmark. Group-wide communication received a particularly good score in the survey. General media coverage and the town hall meetings held by the Executive Board, for instance, received high ratings. The support among employees for the core values – Honest, Approachable and We work together – is excellent. The awareness of the core values was seen as somewhat lacking, however. Several points for improvement were identified on the basis of the survey.

Labour market communication

The focus in 2011 was on the development of the new labour market campaign and the new ‘Working at Delta Lloyd’ website, which was launched to strengthen Delta Lloyd Group’s image as an employer. The theme of the new campaign is 'Growing by being yourself - join the group'. Our own employees are at the centre of this campaign. Input from an extensive survey among Delta Lloyd Group employees formed the basis of the campaign. This survey showed that the employees are proud to work for Delta Lloyd Group. They also indicate that they enjoy great freedom to be themselves. The new website went live in October 2011 and the initial results are positive. The objectives for 2012 include increasing our online visibility on e.g. Facebook, LinkedIn and YouTube. In the coming year, we will launch a social referral programme in order to attract the talent we need from the increasingly tight labour market.

4.5.4 Compensation and benefits

CAO and Social Plan

The Delta Lloyd Group collective labour agreement (CAO), including the Social Plan, for employees in the Netherlands ran to 1 January 2012. Talks with the trade unions on a new CAO and social plan continued into 2012.

In 2011, Delta Lloyd Group carried out two studies as agreed with the trade unions. The first was a study into a life cycle-aware human resources policy. It was agreed to view and assess the many tools currently being used for this purpose in their overall context. The second study explored the opportunities for creating a flexible pool for older employees. As society is gradually becoming used to the idea that we must all work longer, Delta Lloyd wants to encourage initiatives aimed at keeping older employees in work. This subject was also included in the talks on the new CAO and the new social plan.

In 2011, Delta Lloyd Group brought its remuneration policy into line with the DNB Regulation on Sound Remuneration Policies and implemented the necessary adjustments.

Works Council

Delta Lloyd Group has one works council and five sub-committees. The works council deals with all matters that are relevant to Delta Lloyd Group and its employees, including strategy, cross-division cooperation and human resources policy. Once a year, the Works Council holds a tripartite meeting with the Executive Board and the Supervisory Board. More information on the Works Council is contained in section 3.1.9.

New Way of Working

Many organisations are currently introducing the 'New Way of Working'. In 2010, Delta Lloyd Group began formulating a vision on the significance and position of the New Way of Working within the group. This not only concerns ICT and office accommodation, but also the consequences for operational control and employee behaviour. We looked at initiatives that are currently in progress within the organisation and at the experiences of other organisations. Experts in the various relevant areas were involved in the development of this vision. Next, a number of pilots were started up at several business units of Delta Lloyd Group. These concern employees working at home several days a week, as well as the introduction of new office designs and lay-outs.

At the end of 2011, 2,694 employees had a virtual workplace. Many employees now check their email before leaving home in the morning or prepare presentations in the evening for the next morning. In the last quarter of 2011, all locations of Delta Lloyd Group were equipped with wireless internet access (WiFi). The WiFi access points are strategically located to enable wireless working in about three quarters of the working environment.

In 2011, the paperless working and meeting pilot was initiated for the Executive Board, the Supervisory Board, all directors and managers, and the Works Council. A total of 170 iPads, along with the required programmes, were made available for this purpose. The ultimate aim is to achieve a working environment where digital working (and paperless meetings) is the standard.

Pensions
Pension is an important component of the remuneration package. The pension fund aims to provide wage-indexed pensions for active members and price-indexed pensions for deferred members and retirees. In 2011, the pension fund board decided to increase the accrued pension rights and pensions in payment by 0.93% with effect from 1 January 2012. This is 40% of the indexation ambition. The employees' accrued pension rights were not increased because the CAO wages were not adjusted further in 2011.

Thanks to its chosen investment strategy, the pension fund's funding ratio (the ratio between assets and liabilities) was at a satisfactory level of 115% at year-end 2011 (year-end 2010: 117%), whereas many other pension funds ran into problems. There is no risk that (accrued) pensions in the Delta Lloyd pension fund will be written down as the pension fund has reinsured its nominal obligations. The indexation ambition for the active members is based on the development of the CAO wages, while for the accrued pensions of deferred members and retirees, it is based on the price movement determined by Statistics Netherlands ('Centraal Bureau voor de Statistiek / CBS').

4.5.5 Diversity

The diversity policy of Delta Lloyd Group is aimed at creating a corporate culture that promotes diversity, pleasant working conditions and the freedom to share and pursue different points of view. The objectives are: balanced male/female ratio in leadership positions, equal development opportunities for ethnic and non-ethnic staff and stimulation of the deployment of older employees. Delta Lloyd Group also promotes labour participation among benefit claimants under the Young Disabled Persons Act *('Wajong')*; the aim is to offer 10 'Wajong' claimants jobs within Delta Lloyd Group. In 2011, a workplace was found for one Wajong claimant, while one Wajong trainee will set to work in 2012.

Since 2007, the Diverse Talent working group, which was set up by employees for employees, has been actively promoting bi-cultural diversity within Delta Lloyd Group. In 2011, we teamed up with the Royal Tropical Institute *('Koninklijk Instituut voor de Tropen / KIT')* to organise a Cultural Speed Dating Event for employees of various companies in the Amsterdam area, including Delta Lloyd Group. The participants had brief face-to-face meetings and engaged in a dialogue about thought-provoking statements. This was followed by a short lecture in which a link was established between the outcomes of the speed dating session and 'intercultural' competences.

Meanwhile, preferred suppliers for recruitment and selection have been given diversity objectives. A specialised recruitment agency has been enlisted for the recruitment of bi-cultural trainees.

Delta Lloyd Group signed the 'Talent to the Top' charter. The charter was established as a close cooperative effort between the Confederation of Netherlands Industry and Employers *('VNO-NCW')*, the Federation of Dutch Trade Unions *('FNV')*, the Social and Economic Council of the Netherlands *('Sociaal-Economische Raad / SER')* and representatives from the private sector, the Dutch Ministry of Education, Culture and Science and the Dutch Ministry of Economic Affairs. The charter is designed to encourage more, notably female, talent to occupy senior positions and has been signed by over 200 leading organisations from the private, non-profit and public sectors. In signing the 'Talent to the Top' charter, Delta Lloyd Group has committed to clear, measurable objectives for the progression of female talent to senior executive positions.

The percentage of women at Delta Lloyd Group has been stable at employee level for a number of years. In the various leadership positions the percentages changed marginally compared to 2010. The percentage of female directors fell in the past three years. These movements are reflected in the table below.

Male / female ratio at Delta Lloyd Group

At year end	2011	2010	2009
Male staff	56%	56%	57%
Female staff	44%	44%	43%
Male team leaders	64%	65%	60%
Female team leaders	36%	35%	40%
Male managers	72%	73%	78%
Female managers	28%	27%	22%
Male directors	88%	85%	83%
Female directors	12%	15%	17%

Lloyd's Ladies

Lloyd's Ladies is the women's network that was started in 2008 to stimulate women at Delta Lloyd Group to showcase their talents and make their voices heard, as well as to take a more robust and self-aware stance. Lloyd's Ladies wants women within the Group to inspire, stimulate and motivate each other. One of the objectives is to show differences between the various groups within Delta Lloyd Group and to allow these differences to flourish to the company's advantage. In addition, Lloyd's Ladies is involved in the 'Talent to the Top' charter and created a community at www.lloydsladies.nl in 2010. In 2012, Lloyd's Ladies wants to continue growing its membership, deepen partnerships, start new partnerships and organise meetings on topical themes.

4.5.6 Health and safety

Sickness absenteeism lower again

Sickness absenteeism fell by 8.7% to 4% in 2011, compared to 4.3% in 2010. This means that the target of 3.5% for 2011 was not achieved. There is a noticeable increase in the professional attention for and involvement in absenteeism and absenteeism support. Judging from the trend figures, Delta Lloyd Group's overall health and fitness policy ('Sterk Fit') offers a sound basis for achieving the set target. That target is ambitious, but certainly not unrealistic. At ABN AMRO Insurance, the sickness absenteeism rate was 2.7% in 2011, the lowest percentage within Delta Lloyd Group in the Netherlands.

We achieved our target for the frequency of sickness notifications for 2011, which decreased by 6.2% to 1.2. The number of sickness notifications in 2011 came to 5,384, 9.7% lower than in 2010. The distribution of quarterly lists of all frequent absentees to the managers and the actions taken on the basis of these lists is proving to be a powerful instrument, also for the long term.

Short- and medium-term absenteeism fell slightly, while long-term absenteeism rose. This had virtually no impact on the average length of sick leave, which is still around 11 days. The ambition is to shorten this period.
The inflow of benefit claimants under the Work and Income (Capacity for Work) Act *('Wet werk en inkomen naar arbeidsvermogen / WIA')* increased slightly but is still well below our target of less than half a per cent. The inflow in 2011 concerned 13 employees. This means we are still in line with the forecasts in the 'Own Risk Carrier under WGA' business case.

Women report sick more often, with the difference in sickness absenteeism between male and female employees at two percentage points. This gap has grown compared to last year. Together with our health & safety services provider, 365 ArboNed, we carried out a study into the causes of the difference. This report is expected early in 2012 and will also contain advice for improvements.

Locomoter complaints rose slightly. Flexible working, including working at home, may entail a heightened risk due to the frequent use of laptops and, possibly, because the correct ergonomic aids are not always used. There was also another increase in the percentage of psychological complaints, including work-related. A parallel can be drawn here with the Employee Motivation Survey (EMS) from 2011, where employees said they perceived a higher workload. The EMS provides input for measures that can improve this situation. The percentage of physical ailments decreased. The work-related percentage rose, but is too low to justify additional measures.

The focus on sickness absenteeism, a crucial part of the Sterk Fit plan, remained high. The workshop for managers on how to deal with sickness absenteeism was held six times in the past year. The workshops were well-attended and received high approval ratings.

In 2011, various business units mobilised task forces to resolve specific sickness absenteeism problems, such as obstinate cases of repeated absenteeism and cases where the employee's disability/capacity to work is hard to determine. The further use of task forces to tackle elusive long-term absenteeism is advised for all business units.

The deployment of absenteeism coaches on location in Arnhem led to better support for the immediate managers and improved the employees' attitude towards absenteeism. The project there will continue for one more year.

Flu vaccination

Delta Lloyd Group gave employees the opportunity to get a flu shot; 386 employees (8.6% of the total staff complement in the Netherlands, unchanged from 2010) received flu shots in 2011.

Group-wide health and fitness policy

In the context of 'Sterk Fit', all employees are invited to take part in a health check, which includes a survey of their lifestyle. Depending on their score, they are offered products and services that encourage them to improve their physical and mental resilience. Since 2006, all managers and directors at Delta Lloyd Group in the Netherlands have been given an Executive Health Check. This check is designed to assess an individual's overall health and detect any problems at an early stage.

The results of Delta Lloyd's Sterk Fit policy over the past three years clearly show how fit and healthy the Group's employees are. The general picture is that the employees are, on the whole, healthy and relatively good at coping with work stress. The latter applies in particular to the group that has sufficient flexibility in organising their own work. One striking finding is that men above age 50 are often far too heavy. This issue needs to be addressed as there is a clear link between excess weight and health complaints such as high blood pressure, diabetes and liver disorders.

Delta Lloyd Group offers all its employees free company fitness classes. The group's various company fitness centres are very well-attended.

VDUs and health

Delta Lloyd Group facilitates safe and healthy working practices for computer screen workers. Company physiotherapists are available on location. In special circumstances, such as call centre and back office activities, team leaders provide extra supervision and support. In 2011, the anti-RSI software WorkPace was replaced with CtrlWORK, which has a stronger focus on healthy and efficient computer screen working. The software was made available simultaneously with the roll-out of Windows 7. The health & safety catalogue provides tips for good work station design.

Occupational reintegration

The Absenteeism Management Coordination Centre (VMC), Delta Lloyd Group's independent occupational reintegration business, supervises, counsels and oversees the occupational reintegration of employees who are off work due to sickness. The VMC's services include the following:

- psychological counselling;
- company social work;
- conflict mediation;
- employment-related research;
- arranging transport (in the event of temporary immobility).

The occupational reintegration specialist at the VMC directs the overall process and maintains close contacts with employees, line managers, company doctors and care providers. In addition to assisting with occupational reintegration, the VMC also provides a case management service for employees of Delta Lloyd Group.

In 2011, there were 318 new occupational reintegration cases in total, while 360 cases (including outstanding cases from 2010) were finalised. At the start of 2012, there were still 256 outstanding cases. The new cases in 2011 break down as follows:

- 249 cases in the framework of return-to-work legislation *('Wet Verbetering Poortwachter')*. A case is opened after an action plan is made in the sixth week of sickness absence;
- 50 interventions;
- 19 preventive interventions.

The interventions break down as follows:

- 35% company social work;
- 2% consultation with absenteeism consultant;
- 46% psychological counselling;
- 17% other services.

Own risk carrier under the WGA

Since 1 January 2010, Delta Lloyd has been own risk carrier for the WGA scheme under the Resumption of Work (Partially Disabled Persons) Regulation ('*Regeling werkhervatting gedeeltelijk arbeidsgeschikten*'). Delta Lloyd Group now pays the first 10 years of WGA benefits itself and is responsible during that period for the reintegration of employees. Calculations have shown that the decision to become own risk carrier will yield a substantial financial benefit compared to the former membership of the UWV unemployment benefits agency.

4.6 Environment

Paper: yes or no?

We want to use less paper, and are taking all sorts of measures to achieve this. In 2011, a pilot with paperless working and meeting was started up for the Executive Board, the Supervisory Board, all directors and managers and the Works Council. A total of 170 iPads were made available for this purpose. The ultimate objective is to create a working environment in which digital, paperless working is the standard. At the same time, we want to live up to our reputation as the market leader when it comes to providing unit-linked insurance customers with good and timely information by giving them an indication of their compensation. We achieved this in 2011. Partly as a result of this very extensive correspondence campaign, our paper consumption rose slightly in the Netherlands despite our reduction initiatives.

Objectives and achievements for the environment

Objective for 2011	Achievement in 2011	Objective for 2012 and beyond
Continue efforts towards 100% use of green electricity	In 2011, we opted to make a distinction between green power and CO2 offset power. Electricity consumption fell by 5% in 2011.	Continued efforts towards 100% use of green power and CO2 offset power.
Environmental information system for management in place and ISO 14001-certified environmental care system in use	Various locations installed an environmental information system in 2011. The ISO 14001 certification was not achieved due to the decision to apply for certification in sub-areas	Reduction in energy consumption by 2% per year
Top 100 suppliers sign code of conduct and comply with their own sector-specific codes of conduct	Delta Lloyd Group renewed its Supplier Code of Conduct in 2011	CO2 reduction of 2% per year through further emissions and offset efforts
Further stimulate sustainable procurement and offering of socially responsible products and services	Percentage of lease cars with A label doubled from 16% to 33%	Annual reduction of 2% in paper consumption at Delta Lloyd Group.

Delta Lloyd Group is aware of the impact of its activities on the environment and we are taking up the challenge to manage and reduce this impact responsibly. In the environmental policy for the 2009-2012 period, the four focus areas are climate change, energy saving, waste prevention and transport management. 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.

4.6.1 Climate change

In conformity with the objective of the Multi-Year Energy Efficiency Agreement (MJA3), Delta Lloyd Group's environmental policy includes a CO_2 reduction target of 2% per year in its environmental policy. Delta Lloyd Group takes specific measures aimed at energy efficiency, eco-friendly transport and climate-aware products.

Carbon neutral

Despite Delta Lloyd Group's efforts to reduce its CO_2 emissions, some remain unavoidable. This is fully offset annually through the purchase of carbon credits, generated by climate-friendly projects. One important goal when selecting these projects is that they should also make a positive contribution to local communities. Projects aimed at offsetting CO_2 emissions are selected on an annual basis.

Delta Lloyd Group CO2 emissions

In tonnes of CO2	2011	2010	2009
CO2 emissions - energy consumption	5,148	4,933	8,860
CO2 emissions - business travel by car	4,278	-	-
CO2 emissions - business travel by train	69	-	-
CO2 emissions - vehicle fleet and train	-	5,700	6,292
CO2 emissions - business travel by air	356	115	157
CO2 emissions - raw materials use	1,106	-	-
Other CO2 emissions	327	-	-
Total	**11,284**	**10,748**	**15,309**

While the CO_2 emissions appear to have risen, this is due to the new calculation method based on NEN-EN 14064. Alongside transport and energy consumption, this standard also includes CO_2 emissions from water and paper consumption, waste water and usage of cooling agents in cooling installations. Another change is that, unlike in 2010, our car usage is not based on the total use of lease cars, but on the total business use of both lease cars and private cars.

A comparison based on the old system shows a slight fall in the CO_2 emissions of 1% (from 10,748 to 10,626 tonnes) and a 5% reduction in transport-related emissions. The latter is mainly due to lower fuel consumption resulting from fewer kilometres using lease cars and more lease cars with an A-B-C label.

In 2011, we worked on the business case for connecting the office building in Arnhem to the district heating station instead of the gas network. The owner of the building will make a decision about this in 2012. The switch can lead to a significant reduction in CO_2 emissions.

4.6.2 Energy

Delta Lloyd Group has committed itself to reducing its energy consumption by 2% each year over the coming years. We are mainly seeking to achieve this through:

- energy-efficient procurement when replacing equipment and installations;
- targeted energy-saving measures in the buildings;
- energy-efficient data centre management and equipment.

In addition, in the framework of the New Way of Working, Delta Lloyd Group is striving for fewer square metres of office space per employee.

Delta Lloyd Group is pursuing responsible energy consumption through active energy management. Improving the energy efficiency of Delta Lloyd Group's office buildings is an ongoing organisation-wide priority.

Delta Lloyd Group has signed up to the Multi-Year Energy Efficiency Agreement (MJA3) for the banking and insurance sector. This agreement between the Dutch government and financial services providers is aimed at efficient energy consumption in the 2001-2020 period. More information about the agreement can be found at www.senternovem.nl. In signing the MJA3, Delta Lloyd Group has committed to increasing the energy efficiency of the Toorop building in Amsterdam and the OHRA building in Arnhem by 30% and achieving a corresponding reduction in CO_2 emissions, with 2020 as target year and 2005 as base year.

Green power

In 2011, we opted to make a distinction between green power and carbon offset power. Green power is electricity that is renewably generated and procured (e.g. solar or wind energy). Carbon offset power is conventional power whose CO_2 emissions have been offset by the energy company. Reporting has been adjusted in line with ISO 14064. This standard sets guidelines for the quantification and reporting of greenhouse gas emissions and removal at company level. The environmental impact is calculated per FTE, taking account of both permanent and temporary employees in 2011.

Green power accounts for 24.2%, carbon offset power for 64.4% and conventional power for 11.2% of Delta Lloyd Group's energy consumption. The remaining component of conventional power is used in rented buildings whose owner has not yet switched over to purchasing green or carbon offset power. This issue will receive closer attention in 2012.

Delta Lloyd Group energy consumption in 2011

	Netherlands	Belgium	Delta Lloyd Group (per FTE)

Electricity consumption (in kWh)	16,683,638	5,199,032	3,840
Share of purchased green/carbon offset power (in %)	91%	90%	91%
Gas consumption (in m3)	1,042,952	552,178	280
Energy consumption for heating/cooling (in GJ)	21,848	-	4
Oil consumption (in litres)	-	45,818	8

Delta Lloyd Group energy consumption in 2010

	Netherlands	Belgium	Delta Lloyd Group (per FTE)
Electricity consumption (in kWh)	17,627,432	5,510,476	3,695
Gas consumption (in m3)	1,034,610	333,316	218
Energy consumption heating/cooling (in GJ)	18,924	-	3
Oil consumption (in litres)	-	30,902	5

Delta Lloyd Group energy consumption in 2009

	Netherlands	Belgium	Germany	Delta Lloyd Group (per FTE)
Electricity consumption (in kWh)	19,344,995	5,172,188	4,834,200	3,369
Gas consumption (in m3)	1,050,217	433,120	422,063	249
Energy consumption for heating/cooling (in GJ)	17,532	-	-	3
Oil consumption (in litres)	-	30,875	-	5

Electricity consumption for Delta Lloyd Group as a whole decreased by 5% in 2011. This is due to the decline in the number of employees and energy-saving measures. The power consumption of most buildings fell. An extra factor in the Netherlands was the closure of the Hogehilweg location and the partial vacancy of Villa Omval at Amsterdam. Energy consumption also dropped in Belgium, mainly due to the closure of several buildings and the definite departure from the Pleinlaan building. Gas consumption in Belgium rose, because the gas consumption of Delta Lloyd Bank head office in Belgium was mistakenly omitted from the records in 2010. Electricity consumption per FTE for Delta Lloyd Group as a whole increased by 4% as the number of FTEs fell faster than the electricity consumption.

Energy-saving measures in 2011

Energy-saving measures stem from the findings of energy-saving studies as well as energy-saving options that arise, for instance as a result of new technology and market developments.

At the two biggest locations of Delta Lloyd Group in the Netherlands (the Toorop building in Amsterdam and OHRA in Arnhem) an analysis was made of the energy-saving opportunities for the air-conditioning installations, among other things. In 2011, numerous measures, both small and large, were carried out within the group. The most important were:

- Installation Performance Scan for the Toorop Building, which measured energy consumption and climate comfort. This produced a better insight into savings opportunities, which will be acted on in 2012, marking the first step towards the sustainable management and maintenance of the installations.

- The elevator operating system in the Toorop building was renewed and the number of fluorescent light fixtures in the elevator shafts was halved. This saves about 35,000 kWh per year.
- At the end of 2011, work started on the conversion of the Toorop building's entrance and company canteen. Sustainability aspects and energy efficiency are important criteria in selecting the materials and equipment (e.g. in the kitchen). The renewed space will be taken into use in the first quarter of 2012.
- In 2010, an installation performance scan was carried out in conformity with ISSO 106 for the first time in the OHRA building. The recommendations were partly implemented in 2011. A second scan in 2011 provided insight into the progress made, and revealed that further improvements are possible. These are being carried out in 2012.
- In the OHRA building, a trial was completed with energy-efficient fluorescent light fixtures. If the owner takes a positive decision, these will be introduced during the natural replacement cycle.
- In the Erasmus building in Rotterdam, LED lighting was installed in the central hall and the basement car park.
- In the building of ABN AMRO Insurance in Zwolle, the lighting around the core and the emergency lighting are now switched off at night.
- Since February 2011, the lighting in the Mondriaan Tower is switched off by means of a ‘sweep pulse’ at a pre-set time.
- In 2011, Delta Lloyd Bank Belgium installed an energy measurement system in the offices, giving the occupants immediate insight into their energy usage at the workplace.

The proposed renewal of the boilers in the Toorop building has been postponed until 2013, because Nuon is planning to renovate its ‘De Wenk’ district heating station in Amsterdam in 2012 or 2013. This opens up opportunities for connecting the Toorop building to the station. De Wenk will be connected to Amsterdam’s energy hub, so that a large portion of the supplied energy can be regarded as renewable. The renovation of De Wenk itself can also lead to sustainability gains and energy savings through improved generation efficiency.

The energy efficiency analyses form the basis for further energy-saving initiatives in 2012 and beyond. The proposed measures have been included in the energy saving year plan for each location and are implemented and monitored on the basis of that plan.

4.6.3 Transport

In its environmental policy, Delta Lloyd Group has committed to reducing the environmental impact of business travel annually. This concerns the share of lease cars with A-B-C labels, the average number of kilometres per lease car and the CO_2 emissions per kilometre driven using lease cars.

Delta Lloyd Group’s transport policy concentrates on the following aspects:

- restricting transport need (e.g. video conferencing, home working facilities);
- limiting car use (stimulating public transport and bicycle use);
- reducing pollution caused by cars (eco-friendly leased car fleet);
- encouraging eco-friendly transport.

Employees are encouraged to restrict their car use through measures such as tax incentives for buying a bicycle, the provision of public transport passes (also for lease car drivers), video conferencing and home working. In 2010, Delta Lloyd Group had already added an electric car to its pool car fleet in Amsterdam. At the end of 2011, a study was initiated into the opportunities for adding an electric car to the lease car fleet.

Delta Lloyd Group transport in 2011

	Netherlands	Belgium	Delta Lloyd Group (per FTE)
Average kilometres per lease car	35,368	27,948	N.M.
Average CO2 emissions per lease car (gram/km/lease car, ECE standard)	149	224	213
Total fuel consumption (litres)	923,200	677,899	281
Lease cars with A-B-C energy label (in %)	86%	6%	N.M.
Total kilometres – business travel by car	12,915,109	8,814,218	3,813
Total kilometres - electric/hybrid cars	1,088,752	-	191
Total kilometres - business travel by rail	2,041,437	-	358
Total kilometres - business travel by air	2,159,060	751,397	511

*) In Belgium, lease cars are classified into labels A to G, but according to a different calculation. Measured by the Dutch system, the share of Delta Lloyd Bank Belgium lease cars with labels A-B-C would be considerably higher than the current 6%. This is based on the fact that Delta Lloyd Bank Belgium lease cars and the Dutch lease cars have virtually the same average CO_2 emissions, namely 186.3 grams versus 186.2 grams per kilometre. Due to this calculation difference, the share for Delta Lloyd Group as a whole cannot be determined.

Delta Lloyd Group transport in 2010

	Netherlands	Belgium	Delta Lloyd Group (per FTE)
Average kilometres per lease car	35,594	-	-
Average CO2 emissions per lease car (gram/km/lease car, ECE standard)	158	-	-
Total fuel consumption (litres)	1,277,251	926,385	352
Lease cars with A-B-C energy label (in %)	74%	-	-
Total kilometres - lease cars	18,667,531	10,406,084	4,643
Total kilometres - business travel by rail	1,762,942	-	282
Total kilometres - business travel by air	966,309	9,094	156

Delta Lloyd Group transport in 2009

	Netherlands	Belgium	Germany	Delta Lloyd Group (per FTE)
Average kilometres per lease car	36,282	-	-	-
Average CO2 emissions per lease car (gram/km/lease car, ECE standard)	160	-	-	-

Total fuel consumption (litres)	1,344,297	995,575	96,581	352
Lease cars with A-B-C energy label (in %)	69%	-	-	-
Total kilometres - lease cars	20,441,256	11,172,759	2,115,638	4,324
Total kilometres - business travel by rail	1,160,397	10,995	-	151
Total kilometres - business travel by air	634,450	10,997	-	83

Total fuel consumption dropped sharply both in the Netherlands and Belgium. This is partly due to the new measurement method. From 2011, transport is recorded on the basis of NEN-EN 14064. This entails that, unlike before, car usage is not calculated as the total of the lease and pool cars but as the total of the business use of lease cars, business use of private cars and use of the pool cars. And in fact, consumption also declined according to the old method: in the Netherlands by 7% and in Belgium by 4%.

Due to the new calculation method and the reduction in the number of lease cars, total business travel by car decreased by about 25% in the Netherlands and 15% in Belgium. According to the old measurement, there would have been an 18% decrease in the Netherlands and a 4% increase in Belgium.

The electric car purchased in 2010 for business use by Delta Lloyd Group employees in Amsterdam was lent out 86 times in 2011 and driven 3,741 kilometres. It was ordered in 2010, but delivered in March 2011.

In 2011, the number of train kilometres showed a sharp increase of 15.8%. It is not yet possible to keep records of train travel in Belgium. In 2008, Delta Lloyd became the first company to introduce the MobilityMixx pass, a combined mobility pass to pay for petrol, train, taxi, public transport bike hire and P+R parking. This card is now starting to bear fruit. For instance, for the first time frequent use was made of the public transport bike hire service in 2011. In addition, season tickets for specific train routes are also offered to staff and company bikes are available at the Toorop building. Car use is being further reduced by means of virtual workplaces and teleconferencing facilities. This decreases the number of business trips.

At Delta Lloyd Life in Belgium, the relocation to the Fonsny building offers good potential for encouraging the use of public transport: the building is situated right next to the Brussels South station, with excellent train, tram, metro and urban bus links. A scheme has been introduced to fully reimburse employees for the costs of a public transport season ticket. Delta Lloyd Bank in Belgium operates a similar scheme, offering a discount on public transport season tickets.

Business travel by air soared by 298% in 2011, with sharp increases seen in both the Netherlands and Belgium. Delta Lloyd Group attended far more analyst presentations and organised numerous road shows for analysts and institutional investors. In addition, unlike in 2010, Delta Lloyd Life Belgium's flight kilometres for promotional activities were also recorded in 2011.

On the whole, the environmental impact of transport decreased. This applies both to CO_2 emissions per kilometre driven and to the share of lease cars with A, B or C labels. One important reason was that the reduction in the number of FTEs also led to a decrease in the number of lease cars.

Lease cars
All new lease cars of Delta Lloyd Group in the Netherlands must display an A, B or C energy label. Lease contracts for a D label car are still permitted, but are rarely selected. The lease policy was not tightened further in 2011. However, eco-friendly driving behaviour has a stronger impact on the environment than the labelling scheme. Drivers of lease cars are made aware of this though periodic reports showing how their fuel consumption compares with the standard. The share of lease cars with a high energy label (A-C) increased by 12% in 2011 in the Netherlands. In 2010, this share was not yet recorded for the Belgian lease cars.

In 2011, a further shift occurred from petrol and diesel to hybrid cars. The Dutch lease fleet included 40 hybrid cars in 2010, and 50 in 2011. On 31 December 2011, Delta Lloyd Group had 456 lease cars (517 at year-end 2010), of which 85% had an A, B or C label. The share of hybrid cars increased from 8% to 11%.

	2011		2010		2009	
Label	number	%	number	%	number	%
A	149	32.7	83	16.0	60	11.0
B	126	27.6	112	21.7	107	19.6
C	113	24.8	186	36.0	213	38.9
D	48	10.5	97	18.8	116	21.2
E	17	3.7	34	6.6	43	7.9
F	3	0.7	5	1.0	8	1.5
Total	456		517		547	

4.6.4 Raw materials use

Delta Lloyd Group is committed to using raw materials in a responsible and energy-efficient way. One focus area in its environmental policy for 2009-2012 is reducing paper consumption by 8% per annum. Delta Lloyd Group wants to save paper, wherever possible, through digitalisation, doubled-sided printing and copying, and the prevention of unnecessary information flows. A further aim is to purchase 100% sustainably produced paper according to the FSC or PEFC standards. As for our water consumption, the target is to save 4% per year.

Delta Lloyd Group raw materials use in 2011

	Netherlands	Belgium	Delta Lloyd Group (per FTE)
Water consumption (in m3)	36,468	8,410	8
Total paper purchased (in kgs)	700,323	204,213	159
Share of green purchased paper (in %)	99%	59%	91%

Delta Lloyd Group raw materials use in 2010

	Netherlands	Belgium	Delta Lloyd Group (per FTE)
Water consumption (in m3)	49,265	7,228	9
Total paper purchased (in kgs)	692,974	165,747	137

Delta Lloyd Group raw materials use in 2009

	Netherlands	Belgium	Germany	Delta Lloyd Group (per FTE)
Water consumption (in m3)	45,303	7,228	15,083,000	9
Total paper purchased (in kgs)	472,556	296,030	42,017	136

Water consumption in the Netherlands decreased by 26%. The decline was due to the reduced number of FTEs as well as the installation of water-saving taps in the toilets in the Toorop building in Amsterdam. In addition, hot water is no longer used, except in the pantries. Incidentally, the water consumption in 2010 was disproportionately high due to a major leak in the Toorop building.

Paper consumption increased both in the Netherlands (1%) and Belgium (23.2%). The rise in the Netherlands is attributable to the large-scale correspondence with customers about their unit-linked investment policies. The increase in Belgium was due to improved recordkeeping: in 2010, the consumption was not fully recorded due to the large number of suppliers. In 2011, the number of suppliers was sharply reduced, after which a uniform recording system was set up.

In 2011, various actions were undertaken to restrict paper consumption. Management has started to work on a largely paperless basis. The majority of the voluminous archives were scanned in 2010 and made available to the internal organisation in digital form. The focus in 2011 was therefore mainly on the digitalisation of the new archives and on connecting a number of new departments to the digital archives. In 2011, about 1.5 million files were digitalised. In addition, New Way of Working pilots are being carried out within the organisation (see section 4.5.4 ‘Compensation and benefits’) and several teams reorganised their work processes, including digital work allocation.

In accordance with the target, virtually all the paper used in the Netherlands is FSC-certified. In 2011 Belgium started with the procurement of certified paper, which accounts for 59% of the total paper consumption.

4.6.5 Waste

In the field of waste management, Delta Lloyd Group aims to raise the share of recyclable residual materials to 70% of total waste in 2012. This recycling percentage is achieved by improving the separate waste collection process and introducing the separate collection of new recyclable flows wherever possible. Waste collection systems are in place at all locations, staff are given relevant instructions and the Group works closely with waste processing companies to monitor actual waste collection.

Actions undertaken in 2011 included:

- collection of coffee cups in the OHRA building – started at the end of 2010 but results visible in 2011;
- improved collection of swill (catering leftovers);
- introduction of collection of drinks cans and coffee cups at Delta Lloyd Life in Belgium.

In 2011, experiments with new waste collection concepts in the Toorop building in Amsterdam led to an improvement in separate waste collection. Depending on the outcome of the evaluation, an organisation-wide roll-out will be considered in 2012.

Delta Lloyd Group waste

	2011	2010	2009
Paper and cardboard waste (in kgs)	389,781	465,988	555,492
Other recyclable residual materials (in kgs)	154,372	-	-
Harmful waste (in kgs)	10,756	-	-
Residual waste (in kgs)	377,909	-	-
Other waste (in kgs)	-	488,347	507,952
Recycling percentage (in %)	58%	-	-
Total	**932,819**	**954,335**	**1,063,444**

The total amount of waste decreased by 2.3%. In 2011, waste registration underwent substantial changes. Hazardous waste and several recyclable residual flows are now also recorded. As a result, the waste collection figures for 2010 and 2011 are less easy to compare.

Environmental enforcement

At the Rotterdam and Toorop (Amsterdam) locations, the respective municipalities carried out environmental inspections in 2011. No violations were found. A complaint was received about noise nuisance caused by the Toorop building in Amsterdam. This complaint was resolved to the municipality's satisfaction.

4.6.6 Sustainable property development and construction

Sustainable property development and construction is no longer about *whether* attention is given to energy saving, re-use and the sympathetic integration of buildings into the surroundings, but about *how* it is done and to what degree.

Delta Lloyd Group examined the energy performance of the existing property portfolios and developed a vision for portfolio sustainability. We are currently adjusting our programme of requirements for new-build properties. These requirements are in line with the sustainability initiatives of the Dutch Green Building Council, Neprom (Association of Dutch Property Development Companies) and the new Construction Decree *('Bouwbesluit')*.

Key aspects for sustainable building include energy saving, CO_2 reduction, the choice of materials and use of sustainable resources as well as the integration of buildings into their surroundings, ecological aspects and the recyclability of the building to ensure minimal environmental impact upon demolition. All these aspects form part of the BREEAM certification procedure.

Delta Lloyd Property is committed to the well-being of the occupants of new-build properties. This includes such aspects as a comfortable indoor climate, good accessibility and proximity to facilities.

4.6.7 Sustainable procurement

Delta Lloyd Group also expects its suppliers to be committed to sustainability and asks them to contribute ideas. In addition, potential suppliers are made aware that sustainability has become a standard selection criterion for every contract tendering procedure. One good example is the multi-services contract for facility management services, which stipulates constructive cooperation towards the realisation of the environmental objectives of Delta Lloyd Group.

The Delta Lloyd Group Suppliers Sustainability Code of Conduct was drawn up in 2007 as part of the Group's supplier selection process, purchasing conditions and purchasing agreements. In 2011, Delta Lloyd Group updated this code together with a specialised agency. Several sessions were held to inform procurement staff about the code and to enthuse them for sustainable purchasing.

Suppliers are requested to sign and comply with the Supplier Code of Conduct. Delta Lloyd Group is still discussing this issue with 50% of the top 100 suppliers, 42% of which have already signed the code. In 2011, Delta Lloyd Group made a further major step towards good procurement practices by signing the Code of Responsible Market Conduct for the cleaning sector. One example of the integration of environmental aspects into the procurement process concerns our computer procurement: new packaging techniques led to substantial savings on packaging materials. This code is currently endorsed by 584 organisations.

In 2012, we want to make the first steps towards greater sustainability with our business partners in damage repair, with a particular emphasis on environmental aspects. We also aim to introduce greater sustainability in the procurement process by realising at least two projects per procurement category in which sustainability plays an integral role. We expect an in-house Code of Conduct to become steadily less relevant due to the introduction of sustainability quality certification for suppliers.

In 2010, Delta Lloyd Group signed the 'Socially Responsible Procurement and Entrepreneurship Manifesto'. The signatories of the Manifesto state their intention to pursue sustainable procurement in order to encourage the provision of socially responsible products and services and thus contribute towards socially responsible entrepreneurship. Where necessary and possible, the signatories want to make sustainability an even more important criterion within their procurement policy. Delta Lloyd Group's 'Mobility Card', which encourages environmental savings among lease car users, is one of the good examples cited by the authors of the manifesto.

4.7 Reporting

In its 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 2011 report has again been integrated with the financial annual report of Delta Lloyd Group. In chapter 4 we report on our efforts and the achievement of objectives in the Netherlands and Belgium 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 the fraud data gathered.

Scope

The sustainability report describes the national and international activities of Delta Lloyd Group in 2011 (1 January 2011 - 31 December 2011), excluding the German operations. The sustainability data of Delta Lloyd Group were verified by Ernst & Young.

Reporting process

Relevant themes were selected for the 2011 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 were gathered centrally. Qualitative information was collected via memoranda, reports, news bulletins and so on, as well as from interviews with relevant staff.

Delta Lloyd Group values readers' views and opinions on the annual report and the sustainability report as incorporated in the annual report. For this reason, Delta Lloyd Group has taken part in the transparency benchmark for CSR reporting since 2007. At the request of the Dutch Ministry of Economic Affairs, KPMG is conducting a study on the qualitative and quantitative development of corporate social reporting among the biggest companies in the Netherlands. Delta Lloyd Group achieved a 48th place in the 2011 Transparency benchmark. Compared to 2010, Delta Lloyd Group fell from 40 to 48, and from 7 to 9 in the rankings for banks and insurers.

The transparency of company policy is also assessed in the Scenter Annual Report Survey among Dutch organisations. The survey was carried out for the 17th time in 2010. Delta Lloyd Group scored 5.7. The overall average was 4.2, and the average for financial services providers was 4.9. The study comprised 101 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 (Magnitude) to gather and process the relevant quantitative and qualitative sustainability data. Data gathering is coordinated at corporate level by Corporate Communications. Delta Lloyd Group is continuously seeking to further refine the reporting process through the addition of new relevant indicators and by improving the reporting lines. In 2011, a new system (Cognos) was used for the first time for the online publication and processing of reports. The figures for this year's report were gathered by Group Finance & Control 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). Delta Lloyd Group believes 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 which indicators Delta Lloyd Group is reporting on.

More information

The online version of the integrated report 2011 contains a number of links between the chapter 'Sustainability' and other sections of the annual report and vice versa. Links to sources on the website of Delta Lloyd Group are also included. Further information about Delta Lloyd Group can be found in the 2011 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

Global Reporting Initiative-index (G3.0) Delta Lloyd Group 2011

Reference

+	Included in Annual report
/	Partially included in Annual report
-	Not included
NR	Data irrelevant

Delta Lloyd Group reprots in accordance with the guidelines prepared by the Global Reproting Initiative. The index shows all key indicators and the relevant supplementary indicators.

	Ref.
Strategy and Analysis	
1.1 Statement from the most senior decision-maker of the organization (1)	+
1.2 Description of key impacts, risks, and opportunities (1.6, 1.8, 3.2.4, 5.1.7.1)	+
Organizational Profile	
2.1 Name of the organization (5.1, 6.3)	+
2.2 Primary brands, products, and/or services (1.4, 1.4.1, 1.4.2, 1.4.3, 1.4.4, 1.4.5, 4.2.4)	+
2.3 Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures (3, 3.1, 3.1.1, 3.1.2)	+

2.4 Location of organization's headquarters 5.1, 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 (5.1, 5.1.7.5)	+
2.6 Nature of ownership and legal form (5.1)	+
2.7 Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries) (1.4, 1.6.2, 1.6.5.2, 1.6.5.3)	+
2.8 Scale of the reporting organization (1.1, 1.2, 1.3, 4.5.1)	+
2.9 Significant changes during the reporting period regarding size, structure, or ownership (1.6.3, 1.6.5.2)	+
2.10 Awards received in the reporting period (4.2.1, 4.2.4)	+
Report Parameters	
3.1 Reporting period (e.g., fiscal/calendar year) for information provided (4.7.1)	+
3.2 Date of most recent previous report (if any) (4.7.1)	+
3.3 Reporting cycle (annual, biennial, etc.) (4.7.1)	+
3.4 Contact point for questions regarding the report or its contents ((6.3)	+
3.5 Process for defining report content (4.7.1)	+
3.6 Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance (4.7.1, 1.2)	+
3.7 State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope) (4.7.1 np limitations)	+
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 ((4.7.1, 1.2)	+
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)	+
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)	NR
3.11Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report (4.7.1)	+
3.12 Table identifying the location of the Standard Disclosures in the report (4.7.1)	+
3.13 Policy and current practice with regard to seeking external assurance for the report (4.7.3)	+
Governance, Commitments, and Engagement	
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 (3.1, 3.1.1, 3.1.2)	+
4.2 Indicate whether the Chair of the highest governance body is also an executive officer (3.1.2, 3.1.1)	+
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 (3.1, 3.1.3)	+
4.4 Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body (3.1.5, 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) (3.1.1, 2.6, 2.7)	+
4.6 Processes in place for the highest governance body to ensure conflicts of interest are avoided (3.1.1, 2.6, 2.7)	+
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 (2.4, 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 (1.6.5, 3.1.3)	+
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 agrement (2.6, 2.7)	+
4.10 Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance (2, 2.1, 2.3, 2.4, 2.5)	+
4.11 Explanation of whether and how the precautionary approach or principle is addressed by the organization (1.6.5)	+
4.12 Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses (4.1.5, 4.7, 4.7.1, 3.1.3)	+
4.13 Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization (4.4.6)	+
4.14 List of stakeholder groups engaged by the organization (4.1)	+
4.15 Basis for identification and selection of stakeholders with whom to engage (4.1, 4.1.5)	+
4.16 Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group (4.1.5)	+
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 (4.1.1, 4.1.5)	+
Economic Indicators	
EC 1 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 (1.1, 1.5, 4.4.1)	+

EC 2 Financial implications and other risks and opportunities for the organization's activities due to climate change (4.6.1)	+
EC 3 Coverage of the organization's defined benefit plan obligations (1.4, 5.1.1, 5.1.6.31)	+
EC 4 Significant financial assistance received from government	NR
EC 5 Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	NR
EC 6 Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	NR
EC 7 Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	NR
EC 8 Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	NR
EC 9 Understanding and describing significant indirect economic impacts, including the extent of impacts (1.6)	+
Environmental Indicators	
EN 1 Materials used by weight or volume (4.6.4)	+
EN 2 Percentage of materials used that are recycled input materials(4.6.5)	+
EN 3 Direct energy consumption by primary energy source (4.6.2)	+
EN 4 Indirect energy consumption by primary source (4.6.2)	+
EN 5 Energy saved due to conservation and efficiency improvements (4.6, 4.6.2)	+
EN 6 Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives (4.6, 4.6.2)	+
EN 7 Initiatives to reduce indirect energy consumption and reductions achieved 4.6, 4.6.2)	+
EN 8 Total water withdrawal by source (4.6.4)	+
EN 9 Water sources significantly affected by withdrawal of water	NR
EN 10 Percentage and total volume of water recycled and reused	NR
EN 11 Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	NR
EN 12 Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	NR
EN 13 Habitats protected or restored	NR
EN 14 Strategies, current actions, and future plans for managing impacts on biodiversity	NR
EN 15 Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	NR
EN 16 Total direct and indirect greenhouse gas emissions by weight (4.6.1, 4.6.3)	+
EN17 Other relevant indirect greenhouse gas emissions by weight	NR
EN18 Initiatives to reduce greenhouse gas emissions and reductions achieved (4.6.1, 4.6.3)	+
EN19 Emissions of ozone-depleting substances by weight	NR
EN20 NOx, SOx, and other significant air emissions by type and weight	NR
EN21 Total water discharge by quality and destination	NR
EN22 Total weight of waste by type and disposal method (4.6.5)	+
EN23 Total number and volume of significant spills	NR
EN 24 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
EN 25 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
EN26 Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	+
EN27 Percentage of products sold and their packaging materials that are reclaimed by category	NR
EN28 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	NR
EN 29 Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce (4.6.3)	+
EN 30 Total environmental protection expenditures and investments by type	-
Social Indicators	
LA1 Total workforce by employment type, employment contract, and region, broken down by gender (4.5.1, 4.5.5)	+
LA 2 Total number and rate of new employee hires and employee turnover by age group, gender, and region (4.5.1, 5.2.1.13)	+
LA 3 Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	NR
LA 4 Percentage of employees covered by collective bargaining agreements (4.5.4)	+
LA5 Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements	NR
LA 6 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 (4.5.6)	+
LA 7 Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender (4.5.6)	+
LA 8 Education, training, counseling, prevention, and risk-control programs in place to assist workforce	+

members, their families, or community members regarding serious diseases (4.5.6)	
LA 9 Health and safety topics covered in formal agreements with trade unions	+
LA 10 Average hours of training per year per employee by gender, and by employee category (4.5.2)	+
LA 11 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings (4.5.2)	+
LA 12 Percentage of employees receiving regular performance and career development reviews (4.5.2)	+
LA 13 Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity (4.5.5)	+
LA 14 Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	-
HR 1 Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening (4.3.3.1)	+
HR 2 Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken (4.3.3.1, 4.6.7)	+
HR 3 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	NR
HR 4 Total number of incidents of discrimination and corrective actions taken (4.5.5, 4.3.3)	+
HR 5 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)	-
HR 6 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 (4.3.3.1)	+
HR 7 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 (4.3.3.1)	+
HR 8 Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations	NR
HR 9 Total number of incidents of violations involving rights of indigenous people and actions taken	NR
SO 1 Percentage of operations with implemented local community engagement, impact assessments, and development programs (4.4)	+
SO 2 Percentage and total number of business units analyzed for risks related to corruption (3.2, 3.2.1, 3.2.2, 3.2.4)	+
SO 3 Percentage of employees trained in organization's anti-corruption policies and procedures (3.2.1, 4.3)	+
SO 4 Actions taken in response to incidents of corruption (4.3.1, 4.3.2)	+
SO 5 Public policy positions and participation in public policy development and lobbying (3.1.3, 4.2.4, 4.3, 4.3.1, 4.3.3.1, 4.6)	+
SO 6 Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	NR
SO 7 Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	NR
SO 8 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	-
PR 1 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 (4.5.6)	+
PR 2 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
PR 3 Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements (4.1.1, 4.2.4)	+
PR 4 Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes (4.2, 4.2.4)	+
PR 5 Practices related to customer satisfaction, including results of surveys measuring customer satisfaction (4.2, 4.2.1)	+
PR 6 Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship (4.2)	+
PR 7 Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes	NR
PR 8 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	NR
PR 9 Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	-
Financial Supplement Indicators	
FSI 1 Policies with specific environmental and social components applied to business lines (4.1, 4.1.1, 4.1.2, 4.1.3)	+
FSI 2 Procedures for assessing and screening environmental and social risks in business lines (4.3.1, 3.2)	+
FSI 3 Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector (4.3.3)	+
FSI 4 Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions (4.3.1, 4.3.3)	+
FSI 5 Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines (4.3, 3.2.1)	+
FSI 6 Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures (3.2)	+
FSI 7 Interactions with clients/investees/business partners regarding environmental and social risks and opportunities (4.3.3)	+

FSI 8 Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues (4.3.3, 4.6.7)	+
FSI 9 Percentage of assets subject to positive and negative environmental or social screening (4.3.3, 4.3.3.2)	+
FSI 10 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 (4.3.3)	+
FSI 11Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose (4.3.3)	+
FSI 12 Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose (1.5)	+
FSI 13 Monetary value of portefeuille (1.1, 1.5)	+
FSI 14 Initiatives to improve access to financial services for disadvantaged people	NR
FSI 15 Policies for the fair design and sale of financial products and services (4.2.4)	+
FSI 16 Initiatives to enhance financial literacy by type of beneficiary (4.4.2)	+

Summary of responsabilities and references to sections in Annual report Delta Lloyd Group 2011

Disclosure Management Approch	Responsibility	Objectives and performance	Policy	Training	Monitoring
Economic					
Economic performance and market presence	Executive Board Chairman, divisional presidents	1.1, 1.3	1.6.5	-	3.1
Environment					
Emissions, energy, paper consumption and waste	Director IT & Services	4.6	4.6	-	4.6
Labour					
Employment, labour/management relations, training and diversity	Director Group HRM, Legal & Business Development	4.5	4.5	4.5.2	4.5
Human rights					
Labour law and diversity	Director Group HRM, Legal & Business Development	4.3.3, 4.3.3.1	4.3.3, 4.3.3.1	-	4.3.3
Procurement	Director IT & Services	4.6.7	4.6.7	4.6.7	4.6.7
Asset Management	Director Asset Management	4.3.3	4.3.3	4.3.3	4.3.3
Society					
Community	Director Corparate Communications and investor relations	4.4	4.4	-	4.4
Fraude and compliance	Director Group Integrity	4.3.1, 4.3.3	4.3.1, 4.3.2	4.3.1, 4.3.2	4.3.1, 4.3.2
Product responsibility					
Product information, marketing communications compliance	Divisional presidents	4.2.1, 4.2.4	4.2.1, 4.2.4	-	4.2.1, 4.2.4

4.7.3 Assurance report

To: the General Meeting of Shareholders of Delta Lloyd N.V.

Engagement

The management of Delta Lloyd Group N.V. in Amsterdam (hereafter ‘Delta Lloyd Group’) has requested us to perform an assurance engagement relating to chapter 4 ‘Sustainability’ in the Annual report 2011 of Delta Lloyd Group. Our assurance engagement is aimed:

- To provide reasonable assurance that the information in paragraph 4.1.1 Five priorities, 4.1.2 Sustainability agenda 2010-2012, 4.1.3 Embedment of the sustainability policy, 4.1.4 Core Values, 4.1.5 Stakeholder dialogue, 4.2.1 Customer Satisfaction, 4.2.3 Reputation of Delta Lloyd Group, 4.3.1 Compliance, 4.3.2 Fraud Prevention, 4.4.2 Delta Lloyd Group Foundation, 4.5.3 Employer of choice and 4.5.4 Compensation and benefits are in all material respects, a reliable and adequate representation of the policy, business operations, events and

performance with respect to in these chapters mentioned aspects of corporate social responsibility (CSR) during 2011.
- To provide limited assurance that the other information in the report is, in all material respects, a reliable and adequate representation of the policy, business operations, events and performance with respect to corporate social responsibility during 2011.

The procedures performed in order to obtain a limited assurance aim to verify the plausibility of information and probe less deeply than those performed for assurance engagements aimed at obtaining reasonable assurance.

The Annual report of Delta Lloyd 2011 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 assurance relating to future information such as estimates, expectations or targets, or their achievability. The comparative figures for the year 2010 that are mentioned in the chapters 4.3.2 Fraud Prevention and 4.4.2 Delta Lloyd Group foundation are verified with a limited level of assurance.

The management's responsibility
The management of Delta Lloyd Group is responsible for the preparation of chapter 4 'Sustainability' in the Annual report 2011 that provides a reliable and adequate representation of the policy, business operations, events and performance with respect to CSR of Delta Lloyd Group.
The management is also responsible for the preparation in chapter 4 'Sustainability' is in accordance with the Sustainability Reporting Guidelines (G3) of the Global Reporting Initiative, the social reporting guide of guide of the Dutch Accounting Standards Board (Raad voor de Jaarverslaggeving) and the reporting policy of Delta Lloyd Group. This responsibility includes identification of stakeholders and determination of material subjects. The choices made by management, the scope of the chapter 4 "Sustainability" and the reporting policy, including any inherent limitations that could affect the reliability of information, are set out in paragraph 4.7.1 'Reporting principles' in the annual report 2011.

Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of Chapter 4 "Sustainability" that is free from material misstatement, whether due to fraud or error.

The auditor's responsibility
We have performed our procedures in accordance with Dutch law, including Standard 3410 'Assurance standard relating to social reports'. This law requires, among other things, that we comply with ethical requirements, including requirements relating to independence. Our responsibility is to express a conclusion on the items described above.
We assessed chapter 4 'Sustainability' in the Annual report 2011 against the Sustainability Reporting Guidelines issued by the Global Reporting Initiative, the social reporting guide of the Dutch Accounting Standards Board (Raad voor de Jaarverslaggeving) and the reporting policy of Delta Lloyd Group, of which a summary is given in paragraph 4.7.1 'Reporting principles'. We believe that these criteria are suitable for our assurance-engagement.

Our main procedures with regards to the information for which limited assurance was provided, were:

- assessing the acceptability of the reporting principles used and their consistent application, as well as reviewing significant estimates and calculations made in preparing the chapter 4 'Sustainability' in the Annual Report 2011;
- obtaining an understanding of the sector, the organization and the most relevant social responsibility 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 chapter 4 'Sustainability' in the Annual report 2011 of Delta Lloyd Group by performing analytical procedures, conducting interviews with responsible company officers and checking the substantiations of this information on a test basis, as well as retrieving the relevant corporate documents and consulting external sources;
- evaluating the sufficiency of chapter 4 'Sustainability' in the Annual report 2011 and its overall presentation against the criteria mentioned above.

In order to obtain a reasonable assurance on the information in paragraph 4.1.1 Five priorities, 4.1.2 Sustainability agenda 2010-2012, 4.1.3 Embedment of the sustainability policy, 4.1.4 Core Values, 4.1.5 Stakeholder dialogue, 4.2.1 Customer Satisfaction, 4.2.3 Reputation of Delta Lloyd Group, 4.3.1 Compliance, 4.3.2 Fraud Prevention, 4.4.2 Delta Lloyd Group Foundation, 4.5.3 Employer of choice and 4.5.4 Compensation and benefits we additionally performed the following procedures:

- identifying inherent risks relating to the reliability of the information in the above mentioned paragraphs and investigating the extent to which these risks are limited by internal controls;
- performing tests of control to review the existence and effectiveness of the 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 chapter 4 'Sustainability' in the Annual report 2011;
- performing test of detail on a test basis tests aimed at reviewing the reliability of the primary information.

Conclusions

Based on our procedures we conclude that:

- the information in paragraph 4.1.1 Five priorities, 4.1.2 Sustainability agenda 2010-2012, 4.1.3 Embedment of the sustainability policy, 4.1.4 Core Values, 4.1.5 Stakeholder dialogue, 4.2.1 Customer Satisfaction, 4.2.3 Reputation of Delta Lloyd Group, 4.3.1 Compliance, 4.3.2 Fraud Prevention, 4.4.2 Delta Lloyd Group Foundation, 4.5.3 Employer of choice and 4.5.4 Compensation and benefits is in all material respects, a reliable and adequate representation of the policy, business operations, events and performance with respect to in these chapters mentioned aspects of corporate social responsibility (CSR) during 2011, in accordance with the Sustainability Reporting Guidelines issued by the Global Reporting Initiative, the social reporting guide of the Dutch Accounting Standards Board (Raad voor de Jaarverslaggeving) and the documented reporting policy of Delta Lloyd.
- nothing came to our attention that causes us to believe that the other information in chapter 4 'Sustainability' in the Annual report 2011, in all material respects, does not provide a reliable and sufficient representation of the policy, business operations,

events and performance with respect to corporate social responsibility during 2011, in accordance with the Sustainability Reporting Guidelines issued by the Global Reporting Initiative, the social reporting guide of the Dutch Accounting Standards Board (Raad voor de Jaarverslaggeving) and the documented reporting policy of Delta Lloyd.

Zwolle, 4 April 2012

Ernst & Young Accountants LLP

D.A. de Waard

5 Financial statements 2011

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 4 April 2012. The General Meeting of Shareholders will be asked to adopt these financial statements at the Annual Meeting on 23 May 2012.

5.1 Consolidated financial statements

Delta Lloyd NV is a public limited liability company ('naamloze vennootschap') incorporated and established in the Netherlands. The company's registered address is Amstelplein 6, 1096 BC Amsterdam. Together with its subsidiaries (collectively, the 'Delta Lloyd Group') it provides life and pension insurance, long-term savings products, most classes of general insurance, banking and asset management. The activities are carried out through subsidiaries and associates in the Netherlands, Belgium and Germany.

The reporting segments in use within Delta Lloyd Group have been structured on the basis of the above activities. These segments are Life insurance, General insurance, Bank, Asset Management and Other. Further details are given in section 5.1.7.3.

Until 3 November 2009, Aviva plc, with its head office in London, was the indirect holder of Delta Lloyd NV's entire ordinary share capital. On 3 November 2009, 38.1% of the share capital was issued to third parties in a public offering. This figure rose to 41.1% when the listing agents exercised their greenshoe option.

After reallocation of 25 million ordinary shares by Aviva plc on 6 May 2011 and a number of small increases in the number of ordinary shares in issue as a result of stock dividends granted in 2010 and 2011, Aviva plc's indirect interest in Delta Lloyd NV at 31 December 2011 was 41.9% of the ordinary share capital and 39.3% of the voting rights. Fonds NutsOHRA holds the entire preference share A capital and, therefore, 7.2% of the voting rights in the General Meeting of Shareholders.

5.1.1 Consolidated balance sheet

Consolidated balance sheet

In millions of euros		31 December 2011	31 December 2010
Assets			
Goodwill	O, 12	330.4	330.4
AVIF and other intangible assets	O, 13	148.2	140.7
Deferred acquisition costs	X, 14	200.2	220.1
Property and equipment	P, 15	160.6	178.9
Investment property	Q, 16	2,446.9	2,414.2
Associates and joint ventures	C, 17	334.8	375.4
Deferred tax assets	AF, 33	628.6	54.6
Debt securities	U, 18	20,366.2	19,473.7
Equity securities	U, 18	4,984.8	5,548.9
Derivatives	V, 18	2,436.2	1,149.2
Investments at policyholders' risk	U, V, 19	12,495.6	12,772.7
Loans at fair value through profit or loss	W, 18	6,104.6	6,331.5
Loans and receivables at amortised cost	W, 18	17,321.8	16,001.6
Reinsurance assets	H, N, 28	561.5	603.4
Plan assets	AE, 31	18.3	20.4
Inventory of real estate projects	A, 21	42.6	53.0
Receivables and other financial assets	A, 22	1,984.3	1,597.3
Tax assets		116.3	31.2
Capitalised interest and prepayments	A	609.7	672.1
Cash and cash equivalents	Y	3,543.4	1,193.9
Assets held for sale	AG, 5	27.3	24.2
Total assets		**74,862.1**	**69,187.4**
Capital and reserves			
Share capital	23	34.1	33.5
Share premium		356.4	357.0
Revaluation reserves	25	406.0	737.8
Other reserves		39.8	39.8
Equity compensation plan		5.4	0.9
Treasury shares		-37.9	-43.5
Retained earnings	26	3,056.5	3,495.7
Total capital and reserves attributable to parent		**3,860.4**	**4,621.3**
Non-controlling interests		309.4	334.2
Shareholders' funds		**4,169.8**	**4,955.5**
Liabilities			
Insurance liabilities	L, 27	39,104.3	35,961.3
Liabilities for investment contracts	K, L, M, 29	4,028.1	3,758.1
Pension obligations	AE, 31	2,052.3	1,809.8
Provisions for other liabilities	AD, 32	136.3	214.7
Deferred tax liabilities	AF, 33	909.5	471.0
Tax liabilities		34.0	-
Borrowings	Z, 34	6,898.6	8,294.0
Derivatives	V, 18	1,708.2	1,284.7
Investments at policyholders' risk	19	37.3	-
Financial liabilities	C, 35	12,062.7	9,047.9
Other liabilities	A, 36	3,720.9	3,390.5
Total liabilities		**70,692.3**	**64,231.9**
Total equity and liabilities		**74,862.1**	**69,187.4**

The accounting policies (identified alphabetically) and notes (identified numerically) are an integral part of these financial statements.

5.1.2 Consolidated income statement

Consolidated income statement

In millions of euros		2011	2010
Income			
Gross written premiums	F, 6	5,871.6	5,228.4
Outward reinsurance premiums	6	-161.4	-151.4
Net written premiums		**5,710.2**	**5,077.0**
Change in unearned premiums provision		20.6	-1.5
Net premiums earned	**F, 3, 6**	**5,730.8**	**5,075.5**
Investment income	6	3,765.6	3,636.8
Share of profit or loss after tax of associates	C, 6	48.6	-11.8
Net investment income	**I, 6**	**3,814.1**	**3,625.0**
Fee and commission income	G, H, 6	232.5	294.7
Other income	6	14.7	3.7
Total investment and other income	**3, 6**	**4,061.4**	**3,923.4**
Total income	**3, 6**	**9,792.2**	**8,998.9**
Expenses			
Net claims and benefits paid	7	4,390.2	4,941.0
Change in insurance liabilities	7	3,526.0	690.0
Profit sharing and discounts		-0.2	72.8
Expenses relating to the acquisition of insurance, investment and other contracts		647.7	645.7
Finance costs	7	724.1	774.8
Other operating expenses	7	918.6	1,040.3
Total expenses		**10,206.5**	**8,164.7**
Result before tax from continuing operations	**3, 6**	**-414.3**	**834.2**
Current tax	AF, 11	-131.4	205.9
Result after tax from discontinued operations	AG, 5	-0.4	42.5
Net result		**-283.3**	**670.7**
Attributable to:			
Delta Lloyd NV shareholders		-312.7	620.8
Non-controlling interests		29.4	49.9
Net result		**-283.3**	**670.7**

Earnings per share

In euros		2011	2010
Basic earnings per share from continuing operations	AB, 24	-1.85	3.49
Basic earnings per share from discontinued operations	AB, 24	-	0.26
Basic earnings per share including discontinued operations		**-1.85**	**3.75**
Diluted earnings per ordinary share from continuing operations	AB, 24	-1.85	3.11
Diluted earnings per ordinary share from discontinued operations	AB, 24	-	0.23
Diluted earnings per ordinary share including discontinued operations		**-1.85**	**3.33**

The accounting policies (identified alphabetically) and notes (identified numerically) 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	2011	2010
Net result	**-283.3**	**670.7**
Other comprehensive income		
Changes in value of financial instruments available for sale	-469.4	387.7
Transfer of available for sale relating to DPF contracts to provisions	-23.7	6.7
Impairment losses transferred to income statement	231.4	119.1
Reversal of impairment losses transferred to income statement	-	-0.8
Realised gains/losses on revaluations of financial instruments available for sale transferred to income statement	-103.0	-163.3
Fair value adjustments associates	21.1	-35.3
Aggregate tax effect	7.0	-35.7
Total other comprehensive income	**-336.6**	**278.5**
Total comprehensive income	**-619.9**	**949.2**
Attributable to:		
Delta Lloyd NV shareholders	-644.5	893.8
Non-controlling interests	24.7	55.4
Total comprehensive income	**-619.9**	**949.2**

The accounting policies (identified alphabetically) and notes (identified numerically) 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 attributable to parent 1)	Non-controlling interests	Total equity
At 1 January 2010	33.1	357.4	464.8	39.8	-	-	2,996.5	3,891.7	320.1	4,211.8
Total other comprehensive income	-	-	273.0	-	-	-	-	273.0	5.5	278.5
Result for the period 2)	-	-	-	-	-	-	620.8	620.8	49.9	670.7
Final dividend payment 2009	0.2	-0.2	-	-	-	-	-67.6	-67.6	-	-67.6
Interim dividend payment 2010	0.2	-0.2	-	-	-	-	-54.0	-54.0	-	-54.0
Non-controlling interests in dividend payment 2010	-	-	-	-	-	-	-	-	-41.3	-41.3
Treasury shares	-	-	-	-	-	-23.3	-	-23.3	-	-23.3
Indirectly held shares in investment funds for own risk	-	-	-	-	-	-1.7	-	-1.7	-	-1.7
Indirectly held shares in investment funds at policyholders' risk	-	-	-	-	-	-18.5	-	-18.5	-	-18.5
Options granted	-	-	-	-	0.9	-	-	0.9	-	0.9
At 31 December 2010	**33.5**	**357.0**	**737.8**	**39.8**	**0.9**	**-43.5**	**3,495.7**	**4,621.3**	**334.2**	**4,955.5**
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
Total other comprehensive income	-	-	-331.8	-	-	-	-	-331.8	-4.7	-336.6
Result for the period 2)	-	-	-	-	-	-	-312.7	-312.7	29.4	-283.3
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
Treasury shares	-	-	-	-	-	-	-	-	-	-
Indirectly held shares in investment funds for own risk	-	-	-	-	-	-	-	-	-	-
Indirectly held shares in investment funds at policyholders' risk	-	-	-	-	-	5.6	-	5.6	-	5.6
Options granted	-	-	-	-	4.5	-	-	4.5	-	4.5
At 31 December 2011	**34.1**	**356.4**	**406.0**	**39.8**	**5.4**	**-37.9**	**3,056.5**	**3,860.4**	**309.4**	**4,169.8**

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)

Total other comprehensive income relates to the equity allocation of the items specified in section 5.1.3.

Payment and delivery of shares in respect of the 2010 dividend of € 0.60 per share took place on 17 June 2011. Some 29.4% of the shareholders opted for the stock dividend. In this context 1,860,349 new ordinary shares were issued as stock dividend and charged to the share premium (€ 0.4 million). The other 70.6% of the shareholders took the dividend in cash (€ 70.2 million).

Payment and delivery of shares in respect of the 2011 interim dividend of € 0.42 per share took place on 1 September 2011. Some 20.1% of the shareholders opted for the stock dividend. There were 1,171,068 new ordinary shares issued as stock dividend and charged to the share premium (€ 0.2 million). The other 79.9% of the shareholders took the dividend in cash (€ 56.3 million). Section 5.3.1 gives further details of 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, which has the sole purpose of meeting 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. In 2011, the movement in treasury shares held indirectly through investment funds, either for own risk or at policyholders' risk, was 350,600 shares amounting to € 5.6 million. Treasury shares held indirectly, either for own risk or at policyholders’ risk, totalled 910,217 at 31 December 2011 (2010: 1,260,817), with an average purchase price of € 16.00 (2010: € 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 impacting the risk profile (see section 5.1.6.31 ‘Employee benefits' and section 5.1.7.9 ‘Employee information').

The accounting policies (identified alphabetically) and notes (identified numerically) 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		2011	2010
Net result		-283.3	670.7
Net result from discontinued operations		-0.4	42.5
Net result from continuing operations		**-282.9**	**628.2**
Adjustments for:			
- Tax	11	-131.4	205.9
- Depreciation	7	16.2	21.2
- Amortisation		293.6	285.4
Impairments of:			
- Intangible assets	7	5.8	6.3
- Property and equipment	7	-	4.8
- Inventory of real estate projects	7	11.4	5.0
- Financial investments	6	231.3	118.3
- Associates	17	-	0.6
- Loans and receivables including insurance receivables	6,7	20.6	17.5
Result on sale of investment property	7	0.6	-0.3
Net unrealised fair value loss on financial assets and investment property		-1,177.7	-729.6
Share of profit or loss from associates	17	-48.6	11.8
Cash generating profit of the year		**-1,061.1**	**575.3**
Net (increase)/decrease in intangible assets related to insurance and investment contracts	13	4.2	4.3
Net (increase)/decrease in other intangible assets	13	-31.5	-36.0
Net (increase)/decrease in property and equipment	15	-0.7	8.3
Net (increase)/decrease in investment property	16	-76.6	-9.1
Net (increase)/decrease in plan assets	31	2.2	0.8
Net (increase)/decrease in associates	17	124.5	60.2
Net (increase)/decrease in debt securities (including at policyholders' risk)		-499.6	-1,473.6
Net (increase)/decrease in equity securities (including at policyholders' risk)		119.4	-211.2
Net (increase)/decrease in other investments		81.8	73.4
Net increase/decrease in loans against fair value through profit or loss (including at policyholders' risk)		-160.7	427.8
Net (increase)/decrease in loans and receivables at amortised cost		-631.0	-1,536.6
Net (increase)/decrease in reinsurance assets	28	41.9	29.5
Net (increase)/decrease in other assets		-253.5	-67.3
Net (increase)/decrease in receivables and other financial assets		-601.8	548.9
Net (increase)/decrease in prepayments and accrued interest	5.1.1	62.4	-37.0
Net (decrease)/increase in insurance liabilities	27	3,143.0	650.7
Net (decrease)/increase in liabilities for investment contract	29	270.1	4.1
Net (increase)/decrease in pension obligations and provisions for other liabilities	31.32	164.1	185.3
Net (decrease)/increase in tax assets / liabilities		-6.1	39.7
Net (decrease)/increase in borrowings (revaluation)	34	-3.5	105.5
Net (decrease)/increase in other liabilities	36	330.3	439.5
Net (decrease)/increase in financial liabilities	35	3,014.9	562.0
Net movement in derivative financial instruments (including at policyholders' risk)		-47.5	-315.5
Subtotal		**3,985.3**	**29.1**

Consolidated cash flow statement for the year ending 31 December

In millions of euros		2011	2010
Subtotal		**3,985.3**	**263.1**
Income taxes paid		-48.9	20.8
Net cash flow from operating activities		**3,936.4**	**283.9**
Total		**3,936.4**	**283.9**
Cash flow from investing activities			
New equity capital	17	-35.2	-21.0
Purchase of joint venture, including cash and cash equivalents bought		-6.3	-
Disposal of subsidiaries, including cash and cash equivalents sold		-	4.2
Purchases of property and equipment	15	-11.7	-17.6
Proceeds from sale of property and equipment	15	2.5	2.4
Net cash flow from investing activities		**-50.8**	**-32.0**
Total		**-50.8**	**-32.0**
Cash flow from financing activities			
Proceeds from borrowings	34	2,430.0	877.8
Repayments of borrowings	34	-3,850.1	-1,035.9
Dividends paid to shareholders	5.1.4	-70.2	-121.6
Dividends paid to non-controlling interests	5.1.4	-49.5	-41.3
Net cash flow from financing activities		**-1,539.9**	**-321.1**
Total		**-1,539.9**	**-321.1**
Net (decrease)/increase in cash and cash equivalents		2,345.8	-69.2
Cash and cash equivalents at beginning of year		1,197.7	2,000.1
Net (decrease)/increase in cash and cash equivalents		2,345.4	-69.2
Cash and cash equivalents at year end		**3,543.4**	**1,930.9**
Total cash and cash equivalents at 31 December		**3,543.4**	**1,930.9**
Cash and cash equivalents consolidated balance sheet		3,543.4	1,193.9
Cash and cash equivalents risk reward policyholder		-	3.8
Total cash and cash equivalents at 31 December		**3,543.4**	**1,197.7**
Further details on cash flow from operating activities			
Interest paid		698.1	772.1
Interest received		1,883.5	2,179.8
Dividends received		323.2	341.1

The accounting policies (identified alphabetically) and notes (identified numerically) form an integral part of these financial statements.

5.1.6 Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been applied consistently throughout Delta Lloyd Group, in all the years presented, unless otherwise stated.

Changes in accounting policies
There were no changes in the accounting policies in 2011.

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. Delta Lloyd Group reserves the right to use the EU carve-out on hedge accounting.

Delta Lloyd Group has applied the following new and amended IFRS standards and IFRIC interpretations from 1 January 2011. Their application did not affect the financial results.

Amendment to IAS 24 Related party disclosures
This amendment relaxes the disclosures required for government-related entities and clarifies the related-party definition. This amendment has not affected Delta Lloyd Group's financial statements.

Amendment to IFRIC 14 Interpretation of IAS 19 Employee Benefits
IFRIC 14 is an interpretation of IAS 19 Employee benefits. The amendment only affects an entity's pension provision if it is below the minimum funding requirement and an advanced payment is made to recover the situation. The amendment allows the entity to recognise the benefit of such an advanced payment as an asset. This amendment has not affected Delta Lloyd Group's financial statements.

IFRIC 19 Extinguishing financial liabilities with equity instruments
This interpretation clarifies the IFRS requirements if an entity renegotiates the conditions of a financial liability with its creditor and the creditor agrees to full or partial repayment of the financial obligation in shares of the entity or other equity instruments. This amendment has not affected Delta Lloyd Group's financial statements.

Amendment to IAS 32 Financial instruments - Presentation
This amendment addresses the accounting treatment of rights issues (rights, options and warrants) denominated in a currency other than the entity's functional currency. Previously, such rights were treated as derivatives but, as a result of the amendment to IAS 32, they must be classified as equity if certain conditions are met. Delta Lloyd Group only issues rights in its functional currency and so this amendment does not affect its financial statements.

2010 Annual Improvements
These concern changes to IFRS 1, 'First-time adoption of IFRS', IFRS 3, 'Business combinations', IFRS 7, 'Financial instruments disclosures', IAS 1, 'Presentation of financial statements', IAS 27, 'Consolidated and separate financial statements', IAS 34, 'Interim financial reporting' and IFRIC 13, 'Customer loyalty programmes'. These adjustments have no material effect on Delta Lloyd Group's result and equity as they relate mainly to disclosures.

The IASB has published new standards, amendments and interpretations that had not been endorsed by the European Union by 31 December 2011. 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 2012 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. The key change involves the elimination of the 'available for sale' category for financial assets. Henceforth, there are only two categories (fair value and amortised cost). Measurement of financial assets depends on the business model and the contractual characteristics of the financial assets. 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.

IFRS 10 Consolidated Financial Statements (mandatory from 1 January 2013)
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 greater 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 from its involvement with the relevant activities of the entity; and
- the investor has the ability to use its 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.

IFRS 11 Joint Arrangements (mandatory from 1 January 2013)
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. the rights and obligations, and no longer 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 revenue and expenses. A joint venturer recognises its interest in the arrangement using the equity method. This standard does not affect Delta Lloyd Group as all joint arrangements classified as joint ventures are already recognised using the equity method.

IFRS 12 Disclosure of Interests in Other Entities (mandatory from 1 January 2013)
This standard requires more and 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 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.

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 about fair value measurements. The fair value disclosures required under IFRS 7, ‘Financial Instruments’, including the fair value hierarchy, have been transferred to this standard. Delta Lloyd Group does not expect that this standard will affect its financial results but the notes to the financial statements will be expanded.

Revised IAS 19 Employee Benefits (mandatory from 1 January 2013)
The revision focuses on changes to eliminate income smoothing by the deferral of actuarial gains and losses (corridor method). This means that the operating profit and equity of an employer with a defined benefit plan will move with the financial position of the pension fund. Delta Lloyd has not used the corridor method since 2008, actuarial gains and losses have instead been recognised through profit or loss. Revised IAS 19 states that actuarial gains and losses must be recognised in other comprehensive income, and also requires more extensive disclosure of the risks and characteristics of defined benefit plans.

Revised IAS 27 Separate Financial Statements (mandatory from 1 January 2013)
This standard has been revised due to the introduction of the new IFRS 10, ‘Consolidated Financial Statements’. All elements relating to ‘control’ and requirements on consolidation have been eliminated from the old standard. In addition, elements from IAS 28 ‘Investments in Associates’ and IAS 31, ‘Interests in Joint Ventures’ that related to separate financial statements have been 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 from 1 January 2013)
The old title of this standard has been expanded to include joint ventures as both are to be measured using the equity method given the replacement of IAS 31, ‘Interests in Joint Ventures’ and the new IFRS 11, ‘Joint Arrangements’. The content of the standard has not been changed and so there are no consequences for Delta Lloyd Group.

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 increase the understanding of users of financial statements with regard to transfers of financial assets (e.g. securitisation), including information on the possible effects of any risks retained by the entity that has transferred the assets. The amendments also

require additional disclosures if a disproportionately large part of the transfers occurs around the end of a reporting period. These amendments do not affect Delta Lloyd Group's result and equity.

Amendment to IAS 12 Deferred tax: Recovery of Underlying Assets (mandatory from 1 January 2012)
This amendment provides a practical approach to the measurement of 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 are 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.

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 with respect to severe hyperinflation is 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 their 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 IAS 1 Presentation of Items of Other Comprehensive Income (mandatory for financial years beginning on or after 1 July 2012)
The amendments enhance the consistency and clarity of the presentation of items in the statement of other comprehensive income. The main change is a 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.

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 recognised at cost. The difference between cost and fair value is insignificant. Derivative financial instruments, which are measured at fair value irrespective of their term, are an exception.

Other
Items in the financial statements of each of Delta Lloyd Group's 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 using 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 balance sheet, 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 is considered more relevant. The current/non-current distinction is therefore not made for insurance-related items. Further details of their risk management are provided in section 5.1.7.1.

As the income statement of Delta Lloyd NV for 2011 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 Netherlands Civil Code.

The consolidated cash flow statement is prepared in accordance with the indirect method. A distinction is drawn between cash flows from operating, investing and financing activities. Cash flows arising from dividends, investment income and the purchase and sale of investments are classified as operating activities since they relate to the core activities of Delta Lloyd Group.

5.1.6.2 (B) Use of assumptions and estimates

The preparation of financial statements requires Delta Lloyd Group to make estimates and assumptions that affect items reported in the consolidated balance sheet 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), determining the fair value of assets and liabilities, establishing 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 disclosed 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) in which Delta Lloyd Group has power to exercise control over financial and operating policies in order to gain economic benefits. Subsidiaries are consolidated from the date on which effective control is transferred to Delta Lloyd Group and are excluded from consolidation from the date 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 determined as 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 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 consolidated balance sheet (see section 5.1.7.35). These liabilities are recognised 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 SPVs. Delta Lloyd Group does not directly or indirectly hold shares in these SPVs or their parent companies (see also section 5.1.7.20) but it does hold notes of a number of SPVs (see section 5.1.7.34). The SPVs are included in the consolidated financial statements of Delta Lloyd Group if the economic reality of the relationship between Delta Lloyd Group and the SPV means 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 in which Delta Lloyd Group has joint control. The control has been agreed contractually, and strategic decisions on financial and operational policies are taken unanimously. Joint ventures are accounted for using the same method as for associates (see below), i.e. the equity method, from the date on which 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 using the equity method of accounting. This method takes account of 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 balance sheet. 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 recognised at the exchange rates against 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 recognised in the income statement. Other changes in fair value are recognised 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 reported as part of fair value changes through profit or loss. Translation differences on non-monetary items whose movements are accounted for through equity are recognised in the revaluation reserve. Translation takes place at exchange rates prevailing when the 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 a possible scenario, excluding scenarios that lack commercial substance. Insurance risk is considered significant if the payment on 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 contracts not qualifying as insurance contracts under the IFRS 4 are classified as investment contracts and treated in accordance with IAS 39. Investment contracts can be reclassified to insurance contracts after inception if 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

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 at the moment 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.

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 reinsurance assets) is reported with a delay of one quarter. Unearned premiums are the portions of premiums written in a year that relate to periods of risk after the reporting period. Unearned premiums are computed daily, monthly or quarterly on a pro rata basis.

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

Life insurance benefits reflect the cost of all claims arising during the year, including handling costs, as well as bonuses accrued.

General insurance claims incurred include all losses occurring during the year, whether reported or not, related claims handling costs, a reduction 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.

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 services to be provided in future periods, 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 that are measured at amortised cost in the balance sheet.

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 on the basis of the elapsed rental period.

The realised gain or loss on 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 the year end and the carrying value at the previous year end or purchase price during the year, less the reversal of previously recognised unrealised gains and losses in respect of 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 that are taken to the income statement during the term of these contracts. Transaction costs are incremental costs that are directly attributable to the acquisition of a financial asset or 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 in which they are expected to be recovered 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 to be recoverable.

5.1.6.11 (K) Contracts with discretionary participation features (DPF contracts)

Under DPF contracts, 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. 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 regulations that set out the DPF products, conditions and calculations. The actuarial department and the Management Board set the regulations, which are approved by the shareholders' meeting and must be authorised by the Belgian insurance regulator (NBB). DPF contracts are 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% technical results is added to a provision for future distribution to policyholders. This percentage is based on management's assessment of the expected profit distribution and includes the expected tax amounts. 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 in line with the 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 them 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 the yields based on other credit risk-free instruments.

Insurance liabilities are relatively illiquid and form long-term financing with predictable development. Delta Lloyd Group believes that, in view of their illiquid nature, the higher illiquidity premium has to be reflected in the market interest rate used to measure the liabilities.

Collateralised AAA bonds are less liquid than swaps. To date, there have been almost no defaults on collateralised AAA bonds and so Delta Lloyd Group regards them as sufficiently free of credit risk. In outline, the structure is a secured loan, also comparable with the collateral on insurance liabilities. Consequently, Delta Lloyd Group regards these instruments as the most suitable approach to establishing the market interest rate and valuing 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 that applied prior to the introduction of IFRS. As an exception, the provision for a major part of life insurance and investment contract liabilities 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 include a margin for prudence. The assumptions used in the calculations and any estimated margin for prudence depend on the specific situation of the entities. The principal assumptions used are set out in section 5.1.7.27. Explicit allowance is made within the life insurance business 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, a reduction 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 in respect of liability business, including the insurance of asbestos and environmental exposures. 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 are given in section 5.1.7.27. Outstanding claims provisions are measured net of an allowance for expected future recoveries. Recoveries include assets that have been 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 that cannot be associated with specific claims, but are related to claims paid or in the process of settlement, such as internal costs of the claims functions and 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 adequacy level of the majority of the general insurance business provisions (one exception is disability contracts) 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. The change in this provision is taken to the income statement during the risk period in question to ensure that the premium reflects the insured risk throughout the policy period.

(iii) Provision for unexpired risks

A provision for unexpired risks is formed for contracts concluded at a price lower than the premium required actuarially. This provision is based on the difference between the commercial premium and the premium required actuarially. Shortfalls can be expected on some products but they are offset by surpluses on other products or other parts of the technical provision.

(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 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. Related provisions are established when there is a present obligation (legal or constructive) resulting from a past event. Such amounts are not included within 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 is 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 investments, plus a provision, if required, for guaranteed returns. Amortised cost is calculated as the fair value of the consideration received at 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 difference between that initial amount and the maturity value is 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. At 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 as for life insurance contracts (see section 5.1.7.29).

5.1.6.14 (N) Reinsurance

Delta Lloyd Group assumes and cedes reinsurance in the normal course of business, with retention limits varying by 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 related to insurance contracts is accounted for over the life of the underlying reinsured policies, using 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 estimated in a manner consistent with the insurance provisions or 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 that occurred after initial recognition of the reinsurance asset, that indicates that Delta Lloyd Group may not receive all amounts receivable under the terms of the contract, and if the impairment can be measured reliably.

Delta Lloyd Group only reinsures its contracts with reinsurance companies that have 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. 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 at 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 often when circumstances or events indicate possible impairment. Goodwill is written down for impairment where the recoverable amount is insufficient to support its carrying value. The impairment is charged as 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.

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 depart 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. Initial recognition on acquisition is at fair value (cost). In subsequent periods, they are recognised 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 for recognition if it is identifiable, if Delta Lloyd Group has power to exercise control over such software and if such software will generate positive future cash flows. Purchased and proprietary software are amortised using a straight-line method over their useful lives, with 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 the fair value can be measured reliably.

On the acquisition of ABN AMRO Verzekeringen, access to the ABN AMRO distribution channel was separately identified as an intangible asset which is being amortised over 30 years. This represents the duration of the agreement with ABN AMRO Bank. On the acquisition of FBA Holding, access to the Friesland Bank distribution channel was separately identified as an intangible asset which is being amortised over 30 years. This represents the duration of the agreement with Friesland Bank. Access to the distribution channels recognised on the acquisition of Erasmus Insurance and Eurolloyd is being amortised over 5 and 20 years respectively. Amortisation periods for other intangible assets are reviewed once a year. The estimated values are adjusted if they depart from previous estimates. Circumstances can also lead to impairment.

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 recognised through profit or loss. The historical cost of assets that take a long time to develop, and owner-occupied properties in particular, also includes capitalised borrowing costs. All other items classified as equipment in the balance sheet 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 disposal 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 that under construction) is held for long-term rental yields and is not occupied by Delta Lloyd Group. Investment property (including that under construction) is measured at its fair value, which is supported by market evidence, as assessed by qualified external valuers. Changes in fair value are recognised in the income statement within net investment income.

5.1.6.18 (R) Inventory of real estate projects

Inventory of real estate projects comprises real estate that is offered for sale as part of normal business operations or is being built or developed for that purpose. This is real estate acquired with the sole intention of being sold in the near future or for development and resale and is not 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 to be realised as part of normal business operations less the estimated costs 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 recognised in the period in which the write-down or loss takes place (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 whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Goodwill
Life insurance activities
The minimum recoverable amount relating to life insurance activities is determined from the embedded value 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. The impairment of goodwill 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 will have to be recognised if the carrying value (net assets including attributable goodwill) is higher than the embedded value. In this case, it has to be decided 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 on 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 as the relevant method of determining the recoverable amount. Appraisal value is an actuarial value comparable with 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 different 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 to be attributed to this 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 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 goodwill, there is impairment to the recoverable amount.

The calculation of the recoverable amount of 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 that are incurred to generate the cash inflows. Factors forming 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 the establishment of 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) that properly 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 the end of the management's plan period, the cash flows are extrapolated using an average growth rate ranging between 0% and 2.7% (2010: between 0% and 3.7%) depending on the specific circumstances of the activities; and
- depending on the activities being valued, the risk adjusted discount rate is 9.8% to 10.5% (2010: 9.9% to 10.7%).

The expected cash flows for future periods have been obtained from the figures for the 2012-2014 plan period. The expected cash flows for later periods are extrapolated based on a growth-rate, which takes analysts' estimates of growth in gross national product and inflation into account. If the recoverable amount is lower than the goodwill, the recoverable amount will be impaired.

Other non-financial assets
An impairment loss is recognised on other non-financial assets for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net realisable value and 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 has occurred takes place at the level of the separate asset or 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 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 transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially 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 reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

5.1.6.21 (U) Financial investments

Delta Lloyd Group classifies its investments as either financial assets at fair value through profit or loss (FV), 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 at initial recognition. In general, the FV category is used where this eliminates an accounting mismatch. An accounting mismatch can exist for insurance contracts where 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 probability of early repayment. Details of securitised mortgages are given in section 5.1.7.20.

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 Delta Lloyd Group chooses to designate as FV on initial recognition (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 recognised in the income statement in the period in which they arise. 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 chosen measurement 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 on the basis of 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 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 for a prolonged period, 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 as a result of events occurring after the date of the initial recognition (a 'loss event'), and when that event has an impact on the 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 with 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 that 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 future estimated 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 taken to the income statement.

(b) Financial assets carried at fair value
Delta Lloyd Group assesses at each reporting date 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 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 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 the 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 that derive their value mainly from underlying interest rates, foreign exchange rates, commodity values or equity instruments. All derivatives are initially recognised in the balance sheet at their 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 the fair values are positive and as liabilities when the fair values are negative. Premiums paid for derivatives are recorded as an asset on the balance sheet at the date of purchase, representing their fair value at 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 balance sheet as they do not represent the potential gain or loss associated with such transactions. These amounts are disclosed in section 5.1.7.18.

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 they have been designated for this and 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 has been 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% but reserves the right to use the EU carve-out, which permits a less strict application of hedge effectiveness.

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 in 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 at which the carrying value was 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 that are not included in a hedge relationship are taken directly to income statement and presented separately in 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 balance sheet 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 as necessary. To the extent that 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 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 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 in relation 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 where 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 balance sheet.

5.1.6.26 (Z) Borrowings

Borrowings are recognised initially at their issue proceeds 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 Levensverzekering and Delta Lloyd Bank Belgium in relation to securitised mortgage loans are recognised at amortised cost. Certain borrowings of Amstelhuys are recognised at fair value through profit or loss 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 is applied. These notes are restated to fair value through profit or loss at each period end, using the current three-month Euribor rates. Differences between the fair values and market values thus calculated are negligible. Details of the notes are given section 5.1.7.34.

As explained in section 5.1.7.34, 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 that 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 the profit 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.

Dividend available for distribution
Dividends available for distribution on ordinary shares are recognised in equity in 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 cost 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 only pay a dividend if the sum of the share capital and reserves so permits by law. The profit remaining after additions to reserves have been made shall first be used to pay a dividend on the preference shares. The appropriation of the profit remaining, after any additions to reserves have been made as determined by the Executive Board, subject to the approval of the Supervisory Board, is at the disposal of the shareholders' meeting.

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 where a significant portion of the risks and rewards of ownership is 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 when Delta Lloyd Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and 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 to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the reporting date. Liabilities that 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 benefits 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 which 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. Under 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 consolidated balance sheet is a result of the difference between the liabilities and the qualified plan assets at fair value. These assets are assets held by a fund that is legally separated 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. Delta Lloyd Group has opted to recognise actuarial gains and losses directly in the income statement.

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 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 statement of the assets and the liabilities, the insurance liabilities and the associated cash flows are eliminated. See section 5.1.7.31 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 also a compensation for social security contributions and a death benefit scheme.

Share-based and performance-related incentive plans
Phantom Option Plan
The final grants under the Phantom Option Plan were made in 2009. Under this plan, on 1 January of each year, conditional phantom options were granted to members of the Executive Board and 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 at the end of the performance period. The vesting date is exactly three years after the grant date. The exercise period is 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 person concerned at vesting date. 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 that are expected to become exercisable in the vesting period. Delta Lloyd Group revises the estimate of the number of exercisable options at each reporting date and at the vesting date based on the number of phantom options that are unconditionally exercisable. Furthermore, Delta Lloyd Group re-measures the fair value at each reporting date and at the settlement date of the phantom options and recognises all changes immediately in the income statement and applies a corresponding adjustment to the provision.

Performance Share Plan and Phantom Performance Share Plan

As reported in the prospectus for the initial public offering of Delta Lloyd NV shares, a performance-related incentive plan comprising short-term and long-term plans was introduced with effect from 1 January 2010. The short-term incentive plan consists of a cash amount that will be paid on the basis of the achievement of set qualitative and quantitative performance measures.

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 give entitlement to a distribution of Delta Lloyd NV shares and the conditional phantom shares give entitlement 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 set performance criteria and continued employment at Delta Lloyd Group. The number of shares and phantom shares granted that will eventually vest depends on the relative percentage of 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 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 to the extent needed for satisfying 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 at the vesting date has been capped at four times the grant value. If this cap is reached on the vesting date, the number of underlying shares and phantom shares that 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 that will vest on the basis of expectations in respect of performance criteria to be achieved that 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 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 that can vest under the applicable vesting conditions at 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, on the same conditions as for the PSP, and recognises all changes immediately 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 will in fact be 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’ 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 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 have been 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 instalments over the three subsequent years. This payout depends on the achievement of the set performance objectives during the performance period and continued employment at Delta Lloyd Group until the rights become unconditional. The total expense is recognised in equal instalments 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 formed on the basis of the PPSP to the extent 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 formed 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 instalments 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 vesting date, if an employee has acted unethically and/or in conflict with Delta Lloyd Group's policy.

5.1.6.32 (AF) Income taxes

The tax expense is based on the taxable profits for the year, after any adjustments in respect of prior years and changes in deferred tax assets and liabilities. Tax is allocated to the result before taxation and amounts 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 balance sheet. Deferred tax assets are recognised to the extent that 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 on at 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 is recognised in the balance sheet 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 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 have been 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 balance sheet as their existence will be 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 under these contingent liabilities is stated in the notes. It is assumed for determining the maximum potential credit risk 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 analysis of Delta Lloyd Group's risks and its approach to managing them. It also presents a sensitivity analysis, based on the main economic and non-economic assumptions that may lead to volatility in the result and equity.

Risk management framework
Risk management at Delta Lloyd Group aims to provide protection against events that could adversely affect the achievement of sustainable results, the required minimum solvency or the strategic objectives.

Delta Lloyd Group is exposed to five types of risk:

- *Financial risks*: credit, equity, property, interest rate, inflation, liquidity and currency, underwriting and capital management risks. See section 5.1.7.2 on capital management;
- *Strategic risks*: the risk that targets are not achieved because Delta Lloyd Group's business units 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;
- *Legal and regulatory risks*: the risk of non-compliance with laws, regulations and Delta Lloyd Group's policies and procedures, including risks related to legal proceedings, compliance and tax;
- *Operational risks*: the risk that losses may occur resulting 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;
- *Financial reporting risks*: risks that inherently have a 'reasonably possible' likelihood of causing a material error in Delta Lloyd Group's financial statements.

The risk management system is fully embedded in Delta Lloyd Group's day-to-day operations. It seeks to identify, analyse, measure, manage, control and audit risks that may arise in the course of its 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:

- *Delta Lloyd Group's risk management framework:* this framework takes into account all relevant elements of risk management, including an internal model for economic capital calculation, a robust risk management cycle and the interrelationship between governance and management information;

- *Risk management culture*: with the correct tone at the top and active involvement of the Executive Board and the divisional boards in a the risk-return trade-off;
- *Delta Lloyd Group's risk management organisation*: this structure is based on a governance framework comprising 'three lines of defence'. This framework outlines the responsibilities and guidelines for Delta Lloyd Group's management structure;
- *Delta Lloyd Group's internal governance system*: in addition to the Group Risk Committee, the Sound Remuneration Policies Committee and the Model Board (specifically for the internal model), each division has a dedicated audit committee that 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);
- *Delta Lloyd Group's policy set*: this contains a number of mandatory policies to define, establish and evaluate risk appetite at both Group and divisional level, risk tolerance levels and risk control.

Delta Lloyd Group's complies with the Dutch corporate governance code: see section 3.1.3 'Codes'.

Solvency II is the new regulatory framework for insurance companies operating in the European Union. It 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 that 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' from 2014. This is the model that Delta Lloyd Group currently uses to calculate its economic capital for internal purposes. Significant efforts were necessary in 2011 to meet all the requirements for using the internal model. These activities are continuing in 2012.

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 spread. 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 maximum credit risk for own risk is shown in the table below.

Maximum credit risk own risk

In millions of euros	2011 Gross credit risk	2011 Collateral	2011 Net credit risk	2010 Gross credit risk	2010 Collateral	2010 Net credit risk
Debt securities	20,366.2	42.7	20,323.5	19,473.7	54.8	19,418.9
Loans and receivables at amortised cost	17,321.8	11,943.8	5,378.0	16,001.6	11,113.8	4,887.8
Loans at fair value through profit or loss (FVTPL)	6,104.6	5,104.0	1,000.6	6,331.5	5,373.5	958.0
Reinsurance assets	561.5	349.0	212.5	603.4	356.0	247.4
Receivables and other financial assets	1,984.3	-	1,984.3	1,597.3	-	1,597.3
Derivatives	2,436.2	1,714.2	722.0	1,149.2	467.0	682.2
Deferred tax assets	628.6	-	628.6	54.6	-	54.6
Tax assets	116.3	-	116.3	31.2	-	31.2
Accrued interest and prepayments	609.7	-	-	676.2	-	676.2
Cash and cash equivalents	3,543.4	-	3,543.4	1,193.9	-	1,193.9
Maximum credit risk recognised on the balance sheet	**53,672.5**	**19,153.7**	**33,909.1**	**47,112.7**	**17,365.1**	**29,747.6**
Gross maximum credit risk not recognised on the balance sheet	793.8	-	793.8	1,173.5	-	1,173.5
Gross maximum credit risk own risk	**54,466.3**	**19,153.7**	**34,702.9**	**48,286.2**	**17,365.1**	**30,921.1**

The risk reduction effect of credit default swaps is not included in the table above. At 31 December 2011, Delta Lloyd Group's portfolio available for trading for own risk amounted to € 20.4 billion (2010: € 19.5 billion) of which 42% (2010: 41%) was invested in government bonds, 36% (2010: 38%) in corporate and collateralised bonds and 22% (2010: 21%) in bonds of non-central government institutions.

Delta Lloyd Group maintains a diversified fixed-income investment portfolio that is structured to match its insurance liabilities. Its credit risk is related primarily to government bonds, corporate bonds, mortgages, reinsurance and other loans. Delta Lloyd Group's bond portfolio managers and specialist staff are primarily responsible for managing default risk. At Delta Lloyd Group level, the credit risk is restricted by a set of limits, which are laid down in the Group Risk Appetite Statement. At business unit level, credit spread and default risks are limited by the Group's specific guidelines laid down in the investment mandates. 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. A list of the 20 largest counterparties and investments at Group level is prepared each quarter for monitoring concentration risks and preventing large default losses. The list includes all exposures to counterparties, such as bond and equity positions.

Delta Lloyd Group's views on the eurozone debt crisis are explained in greater detail in the report of the Executive Board. As a result of the debt crisis in southern European countries and Ireland, Delta Lloyd Group has actively reduced its exposure to sovereign and sub-sovereign bonds in these countries by € 976.7 million compared with year-end 2010 to € 178.3 million. The table below shows the exposure for own risk to these countries at 31 December 2011. 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 is located. Delta Lloyd Group has hedged a nominal value of € 601.0 million of the default risk with respect to the fixed-income investments in these countries using credit default swaps (2010: € 310.0 million). The total collateral in these countries amounts to € 753.9 million (2010: € 904.1 million).

Position in sovereign and sub-sovereign bonds at year end

In millions of euros	Position at 1 January 2011	Total additions	Cost of disposals	Realised gains and losses	Total disposals	Unrealised gains and losses	Position at 31 December 2011
Portugal	20.4	-	20.2	0.3	20.6	0.2	-
Italy	893.2	317.7	1,113.9	89.1	1,202.9	34.3	42.2
Ireland	34.6	-	16.3	0.2	16.4	5.6	23.8
Greece	118.8	0.6	124.6	-23.0	101.6	0.4	18.1
Spain	88.1	13.5	10.5	0.9	11.4	4.2	94.3
Total sovereign and sub-sovereign bonds	**1,155.1**	**331.8**	**1,285.5**	**67.5**	**1,353.0**	**44.5**	**178.3**

Position in sovereign and sub-sovereign bonds at prior year end

In millions of euros	Position at 1 January 2010	Total additions	Cost of disposals	Realised gains and losses	Total disposals	Unrealised gains and losses	Position at 31 December 2010
Portugal	54.6	-	34.3	-2.8	31.5	-2.7	20.4
Italy	2,267.1	650.0	2,017.5	17.5	2,035.0	11.1	893.2
Ireland	62.4	112.7	133.7	-2.3	131.4	-9.2	34.5
Greece	1,251.5	85.9	1,299.2	-138.2	1,161.0	-57.6	118.8
Spain	197.2	483.0	577.9	-5.4	572.5	-19.6	88.1
Total sovereign and sub-sovereign bonds	**3,832.8**	**1,331.7**	**4,062.7**	**-131.2**	**3,931.4**	**-78.0**	**1,155.0**

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 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 sovereign, sub-sovereign and other bonds and receivables	**178.4**	**420.8**	**103.3**	**705.6**	**215.0**	**1,623.1**

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 2010
Portugal	20.4	36.3	0.2	64.6	-	121.5
Italy	893.2	206.9	37.6	156.0	-	1,293.7
Ireland	34.6	6.8	55.6	176.3	-	273.3
Greece	118.8	52.8	-	0.2	-	171.8
Spain	88.1	166.4	77.4	465.8	215.0	1,012.7
Total sovereign, sub-sovereign and other bonds and receivables	**1,155.1**	**469.2**	**170.8**	**862.9**	**215.0**	**2,873.0**

The tables above are based on ‘country of risk’ and the figures include accrued interest.

The risk reduction effect of credit default swaps is not included in the table above. On 21 July 2011, the European Union announced a bailout package for Greece. The alternatives outlined in the programme are still unclear at year end. Following this programme, Delta Lloyd Group decided to impair its Greek sovereign bonds classified as available for sale, recognising the related accumulated unrealised losses through profit or loss. All of these bonds are held by Delta Lloyd Germany. The impairment for 2011 amounted to € 32.4 million (2010: € 0.0).

Of the unrealised gains and losses € 17.0 million (2010: € -41.6 million) is included in the revaluation reserve.

On 8 March 2012 clarity came about the program of the debt of Greece. This has no impact on the valuation of the Greek government bonds at year end.

Cash position limits have been set for the maximum exposure to counterparties based on their credit ratings, which Delta Lloyd Group monitors at regular intervals. Counterparty default risk related to derivative contracts is mitigated by collateral and the maintenance of a diversified portfolio.

The concentration risk in relation to reinsurance contracts is managed by setting limits per reinsurer.

The tables below show the credit risks for own risk. The portfolio exposed to credit risk increased by about € 1.9 billion in 2011 by, inter alia, a result of interest rate movements, changes in the equity securities portfolio and mortgage origination.

The external ratings come from Standard & Poor’s, Moody’s or Fitch. Most of the loans and receivables without external ratings concern mortgages.

Gross credit risk at year end for own risk

In millions of euros	AAA	AA	A	BBB	BB	B	Speculative rating	Without a rating from an external rating agency	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**

Gross credit risk at prior year end for own risk

In millions of euros	AAA	AA	A	BBB	BB	B	Speculative rating	Without a rating from an external rating agency	Total 2010
Debt securities	11,767.6	2,243.7	2,708.7	1,633.3	177.6	11.3	12.0	919.7	19,473.9
Loans and receivables	1,061.1	853.6	540.7	120.5	-	-	-	19,757.1	22,333.0
Reinsurance assets	1.0	395.4	144.9	5.1	-	-	0.1	56.8	603.4
Total	**12,829.8**	**3,492.7**	**3,394.2**	**1,758.9**	**177.6**	**11.3**	**12.2**	**20,733.6**	**42,410.3**

The table below provides details on the carrying amount of financial assets that have been impaired and the ageing of financial assets that are past due but have not been impaired.

The tables below relate to financial assets for own risk and at policyholders' risk.

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 2011
Debt securities	22,691.5	1.1	17.5	22,710.0
Loans and receivables	22,959.4	379.6	92.7	23,431.6
Receivables and other financial assets	1,734.8	347.3	13.5	2,095.6

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 2010
Debt securities	21,739.9	-	2.5	21,742.4
Loans and receivables	21,864.8	430.8	75.6	22,371.3
Receivables and other financial assets	1,341.7	234.6	21.0	1,597.3

The table below provides details on the period of payment arrears on loans, receivables and other financial assets which have not been impaired.

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 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**

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 2010
Loans	380.0	29.9	12.9	8.1	430.8
Receivables and other financial assets	200.2	22.0	11.9	0.4	234.6
Total	**580.2**	**51.9**	**24.8**	**8.5**	**665.4**

The fair value of collateral held for loans that are past due and have not yet been impaired was € 279.5 million at 31 December 2011 (2010: € 314.2 million).

Equity risk and property risk

At 31 December 2011, Delta Lloyd Group's equity portfolio for own risk was € 5.0 billion (2010: € 5.5 billion). About 26% (2010: 28%) of these equity investments were in shareholdings with an interest (stake) of 5% or more of the outstanding capital of Dutch companies, 39% (2010: 36%) in investment funds and 12% (2010: 12%) in private equity. The property and bond funds with a value of € 697.7 million (2010: € 763.8 million) are recognised in equity securities (investment funds). The remaining 23% (2010: 24%) of the portfolio comprises ordinary and preference shares. Excluding private equity, preference shares and bond funds, and including equity derivatives, the equity portfolio is € 3.5 billion (2010: € 4.0 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 economic capital at the start of the year.

To optimise its hedging strategy, Delta Lloyd Group purchases options with various exercise prices, underlying indices, maturity dates and counterparties. At 31 December 2011, the notional value of the long puts was € 2.4 billion (2010: € 1.5 billion). There is also a futures programme under which short positions in futures are purchased 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.

Delta Lloyd Group's risk management strategy for property risk is focused on retaining a high-quality self-managed portfolio. At 31 December 2011, Delta Lloyd Group's property portfolio for own risk was valued at € 2.6 billion (2010: € 2.6 billion), divided into residential 47% (2010: 44%), offices 34% (2010: 34%), retail 12% (2010: 12%), property occupied by the group 5% (2010: 7%) and other 2% (2010: 3%). 69% of this portfolio consists of property in the Netherlands (2010: 70%), for 27% (2010: 25%) in Germany and 4% (2010: 5%) in Belgium. Residential property, which to date has remained relatively steady, accounts for the largest share of the portfolio. Vacancy rates for property in the Netherlands are: 2% (2010: 2%) for residential, 4% (2010: 2%) for retail and 8% (2010: 7%) for offices. Vacancy rates for property in Germany are: 2% (2010: 2%) for residential and 2% (2010: 2%) for offices. The vacancy rates for Germany are calculated on the basis of the number of vacant square metres compared to the total number of available square metres. The vacancy rates for the Dutch property portfolio are calculated by expressing rental income foregone as a percentage of total gross rental income. 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 portfolio offers protection from the long-term inflation risk faced by Delta Lloyd Group's life insurance business.

The economic downturn depressed demand for commercial property (such as offices and shops), resulting in a rise in vacancy rates in the Dutch market in 2011. This trend is reflected to a limited extent in Delta Lloyd Group's commercial property portfolio but on average, these vacancy rate are below market levels. The section on sensitivity analysis quantifies the effect of changes in the value of equity securities and property. In view of the increased risks in the Dutch market, the table below shows the expiry dates of leases for 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 (€ 289.0 million, excluding offices occupied by the group against € 311.0 million in 2010).

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 2011
Offices in the Netherlands excluding those occupied by the group	9%	36%	19%	36%	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 2010
Offices in the Netherlands excluding those occupied by the group	12%	54%	17%	17%	100%

Interest rate risk

Delta Lloyd Group incurs interest rate risk as the market value of its assets and liabilities depends on interest rates. There is an additional risk on 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 sets most of its provisions using the Collateralised AAA curve, which is compiled from about 400 bonds that meet certain criteria. During 2011, a large number of bonds issued by Spanish savings banks ('Cedulas') were downgraded by rating agencies Moody's and Fitch and were therefore removed from the curve, causing the yield curve to decrease and the value of the liabilities to increase. The Collateralised AAA curve was lower than at year-end 2010 when Spanish bonds were the principal determining element of the curve. The allocation of bonds was more balanced at 31 December 2011, when French bonds made up the largest proportion of the curve. There is the risk that downgrades may result in other bonds also being removed from the curve. This would cause the curve to decline, as these bonds have relatively high yields. This was proved in February 2012 when all Spanish and Italian bonds were removed from the Collateralised AAA curve due to downgrades. This meant that Collateralised AAA curve, averaged over the duration, decreased by about 20 basis points.

To present the effect of possible changes on investments and obligations, the sensitivity of the life insurance activities to interest rate movements have been broken down into sensitivity of investments and sensitivity of liabilities. The Collateralised AAA curve is also used to report under the Financial Supervision Act (*Wet op het financieel toezicht / Wft*) for the 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 the provision.

In 2011, it was decided to switch to the interest rate curve used in Solvency II for risk management (economic capital) purposes. The European Commission has not yet issued a definitive Solvency II standard. As a result, there is still uncertainty on how to determine the interest rate risk profile. The interest rate risk appetite is set as a limit which, in combination with inflation risk, is 15% of Delta Lloyd Group's total economic capital. Interest rate risk is managed by matching the duration of assets and liabilities. The duration of the liabilities has increased as a result of the switch to the Solvency II interest rate curve and, in response to this, the duration of the investments has also been extended.

In addition, the interest rate risk is controlled by means of derivatives, including swaps and swaptions. In this way Delta Lloyd Group hedges the minimum interest guarantees in certain types of life insurance contracts through receiver swaptions. The section on sensitivity analysis explains the quantitative effect of interest rate movements.

Inflation risk

Delta Lloyd Group has written group pension contracts under which pension benefits are indexed in line with the Dutch inflation rate. 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 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 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 economic capital.

Currency risk

Delta Lloyd Group defines currency risk as the risk that the value of financial instruments will change as a result of exchange rate fluctuations.

Delta Lloyd Group operates primarily within the euro area. Its investments in foreign currencies are mainly in 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 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 once was €-122.7 million (2010: € -81.4 million) on the result before tax and € -92.0 million (2010: € -60.6 million) on equity. An increase in the value of equities of internationally operating companies expressed in foreign currency can 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 shows foreign currency assets and liabilities for own risk. The amounts shown are before and after hedging using currency derivatives. The foreign currency exposure is lower than the foreign currency positions presented partly due to consolidated investment funds which are not wholly-owned by Delta Lloyd Group. Other' consists mainly of investment funds that invest in Eastern Europe and Asia.

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	228.7	21.5	207.2	139.2	-	139.2
US dollar	756.2	228.3	527.9	246.8	10.3	236.5
Brazilian real	156.1	-	156.1	66.1	-	66.1
Canadian dollar	161.6	-	161.6	0.1	-	0.1
Swedish krona	55.8	10.9	44.9	15.7	11.0	4.7
Singapore dollar	47.2	-	47.2	-0.2	-	-0.2
Hong Kong dollar	46.3	-	46.3	0.1	-	0.1
Other	76.7	40.8	35.9	378.0	11.0	367.0
Total	**1,528.7**	**301.5**	**1,227.2**	**845.8**	**32.3**	**813.5**

Underwriting risk

Underwriting risks arise from the possibility that insurance premiums and/or provisions will not be sufficient to meet future payment obligations. This would be the case if the actuarial assumptions used when setting premiums and forming provisions prove not to reflect future developments.

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 differences in mortality between the national trend and the Delta Lloyd Group portfolio. The sensitivity analyses show the effects of a change in mortality assumptions separately.

Delta Lloyd Group manages longevity risk (the risk that people will live longer than expected) through detailed analysis of mortality data in its portfolio and 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, Delta Lloyd Group uses the most recent mortality forecasts when forming its provisions for insurance liabilities, other than term life policies.

Since 2010, Delta Lloyd Group has used estimates of longevity made by Statistics Netherlands *(Centraal Bureau voor de Statistiek / CBS*). The CBS figures were selected in preference to the alternatives offered by the Dutch Association of Insurers *(Verbond van Verzekeraars)* and the Association of Actuaries *(Actuarieel Genootschap)* since they also take the cause of death and the state of medical science into account.

Delta Lloyd Group is forming additional longevity provisions for annuity and pension products on top of the premium principles in use. The additional longevity provisions were € 1,424.9 million at 31 December 2011 (2010: € 1,487.4 million). In 2011 a change in the definition of the longevity provision resulted in part of the provisions being reclassified as longevity provisions. As a result, the longevity provision at year-end 2010 increased from € 1,121.8 million to € 1,487.4 million.

Delta Lloyd Group does not use reinsurance (or other constructions) for longevity risk.

Short-life risk (the risk that people will die earlier 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 short-life and longevity risks are opposite risks, they cannot always be netted because of the different age structures and exposure.

Short-life risk is managed by reinsurance and checks on the acceptance of new business. The short-life risk reinsurance programme is set annually. At 31 December 2011, Delta Lloyd Levensverzekering entered into an additional one-year short-life reinsurance contract which, apart from covering the short-life risk, also reduces the capital requirements under the current capital regime (Solvency I). Short-life 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 for changing their insurance. At Delta Lloyd Group, this mainly concerns the possibility of surrendering the insurance, but also to make the policy paid-up. Maintaining the attractiveness of the life insurance products for customers, agents, intermediaries and banks is key to managing this risk. Trends in lapses in the portfolio are carefully monitored.

Expense risk for 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 testing 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 gives an opinion on the adequacy of 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's reinsurance service centre develops customised reinsurance programmes for the various business units.

The catastrophe risk constitutes the main underwriting risk in general insurance. Catastrophic events are a major risk for Delta Lloyd Group's general insurance business. The main catastrophic threat in the Netherlands is from storms causing severe wind damage.

Delta Lloyd Group's cumulative risk for natural disasters (particularly storms) is identified using four-digit post codes. Using this information, Delta Lloyd Group has purchased a reinsurance contract offering protection against a once in 200-year storm based on the RMS catastrophe model. A reinsurance contract based on per event cover has been purchased for non-catastrophe-related events, such as fire. Accumulation within Delta Lloyd Group's licensed portfolios is covered. It has been decided to reinsure the accumulation between Delta Lloyd Group's two licensed portfolios, with a possible accumulated claim of twice its retention limit.

The maximum possible loss as a result of a catastrophe is € 450 million, assuming one occurrence every 200 years. Delta Lloyd Group used this as a basis to purchase its catastrophe risk reinsurance programme. The catastrophe risk reinsurance contract for 2011 provides a cover of € 410 million (2010: € 420 million) above the retention limit of € 40 million (2010: € 30 million). In addition, 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 and inadequate reinsurance protection.

The general insurance concentration risk is part of the catastrophe risk.

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, thereby necessitating an increase in premiums. Delta Lloyd Group has set up product teams and specific knowledge centres which are responsible for managing this risk and for the correct timing of premium pricing or adjustments.

Provisions for general insurance liabilities are based on estimates that use standard actuarial projection techniques. 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 thus tested each quarter and each year the qualified actuary gives an opinion on the adequacy of tests and the provisions. Both IFRS (Liability Adequacy Test) and the Wft (adequacy test) require the overall technical provision to be adequate.

The sensitivity analysis shows the quantitative effect of underwriting risks.

Liquidity risk
Delta Lloyd Group has a strong liquidity position, so that the liquidity risk is deemed to be limited. Active cash management ensures that sufficient liquidity is available to meet its liabilities when these fall due. Delta Lloyd Group also has substantial credit facilities with several reputable financial institutions.

In 2010, Delta Lloyd Group launched its Euro Medium-Term Note (EMTN) programme to gain efficient and flexible access to working capital in addition to the sources of capital already in use. There were no transactions under this programme in 2011. A Commercial Paper Programme was also launched in 2010 to raise short-term finance. Delta Lloyd Group continued to use the Commercial Paper Programme regularly in 2011 to meet part of its short-term financing requirement. The maximum total financing available under these programmes is € 4.0 billion.

Delta Lloyd Group's insurance operations face a limited liquidity risk: there are sufficient liquid investments and inflows of new premiums compared with a stable outflow of payments. However, Delta Lloyd Group's banking operations do face liquidity risk, which is the risk that short-term assets are insufficient to meet short-term obligations.

Delta Lloyd Group's banking business requires liquidity to fund mortgage lending. Delta Lloyd Group uses securitisation as a source of funds but the mortgage business is also funded from alternative sources, such as savings, intercompany loans, traditional bank financing and repo transactions. In 2011, mortgages with a total value of € 1.5 billion were recognised in the balance sheet of the life business (2010: € 338.8 million). The life business has thus been able to extend the term of its investments and reduce the interest rate risk, while simultaneously offering new funding to the banking business. In addition, funding of € 471.1 million (2010: € 381.7 million) was obtained in 2011 through *banksparen*; this specific 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 balance sheet. The amounts reported comprise own risk and policyholder's risk. See section 5.1.7.18 and section 5.1.7.19 for a breakdown by risk bearer. The derivatives are shown 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 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	754.3	1,883.1	2,517.0	17,540.9	14.8	22,710.0
Equity securities	-	-	-	-	14,768.9	14,768.9
Loans	2,079.9	2,030.3	2,836.4	16,419.9	65.1	23,431.6
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	**7,105.6**	**4,014.5**	**5,424.2**	**34,301.6**	**18,469.8**	**69,315.7**

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 2010
Goodwill	-	-	-	-	330.4	330.4
AVIF and other intangible assets	-	-	-	-	140.7	140.7
Deferred acquisition costs	-	-	-	-	220.1	220.1
Property and equipment	-	-	-	-	178.9	178.9
Investment property	-	-	-	-	2,414.2	2,414.2
Associates	-	-	-	-	375.4	375.4
Debt securities	759.7	1,832.6	2,598.2	16,539.3	12.8	21,742.5
Equity securities	-	-	-	-	15,877.6	15,877.6
Loans	2,204.2	1,571.0	2,350.2	16,184.0	61.8	22,371.1
Reinsurance assets	115.1	111.3	64.4	312.6	-	603.4
Inventory of real estate projects	-	53.0	-	-	-	53.0
Capitalised interest and prepayments	672.1	-	-	-	-	672.1
Cash and cash equivalents	1,197.7	-	-	-	-	1,197.7
Assets held for sale	24.2	-	-	-	-	24.2
Total	**4,973.0**	**3,567.9**	**5,012.8**	**33,035.8**	**19,611.7**	**66,201.2**

The table below shows the maturity analysis of the derivatives. The amounts reported are for own risk and policyholder's risk. The value of the derivatives is based on undiscounted cash flows, and therefore cannot be reconciled with the balance sheet.

Until 2011, Delta Lloyd Group established the total value for each derivative at the reporting date. If the net value of the derivative was positive, all cash flows from the derivative were recognised as active cash flows. All cash flows from derivatives with a net negative value were recognised as passive cash flows. The maturity analysis of the active cash flow was based on discounted cash flows, and the maturity analysis of the passive cash flow was based on undiscounted cash flows. Delta Lloyd Group amended this method in 2011 because it believes that the method previously failed to reflect the maximum liquidity risk. From 2011, all positive cash flows are added together and broken down by maturity, and all negative cash flows are added together and broken down by maturity. Neither the positive nor the negative cash flows are discounted and the comparative figures have been restated.

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 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

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 2010
Negative cash flow	1,249.5	1,148.5	930.0	7,967.1	11,295.1
Positive cash flow	962.2	599.4	686.5	4,729.1	6,977.2

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 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**

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 2010
Non-unit-linked insurance	1,757.4	6,189.0	8,562.1	5,894.0	22,402.5
Unit-linked insurance	490.7	2,446.3	4,194.5	4,387.3	11,518.7
Total life insurance contract liabilities	**2,248.1**	**8,635.2**	**12,756.6**	**10,281.2**	**33,921.2**
General insurance liabilities	836.7	764.0	376.2	63.1	2,040.0
Total	**3,084.8**	**9,399.2**	**13,132.8**	**10,344.4**	**35,961.3**

The table below provides details on the contract maturity dates of the investment contracts. The amounts shown are undiscounted cash flows and therefore cannot be reconciled with the balance sheet.

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 2011
Non-unit-linked insurance	175.8	967.8	2,073.3	1,557.3	4,774.2
Unit-linked insurance	1.6	70.8	135.9	726.4	934.7
Total life investment contract liabilities	**177.4**	**1,038.6**	**2,209.2**	**2,283.7**	**5,708.9**

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 2010
Non-unit-linked insurance	311.9	1,053.1	2,073.7	1,713.3	5,152.0
Unit-linked insurance	35.9	118.5	236.1	688.0	1,078.4
Total life investment contract liabilities	**347.8**	**1,171.6**	**2,309.8**	**2,401.3**	**6,230.4**

The table below provides details on the contractual maturities of borrowings. The amounts reported may differ from those in the consolidated balance sheet, which are based on undiscounted cash flows. Items that do not generate a 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 on a separate line and allocated to the relevant maturity category.

Interest payments on loans and loan terms are recognised until the contract end date.

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 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	10,137.8	11,214.5
Total borrowings including future interest payments	**642.1**	**267.4**	**334.2**	**312.3**	**330.5**	**17,002.9**	**18,889.3**

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 2010
Subordinated debt	-	-	-	-	-	996.9	996.9
Amounts owed to credit institutions	568.5	1.6	1.6	1.6	1.6	2.4	577.3
Securitised mortgage loan notes	-	-	-	-	-	5,813.4	5,813.4
Medium-term note	-	-	-	-	-	575.0	575.0
Commercial paper	161.9	-	-	-	-	-	161.9
Convertible loan	-	-	-	-	-	2.6	2.6
Other	287.4	13.2	25.8	22.0	66.4	-	414.8
Total borrowings	**1,017.8**	**14.8**	**27.4**	**23.6**	**68.0**	**7,390.2**	**8,541.8**
Future interest payments	239.7	236.1	235.8	234.9	235.6	7,419.1	8,601.2
Total borrowings including future interest payments	**1,257.5**	**250.9**	**263.2**	**258.5**	**303.6**	**14,809.3**	**17,143.0**

Sensitivity analysis

Due to the nature of Delta Lloyd Group's business, a number of assumptions have been 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 result and equity to changes in 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 with a change in equity prices or a change in lapses with future mortality. These sensitivities can be described as follows:

Sensitivity factor	**Description of sensitivity factor used**
Interest rate	The effect of a parallel 1% increase or decrease across the entire yield curve
Equity securities/property	The effect of a change of 10% in equity securities and property.
Credit risk	The effect of a 0.5% change in credit spread (applicable to corporate bonds, collateralised and sovereign bonds with a rating below AAA and mortgages).
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 shown 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 measurement in the fair value hierarchy (measurement method not based on (significantly) observable market inputs) is presented in section 5.1.7.39 'Fair value of financial assets and liabilities'.

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	-224.6	-231.5	-145.7	-148.7
Credit risk -50 bps	246.3	253.4	145.7	148.7
Interest rate risk +100 bps	-2,382.6	-2,412.2	-1,729.5	-1,746.5
Interest rate risk -100 bps	3,015.4	3,048.5	2,166.4	2,186.2
Equity risk +10%	14.6	306.7	0.5	353.8
Equity risk -10%	-4.1	-280.8	6.6	-346.6
Property risk -10%	272.6	272.6	272.7	276.9
Property risk +10%	-272.6	-272.6	-272.7	-276.9

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	3.3	7.5	3.2	5.1
Credit risk -50 bps	-3.5	-9.9	-3.2	-5.1
Interest rate risk +100 bps	2,334.6	2,357.5	1,657.8	1,662.6
Interest rate risk -100 bps	-3,078.5	-3,078.5	-2,161.7	-2,160.8
Equity risk +10%	37.3	35.6	28.6	26.7
Equity risk -10%	-39.9	-38.5	-35.3	-33.7
Property risk -10%	-68.9	-68.9	-71.3	-71.3
Property risk +10%	66.6	66.6	69.5	69.5
Longevity risk -5%	-162.0	-162.0	-154.7	-154.7
Expense risk +10%	-47.9	-47.9	-45.6	-45.6
Mortality risk +5%	136.7	136.7	137.9	137.9

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	-2.1	-10.3	-2.4	-36.7
Credit risk -50 bps	2.2	10.9	2.4	36.7
Interest rate risk +100 bps	1.9	-78.7	0.3	-82.3
Interest rate risk -100 bps	-3.7	85.1	-1.1	92.2
Equity risk +10%	7.4	39.0	1.4	50.4
Equity risk -10%	-9.1	-39.0	-1.5	-50.3
Property risk -10%	0.2	7.2	-	7.3
Property risk +10%	-0.2	-7.2	-	-7.3
Expense risk +10%	-25.8	-6.3	-28.0	-7.1
Claims ratio +5%	-51.6	-51.6	-46.7	-46.7

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	-2.1	-10.3	-2.4	-36.7
Credit risk -50 bps	2.2	10.9	2.4	36.7
Interest rate risk +100 bps	1.8	-78.8	-	-82.6
Interest rate risk -100 bps	-3.4	85.1	-0.8	92.3
Equity risk +10%	7.4	39.0	1.4	50.4
Equity risk -10%	-9.1	-39.0	-1.5	-50.3
Property risk -10%	0.2	7.2	-	7.3
Property risk +10%	-0.2	-7.2	-	-7.3
Expense risk +10%	-25.7	-6.2	-27.8	-6.9
Claims ratio +5%	-47.3	-47.3	-43.2	-43.2

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	-65.6	-70.0	-0.5	-4.9
Credit risk -50 bps	65.6	70.0	0.5	4.9
Interest rate risk +100 bps	45.3	3.3	21.9	-17.3
Interest rate risk -100 bps	-37.5	6.3	-21.0	31.3
Equity risk +10%	0.1	12.7	15.9	17.3
Equity risk -10%	-0.1	-12.7	-15.9	-17.3
Property risk -10%	11.7	11.7	6.6	6.6
Property risk +10%	-11.7	-11.7	-6.6	-6.6

The sensitivity analysis in the tables above are shown before tax.

Total interest rate risk at Delta Lloyd Group has fallen as a result of better matching of investments and liabilities. The effect of a 1% change in interest rates on both the investments and liabilities has increased, largely as a result of the fall in interest rates. Part of the increase in the liabilities stems from new group contracts. Against this, there is an increased effect on investments due to a rise in the fixed-income portfolio and the purchase of swaps.

The increase in credit risk was caused mainly by the inclusion of sovereign and sub-sovereign bonds with a rating below AAA in the credit risk calculation. In 2010, it was assumed that sovereign and sub-sovereign bonds were sufficiently insensitive to changes in credit risk that it was justifiable to include them in a +50 basis points sensitivity. As a result, they were not included in the credit risk. However, as the European debt crisis deepened during 2011, it became clear that this assumption was no longer tenable.

The decrease in the effect of the equity sensitivities is related mainly to the fact that the risk of a 10% change in equity prices is hedged more effectively through options and futures. In addition, the equities securities portfolio was reduced during 2011.

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 is the assumption 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. Delta Lloyd Group does this using scenarios. It sees scenario-based thinking as an indispensable instrument for coping with the uncertainties of the future. By thinking through the consequences of entirely different scenarios, Delta Lloyd Group gains a deeper understanding of the forces that will determine the dynamics of its prospective environment. Scenarios sketch alternative futures by extrapolating current trends to extreme outcomes, thus providing insight into the context in which Delta Lloyd Group will be doing business in 2025.

The market has changed and the customer has changed. This means that Delta Lloyd Group must also continue to change and think differently. It is doing so in an open culture and with a refocused strategy. The strategy is based on the following five pillars:

- Reputation: a good reputation is built by inspiring confidence, providing security and being transparent in all activities;
- Distribution power: the multi-channel approach and interaction and connectivity with customers are being strengthened;
- Simplicity: not just in commercial matters, but in all activities, including products, services, communications and organisation;
- Expertise: this translates into innovation and expertise;
- Three core values: honest, approachable and we work together.

Market parties need a set of competences to be successful. 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, have been identified but need to be developed further:

- Innovative strength;
- Customer-focused culture;
- Balanced 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. The strategy also focuses on portfolio management, specifically on asset strategy, volume strategy and multi-niche strategy (being active in several small specific markets).

This strategy was translated into the simplified organisational structure that was introduced on 1 January 2011. Subsequent strategic initiatives were focused on the further implementation of the strategy. The remaining 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, customer focus 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. Compliance is responsible for legislation and regulations that fall within the scope of the Dutch Central Bank *(De Nederlandsche Bank N.V. / DNB)* and the Netherlands Authority for the Financial Markets *(Autoriteit Financiële Markten / AFM)*. Meanwhile, Group Finance, Control & Tax deals with specific financial legislation and regulation.

The Risk & Control Matrices (RCM) for the Compliance Policy have eight themes, which define subjects, standards and controls. All key controls in the RCM 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:

- internal values and awareness;
- market forces;
- alliance partners;
- personal data protection;
- customer focus;
- product development and management;
- Sanctions Act and the Anti-Money Laundering and Anti-Terrorist Financing Act (Wet ter voorkoming van witwassen en financieren terrorisme / Wwft);
- incident reporting.

Customer focus

Customer focus is an extremely important element in the strategy of Delta Lloyd Group. A specific programme has been set up to ensure that customer focus is a key priority at Delta Lloyd Group. The Compliance function is actively contributing to the various pillars in this programme and encouraging 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. A Regulators Desk has been set up to co-ordinate internal and external contacts with regulators and to distribute regulators' supplementary guidelines more efficiently to the different business units. The Regulators Desk is part of the Group Integrity department.

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 2011, including a hiring freeze and a sharp reduction in the number of external 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 these initiatives require careful monitoring and control. The Group Business Development (GBD) department is responsible for central co-ordination 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 for the risk analysis and controls that have been or will be implemented. In 2011, Delta Lloyd Group joined ORIC, an independent 'loss data' consortium set up by UK insurance companies to provide and benchmark operational loss data for internal Solvency II modelling.

The Delta Lloyd Group Operational Risk Committee, consisting of the directors who are responsible for the operational activities of divisions, 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 must be properly structured and used to achieve its strategic and operational goals, look after customers' interests and meet statutory and regulatory requirements. To ensure this, Delta Lloyd Group has an effective IT risk management and control system in place. The IT Risk Manager supervises compliance with and further development of the risk management system in a changing environment and changing market conditions. The ICT Board, consisting of managing directors, two members of the Executive Board and the CIO of Delta Lloyd Group, acts as the audit committee for IT matters. Internal and external reports 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 deploy services at several suppliers who can replace each other. A risk management process for supplier risks was developed in 2011 and will be implemented during 2012.

Business Protection

Delta Lloyd Group aims to deliver secure, reliable services. To ensure this, the Group has developed contingency ICT and business arrangements to avoid losses in the event of 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 2011, it was established that the contingency process did not yet meet all management requirements and needed to de developed further. The contingency framework and protocol will be enhanced further in the coming period.

A Business Continuity Management programme was started in 2011, in part to better align the Business Continuity organisation and processes with the revised organisation of Delta Lloyd Group and to further match the ambition level with today’s customer expectations. As part of this programme, all divisions have carried out crisis management team exercises aimed at responding properly to disruptions in operations and breakdowns in operating processes.

In 2011, Delta Lloyd Group rolled out the ‘Strong in Security’ e-learning programme to further reinforce information security awareness. This programme will be continued in 2012 through the roll-out of additional modules. In addition, the processes for on-line services security, safeguarding IT infrastructure and controlling risks associated with information and technology have been strengthened further.

Human resources

Recruiting, developing and retaining qualified staff is vital to Delta Lloyd Group’s business. Trainee programmes have been 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 Delta Lloyd Group.

Fraud and crime

Losses caused by fraud and other criminal activities result in operational losses. The Financial Crime Unit of Group Integrity has defined unacceptable risks in 25 fraud scenarios, and controls have been implemented to prevent such fraud. In addition, controls to minimise risks have been implemented in the context of Solvency II. Delta Lloyd Group has taken out ‘Crime insurance’ for major claims (over € 5 million) resulting from fraud.

The Financial Crime Unit has a clear focus on preventing fraud by raising employees' fraud awareness, so that attempts at fraud are identified as quickly as possible. If losses are caused by fraud or other criminal activities, the Financial Crime Unit investigates them and aims to recover the loss and 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. The internal control framework is safeguarded by a cyclical process of the Group Integrity department. The CEOs and CFOs on the Executive Board and of the divisions sign a 'confirmation letter'. In addition, the Annual Report includes an In-control Statement. The framework was rationalised further in 2011. The rationalisation and awareness within the organisation ensured that Delta Lloyd Group achieved a further improvement in quality in 2011.

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 balance sheet as well as on the basis of 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 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;
- Allocate capital efficiently 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 the performance objectives and ensure that Delta Lloyd Group is fully focused on the creation of value for 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 from Fonds NutsOHRA and Rabobank Nederland, goodwill, prudential margin and other capital items such as conditional profit sharing (Rückstellung für Beitragsrückerstattungen (RfB)). Capital employed is determined using IFRS accounting policies. The composition is as follows:

Total capital employed

In millions of euros	2011	2010
Total capital and reserves attributable to parent	3,860.4	4,621.3
Subordinated debt	676.8	622.0
Goodwill	-330.4	-330.4
Prudential margin	901.1	693.9
Other capital items	670.1	403.4
Total capital employed	**5,778.0**	**6,010.3**

The prudential margin is defined as the sum of the LAT margin for Life and the prudential margin for General. The other capital items are conditional profit sharing in Germany (RfB), intangible assets and asset management fees.

The subordinated debt granted by Rabobank Nederland in 2009 and adjusted in 2011 can be counted as capital employed up to a limit of 25% of the lower of the total of the actual solvency margin or the required solvency margin at group level. The limit for the Fonds NutsOHRA perpetual subordinated loan is 50%.

Total capital employed fell by € 232.3 million compared with 2010 for the following reasons:

- Total share capital and reserves fell by € 760.9 million, partly as a result of the unrest in the equity capital markets;
- Subordinated debt rose by € 54.8 million, reflecting a change in the method for recognising the subordinated loan from Rabobank Nederland;
- The increase in the prudential margin of € 207.2 million. Despite the decrease in the Collateralised AAA curve, the LAT margin increased for the Life Insurance segment, because the profitability of the group life contracts rose;
- The rise in the other capital was mainly due to the asset management fees.

Capital requirements

To provide high assurance that the demands of shareholders and policyholders are 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. The Group tests the total capital employed and the required capital at regular intervals. Delta Lloyd Group complied with the regulatory requirements during the year, both on a consolidated basis and at the level of licence holders.

The table below provides details on the development of the solvency ratio (Solvency I) 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 using the Basel II system.

Solvency ratio at year end

	2011	2010
IFRS Solvency	302%	313%
Regulatory solvency (IGD)	174%	199%
Bank-Bis ratio	12.1%	11.8%

Thanks to sound risk and capital management, Delta Lloyd Group still enjoys a healthy solvency despite the troubled equity and capital markets. Delta Lloyd Group has not used the option permitted by DNB to apply the average ECB AAA interest rate for the past three months when establishing the provision at year-end 2011.

Delta Lloyd Group wishes to meet the Solvency II requirements by using its own DNB-approved internal model. Delta Lloyd Group's risk management aims at an AA rating for the capital position. The internal model is explained further in section 3.5.1 '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 cover 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 banking activities in Germany were sold during 2010. The main sources of revenues for this operating segment are interest income and fees.

Asset Management

The asset management business invests funds for own risk and policyholders' risk, provides investment management services for 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 that 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 this category. Overheads, such as the financing of Delta Lloyd Group, expenses incurred by corporate staff departments and other activities not related to the core segments and the 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.

(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 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 result before tax from continuing operations or other data presented in Delta Lloyd Group's financial statements as indicators of financial performance. Since it is not determined in accordance with IFRS, operational result after tax and non-controlling interests as presented by Delta Lloyd Group 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, which consists 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;
- the actual technical result of the banking business line, which consists of the interest and fee and commission income less operating expenses;
- the results from the Asset Management and Other segments; Asset Management results comprise 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 plus the risk margins earned on equities and real estate at own risk (at this moment 3.5% for equity, 2.0% for property);
- 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 have been 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 contrast to IFRS, the run-off results have been recognised in determining the operational result after tax and non-controlling interests.

(c) Segment information provided to the Executive Board

The segment information reported separately to the Executive Board at 31 December 2011 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	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
Reversal of impairment of investments classified as available for sale	-	-	-	-	-	-	-
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	-169.2	51.4	-8.0	34.0	-220.8	-	-312.7
Operational result after tax and non-controlling interests	**386.7**	**55.2**	**33.7**	**37.9**	**-75.4**	**-**	**438.1**

Expenses for the financial year

In millions of euros	Life	General	Bank	Asset management	Other	Eliminations	Total
Net claims and benefits paid	**3,487.0**	**903.2**	**-**	**-**	**-**	**-**	**4,390.2**
Total change in insurance liabilities, net of reinsurance	**3,432.6**	**93.4**	**-**	**-**	**-**	**-**	**3,526.0**
Profit sharing and discounts	**-0.2**	**-**	**-**	**-**	**-**	**-**	**-0.2**
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	**130.7**	**26.5**	**194.6**	**18.9**	**519.0**	**-165.5**	**724.1**
Staff costs and other employee-related expenditures	390.1	96.3	73.2	31.2	201.1	-	791.9
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 other intangible fixed assets	-	-	-	-	-	-	-
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	**475.0**	**87.1**	**153.4**	**61.0**	**137.9**	**0.2**	**914.6**
Total expenses	**7,767.2**	**1,504.6**	**365.8**	**134.0**	**695.6**	**-264.8**	**10,202.4**
Current tax	-73.9	11.8	-10.0	11.8	-71.3	-	-131.6

Segment balance sheet at 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
Investments in 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	5,530.4	877.8	1,959.8	1,152.9	3,478.4	-3,248.5	9,750.9
Total assets	**53,816.0**	**3,269.2**	**11,223.6**	**2,277.9**	**11,030.1**	**-6,754.8**	**74,862.1**
Total equity	**4,329.3**	**493.7**	**330.5**	**59.8**	**-1,043.5**	**-**	**4,169.8**
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	11,924.6	620.3	10,136.8	2,177.7	5,933.4	-6,103.3	24,689.4
Total liabilities	**49,486.6**	**2,775.6**	**10,893.1**	**2,218.1**	**12,073.6**	**-6,754.8**	**70,692.3**
Total equity and liabilities	**53,816.0**	**3,269.2**	**11,223.6**	**2,277.9**	**11,030.1**	**6,754.8**	**74,862.1**
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**

The segment information reported separately to the Executive Board at 31 December 2010 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	3,749.3	1,479.1	-	-	-	-	5,228.4
Net premiums earned	**3,700.3**	**1,375.2**	**-**	**-**	**-**	**-**	**5,075.5**
Fee and commission income	-8.2	18.7	78.6	219.6	74.8	-88.7	294.7
Net investment income							
Interest income	1,091.7	73.3	361.1	17.4	443.0	-143.5	1,842.9
Net rental income	132.4	-	-	-	0.1	-	132.6
Dividends	325.0	14.9	0.3	-	0.9	-	341.1
Movements in the fair value of investments classified as held for trading	-	-	7.5	-	-	-	7.5
Movements in the fair value of investments classified as other than trading	1,039.0	0.4	-1.7	-	54.0	-	1,091.7
Realised gains and losses on investments classified as available for sale	83.8	62.3	16.5	-	0.8	-	163.3
Impairment of investments classified as available for sale	-88.0	-1.5	-0.5	-	-29.2	-	-119.1
Reversal of impairment of investments classified as available for sale	-	0.8	-	-	-	-	0.8
Result from loans and receivables	14.6	0.4	-0.2	-	-	-	14.9
Impairment of loans and receivables	-2.2	-	-19.4	-	-0.3	-	-22.0
Reversal of impairment of loans and receivables	1.3	-	5.7	-	-	-	7.0
Result from derivatives	350.4	0.3	-30.2	5.0	-37.3	-	288.2
Other investment income	-43.9	-	-0.4	-4.7	-63.0	-	-112.0
Share of profit or loss after tax of associates	-8.7	-0.2	-	0.2	-3.1	-	-11.8
Total investment income	**2,895.3**	**150.7**	**338.8**	**17.9**	**366.0**	**-143.5**	**3,625.2**
Other income	20.5	1.3	4.6	-	12.7	-4.8	34.3
Total income	**6,607.8**	**1,545.8**	**422.0**	**237.4**	**453.6**	**-237.0**	**9,029.7**
Total intercompany income	126.5	6.1	70.1	32.1	2.2	237.0	-
Revenue from external customers	**6,481.3**	**1,539.7**	**352.0**	**205.3**	**451.4**	**-**	**9,029.7**
Result after tax and non-controlling interests	610.2	120.2	-32.7	87.8	-164.7	-	620.8
Operational result after tax and non-controlling interests	**286.0**	**88.9**	**12.8**	**86.7**	**-52.4**	**-**	**422.0**

Expenses for the prior financial year

In millions of euros	Life	General	Bank	Asset management	Other	Eliminations	Total
Net claims and benefits paid	**4,045.0**	**896.0**	**-**	**-**	**-**	**-**	**4,941.0**
Total change in insurance liabilities, net of reinsurance	**695.7**	**-5.7**	**-**	**-**	**-**	**-**	**690.0**
Profit sharing and discounts	**72.8**	**-**	**-**	**-**	**-**	**-**	**72.8**
Expenses relating to the acquisition of insurance, investment and other contracts	**267.4**	**362.4**	**20.5**	**52.2**	**33.4**	**-90.2**	**645.7**
Total finance costs	**174.5**	**27.3**	**261.9**	**7.7**	**446.4**	**-143.9**	**773.9**
Staff costs and other employee-related expenditures	346.6	117.8	88.8	30.5	194.0	-	777.8
Amortisation of intangible fixed assets	11.6	10.5	3.7	2.5	0.8	-	29.1
Depreciation of property and equipment	6.9	-	5.7	0.8	7.9	-	21.2
Operating expenses	234.3	119.5	95.3	25.9	-88.4	-2.9	383.7
Gains and losses on disposals	-	-	-0.3	-	-	-	-0.3
Impairment of goodwill	-	-	0.9	-	-	-	0.9
Impairment of AVIF	-	-	-	-	-	-	-
Impairment of other intangible fixed assets	5.4	-	-	-	-	-	5.4
Impairment of property and equipment	4.8	-	-	-	-	-	4.8
Impairment of inventory of real estate projects	-	-	-	-	5.0	-	5.0
Impairment of receivables	5.8	2.8	-	-	-	-	8.7
Reversal of impairment of receivables	-2.0	-3.4	-	-	-0.7	-	-6.1
Foreign exchange differences	-	-	-	-	0.1	-	0.1
Allocated to expenses relating to the acquisition of insurance, investment and other contracts	-81.5	-133.8	-	-	-	-	-215.3
Total other operating expenses	**532.0**	**113.5**	**194.1**	**59.7**	**118.6**	**-2.9**	**1,015.1**
Total expenses	**5,787.5**	**1,393.5**	**476.5**	**119.6**	**598.4**	**-237.0**	**8,138.5**
Current Tax	208.9	32.2	-21.7	30.0	-28.9	-	220.5

Segment balance sheet at prior year end

In millions of euros	Life	General	Bank	Asset Management	Other	Eliminations	Total
Assets							
Intangible assets	80.9	38.5	14.5	22.5	314.6	-	471.0
Investments in associates	370.8	83.9	2.8	0.2	-82.2	-	375.4
Financial investments	43,596.0	2,257.5	9,627.6	917.9	7,765.9	-2,891.1	61,273.9
Reinsurance assets	400.9	202.5	-	-	-	-	603.4
Assets held for sale	-	-	1.3	-	22.9	-	24.2
Other assets	4,933.3	729.1	327.5	642.3	2,187.0	-2,379.9	6,439.4
Total assets	**49,381.9**	**3,311.5**	**9,973.7**	**1,582.9**	**10,208.3**	**-5,270.9**	**69,187.4**
Total equity	**4,818.9**	**596.3**	**334.9**	**111.2**	**-905.7**	**-**	**4,955.5**
Liabilities							
Insurance liabilities	33,921.2	2,040.0	-	-	-	-	35,961.3
Borrowings	855.3	100.0	1,350.9	161.9	6,411.6	-585.8	8,294.0
Other liabilities	9,786.5	575.2	8,287.9	1,309.8	4,702.4	-4,685.1	19,976.7
Total liabilities	**44,563.0**	**2,715.2**	**9,638.8**	**1,471.7**	**11,114.0**	**-5,270.9**	**64,231.9**
Total equity and liabilities	**49,381.9**	**3,311.5**	**9,973.7**	**1,582.9**	**10,208.3**	**-5,270.9**	**69,187.4**
Capital expenditure							
Property and equipment	3.7	-	3.0	0.3	10.7	-	17.6
Intangible assets	3.5	-	0.3	25.0	-	-	28.8
Total capital expenditure	**7.1**	**-**	**3.3**	**25.3**	**10.7**	**-**	**46.4**

(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	2011	2010
Operational result after tax and non-controlling interests	**438.1**	**422.0**
Current tax	146.0	144.4
Non-controlling interests	55.6	67.1
Operational result before tax and non-controlling interests	**639.7**	**633.5**
Assumed long-term investment return	-480.9	-536.9
Actual return after profit sharing / interest accrual	1,272.5	667.0
Fair value gains and losses	-1,563.6	1,008.4
Longevity - non operational	88.5	-565.9
Non-operational items	-368.2	-339.0
Operational result before tax and non-controlling interests from discontinued operations	-2.2	-32.8
Result before tax from continuing operations	**-414.3**	**834.2**

The decline in the assumed long-term investment return is attributable mainly to a decrease in the discount rate (10-year collateralised AAA curve) from 5.1% to 4.0%. The increase in the actual investment return is caused by an accretion of derivatives of € 1,250.5 million (2010: € 288.2 million).The decrease of the Collateralised AAA Curve led to an addition to the fair value gains and losses on liabilities.

In 2010, Delta Lloyd Group Netherlands moved to the CBS2010 mortality table for which a non-recurring longevity - non-operating provision of € 565.9 million was formed. In 2011, long life-non operational is adjusted by € 88.5 million because the contract extension of Delta Lloyd Pension Fund in 2011 states that Delta Lloyd Pension Fund will pay for this longevity risk.

Reconciliation IFRS operational costs to other operating expenses

In millions of euros	2011	2010
Other operating expenses	918.6	1,040.3
Allocated to expenses relating to the acquisition of insurance and investment contracts	233.8	215.3
Movement in other provisions	17.8	-78.1
Non-operational costs	-319.3	-257.9
Expenses from discontinued operations	0.3	4.5
Management cost base	**851.3**	**924.1**

Non-operating expenses comprise mainly the non-operational portion of the pension charges of € 249.9 million (2010: € 179.3 million). The pension charge can be broken down into expenses which can and cannot be controlled. Delta Lloyd Group regards interest expense, actuarial gains and losses, the expected return on reimbursement rights and part of the other expenses as outside its control.

(e) Entity-wide disclosures

Geographical areas

Delta Lloyd Group operates in three main geographical areas. These are the Netherlands, Belgium and Germany. Revenue by area does not differ materially from revenue by geographical 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	2011	2010
The Netherlands	4,705.4	3,930.7
Belgium	823.1	898.4
Germany	343.1	399.2
Total	**5,871.6**	**5,228.4**

Fee and commission income in the financial year

In millions of euros	2011	2010
The Netherlands	171.1	263.9
Belgium	54.1	13.2
Germany	7.3	17.7
Total	**232.5**	**294.7**

Interest income in the financial year

In millions of euros	2011	2010
The Netherlands	1,379.9	1,264.9
Belgium	350.5	414.9
Germany	158.3	163.1
Total	**1,888.7**	**1,842.9**

Assets per geographical area at year end

In millions of euros	The Netherlands 2011	The Netherlands 2010	Belgium 2011	Belgium 2010	Germany 2011	Germany 2010	Total 2011	Total 2010
Assets								
Intangible assets	474.6	466.3	3.1	4.4	0.8	0.3	478.5	471.0
Investments in associates	128.8	494.2	195.3	-179.3	10.7	60.7	334.8	375.4
Financial investments	46,322.3	43,948.9	13,254.0	12,986.0	4,025.5	4,338.9	63,601.8	61,273.9
Reinsurance assets	518.1	559.1	41.0	42.7	2.5	1.7	561.5	603.4
Assets held for sale	-	-	4.9	1.3	22.3	22.9	27.3	24.2
Other assets	7,892.4	4,621.4	944.7	824.8	1,021.1	993.3	9,858.2	6,439.4
Total assets	**55,336.2**	**50,089.9**	**14,443.0**	**13,679.9**	**5,082.9**	**5,417.8**	**74,862.1**	**69,187.4**

5.1.7.4 (4) Subsidiaries

Information on the principal associates as at 31 December 2011 is included in section 5.2.1.3.

The restrictions on dividend distributions are related to minimum regulatory capital requirements.

Acquisitions during the financial year

Friesland Bank Assurantiën joint venture
On 23 November 2011, Friesland Bank and Delta Lloyd Group reached agreement in principle on the sale of 51% of the shares of Friesland Bank Assurantiën (FBA) Holding to Delta Lloyd Group. The agreement is for setting up a 30-year joint venture for the exclusive distribution and sale of insurance products under the FBA label. FBA is an insurance broker and a wholly-owned subsidiary of FBA Holding. The transaction was completed on 31 December 2011 following the advisory process involving the relevant works councils and licensing procedures. The total purchase price was € 17.3 million, including deferred consideration of € 1.9 million.

This agreement did not contribute to Delta Lloyd Group's total result in 2011. Had the acquisition taken place on 1 January 2011, FBA Holding would have contributed € 0.9 million to the net result and € 6.0 million to fee and commission income.

The final acquisition balance sheet of FBA Holding has not yet been drawn up. The allocation of the purchase price of the stand-alone interest in FBA is € 7.8 million. This does not include any goodwill. In accordance with the applicable reporting standards, the final acquisition balance sheet will be drawn up within 12 months. No significant differences compared with the provisional balance sheet are expected.

The 49% non-controlling interest of FBA in FBA Holding is measured at the proportionate share in the net fair value of the identifiable assets, liabilities and contingent liabilities and was € 7.8 million on the acquisition date.

Assets and liabilities acquired

In millions of euros	2011
Assets	
Intangible assets	12.1
Property and equipment	2.3
Receivables and other financial investments	5.2
Other assets	3.3
Cash and cash equivalents	1.5
Total assets	**24.5**
Liabilities	
Other provisions	1.3
Financial liabilities	8.0
Total liabilities	**9.2**
Equity	**15.3**
Equity acquired (51%)	7.8
Purchase price	-7.8
Goodwill	-

5.1.7.5 (5) Discontinued operations and assets held for sale

The composition of the assets and liabilities classified as held for sale and of discontinued operations as at year end 2011 was:

Assets and liabilities relating to assets held for sale

In millions of euros	2011	2010
Assets held for sale		
Investment property relating to Germany	22.3	22.9
Investment property relating to Belgium	4.9	1.3
Total	**27.3**	**24.2**

Delta Lloyd Group recognised the German activities as ‘held for sale’ in the 2011 interim report. This classification no longer applied at 31 December 2011. Delta Lloyd Group determined the selling price as it would have been at 31 December 2011 on the basis of the terms and conditions in the contract of sale to Nomura. This calculation shows that market developments have affected the expected selling price to such extent that, in these circumstances at year end, the probability of sale no longer meets the requirements of IFRS 5.

The investment property relating to Germany was impaired by € 0.6 million in 2011.

Several offices in Belgium were merged during 2011. A number of buildings became vacant as a result and it has been decided to sell these properties.

Discontinued operations

On 1 January 2009, DLG Zorgverzekeringen was sold to CZ Group. Under the sales contract, Delta Lloyd Group continues to bear the insurance risks as at 1 January 2009. Run-off results from this risk are set out in the table below.

Result after tax from discontinuing operations

In millions of euros	2011	2010
Income from run-off Delta Lloyd Group Health	4.6	63.5
Expenses from run-off Delta Lloyd Group Health	-5.1	-6.5
Tax expenses Delta Lloyd Group Health	0.1	-14.5
Total result after tax from discontinued operations	**-0.4**	**42.5**

5.1.7.6 (6) Details of income

Details of income

In millions of euros	2011	2010
Premiums earned		
Life	4,321.3	3,749.3
General	1,550.3	1,479.1
Gross written premiums	**5,871.6**	**5,228.4**
Premiums ceded to reinsurers		
Life	-46.6	-49.1
General	-114.8	-102.3
Net written premiums	**5,710.2**	**5,077.0**
Gross movement in provision for unearned premiums	19.4	-1.3
Reinsurers' share of movement in provision for unearned premiums	1.2	-0.2
Net movement in provision for unearned premiums	**20.6**	**-1.5**
Net premiums earned	**5,730.8**	**5,075.5**
Net investment income		
Interest income	1,888.5	1,842.8
Net rental income	127.0	132.6
Dividends	323.2	341.1
Movements in the fair value of investments classified as held for trading	1.6	7.5
Movements in the fair value of investments classified as other than trading	410.2	1,091.7
Realised gains and losses on investments classified as available for sale	103.0	163.3
Impairment of investments classified as available for sale	-231.4	-119.1
Reversal of impairment of investments classified as available for sale	-	0.8
Result from loans and receivables	-4.2	14.9
Impairment of loans and receivables	-27.0	-22.0
Reversal of impairment of loans and receivables	7.0	7.0
Result from derivatives	1,250.5	288.2
Other investment income	-82.7	-112.0
Share of profit or loss after tax of associates	48.6	-11.8
Total investment income	**3,814.1**	**3,625.0**
Fee and commission income		
Fee income from investment contract business	0.6	3.1
Fund management fee income	116.2	202.9
Other fee income	33.6	9.2
Total income from reinsurance premiums	29.7	20.4
Other commission income	52.5	59.1
Total fee and commission income	**232.5**	**294.7**
Other income	14.7	3.7
Total income	**9,792.2**	**8,998.9**

Other investment income consists mainly of the revaluation by € -28.3 million (2010: € -62.4 million) of the loan notes issued by the Arena and DARTS companies in relation to the securitised mortgage loans. Until 2010, this income was recognised as other income. The comparative figure has been restated accordingly.

Gross written premiums of Life in the 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**

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	839.9	701.5	256.5	49.4	1,847.3
Annual premium	1,007.2	758.2	50.2	47.5	1,863.2
Reinsurance	34.6	4.2	-	-	38.8
Total	**1,881.7**	**1,463.9**	**306.7**	**97.0**	**3,749.3**

Result on outward reinsurance in the financial year

In millions of euros	2011	2010
Life	28.2	-18.5
General	-93.9	-66.9
Total	**-65.8**	**-85.4**

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	2011	2010
Debt securities available for sale	103.9	102.9
Debt securities held for trading	52.4	3.0
Debt securities other than trading	711.9	649.9
Total debt securities	**868.2**	**755.8**
Total mortgages	**647.5**	**597.8**
Deposits	12.2	15.2
Issued loans	184.3	182.0
Loans to banks	20.1	28.9
Loans and advances to clients	94.0	98.9
Cash and cash equivalents	39.1	62.7
Other	23.0	101.6
Other interest income	**372.8**	**489.3**
Total interest income	**1,888.5**	**1,842.8**

Result from derivatives in the financial year

In millions of euros	2011	2010
Movement in fair value of the hedging instrument	-207.6	-37.5
Movement in fair value of the hedged positions	204.2	19.9
Amortisation of the fair value of the hedged positions	-17.3	-22.4
Movements in fair value of derivatives held for fair value hedge accounting	**-20.7**	**-40.0**
Other derivatives	1,271.2	328.2
Total result from derivatives	**1,250.5**	**288.2**

The results from derivatives included € 1,097.7 million of unrealised fair value changes (2010: € 486.6 million).

5.1.7.7 (7) Details of expenses

Details of expenses in the financial year

In millions of euros	2011	2010
Life	3,539.0	4,099.3
General	964.1	938.8
Total claims and benefits paid	**4,503.1**	**5,038.2**
Claim recoveries from reinsurers		
Life	-52.0	-54.3
General	-60.8	-42.8
Total claim recoveries from reinsurers	**-112.8**	**-97.1**
Net claims and benefits paid	**4,390.2**	**4,941.0**
Change in insurance liabilities, net of reinsurance		
Change in insurance liabilities	3,507.6	659.1
Change in reinsurance assets for insurance provisions	18.4	30.9
Total change in insurance liabilities, net of reinsurance	**3,526.0**	**690.0**
Profit sharing and discounts	-0.2	72.8
Expenses relating to the acquisition of insurance, investment and other contracts	647.7	645.7
Finance costs		
Amounts owed to credit institutions	467.2	551.4
Debenture loans	19.6	19.3
Subordinated debt	66.8	66.0
Securitised mortgage loan notes	170.6	138.1
Total finance costs	**724.1**	**774.8**
Other operating expenses		
Staff costs and other employee-related expenditures	790.7	777.4
Amortisation of intangible fixed assets	20.3	29.1
Depreciation on property and equipment	16.2	21.2
Operating expenses	306.9	409.3
Gains and losses on disposals	0.6	-0.3
Impairment of goodwill	-	0.9
Impairment of AVIF	5.8	-
Impairment of other intangible fixed assets	-	5.4
Impairment of property and equipment	-	4.8
Impairment of inventory of real estate projects	11.4	5.0
Impairment of receivables	11.5	8.7
Reversal of impairment of receivables	-11.0	-6.1
Foreign exchange differences	-	0.1
Allocated to expenses relating to the acquisition of insurance, investment and other contracts	-233.8	-215.3
Total other operating expenses	**918.6**	**1,040.3**
Total expenses	**10,206.5**	**8,164.7**

Of the total finance costs, € 646.4 million (2010: € 714.9 million) related to loans measured at amortised cost and € 77.7 million (2010: € 59.9 million) to loans measured at fair value.

Operational lease charges (included in expenses) were € 32.3 million (2010: € 48.1 million). No contingent rents or sublease payments are included in this amount.

5.1.7.8 (8) Exchange rates

A significant proportion of Delta Lloyd Group's operations are carried out in the euro area.

The overall currency result recognised in the income statement was € -13.3 million in 2011 (2010: € -2.3 million). An additional € 2.9 million (2010: € -0.6 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	2011	2010
Permanent staff	5,491.9	6,080.3
Temporary staff	531.5	584.7
Total	**6,023.3**	**6,665.0**

The contraction of activities in Germany led to a further reduction of some 190 employees. In addition, the number of employees in the Netherlands and Belgium decreased by about 440 as a result of a cost-saving programme. Finally, the average number of employees rose by 127 as a result of IT activities being insourced.

As the transaction with FBA was completed on 31 December 2011, its average number of employees has not been included in the above figures. It had 105 employees (FTEs) on 31 December 2011.

Staff costs in the financial year

In millions of euros	2011	2010
Salaries	300.3	335.1
External staff	72.7	81.2
Social security contributions	49.9	56.6
Pension expenses 1)	309.0	223.2
Profit sharing and incentive plans	-1.1	8.0
Termination benefits	8.1	9.8
Other staff costs	51.8	63.5
Total	**790.7**	**777.4**

1) See section 5.1.7.31

Staff costs charged to:

In millions of euros	2011	2010
Expenses relating to the acquisition of insurance and investment contracts	80.8	94.7
Claims handling expenses	22.4	30.0
Other operating expenses	687.5	652.8
Total	**790.7**	**777.4**

Other staff costs include € 37.3 million in travel expenses, holiday allowances and training costs (2010: € 37.2 million).

An amount of € 6.7 million for share-based and performance-related incentive plans as described below was released to the income statement under profit sharing and incentive plans (2010: release of € 1.6 million), and an amount of € 5.6 million for other profit-sharing and incentives was charged to the income statement (2010: charge of € 9.6 million).

Profit sharing and incentive plans

In millions of euros	2011	2010
Equity-settled share based payment transactions		
- Performance Share Plan (PSP)	0.7	0.9
- Variable Incentive Plan for indentified staff	3.9	-
	4.6	**0.9**
Cash-settled share based payment transactions		
- Phantom option plan	-16.9	-3.2
- Phantom Performance Share Plan (PPSP)	0.2	0.7
- Variable Incentive Plan for other managers	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	0.5	-
	-15.1	**-2.5**
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	3.8	-
Total share based and performance related incentive plans	**-6.7**	**-1.6**
- Other profit sharing and incentives	5.6	9.6
Total profit sharing and incentive plans	**-1.1**	**8.0**

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 on the basis of 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 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 retrospective in the figures for 2011. The revision resulted in a € 0.5 million increase in the fair value of grants. The increase in the total fair value for each participant was determined by comparing the total fair value of the grants at 8 December 2011 (the date of the revision) before and after the revision. The increase in the total fair value per grant represents an increase in the number of conditional shares (€ 0.1 million) and the increase in the fair value of each instrument after the revision compared with the fair value immediately before it (€ 0.4 million). The total additional charge of € 0.5 million is attributed to future periods according to services provided by the employees.

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 certain senior managers each year. The options granted have a term of eight years from the date of grant and become exercisable and vest three years after the grant date (vesting date). The vesting of the options is subject to set performance criteria and continued employment at Delta Lloyd Group at the vesting date. If employment is terminated, the options lapse immediately, except in situations 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 options remain outstanding and will become exercisable on the original vesting date and remain exercisable for a period of one year, at which time they lapse.

The performance criteria attached to the options at the date of grant are linked to Delta Lloyd Group's performance compared with 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 exercise of 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 embedded value realised following the grant date. The value increase per option is settled in cash upon exercise of the options.

The actual benefit that 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 with 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. Consequently, the options can only be exercised three years after the original grant date and employees are only entitled to receive a cash amount for each option exercised.

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 that incorporates the individual cap applicable for each outstanding option. It is assumed 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
Date of grant	01/01/2006	01/01/2007	01/01/2008	01/01/2009
Vesting date	01/01/2009	01/01/2010	01/01/2011	01/01/2012
Expiry date	31/12/2013	31/12/2014	31/12/2015	31/12/2016
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%

Phantom options and parameters prior year

	2006 opties	2007 options	2008 options	2009 options
Date of grant	01/01/2006	01/01/2007	01/01/2008	01/01/2009
Vesting date	01/01/2009	01/01/2010	01/01/2011	01/01/2012
Expiry date	31/12/2013	31/12/2014	31/12/2015	31/12/2016
Share price volatility	60.00%	55.00%	50.00%	40.00%
Exercise price (euros)	17.08	20.64	22.10	13.63
Dividend yield	4.85%	4.85%	4.85%	4.85%
Risk-free interest rate	1.34%	1.76%	2.15%	2.49%
Remaining term (years)	3	4	5	6
Lapse percentage	7%	9%	11%	8%
Salary increase (%)	1%	1%	1%	1%

As Delta Lloyd NV shares have been listed on NYSE Euronext Amsterdam since 3 November 2009, insufficient historical share price data is available to determine the expected volatility from historical figures. Consequently, the expected volatility of the underlying Delta Lloyd NV shares was estimated in part using the historical volatilities based on the daily share price movements of comparable listed entities in the financial sector. Expected dividends have been applied in accordance with the dividend policy of Delta Lloyd Group.

The movements in the number of options granted were as follows:

Statement of changes in phantom options granted

In numbers of options	**2011**	**2010**
Outstanding at 1 January	10,137,765	11,308,034
Granted at beginning of the fiancial year	-	-
Exercised during the year	-210,525	-19,329
Expiry by termination of employment during the year	-2,024,704	-1,150,940
Expiry by performance criteria during the year	-	-
Outstanding at year end	**7,902,536**	**10,137,765**

All the phantom options exercised in 2011 related to phantom options granted in 2006. The exercise took place in the period 4 March 2011 to 12 April 2011 at an average exercise price of € 18.77.

Options that were granted in 2006, 2007 and 2008 and have vested are unconditional at 31 December 2011, while rights arising from options granted in 2009 were fully unvested at 31

December 2011. The total intrinsic value of options granted was nil at 31 December 2011 (2010: € 3.7 million); the Delta Lloyd NV share price of € 13.00 at 31 December 2011 was below the exercise prices of the options granted from 2006 to 2009. The intrinsic value applicable to the outstanding grants was:

Intrinsic value of phantom options granted current year

	Number of unconditional options outstanding at 31 December 2011	Number of conditional options outstanding at 31 December 2011	Vesting date	Intrinsic value per option (euros)	Total intrinsic value (in millions of euros)
2006	1,398,000	-	01/01/2009	-	-
2007	2,258,119	-	01/01/2010	-	-
2008	2,050,389	-	01/01/2011	-	-
2009	-	2,196,028	01/01/2012	-	-

Intrinsic value of phantom options granted prior year

	Number of unconditional options outstanding at 31 December 2010	Number of conditional options outstanding at 31 December 2010	Vesting date	Intrinsic value per option (euros)	Total intrinsic value (in millions of euros)
2006	1,958,109	-	01/01/2009	-	-
2007	3,053,522	-	01/01/2010	-	-
2008	-	2,572,375	01/01/2011	-	-
2009	-	2,553,759	01/01/2012	1.46	3.7

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 receive a cash payment at the end of a set performance period based on the underlying value of 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 during 2011 on the basis of 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 that incorporate all the specific characteristics of the plan. In determining the fair value, account is taken of the market conditions applicable to the part of the conditional phantom shares, namely the performance criterion related to total shareholder return. The expected grant of dividend shares on the 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 that 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 2011, based on the closing price of Delta Lloyd NV shares of € 13.00 (2010: € 15.09).

Parameters phantom shares

	2011	2010
Date of grant	01/01/2010	01/01/2010
Vesting date	01/01/2013	01/01/2013
Expiry date	01/01/2013	01/01/2013
Share price volatility	45%	50%
Dividend yield	7.41%	4.85%
Risk-free interest rate	0.09%	0.93%
Remaining term (years)	1	2
Lapse percentage	14%	5%
Salary increase (%)	1%	1%

As Delta Lloyd NV shares have been listed on NYSE Euronext Amsterdam since 3 November 2009, insufficient historical share price data is available to determine the expected volatility from historical figures. Consequently, the expected volatility of the underlying Delta Lloyd NV shares was estimated in part using the historical volatilities based on the daily share price movements of comparable listed entities in the financial sector. Expected dividends have been applied in accordance with the dividend policy of Delta Lloyd Group.

Movements in the number of phantom shares granted were as follows:

Statement of changes in phantom shares granted

In numbers of shares	2011	2010
Outstanding at 1 January	170,820	-
Granted at 1 January	154,863	160,281
Expected phantom dividend shares	274	20,054
Expiry by termination of employment during the year	-24,113	-9,515
Expiry due to change in variable incentive plan during the year	-154,863	-
Outstanding at year end	**146,981**	**170,820**

The phantom shares granted in 2010 were fully unvested at 31 December 2011.

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 on the basis of 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 on the basis of 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 account of the estimated number of conditional shares that can vest under 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, account is taken of the market conditions applicable to the part of the conditional shares, namely the performance criterion related to total shareholder return. The expected grant of dividend shares on the 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 for conditional shares at date of grant (28 May 2010)

Date of grant	28/05/2010
Vesting date	01/01/2013
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 € 0.7 million for 2011 (2010: € 0.9 million) took account of the expiry of conditional shares and 100% vesting (the maximum is 150%).

As Delta Lloyd NV, shares have been listed on NYSE Euronext Amsterdam since 3 November 2009, insufficient historical share price data is available to determine the expected volatility from historical figures. Consequently, the expected volatility of the underlying Delta Lloyd NV shares was estimated in part using the historical volatilities based on the daily share price movements of comparable listed entities in the financial sector. Expected dividends have been applied in accordance with the dividend policy of Delta Lloyd Group.

Statement of changes in conditional shares

In numbers of shares	2011	2010
Outstanding at 1 January	245,905	-
Granted	299,430	236,637
Expected dividend shares	7,497	28,401
Expiry by termination of employment during the year	-16,353	-19,133
Expiry due to change in variable incentive plan during the year	-299,430	-
Outstanding at year end	**237,049**	**245,905**

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 impacting 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 performance period (the vesting date), 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 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 at 31 December 2011. The 10 April 2011 parameters continue to apply to converted grants made under the PSP as their fair value is higher than that on the date of the modification. The 8 December 2011 parameters only apply to new grants made under the VIP-is.

Parameters for conditional shares current year (VIP-is)

	converted PSP shares 2011	shares granted 2011
Valuation date (grant date)	10/04/2011	08/12/2011
Start vesting period	01/01/2011	01/01/2011
End of vesting period	31/12/2013	-
First determination date	-	31/12/2011
Vesting date first tranche	-	01/01/2012
Vesting date second tranche	-	01/01/2013
Vesting date third tranche	-	01/01/2014
Vesting date fourth tranche	-	01/01/2015
Share price volatility	55%	-
Share price volatility (first tranche)	-	31%
Share price volatility (second tranche)	-	44%
Share price volatility (third tranche)	-	36%
Share price volatility (fourth tranche)	-	50%
Share price at initial grant date (euros)	19.35	13.83
Share price at modification date (8 December 2011 in euros)	-	13.10
Dividend yield	3.80%	7.36%
Risk-free rate	2.25%	-
Risk-free rate (first tranche)	-	0.11%
Risk-free rate (second tranche)	-	0.44%
Risk-free rate (third tranche)	-	0.83%
Risk-free rate (fourth tranche)	-	1.26%
(Average) fair value at grant date (in euros)	15.77	11.44

The charge for 2011 (€ 3.9 million) took account of the expiry of conditional shares and 100% vesting (the maximum is 150%). The Dutch Central Bank gave its formal approval for the revised remuneration policy on 8 December 2011. That date has been used as the modification date.

As Delta Lloyd NV shares have been listed on NYSE Euronext Amsterdam since 3 November 2009, insufficient historical share price data are available for all tranches to determine the expected volatility of the shares from historical figures. Consequently, the expected volatility of the underlying Delta Lloyd NV shares was estimated in part using the historical volatilities based on the daily share price movements of comparable listed entities in the financial sector for periods for which the historical price information on Delta Lloyd is not available. Expected dividends have been applied in accordance with the dividend policy of Delta Lloyd Group.

Statement of changes in conditional shares (VIP-is)

In numbers of shares	**2011**
Outstanding at 1 January	-
Granted at modification date	333,209
Expiry by termination of employment during the year	-
Expiry by performance criteria during the year	-
Outstanding at year end	**333,209**

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 after the performance period (the vesting date), 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 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 2011, based on the closing price of Delta Lloyd NV shares of € 13.00.

Phantom shares and parameters current 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 for 2011 (€ 1.1 million) took account of the expiry of conditional shares and 100% vesting (the maximum is 150%).

As Delta Lloyd NV shares have been listed on NYSE Euronext Amsterdam since 3 November 2009, insufficient historical share price data are available for all tranches to determine the expected volatility of the shares using historical figures. Consequently, the expected volatility of the underlying Delta Lloyd NV shares was estimated in part from the historical volatilities based on the daily share price movements of comparable listed entities in the financial sector for periods for which the historical price information on Delta Lloyd is not available. Expected dividends have been applied in accordance with the dividend policy of Delta Lloyd Group.

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	2011
Outstanding at 1 January	-
Granted at modification date	141,613
Expiry by termination of employment during the year	-
Expiry by performance criteria during the year	-
Outstanding at year end	**141,613**

Cash remuneration in the Variable Incentive Plan

The Variable Incentive Plans for identified staff and other managers include a grant paid 50% in cash and 50% in conditional shares or conditional phantom shares. The payment in cash may become unconditional after the performance period (the vesting date), 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 following parameters were used to determine the obligations on cash remuneration granted conditionally under the Variable Incentive Plans for identified staff and other managers, except for the portion that is dependent on the underlying value of Delta Lloyd NV shares. The parameters used for that portion are identical to those described under Variable Incentive Plan for other managers. The charges are recognised over the periods in which services are provided, per tranche, to Delta Lloyd Group.

Parameters for variable cash reward (VIP)

	2011 cash reward
Grant date	01/01/2011
Start of vesting period	01/01/2011
First determination date	31/12/2011
Vesting date first tranche	01/01/2012
Vesting date second tranche	01/01/2013
Vesting date third tranche	01/01/2014
Vesting date fourth tranche	01/01/2015
Discount rate (first tranche)	-
Discount rate (second tranche)	2.35%
Discount rate (third tranche)	2.60%
Discount rate (fourth tranche)	2.83%

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, therefore, form part of the result of Delta Lloyd Group.

The Executive Board's remuneration package consists of three components: basic 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 sets the remuneration of the individual members of the Executive Board on the recommendations of the Remuneration Committee and within the policy framework.

The General Meeting of Shareholders held on 12 October 2009 adopted the new remuneration policy which took effect on 1 November 2009. The policy was established taking account of then-recent relevant recommendations and guidelines on the remuneration of directors (such as the Dutch Corporate Governance Code, guidelines of the Maas Committee and the recommendations of the Dutch central bank and the Netherlands Authority for the Financial Markets). The existing long-term and short-term incentive plans were revised during 2011 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 that are similar to Delta Lloyd Group on a number of criteria. The selection of the remuneration levels to be applied at Delta Lloyd Group is guided by the median of the two peer groups.

Basic salary
The fixed basic salary of the chairman of the Executive Board has been set at € 650,000, and that of the other members of the Executive Board at € 480,000, including holiday pay and a '13th month'. The basic salary remained unchanged in 2011.

The maximum variable incentive for members of the Executive Board, when granted, is 100% of the basic salary.

Variable Incentive Plan for 2010
The existing long-term and short-term incentive plans were revised during 2011 on the basis of 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 disappears.

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 main feature of the old plan was that the level of the variable short-term incentive to the Executive Board was based on the achievement of the objectives set at the beginning of the year. These objectives were derived directly from the operational and strategic goals of Delta Lloyd Group and included both financial and non-financial indicators.

The basic salary is the basis for determining the short-term variable incentive. A figure specifying what level of performance qualifies as threshold, target and outperformance is defined for each performance criterion.

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 comprised 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 sole exception to the holding requirement. This is that the participant is entitled to sell part of the shares upon vesting to the extent needed for satisfying any taxes and social security contributions payable with regard to the vesting of the performance shares. The basic salary was the basis for determining the long-term variable incentive. A figure specifying what 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 basic salary.

The Supervisory Board is authorised to adjust the components of variable remuneration upwards or downwards in exceptional circumstances during the performance period, if it believes that they would otherwise create an unfair or unintended result. In addition, the Supervisory Board may recover from the Executive Board any variable remuneration awarded on the basis of incorrect financial or other data (claw-back clause). Further details of the Plan 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 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 had been 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 has changed by € 0.4 million, of which € 0.3 million has been attributed to 2011 and the remaining € 0.1 million will be attributed to future periods according to services provided. There is a holding period of between two and four years depending on the vesting date. There is an exception to this under which a sale can be made to satisfy any tax liabilities relating to the vesting of the performance shares.

The basic salary is the basis for determining the incentive. The maximum variable incentive is 100% of the basic 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 were:
- New business margin and combined ratio
- Operating expenses
- New business (life insurance, general insurance and *banksparen*)
- Operational result after tax and non-controlling interests
- Development of shareholders' funds
- Total shareholder return
- Operational return on equity.

The non-financial targets were:

- Customer satisfaction
- Employee engagement
- Reputation
- Certain organisational matters, such as simplification of the organisational structure
- Reliability as a listed company.

The financial and non-financial targets are broken down 50%-50% and 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, 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;
- there are major changes in the economic or regulatory capital requirements.

Under this plan, the Supervisory Board is authorised to adjust components of the variable incentive downwards (but no longer to adjust it upwards, as under the previous plan) in exceptional circumstances, if it believes that they would otherwise create an unfair or unintended result.

The claw-back clause covers a period of five years from 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 at which the capital sum payable on death is € 5.0 million, unless the insurer accepts the death risk. Higher cover has been agreed for the pension base for the chairman of the Executive Board (€ 637,115) from 1 January 2011. 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 higher cover (€ 450,537) compared to € 323,011 for the other Executive Board members.

Mr Roozen and Mr Verstegen joined the pension plan for the Executive Board on 1 January 2011.

Executive Board members' salaries and incentives

In thousands of euros	2011	2010
Niek Hoek, chairman		
Salary	650.0	650.0
Variable remuneration relating to prior year	325.0	325.0
	975.0	**975.0**
Paul Medendorp		
Salary	480.0	480.0
Variable remuneration relating to prior year	240.0	240.0
	720.0	**720.0**
Emiel Roozen (from 27 May 2010)		
Salary	480.0	263.5
Variable reward relating to prior year 1)	199.7	-
	679.7	**263.5**
Onno Verstegen (from 1 January 2011)		
Salary	480.0	-
Variable reward relating to prior year 2)	131.1	-
	611.1	**-**
Henk Raué (to 1 April 2011)		
Salary	120.0	480.0
Variable remuneration relating to prior year	240.0	240.0
	360.0	**720.0**
Peter Kok (to 27 May 2010)		
Salary	-	216.5
Variable remuneration relating to prior year	-	240.0
	-	**456.5**
Total	**3,345.8**	**3,135.0**

1) The variable remuneration relating to the prior year in 2010 (€ 110.8) was paid in respect of the period before Mr Roozen joined the Executive Board.

2) The variable remuneration relating to the prior year (€ 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	2011	2010
Henk Raué (from 1 April 2011)		
Transitional payment 1)	237.8	-
Other incentives related to retirement	-	-
Pension expenses (surrender of pension rights)	363.4	-
	601.2	**-**
Peter Kok (to 27 May 2010)		
Salary 2)	-	279.7
Other incentives related to retirement	-	960.0
Pension expenses	-	53.4
	-	**1,293.1**
Total	**601.2**	**1,293.1**

1) Mr Raué retains a monthly transitional payment until 1 March 2013

2) Including final settlement (holiday pay, etc.)

Delta Lloyd NV ordinary shares (incl. locked shares) owned by members of the Executive Board at year end

In numbers of shares	2011	2010
Niek Hoek, chairman	36,435	33,921
Paul Medendorp	23,594	21,967
Emiel Roozen (from 27 May 2010)	9	9
Onno Verstegen (from 1 January 2011)	9	-
Henk Raué (till 1 April 2011) 1)	-	21,967
Total	**60,047**	**77,864**

1) The contract is terminated April 1, 2011, therefore his shares are not included in 2011.

In view of the successful completion of the initial public offering, the Supervisory Board decided in 2009, on a proposal by Aviva, to award the then members of the Executive Board a transaction bonus consisting of ordinary shares with a value equal to 100% of their basic 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. The members of the Executive Board also purchased shares using their own funds at the time of the initial public offering.

The table below presents the conditional cash grant to the members of the Executive Board under the new Variable Incentive Plan. The conditional grant recognised in the financial statements differs from the nominal grant because part of its value is calculated on the basis of share-based payments and involves partially deferred employee benefits. The plan and related measurements are described in greater detail in section 5.1.6.31 ‘Employee benefits’ and section 5.1.7.9 ‘Employee information’.

In 2011, the expense recognised for this type of incentive was € 0.7 million, taking into account expected 100% vesting (the maximum is 150%).

Conditional cash incentive granted current 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 (to 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 and conditional shares granted in 2010 and 2011 under the Performance Share Plan and the Variable Incentive Plan (VIP), respectively.

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	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 (from 1 January 2011)	273.6	73.8	129.8	477.2
Peter Kok (to 27 May 2010)	-	-	190.1	190.1
Henk Raué (to 1 April 2011)	273.5	186.4	353.1	813.0
Total	**1,464.7**	**766.5**	**1,842.1**	**4,073.3**

Fair value of the conditional shares and phantom options related to long-term variable incentive prior year

In thousands of euros	Conditional shares PSP	Phantom options	Total
Niek Hoek, chairman	243.8	1,761.7	2,005.5
Paul Medendorp	180.0	1,112.8	1,292.8
Emiel Roozen (from 27 May 2010)	65.2	320.6	385.8
Peter Kok (to 27 May 2010)	-	1,112.8	1,112.8
Henk Raué	180.0	980.4	1,160.4
Total	**669.0**	**5,288.3**	**5,957.3**

In 2011, the income from this type of incentive was € 2.7 million (2010: expense of € 0.9 million), being € 1.0 million expense in conditional shares (Variable Incentive Plan), € 0.3 million expense (2010: € 0.2 million) in conditional shares (PSP) and € 4.0 million income (2010: € 0.7 million) in phantom options.

The fair value of the options is equal to the amount at which the options could be exchanged or settled in a transaction between knowledgeable, willing parties on 31 December 2011 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 2011 was equal to the fair value at the grant date (as required by IFRS 2 and for non-market-related performance criteria taking into account an expected 100% vesting (the maximum is 150%)). This is being recognised through profit or loss over the vesting period.

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 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 (to 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 options	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 (to 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.

Statement of changes in conditional shares PSP prior year

In numbers of options	At 1 January 2010	Granted	Expected dividend shares	Exercised	Expired	At 31 December 2010
Niek Hoek, chairman	-	19,040	2,486	-	-	21,526
Peter Kok (to 27 May 2010)	-	14,060	-	-	14,060	-
Paul Medendorp	-	14,060	1,835	-	-	15,895
Henk Raué	-	14,060	1,835	-	-	15,895
Emiel Roozen (from 27 May 2010)	-	5,093	664	-	-	5,757
Total	**-**	**66,313**	**6,820**	**-**	**14,060**	**59,073**

The number and intrinsic value of outstanding phantom options at 31 December 2011 was as follows:

Delta Lloyd Phantom Option Plan

	Number of unconditional options outstanding at 31 December 2011	Number of conditional options outstanding at 31 December 2011 2)	Vesting date	Intrinsic value as at 31 December 2011 (in euros) 2)	Total intrinsic value as at 31 December 2011 (in euros)
Niek Hoek, chairman					
2006	136,574	-	01/01/09	-	-
2007	191,762	-	01/01/10	-	-
2008	153,412	-	01/01/11	-	-
2009	-	131,254	01/01/12	-	-
Paul Medendorp					
2006	88,219	-	01/01/09	-	-
2007	123,869	-	01/01/10	-	-
2008	99,092	-	01/01/11	-	-
2009	-	84,787	01/01/12	-	-
Emiel Roozen (from 27 May 2010) 3)					
2006	21,119	-	01/01/09	-	-
2007	31,078	-	01/01/10	-	-
2008	27,285	-	01/01/11	-	-
2009	-	25,735	01/01/12	-	-
Onno Verstegen (from 1 January 2011) 4)					
2006	19,503	-	01/01/09	-	-
2007	28,701	-	01/01/10	-	-
2008	28,239	-	01/01/11	-	-
2009	-	32,995	01/01/12	-	-
Peter Kok (to 27 May 2010) 5)					
2006	-	-	01/01/09	-	-
2007	-	-	01/01/10	-	-
2008	-	-	01/01/11	-	-
2009	-	84,787	01/01/12	-	-
Henk Raué (to 1 April 2011) 5)					
2006 1)	40,132	-	01/01/09	-	-
2007	89,600	-	01/01/10	-	-
2008	99,092	-	01/01/11	-	-
2009	-	84,787	01/01/12	-	-

1) Options granted in the period when Mr Raué was not a member of the Executive Board. Consequently, the upper limit has been set at 110% of the 12 month salary.

2) The number of options has been 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.

3) All options were granted in the period when Mr Roozen was not a member of the Executive Board. Consequently, the upper limit has been set at 90% of the 12-month salary.

4) All options were granted in the period when Mr Verstegen was not a member of the Executive Board. Consequently, the upper limit has been set at 90% of the 12-month salary, except for the year 2009 for which the upper limit is set at 110%.

5) Notwithstanding the 'Option Plan Regulations (November 2009)', the phantom options granted do not lapse after the termination of employment. Vested options must be exercised within one year of departure. Options that have not vested must be exercised within one year of the vesting date.

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 2011	Granted	Exercised	Expired	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 (to 27 May 2010)	395,967	-	-	311,180	84,787
Henk Raué (to 1 April 2011)	313,611	-	-	-	313,611
Total	**1,933,202**	**-**	**-**	**311,180**	**1,622,022**

Long-term variable incentive (Delta Lloyd Phantom Option Plan) prior year

In numbers of options	At 1 January 2010	Granted	Exercised	Expired	At 31 December 2010
Niek Hoek, chairman	613,002	-	-	-	613,002
Peter Kok (to 27 May 2010)	395,967	-	-	-	395,967
Paul Medendorp	395,967	-	-	-	395,967
Henk Raué	313,611	-	-	-	313,611
Emiel Roozen (from 27 May 2010)	105,217	-	-	-	105,217
Total	**1,823,764**	**-**	**-**	**-**	**1,823,764**

Pension expenses in relation to members of the Executive Board

In thousands of euros	**2011**	**2010**
Niek Hoek, chairman	156.9	120.6
Paul Medendorp	113.4	86.6
Emiel Roozen (from 27 May 2010)	113.4	26.2
Onno Verstegen (from 1 January 2011)	113.4	-
Peter Kok (to 27 May 2010)	-	33.3
Henk Raué (to 1 April 2011)	21.3	86.6
Total	**518.4**	**353.3**

Mortgages and loans

Delta Lloyd Group has granted mortgages on market-consistent terms and conditions to three current or former members of the Executive Board.

In thousands of euros	Outstanding at 31 December 2011	Average interest rate	Repaid in 2011	Outstanding at 31 December 2010	Average interest rate	Repaid in 2010
Niek Hoek, chairman	797.8	4.7%	-	797.8	4.7%	-
Emiel Roozen	925.0	4.1%	-	925.0	3.7%	-
Henk Raué (to 1 April 2011)	-	4.1%	389.2	389.2	4.1%	70.0

Remuneration of the Supervisory Board

The members of the Supervisory Board are remunerated according to their position 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 the benefit of current or former members of the Supervisory Board.

The members of the Supervisory Board are not entitled to a contractual severance payment on termination of service.

The 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.

The payments for membership of the Supervisory Board committees applicable 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	2011	2010
R.H.P.W. (René) Kottman, chairman 1)		
Remuneration	75.0	75.0
Committees	14.0	14.0
Expenses	0.2	0.2
	89.2	**89.2**
E.J. (Eric) Fischer, vice chairman		
Remuneration	60.0	60.0
Committees	16.0	10.0
Expenses	0.2	0.2
	76.2	**70.2**
P.G. (Pamela) Boumeester		
Remuneration	50.0	50.0
Committees	14.0	14.0
Expenses	0.2	0.2
	64.2	**64.2**
J.G. (Jan) Haars		
Remuneration	50.0	50.0
Committees	15.8	9.0
Expenses	0.2	0.2
	66.0	**59.2**
P.F. (Peter) Hartman (from 27 May 2010)		
Remuneration	50.0	29.1
Committees	6.0	-
Expenses	0.2	0.2
	56.2	**29.3**
J.H. (Jan) Holsboer (to 27 September 2011)		
Remuneration	37.5	50.0
Committees	11.3	6.0
Expenses	0.2	0.2
	49.0	**56.2**
S.G. (Fieke) van der Lecq (from 27 May 2010)		
Remuneration	50.0	29.1
Committees	12.0	3.5
Expenses	0.2	0.2
	62.2	**32.8**
A.J. (Andrew) Moss 2)		
Remuneration	-	-
Committees	-	-
Expenses	-	-
	-	**-**
P.C. (Patrick) Regan (from 27 May 2010) 2)		
Remuneration	-	-
Committees	-	-
Expenses	-	-
	-	**-**
Total	**463.0**	**401.1**

1) Exclusive of remuneration of the Supervisory Board of the Delta Lloyd Banking operations

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	2011	2010
Current tax liabilities	-0.4	-10.8
Adjustment for prior-year final assessments	-1.8	1.8
Tax due for immediate payment	**-2.2**	**-9.0**
Deferred taxation:		
Originating from timing differences	-135.4	204.0
Changes in tax rates or tax legislation	-	-5.3
Measurement of deferred tax assets	6.2	16.2
Total deferred tax	**-129.2**	**214.9**
Total tax charged to income statement	**-131.4**	**205.9**

The categories of movements in deferred tax were as follows:

Movements in deferred tax in the result

In millions of euros	2011	2010
Insurance liabilities	-543.5	188.4
Investments	349.9	-105.4
Equalisation reserve	10.5	-
Unused tax losses	85.3	136.5
Intangible fixed assets	-3.7	-1.0
Pension plans	-2.5	-2.9
Other movements	-25.2	-0.7
Total	**-129.2**	**214.9**

Tax charged to equity at year end

In millions of euros	2011	2010
Deferred tax	-7.0	35.7
Total tax charged to equity	**-7.0**	**35.7**

Deferred tax taken from equity pertains to tax on gains and losses on investments recognised in equity. The nominal tax rate in the Netherlands for 2011 was 25.0% (2010: 25.5%). The nominal tax rates were 33.99% in Belgium and 30.0% in Germany for both 2011 and 2010. 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	2011	2010
Result before tax from continuing operations	**-414.3**	**834.2**
Tax calculated at standard Netherlands corporation tax rate of 25%/25,5%	**-103.6**	**212.7**
Non-assessable dividends	-23.1	-28.8
Impairment of 5% interests in investments	30.9	45.4
Untaxed un(realised) gains and losses	0.1	-37.1
Reduction of Dutch tax rate from 25.5% to 25%	-	-5.3
Transfers to non-capitalised losses in Germany	3.4	26.8
Transfers to capitalised losses in Belgium	-	-15.2
Tax rate difference with Germany	-0.4	-2.7
Tax rate difference with Belgium	-25.0	19.1
Releases of tax provision	-16.2	-10.1
Other	2.5	1.1
Total tax charged to income statement	**-131.4**	**205.9**

5.1.7.12 (12) Goodwill

Statement of changes in carrying value of goodwill

In millions of euros	2011	2010
Gross carrying value of goodwill		
At 1 January	**340.2**	**340.2**
Disposals	-	-
Other movements	-	-
At 31 December	**340.2**	**340.2**
Accumulated impairment		
At 1 January	**-9.9**	**-8.9**
Impairment losses	-	-0.9
Disposals	-	-
Other movements	-	-
At 31 December	**-9.9**	**-9.9**
Net carrying value of goodwill at 31 December	**330.4**	**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 2011	127.3	131.8	55.4	15.9	330.4
Carrying value at 31 December 2010	127.3	131.8	55.4	15.9	330.4

As explained 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. The test showed that there were no indications of impairment in 2011 (2010: € 0.9 million).

An impairment test for Swiss Life Belgium established a surplus value of € 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 € 164.6 million in the EV component of realisable value. A fall of 100 basis points in market interest rates would lead to a fall of € 298.9 million in the EV component of realisable value.

The impairment test for ABN AMRO Verzekeringen established a surplus value of € 71.2 million. A fall of 100 basis points in market interest rates would lead to a rise of € 24.4 million in the EV component of realisable value (€ 12.4 million on the basis of 51%). A rise of 100 basis points in market interest rates would lead to a fall of € 32.1 million in the EV component of realisable value (€ 16.4 million on the basis of 51%). The calculation does not take new business into account.

The impairment test for Cyrte Investments established a surplus value of over € 19.8 million. The main variable in the impairment test for Cyrte Investments is the development of future income. A fall of 24.8% (2010: 14.0%) in income would lead to a break-even situation if costs do not change.

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 2010	**85.2**	**117.3**	**152.8**	**355.3**
Additions	-	3.8	25.0	28.8
Disposals	-	-7.6	-8.7	-16.3
At 31 December 2010	**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**
Accumulated amortisation				
At 1 January 2010	**-46.4**	**-91.9**	**-56.5**	**-194.8**
Amortisation for the year	-4.3	-7.2	-17.7	-29.1
Disposals	-	1.6	8.7	10.3
At 31 December 2010	**-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**
Accumulated impairment				
At 1 January 2010	**-2.1**	**-10.6**	**-0.2**	**-12.9**
Impairment losses recognised	-	-5.4	-	-5.4
Disposals	-	4.7	-	4.7
At 31 December 2010	**-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**
Carrying value				
At 1 January 2010	**36.7**	**14.9**	**96.1**	**147.7**
At 31 December 2010	**32.4**	**4.8**	**103.4**	**140.7**
At 31 December 2011	**28.2**	**8.8**	**111.1**	**148.2**

The AVIF (acquired value of in-force) refers to the acquired portfolio value of ABN AMRO Verzekeringen of € 22.3 million (2010: € 26.1 million) and of FBA of € 5.9 million. AVIF is amortised on a straight-line basis. The remaining amortisation periods for these AVIF portfolios at the end of 2011 were 6 and 20 years respectively. Calculations for the impairment test for AVIF showed both the net realisable value and AVIF of the Erasmus portfolio to be nil (2010: € 6.4 million). In consequence, an impairment of € 5.8 million has been recognised. The reason for this is that the currently expected long-term interest rate differs significantly from the rate expected when the Erasmus portfolio was acquired.

The category ‘other' consists mainly of € 70.7 million (2010: € 74.1 million) for the distribution channel acquired as part of the takeover of ABN AMRO Verzekeringen. This item is amortised over the next 21 years. A distribution channel was acquired as part of the takeover of FBA. The value is € 18.9 million and the amortisation period is 30 years. The distribution channel of Eurolloyd

Verzekeringen was fully amortised in 2011 (2010: € 2.1 million). The distribution channel of Erasmus Verzekeringen will be fully amortised in 2012 (2011: € 0.4 million; 2010: € 2.2 million). In January 2010, Delta Lloyd Group acquired Delta Lloyd Deelnemingen Fonds for € 25.0 million; the amortisation period is 10 years. Amortisation at year end 2011 was € 5.0 million (2010: € 2.5 million).

5.1.7.14 (14) Deferred acquisition costs

Deferred acquisition costs at year end

In millions of euros	Life	General	Total 2011	Life	General	Total 2010
Participating insurance contracts	31.6	-	31.6	34.2	-	34.2
Non-participating insurance contracts	78.8	73.5	152.3	90.6	80.5	171.2
Investment contracts	16.4	-	16.4	14.8	-	14.8
Total deferred acquisition costs	**126.7**	**73.5**	**200.2**	**139.5**	**80.5**	**220.1**

Statement of changes in deferred acquisition costs of Life insurance contracts

In millions of euros	**2011**	**2010**
At 1 January	**139.5**	**140.8**
Deferred acquisition costs	26.4	44.3
Amortisation	-39.2	-45.6
At 31 December	**126.7**	**139.5**

Statement of changes in deferred acquisition costs of General insurance contracts

In millions of euros	**2011**	**2010**
At 1 January	**80.5**	**82.0**
Deferred acquisition costs	234.5	227.5
Amortisation	-241.5	-226.8
Impairment losses	-	-2.0
Other movements	-	-0.2
At 31 December	**73.5**	**80.5**

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 2010	**142.2**	**13.0**	**47.5**	**202.7**
Additions	0.9	7.5	9.1	17.6
Changes within Group	-	0.2	-23.4	-23.2
Disposals	-0.9	-0.2	-1.2	-2.4
Transfers to / from investment property	11.4	-	-	11.4
Depreciation	-6.5	-7.6	-7.1	-21.2
Impairment	-1.0	-	-3.8	-4.8
Other movements	-1.2	-	-0.1	-1.3
At 31 December 2010	**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**
At 1 January 2010				
Cost	233.9	62.8	168.5	465.2
Depreciation	-77.0	-49.8	-121.0	-247.7
Impairment losses	-14.8	-	-	-14.8
Carrying value	**142.2**	**13.0**	**47.5**	**202.7**
At 31 December 2010				
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**
Fair value				
At 1 January 2010	**237.0**	**13.0**	**47.5**	**297.4**
At 31 December 2010	**211.2**	**13.0**	**20.9**	**245.2**
At 31 December 2011	**167.9**	**10.6**	**19.0**	**197.5**

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 and so 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 2010	**30.5**	**1,754.4**	**90.1**	**56.9**	**1,931.9**
Additions	2.5	65.0	-	-	67.5
Changes within Group	-4.4	7.5	-	-	3.0
Disposals	-3.1	-40.0	-	-	-43.1
Transfers to / from investment property	-	-15.6	-	-	-15.6
Other movements	-	-	-	-	-
At 31 December 2010	**25.4**	**1,771.3**	**90.1**	**56.9**	**1,943.7**
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 consolidation	-	-	-	-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**
Revaluation					
At 1 January 2010	**3.5**	**530.7**	**-7.0**	**-2.0**	**525.2**
Fair value gains and losses	1.5	-45.8	-7.3	-0.3	-52.0
Changes within Group	-	-3.0	-	-	-3.0
Disposals	-	-3.9	-	-	-3.9
Transfers to / from investment property	-	4.2	-	-	4.2
Overige mutaties	-	-	-	-	-
At 31 December 2010	**5.0**	**482.2**	**-14.4**	**-2.3**	**470.4**
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 consolidation	-	-	-	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**
Carrying value					
At 1 January 2010	**34.0**	**2,285.1**	**83.1**	**54.9**	**2,457.1**
At 31 December 2010	**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**

Changes within consolidation in 2011 relate to the sale of Houdstermaatschappij Brumij BV, a subsidiary.

Investment properties are stated at fair value as appraised 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 performed 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: 6.5% to 7.5% (with some exceptions ranging from 5% to 9.7%)
- Retail: 7% (except for one retail project: 9%)
- Offices: 6.9% to 8.2%

It has become more difficult to establish market values due to the lack of sufficient 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 used as 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 2011 and the fair value of the property excluding costs.
- The appraisal of investment properties uses 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, € 1.1 million of borrowing costs were capitalised (2010: € 0.8 million). In addition, € 45.7 million (2010: € 57.8 million) was invested in new purchases and € 10.9 million (2010: € 7.2 million) was incurred in additional investment expenditure.

See section 5.1.7.1 for the breakdown of the own risk property portfolio in residential, commercial and offices.

Rental income was € 161.4 million (2010: € 166.3 million). Direct operating expenses (including repairs and maintenance) amounted to € 34.4 million (2010: € 33.7 million). These expenses include operating expenses of € 0.7 million relating to vacancies (2010: € 0.8 million). Net rental income was € 127.0 million (2010: € 132.6 million), as reported in section 5.1.7.6.

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	2011	2010
Carrying value		
At 1 January	375.4	427.0
Additions	0.2	31.8
Disposals	-94.0	-1.6
New equity capital	35.2	21.0
Share of result after tax	48.6	-11.8
Dividends received	-0.1	-54.9
Fair value changes in equity	21.1	-35.3
Impairment losses	-	-0.6
Other movements	-51.7	-0.3
At 31 December	334.8	375.4

The new equity capital related mainly to Holland Fonds (€ 31.4 million), an initiative of Delta Lloyd Group and Rabobank Nederland set up in 2009. On 23 December 2010, PGGM and ABP exited from Cyrte Fund III. Delta Lloyd Group and Cyrte Fund I decided to continue Cyrte Fund III temporarily. Cyrte Fund III (€ 94.0 million) was closed and replaced by Cyrte LatAm Fund in mid-2011. This fund is consolidated even though the direct interest is 27.8%. Delta Lloyd Group controls Cyrte LatAm Fund through Cyrte Investments. The changes in fair value and dividends received related mainly to the interests in Cyrte Fund I, II and Cyrte LatAm Fund. The discontinuance of Cyrte Fund III eliminated the indirect holdings (€ 51.7 million) via Cyrte Fund I. This has been recognised in other movements.

Delta Lloyd Group and BinckBank started a 50/50 joint venture, called BeFrank, for group defined contribution plans. BeFrank, a premium pension institution (PPI), is a new type of pension administrator in the Dutch market alongside insurance companies and pension funds. The Act on the Introduction of Premium Pension Institutions (*Wet introductie premiepensioeninstellingen*) came into force on 1 January 2011. BeFrank actively entered the market in 2011. The total start-up costs for the first three years will be about € 6.0 million. BeFrank expects to contribute to the parent companies' profits from 2014.

Delta Lloyd Group held a 30.7% interest in Van Lanschot NV at 31 December 2011 (2010: 30.6%). 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, its interest consists largely of non-voting depositary receipts and it is not represented on the Van Lanschot NV Supervisory Board. As a result, Delta Lloyd Group has recognised its interest 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	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**	
CF I Invest CV	849.4	0.2	-58.1	-67.9	22.31%
Cyrte Fund II BV	10.5	0.2	-245.2	-245.7	10.48%
Cyrte Fund III CV 2)	286.0	0.1	106.6	48.9	28.82%
Bol.com BV 1)	275.3	122.9	266.1	8.3	44.05%
Project Holland Fonds CV	78.8	0.6	1.2	-1.3	49.63%
End 2010	**1,499.9**	**124.1**	**70.7**	**-257.6**	

1) At 30 November 2010

2) Cyrte Fund III CV was sold to subsidiary Cyrte LatAm Fund

The figures are based on the associates' most recent financial information made available to Delta Lloyd Group. Accordingly, 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 at the date that significant influence commenced. The subsidiary Bol.com is valued at fair value with changes through profit and loss. The fair value is based on management information received from the company. 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. 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 a CV, the other investors' rights in aggregate provide them with the right to effectively participate in significant decisions that are expected 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 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	2011	2010
Debt securities	20,366.2	19,473.7
Equity securities	4,984.8	5,548.9
Derivatives	2,436.2	1,149.2
Loans at fair value through profit or loss (FVTPL)	6,104.6	6,331.5
Loans and receivables at amortised cost	17,321.8	16,001.6
Total financial investment	**51,213.5**	**48,504.8**

Fair value of financial investments for own risk by category at year end

In millions of euros	Recognised in the balance sheet 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**

Fair value of financial investments for own risk by category at prior year end

In millions of euros	Recognised in the balance sheet 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 2010
Debt securities	-	36.4	16,527.8	2,909.6	19,473.7
Equity securities	-	3.2	577.9	4,967.8	5,548.9
Derivatives	-	1,149.2	-	-	1,149.2
Loans at fair value through profit or loss (FVTPL)	-	-	6,331.5	-	6,331.5
Loans and receivables at amortised cost	16,639.0	-	-	-	16,639.0
Total	**16,639.0**	**1,188.8**	**23,437.1**	**7,877.4**	**49,142.3**

Loans at fair value through profit or loss include € 5,925.7 million of mortgages (2010: € 6,126.6 million). € 6.5 million (cumulative € 79.4 million) of the fair value gains and losses on loans at fair value through profit or loss is attributable to changes in credit risk (2010: € 15.5 million and € 72.9 million respectively).

The revaluation of loans recognised at fair value through profit or loss was € 99.2 million positive (2010: € 62.3 million positive).

A significant proportion of financial instruments are measured at fair value. The measurement methods are explained in section 5.1.7.39 ‘Fair value of financial assets and financial liabilities’.

Financial investment in debt securities for own risk at year end

In millions of euros	2011	2010

	2011	2010
Debt securities		
Available for sale	2,935.9	2,909.6
Other than trading (FVTPL)	17,401.5	16,527.8
Trading	28.7	36.4
Total debt securities	**20,366.2**	**19,473.7**

Financial investment in equity securities for own risk at year end

In millions of euros	2011	2010
Equity securities		
Available for sale	4,076.8	4,967.8
Other than trading (FVTPL)	905.0	577.9
Trading	3.0	3.2
Total equity securities	**4,984.8**	**5,548.9**

The non-consolidated investment funds have invested € 1.6 million in Delta Lloyd NV shares (2010: € 4.6 million).

Derivatives for own risk at year end

In millions of euros	Contract / notional amount 2011	Fair value asset 2011	Fair value liability 2011	Contract / notional amount 2010'1)	Fair value asset 2010	Fair value liability 2010
Foreign exchange contracts						
OTC						
Forwards	1,936.3	16.7	14.7	4,016.2	22.6	47.6
Currency swaps 2)	-	156.9	156.9	-	139.2	139.2
Total foreign exchange contracts	**1,936.3**	**173.6**	**171.6**	**4,016.2**	**161.7**	**186.7**
Interest rate contracts						
OTC						
Forwards	-	-	-	25.0	-	0.1
Interest rate and currency swaps held for fair value hedge accounting	3,650.1	125.5	182.6	4,188.5	94.1	62.0
Interest rate and currency swaps not held for fair value hedge accounting	22,965.1	1,268.3	990.9	21,341.2	444.5	801.2
Options	7,700.0	379.6	0.4	8,350.0	199.0	-
Exchange traded						
Futures	228.5	-	1.0	167.5	-	0.6
Options	550.0	7.7	-	550.0	19.6	-
Total interest rate contracts	**35,093.7**	**1,781.2**	**1,174.9**	**34,622.2**	**757.2**	**863.9**
Equity/index contracts						
OTC						
Options	5,549.6	350.4	339.4	3,967.8	159.7	209.3
Exchange traded						
Futures	1,378.7	-	3.9	373.4	-0.3	-
Options	876.0	19.4	-	182.8	11.7	-
Total equity/index contracts	**7,804.3**	**369.8**	**343.3**	**4,524.0**	**171.1**	**209.3**
Credit default swaps	**1,492.6**	**111.7**	**18.4**	**1,066.8**	**59.2**	**24.7**
Total	**46,326.9**	**2,436.2**	**1,708.2**	**44,229.2**	**1,149.2**	**1,284.7**

1) For clarity, liability contract amounts of € 15,9 billion for 2010 have been included in the contract/notional amounts

2) The notional amount of the currency swaps has not been reported as it is related to back-to-back transaction.

Delta Lloyd Group uses derivatives as part of its asset and liability management 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 have been designated as such and the conditions for hedge accounting stated in section 5.1.6.22 ‘Derivative financial instruments’ have been met. These derivatives are recognised in the 'assets at fair value through profit or loss other than trading' investment category.

The notional amounts of derivatives are not recognised in the balance sheet as there are rights and obligations in a contract in which 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 2011 was € -207.6 million (2010: € 37.5 million). The result on the hedged mortgages that arose from the hedged interest rate risk was € 3.4 million in 2011 (2010: € -2.5 million).

Fair value hedge accounting is applied in 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 at 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 an interest rate and other terms and conditions that, together with the contracted principal sum, determine the net amount that 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 that offer protection against changes in interest rates. The seller of an interest rate option commits, in exchange for payment of a premium, to pay the purchaser the difference between the current and the agreed interest on the contractual principal sum. 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, it is agreed 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 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.

Loans recognised at fair value through profit or loss

Loans recognised at fair value through profit or loss consist mainly of first mortgages. Second mortgages are only granted where the first mortgage has been granted by Delta Lloyd Group.

Loans and receivables at amortised cost for own risk at year end

In millions of euros	2011	2010
Loans to policyholders	126.7	118.0
Loans to banks	609.4	328.8
Loans and advances to clients and intermediaries	53.1	53.5
Issued loans	5,629.7	5,559.4
Total loans and advances	**6,418.8**	**6,059.7**
Securitised mortgages	3,608.6	1,347.7
Non-securitised mortgages	7,294.3	8,594.1
Total mortgages	**10,902.9**	**9,941.9**
Total loans and receivables	**17,321.8**	**16,001.6**
Terms of loans and receivables		
Less than one year	2,079.9	2,204.2
More than one year	15,241.8	13,797.3
Total	**17,321.8**	**16,001.6**

The increase in loans to banks relates mainly to deposits with banks which are deposited as collateral for obligations arising from derivatives.

The increase in securitised mortgages (€ 2,260.9 million) compared with 2010 is related mainly to the holding of the new securitisation of Arena 2011-I (€ 670.4 million), E-Arena I (€ 467.0 million) and Arena B-II (€ 1,010.0 million).

In 2011, mortgages of € 2,144.4 million (2010: € 2,926.1 million) were granted and € 1,054.8 million (2010: € 1,526.9 million) were redeemed. The movement in the balance sheet value as a result of hedge accounting after amortisation in 2011 was € 111.5 million (2010: € 48.3 million) for ordinary mortgages, € 98.1 million (2010: € 16.1 million) for securitised mortgages and € 48.0 million (2010: € 17.9 million) for other loans, making a total of € 257.6 million (2010: € 82.4 million).

Mortgage loans

Almost all mortgages are on residential properties. Of the mortgages granted, 39.4% (2010: 46.2%) have a loan-to-value ratio that is less than 90%. Mortgages guaranteed through the National Mortgage Guarantee scheme form 41.0% (2010: 43.2%) of the portfolio. No mortgages have been 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; it is felt 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	2011	2010
At 1 January	**22.6**	**33.7**
Impairment charges during the period	40.4	1.7
Reversal of impairment charges during the year	-	-0.8
Disposals	-3.3	-12.0
At 31 December	**59.7**	**22.6**

Accumulated impairment of equity securities available for sale

In millions of euros	2011	2010
At 1 January	**1,033.5**	**1,168.9**
Impairment charges during the period	191.0	117.4
Disposals	-89.1	-252.9
At 31 December	**1,135.3**	**1,033.5**

Accumulated impairment of loans and receivables at amortised cost

In millions of euros	2011	2010
At 1 January	**87.9**	**86.2**
Impairment charges during the period	17.2	20.6
Reversal of impairment charges during the year	-7.0	-6.7
Irrecoverable	8.3	0.8
Disposals	-6.6	-12.9
Other	1.5	-

At 31 December	**101.4**	**87.9**

Impairment in the period is part of the realised gains and losses forming part of investment income.

The impairment charge for the reporting period of € 17.2 million (2010: € 20.6 million) includes € 13.4 million (2010: € 19.3 million) on loans held by Delta Lloyd Bankengroep. The reversal of impairment by Delta Lloyd Bankengroep was € 5.5 million (2010: € 5.6 million).

The gross value of loans on an individual basis on which an impairment loss is recognised before this impairment is € 91.1 million (2010: € 79.1 million). The impairment recognised on these loans was € 46.0 million (2010: € 41.7 million). The value of the collateral relating to these loans was € 45.1 million (2010: € 37.6 million). 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 indices as the variable for appraising the collateral. The collateral consists mainly of mortgaged properties. Collateral for loans which have not been impaired also consists mainly of mortgaged properties.

Accrued interest of € 0.6 million (2010: € 0.4 million) was recognised on financial assets subject to individual impairment.

Securities lending

Delta Lloyd Group has entered into agreements on lending securities from its various investment portfolios. Securities lending agreements were entered into with Rabobank, KBC Bank NV, BNP Paribas Fortis and Royal Bank of Scotland.

The repurchase agreements include € 1,544.2 million (2010: € 995.9 million) of debt securities. The obligations under these agreements are recognised as 'Short-term creditors' in 'Other liabilities' (see section 5.1.7.36).

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	2011	2010
Debt securities	2,343.9	2,268.5
Equity securities	9,783.7	10,328.8
Derivatives	251.7	133.4
Loans and receivables	5.3	38.2
Receivables and other financial assets	111.0	-
Cash and cash equivalents	-	3.8
Total	**12,495.6**	**12,772.7**
The associated liabilities are:		
Unit-linked contracts classified as insurance contracts	11,606.9	11,518.7
Unit-linked contracts classified as investment contracts	407.3	455.3
Derivatives liabilities	37.3	-
Third-party interests in investment funds	946.4	790.4
Total	**12,997.9**	**12,764.4**

The above table provides further information on the nature of the various financial investments. The liabilities relating to unit-linked investments have been 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

The revenues from eleven portfolios of residential mortgage-backed securities (RMBS) of subsidiaries Delta Lloyd Levensverzekering, Amstelhuys and Delta Lloyd Bankengroep have been transferred to ten special purpose vehicles ('SPVs'), Arena 2004-I BV, Arena 2004-II BV, Arena 2006-I BV, B-Arena NV/SA, Arena 2007-I BV, Arena 2009-I BV, Arena 2011-I BV, Arena 2011-II BV, E-Arena-I BV and DARTS Finance BV ('securitisation companies'), which were funded primarily by the issue of notes. The positions in Arena 2003-I BV and Arena 2005-I BV were settled during 2011.

All the shares in the securitisation companies are held by independent entities: Stichting Security Trustee Arena 2004-I, Stichting Security Trustee Arena 2004-II, Stichting Security Trustee Arena 2006-I, B-Arena NV/SA, 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 E-Arena 2011 and Stichting Trustee DARTS Finance respectively. Delta Lloyd Levensverzekering, Amstelhuys and Delta Lloyd Bankengroep do not directly or indirectly hold shares in the securitisation companies or their parent companies. Delta Lloyd Levensverzekering, Amstelhuys and Delta Lloyd Bankengroep have no right or obligation to repurchase the liabilities of any of the securitised mortgage loans before the optional call-date, except in certain circumstances where they are in breach of warranty.

At 31 December 2011, Delta Lloyd Levensverzekering, Amstelhuys and Delta Lloyd Bankengroep held notes in the securitisation companies which are repayable at various dates between 2037 and 2064. The fair value of these notes was € 2,332.8 million (2010: € 1,392.0 million). The notes are eliminated in the consolidated balance sheet. Amstelhuys and Delta Lloyd Bankengroep received interest from the securitisation companies on issued subordinated debt.

Delta Lloyd Levensverzekering, Amstelhuys and Delta Lloyd Bankengroep have entered into interest rate swaps with third parties 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 in respect of the securitised mortgage loans into interest flows which are designed substantially to match the interest payable to the note holders.

In all of the above transactions, Delta Lloyd Group and its subsidiaries are not 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 that the available resources of the special purpose securitisation companies concerned, including funds due from customers in respect of the securitised loans, are sufficient and that note holders have no recourse whatsoever to other Delta Lloyd Group companies.

Total mortgage assets in the above securitisation companies were € 9,045.1 million at 31 December 2011 (2010: € 7,424.2 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’ gives 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	2011	2010
At 1 January	**53.0**	**74.3**
Additions	3.1	13.5
Disposals	-2.0	-29.8
Impairment	-11.4	-5.0
At 31 December	**42.6**	**53.0**

Inventory of real estate projects includes property under construction held for sale of € 42.6 million (2010: € 53.0 million). Cumulative impairment of € 16.4 million (2010: € 5.0 million) has been deducted from the inventory of real estate projects. The value of the building land fell by € 11.4 million as a result of the reduction in real estate projects.

The net amount of inventory of real estate projects recognised at net realisable value was € 28.0 million (2010: € 25.9 million).

It is expected that € 1.5 million (2010: nil) 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	2011	2010
Receivables from policyholders	384.1	334.7
Receivables from intermediaries	205.1	195.0
Deposits with ceding undertakings	7.2	39.8
Other receivables	415.0	398.5
Other financial assets	973.0	629.4
Total	**1,984.3**	**1,597.3**
Expected to be settled within one year	1,982.3	1,594.2
Expected to be settled in more than one year	2.0	3.1
Total	**1,984.3**	**1,597.3**

The carrying value of receivables and other financial assets at amortised cost is a good approximation for their fair value considering the short terms involved.

Concentrations of credit risk with respect to 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 € 256.5 million at year end 2011 (2010: € 186.4 million). The increase related to new insurance contracts concluded at the end of 2011 but for which the single premiums had not yet been received.

'Other receivables' include receivables from reinsurance companies, taxes receivable, short-term receivables, prepaid benefits and receivable dividend payments. The amount owed to Delta Lloyd Life by Aviva has been repaid.

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 2011 (€ 802.2 million) compared with the previous year (2010: € 279.6 million) due to a fall in long-term interest rates which led to an increase in the collateral for Interest Rate Swaps. Short-term investment deposits fell by over € 200 million in 2011.

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 with regard to 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	2011	2010
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:		
170,578,697 ordinary shares with a nominal value of € 0.20 each (2010: 167,547,280 with a nominal value of € 0.20 each).	34.1	33.5
	34.1	**33.5**
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 rank equally. All the ordinary shares have 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 2011 related to the distribution of a stock dividend.

Statement of changes in ordinary shares

In numbers	2011	2010
At 1 January	**167,547,280**	**165,607,585**
Stock dividend	3,031,417	1,939,695
At 31 December	**170,578,697**	**167,547,280**

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, but not in the first three years from the first trading date (which was 3 November 2009), unless any of the following events occurs:

- a public bid for Delta Lloyd Group;
- a legal merger or legal demerger involving Delta Lloyd Group;
- the sale by Delta Lloyd Group of the majority of its assets;
- a resolution by the Executive Board subject to the approval of the General Meeting of Shareholders, pursuant to Section 2:107a of the Netherlands Civil Code.

The conversion price is € 37.02 (2010: € 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 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 protective preference shares B in Delta Lloyd NV, up to a maximum equal to 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 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 were 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)	2011	2010
Net profit from continuing operations	-312.3	578.4
Net profit from discontinued operations	-0.4	42.5
Net profit (loss) attributable to holders of ordinary shares for calculating the earnings per ordinary share	**-312.7**	**620.8**
Weighted average number of ordinary shares in issue	168,943,401	165,712,694
Basic earnings per share continuing operations (in euros)	-1.85	3.49
Basic earnings per share discontinued operations (in euros)	-	0.26
Basic earnings per share (in euros)	**-1.85**	**3.75**

Diluted earnings per share at year end

In millions of euros (unless indicated otherwise)	2011	2010
Net profit (loss) attributable to holders of ordinary shares for calculating the earnings per ordinary share	-312.7	620.8
Net profit (loss) attributable to holders of ordinary shares for calculating the diluted earnings per ordinary share	**-312.7**	**620.8**
Net profit from continuing operations	-312.3	578.4
Net profit from discontinued operations	-0.4	42.5
Net profit (loss) attributable to holders of ordinary shares for calculating the earnings per ordinary share	**-312.7**	**620.8**
Weighted average number of ordinary shares in issue	168,943,401	165,712,694
Effect of conversion rights of preference shares A (2012) at year end	13,021,495	13,021,495

Effect of stock dividend	7,968,102	7,121,612
Effect of employee equity compensation plan	868,606	374,355
Diluted weighted average number of ordinary shares	**190,801,604**	**186,230,156**
Diluted earnings per ordinary share from discontinued operations (in euros)	-1.85	3.11
Diluted earnings per ordinary share from continuing operations (in euros)	-	0.23
Diluted earnings per ordinary share (in euros)	**-1.85**	**3.33**

The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential ordinary shares that 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 lead to dilution (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 in 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 2010	**464.8**
Gross fair value gains and losses arising in period	382.3
Transfer of available for sale relating to DPF contracts to provisions	6.7
Impairment losses transferred to income statement	119.1
Reversal of impairment losses transferred to income statement	-0.8
Realised gains/losses on revaluations of financial instruments available for sale transferred to income statement	-163.3
Fair value adjustments associates	-35.3
Aggregate tax effect	-35.7
Total revaluation reserves at 31 December 2010	**737.8**
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**

5.1.7.26 (26) Retained earnings

Retained earnings at year end

In millions of euros	2011	2010
At 1 January	**3,495.7**	**2,996.5**

Result after tax and non-controlling interests	-312.7	620.8
Dividends	-126.5	-121.6
At 31 December	**3,056.5**	**3,495.7**

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, € 1,715.3 million is available for distribution (2010: € 1,630.9 million). In 2011, € 70.2 million was distributed as a final dividend for 2010 and € 56.3 million as an interim cash dividend for 2011. Pursuant to article 44 of the articles of association, it is proposed to pay a final dividend of € 104.1 million (2010: € 100.5 million), being € 0.61 (2010: € 0.60) per ordinary share of € 0.20 nominal value. The final dividend is payable entirely in cash or entirely in shares at the shareholder's option.

5.1.7.27 (27) Insurance liabilities

Insurance liabilities at 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**

Insurance liabilities at prior year end

In millions of euros	Life	General	Total
Discretionary participating contracts	6,739.6	-	6,739.6
Non-discretionary participating contracts	4,035.3	0.1	4,035.3
Unit-linked non-participating contracts	11,518.7	-	11,518.7
Other non-participating contracts	11,627.7	-	11,627.7
Outstanding claims provisions	-	1,199.4	1,199.4
Provision for claims handling expenses	-	70.6	70.6
Provision for claims incurred but not reported	-	369.4	369.4
Provision for unearned premiums	-	391.8	391.8
Provision for unexpired risks	-	3.4	3.4
Other technical provisions	-	5.4	5.4
Total	**33,921.2**	**2,040.0**	**35,961.3**

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 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.

In 2010, the longevity provision was strengthened on the basis of CBS2010, the most recent mortality table.

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 on the basis of 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
Due to the public debate that started in 2006 on 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 activist groups) in 2008 and

2010. The agreements include a settlement on standardised charges for individual, privately-held unit-linked insurance products concluded in the past. Policyholders are entitled to compensation, based on these standardised charges, either on the policy expiry date or at the time the policy is ended early.

Delta Lloyd Group formed a provision of up to € 40 million for individual cases of distress of which a part is already used. This includes € 10 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).

There is currently a political debate about whether these compensation schemes are adequate. One specific issue is the need for a complementary policy for further compensation to policyholders. Delta Lloyd Group already responded to the additional policy by adding the compensation to the insurance contracts at 31 December 2012. Delta Lloyd Group provided for the compensation in previous years; as a result, additional provisions are hardly needed.

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 is a future expense, it will be offset against the margin in the adequacy test. The total charge for individual and group defined compensation at 31 December 2011 was € 317.1 million. Part of this charge (€ 203.6 million relating to surrender payments) was taken directly to the income statement, largely in previous years, by the formation of a separate surrender provision. The remaining € 113.5 million is within the adequacy margin of the provisions. Changes in the separate surrender provisions are recognised each year in the income statement.

Provision for outstanding payments

This provision includes outstanding payments in respect of both unit-linked and non-unit-linked business. It is determined from 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 that relate to the period of risk after the reporting date and is included in the 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 on the basis of estimated interest returns based on 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 performed at 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', which are 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 that 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 2011 / 2010	Mortality tables used in 2011 / 2010
Short-life risk insurance	Coll-AAA curve of 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 CBS2010

Life insurance business provisions are calculated primarily using the mortality rates in the tariff bases, while future life expectancy is taken into account 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 and 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.

An additional provision for longevity risk is formed 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 CBS2010 mortality table, taking into account historical figures rather than the GBM/V 1990-1995 table.

For contracts with an interest guarantee, a provision has been established. For the majority of the portfolio, this provision is determined on a stochastic basis consistent with the valuation of option contracts.

A provision has been formed for traditional policies with a profit sharing guarantee in accordance with the Dutch regulatory requirements.

The longevity provision was € 1,337.4 million at 31 December 2011 (2010: € 1,035.3 million). In 2011 the definition of longevity provision was changed, resulting in a reclassification of € 365.6 million from general life business provision to thel longevity provision.

(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).

Valuation discount rates and mortality tables in the financial year

	Valuation discount rates in 2011 / 2010	Mortality tables used in 2011 / 2010
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 that 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 2009 and 2010.

A participation provision is formed 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 shareholders' meeting. Profit sharing is effective for contracts with a guaranteed base rate lower than 3.75% 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 2011 / 2010	Mortality tables used in 2011 / 2010
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 is formed to take longevity risk into account for life contingent annuity contracts with 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 2011, this provision was € 87.5 million (2010: € 86.5 million).

Profit sharing for traditional policies is based on the 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	2011	2010
At 1 January	**33,921.2**	**33,272.3**
Provisions in respect of new business	2,343.5	1,659.9
Expected change in existing business provisions	-1,253.6	-676.0
Movement in longevity provision	19.0	615.0
Variance between actual and expected experience	-334.0	-729.8
Effect of operating assumption changes	-79.7	-38.1
Effect of economic assumption changes	2,350.6	-135.7
Other movements recognised as expense	70.3	0.6
Change in liability recognised as expense	**3,116.1**	**695.9**
Other movements not recognised as expense	9.5	-46.9
At 31 December	**37,046.8**	**33,921.2**

The longevity provision was strengthened in 2010 on the basis of the most recent mortality table CBS2010. This adjustment to the longevity provision included € 88.5 million for the reinsurance contract with Delta Lloyd Pensioenfonds. Since this adjustment is carried by the pension fund in accordance with the renewed contract in 2011 this charge no longer exists and this part of the provision was released in 2011.

The changes in the operational assumptions were a result of:

- Adjustments to the selection factors in the CBS2010 mortality table based on the most recent observations;
- Adjustments to the explicit assumptions in Delta Lloyd Life's adequacy test.

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'). This includes the effect of changes in market interest rates on the insurance provisions. 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 expense in 2011 were € 70.3 million (2010: € 0.6 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;
- The addition to the provision as a result of a reclassification of an investment contract as an insurance contract by Delta Lloyd Life;
- Adjustments to the explicit assumptions in the adequacy test at Delta Lloyd Life.

Other movements not recognised as expense in 2011 of € 9.5 million (2010: € -46.9 million) relate to:

- Profit sharing in Germany;

- The transfer of the group portfolio (FPPi/c) from ABN AMRO Levensverzekering to Delta Lloyd Levensverzekering;
- The transfer of a pension provision for deferred members to insurance contracts for which Delta Lloyd Group has no future liability.

Participating investment contracts
The following amounts have been recognised in respect of policyholder bonuses during the financial year:

Policyholder bonuses

In millions of euros	2011	2010
Bonuses allocated in anticipation of a bonus declaration, included in claims paid	69.5	69.8
Reversionary and similar policyholder bonuses, included in provisions for life insurance contracts	13.3	24.7
Total	**82.7**	**94.5**

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 have been 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 in 2010; for Delta Lloyd Levensverzekering it was recalculated on the basis of the new CBS2010 mortality table plus historical statistics from the company’s own portfolio. Pricing assumptions for mortality are generally based on the most recent national mortality tables. The disability insurance provisions that 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 have been measured on the basis of either the Collateralised AAA curve or 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 reported liabilities because of subsequent developments or catastrophic events.

Provisions for outstanding claims are established to cover the outstanding expected ultimate liability for losses and loss adjustment expenses in respect of 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 2011	Mean term of liabilities in years 2011	Average discount rate 2010	Mean term of liabilities in years 2010
The Netherlands and Belgium				
Disability insurance contracts	3.29%	6.96	3.75%	7.49

No equalisation or catastrophe provisions have been recognised as this is not permitted under IFRS. The general reserves (included in equity) 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 number of similar claims. Delta Lloyd Group also uses a method under 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.

The provision required for benefit payments for individual occupational disability class B (post-first year risk) and WIA/WAO are 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 have been 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 is established using the actuarial premium excluding the embedded profit margin and plus a prudential loading. The discount rates used are either a fixed discount rate or the collateralised AAA curve.

There is a provision of € 49.4 million (2010: € 50.2 million) for the exposure to claims associated with asbestos-related diseases is material. The provisions have been estimated by claims handlers on a case-by-case basis. A provision has also been formed for future asbestos-related claims. Claims development is monitored periodically.

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 € 360.6 million required for these benefit payments is based on the assumptions as described below. An amount of € 212.2 million of the provision is based on a fixed discount rate that equals the tariff rate. The discount rate for certain portfolios (provision of € 148.4 million) in the Netherlands is based on the current Collateralised AAA curve. The assumptions on which the disability insurance business provisions are based can be different 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 allowed 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 for a 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 general insurance business provisions

The adequacy test for general insurance business provisions tests whether the general insurance business provision recognised in the balance sheet is greater than the best estimate for the provision. The difference between these two amounts is called the surplus general insurance business provision.

Property & Casualty

The best estimate for the general insurance business provision is determined for each underwriting 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 estimates). 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 underwriting year that has not fully developed, to produce an estimated ultimate claims cost for each underwriting 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 underwriting year of each class of business depends on an assessment of the technique that has been most appropriate to observed historical developments. In some instances, this has meant that different techniques or combinations of techniques have been selected for individual underwriting years or groups of underwriting years within the same class of business.

Upper and lower limits for the surplus set using the boot-strap technique have been applied to test the level of the provision for the Property & Casualty portfolio, excluding the asbestos portfolio, against Delta Lloyd Group's provisioning policy. The surplus is the margin between the book value of the liability and the best estimate. This is done at divisional level, with the individual upper and lower limits of the *Particulier Schade Bedrijf* (PSB) and Delta Lloyd Schadeverzekering being tested during the transitional phase in the General Insurance Segment. Each division tests the adequacy of the provision each quarter and checks whether the group provisioning 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 in line with the established provision recognised in the balance sheet, 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 method for the insurance risk plus the operational risk from the internal capital model. The best estimate provision is discounted using the interest rate curve set by DNB at 31 December 2011. There is no group provisioning policy for income products. 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 provision. The IFRS LAT has to show that the total insurance provision is adequate: in other words, the insurance provision recognised in the balance sheet must be higher than the best estimate of the insurance provision plus the risk margin. Any surplus value in the insurance provision in the balance sheet is incorporated when determining the actual solvency margin. The adequacy of the general insurance 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 in the provision for unearned premiums are amply offset by the surplus in the general insurance business provision.

Process used to decide on assumptions for general insurance business provisions

Claims history is a significant 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.

General insurance provisions are regularly recalibrated using the most recent information. This leads to an adjustment of the provision and often also to a change of the provision recognised through profit or loss. To recalibrate the provisions, the actuarial teams make a proposal to change the provision and this leads to a recommendation to local management. The recommendation is agreed 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 for the prudential margin in the general insurance provision, 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 that leads to a recommendation to local management which, in the end, takes the formal decision on whether the recommendation is followed.

Movements

The movements in the general insurance technical provisions were as follows:

Statement of changes in general insurance business provisions[1]

In millions of euros	2011	2010
At 1 January	**1,648.2**	**1,647.8**
Effect of changes in operational assumptions	-11.5	-0.6
Effect of changes in economic assumptions	5.6	-4.3
Claim losses and expenses incurred in the current year	1,040.4	1,034.5
Movement in anticipated claim losses and expenses incurred in prior years	-34.1	-96.3
Incurred claims losses and expenses	**1,000.5**	**933.2**
Payments made on claims incurred in the current year	-484.8	-496.1
Payments made on claims incurred in prior years	-492.0	-462.0
Recoveries on claim payments	12.8	12.0
Claims payments made in the year, net of recoveries	**-964.1**	**-946.1**
Increase in provision due to passage of time	15.3	13.0
Other movements in the claims provisions	-1.1	-0.3
Movement in claims provision recognised as expense	**50.6**	**-0.1**
Other gross movements	-11.3	0.6
At 31 December	**1,687.5**	**1,648.2**

1) The statement of changes in general insurance provisions excludes provision for unearned premiums

The effect of changes in assumptions was € -11.5 million for operational assumptions and € 5.6 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 other gross movement of € 23.8 million is mainly a result of the inclusion of the reinsured portion of the provision for the quota share contract between Delta Lloyd Schadeverzekering and ABN AMRO Schadeverzekering (see also section 5.1.7.28 'Reinsurance assets'). This also applies to the comparative figures and has not affected equity or the result. Besides, there is a further movement in the claims provisions due to an addition to IBNR for past years as a result of the recognition of new WGA-Own risk contracts in which the prior-year risk is co-insured. A single premium has been received for this. This increase in the general insurance business provision for past years should not be seen as a run-off of the cost of claims in past years. The movement in expected costs and claims from previous years relate to the run-off result in past years. In 2010, there was a substantial release from the IBNR as a result of over-prudence, but the release was smaller in 2011.

Loss development table

The following table presents the development of cumulative claim payments and the claims for the accident years 2002 to 2011. 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 2011 € 1,197.9 million had been paid in settlement of claims (excluding the effect of acquisitions) relating to the accident year 2002. In addition, as reflected in the lower section of the table, the cost of claims relating to the accident year 2002 of € 1,333.1 million was revised to € 1,215.2 million in the years 2002 to 2011. The revision of the claims generally comes from a combination of factors, including claims being settled for larger or smaller amounts than originally estimated. The original estimates will also be increased or decreased as more information becomes known about the individual claims, overall claim frequency and severity patterns.

Loss development gross of reinsurance

In millions of euros	All prior years	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
Gross cumulative claims payments												
At end of accident year		756.9	789.0	833.0	753.6	1,125.3	1,224.2	1,403.5	449.3	492.5	468.0	
One year later		1,103.0	1,091.5	1,138.7	1,177.2	1,752.7	1,977.1	2,299.4	717.8	776.0	-	
Two years later		1,134.6	1,116.1	1,177.1	1,227.2	1,815.9	2,062.3	2,364.4	784.0	-	-	
Three years later		1,149.1	1,130.2	1,190.8	1,257.8	1,840.5	2,100.2	2,418.5	-	-	-	
Four years later		1,161.9	1,140.5	1,202.1	1,270.3	1,861.3	2,136.2	-	-	-	-	
Five years later		1,171.3	1,150.1	1,210.2	1,283.3	1,875.1	-	-	-	-	-	
Six years later		1,179.4	1,159.0	1,217.5	1,293.9	-	-	-	-	-	-	
Seven years later		1,185.7	1,165.8	1,225.1	-	-	-	-	-	-	-	
Eight years later		1,193.6	1,172.4	-	-	-	-	-	-	-	-	
Nine years later		1,197.9	-	-	-	-	-	-	-	-	-	
Estimate of gross cumulative claims												
At end of accident year		1,333.1	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	
One year later		1,356.4	1,333.4	1,412.7	1,474.7	2,012.7	2,233.5	2,559.4	1,005.3	1,062.0	-	
Two years later		1,292.4	1,253.6	1,326.5	1,389.0	1,970.7	2,203.7	2,530.6	985.9	-	-	
Three years later		1,259.6	1,235.2	1,292.9	1,373.1	1,942.7	2,201.0	2,540.6	-	-	-	
Four years later		1,250.2	1,225.0	1,281.4	1,350.2	1,949.2	2,208.2	-	-	-	-	
Five years later		1,239.2	1,210.1	1,269.2	1,339.7	1,939.3	-	-	-	-	-	
Six years later		1,235.0	1,207.6	1,259.7	1,339.0	-	-	-	-	-	-	
Seven years later		1,230.9	1,203.1	1,253.0	-	-	-	-	-	-	-	
Eight years later		1,236.5	1,217.6	-	-	-	-	-	-	-	-	
Nine years later		1,215.2	-	-	-	-	-	-	-	-	-	
Estimate of cumulative claims		**1,215.2**	**1,217.6**	**1,253.0**	**1,339.0**	**1,939.3**	**2,208.2**	**2,540.6**	**985.9**	**1,062.0**	**1,046.0**	
Cumulative payments		**1,197.9**	**1,172.4**	**1,225.1**	**1,293.9**	**1,875.1**	**2,136.2**	**2,418.5**	**784.0**	**776.0**	**468.0**	**-**
Total	187.0	17.3	45.2	27.9	45.1	64.3	72.1	122.1	202.0	286.0	578.0	1,646.8
Effect of discounting	16.0	3.6	3.6	2.7	3.2	6.9	8.4	8.2	16.2	14.1	16.8	99.7
Current value	**171.0**	**13.7**	**41.5**	**25.2**	**41.8**	**57.4**	**63.7**	**113.9**	**185.8**	**271.9**	**561.2**	**1,547.0**
Effect of acquisitions												
Reserves at acquisition date	40.2	14.4	108.1	37.7	405.6	53.4	47.0	15.5	-	-	-	721.8
Cumulative payments since acquisition	2.7	2.1	23.2	8.7	315.5	22.9	15.3	7.6	-	-	-	398.0
Reserves at balance sheet date	7.9	10.3	34.7	9.0	22.1	14.6	29.6	7.2	-	-	-	135.3
Value recognised in balance sheet	**178.9**	**24.0**	**76.2**	**34.2**	**63.9**	**72.0**	**93.3**	**121.1**	**185.8**	**271.9**	**561.2**	**1,682.3**
General technical provisions												1,687.5
Other technical provisions												-5.2
Value recognised in balance sheet												**1,682.3**

The loss development after reinsurance was:

Loss development net of reinsurance

In millions of euros	All prior years	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
Gross cumulative claims payments												
At end of accident year		752.0	778.4	823.2	743.0	1,112.7	1,216.9	1,386.7	441.9	483.9	455.9	
One year later		1,091.0	1,076.1	1,129.9	1,157.8	1,734.6	1,959.0	2,264.9	713.4	752.8	-	
Two years later		1,120.5	1,099.7	1,160.9	1,206.2	1,794.1	2,044.1	2,337.8	767.8	-	-	
Three years later		1,135.9	1,110.9	1,173.1	1,227.3	1,817.4	2,076.7	2,390.4	-	-	-	
Four years later		1,144.9	1,119.7	1,175.5	1,239.7	1,832.8	2,112.1	-	-	-	-	
Five years later		1,150.0	1,121.5	1,183.3	1,251.2	1,839.2	-	-	-	-	-	
Six years later		1,147.5	1,130.1	1,186.3	1,265.9	-	-	-	-	-	-	
Seven years later		1,153.7	1,130.1	1,191.6	-	-	-	-	-	-	-	
Eight years later		1,161.2	1,134.1	-	-	-	-	-	-	-	-	
Nine years later		1,163.6	-	-	-	-	-	-	-	-	-	
Estimate of gross cumulative claims												
At end of accident year		1,311.1	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	
One year later		1,327.5	1,304.1	1,387.9	1,438.6	1,963.3	2,194.5	2,550.3	966.4	1,017.3	-	
Two years later		1,261.6	1,228.8	1,303.6	1,352.3	1,919.8	2,170.7	2,487.5	958.5	-	-	
Three years later		1,236.2	1,207.6	1,264.4	1,326.1	1,897.6	2,169.1	2,502.3	-	-	-	
Four years later		1,222.5	1,201.1	1,243.8	1,309.9	1,906.3	2,180.4	-	-	-	-	
Five years later		1,211.5	1,175.5	1,231.7	1,302.9	1,903.0	-	-	-	-	-	
Six years later		1,196.7	1,172.7	1,225.2	1,309.7	-	-	-	-	-	-	
Seven years later		1,194.1	1,167.2	1,218.8	-	-	-	-	-	-	-	
Eight years later		1,205.0	1,179.2	-	-	-	-	-	-	-	-	
Nine years later		1,181.4	-	-	-	-	-	-	-	-	-	
Estimate of cumulative claims		**1,181.4**	**1,179.2**	**1,218.8**	**1,309.7**	**1,903.0**	**2,180.4**	**2,502.3**	**958.5**	**1,017.3**	**1,009.1**	
Cumulative payments		**1,164.7**	**1,134.2**	**1,201.2**	**1,282.2**	**1,851.8**	**2,116.5**	**2,394.4**	**777.5**	**761.2**	**455.9**	**-**
Total	160.4	17.8	45.1	27.2	43.8	63.8	68.2	111.9	190.6	264.5	553.2	1,546.5
Effect of discounting	15.7	3.6	3.6	2.7	3.3	8.1	8.9	8.8	16.7	14.9	16.8	103.1
Current value	**144.7**	**14.2**	**41.5**	**24.5**	**40.5**	**55.6**	**59.3**	**103.2**	**173.9**	**249.6**	**536.4**	**1,443.4**
Effect of acquisitions												
Reserves at acquisition date	30.1	11.9	76.8	32.6	396.9	45.0	33.6	15.5	-	-	-	642.4
Cumulative payments since acquisition	2.2	1.5	25.4	8.9	317.4	23.5	7.3	7.2	-	-	-	393.4
Reserves at balance sheet date	6.6	8.6	34.6	6.4	14.0	9.9	24.8	7.2	-	-	-	112.2
Value recognised in balance sheet	**151.3**	**22.8**	**76.1**	**30.9**	**54.5**	**65.5**	**84.1**	**110.4**	**173.9**	**249.6**	**536.4**	**1,555.6**
General technical provisions												1,560.8
Other technical provisions												-517.5
General technical provisions												**1,043.3**

A prudent provisioning policy regarding cumulative claims (claims payments) will lead to a downward adjustment to the cost of claims in the future. The table shows that this adjustment applies to all accident years.

The reduction in the cost of claims from 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. The tables above include information on asbestos and environmental pollution (A&E) claims provisions for business written before 2002. The uncertainty inherent in A&E claims provisions is largely due to the extremely long latency period, uncertainties in the cover and claims costs, limited availability of data and uncertainty in the completeness/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 gross of reinsurance

In millions of euros	Cumulative payments	Claims reserves	Estimate of cumulative claims
31 December 2002	10.1	30.8	40.9
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

Asbestos and environmental pollution loss development table net of reinsurance

In millions of euros	Cumulative payments	Claims reserves	Estimate of cumulative claims
31 December 2002	10.1	30.8	40.9
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	53.0	73.3
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

Provision for unearned premiums
Statement of changes in provision for unearned premium

Movements provision for unearned premiums

In millions of euros	2011	2010
At 1 January	**391.8**	**390.5**
Premiums written during the year	1,550.6	1,491.2
Premiums earned during the year	-1,570.1	-1,489.9
Other movements (gross)	-2.4	-
Movements in provision for unearned premiums recognised as an expense	**-21.8**	**1.3**
At 31 December	**370.0**	**391.8**

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	2011	2010
Life	423.7	400.9
General	137.8	202.5
Total	**561.5**	**603.4**

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 2011	Reinsurance assets 2011	Net 2011	Gross insurance provisions 2010	Reinsurance assets 2010	Net 2010
Discretionary participating contracts	7,027.1	18.5	7,008.6	6,739.6	17.3	6,722.3
Non-discretionary participating contracts	3,987.8	5.8	3,982.0	4,035.3	5.4	4,029.9
Unit-linked non-participating	11,606.9	-	11,606.8	11,518.7	-	11,518.7
Other non-participating	14,425.1	399.4	14,025.7	11,627.7	378.2	11,249.4
Life provisions	**37,046.8**	**423.7**	**36,623.1**	**33,921.2**	**400.9**	**33,520.3**
Discretionary participating policies	3,086.1	-	3,086.1	2,748.1	-	2,748.1
Non-participating policies	534.7	-	534.7	554.6	-	554.6
Unit-linked contracts	407.3	-	407.3	455.3	-	455.3
Investment contracts	**4,028.1**	**-**	**4,028.1**	**3,758.1**	**-**	**3,758.1**
Outstanding claims provisions	1,231.3	121.3	1,110.0	1,199.4	167.3	1,032.1
Provision for claims handling expenses	61.3	-	61.3	70.6	1.5	69.1
Provision for claims incurred but not reported	389.7	5.3	384.4	369.4	23.0	346.4
Provision for unearned premiums	369.2	11.1	358.0	391.8	10.8	381.1
Provision for unexpired risks	0.8	-	0.8	3.4	-	3.4
Other technical provisions	5.2	-	5.2	5.4	-	5.4
General provisions	**2,057.5**	**137.8**	**1,919.7**	**2,040.0**	**202.5**	**1,837.5**
Total	**43,132.4**	**561.5**	**42,570.9**	**39,719.3**	**603.4**	**39,115.9**

Assumptions

The assumptions used for reinsurance contracts typically follow those applied to insurance contracts. Reinsurance assets included in life insurance business provisions have not been 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	2011	2010
At 1 January	**400.9**	**424.7**
Assets in respect of new business	0.3	0.4
Expected movement in existing business assets	7.1	-6.2
Variance between actual and expected experience	9.1	-18.0
Other movements	6.4	-
Movements reinsurance assets recognised as income	**22.8**	**-23.7**
At 31 December	**423.7**	**400.9**

The other movements (€ 6.4 million) are mainly caused by the separation of a quota share contract at ABN AMRO Levensverzekering into gross and reinsured portions. This contract was recognised net in the insurance business provisions in the prior year.

(ii) General insurance

Statement of changes in reinsurance assets[1]

In millions of euros	2011	2010
At 1 January	**191.7**	**197.3**
Effect of changes in assumptions	-1.0	-0.1
Reinsurers' share of claim losses and expenses incurred in current year	48.1	54.3
Reinsurers' share of claim losses and expenses incurred in prior years	-27.5	-11.4
Reinsurers' share of claim losses and expenses incurred	**19.7**	**42.8**
Reinsurance recoveries received on claims incurred in current year	-23.3	-13.1
Reinsurance recoveries received on claims incurred in prior years	-37.5	-36.9
Reinsurance recoveries received in the year	**-60.8**	**-50.0**
Movements in reinsurance assets recognised as income	**-41.2**	**-7.2**
Other movements	-23.9	1.7
At 31 December	**126.7**	**191.7**

1) The statement of changes in reinsurance assets excludes provision for unearned premiums

The other movements are mainly a result of the inclusion of the reinsured portion of the provision for the quota share contract between Delta Lloyd Schadeverzekering and ABN AMRO Schadeverzekering (€ -23.8 million) in both the technical provisions (see also section 5.1.7.27 'Insurance liabilities') and in the reinsurance assets. This also applies to the comparative figures. There is no impact on equity or result.

(iii) Reinsurers' share of provision for unearned premium

Statement of changes in provision for unearned premium

In millions of euros	2011	2010
At 1 January	**10.8**	**11.0**
Reinsurers' share in the year	114.8	114.5
Reinsurers' share of premiums earned during the year	-113.6	-114.7
Other movements	-0.8	-
Movements in provision for unearned premiums recognised as income	**0.4**	**-0.2**
At 31 December	**11.1**	**10.8**

5.1.7.29 (29) Investment contract liabilities

Investment contract liabilities at year end

In millions of euros	2011	2010
Discretionary participating policies (fair value)	3,086.1	2,747.0
Discretionary participating policies (amortised cost)	-	1.1
Non-participating investment contracts (amortised cost)	534.7	554.6
Unit-linked contracts (fair value)	407.3	455.3
Total investment contracts	**4,028.1**	**3,758.1**

The total interest expense on discretionary participating investment contracts was € 75.5 million (2010: € 85.0 million).

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.

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	2011	2010
At 1 January	**3,758.1**	**3,754.0**
Provisions in respect of new business	55.4	192.8
Expected change in existing business provisions	260.9	-4.7
Variance between actual and expected experience	-230.3	-182.5
Effect of changes in assumptions	242.5	20.6
Other movements	-58.4	-22.2
Change in liability	**270.1**	**4.1**
At 31 December	**4,028.1**	**3,758.1**

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 (€ -58.4 million) relate mainly to a release of the provision following reclassification of an investment contract as an insurance contract at Delta Lloyd Life.

Participating investment contracts
The following amounts have been recognised in the income statement in respect of policyholder bonuses during the financial year:

Policyholder bonuses

In millions of euros	2011	2010
Policyholder bonuses allocated in anticipation of a bonus declaration, included in claims paid	-	6.1
Policyholder bonuses included in provisions for investment contracts	-	2.4
Total	**-**	**8.5**

Policyholder bonuses reported in 2010 relate to investment contracts in Germany. In 2011 all investment contracts in Germany have been terminated. Participating investment contracts are disclosed in section 5.1.7.27 ‘Insurance liabilities’.

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 2011	Effect on result 2010
Life insurance contracts		
Interest rate / price movements	-2,340.4	66.9
Expenses	44.5	42.7
Persistency rate	2.7	15.0
Mortality risk for life insurance contracts	12.6	-
Mortality risk for annuity contracts	21.3	-566.0
Other	-10.8	49.1
Participating investment contracts		
Interest rate/price	-265.1	-0.8
Expenses	-0.8	4.9
Persistency rate	20.9	-24.7
Mortality risk for investment contracts	2.5	-
General insurance		
Change in discount rate assumptions	-5.4	4.5
Change in expense rate assumptions	10.0	0.5
Total	**-2,507.9**	**-407.9**

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 in the Collateralised AAA curve during the year. The result impact of the movement in the Collateralised AAA curve in 2011 was €2,044.7 million. 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.

In 2010, the longevity provision was recomputed on the basis of CBS2010, the most recent mortality table. This resulted in a charge of € 566.0 million to the result of 2010. In 2011, based on most recent observations an adjust was made to the select factors of CBS2010. This has led to a profit of € 21.3 million. The € 12.6 million gain on 'mortality risk for life insurance contracts' in 2011 is a result of adjustments to the selection factors in the CBS2010 mortality table based on the most recent observations.

The effect of 'expenses', 'persistency rate', 'mortality risk for life insurance contracts' and 'other' on the result on life insurance contracts is mainly from changes in the explicit assumptions in the adequacy test for at Delta Lloyd Life.

5.1.7.31 (31) Pension obligations

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.

On 31 December 2011, Delta Lloyd Group acquired a 51% interest in FBA from Friesland Bank NV. Friesland Bank has reinsured its pensions with Delta Lloyd Levensverzekering. During 2012 the employees of FBA will be included in the pension fund of Delta Lloyd Group. The pension expense of FBA has not been included in the disclosure on pensions. The FBA employees will join the Delta Lloyd Group pension fund in the course of 2012.

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 is based on the most recent actuarial valuations, which were updated to assess the liabilities of the significant plans at 31 December 2011. 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 market value at 31 December 2011.

The principal features of the current plan in the Netherlands are:

- The main pension plan in the Netherlands is based on average pay with a retirement age of 65 years. Pension contributions are determined at 1 January of each year and based on the hourly salary of the employee (including holiday allowance and year-end bonus) multiplied by the number of contract hours. The pension entitlements are per service year 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%.
- Until 1 January 2011 a (by the employer) agreed indexation is applicable for which the employer pays separate single premiums. Indexation for active employees is based on the wage index and that of retired employees on the price index.
- 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 the actuarial interest rate of 3%.

The pension obligations on account of the defined pension entitlements will be increased to the net balance of the investments if there is a surplus. The surplus accrues to the members.

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 € 310.2 million (2010: € 176.0 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 1 January 2010 onwards is the CBS2010 generation table, taking into account experience adjustments from the Dutch Association of Insurers (*Verbond van Verzekeraars*) and a risk margin of 2.00%.

The main financial assumptions used to calculate defined benefit obligations are:

In percentages	The Netherlands 2011	The Netherlands 2010	Other countries 2011	Other countries 2010
Inflation rate	2.10%	1.90%	2.10%	1.90%
General salary increases	3,10%+merit	2,90%+merit	3,10%+merit	2,90%+merit
Pension increases	2,10%/1,25% (start 2011)	1,90%/1,86% (start 2011)	0,00%-2,00%	0,00%-2,00%
Deferred pension increases	2,10%/1,80% (start 2011)	1,90%/2,07% (start 2011)	0,00%-2,00%	0,00%-2,00%
Discount rate	4.50%	5.10%	3,30%-4,55%	3,10%-5,16%

The expected rates of return on the plan assets are:

In percentages	The Netherlands 2011	The Netherlands 2010	Other countries 2011	Other countries 2010
Equity securities	5.55%	6.20%	6.00%	6.20%
Bonds	3.05%	3.70%	3.45%	3.70%
Property	4.90%	2.90%	4.90%	2.90%
Other	3.50%	3.70%	3.50%	3.70%

Delta Lloyd Group's investment policy is aimed at maintaining a balanced portfolio. This limits the risks of under funding that arise from the selected asset mix. The total rate of return is based on the expected returns within each asset class and the strategic asset mix. The expected returns are set in conjunction with external advisors and take into account both current market expectations of future returns, where available, and historical returns. These rates of return have been developed specifically for pension calculations under IAS 19 and therefore differ from those used in the embedded value calculations.

The pension expenses for these plans comprise:

In millions of euros	2011	2010
Current service costs	47.4	40.4
Interest cost on pension obligations	91.9	85.3
Amortisation of past service cost	0.5	3.3
Actuarial gains and losses on pension obligations due to changes in demographic assumptions	17.2	92.5
Actuarial gains and losses on pension obligations due to changes in financial assumptions	156.5	-1.9
Actuarial gains and losses on pension assets	0.8	2.2
Other	-2.6	5.1
Minus expected return on reimbursement rights	-2.7	-3.8
Total charge to income	**309.0**	**223.2**

The increase in the current service costs was mainly due to the indexation of single-premiums and a rise in the guarantee premium. The rise in pension expenses was mainly a result of a fall in the discount rate in the Netherlands from 5.1% to 4.5% which has been recognised as actuarial gains and losses on pension obligations due to changes in financial assumptions. The costs also include defined contribution plan costs of € 2.4 million (2010: € 2.0 million). The pension expenses shown above do not include the investment income on pensions of € 216.7 million (2010: € 171.9 million). The total pension result, adjusted for investment income, was € 92.2 million (2010: € 51.3 million). The increase in the pension result is attributable to actuarial losses rising at a faster pace than investment income.

The employees' contribution to the pension expenses was € 11.5 million (2010: € 10.9 million). The employer's contribution to the pension assets for 2012 is expected to be € 48.4 million (2011: € 80.0 million).

The defined benefit obligation recognised in the balance sheet can be reconciled to the actual defined benefit obligation as follows at year end:

In millions of euros	2011	2010
Present value of gross obligation	2,080.2	1,835.3
Plan assets	-64.5	-63.8
Asset ceiling	1.1	1.1
Unrecognised past service costs	6.2	7.1
Other post-retirement benefits	11.0	9.9
Total pension obligations	**2,034.0**	**1,789.6**
Recognised pension assets	18.3	20.4
Recognised pension obligation	2,052.2	1,810.0
Total pension obligations	**2,034.0**	**1,789.6**

Pension obligations of € 57.8 million relate to plans that are completely unfunded (2010: € 57.7 million). Unrecognised past service income was € 6.2 million (2010: € 7.1 million). This amount was capitalised in 2006 and is being recognised in the income statement over a 13-year period.

Statement of changes in plan assets

In millions of euros	2011	2010

	2011	2010
At 1 January	**63.8**	**62.6**
Return	2.7	3.8
Contributions	0.7	0.8
Benefits paid	-2.7	-3.4
At 31 December	**64.5**	**63.8**

Statement of changes in value of gross provisions

In millions of euros	2011	2010
At 1 January	**1,835.4**	**1,667.2**
Current service costs	47.4	40.4
Interest cost	91.9	85.3
Actuarial gains and losses on pension obligations	173.6	90.6
Payments and acquisitions	-70.0	-62.0
Curtailment and settlements	-	-1.3
Employees' contribution	11.5	10.9
Past service cost	1.4	4.2
Other movements	-11.0	-
At 31 December	**2,080.2**	**1,835.4**

Surplus / deficit and experience adjustments

In millions of euros	2011	2010
Defined benefit obligation	2,080.2	1,835.4
Plan assets	-64.5	-63.8
Deficit	**2,015.7**	**1,771.5**
Experience adjustments on plan liabilities	-17.2	94.7
Experience adjustments on plan assets	-0.8	-1.6

The loss of € -17.2 million (2010: gain of € 94.7 million) due to experience adjustments on plan liabilities was attributable mainly to actual pay rises in 2011 differing from the assumption and the actual change in the number of pension plan members compared with the figure expected on the basis of demographic assumptions on dismissal, mortality and disability.

Pension deficit (without elimination of plan assets) at year end

In millions of euros	2011	2010	2009	2008	2007	2006	2005
Fair value of plan assets and reimbursement rights at year end	2,042.8	1,801.1	1,639.5	1,564.9	1,465.8	1,450.6	1,271.4
Present value of defined benefit obligations at year end	2,080.2	1,835.3	1,667.2	1,564.9	1,500.1	1,493.6	1,358.6
Net pension deficit	**37.4**	**34.3**	**27.7**	**-**	**34.3**	**43.0**	**87.2**

The assets of the pension schemes, attributable to participants under the defined benefit plans at year end

In millions of euros	The Netherlands 2011	Other countries 2011	Total 2011	The Netherlands 2010	Other countries 2010	Total 2010
Equity securities	260.8	17.7	278.5	284.6	19.8	304.4
Bonds	1,403.6	31.1	1,434.7	1,259.1	25.5	1,284.6
Property	72.8	-	72.8	73.7	2.3	76.0
Other	216.9	39.9	256.9	76.6	59.5	136.1
Total fair value of assets	**1,954.1**	**88.7**	**2,042.8**	**1,694.0**	**107.1**	**1,801.1**

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 actual return on the assets backing the pension obligations in the Netherlands in 2011 was € 214.5 million (2010: € 168.6 million) and 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 2011 was € 2.4 million (2010: € 3.3 million). This amount is recognised in other operating expenses in the income statement.

5.1.7.32 (32) Provisions for other liabilities

Provisions for other liabilities at year end

In millions of euros	2011	2010
Restructuring provisions	32.5	84.3
Employee equity compensation plan	15.3	26.3
Other provisions	88.5	104.2
Total	**136.3**	**214.7**

Provisions for other liabilities

In millions of euros	Restructuring provisions	Employee equity compensation plan	Other provisions	Total
At 1 January 2010	**63.4**	**28.8**	**99.9**	**192.1**
Changes in Group	-0.8	-	-0.8	-1.6
Additional provision made in the year	51.0	0.7	53.3	105.0
Unused amounts released	-2.6	-3.2	-47.7	-53.6
Effect of discounting	-	-	-	-
Withdrawal from provision during the year	-26.7	-	-0.7	-27.4
Other adjustments	-	-	0.3	0.3
At 31 December 2010	**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**

In 2011, Delta Lloyd Group formed a restructuring provision of € 35.0 million (2010: € 26.7 million), mainly in connection with the restructuring at Delta Lloyd Germany (€ 26.4 million), Delta Lloyd Houdstermaatschappij Verzekeringen (€ 2.6 million) and Delta Lloyd holding (€ 5.0 million).

The equity compensation plan comprises € 9.0 million for the Phantom Option Plan, € 1.0 million for the PPSP and € 5.4 million for the Variable Incentive Plan (see section 5.1.7.9 'Employee information').

There was a release of € 2.3 million from the run-off provision in 2011 (2010: € 26.5 million), which is part of the other provisions.

The expected funds outflow within a year is € 94.1 million and € 42.2 million after one year.

5.1.7.33 (33) Tax assets and liabilities

The deferred tax assets and liabilities caused by temporary differences in tax base can be split into the following categories at year end

In millions of euros	2011	2010
Insurance liabilities	321.2	-222.4
Investments	-755.4	-414.5
Equalisation reserve	-12.0	-1.5
Unused tax losses	165.4	250.7
Intangible fixed assets	-22.3	-26.0
Pension plans	0.2	-2.2
Other	21.8	-0.5
Total deferred tax	**-281.0**	**-416.4**

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	2011	2010
At 1 January	**54.6**	**27.3**
Recognised through the income statement	345.5	20.2
Movement in revaluation reserve	-4.7	8.0
Reclassification between deferred tax assets and liabilities	233.1	-
Changes in Group	-	-0.9
At 31 December	**628.5**	**54.6**

Statement of changes in deferred tax liabilities

In millions of euros	2011	2010
At 1 January	**471.0**	**189.7**
Recognised through the income statement	216.3	235.1
Movement in revaluation reserve	-13.7	46.2
Changes in Group	2.8	-
Reclassification between deferred tax assets and liabilities	233.1	-
At 31 December	**909.5**	**471.0**

The deferred tax assets and liabilities of companies that form part of the same tax entity as Delta Lloyd NV are netted. The same approach is used for the Delta Lloyd ABN AMRO Verzekeringen Holding BV corporate income tax entity.

The method of calculating deferred tax assets and liabilities was revised in 2011. From 2011, these assets and liabilities are broken down for each taxable entity. Previously, only the net figure for each entity was shown. Delta Lloyd Group believes that the revised method presents better information on the deferred tax assets and liabilities. As a result, there was a reclassification of € 233.1 million between deferred tax assets and liabilities in 2011.

Recognised tax loss carry forwards were as follows:

In millions of euros	2011	2010
Delta Lloyd NV tax entity	125.1	140.1
Delta Lloyd Life	18.5	86.8
Delta Lloyd Bank Belgium	21.8	21.1
Delta Lloyd Germany	-	2.7
Total	**165.4**	**250.7**

In the Netherlands, losses may be carried forward for nine years. As the Delta Lloyd NV tax entity has a net deferred tax liability, the net amount is to a large extent determined by the hidden tax reserves relating to property. As the property can always be sold outside the tax entity (internally or to a third party) to create taxable profits, sufficient taxable profit can always be generated to offset the tax loss carry forwards.

In Belgium, losses can be carried forward indefinitely. To a large extent, therefore, the losses in Belgium can always be offset against future taxable profits because there are substantial net deferred tax liabilities. In 2011, certain losses were reclassified as ‘Insurance liabilities’ (Delta Lloyd Life) and ‘Other recognised deferred tax assets’ (Delta Lloyd Life and Delta Lloyd Bank Belgium). The comparative losses at 31 December 2010 were € 18.0 million (Delta Lloyd Life) and € 12.5 million (Delta Lloyd Bank Belgium). As a result, the total recognised tax assets were unchanged at 31 December 2010. Delta Lloyd Bank Belgium and Delta Lloyd Germany only recognise losses that are expected to be offset against taxable profits in the next five years.

Delta Lloyd Group has recognised tax losses of € 619.1 million (2010: € 887.0 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 € 279.3 million (2010: € 290.2 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	2011	2010
Subordinated debt		
Fonds NutsOHRA perpetual loan	176.8	176.8
Rabobank Nederland	489.2	500.0
	666.0	**676.8**
Securitised mortgages		
Delta Lloyd Levensverzekering	-	125.3
Amstelhuys	4,860.4	4,887.2
Delta Lloyd Bank Belgium	-	877.5
	4,860.4	**5,890.0**
Amounts owed to credit institutions	261.3	577.2
Medium-term note	571.2	570.7
Commercial paper	40.4	161.9
Convertible loan	2.6	2.6
Other	496.7	414.8
Total	**6,898.6**	**8,294.0**

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 compared with 2010. The interest rate on the notes was 2.76% at 31 December 2011 (2010: 2.76%) and the fair value of the subordinated loan was € 154.8 million (2010: € 242.3 million).

From the end of November 2011, the fair value of the subordinated debt was based on the proxy curve compiled from credit curves in the same industry sector and industry group with a similar credit rating. Previously, the fair value was calculated using the euro swap curve plus the UBS Delta financials A subordinated curve. The change in the curve has resulted in a fall in fair value of € 32.2 million for the Fonds NutsOHRA subordinated loan. There is no result impact as this loan is recognised at amortised cost in the balance sheet.

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. The fair value of this loan was € 521.0 million at 31 December 2011 (2010: € 603.0 million).

Agreement was reached with Rabobank Nederland on restructuring the subordinated loan on 4 October 2010. This restructuring became effective retroactively to 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.

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.

The fair value of this loan is also based on the proxy curve as referred to above in respect of the subordinated loan FondsNutsOHRA. This has led to a fall in fair value of € 32.0 million for the Rabobank Nederland subordinated loan. The changes to fair value as a result of a movement in curve has no impact on result as this loan is recognised at amortised cost in the balance sheet.

Securitised mortgages

These loans (known as Arena and DARTS notes) were entered into against a part of the mortgage portfolio of Delta Lloyd Group. See section 5.1.7.20 'Securitised mortgages and related assets' for further information.

Delta Lloyd Levensverzekering at year end

In millions of euros	Amortised cost 2011	Amortised cost 2010	Contract maturity date	Anticipated maturity date	Interest rate
Arena 2003-I	-	370.1	05/2055	05/2011	Ebed, range 4,3% - 5,2%
Eliminations	-	-244.8			
Total	**-**	**125.3**			

Arena 2003-I (€ 370.1 million) was redeemed on the first optional redemption date in May 2011. The redemption was funded in full by Delta Lloyd Levensverzekeringen.

Amstelhuys (fair value) at year end

In millions of euros	Fair value 2011	Fair value 2010	Contract maturity date	Anticipate d maturity date	Interest rate
Arena 2004-I	359.5	398.5	02/2037	02/2012	partly floating (1.7 - 2.4%) and Ebed 4.3%
Arena 2004-II	460.6	511.6	10/2051	10/2012	floating, range 1.7% - 2.2%
Arena 2005-I	-	996.9	02/2063	02/2011	floating, range 1.0% - 1.4%
Arena 2006-I	789.3	839.9	12/2064	03/2013	floating, range 1.5% - 2.0%
Arena 2007-I	938.6	985.8	10/2049	10/2014	floating, range 1.6% - 4.1%
Arena 2011-II	778.0	-	09/2043	09/2016	floating, range 0.1% - 3.1%
DARTS 2004-I	409.3	400.1	10/2066	10/2014	floating, 1.7%
DARTS 2005-I	920.0	920.0	11/2064	11/2014	floating, 1.5%
Eliminations	-1,127.1	-949.9			
Total	**3,528.1**	**4,102.9**			

The cumulative revaluation at 31 December 2011 was € -151.1 million (2010: € -31.8 million). € 870.3 million (2010: € 697.1 million) of the elimination related to the Arenas at Amstelhuys and € 256.8 million (2010: € 252.8 million) to Arenas at Delta Lloyd Bank. Arena 2005-I was redeemed in February 2011 and replaced by Arena 2011-II. The redemption was effected mainly by drawing a new RMBS note issued by Stichting Towerbridge.

Amstelhuys (amortised cost) at year end

In millions of euros	Amortised cost 2011	Amortised cost 2010	Contract maturity date	Anticipated maturity date	Interest rate
Arena 2009-I	796.6	852.0	11/2041	11/2014	floating. range 2.2% - 6.0%
Arena 2011-I	666.6	-	12/2042	11/2015	floating. range 1.5% - 3.0%
Eliminations	-130.9	-67.7			
Total	**1,332.3**	**784.3**			

The fair value of these loans at 31 December 2011 was € 1,331.4 million (2010: € 788.3 million).

The eliminations relate entirely to Arena 2009-I and Arena 2011-I at Amstelhuys.

Delta Lloyd Bank Belgium at year end

In millions of euros	Amortised cost 2011	Amortised cost 2010	Contract maturity date	Anticipated maturity date	Interest rate
Arena B-I	-	1,010.0	04/2044	10/2011	floating. 0.9%
Arena B-II	1,010.0	-	10/2044	10/2011	floating. 1.6%
Eliminations	-1,010.0	-132.5			
Total	**-**	**877.5**			

Arena B-I was redeemed by the issue of unrated notes via RBS in October 2011. The fair value of these loans at 31 December 2010 was € 858.1 million. In addition, Arena B-II was incorporated and is wholly-owned by Delta Lloyd Bank. The elimination relates entirely to Arena B-II at Delta Lloyd Bank.

There were no changes in fair value of the securitised mortgage loans due to 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 2011 was € 3,679.3 million (2010: € 4,134.7 million).

Statement of changes in borrowings

In millions of euros	2011	2010
At 1 January	**8,294.0**	**8,346.6**
New borrowings, excluding costs	2,440.8	877.8
Restructuring borrowings	-10.8	-
Repayments of borrowings	-3,850.1	-1,035.9
Net cash inflow / outflow	**-1,420.1**	**-158.2**
Revaluation	24.8	105.6
At 31 December	**6,898.6**	**8,294.0**

New borrowings include the new securitisation of Arena 2011-I (€ 607.0 million) and Arena 2011-II (€ 538.9 million). Arena 2011-II was incorporated to replace Arena 2005-I, which has been redeemed. In addition,€ 1,056.5 million of notes has been issued during the year.

During the year Arena 2003-I was redeemed for € 370.1 million. This transaction was funded entirely by Delta Lloyd Levensverzekering. There were also redemptions of € 1,000.0 million for Arena 2005-I and € 1,010.0 million for Arena B-I. Arena 2011-II and Arena B-II respectively were incorporated to replace these redeemed securitisations. Arena B-II is wholly owned by Delta Lloyd Bank. Repayments on notes were € 1,178.0 million.

5.1.7.35 (35) Financial liabilities

Financial liabilities at year end

In millions of euros	2011	2010
Savings	4,993.6	4,225.5
Demand deposits	2,881.9	1,669.9
Deposits	2,090.3	1,358.5
Total overdrafts	**9,965.8**	**7,254.0**
Third-party interests in investment funds	946.4	790.4
Other financial liabilities	1,150.5	1,003.5
Financial liabilities	**12,062.7**	**9,047.9**
Expected to be settled within one year	11,720.3	8,500.0
Expected to be settled in more than one year	342.5	547.9
Total	**12,062.7**	**9,047.9**

Savings, demand deposits and deposits are liabilities which are primarily held by Delta Lloyd Bank and Delta Lloyd Levensverzekering.

Deposits with a fair value of € 695.6 million at 31 December 2011 (2010: € 609.9 million) were part of the other financial liabilities and held by Amstelhuys for the financing of the mortgage portfolio.

5.1.7.36 (36) Other liabilities

Other liabilities at year end

In millions of euros	2011	2010
Payables arising out of direct insurance	325.7	327.2
Payables arising out of reinsurance	94.2	101.4
Deposits received from reinsurers	378.4	386.1
Accruals and deferred income	742.2	703.6
Short-term creditors	2,180.3	1,872.3
Total	**3,720.9**	**3,390.5**
Expected to be settled within one year	3,628.3	3,106.5
Expected to be settled in more than one year	92.6	284.0
Total	**3,720.9**	**3,390.5**

5.1.7.37 (37) Contingent liabilities and other risk factors

Uncertainty over claims provisions
Section 5.1.7.27 gives details of the estimation techniques and assumptions used in determining the general business outstanding claims provisions and the life insurance business provisions. The assumptions are designed to ensure that the provisions for future liabilities, including any future bonuses, are prudent. Both provisions are estimated 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 that assumed for general insurance business, or where assumptions on 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 on claims in respect of pollution and other environmental hazards, among which are claims in respect of asbestos production and handling the Netherlands and also, for example, in the United States of America. 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 and, on the basis of current information and having regard to 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 issued guarantees as part of insurance contracts. These guarantees are included in the calculation of the insurance liabilities. Guarantees have also been issued in respect of investment properties. No other material guarantees have been issued.

Litigation
Several claims have been submitted, all of which are being contested. On the grounds of legal advice and information obtained, it is assumed that these claims will not have a significant adverse effect on Delta Lloyd Group's financial position. Accordingly, no significant provision has been made.

The main pending cases 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 brought claims.

Although Delta Lloyd Life was of the opinion that it had good grounds for avoiding a criminal conviction, the court found Delta Lloyd Life guilty of breaches of the Trade Practices Act on 29 November 2011 and imposed a fine of € 2,500. Delta Lloyd Life was acquitted in respect of the Consumer Credit Act.

Delta Lloyd Life has appealed against this conviction. The prosecution and most civil parties have appealed against Delta Lloyd Life’s partial acquittal. The case will now be heard by the Court of Appeal in Antwerp. No date for the hearing has been set and judgment may not be given until 2013.

Most of the civil parties have also instituted civil actions against Delta Lloyd Life on the same grounds as in the criminal case. These civil actions are, however, suspended until the conclusion of the criminal case. The civil parties have not specified the damages (in detail) and so the total damages sought cannot be determined. Consequently, the financial implications for Delta Lloyd Life as a result of these civil proceedings cannot yet be predicted.

Under the agreement with SNS Reaal for the sale and purchase of the entire share capital of Swiss Life Belgium, SNS Reaal specifically limited the duration and amount of the indemnity for damages with respect to the Spaar Select matter.

Vereniging van Gepensioneerden
Retired Delta Lloyd Group employees, represented by Vereniging van Gepensioneerden Delta Lloyd Groep, and two pensioners have initiated proceedings against five companies of Delta Lloyd Group and the Group’s pension fund before the sub-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 sub-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.

Cyrte/Boekhoorn
On 9 May 2009, Mr Boekhoorn initiated 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 claim that there was a verbal agreement. On 6 April 2011, the Amsterdam court decided in favour of Cyrte c.s. and dismissed all Mr Boekhoorn's claims. Mr Boekhoorn appealed on 4 July 2011. The appeal is directed only against Cyrte and Mr Botman. Unlike the proceedings of first instance, Delta Lloyd Group is no longer a party to the dispute, although it was noted in the pleadings on appeal that Delta Lloyd Group may possibly again become a party in the case at a later stage. On 6 December 2011 Cyrte c.s. responded to the appeal. Mr Boekhoorn subsequently sought leave to plea and the Amsterdam Court has determined that the hearing will take place on 21 May 2012.

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 a 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 in the balance sheet were as follows:

Off-balance sheet liabilities at year end

In millions of euros	2011	2010
Investment property	13.9	29.9
Property and equipment	11.1	21.2
Intangible assets	-	-
Repairs and maintenance	6.7	5.3
Investments	115.5	257.7
Outsourcing	6.0	9.5
Contingent liabilities	530.6	718.4
Operational lease commitments rental		
Within one year	6.8	16.5
Between one and five years	43.3	28.3
More than five years	19.1	44.1
Operational lease commitments non-rental		
Within one year	9.3	9.4
Between one and five years	31.5	33.2
More than five years	-	-
Total	**793.8**	**1,173.5**

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 of the leases are eligible for renewal. There are no subleases to third parties.

Contingent liabilities include irrevocable facilities of € 379.9 million (2010: € 553.3 million). The decrease was a result of a fall in lending by Delta Lloyd Bank Belgium.

Off-balance sheet receivables at year end

In millions of euros	2011	2010
Operational lease receivables rental		
Within one year	99.1	96.6
Between one and five years	247.6	245.6
More than five years	220.5	158.8
Operational lease receivables non-rental		
Within one year	9.0	9.3
Between one and five years	36.0	37.4
More than five years	-	-
Total	**612.3**	**547.8**

Rental receivables at 31 December 2011 were € 567.3 million (2010: € 501.0 million) and related mainly to property investments held by Delta Lloyd Germany for an amount of € 284.2 million (2010: € 220.4 million) and Delta Lloyd Vastgoed for an amount of € 222.6 million (2010: € 205.9 million).

Non-rental receivables include € 45.0 million due from LeasePlan and Athlon at 31 December 2011 for the financing of Delta Lloyd Group's vehicle fleet (2010: € 46.7 million).

5.1.7.39 (39) Fair value of financial assets and liabilities

The tables below present financial assets and liabilities measured at fair value and the total carrying value to maintain the link with the relevant balance sheet items.

Financial assets at year end

In millions of euros	Fair value 2011	Carrying value 2011	Fair value 2010	Carrying value 2010
Debt securities	22,710.0	22,710.0	21,742.4	21,742.5
Equity securities	14,768.9	14,768.9	15,877.6	15,877.6
Derivatives	2,687.9	2,687.9	1,282.7	1,282.7
Loans at fair value through profit or loss (FVTPL)	6,104.6	6,104.6	6,331.5	6,331.5
Loans and receivables at amortised cost	17,816.2	17,327.0	16,639.0	16,039.8
Receivables and other financial assets	2,095.4	2,095.4	1,597.3	1,597.3
Cash and cash equivalents	3,543.0	3,543.0	1,197.7	1,197.7
Total	**69,726.1**	**69,236.9**	**64,668.0**	**64,068.9**

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 € 12.5 billion at year end (2010: € 12.8 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 2011	Carrying value 2011	Fair value 2010	Carrying value 2010
Liabilities for investment contracts	4,048.7	4,028.1	3,768.6	3,758.1
Subordinated debt	675.8	666.0	845.3	676.8
Securitised mortgages	4,858.3	4,860.4	5,876.9	5,890.0
Amounts owed to credit institutions	261.3	261.3	577.2	577.2
Medium-term note	546.0	571.2	565.3	570.7
Commercial paper	40.4	40.4	161.9	161.9
Convertible loan	1.2	2.6	1.9	2.6
Other borrowings	496.7	496.7	414.8	414.8
Derivatives	1,745.4	1,745.4	1,284.7	1,284.7
Other financial liabilities	12,062.7	12,062.7	9,047.9	9,047.9
Total	**24,736.7**	**24,734.9**	**22,544.4**	**22,384.6**

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 balance sheet 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 6.0% probability of early repayment (2010: 6.5%).

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.

Cash and cash equivalents

The carrying value of cash and cash equivalents 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 debt, 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 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
Cash and cash equivalents	3,543.0	-	-	-	3,543.0
Total	**33,370.6**	**15,249.0**	**1,194.9**	**19,422.4**	**69,236.9**

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 2010
Debt securities	20,621.1	1,119.9	1.4	-	21,742.4
Equity securities	10,474.6	4,799.0	604.0	-	15,877.6
Derivatives	77.3	1,205.4	-	-	1,282.7
Loans	-	6,331.5	-	16,039.8	22,371.3
Receivables and other financial assets	-	-	-	1,597.3	1,597.3
Cash and cash equivalents	1,197.7	-	-	-	1,197.7
Total	**32,370.7**	**13,455.7**	**605.4**	**17,637.1**	**64,068.9**

The tables below present 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 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
Cash and cash equivalents	3,543.4	-	-	-	3,543.4
Total	**25,400.7**	**10,903.9**	**1,130.6**	**19,306.1**	**56,741.2**

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 2010
Debt securities	18,610.2	862.1	1.4	-	19,473.7
Equity securities	3,427.1	1,517.8	604.0	-	5,548.9
Derivatives	77.3	1,071.9	-	-	1,149.2
Loans	-	6,331.5	-	16,001.6	22,333.0
Receivables and other financial assets	-	-	-	1,597.3	1,597.3
Cash and cash equivalents	1,193.9	-	-	-	1,193.9
Total	**23,308.5**	**9,783.3**	**605.4**	**17,598.9**	**51,296.1**

The tables below present 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 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
Cash and cash equivalents	-	-	-	-	-
Total	**7,969.9**	**4,345.1**	**64.3**	**116.3**	**12,495.6**

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 2010
Debt securities	2,010.8	257.7	-	-	2,268.5
Equity securities	7,047.6	3,281.2	-	-	10,328.8
Derivatives	-	133.4	-	-	133.4
Loans	-	-	-	38.2	38.2
Receivables and other financial assets	-	-	-	-	-
Cash and cash equivalents	3.8	-	-	-	3.8
Total	**9,062.1**	**3,672.3**	**-**	**38.2**	**12,772.7**

The tables below present 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 2011
Liabilities for investment contracts	375.8	3,117.7	-	534.7	4,028.1
Subordinated debt	-	-	-	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**

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 2010
Liabilities for investment contracts	455.3	2,747.0	-	555.7	3,758.1
Subordinated debt	-	-	-	676.8	676.8
Securitised mortgages	-	4,102.9	-	1,787.1	5,890.0
Amounts owed to credit institutions	-	-	-	577.2	577.2
Medium-term note	-	-	-	570.7	570.7
Commercial paper	-	-	-	161.9	161.9
Convertible loan	-	-	-	2.6	2.6
Other borrowings	-	-	-	414.8	414.8
Derivatives	102.3	1,182.4	-	-	1,284.7
Financial liabilities	-	609.9	-	8,438.0	9,047.9
Total	**557.6**	**8,642.2**	**-**	**13,184.8**	**22,384.6**

As certain securitised mortgages are being measured on the basis of published prices from 2011, there has been a reclassification from level 2 to level 1.

The tables below present 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	**2011**	**2010**
At 1 January	**605.4**	**365.0**
Additions	43.6	7.9
Disposals	-59.0	-
Changes in fair value recognised through equity	18.6	58.7
Impairment recognised through profit or loss	2.2	-8.0
Transfer from measurement with observable market inputs	584.1	181.8
At 31 December	**1,194.9**	**605.4**

During 2011 there have been a number of reclassifications from level 1 € 1,4 million (2010: nil) and level 2 € 582.7 million (2010: € 181.8 million) to level 3. The reclassifications from level 1 and level 2 to level 3 are related to investments in closed end property funds for which there have not been many transactions during 2011. These investments in property funds have been classified as equity securities.

The transfer to level 3 was partly driven by the fact that market conditions resulted in a lack of observable market inputs to sustain a level 2 classification.

The total gains and losses on level 3 investments comprise realised gains and losses on investments mainly classified as available for sale.

The total unrealised revaluation of the assets classified in level 3 at year end was € 85.0 million (2010: € 106.9 million) and is recognised in the revaluation reserve. The impairment of assets classified in level 3 at year end was € 91.5 million (2010: € 136.6 million).

Sensitivity analysis using a measurement method not based on observable market variables

	Significant non-observable assumptions	Reasonable changes 2011	Effect on equity 2011	Reasonable changes 2010*1)	Effect on equity 2010
Equity securities	Market spread	+/- 10%	+/- 118,9	+/- 20%	+/- 120,8
Bonds	Liquidity premium	+/- 0,5%	+/- 0,3	+/- 0,5%	+/- 0,1

In 2010 the sensitivity analysis was based on Aviva assumptions.

Sovereign and sub-sovereign debt of Ireland and the southern European countries is classified in the fair value hierarchy in level 1, as there is still an active market for these listed bonds. Loans and receivables in Spain are classified in level 2 as the value is based on discounted cash flow models.

5.1.7.40 (40) 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	2011	2010
Total funds under management in the consolidated balance sheet	66,616.1	64,402.8
Third-party funds under management	6,705.3	7,639.5
Total assets under management	**73,321.4**	**72,042.3**

5.1.7.41 (41) Related party transactions

Services provided to related parties

In millions of euros	Income earned in year	Receivable at year end	Income earned in year	Receivable at year end
Joint Ventures	0.7	-	0.2	-
Aviva group companies	34.9	59.4	36.7	103.7
Total	**35.6**	**59.4**	**36.9**	**103.8**

Services provided by related parties

In millions of euros	Expenses incurred in year 2011	Payable at year end 2011	Expenses incurred in year 2010	Payable at year end 2010
Aviva group companies	27.1	2.6	27.9	2.6
Employee pension plans	309.0	2,042.8	223.2	1,801.1
Total	**336.1**	**2,045.4**	**251.0**	**1,803.7**

Related party transactions mainly involve transactions with the pension fund. There is also a loan with an Aviva group company.

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 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 respectively they determine and monitor the operational and financial policy.

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 presented 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.

5.1.7.42 (42) Subsequent events

On 27 February 2012, Ahold announced the acquisition of Bol.com for € 350.0 million. The price was set with an effective date of 31 December 2011. Although the actual settlement date is not known, it has been agreed that Ahold will pay a fee covering the period between the settlement date and 31 December 2011. Delta Lloyd Group holds an economic interest of 23.29% in Bol.com through CF I Invest and Dasym Investments IV investment funds. The total income from the moment of investment, without the above mentioned fee, that Delta Lloyd Group will realise on the disposal amounts to approximately € 48 million. Of this, approximately € 10 million falls within the 2012 result.

Delta Lloyd Group uses the Collateralised AAA curve to measure the value of the majority of its life insurance contracts. This curve is compiled from about 400 bonds that meet specific criteria such as credit quality (AAA credit rating). The Collateralised AAA curve fell by 94 basis points at the 10-year point between 31 December 2011 and the end of March 2012. In February 2012, all the Spanish and Italian bonds were removed from the Collateralised AAA curve due to downgrades. As a result, the curve – averaged over the duration – fell by about 20 basis points. A lower curve leads to higher life insurance liabilities; this can have a significant negative effect on IFRS Equity. The sensitivity of IFRS Equity to changes in the curve is explained in section 5.1.7.1 ‘Risk management’. It should be noted that regulatory solvency under the IGD (Insurance Group Directive) is based mainly on the ECB AAA curve and so different sensitivities apply to IGD solvency.

Amsterdam, 4 April 2012

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

Supervisory Board
René Kottman, chairman
Pamela Boumeester
Eric Fischer
Jan Haars
Peter Hartman
Fieke van der Lecq
Andrew Moss
Patrick Regan

5.2 Separate financial statements

Separate income statement for the financial year

In millions of euros	2011	2010
Result from participating interests after tax	-197.3	708.6
Other results after taxation	-115.4	-87.8
Total result after tax	**-312.7**	**620.8**

Separate balance sheet at year end before appropriation of profit

In millions of euros		2011	2010
Goodwill	I	182.6	182.6
Total intangible assets		**182.6**	**182.6**
Participating interests in group companies	II	4,701.0	5,463.4
Participating interests with significant influence	II	2.6	2.6
Long-term loans	III	157.3	116.6
Total financial fixed assets		**4,860.9**	**5,582.6**
Total fixed assets		**5,043.6**	**5,765.2**
Debt securities		1.9	1.8
Equity securities	III	101.9	143.5
Short-term loans	III	26.4	298.2
Receivables	IV	433.9	407.1
Cash and cash equivalents		-	0.2
Total current assets		**564.0**	**850.8**
Total assets		**5,607.6**	**6,616.0**
Share capital	V	34.1	33.5
Share premium	V	356.4	357.0
Other statutory reserves	V	1,628.3	1,212.7
Revaluation reserve	V	435.9	766.0
Other reserves	V	1,715.3	1,630.9
Equity compensation plan	V	3.2	0.4
Unallocated profit	V	-312.7	620.8
Total equity	**V**	**3,860.4**	**4,621.3**
Provisions	VI	20.7	34.9
Subordinated debt	VII	179.4	179.4
Long-term borrowings	VIII	791.9	887.7
Total long-term liabilities		**992.1**	**1,102.0**
Other liabilities	IX	755.2	892.8
Total liabilities		**1,747.2**	**1,994.7**
Total equity and liabilities		**5,607.6**	**6,616.0**

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 Netherlands Civil Code. As the income statement of Delta Lloyd NV for 2011 is incorporated in the consolidated financial statements, only an abridged company income statement is presented pursuant to Section 2:402 of the Netherlands 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 Netherlands 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 as applied in the consolidated financial statements.

5.2.1.2 (I) Goodwill

The carrying value at 31 December 2011 was € 182.6 million, which is unchanged compared with the figure at 31 December 2010. There were no movements during the year.

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 2010	**4,631.6**	**4.3**	**4,635.8**
Disposals	-1.9	-1.6	-3.5
Result for the year	708.6	-	708.6
Withdrawn dividend	-147.9	-	-147.9
New equity capital	-	-	-
Fair value gains and losses through equity	272.1	-	272.1
Other	0.9	-0.1	0.9
At 31 December 2010	**5,463.4**	**2.6**	**5,466.0**
Disposals	-2.7	-	-2.7

Result for the year	-197.3	-	-197.3
Withdrawn dividend	-293.1	-0.1	-293.2
New equity capital	59.3	0.2	59.5
Fair value gains and losses through equity	-330.4	-0.1	-330.5
Other	1.8	-	1.8
At 31 December 2011	**4,701.0**	**2.6**	**4,703.6**

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 are (100% unless otherwise stated):

Delta Lloyd Houdstermaatschappij Verzekeringen NV (Amsterdam)
Delta Lloyd Bankengroep NV (Amsterdam)
Delta Lloyd Deutschland AG (Wiesbaden, Germany)
Delta Lloyd Houdstermaatschappij Belgium 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 B.V. (Amsterdam)
Delta Lloyd Treasury BV (Amsterdam)
Life
Delta Lloyd Levensverzekering NV (Amsterdam)
Delta Lloyd Lebensversicherung AG (Wiesbaden, Germany)
Delta Lloyd Herverzekeringsmaatschappij NV (Amsterdam)
Delta Lloyd Vastgoed Fonds NV (Amsterdam)
Delta Lloyd Life NV (Brussels, Belgium)
ABN AMRO Levensverzekering NV (51%) (Zwolle)
Investment funds
Delta Lloyd Europees Deelnemingen Fonds (24,2%) (Amsterdam)
Delta Lloyd Rente Fonds NV (76,5%) (Amsterdam)
Delta Lloyd Select Dividend Fonds (73,7%) (Amsterdam)
Delta Lloyd Investment Fund NV (95,0%) (Amsterdam)
Delta Deelnemingen Fonds N.V. (18,3%) (Amsterdam)
Cyrte LatAM Fund (27,8%) (Naarden)
Daedalus plc (Dublin, Ireland)
Dasym Investments IV BV (42,2%) (Naarden)
General
Delta Lloyd Schadeverzekering NV (Amsterdam)
Delta Lloyd Schadeverzekering Volmachtbedrijf BV (Amsterdam)
ABN AMRO Schadeverzekering NV (51%) (Zwolle)
ABN AMRO Assuradeuren BV (51%) (Zwolle)
Friesland Bank Assuradeuren BV (51%) (Leeuwarden)
Friesland Bank Assurantiën BV (51%) (Leeuwarden)
Bank
Delta Lloyd Bank NV (Amsterdam)

The list pursuant to Sections 379 and 414 of Book 2 of the Netherlands 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	2011	2010
At 1 January	**143.5**	**173.0**
Additions	-	0.2
Disposals	-1.4	-1.0
Fair value gains and losses	-3.4	0.4
Impairment losses	-36.8	-29.2
At 31 December	**101.9**	**143.5**
Cumulative fair value gains and losses	4.2	7.6
Cumulative impairment losses	-143.5	-106.7

Statement of changes in loans

In millions of euros	Long-term loans	Short-term loans	Total
At 1 January 2010	**125.4**	**27.1**	**152.5**
Additions	0.6	275.4	276.0
Disposals	259.1	-4.3	254.8
Impairment losses	-	-	-
Other adjustments	-268.6	-	-268.6
At 31 December 2010	**116.6**	**298.2**	**414.8**
At 1 January 2011	**116.6**	**298.2**	**414.8**
Additions	78.1	3.5	81.7
Disposals	-44.5	-275.3	-319.8
Impairment losses	-	-	-
Other adjustments	7.0	-	7.0
At 31 December 2011	**157.3**	**26.4**	**183.7**

The fair value of the total loan portfolio with an amortised cost of € 183.7 million (2010: € 414.8 million) was € 183.7 million (2010: € 414.8 million).

Long-term loans of € 4.7 million (2010: € 14.5 million) will fall due within one year. As in 2010, all short-term loans are due within one year.

An amount of € 152.2 million (2010: € 102.1 million) of the long-term loans and € 26.4 million (2010: € 297.8 million) of the short-term loans were held by subsidiaries and associates. On 30 December 2011, an internal short-term loan of € 275.0 million was redeemed by means of a deed of assignment. Of the long-term loans held by subsidiaries and associates, € 102.0 million (2010: € 95.0 million) is subordinated.

As in 2010, there were no arrears on interest or repayments.

Accumulated impairment was € 24.4 million (2010: € 24.4 million).

5.2.1.5 (IV) Receivables

Receivables at year end

In millions of euros	2011	2010
Receivables from group companies	170.5	266.8
Receivables and other financial assets	6.4	3.5

Capitalised interest and prepayments	2.8	2.9
Tax assets (refer to section IX)	254.1	133.9
Total	**433.9**	**407.1**

As in the previous reporting period, all receivables are due within one year.

Capitalised interest and prepayments includes € 1.6 million (2010: € 1.8 million) of group companies.

5.2.1.6 (V) Equity

Statement of changes in equity

In millions of euros	2011	2010
Share capital		
At 1 January	33.5	33.1
Final dividend for 2010	0.4	0.2
Interim dividend for 2011	0.2	0.2
At 31 December	34.1	33.5
Share premium		
At 1 January	357.0	357.4
Final dividend for 2010	-0.4	-0.2
Interim dividend for 2011	-0.2	-0.2
At 31 December	356.4	357.0
Other statutory reserves		
At 1 January	1,212.7	1,359.4
Result on associates in prior year	708.6	1.2
Dividends received from associates	-293.1	-147.9
At 31 December	1,628.3	1,212.7
Revaluation reserves		
At 1 January	766.0	492.4
Movements in the value of investments	-1.6	0.3
Movements in the value of associates	-328.7	273.0
Taxes on the above movements	0.2	0.2
At 31 December	435.9	766.0
Other reserves		
At 1 January	1,630.9	1,773.8
Dividends received from associates	293.1	147.9
Result of the holding company excluding prior year result on associates	-87.8	-125.6
Final dividend paid	-70.2	-51.7
Interim-dividend paid	-56.3	-69.9
Treasury shares	-	-23.3
Shares held indirectly in investment funds for own risk	-	-1.7
Shares held indirectly in investment funds at policyholders' risk	5.6	-18.5
At 31 December	1,715.3	1,630.9
Equity compensation plan	3.2	0.4
Result for the year	-312.7	620.8
Total equity	3,860.4	4,621.3

Share capital
Issued shares are fully paid-up and each give the right to cast one vote.

Movements in the issued capital in 2011 related to distribution of a stock dividend.

Statement of changes in ordinary shares

Numbers	2011	2010
At 1 January	**167,547,280**	**165,607,585**
Stock dividend	3,031,417	1,939,695
At 31 December	**170,578,697**	**167,547,280**

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, but not in the first three years from the first trading day of the Delta Lloyd NV share on the Amsterdam stock exchange (which was 3 November 2009), unless any of the following events occurs:

- a public bid for Delta Lloyd Group;
- a legal merger or legal demerger involving Delta Lloyd Group;
- the sale by Delta Lloyd Group of the majority of its assets;
- a resolution by the Executive Board subject to the approval of the General Meeting of Shareholders, pursuant to Section 2:107a of the Netherlands Civil Code.

The conversion price is € 37.02 (2010: € 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 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 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 were 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 2010 and 2011 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 also includes direct movements in the equity of associates that cannot be distributed without restrictions.

Other statutory reserves

This reserve includes the associates' reserve, being the profits from subsidiaries and associates, and is not freely distributable, in part due to solvency requirements on subsidiaries and associates.

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 2010	**24.2**	**17.2**	**41.4**
Changes in Group	-	-1.6	-1.6
Additional provision made in the year	-	0.2	0.2
Unused amounts released	-	-5.0	-5.0
At 31 December 2010	**24.2**	**10.8**	**34.9**
Unused amounts released	-4.8	-	-4.8
Withdrawal during the year	-5.0	-4.4	-9.4
Movement in provisions	**-9.8**	**-4.4**	**-14.2**
At 31 December 2011	**14.3**	**6.4**	**20.7**

The restructuring provision of € 14.3 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.

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 over five years.

Subordinated debts

In millions of euros	2011	2010
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. The notional amount and the carrying amount of the loan did not change (notional amount € 496.9 million and carrying amount € 176.8 million). The interest rate on the notes was 2.76% at year-end 2011 (2010: 2.76%). The fair value of the subordinated loan was € 154.8 million (2010: € 242.3 million).

At the end of November 2011, the fair value of the subordinated debt was based on the proxy curve compiled from credit curves in the same industry sector and industry group with a similar credit rating. Previously, the fair value was calculated using long-term government bond yields. The change in the curve has resulted in a fall in fair value of € 32.2 million for the Fonds NutsOHRA subordinated loan. There is no result impact as this loan is recognised at amortised cost in the balance sheet.

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 2011 (2010: € 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.

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 € 220.7 million (2010: € 317.0 million) of the long-term borrowings relates to group companies. Delta Lloyd NV has pledged shares of about € 228.3 million (2010: € 278.8 million) to a subsidiary.

Statement of changes in borrowings

In millions of euros	2011	2010
At 1 January	**887.7**	**669.5**
New borrowings drawn down, net of expenses	0.6	570.7
Repayments of borrowings	-96.3	-352.6
Net cash inflow / outflow	**-95.7**	**218.1**
At 31 December	**791.9**	**887.7**

None of the long-term borrowings (2010: € 40.0 million) falls due within one year and € 220.7 million (2010: € 277.0 million) within five years. The average interest rate on these loans is 5.2% (2010: 5.3%).

The decline by € 96,3 million relates to a repayment made on a loan to Delta Lloyd Asset Management.

The new borrowing in 2010 is a Eurobond of € 575.0 million gross issued by Delta Lloyd NV on 17 November 2010. The notes mature in November 2017. The transaction took place under the EMTN programme set up in October 2010.

De issue price of the EMTN was 99.65%, with a maturity of 7 years and a fixed annual coupon of 4.25%.

5.2.1.10 (IX) Other liabilities

Other liabilities at year end

In millions of euros	2011	2010
Tax liabilities	13.1	-
Accrued interest	13.2	13.2
Amount owed to group companies	342.5	635.0
Credit on demand	357.5	245.0
Other	29.0	0.5
Total	**755.2**	**893.7**

As last year, all other liabilities are payable within one year.

Tax assets and liabilities at year end

In millions of euros	2011	2010
Current tax assets	103.7	69.9
Deferred tax assets	150.4	79.1
Total tax assets	**254.1**	**149.0**
Current tax liabilities	9.5	-
Deferred tax liabilities	3.6	15.1
Total tax liabilities	**13.1**	**15.1**
Net tax asset	**241.1**	**133.9**

Delta Lloyd NV is the parent company of the Delta Lloyd tax entity. An amount of € 125.1 million (2010: € 64.8 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	2011	2010
Unrealised gains and losses on investments	-3.6	-15.2
Unused tax losses	125.1	64.8
Other temporary differences	25.3	14.3
Net deferred tax asset	**146.9**	**64.0**

Statement of changes in deferred tax assets / liabilities

In millions of euros	2011	2010
At 1 January	**64.0**	**153.0**
Amounts charged / credited to result	0.8	-122.8
Transfer tax assets within tax entity	81.9	33.6
Amounts charged / credited to equity	0.2	0.2
At 31 December	**146.9**	**64.0**

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 2011	Receivable at year end 2011	Income earned in year 2010	Receivable at year end 2010
Subsidiaries	231.8	61.4	190.2	122.3
Total	**231.8**	**61.4**	**190.2**	**122.3**

Services provided by related parties

In millions of euros	Expenses incurred in year 2011	Payable at year end 2011	Expenses incurred 2010	Payable at year end 2010
Subsidiaries	65.8	631.4	86.0	649.8
Aviva group companies	-	2.6	-	2.6
Total	**65.8**	**634.0**	**86.0**	**652.4**

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. Further information regarding receivables from group companies is provided in note IV of the company financial statements.

Information on directors' remuneration 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 respectively they determine and monitor 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	2011	2010
Contingent liabilities	4.8	5.3
Total	**4.8**	**5.3**

The contingent liabilities relate to two (2010: three) guarantees, neither of which will expire within one year (2010: nil).

5.2.1.13 (XII) Employee information

Average number of employees (FTE) during the year

Number in FTE	2011	2010
Permanent staff	1,053	817
Temporary staff	216	219
Total	**1,269**	**1,036**

Staff costs in the financial year

In millions of euros	2011	2010
Salaries	65.1	53.9
External staff	37.4	39.1
Social security contributions	7.5	6.0
Pension and post-retirement expenses	16.9	8.4
Profit sharing and incentive plans	-1.0	-1.8
Termination benefits	2.0	2.4
Other staff costs	11.7	10.5
Total	**139.5**	**118.5**

Details of the remuneration of directors and the supervisory board are given in section 5.1.7.10 of the consolidated financial statements.

All staff are employed by Delta Lloyd Services BV. The costs included in the table above 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 Group IT, and include all related expenditures.

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 comes 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.

In millions of euros	2011	2010
Audit of the financial statements	3.9	4.2
Other audit services	0.7	1.8
Other non-audit services	1.0	0.3
Total	**5.6**	**6.3**

Amsterdam, 4 April 2012

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

Supervisory Board
René Kottman, chairman
Pamela Boumeester
Eric Fischer
Jan Haars
Peter Hartman
Fieke van der Lecq
Andrew Moss
Patrick Regan

5.3 Other information

Subsequent events
On 27 February 2012, Ahold announced the acquisition of Bol.com for € 350.0 million. The price was set with an effective date of 31 December 2011. Although the actual settlement date is not known, it has been agreed that Ahold will pay a fee covering the period between the settlement date and 31 December 2011. Delta Lloyd Group holds an economic interest of 23.29% in Bol.com through CF I Invest and Dasym Investments IV investment funds. The total income from the moment of investment, without the above mentioned fee, that Delta Lloyd Group will realise on the disposal amounts to approximately € 48 million. Of this, approximately € 10 million falls within the 2012 result.

Delta Lloyd Group uses the Collateralised AAA curve to measure the value of the majority of its life insurance contracts. This curve is compiled from about 400 bonds that meet specific criteria such as credit quality (AAA credit rating). The Collateralised AAA curve fell by 94 basis points at the 10-year point between 31 December 2011 and the end of March 2012. In February 2012, all the Spanish and Italian bonds were removed from the Collateralised AAA curve due to downgrades. As a result, the curve – averaged over the duration – fell by about 20 basis points. A lower curve leads to higher life insurance liabilities; this can have a significant negative effect on IFRS Equity. The sensitivity of IFRS Equity to changes in the curve is explained in section 5.1.7.1 'Risk management'. It should be noted that regulatory solvency under the IGD (Insurance Group Directive) is based mainly on the ECB AAA curve and so different sensitivities apply to IGD solvency.

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 pay-out ratio of around 40-45% of the yearly net operational result (that is, operational result after tax and non-controlling interests) on the ordinary shares. In setting the annual dividend within the targeted pay-out 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 distributions 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 2011 charged to the freely distributable reserves, being € 175.2 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 at the shareholder's option. The value of the stock dividend (dividend in shares) will be approximately the same as 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 ruling market price). Shareholders may opt until 12 June 2012 whether they wish to receive the dividend in cash or shares.

The number of shares that entitles to a new ordinary share (with a nominal value of € 0.20) will be decided after 5.30 pm on 12 June 2012, based on the weighted average closing price quoted at NYSE Euronext Amsterdam in the five trading days from 6 June 2012 to 12 June 2012.

Appropriation of profit

On the approval of the proposed dividend by the General Meeting of Shareholders, the appropriation of profit shall be:

In millions of euros	2011	2010
Addition to/ withdrawal from (-) other reserves	-290.6	-255.0
Addition to/ withdrawal from (-) other statutory reserves	-197.3	708.6
Dividend on ordinary shares	175.2	167.2
Total	**-312.7**	**620.8**

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 2011 of Delta Lloyd NV, Amsterdam as set out in section 5.1 and 5.2. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2011, 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 company financial statements comprise the company balance sheet as at 31 December 2011, the company 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 Board Report 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 2011 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 company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Delta Lloyd NV as at 31 December 2011 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 Board Report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the Board Report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Amsterdam, 4 April 2012

Ernst & Young Accountants LLP

Signed by N.G. de Jager

6 General information

The 2011 annual report is a publication of Delta Lloyd Group's Corporate Communications & Investor Relations department.
It is posted on www.deltalloydgroep.com and available as an iPad app. This app also contains our current financial press releases and presentations.

The English-language version is available on this website. If there are any differences between the translation and the original Dutch version, the latter shall prevail.

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.deltalloydgroup.com.

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: (a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and (b) 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 minus 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 of gaining insight into mutual dependencies in the development of assets and liabilities in an organisation, 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 which it does not control. Generally, it is presumed that 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 (a) loans, (b) held-to-maturity investments, or (c) 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 for the insurance liabilities of Delta Lloyd Group, being the yield curve derived from collateralised AAA eurozone 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.

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)
Post-employment benefit plan other than a defined contribution plan. Pension plans for which the amounts that have to be paid for the pension entitlements are set using a formula that is usually based on the employee's income and/or length of service.

Defined contribution plan (DC)
Post-employment benefit plan under which an entity 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 pay all current and future employee benefits.

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 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.

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)
EV 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).

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).

IBNR (incurred but not reported) provision
A provision for claims that have occurred by the reporting date but which have not yet been reported to the insurer.

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). They comprise
- (a) International Financial Reporting Standards (IFRS);
- (b) International Accounting Standards (IAS); and
- (c) 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 (the venturers).

Joint venture
See joint control.

Lapse risk
The risk that policyholders will terminate their insurance contacts 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 policies and procedures, including risks related to legal proceedings, compliance and tax.

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-standardised financial instrument that is 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 on the exercise date by the buyer, 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.

Strategic risk
The risk that targets are not achieved because Delta Lloyd Group's business units 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.

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 entity, 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
AEX	Amsterdam Exchange Index
AFM	The Netherlands Authority for the Financial Markets (Autoriteit Financiële Markten)
ALCO	Asset & Liability Committee
AOV	Occupational disability insurance (Arbeidsongeschiktheidsverzekering)
AVIF	Acquired Value of In-force Business
BaFin	The German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht)
CBS	Statistics Netherlands (Centraal Bureau voor de Statistiek)
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIO	Chief Information Officer
Coll AAA curve	Collateralised AAA curve
DB/DBO	Defined Benefit Obligation
DC	Defined Contribution
DNB	The Dutch Central Bank (De Nederlandsche Bank N.V.)
DPF	Discretionary Participating Features
ECB	European Central Bank
EIOPA	European Insurance and Occupational Pensions Authority
EMTN	Euro Medium Term Note
EV	Embedded Value
GAAP	Generally Accepted Accounting Principles
GBD	Group Business Development
GBM/V	Whole population male/female (Gehele Bevolking Mannen/Vrouwen)
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IBNR	claims Incurred But Not Reported
IFRIC	International Financial Reporting Interpretations Committee
IGD	Insurance Group Directive
IFRS	International Financial Reporting Standards
ISAE	International Standard on Assurance Engagement
KAZO	Occupational disability, sick pay and accident insurance contact committee (Kontaktcommissie Arbeidsongeschiktheid- Ziekengeld- en Ongevallenverzekeringen)
LAT	Liability Adequacy Test
LP	Liquidity Premium
MFRK	Male Female Interest Capital (Male Female Rente Kapitaal)
NBB	National Bank of Belgium (Nationale Bank van België)
NMa	Netherlands Competition Authority (Nederlandse Mededingingsautoriteit)
NYSE Euronext	New York Stock Exchange Euronext

OCI	Other comprehensive income
ORIC	Operational Risk Consortium
OTC	Over the counter
P&C	Property & Casualty
PEMBA	Differentiation in Contributions and Market Forces (Incapacity for Work Insurance) Act (Wet premiedifferentiatie en marktwerking bij arbeidsongeschiktheidsverzekeringen)
PPI	Premium Pension Institution (Premiepensioeninstelling)
PPSP	Phantom Performance Share Plan
PSP	Performance Share Plan
RCM	Risk Control Matrix
Repo	Repurchase Agreement
RfB	Rückstellung für Beitragsrückerstattungen
RMBS	Residential Mortgage-Backed Security
SAS	Statement on Auditing Standard
SEC	Securities and Exchange Commission
SIC	Standing Interpretations Committee
SPV	Special Purpose Vehicle
Stadim index	Study & Advice of investment property index (Studie & Advies in immo index)
STI	Short Term Incentive
VIP-is	Variable Incentive Plan for indentified staff
VIP-om	Variable Incentive Plan for other managers
VPU	Provision required for benefit payments (Voorziening Periodieke Uitkeringen)
WAO	Occupational Disability (Insurance) Act (Wet op de arbeidsongeschiktheids-verzekering)
Wft	Financial Supervision Act (Wet op het financieel toezicht)
WGA	Resumption of Work (Partially Disabled Persons) Regulation (Regeling werkhervatting gedeeltelijk arbeidsgeschikten)
WIA	Work and Income (Capacity for Work) Act (Wet werk en inkomen naar arbeidsvermogen)
Wwft	Anti-Money Laundering and Anti-Terrorist Financing Act (Wet ter voorkoming van witwassen en financieren terrorisme)

6.4 Contact

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