Annual Report 2013

3 April 2014

delta lloyd

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1. Report of the Executive Board

The report of the Executive Board provides an integrated view on our financial and non-financial performance in 2013. Specific details and disclosures on risk management, corporate governance, responsible entrepreneurship and our financial statements can be found in the section 3 Certainty, section 4 Sustainability and section 5 Financial Statements respectively.

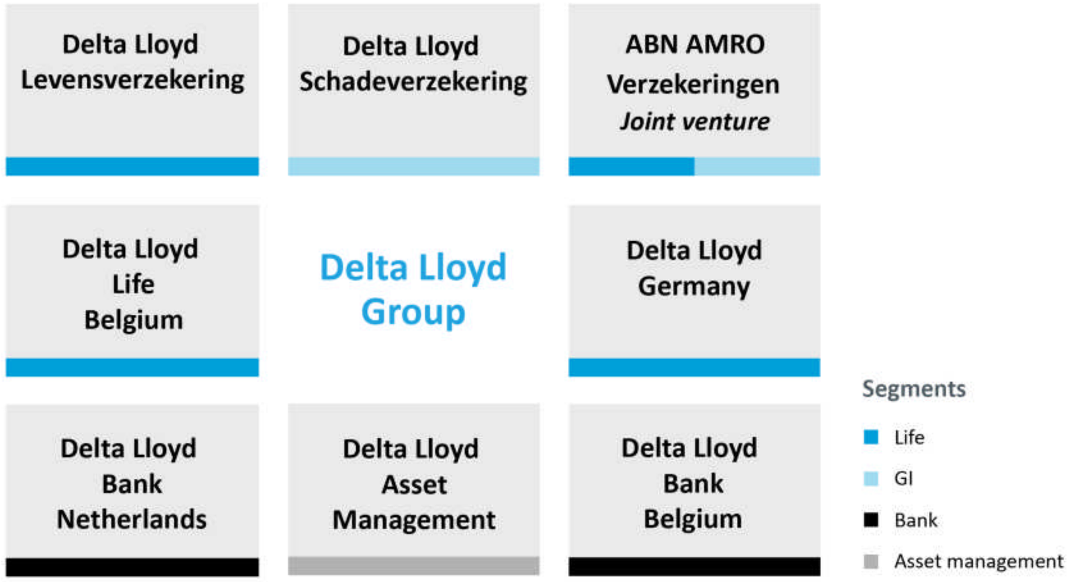
1.1. Profile Delta Lloyd Group

Our mission and ambition
Delta Lloyd Group is an expert, reliable and accessible financial services provider. We have been a trusted partner for insurance, pensions, investing and banking since 1807. It is our goal to offer financial security, now and in the future. We deliver clear, reliable and contemporary products and services that meet our customers' needs and creates value for them, our shareholders and our employees.

Our customers' interests are central. This is the basis of our long-standing relationships and is essential to our way of working.

Our main markets are the life, pension and general insurance market in the Netherlands and life and pensions in Belgium, where we aim to be among the top three and top five insurers respectively. We seek to increase our market share, driven by a solid financial position, strong long-term focus and advanced risk management. We take our corporate responsibility seriously. In particular we focus on integrity – our licence to operate – putting our customers central, community involvement and being a good employer.

Delta Lloyd Group is listed in Amsterdam and Brussels and Delta Lloyd Levensverzekering NV and Delta Lloyd Schadeverzekering NV are rated A by S&P with a stable outlook.



Our businesses

Life Insurance

Delta Lloyd focuses on providing group pensions, but also offers a range of life insurance products through independent financial advisors. In the Netherlands, we sell life insurance under the ABN AMRO Verzekeringen brand, a joint venture with ABN AMRO Bank, and under our OHRA brand, which sells life insurance products online directly to retail customers. In Belgium, individual and group life insurance is sold under the Delta Lloyd brand and distributed through independent advisors and our own network of bank branches and tied agents. BeFrank is a joint venture with BinckBank. It is the first premium pension institution (PPI) in the Dutch market and offers innovative group pension products at a very low cost. Delta Lloyd's German operations are in run-off and do not undertake any commercial activity.

General Insurance

We offer a broad range of general insurance products for retail and corporate customers, mainly in the Netherlands. These are distributed through various channels, including independent advisors, brokers, pools, underwriting agents, bank branches and online. Delta Lloyd insures several niche markets, such as pleasure craft, clean technology, technical installations and production facilities.

Bank

Our Dutch banking activities centre around mortgages and so-called *banksparen* products – tax efficient savings. These are distributed through our sales channels. In Belgium, Delta Lloyd Bank primarily serves middle and high-end retail customers seeking advice on their financial future. The decision to sell our Belgian banking business, which we took in 2013, will not affect our distribution network for pension and insurance products in Belgium. It is our aim for the transaction to include a long-term distribution agreement between Delta Lloyd Life and the bank.

Asset Management

Delta Lloyd Asset Management is an independent asset manager within Delta Lloyd Group. It manages the assets of Delta Lloyd Group's various business lines. It also offers a range of investment funds for institutional and retail customers (via Dutch retail banks) and discretionary mandates for institutional customers. Remaining investments involve real estate, third-party institutional and retail assets.

1.2. Highlights

IFRS result

168m

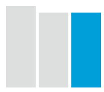
read more

n.m. ▲

Operational expenses

772m

read more



KKV hallmark

read more

Customer Satisfaction (NL)

7.39

read more

1.5% ▲

Operational result

430m

read more

NAPI

431m

read more

8% ▲

Employees (FTE)

5,788

read more

4 ▲

Total shareholder's return

59%

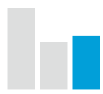
read more

56pp ▲

Shareholders' funds

2.6bn

read more



Financial literacy

read more

COR

97.7%

read more

-0.2pp ▼

IGD group solvency

184%

read more

7pp ▲

1.3. Executive Board Chairman's message

Delta Lloyd had a good year in 2013. Our market share grew in the Netherlands and Belgium, we reinforced our leading position in the Dutch pensions market and, most importantly, our customers are increasingly satisfied.

This is underlined by the fact that we are a leading pensions provider in the Netherlands and more Dutch home owners chose Delta Lloyd for their mortgages in the recovering housing market. Why are they choosing us? Because customer satisfaction is an absolute priority for Delta Lloyd. We offer products that are easy to use, easy to understand and offer value for money. We listen to what our customers say. And we simplified our organisation and the way we work so we deliver better service – and at the same time lowered our own costs without compromising on quality.

Of course, we didn't always get it right and there is certainly room to further improve. Two of our Dutch labels – OHRA and Delta Lloyd – were reassessed in 2013 for the KKV quality hallmark because our response times to customer emails was not good enough. We worked hard to improve this during the year and retained both hallmark following the outcome of the assessments in March 2014. Surveys also show customer satisfaction improved at all our Dutch labels and in Belgium.

Our people

Credit for this must go to our employees, who worked hard in 2013 to drive the customer experience. People are at the heart of what we do and there is a strong connection between an engaged workforce and the performance we deliver. Our employees are the guardians of our brand. That's why we do our utmost to offer a motivating and rewarding work environment. We are also involving our staff more closely in developing our strategy for the coming years. We use scenario planning to guide our strategy. These scenarios give us greater understanding of the dynamics driving our future environment and allow us to act upon and mitigate the uncertainties and risks. In 2013, we finalised our scenarios for 2035, and will review our 'Future Secured' strategy later this year. Delta Lloyd operates in a fast-changing, increasingly digitalized environment. This will require a smaller but more adaptable and flexible workforce. The challenge is to keep our staff motivated and involved while adapting to these changes.

Restoring trust

Restoring public trust in our sector is crucial, and it won't be easy. Every bank and insurer – and certainly also every pension fund – must deliver on what it promises. That is key for trust.

Shareholders

For our shareholders 2013 was also an excellent year. We posted a total return of 59% after Aviva sold its remaining stake. We consistently continued our efforts to strengthen our position in the Dutch and Belgium markets and further improve our solid capital position. Because we want to focus on the Belgian life insurance market we took the decision to sell off our Belgian banking activities and acquired ZA Verzekeringen, which has a product offering that ties in well with our ambition to become a leading player in Belgium. As a sign of our commitment to Belgium we cross-listed there in January and were included in the BEL-20 index. And in the Netherlands, our achievements were recognised with the inclusion of Delta Lloyd in the AEX index in March 2014.

Public spending
Overall, I am optimistic about the potential of the Netherlands. There are signs of a recovery. Consumers are more confident about spending, the housing market looks to have bottomed out and financial markets are picking up. The Netherlands has a great competitive position. We are internationally-orientated, have a good education system, a highly-skilled working population, a daring enterprise culture, flexible, multicultural society, an impressive level of health care and a strong research and technology base.

However, despite government austerity measures introduced during the crisis, public spending is still too high. Expenditure on government, semi-government and social provisions in the Netherlands has risen to over 50% of the gross domestic product. Precisely in times of crisis we should lower public spending and encourage initiatives and developments in the private sector.

That’s one of the reasons Delta Lloyd launched an initiative with eight other insurers to invest in small businesses in the Netherlands. We also set up a fund with NIBC bank to finance medium-sized enterprises. These small and medium-sized businesses have struggled the most to get funding through the crisis. I also led a commission looking at financing solutions for these entrepreneurs, who are the backbone of our economy.

Sustainability
Delta Lloyd doesn’t just help our customers, shareholders and employees. We also work to improve the lives of less fortunate people, in the form of the financial self-reliance projects run by the Delta Lloyd Foundation. The Foundation is committed to helping and encouraging people who find it difficult to get their finances in order. In 2013, approximately 450 employees volunteered their knowledge and expertise to help others. As an insurer and an investor we have an important role to play in society, and a responsibility to contribute to society’s well-being. We take this duty seriously and in 2013 Delta Lloyd was ranked number two out of 141 insurers worldwide in the Sustainalytics annual report on environmental, social, governance (ESG) performance. We identify strongly with the principles of the United Nations Global Compact and the Principles of Sustainable Insurance to encourage sustainable business practices, which blend seamlessly with our own vision of sustainable business.

Optimist
In September, we introduced a new marketing campaign in the Netherlands called ‘Optimist’. The voyage of the boy in his boat – the Optimist – is a metaphor for how Delta Lloyd helps customers to navigate financial challenges.

Delta Lloyd made real progress in 2013 and with the economy looking up, there is reason to be optimistic as we navigate towards the future.

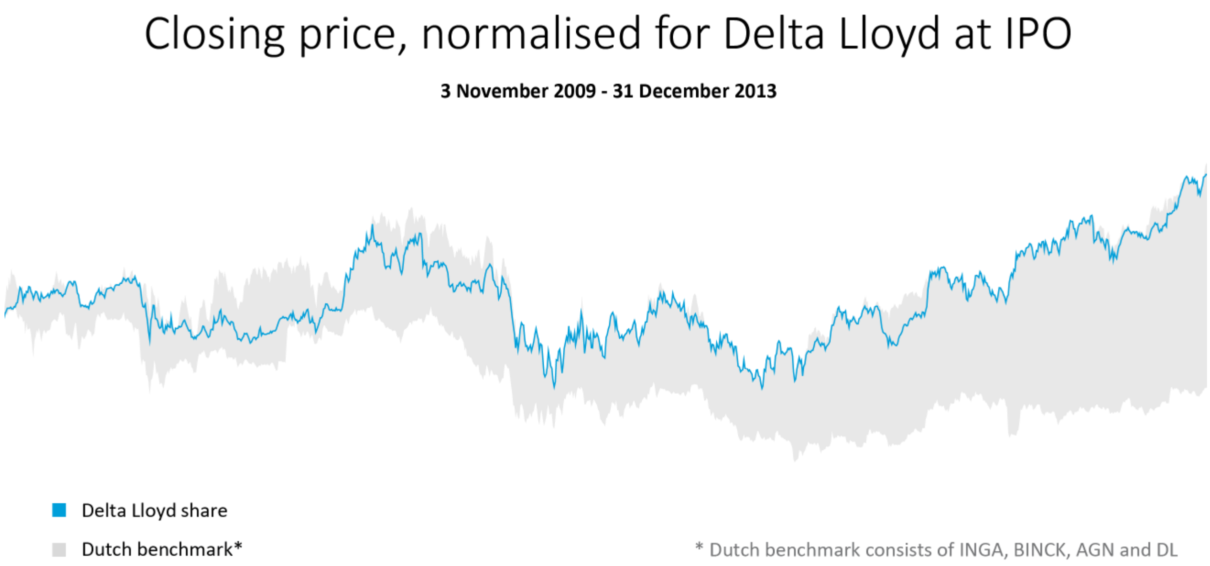
That is also why I believe this is a good moment for a careful transition to a new chairman, as I will step back in the coming year and take early retirement with effect from, at the latest, the Annual General Meeting in May 2015. This leaves time for a thorough process to appoint and integrate my successor.

Niek Hoek
Chairman of the Executive Board

1.4. To our shareholders

European stock markets enjoyed bumper gains in 2013 as investors grew more optimistic and eurozone crisis fears eased. Amsterdam's AEX-index ended the year 17.3% higher. Interest rates on government and corporate bonds remained on historically low risk premium levels due to the continuing search for yield.

Delta Lloyd's share price (dividend adjusted) increased by 59.6% in 2013, well ahead of every other Dutch financial institution and the benchmark AEX index.

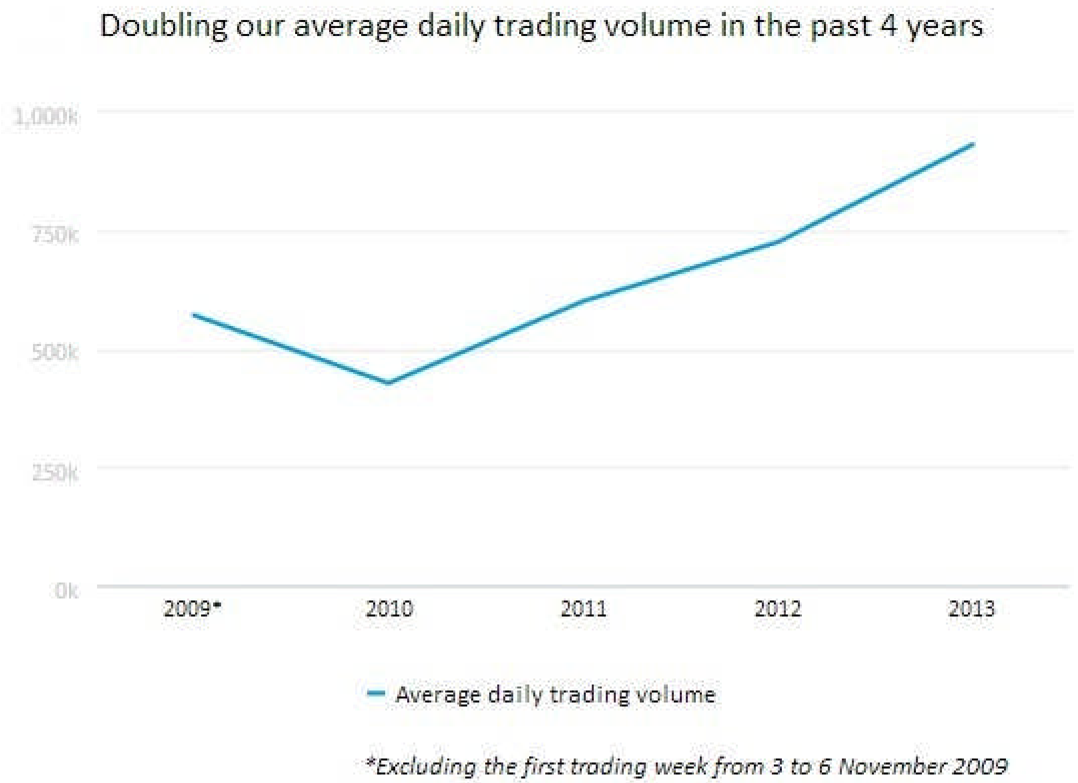


The sale of Aviva's remaining stake in Delta Lloyd in January relieved pressure on the share price that had been caused by investor anticipation of the shares coming to the market and removed the so-called 'Aviva overhang'. The stock rallied after the placement on 8 January and maintained its upward momentum through the rest of the year, helped by the general uptick in European stock markets.

Delta Lloyd shares rose to € 18.04 from € 11.31 (closing price 2012 of € 12.34 adjusted for € 0.61 final dividend 2012 and € 0.42 cash interim dividend 2013).

The trading volume (number of traded shares x share price) of Delta Lloyd shares increased by 45% compared to 2012 to around € 290 million per month, despite an overall decline in market liquidity and volume. Delta Lloyd's trading volume increased mainly because of the expansion of the free float by 35% through the sale of the last Aviva stake in January 2013 and the optional dividend payments in stock during the year.

Nineteen analysts follow the Delta Lloyd share (2012: 20). We are also increasingly recognised by sustainability bodies and there is more appreciation for our efforts in this area.



The Delta Lloyd share in 2013

On 24 March 2014, NYSE Euronext Global Index Group announced Delta Lloyd shares will be listed in Amsterdam's benchmark AEX-index, with a weighting of 1.12% effective 24 March (2013: AMX member with a weighting of 8.9%). For inclusion in the BEL20 index from 18 March 2013, an indicative weighting of 3.5% was applied.

Figures per share

In euros, based on total number of shares outstanding at 31 December	**2013**	**2012**
High (30 December, 8 February)	18.20	14.91
Low (4 January, 13 June)	12.42	9.32
Closing price (31 December)	18.04	12.34
Market capitalisation Delta Lloyd Group (in millions of euros)	3,435	2,180
Result (IFRS) after tax and non-controlling interests	0.88	-8.53
Operational result after tax and non-controlling interests	2.26	2.31
Shareholders' funds	13.76	13.16
Group European Embedded Value	23.35	22.85
Return on Equity	18.6%	10.5%
Closing price / operational result after tax and non-controlling interests (P/E ratio)	7.98	5.34

1.4.1. Developments in 2013

Aviva sells the last Delta Lloyd stake in January 2013
On 8 January 2013, Aviva placed its remaining 34.288.795 million shares (19.4% of the ordinary shares) with institutional investors through an accelerated book-build. The placement was oversubscribed, reflecting huge investor interest in Delta Lloyd's shares. After the final placement, Delta Lloyd Group's free float amounted to over 99%.

On 23 January 2013, Delta Lloyd listed on Euronext Brussels. No new shares were placed. On 18 March 2013, we were included in Belgium's benchmark BEL20 index. Our primary listing remains on NYSE Euronext Amsterdam. The cross-listing underlines the importance of Belgium as our second home market and reinforces our profile and visibility in the banking and pensions market there. It also strengthens our strategic flexibility, diversifies our shareholder base and creates broader access to the capital market. The cross-listing does not give rise to significant additional reporting requirements or costs.

Fonds NutsOhra
Fonds NutsOhra converted three million preference shares A (nominal value € 0.20 per share) into ordinary shares Delta Lloyd, against an additional payment of € 30.742 nominal per share. The conversion was funded through the Fonds NutsOhra subordinated loan to Delta Lloyd. This reduced the nominal value of the subordinated loan by € 92.2 million. The ordinary shares Delta Lloyd were sold to an institutional investor through a private placement. As a result, Fonds NutsOhra's voting rights decreased to 5.19% from 6.74%.

Belgian ZA Verzekeringen acquisition and accelerated book-build
On 24 September 2013, Delta Lloyd completed an equity offering of four million new ordinary shares (2.1% of the issued share capital) through an accelerated book-build. The shares were sold at a price of € 15.74 per new ordinary share (without a discount). The Annual General Meeting of shareholders authorised Delta Lloyd to issue new ordinary shares up to 10% of the issued share capital. Delta Lloyd used the net proceeds of the offering to finance the acquisition in Belgium of ZA Verzekeringen (ZA) that was announced on 20 September 2013.

1.4.2. Annual General Meeting of Shareholders

The annual General Meeting of Shareholders will take place in the Amsterdam Concertgebouw on 22 May 2014. Further details will be announced via www.deltalloydgroep.com. Information about the structure of the meeting, admission and voting rights is included in section 3.1.5. of this report.

Financial calendar 2014	
Date	
03 April 2014	Publication of online financial and sustainability annual report 2013, publication Embedded value report 2013
08 May 2014	First quarter 2014 interim management statement
22 May 2014	Annual general meeting
07 August 2014	Publication results first six months of 2014
06 November 2014	Third quarter 2014 interim management statement
21 November 2014	Investor day

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

1.4.3. Dividend 2013 stable

Based on our operational result after tax and non-controlling interests, Delta Lloyd Group proposes to declare a dividend of € 1.03 per ordinary share for 2013, unchanged from 2012. The dividend, which amounts to € 194.5 million, is available from the freely distributable reserves. The total interim dividend paid for 2013 was € 0.42 per ordinary share. This means the final dividend for 2013 is € 0.61 per ordinary share.

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

Shareholders can choose to receive the dividend payment entirely in cash or entirely in shares. The value of the stock dividend has a premium of approximately 4% above the value of the cash dividend and will be paid out of the share premium reserve. The final dividend for 2013 on ordinary shares will be paid after the approval of the annual General Meeting on 22 May 2014.

To calculate the value of the dividend, we use a share fraction based on the weighted average share price over a period of five trading days (to take the prevalent market price into account), prior to the definitive determination. Shareholders have until 11 June 2014 to choose whether they want to receive the dividend in cash or in shares. If no preference is made clear, the dividend will be paid in ordinary shares.

The number of dividend coupons entitling the holder to one new ordinary share (with a nominal value of € 0.20) will be determined on 11 June 2014 after 5.30 p.m. These will be based on the weighted average closing price on NYSE Euronext Amsterdam for the five consecutive trading days from 5 to 11 June 2014.

Dates for dividend

Date	
26 May 2014	Ex final dividend 2013
28 May 2014	Record date
29 May 2014	Start of election period
11 June 2014	End of election period
19 June 2014	Payment date
11 August 2014	Ex interim dividend 2014
13 August 2014	Record date interim dividend
14 August 2014	Start of election period interim dividend
27 August 2014	End of election period interim dividend
04 September 2014	Payment date interim dividend

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

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

1.4.4. Transparency and consistency

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

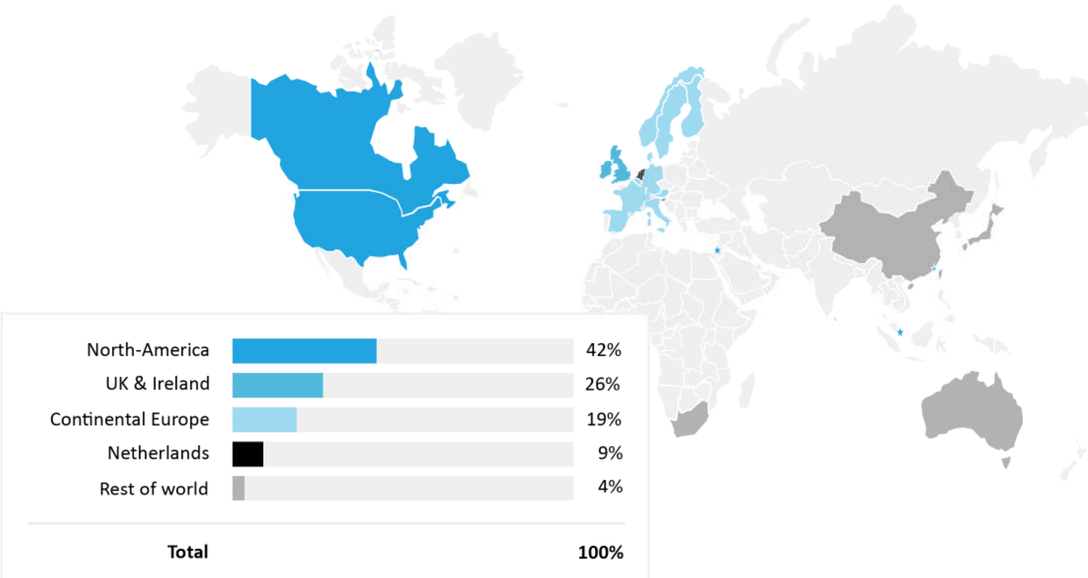
In 2013, Delta Lloyd again organised an Investor Day. On 18 November, members of the Executive Board and the management team gave presentations on our strategy, market performance, market developments and financial targets. These presentations could be followed live via webcasts and the main messages were assembled and distributed in a press release.

1.4.5. Allocation of Delta Lloyd shares

Outstanding shares at 31 December 2013

	Voting rights (%)	Ordinary shares (number)	Ordinary shares (%)	Preference shares A (number)	Preference shares A (%)
Free float	95.0%	190,421,962	99.3%	-	0.0%
Fonds NutsOhra	5.0%	-	0.0%	10,021,495	100.0%
Treasury shares	0.0%	1,375,568	0.7%	-	0.0%
Total	**100.0%**	**191,797,530**	**100.0%**	**10,021,495**	**100.0%**

Geographical share allocations



Major shareholders (more than 3% of ordinary shares) on 31 December 2013

- Greenlight Capital, New York
- Massachusetts Financial Services Company, Boston
- Wellington Management Company, Boston

1.5. Our strategy

Delta Lloyd's goal is to offer financial security, now and in the future. We deliver clear, reliable and contemporary products and services that meet our customers' needs and creates value for them, our shareholders and our employees. This is the core of our 'Future Secured' strategy.

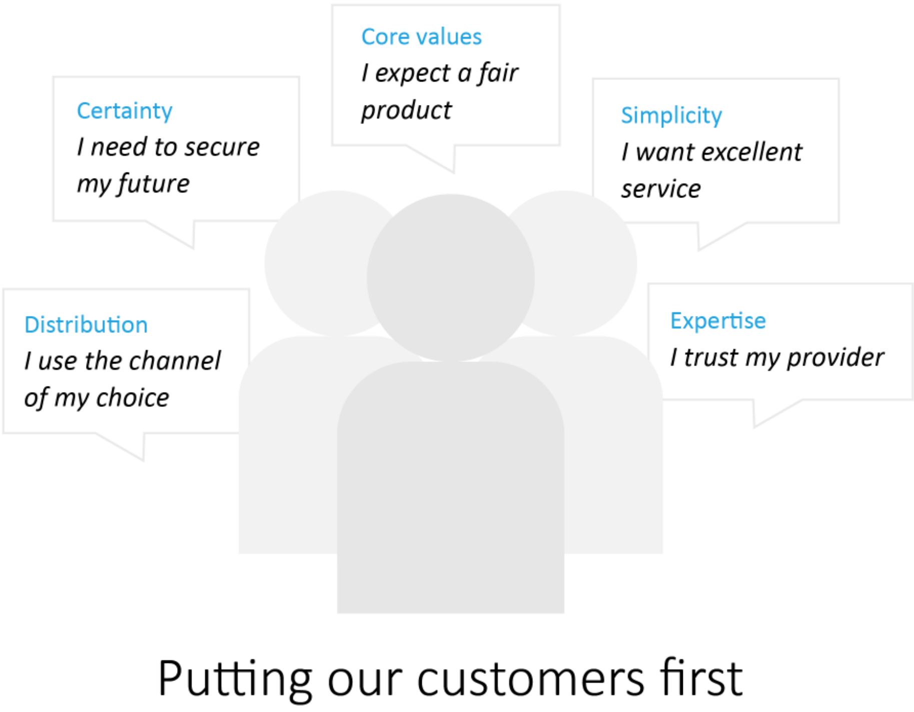
1.5.1. Strategic pillars

Our strategy rests on five pillars:

- **Certainty**: We want to be the most solid and trustworthy provider of financial services. This is how we contribute to a sustainable and certain future for all stakeholders.
- **Distribution power**: We use multiple channels to connect with our customers and distribution partners in an ever more mobile market place. We develop innovative products that are tailored to fit customer needs.
- **Simplicity**: Easy-to-understand products, transparent communications and simple processes all lead to better customer service and minimise costs.
- **Expertise**: Knowledge leads to innovation and makes us more competitive. Expertise underlies our competence and trustworthiness. It helps us to be the financial service provider of choice. This requires high professionalism within our organisation.
- **Our core values**: Respect is at the heart of how we do business. Honest, approachable and working together are the three values that guide us in everything we do and determine our corporate culture and identity. We want to do the right thing in business and deliver sustainable value. What is good for our customers is good for all our stakeholders and for us as a company.

1.5.2. Our business model

This diagram illustrates the way our customers' needs are linked to our strategic pillars.



Core values
We use our expertise and experience to develop products and services that meet our clients' needs and wishes. These products are cost-efficient, useful, reliable and easy to understand.

Distribution power
Clients naturally have a choice in where and how they obtain their financial services. We make sure we give them sufficient options. We sell our products online, through our contact centre, via independent advisors or through ABN AMRO or Delta Lloyd Bank.

Expertise
We invest the money that our customers pay to us. We do this in various ways, such as by investing in shares, government and corporate bonds, mortgages, real estate or providing company loans. We continuously assess and manage risks and opportunities attached to our investments and our capital position. This is fundamental to how we work. We don't take unnecessary risks when we sell insurance policies or when we invest our customers' money. We deliver what we promise.

Simplicity
For all our labels, our customers can rely on us for good and fast service, transparency about the fees we charge and top-quality service that meets the standards of the KKV hallmark for customer-focused insurance. We make sure we are always accessible to our customers and respond promptly and correctly to their questions and requests. That's good for our customers, but it's also more efficient because it means we can help more customers in less time.

Certainty
We enable people to acquire possessions or secure their financial future by building a pension or wealth. We pay the agreed amount to people who make a claim or receive a monthly pension or other benefit, or when an annuity expires. This is paid immediately or in fixed instalments over an agreed time period.

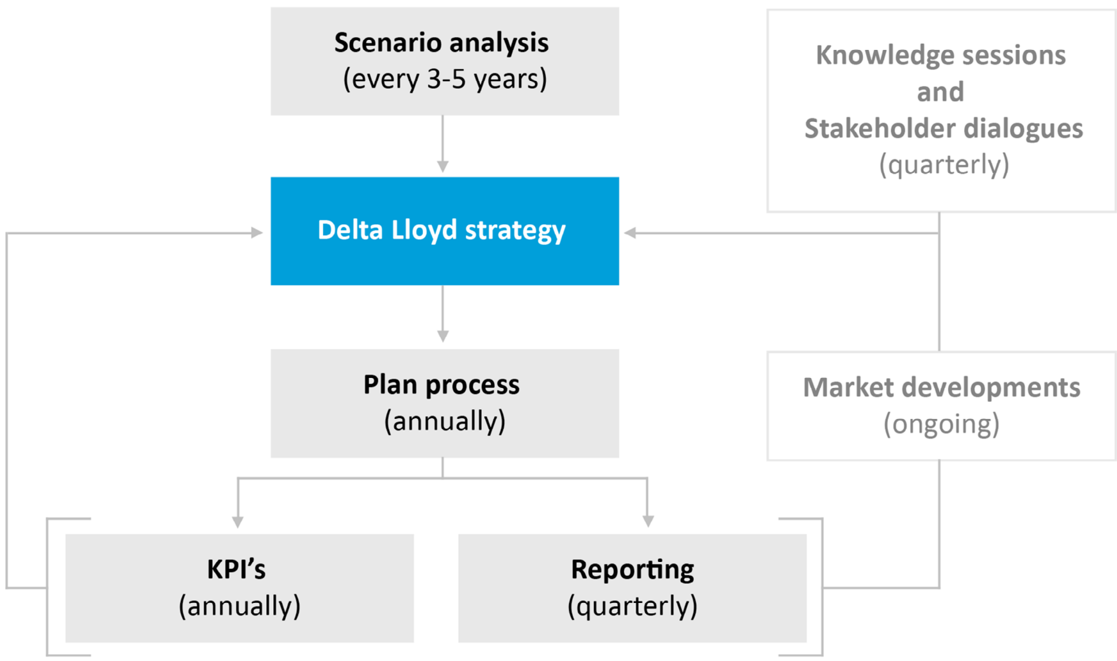
Brand positioning
This diagram shows the positioning of our brands towards our main target groups.

Brand positioning

Brand	Delta Lloyd	OHRA	ABN AMRO Verzekeringen	Delta Lloyd in Belgium
Focus	Insurance, pensions, mortgages and asset accumulation	General insurance, health insurance	Individual life and general insurance and commercial general insurance	Protection (death and disability benefits) and pensions (pension savings and investments)
Target groups	Large companies, small and medium enterprises, the self-employed and retail customers	Retail customers	Clients of ABN AMRO	Companies, small and medium enterprises, the self-employed and retail customers
Channel	Primarily advice-based	Primarily online	Distribution channels of ABN AMRO bank (integrated approach offering independent advice and direct services)	Primarily advice-based, including Delta Lloyd Bank

1.5.3. Scenario thinking

When we devise our strategy we take into account scenarios outlining possible directions for our business in the future. The scenarios analyse social, economic and market trends that are not under our direct influence and how they could shape our business environment in 15 or 20 years. Based on this, we can make strategic decisions that allow us to act upon opportunities and mitigate uncertainties and risks.



We have used scenarios since 2004 to guide our strategy. Scenario thinking is embedded in our management and control processes. It determines the choices we make and the areas we focus on when we plan our business activities. Our current Future Secured strategy is based upon the findings of the scenarios formulated in 2009.

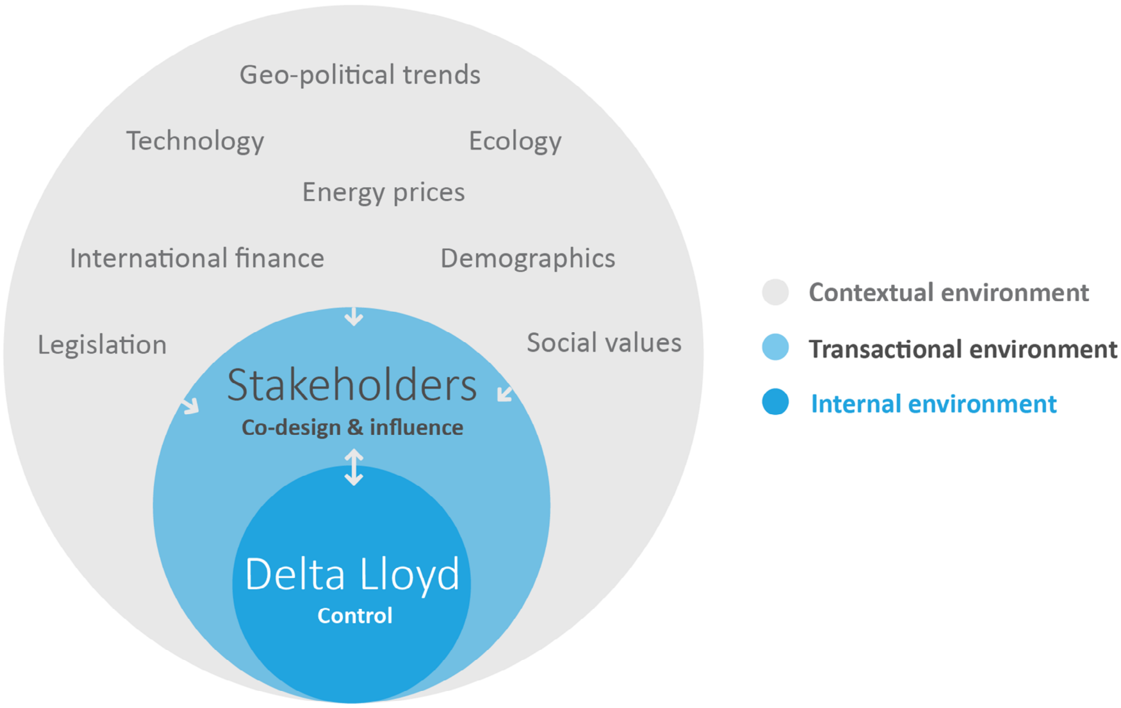
These showed a changing financial and insurance market in which customers demands are becoming more diverse, there is a drive for greater transparency, regulation is increasing and there is ever greater reliance on digital technology. As a result, our five strategic pillars centre around providing certainty, distribution, simplicity, expertise and our core values, with customers at the heart of everything we do.

By using the input from the scenarios Delta Lloyd gained a clear advantage because we were more agile in turbulent markets, expanded our market share, amplified customer satisfaction and lowered our costs, giving us a sound basis for sustainable profitability.

1.5.4. Mapping the future

Every three to five years we update the scenarios we use to guide our strategic direction, reassess our core competences against what is required to remain successful and refine our strategy based on the new findings. Between these five-year cycles we regularly assess our strategic progress and plan our annual budget and three-year business objectives using input from senior management, quarterly feedback and discussions with an advisory board on strategic topics.

In 2013, we went through the process of updating the scenarios. We formulated the scenarios using input from our own senior executives and key personnel, external experts, international opinion leaders and in-depth research into past trends and future events.



Source: Rafael Ramirez, Kees van der Heijden

The process was concluded at the end of 2013. It identified three scenarios that map out the world in 2030-2035. These are:

- **Global market places**: A business-driven world in which nation states have taken a step back, barriers are lower and accelerated connectivity and digitalisation are creating purposeful networks to address global challenges in multiple markets.
- **Fragmented earth**: Power has shifted to Asia and living standards in Europe have fallen. Europeans are having to adapt to a simpler way of life.
- **Tech world**: Technology is driving development and prosperity as well as posing new challenges and dilemmas.

The new scenarios were published in an iPad app in February 2014. We are conducting workshops to examine how each scenario could affect different aspects of Delta Lloyd's business in the future, and address specific themes around each such as IT, big data and culture and leadership. The scenarios are the basis for our strategic planning process. We will match the outcomes of the workshops with an assessment of our core organisational competences, resulting in a strategy update for Delta Lloyd by mid-2014.

1.5.5. Corporate competences

If we want to achieve our strategic goals we have to have the right competences in our organisation. Delta Lloyd already excels in areas such as risk management, asset management, multi-channel distribution and niche-specific knowledge and expertise. We have to maintain these competences and, where possible, raise them to an even higher level. In addition, we have identified four areas to develop further to realise our growth strategy:

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

We should also develop areas such as operational excellence and process management, human resource management, IT, costs and efficiency, strength in execution, know-how in virtual technologies and culture, time to market, marketing, transparency and customer knowledge. To strengthen Delta Lloyd's market position, we apply three complementary and mutually reinforcing business strategies to our portfolio: asset strategy, volume strategy and multi-niche strategy (i.e. being active in several small specific markets).

1.5.6. SWOT analysis

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

SWOT Analysis	
Strengths	**Weaknesses**
Multi-channel, multi-label distribution	Insufficient chain integration
Leading in customer satisfaction in commercial markets	Complex ICT infrastructure, legacy systems
Dominant position (esp in group Life) in the Netherlands and growing presence in Belgium	Risk and return monitoring per product
Local expertise through focus on home markets	The Netherlands and Belgium are mature markets
KKV hallmark for all brands	
Prudent risk management	
Financial transparency (marked-to-market)	
Successful long-term partnerships / joint ventures	
Strong execution power and cost management	
Opportunities	**Threats**
Transfer of company pension funds due to better pricing environment	Changing financial market environment (political, economic, margin pressure) impact long term profitability and business model
New parties / functions in distribution chain	Dutch regulatory environment
Need for trusted financial partners	Severe pricing pressure in retail market
Increasing share of online service and distribution	Ageing population is leading to changes for mortgages / insurance (longevity)
Changed legislation / regulations for life, pension and mortgages market	Organic growth difficult in saturated markets
Embedding ESG principles in business model	More specialised providers in pensions market

1.5.7. Focus for 2014-2016

We continue to pursue our Future Secured strategy pending the outcome of the strategy review based on the scenarios formulated in 2013. This means our focus remains fixed on distributing products and services that people want through the channels of their choice; lowering our costs and simplifying our organization and processes even further; investing in knowledge and innovation and making our business more sustainable.

We are making it a priority to increase our IGD Group solvency to more than 200% by the end of 2014, providing our stakeholders with even more certainty about our financial solidity.

1.6. Governance

Delta Lloyd is a public company based in the Netherlands and listed in Amsterdam and Brussels. As such it is subject to the Dutch Corporate Governance Code. It has a two-tier board structure that comprises the Supervisory Board and the Executive Board. A third governance body is the General Meeting of Shareholders.

The articles of association, various by-laws and other corporate governance-related documents can be found on our website (www.deltalloydgroep.com). There is more information about corporate governance in section 3.1. of this report.

In January 2013, Aviva sold its remaining stake in Delta Lloyd, ending the governance arrangements with Aviva.

1.6.1. Supervisory Board

The Supervisory Board advises and supervises the Executive Board in carrying out its duties and monitors the policies and affairs of Delta Lloyd Group and its business. In August 2013, the Supervisory Board announced the appointment of Jean Frijns as its chairman effective from 1 January 2014. He succeeded René Kottman, who resigned after having served seventeen years on the Board.

Each Supervisory Board member serves on two Supervisory Board committees, which address specific issues. These are the Audit Committee, Remuneration Committee, Nomination Committee and Risk Committee.

Composition of the Supervisory Board

From 1 January 2014

Jean Frijns (1947, Dutch)
Jean Frijns is a professor emeritus of investment theory and former chairman of the Dutch corporate governance committee. He was appointed to the Supervisory Board in 2012, and has been the chairman since January 2014.

Eric Fischer (1946, Dutch)
Eric Fischer is vice-chairman of the Supervisory Board. Previously he was professor of applied economic research at the University of Amsterdam. He was appointed to the Supervisory Board in 2006.

Jan Haars (1951, Dutch)
Jan Haars was formerly the chief financial officer of Corio NV. He was appointed to the Supervisory Board in 2006.

Peter Hartman (1949, Dutch)
Peter Hartman is vice-chairman of Air France KLM SA. He was appointed to the Supervisory Board in 2010.

Fieke van der Lecq (1966, Dutch)
Fieke van der Lecq is professor of pension markets (APG Chair), at the Erasmus School of Economics. She was appointed to the Supervisory Board in 2010.

Patrick Regan (1966, British)
Patrick Regan is chief financial officer of Aviva plc. He was appointed to the Supervisory Board in 2010.

Clara Christina Streit (1968, German and US)
Clara Christina Streit is a former director of McKinsey & Company Inc. She was appointed to the Supervisory Board in 2013.

1.6.2. Executive Board

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

Composition of the Executive Board

Niek Hoek (1956, Dutch)
Before joining Delta Lloyd in 1997, Niek was director investments at Shell Pension Fund and CEO of Shell Uruguay. He was appointed to the Executive Board in 1997 and became chairman in 2001.

Paul Medendorp (1954, Dutch)
Paul joined Delta Lloyd in 1994 and was appointed to the Executive Board in 2003. Before that he was chairman of Delta Lloyd Deutschland and director of Delta Lloyd Levensverzekering.

Emiel Roozen (1968, Dutch)
Emiel joined Delta Lloyd in 2002. He was appointed to the Executive Board in 2010 as Chief Financial Officer. Before this, he was managing director of Delta Lloyd Levensverzekering and CFO of Delta Lloyd Bankengroep.

Onno Verstegen (1963, Dutch)
Onno joined Delta Lloyd in 1995 and was appointed to the Executive Board in 2011. His previous positions include managing director of Delta Lloyd Verzekeringen and chief commercial officer of ABN AMRO Verzekeringen.

1.7. Risk management

Risk management is fully embedded in our daily operations. It seeks to identify and manage risks that may arise from our business, from the market and from the regulatory environment. We continuously manage risk and closely monitor internal and external developments.

1.7.1. Top five risks

We have identified the following five risks as having the greatest potential effects on Delta Lloyd Group:

- Unclear solvency framework and regulatory guidance
- Sustained low-interest yield environment
- Longevity
- Default risk of mortgages in depressed real estate markets
- Impact of monetary policy changes on financial markets

(1) Unclear solvency framework and regulatory guidance
There were numerous regulatory changes in 2013 and even more are expected. These new rules will have implications for insurers, especially the introduction of Solvency II. However, there is still a high level of uncertainty about various elements and timing of the legislation and no clear guidelines for its implementation.

Not knowing, for example, how much capital Delta Lloyd must set aside, holds a risk that we under or overestimate our capital position. Without clarity or guidance Delta Lloyd could make incorrect investment and risk-return decisions. In the Netherlands, the theoretic solvency criteria (TSC), introduced in 2014, will make it harder for Dutch insurers to compete on a level European playing field as our capital becomes less flexible and long-term guarantees could become more expensive. This raises the risk that our credit rating is less market appreciated or that investors doubt the ability of Delta Lloyd entities to pay dividends.

The uncertainty around Solvency II regulation has decreased since the release of the Omnibus II proposal but a high level of uncertainty still remains. Next to this, there is still a risk that the Internal Model developed by Delta Lloyd is not, or not entirely, approved by the regulators.

To mitigate these risks as far as possible, Delta Lloyd has taken the following actions:

- Decided to sell Delta Lloyd Germany or Delta Lloyd Bank Belgium to release the required capital.
- Optimise net capital consumption per product group.
- Re-evaluate and improve asset liability management, based on the adjusted Solvency II guidelines.

(2) Sustained low-interest yield environment

Interest rates are at all-time lows and there are no indications they will rise in the immediate future. Over a longer period this poses several challenges.

- It significantly increases the price for long-term minimum guarantees.
- Insurance products become less attractive for clients to buy.
- Lower yields put pressure on margins and thus pressure on solvency levels.
- The running yield on the asset portfolio could decrease, or the inherited risk of investments to maintain yield could increase.

Delta Lloyd has taken the following actions to mitigate it:

- Lowering guarantees on the Belgium Life business.
- More focus on defined contribution business.
- Diversifying to spread products like private loans and mortgages, infrastructure and property.
- Regularly evaluating and optimising risk/return balance.

(3) Longevity

Advances in medicine, better education and higher incomes all lead to increased life expectancy. This is a long-term trend that can potentially lead to payout levels far higher than we anticipate. We apply the most recent mortality rate prognoses and actively monitor trends to anticipate our exposure. New solvency regulations also require us to hold more capital to cover higher payouts to policyholders with a longer life expectancy.

Longevity risk brings with it a high amount of required capital under theoretic solvency criteria and in the standard formula of Solvency II.

To mitigate this risk, Delta Lloyd has taken the following actions:

- We extensively analyse life expectancy within our portfolio using a wide range of external data, mortality forecast models and reports to determine stringent provisions for this risk.
- When pricing policies and assessing risk we take into account the expected decrease in mortality rates for the next 50 years.
- We are considering various forms of longevity hedges and transfers.

(4) Default risk of mortgages in depressed real estate markets

There is a risk of lower returns on real estate and mortgages caused by the downturn in the Dutch economy, which pushed down property prices. In the commercial real estate market vacancy rates are up and property prices are down.

The negative impact of lower valuations on Delta Lloyd’s real estate portfolio, which is reported on market value and reassessed twice a year, was € 72 million lower at year-end 2013. The total portfolio is currently valued at € 2.7 billion.

Similarly, in the residential market, S&P forecast a 1% decline in houses prices in 2014. As a mortgage provider, we saw slightly more mortgage arrears in our portfolio. In the longer term, housing prices are expected to stabilise and become more affordable as the economy improves.

We have taken the following actions to mitigate this risk:

- We will not increase investments in office and retail space and, where possible, sell part of this portfolio or find alternative uses.
- We have implemented a pilot to preventatively manage our mortgage portfolio, improve our systems and simplify our processes.
- Stricter lending conditions to attract lower-risk mortgages.
- A dedicated team to identify mortgage arrears sooner and manage late payments.
- Periodic stress tests to determine the adequacy of our capital position in adverse scenarios.
- Align impairment policies with Delta Lloyd Asset Management.

(5) Impact of monetary policy changes on financial markets

Changes to monetary policy by the European Central Bank (ECB) and US Federal Reserve (Fed) could lead to unexpected movements in financial markets that culminate in financial losses. For example, quantitative easing (QE) as a way to stimulate the economy has led to historically low interest rates. This in turn had an impact on equity, currency and emerging markets. The Fed's decision in December 2013 to start winding down its QE programme could lead to rising long-term interest rates and other fluctuations in the capital market.

In Europe, inflation fell well below targets, prompting the ECB to cut its main lending rate in November 2013 to a new low of 0.25%. Further falls in inflation could lead to deflation and will require ECB intervention. The monetary divergence between the US and the euro zone will be one of the main themes in fixed income markets in the coming months. By hedging our interest rate position, Delta Lloyd is immune to the effects of tapering on our balance sheet, but it creates a missed opportunity to benefit from interest rate increases.

We are taking the following mitigating actions:

- We limit interest rate risk by setting strict limits and monitoring risk on a regular basis.
- We optimise our hedging policy to protect downside equity risk.
- We have increased our exposure to illiquid assets, which are less prone to market movements, and maintain a well-diversified portfolio.

1.8. Remuneration

The Executive Board's remuneration package consists of three components: the base salary, a variable incentive plan and a pension plan. In determining the remuneration levels at Delta Lloyd Group, the median of the two peer groups (financial institutions and a cross-industry group of companies similar to Delta Lloyd Group) serves as a guide. The details of the remuneration package of the Executive Board, including peer group, targets and previous arrangements are described in section 5.1.7.10.

Base salary
The base salary was adjusted in 2013 on an average fixed/variable conversion of 37% determined by the Hay Group as a compensation for the 50% reduction in variable remuneration adopted by the General Meeting of Shareholders on 23 May 2013. The base salary of the chairman of the Executive Board was set at € 800,000 (2012: € 675,000), and that of the other members of the Executive Board at € 592,500 (2012: € 500,000), including holiday pay and a '13th month'.

Variable Incentive Plan
The variable incentive plan consists of a conditional grant that is 100% in shares. In 2013, the variable incentive as a percentage of the base salary was adjusted from 100% at ambition level to 50% (and from 150% to 75% at outperformance level). The plan is described in greater detail in section 5.1.6.31. 'Employee benefits' and section 5.1.7.9. 'Employee information'.

As the Executive Board has collective responsibility for managing 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.

Clawback: There is a clawback arrangement in place for up to five years after the variable remuneration is granted.
Lockup: The shares cannot be actively traded until they are unlocked after a period of five or even six years for the last tranche.
Ex-post analysis: For a period of up to four years after the granted variable remuneration, an ex-post analysis is performed to asses whether the initial targets are still applicable.

Pension plan
The pension plan for the Executive Board members is a defined benefit plan. It differs in certain respects from the pension plan for employees. For details, please see section 5.1.7.10 of this report.

1.9. Key figures

Key figures			
(in millions of euros, unless otherwise stated)	**2013**	**2012**	**Change**
Gross written premiums[1]	4,709	4,651	1%
Operational expenses	772	782	-1%
Operational result after tax and non-controlling interests	430	404	6%
Result (IFRS) after tax and non-controlling interests	168	-1,495	n.m.
COR[1]	97.7%	97.9%	-0.2pp
Internal rate of return of new life sales	10%	8%	2pp
Shareholders' funds after non-controlling interests	2,621	2,306	14%
Regulatory (IGD) solvency insurance entities	213%	212%	1pp
Regulatory (IGD) group solvency	184%	177%	7pp
Group European Embedded Value	4,447	4,004	11%
Life European Embedded Value	4,403	4,210	5%

1) Excluding terminated and run-off activities

1.9.1. Operational and financial objectives

Operational and financial objectives		
	Result 2013	**Objective 2013**
Business performance		
Internal rate of return	10%	≥ 9%
Combined ratio across the cycle	97.7%	≤ 98%
Efficiency		
Operational expenses (in millions of euros)	772	<790
Profitability		
Operational return on equity	18.6%	8-12%
Annual growth of net operational result	6%	≥ 3%
Capital		
Regulatory (IGD) group solvency	184%	>160-175%
Proposed dividend per ordinary share	1.03	1.03

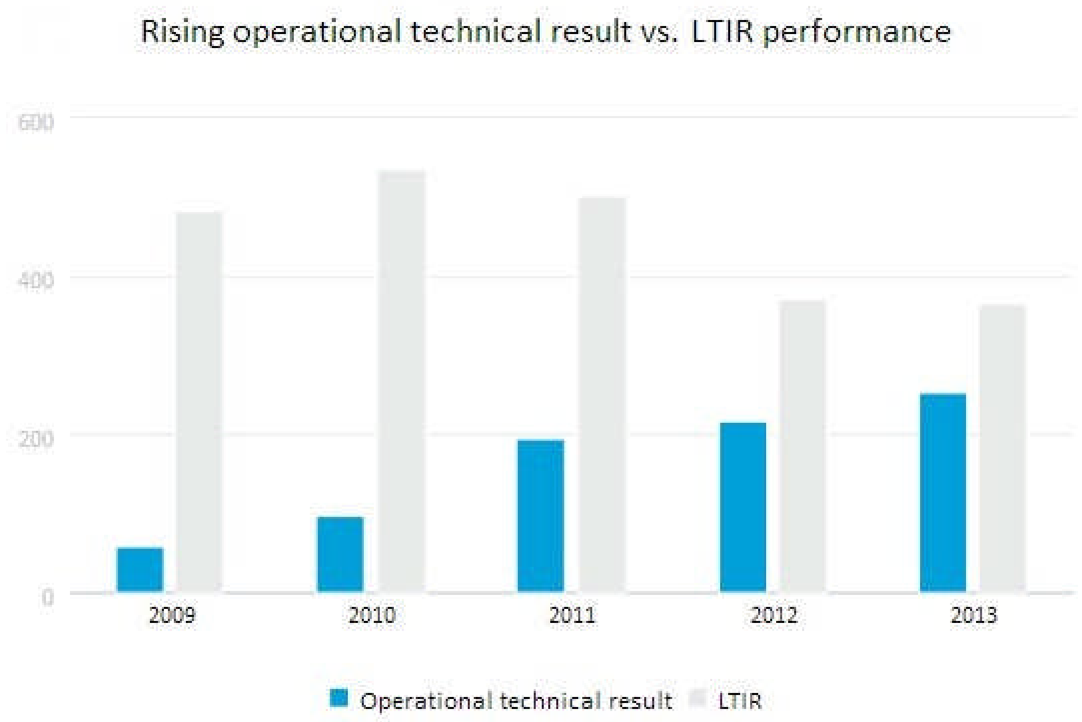
1.9.2. Ten-year summary

Ten year summary[1]										
In millions of euros, unless otherwise stated	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**
Income										
Gross written premiums, Life	3,589	3,555	4,321	3,749	3,642	4,533	4,054	3,146	3,772	3,437
Gross written premiums, General	1,428	1,650	1,550	1,479	1,423	1,378	1,251	1,167	1,164	1,133
Gross written premiums, Health	-	-	-	-	-	1,563	1,357	1,503	781	834
Total premium income	**5,017**	**5,206**	**5,872**	**5,228**	**5,065**	**7,474**	**6,661**	**5,815**	**5,717**	**5,405**
Net investment income	675	5,769	3,814	3,687	3,200	481	1,905	2,131	3,348	2,407
Other operations	341	268	247	236	-61	833	444	436	417	364
Total	**6,033**	**11,243**	**9,933**	**9,151**	**8,204**	**8,788**	**9,010**	**8,381**	**9,481**	**8,176**
Result before tax and extraordinary income and expenses										
Life	178	-1,625	-235	820	-134	150	631	795	236	286
General	81	-129	63	152	137	25	247	189	228	141
Health	-	-	-	-	-	-11	-31	-2	31	17
Bank	-11	-75	-18	-54	7	-163	7	26	35	13
Asset Management	54	59	46	118	29	13	34	54	46	34
Other	-60	-225	-271	-132	-163	-190	-80	-151	-25	-52
Total	**241**	**-1,995**	**-415**	**904**	**-124**	**-177**	**809**	**912**	**552**	**439**
Result before tax	241	-1,995	-415	904	-124	-177	809	912	552	439
Income tax	-35	530	132	-233	43	24	-22	-152	-120	-98
Net result	**206**	**-1,465**	**-283**	**671**	**-81**	**-153**	**787**	**759**	**432**	**340**
Attributable to:										
Delta Lloyd NV shareholders	168	-1,495	-313	621	-124	-161	745	725	409	327
Non-controlling interests	38	30	29	50	43	8	42	34	23	13
Net result	**206**	**-1,465**	**-283**	**671**	**-81**	**-153**	**787**	**759**	**432**	**340**
Total capital and reserves	**2,621**	**2,306**	**3,860**	**4,621**	**3,892**	**3,156**	**4,967**	**4,523**	**3,774**	**2,796**
Total assets	**76,515**	**79,996**	**74,862**	**69,187**	**65,980**	**63,244**	**62,370**	**59,598**	**57,084**	**49,275**
Amounts in euros										
Dividend on ordinary shares	1.03	1.03	1.03	1.00	0.50	-	67.68	51.77	31.73	24.01
Number of ordinary shares (in millions)	192	177	171	168	166	30	3	3	3	3
Dividend on preference shares B	-	-	-	-	-	-	18.02	18.02	18.02	18.02
Dividend on preference shares A	0.01	0.01	0.01	0.01	0.01	0.24	0.24	0.24	0.24	0.24
Average permanent staff at year-end in FTEs[2]	**5,221**	**5,431**	**5,492**	**6,080**	**6,343**	**6,674**	**6,407**	**6,446**	**6,184**	**6,459**

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.

1.10. Delta Lloyd in 2013

In 2013, Delta Lloyd delivered a strong commercial and operational performance, despite a volatile market environment. It was the first year of real recovery since the start of the financial crisis.



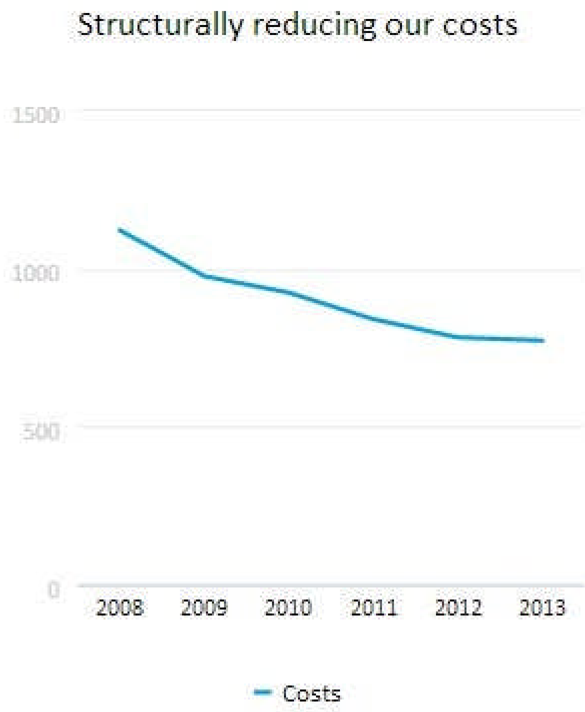
1.10.1. Financial performance

The operational result after tax and non-controlling interests was € 430 million (2012: € 404 million), with positive underlying technical results for all our segments: Life, General Insurance, Bank and Asset Management, mainly due to lower operational expenses. The improved technical results were offset by a marginally lower long-term investment return (LTIR).

Operational result		
In millions of euros	**2013**	**2012**
Life	322	319
General	67	54
Bank	24	-11
Asset Management	45	48
Other	-27	-6
Operational result after tax and non-controlling interests	**430**	**404**
Tax	155	147
Non-controlling interests	34	38
Operational result before tax and non-controlling interests	**619**	**589**

1.10.2. Cost savings

Delta Lloyd is committed to structurally reducing costs. Total operational expenses in 2013 amounted to € 772 million, well under the 2013 target of € 790 million. This 2013 target was exclusive of the costs of the acquired ZA Verzekeringen (ZA) and the ABN AMRO Bank intermediary activities acquired in 2012. Nevertheless, both were fully absorbed in 2013. Delta Lloyd has realised a 31% cost reduction since 2008. For 2014, we set a new target for operational expenses at € 750 million and € 720 million for 2015, both including the ZA acquisition (€ 20 million annual operational costs). Savings include measures to simplify our organisation and our processes, rationalise legacy systems and products and increased digitalisation.



1.10.3. Equity and solvency demonstrate financial strength

Shareholders' funds on a marked-to-market basis rose 14% to € 2.6 billion at the end of 2013 versus € 2.3 billion at year-end 2012. This increase is attributed to the positive net IFRS result (€ 168 million), the conversion by Fonds NutsOhra of three million preference shares A into ordinary shares (net impact of € 41 million), an equity issue of four million ordinary shares in September (net impact of € 63 million), the € 86 million positive impact on the OCI pension reserve, an effect of € 63 million on participation and other reserves and the negative revaluations of available-for-sale debt and equity securities (-/- € 38million).

This was partly offset by dividend payments in cash totalling € 68 million, of which € 38 million was for the final dividend 2012 and € 30 million for the interim dividend 2013.

The valuation of the liabilities is based on the Collateralised AAA curve, which increased 45 basis points at the 10-year point. The DNB Swap curve, which underlies the asset values, increased by around 63 basis points. Following the increased shareholders' funds, the IFRS solvency level rose to 215% from 205%.

Delta Lloyd's capital position retained its high quality, with tangible capital (equity excluding e.g. goodwill and acquired value of in-force business) making up 87% of shareholders' funds (2012: 84%).

The increase was due to goodwill impairments for Cyrte and for the Nagelmackers label in Belgium. Based on more traditional accounting principles, as generally used in the insurance market, shareholders' funds would have been € 3.5 billion at 31 December 2013 (2012: € 3.3 billion).

The IFRS result after tax and non-controlling interests was € 168 million (2012: € -1,495 million), reflecting underlying capital generation through improved technical results and a stable running yield. This was offset by a pension charge and market variances in our fixed income and equity portfolio. In 2013, market variances resulted in a decrease in the value of assets of € 1.8 billion.

Delta Lloyd Group uses the Collateralised AAA curve to value its liabilities, applying the European Central Bank AAA curve (Delta Lloyd Levensverzekering) and swap curve (other entities) for calculating the liability adequacy test (LAT). The overall LAT margin improved. Furthermore, the IGD available capital increased in line with IFRS shareholders' funds. Regulatory IGD Group solvency rose to 184% at the end of 2013 from 177% at year-end 2012, reflecting positive underwriting and investment results and the share conversion. It also included the negative effect (-19 percentage points) of the French debt downgrade, which was more than offset by operational capital generation and the positive spread development in the latter half of the year.

The regulatory solvency of the supervised insurance entities at end 2013 was strong at 213% (2012: 212%). The regulatory solvency of Delta Lloyd Levensverzekering remained stable at 227% (2012: 227%).

The BIS ratio of both Delta Lloyd Bank Netherlands and Delta Lloyd Bank Belgium increased to 19.6% (2012: 12.3%) and 13.7% (2012: 12.0%) respectively. The BIS ratio in the Netherlands increased mainly due to the decrease of high risk weighted assets.

Ratios at year-end

	2013	2012
Solvency (IGD)	184%	177%
Regulatory solvency insurance entities	213%	212%
BIS ratio Bank Netherlands	19.6%	12.3%
BIS ratio Bank Belgium	13.7%	12.0%

1.10.4. Key developments

Delta Lloyd's recovery in 2013 was not only visible in our financial performance, but also in our customers' increasing appreciation for our products and our service, which was underlined by improving customer satisfaction scores across all our labels.
We had an exceptionally good year in Life insurance, where we extended our market leadership in new business and reinforced our leading position in pensions. We also grew market share in General insurance and mortgages. We strengthened our solid capital position, lowered our costs and bolstered our position in Belgium with the acquisition of ZA Verzekeringen and decision to sell the Belgian banking activities to focus on Life and pensions.

In January 2013, Aviva sold its remaining stake in Delta Lloyd, increasing our free float to above 99% and we cross-listed in Brussels, where we are included in the BEL-20 index. Our progress was crowned by the announcement of Delta Lloyd's inclusion in the premium AEX-index in Amsterdam from 24 March 2014.

1.10.4.1. Market environment - A year of contrasts

After several years of financial markets turmoil and ongoing economic problems, 2013 signalled a return to careful optimism. Economic activity in the euro zone was stagnant for most of the year as governments continued to cut budgets, weighing on consumer confidence and keeping spending in negative territory. Halfway through the year however, sentiment began to change. Troubled nations such as Spain, Ireland and even Greece started publishing better than expected economic data and the European Union loosened its targets for budgets deficits.

These developments helped stabilise the Dutch economy, which grew in both the third and fourth quarter– ending a streak of seven quarters of negative growth. This recovery in our main home market was a positive development for Delta Lloyd. As consumer confidence returned, the troubled housing market started to pick up again, helping us make inroads into the growing mortgage market. Investor sentiment towards the euro zone improved too, helping to lift stock prices. European stock markets posted steady gains throughout 2013, with the Amsterdam AEX index ending the year 17.3% higher. Interest rates on government and corporate bonds remained at historically low levels due to investors' continuing 'search for yield'.

There were a few setbacks during the year, including the nationalisation of Dutch bank insurer SNS Reaal and the downgrade by Fitch of French government debt, raising fears the crisis would spread to France. The downgrade had a significant impact on Delta Lloyd halfway through the year as we use the European Central Bank AAA curve to determine our regulatory solvency. France's exclusion from the curve after its downgrade caused our solvency rate to drop by 19 percentage points. However, operational capital generation and the spread development have since improved, more than offsetting the impact of that.

1.10.4.2. Regulatory climate

The regulatory climate for the financial sector has changed dramatically since the financial crisis. Financial institutions are increasingly surveyed by regulatory bodies and politicians too are tightening the rules for the sector. This is understandable in light of developments during the crisis that eroded trust in financial institutions.

However, adapting to the increasing number of rules is a growing challenge for financial services companies. For example, the Dutch government introduced new short-term solvency regulations for the local insurance sector from 1 January 2014. Solvency 1.5 as it is often called, will be implemented in the Netherlands until the European Union's new Solvency II directive comes into effect in 2016. We have to ensure we comply with this legislation, while at the same time preparing for new rules.

1.10.4.3. Customer centric

Customers want simple and transparent products at a competitive price. At Delta Lloyd we aim to be completely open and transparent about our products. Our customers come first and with every product we develop – or when we look at our existing products – we ask ourselves: how does this benefit our customers? Is it in their best interest?

This transparency and focus on our customers is vital to a financial services company such as Delta Lloyd. It is a way to restore public confidence in the financial sector. Consumers have a less than favourable view of banks and insurers. Regaining their trust is a long and slow process. Key to this is delivering on what we promise. Putting ourselves in the customer's shoes, responding to their feedback, providing sound advice and developing cost efficient, useful, secure and easy-to-understand products.

This is the basis of our Customer Centric programme. Over the past few years we have simplified our organisation, processes, systems and communication to make it easier for our customers – and potential customers – to find, buy, use and understand Delta Lloyd products. At the same time we reduced costs and optimized our margins. Because of this improved service delivery, customers were more satisfied in 2013.This is underlined by higher customer satisfaction scores for our Dutch labels. More information about the customer satisfaction scores can be found in section 4.2.3.
New IT systems and strong account management also contributed to improved services, leading to independent financial advisors once again naming Delta Lloyd the number one Dutch pension provider in IG&H's annual review of the Dutch market.

We work hard to integrate customer centricity into everything we do. It is a long-term commitment and a process that requires continuous effort from every person in every part of our organisation. It starts at the top, with our Executive Board.

Our employees are embracing customer centricity and our annual employee survey shows they are stimulated by the focus on putting customers first. For instance, employees enthusiastically participate in an internal competition (*TaalBokaal*) to see who can write the clearest and most easy to understand letter to customers.

Despite our efforts to serve our customer in the best possible way, there is always room to improve. The Delta Lloyd and OHRA labels were re-evaluated for the KKV (*Keurmerk Klantgericht Verzekeren*) hallmark, the Quality Hallmark for Customer-Focused Insurance. It is awarded by the Stichting Toetsing Verzekeraars, an independent foundation promoting consumer trust in the Dutch insurance sector. The two labels didn't pass the initial evaluation because they were not quick enough to answer questions emailed by customers. After looking into this we discovered it was a work flow issue that we have resolved. Both Delta Lloyd and OHRA retained the quality hallmark.

The Erasmus and ABN AMRO Verzekeringen labels also retained the KKV hallmark in 2013.

1.10.5. Segments

Delta Lloyd Group is structured into five segments: Life Insurance, General Insurance, Asset Management, Bank and Other. These segments deliver their products and services according to our multi-brand, multi-channel strategy. This means we offer different products and pricing strategies according to the different needs of our customers through a variety of distribution channels and brands. For more about our brands and positioning see section 1.5.2.

In 2013, all our business segments had a commercially successful year and all posted an operational profit in what was a volatile market environment.

1.10.5.1. Life insurance

Life insurance is Delta Lloyd's largest business segment and the engine driving our profitability. This proved to be the case again in 2013 and reconfirmed our strong position in Life and pensions insurance.

In 2013, we extended our market leadership in new life business in the Netherlands and more than doubled our market share in new business annual life premiums. We also secured a number of large new contracts. Seven large pension buyouts in the Netherlands, with a total of € 799 million in single premium, brought our overall total new single premium for the year for Netherlands and Belgium to € 1.7 billion. We realised a strong increase (up 14%) in new annual premiums to € 257 million (2012: € 225 million). New annualised premium income (NAPI) was € 431 million (2012: € 401 million), 8% higher than last year.

This positive development was supported by our continued ranking as the number one pensions provider in the annual performance survey by Dutch consultancy IG&H. Combined with new products and online services, strong growth in annual premiums and better margins, we improved our net operational result by 1% to € 322 million and we have a healthy pipeline. Regulatory solvency of Delta Lloyd Levensverzekering remained stable at 227%. For more information about solvency at Delta Lloyd in 2013, see section 1.10.3.

Life insurance segment by country in 2013

In millions of euros	The Netherlands	Belgium	Germany	Total
Gross written premiums	2,541.1	788.6	259.5	3,589.2
Operational result after tax and non-controlling interests	257.2	55.4	9.7	322.2
Result after tax and non-controlling interests	-25.6	157.5	11.8	143.7

Life insurance segment by country in 2012				
In millions of euros	The Netherlands	Belgium	Germany	Total
Gross written premiums	2,427.4	838.8	289.1	3,555.2
Operational result after tax and non-controlling interests	276.7	34.2	8.6	319.5
Result after tax and non-controlling interests	-1,068.2	-122.9	16.5	-1,174.7

Pensions
It was a tumultuous year for the pensions sector in the Netherlands. However, towards the end of 2013 the uncertainty decreased after the government agreed to reduce tax concessions on pensions and the pension funds' coverage ratios improved. The government also decided not to implement general pension institutions (APIs) – a cross-border type of pension fund – and instead look at the possibilities to create a multi-pension fund to facilitate cooperation between pension funds. The details of this multi-pension fund will be worked out in 2014.

BeFrank
BeFrank, our premium pension institute (PPI) joint venture with BinckBank, continued to be successful in 2013. It grew its defined contribution portfolio and signed new contracts despite fierce competition in the Dutch market. There are now nine PPIs active in the Netherlands. In 2013, BeFrank acquired the portfolio of 'De Goudse PPI'. More than 25,000 employees from over 200 companies currently participate in a BeFrank pension scheme.

Belgium
In Belgium, Delta Lloyd managed to grow faster than the market in 2013 and we increased our market share. However, gross written premiums in Belgium were 6% lower than the previous year, due to the low interest rate environment and an increase in the tax due on life insurance premiums. In December, we completed the acquisition of ZA Verzekeringen (ZA), a specialist term life insurer based in Antwerp. Its product offering ties in well with our focus in Belgium on protection (death and disability benefits) and pensions. ZA has a large distribution network that we can use to sell our Delta Lloyd products, putting the acquisition in line with our strategy to become a leading player in the Belgian life and pensions market.

We extended our cost-efficiency programme to Belgium in 2013. This ties in with market developments there, which lag the Netherlands in a number of aspects. New legislation was introduced in Belgium to protect customers and this is forcing insurers to become more transparent. It also means being more transparent about commissions paid to intermediaries, which will lead to cheaper insurance policies.

Germany
Delta Lloyd's German operations are in run-off and did not undertake any commercial activity. However, the German operations were profitable in 2013.

Life gross written premiums - Netherlands

In millions of euros	2013	2012
Group policies		
Traditional		
Single premium	870.4	546.0
Annual premium	265.2	199.5
Reinsurance premium	5.1	-0.6
Total group policies - traditional	**1,140.7**	**744.9**
Unit linked		
Single premium	85.8	86.3
Annual premium	360.1	333.4
Total group policies - unit linked	**445.9**	**419.6**
Individual policies		
Traditional		
Single premium	342.1	593.7
Annual premium	199.4	183.7
Reinsurance premium	0.5	3.4
Total individual policies - traditional	**542.0**	**780.8**
Unit linked		
Single premium	33.0	44.0
Annual premium	379.6	438.0
Total individual policies - unit linked	**412.5**	**482.0**
Total	**2,541.1**	**2,427.4**

Life gross written premiums - Belgium

In millions of euros	2013	2012
Group policies		
Traditional		
Single premium	202.3	150.8
Annual premium	271.3	248.8
Total group policies - traditional	**473.6**	**399.6**
Unit Linked		
Single premium	0.1	0.2
Annual premium	0.4	0.5
Total group policies - unit linked	**0.6**	**0.6**
Individual policies		
Traditional		
Single premium	145.1	308.1
Annual premium	96.5	88.4
Reinsurance premium	25.0	27.9
Total individual policies - traditional	**266.6**	**424.4**
Unit Linked		
Single premium	41.2	9.7
Annual premium	6.7	4.3
Total individual policies - unit linked	**47.9**	**14.1**
Total	**788.6**	**838.8**

1.10.5.2. General insurance

It was a tough year for General insurance in 2013 as the difficult economic environment took its toll on both the commercial and individual insurance markets, and in particular on residential, car and transport insurance. Nonetheless, gross written premiums remained stable at € 1.4 billion and profitability increased. This was largely due to an ongoing programme to intensify the way we manage claims as well as through tariff adjustments and cost savings.

General insurance segment

In millions of euros	2013	2012
Gross written premiums[1]	1,379.6	1,385.4
Operational result after tax and non-controlling interests	66.8	53.9
Result after tax and non-controlling interests	45.9	-121.6

1) Excluding terminated and run-off activities

The COR (combined ratio, excluding terminated and run-off activities) was on target at 97.7% (2012: 97.9%). We continued the programme to structurally improve long-term profitability by intensifying claims management and through tariff adjustments and cost savings. A large storm in October 2013 led to claims totalling € 18 million and our underlying results were also affected by greater liabilities and higher expenses in the WGA-ER market – insurance to cover benefits paid to Dutch employees when they return to work in a reduced capacity after illness. We see no long-term profitability in this market and in March 2013 we announced our decision to gradually exit from it. We also announced that we would raise the premiums for WGA-ER from 1 January 2014 – a decision that led to four clients taking legal action against us to stop the increase. The court found in their favour. (See our case study 'Learning from our mistakes' in section 1.13.9.).

Another issue that carried over from 2012 concerns the underwriting of international marine insurance business, which we started in 2009. We decided to stop this activity in 2012 and it is currently in run-off. The remaining losses are in line with expectations and rapidly declining.

1.10.5.3. Bank

The banking segment had a good year, posting better net operational results in a difficult, though slowly recovering market. After years of decline, the Dutch mortgage market picked up in the second half of 2013. Delta Lloyd increased its share of this market with a competitive new offering that attracted 85% more new mortgages with a value of € 952 million. Under the new tariff system, low-risk mortgages with a lower loan to market value (based on the property's market price rather than the purchase price) receive a lower interest rate. Nearly half of our Dutch mortgage portfolio is backed by the state's guarantee scheme (NHG).

Bank		
In millions of euros	**2013**	**2012**
Mortgage origination	1,294.8	683.0
Savings (excluding 'banksparen')	5,157.1	5,577.0
'Banksparen' balances	1,978.0	1,789.0
Operational result after tax and non-controlling interests	23.6	-11.1
Result after tax and non-controlling interests	-13.8	-60.6

New mortgages in Belgium doubled to € 343 million but fierce competition there and a tendency among Belgians to redeem part or all of their mortgages early put pressure on margins.
Savings balances in Belgium and the Netherlands fell 8% to € 5.2 billion, mainly due to our decision to lower the interest rates and improve our margins, although the appetite for tax-efficient *banksparen* products in the Netherlands increased to € 2.0 billion at improved margins.

We have decided to sell our banking operations in Belgium and focus more on insurance. Although we sell our insurance products via the bank, we don't actually need to own it; a distribution contract will suffice. The proposed sale will also provide us with capital for strategic investments.

1.10.5.4. Asset Management

Our Asset Management business made good progress in what was a challenging year, marked by low interest rates and ongoing uncertainty in the euro zone. That said, improving market sentiment led to strong appetite for our retail funds and institutional mandates increased, resulting in a positive inflow of € 757 million (2012: € 12 million).

Asset management		
In millions of euros	**2013**	**2012**
Assets under management	77,726.8	78,972.8
Inflow retail funds and institutional mandates	757.0	12.0
Operational result after tax and non-controlling interests	44.9	47.9
Result after tax and non-controlling interests	40.0	43.9

Assets under management ended the year at € 78 billion, 2% down on 2012. This was mainly due to the negative market value movements in fixed income and the split of our investment firm Cyrte into two separate entities: Cyrte Investments and Dasym Investment Strategies. Cyrte is wholly owned by Delta Lloyd and will focus on investing in listed technology media and telecoms companies via the Cyrte Africa Fund, Cyrte Global Fund and Cyrte Latam Fund. Delta Lloyd will continue to cooperate with Dasym on a case-by-case investment basis.

The Asset Management net operational result fell 6% to € 45 million (2012: € 48 million) due to lower fee income and the difficult operating environment. Both our own risk equity performance and the fixed income performance were below the benchmark due to the performance of individual shares such as Imtech. We were also less exposed to southern European sovereign debt compared to the benchmark.

A positive development for us was the change in sentiment towards the euro zone. With prospects here and in the US looking more positive we can now look to reassess our risk appetite and pursue a more offensive investment strategy. On the other hand, pending regulatory changes, and especially the introduction of Solvency II, restrict our investment choices. With margins already under pressure, the challenge is to optimise our return within these new rules. While we understand the reasons for tighter regulations, it makes it harder to make our mark as an asset manager that delivers good long-term returns.

When it comes to investment decisions, we are adjusting our risk profile and are moving away from equities into mortgages. In the Netherlands, a large part of the mortgage portfolio is government-guaranteed, which offers attractive returns at relatively low risk.

In March, we acquired the mezzanine fund Oyens & Van Eeghen, which provides loans to small and medium enterprises. Helping to finance Dutch entrepreneurs fits our strategy to be a socially responsible investor. For more about our responsible investment strategy, please see our case study 'Financial returns and social rewards' in section 1.13.5.
In April, Delta Lloyd was named Best Fund House Specialist Fixed Income by investment research firm Morningstar. It was the third time in five years. In Belgium we also won two Morningstar awards, as did two Triodos funds that we manage, underlining our capital markets expertise.

1.10.5.5. Other

The Other segment consists mainly of holding company overheads, interest expenses and the result of Amstelhuys, the run-off healthcare business and the commercial result of the healthcare label activities.

Other segment		
In millions of euros	**2013**	**2012**
Operational result after tax and non-controlling interests	-27.5	-6.1
Result after tax and non-controlling interests	-47.4	-182.0

The IFRS result strongly improved, mainly due to a positive result for Amstelhuys. In 2013, net operational result was lower: € -27 million (2012: € -6 million), as it was impacted by a higher pension charge and pension expenses. In 2012, there was a one-off (€ 13 million) due to a release of a provision for the run-off healthcare business. The health label activities contributed positively (€ 30 million, 2012: € 16 million), due to a successful campaign and good margins.

1.10.6. Sustainability

Delta Lloyd's sustainability agenda is built around five sustainability pillars – customer interest, integrity, community involvement, good employment practices and the environment.
In 2013, we took further steps to ensure sustainability issues are taken into account when making business decisions. We widened the scope of the Advisory Board, our external stakeholder platform, to include discussions on strategic matters relevant to our business and industry. This will allow us to use external stakeholder feedback when we make strategic decisions. We also set up a new internal ESG (environmental, social, governance) committee, which monitors progress towards achieving our goals in each of the five sustainability areas. Chaired by our CSR Manager, the committee also discusses sustainability topics such as responsible investment and supply chain management to help sharpen our focus in these areas.

Our continued focus on corporate social responsibility has been recognised externally. RobecoSAM included Delta Lloyd in its 2013 Yearbook, which lists the world's most sustainable companies in each industry. To be included, companies need to be within the top 15% of their industry. In addition, Delta Lloyd was ranked number two out of 141 insurers worldwide in the 2013 Sustainalytics report on ESG performance.

Delta Lloyd aspires to be included in the Dow Jones Sustainability Index (DSJI). We once again scored a strong 75 points in the 2013 DJSI assessment, which is above the 74-point threshold for inclusion, but our newcomer status kept it out of our reach for another year. We continue our efforts to meet the DJSI criteria, among others by further developing inclusive finance initiatives aimed at providing finance to small and medium-sized enterprises (SMEs).

In 2013, Delta Lloyd created a fund along with eight other Dutch insurance companies to invest in SMEs following the findings of the Hoek Commission in July 2013. Led by Delta Lloyd Executive Board Chairman Niek Hoek, the commission was tasked by the Dutch government to investigate financing for SMEs in the aftermath of the crisis. See our case study 'Helping small businesses make a big impact' in section 1.13.2.

1.10.7. Our employees

We rely on the commitment and professionalism of our employees to deliver excellent products and services and meet the needs of our customers. In return, we strive to offer our employees a safe and stimulating work environment in which they feel valued and can perform well.
In 2013, we launched several new programmes to further enhance their skills and competences. We set up a HR Resource Centre, which pro-actively informs employees of opportunities to develop their skills or new positions within Delta Lloyd. The centre also coordinates programmes to help them maintain a good work-life balance.

Diversity, both in terms of gender and cultural background, has a positive effect on the atmosphere in the workplace, enhances innovation and, ultimately, results. As such, diversity is a key performance indicator for our Management Board. Our efforts to increase diversity are outlined in section 4.5.7. of this report. Delta Lloyd aims to have a gender balance in management positions with at least 30% female executives (overall percentage of the Executive Board and the two management layers immediately below: directors and managers). In 2013, Delta Lloyd did not meet this criterion, the share of female directors increased to 24% (2012: 23%), and the share of female managers decreased to 26% in 2013 (2012: 28%). The main reason for the decline in female managers was that some were promoted to director positions and more female managers left the company without being replaced by new women.

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

In 2014, Ingrid de Graaf will succeed Paul Medendorp as a member of the Executive Board, which will then have 25% female representation.

Our Diverse Talent Network took steps in 2013 to set up a new platform to connect and enhance the development of multicultural employees from six large companies in the Netherlands. Called Agora, it was launched in January 2014.

Our annual employee survey showed employee engagement increased from 92% to 95% in 2013. Our employees are motivated and have indicated they want to be more involved in how our business develops. We will therefore seek their input during strategy discussions in 2014 so they can contribute towards Delta Lloyd's future.

Number of employees

(in FTE)	**2013**	**2012**
Permanent	5,182	5,276
Temporary	606	508
Total number of employees	**5,788**	**5,784**

1.11. Embedded value

Embedded value gives insight into the performance of the life insurance business, the main activity of Delta Lloyd Group. A detailed explanation and overview of the results can be found on the Delta Lloyd Group website in the 'Embedded Value 2013' report.

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

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

We determine the EEV for the existing portfolio of business in-force, as well as for new business written in the year under review (new business value – NBV). The way embedded value develops provides good insight into the components driving the annual results, including investment and economic conditions.

For the purposes of EV reporting, we distinguish between "covered business", to which we apply the EV methodology, and "non-covered business", which is reported on an IFRS equity basis. The non-covered business includes general insurance, banking and asset management, as well as Delta Lloyd Germany and holding company operations. EV in respect of the covered business is referred to as Life EV.

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

Development of Life embedded value

(in millions of euros)	2013	2012
Life EV at 1 January	**4,210**	**4,890**
Operating earnings (LEOR)		
New business value	77	57
Other operating earnings	203	285
Total operating earnings (LEOR)	**280**	**342**
Economic variance	70	-648
Capital (re)allocation	-158	-374
Life EV at 31 December	**4,403**	**4,210**

Life embedded value (Life EV) increased by 5% (€ 193 million) to € 4.4 billion in 2013. The increase in Life EV is primarily attributed to positive effects from an enhanced economic variance (improved investment yield environment) adding to the positive operational earnings, including increasingly profitable new business. Both the improved experience variances as well as the acquisition of ZA in Belgium contributed to the increase of the Life EV, largely countered by market developments negatively affecting statutory net worth.

Total Life EV operational earnings (LEOR) decreased compared to 2012, mainly due to:

- A lower expected return as a result of a lower starting EEV in 2013 (EEV at year-end 2012: € 4,210 million) than last year (EEV at year-end 2011: € 4,890 million); and
- The effects of an updated profit-sharing methodology in Belgium.

The table below shows the Life EV by country for 2012 and 2013.

Life embedded value by country		
(in millions of euros, unless otherwise stated)	**2013**	**2012**
Netherlands	3,671	3,713
Belgium	732	497
Total	**4,403**	**4,210**

Delta Lloyd Germany's Life business remains labelled as non-covered business, making no contribution to the Life EV.

New business value

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

New business value		
(in millions of euros, unless otherwise stated)	**2013**	**2012**
New business value	77	57
Internal rate of return (IRR)	10%	8%
New business margin	2.1%	0.7%
Single premiums (excluding Germany)		
- Life insurance and savings	105	84
- Pensions and annuities	1,637	1,679
Total single premiums (excluding Germany)	**1,742**	**1,763**
Regular premiums (excluding Germany)		
- Life insurance and savings	23	28
- Pensions and annuities	234	197
Total regular premiums (excluding Germany)	**257**	**225**

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

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

We use the internal rate of return (IRR) as a measure of profitability of new life and pension business written. The IRR is the expected rate of return on new policies and contracts. The IRR increased by 2 percentage points from 8% in 2012 to 10% in 2013, despite persistently low investment returns. This improvement was mainly attributable to the effects of active pricing policy (especially group business) and the effects of lowered guarantee levels at Delta Lloyd Belgium.

The new business margin (NBM) measures Life new business profitability on a market-consistent basis. Expressed as a percentage of the present value of new business premiums, the NBM increased by 1.4 percentage points from 0.7% in 2012 to 2.1% in 2013. Reflecting improved profitability on a more effective basis than the similar movement of the IRR, the NBM was above target reflecting the improved profitability of new life production.

1.12. Our business in 2014

Delta Lloyd has a strong market position that has protected us against the difficult market developments of the past years. This in combination with our unrivalled distribution power in the Netherlands, promising developments in Belgium, and the stabilising housing market could help us to benefit from the economic recovery we expect for 2014.

We are mildly optimistic about the economic outlook, given there is recovery in the euro zone, growth in the US and financial markets are stabilising. In the Netherlands, internationally-orientated companies with a focus on export are doing better, but small and medium-sized entrepreneurs are still having a hard time, as is the retail sector, although consumers are regaining their confidence to spend. In 2014, Delta Lloyd will aim to reduce costs further and strengthen our solvency. We have set a new cost savings target of € 750 million for 2014 and € 720 million for 2015 – both including the ZA acquisition (€ 20 million annual operational costs). We remain committed to increasing our solvency to 200% by the end of 2014 through organic capital generation and possible disposal of non-core activities.

We continue to explore strategic options for our German operations – which are in run-off – and for our Belgian banking activities, which we intend to sell.

At Delta Lloyd we put our customers central. That is why we will hold regular dialogues with customers in 2014 to discuss their experience of our products and services. The results of these discussions will be shared with our employees to improve customer satisfaction even further and help us retain the customer-focused insurance quality label for all our labels. In 2014, we will welcome a new member to the Executive Board. Ingrid de Graaf (1969) will join our board after the Annual General Meeting in May and will succeed Paul Medendorp (1954) when he retires in December. Furthermore, a thorough process to select a new chairman of the Executive Board will start to succeed Niek Hoek (1956). He will take early retirement with effect from, at the latest, the Annual General Meeting in May 2015.

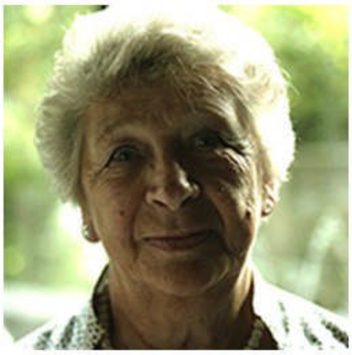
Finally, we will review our 'Future Secured' strategy later this year, based on the latest scenarios we developed in 2013. Every five years we update the scenarios that guide our long-term strategy. These offer various perspectives of the future 15 years from now, based on economic and social developments and trends. By looking at a variety of scenarios we gain a better understanding of the forces driving the dynamics of our future business environment and can take steps to mitigate the uncertainties.

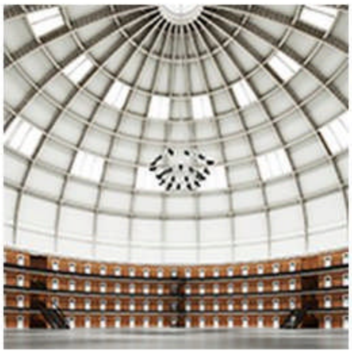
Our inclusion in Amsterdam's blue-chip AEX index in March 2014 raises our profile in the investor community and enhances our standing. More importantly, it shows that we are on the right track, providing certainty to our growing customer base, our employees and our shareholders.

Executive Board

Niek Hoek, chairman
Paul Medendorp
Emiel Roozen
Onno Verstegen

1.13. Case stories





1.13.1. Insuring the future through wind energy

As a specialist insurer of offshore wind turbines, Delta Lloyd is insuring a greener future for Europe. The wind farms we insure provide energy to some six million households and are helping the EU achieve its target to get 20% of its energy from renewable sources by 2020.

The European market for offshore wind energy has grown rapidly in the last 10 years and is expected to increase even more significantly in the years ahead. Since the beginning, Delta Lloyd has been involved in this flourishing renewal energy industry, which will enable the EU to cut greenhouse emissions and encourages technical innovation.

Delta Lloyd's expertise in wind energy dates back to the 1970s, when we became involved in onshore wind projects, as well as the cabling that connects the wind turbines to each other and to the electricity grid. Over the years, this has extended to offshore wind energy. Nowadays, Delta Lloyd is considered a specialist in this type of insurance.

Growing portfolio
Because we have to assess the risks involved in developing wind farm projects we have built up an in-depth technical knowledge about wind energy. To harness this knowledge and put it to optimum use to grow our position in this market, Delta Lloyd set up an Offshore Wind Energy Team in 2011. This is a multidisciplinary team with insurance specialists and engineers who work together intensively to appraise the risks and assess any claims.

"In the two years since we formed the Wind Energy Team, our offshore wind energy portfolio has multiplied from 1,000 tot 6,000 megawatt. That equals the energy needs of about six million households," says Maarten Mulder, Underwriting Manager Technical Insurance. "It is our ambition to continue to grow this and retain our leading position in the Dutch offshore wind energy market and as one of the top three insurers in Europe."

Delta Lloyd's portfolio has grown from insuring two wind turbines off the coast of England in 2002 to 25 offshore wind farms across Europe, which have a total of 1,650 wind turbines. In the Netherlands, these include the Princess Amalia wind farm, which supplies energy to 120,000 Dutch households, and the Luchterduinen wind farm, which is currently under construction 24 km from shore in the North Sea. Delta Lloyd also insures wind farms in England, Germany, Belgium, Denmark, Ireland and Portugal.

Green Deal
Creating and developing alternative energy sources is vital for securing a sustainable future. As a specialist insurer of offshore wind farms, we have an important role to play in this process. And because we insure both the construction and operational phases of a wind farm, we cover the entire lifecycle comprehensively and seamlessly, making it easier for entrepreneurs to take on complex renewable energy projects like these.

In addition, Delta Lloyd is the only insurer that is a member of the Netherlands Wind Energy Association (NWEA). We are also a signatory of the 'Green Deal' on offshore wind energy, an initiative between the Dutch government and the wind sector to lower the cost of offshore wind energy by at least 40% through technical innovation.

With our extensive knowledge of the risks and engineering involved, we can make a key contribution to developing this sustainable energy source, now and in the future.

1.13.2. Helping small businesses make a big impact

Delta Lloyd continues to invest in the Dutch economy. More specifically, in small and medium-sized enterprises (SMEs). We are one of nine insurance companies that have joined forces to invest € 170 million in these vital businesses, which create jobs and stimulate economic growth.

This credit supply became available just a few months after '*Commissie Hoek*' published its report in July 2013. Led by Delta Lloyd Chairman Niek Hoek, the commission, on behalf of the Dutch government, investigated financing for small and medium-sized businesses in the Netherlands and ways to offer these companies a helping hand.

As part of this, Delta Lloyd and the other insurers contributed € 30 million to Qredits, an independent and private lender that invests in small, starting enterprises with advice and loans of up to € 150,000 over a maximum term of seven years. A few major banks joined the initiative, doubling this amount to make € 61 million available to Dutch small businesses, and in 2014 a fund for medium-sized businesses will become available.

In a separate initiative, Delta Lloyd joined forces with NIBC bank to establish a € 750 million fund to finance medium-sized companies in north-west Europe and the Benelux in particular.

Economic engine
"I strongly believe SME businesses are the engine of our economy. That's why we invest in innovative new and existing SME businesses, especially when times are tough," Niek says.

The Hoek Commission found that the financial crisis has made it increasingly difficult for small and medium-sized businesses to get a traditional bank loan. Tighter regulations and capital demands mean banks are more reluctant to lend, which makes it particularly hard for SMEs to get funding. In the Netherlands, 80% of SME financing is through the major banks. By comparison, this is only 25% in the US.

Since 2010, bank financing of small amounts of up to € 250,000 has fallen by 4% on average each year. Together these loans only add up to a small proportion of the overall credit banks provide, but when you realise how many SMEs depend on these microloans, it is clear this is a significant economic problem.

Solidarity with entrepreneurs
The Hoek Commission proposed joint measures by institutional investors and government to overcome the obstacles facing SME financing. “For the first time, the commission has identified the problems SMEs have in getting financing, especially small companies, where there is a bottleneck,” Niek says. “That’s why we advised paying more attention to micro credits and to expanding the fiscal possibilities for these businesses to build up equity.” As a result, nine Dutch insurers joined forces to contribute € 170 million towards financing SME businesses.

“As insurers, we have an important role to play in stimulating economic growth,” Niek adds. According to the Dutch Association of Insurers, insurance companies invest € 280 billion of their assets in the Netherlands; about 60% of their total assets. “By starting this initiative we want to show our solidarity with these entrepreneurs, not only because they were hit hardest during the crisis, but also because they represent all groups of our society. Solidarity and equal access to and distribution of financial sources are crucial for a fair and healthy economy.”

1.13.3. Passing on the gift of knowledge

On 1 October – the United Nations’ International Day of Older Persons – Delta Lloyd Life in Belgium launched an online platform connecting young starters in the labour market with experienced employees approaching retirement. Called ‘*Het Generatiegeschenk*’ (the gift of generations), the initiative aims to pass on the knowledge and experience of one generation to the next.

Working with partners such as the Flemish Chamber of Commerce, CSR network Business & Society Belgium and VDAB, the public employment service of Flanders, Delta Lloyd wants to bridge the gap between people who are starting out in their careers and those with knowledge who are nearing the end of theirs.

The United Nations predicts the number of older persons in developing countries will double by 2050, making the ageing population a trend that will impact our society in the years ahead. The ‘*Generatiegeschenk’* is one of the ways Delta Lloyd is addressing this issue.

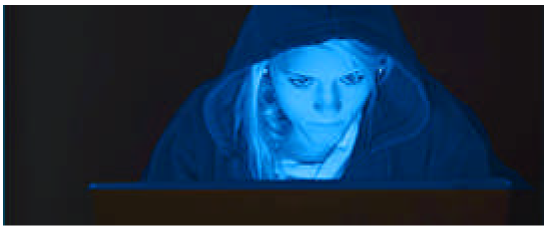
“Senior employees have an important role to play in our labour market, which increasingly looks for experienced personnel. After all, they have built up years of knowledge that can help young people who are entering the workforce for the first time. And by sharing their insights, this knowledge is not lost when they retire,” says Jan van Autreve, Managing Director of Delta Lloyd Life Belgium.

Online matchmaker
The digital platform is an online 'matchmaker' that pairs starters with 'stoppers' living in the same area or working in the same profession. For one month, the experienced employee mentors the newcomer, who in turn has a unique chance to find out everything they need to know for the job ahead.

Following a two-week radio and online marketing campaign, no less then 3,400 starters registered for the programme. This large number makes it clear there are a lot of young jobseekers and that their lack of experience is a major obstacle. Unfortunately the response from the seniors was not as high; around 100 applied.

The most important result of this campaign, however, is that it has opened up the discussion around the greying workforce. The pension challenges we face today are inextricably bound to the current situation in the labour market. To guarantee our pension system, we all have to work longer. It is as important to get young people into jobs as it is to motivate senior employees to keep working and continue contributing to the economy for longer.

1.13.4. Security, resilience and continuity



The world is going through an unprecedented technological transformation. The way we use information and communications technology (ICT) to do business and in our daily lives is changing. This brings benefits – but it also generates risks. One only needs to flick through the daily newspapers to understand what these risks are: confidential client information that is suddenly public knowledge; bank accounts that are digitally depleted; and websites that come under cyber attack.

In 2013, as many as 39 Dutch companies suffered from so-called denial of service (DDOS) attacks, of which more than a quarter were financial institutions. These attacks disrupted their online services for days and had great impact on their clients and their reputation.

DDOS attacks are nothing new. Like viruses and hacking, they have been around as long as the internet. What is new, is the increasing danger these digital threats pose. Criminal organisations and activist groups are using cyber attacks to exploit the internet for their own benefit. This calls for a societal approach in which every party has to take its own responsibility. This applies to consumers, businesses and internet service providers.

Strong foundation
Being a financial institution, Delta Lloyd is responsible for extensive flows of financial information and financial transactions. We therefore have a crucial role to play in ensuring information is secure. We have a responsibility and a duty to manage the information clients entrust to us and keep it safe.

To do so, we need a strong foundation for information security. This starts with good policies and a clear governance structure, followed by good risk management. That way we increase our resilience at points where we see the highest risks.

Behaviour and culture go hand-in-hand with technological transformation. Understanding the risks, acting accordingly and learning from incidents are essential in the modern online society. This applies to IT-specialists, users of online channels and staff members, especially in the insurance branch. Delta Lloyd prioritises greater awareness and sharing knowledge, both within our own company and in the insurance branch. That's why we are a member of the Dutch Cyber Security Information Exchange for the insurance sector ('*Nederlandse Informatieknooppunt Cybersecurity voor de verzekeringssector*').

Reputational risk
We are very aware that any disruption in the security or continuity of Delta Lloyd's online channels will have an irrevocable effect on the trust in and the image of our company. It could also have a knock-on effect on the rest of the financial system, leading to undesirable reputational damage. Our motivated IT professionals work hard to safeguard our business against cyber criminals. That's why it is critical that we understand exactly the risks we face and the measures we have to take to protect the financial security of our customers.

Digital transformation is not just about the technology involved. The human factor is every bit as important. Security, resilience and continuity therefore touch the very heart of our business.

1.13.5. Financial returns and social rewards

Delta Lloyd Asset Management is a responsible investor. This means that when we decide on which companies to invest in, we not only consider the financial return, but also the social good of our investment.

In March, we acquired the mezzanine fund Oyens & Van Eeghen, which provides loans to small and medium-sized companies. Helping to finance Dutch entrepreneurs fits our strategy to be a socially responsible investor.

"Being a responsible investor is not just about choosing to invest in companies or countries that meet our environmental, social and governance (ESG) criteria. It's also about giving something back to society – whether that is by supporting a local business to stimulate the economy, or encouraging a company to adopt more sustainable business practices," says Responsible Investment Officer Wouter Bosshaart.

Exclusions
Delta Lloyd's investment portfolio reflects our commitment to responsible investing, and is regularly reviewed by our Responsible Investment Committee. Chaired by the Responsible Investment Officer, the committee examines market trends and themes and determines the types of businesses we want

to be involved in, and those we don't. For example, we don't invest in companies making or selling chemical or biological weapons or cluster munitions. In 2013, we added nuclear weapons to this list. This decision meant we divested from four companies with a joint value of around € 3.8 million, and excluded another 30 companies from future investments.

"We regularly meet with the management of the companies we invest in and, if necessary, discuss their approach to ESG, something that we assess at the outset during the screening process," says Wouter.

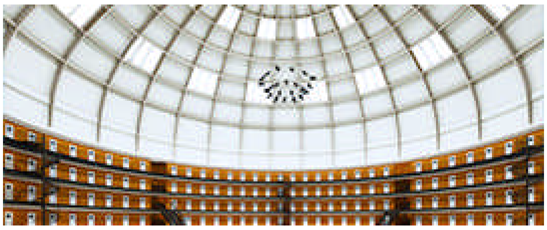
In determining whether a company meets our criteria, we take a long-term investment view. How do these companies manage their dependence on water or raw materials? What issues might they face in the future? How innovative are they in addressing these challenges in a sustainable way?

Star investments
Stand-out sustainable investments of 2013 include BAM, TenCate and Arcadis.
Dutch construction company BAM was the highest-ranking industrial company in the Carbon Disclosure Leadership Index, which measures greenhouse gas emissions and the energy use of more than 5,000 companies worldwide. It was also best in its sector for the Dutch Transparency Benchmark and the Dutch Responsible Supply Chain benchmark.

TenCate won the Water Innovation Award 2013 for developing a sustainable alternative to traditional solutions used in dyke improvement and land reclamation. And Arcadis won the Green Good Design Award 2013 for designing an environmentally-friendly thrift shop constructed almost entirely from recycled materials. The building uses energy in the earth to maintain an ambient year-round temperature and solar tubes to project natural light into the building.

1.13.6. Secure your future: don't become a 'budget pensioner'

In August 2013, Dutch entrepreneur Aad Ouborg came up with the idea of transforming a former prison in Breda into a 'budget residence' for seniors. It would be an affordable alternative for people who hadn't saved enough money for their retirement. Residents would share a prison cell and robots would provide the most essential care.



The news drew a widespread reaction from all layers of society, and some people even applied for a place in 'De Koepel'. Two days later, Delta Lloyd announced in a talkshow on prime time TV and via an advertisement in the main Dutch newspapers that the whole idea was a hoax – but one it had staged with a good reason.

"We wanted to give people in the Netherlands a wake up call and get them to think more about their pension," says Executive Board member Onno Verstegen. " So many people simply have no idea what their income will be when they retire – and many simply stick their heads in the sand and ignore the problem."

Under pressure
In 2013, the political discussion around the Dutch pension system ramped up when it became clear it was increasingly squeezed by the recession, long-term low interest rates and higher life expectancies. “We can’t deny that,” says Onno. “The long-term sustainability of the Dutch pension system is under pressure and we have to start thinking about possible alternatives.”

One possibility is to change from a pension scheme that pays a ‘defined benefit’ linked to a person’s wage when they retire, to a system in which people invest a defined amount every month to fund their retirement. This gives people more choice in how they build up their own pensions pot. Some might choose a ‘life cycle’ plan, whereby investments are riskier at the start and become increasingly conservative as their retirement date comes closer, or they can choose to buy a guarantee that gives them the surety of knowing what they’ll get when they retire.

One way or the other, things have to change in the Netherlands. We need to face the fact that there is no balance anymore between risk and security and we should all be thinking about alternatives – not just pension funds, but everyone who wants to enjoy a well-earned retirement, rather than becoming a ‘budget senior’.

1.13.7. Marked-to-market valuation

Life insurers like Delta Lloyd make a commitment to pay out their customers in the future, for example, paying out pensions when they retire. To ensure we can deliver on this promise, we secure these future payments by investing the money we receive from our customers.

To give our stakeholders long-term assurance and a realistic view of our financial situation, Delta Lloyd is one of the few insurance companies that prudently marks its IFRS balance sheet to market values. This means we value our assets and liabilities at their current market prices – or ‘fair value’ – rather than the historical value, as is done using traditional accounting methods.

If market interest rates fall, bond values rise, generating a profit for us as an investor in those bonds. On the other side of the balance sheet, when interest rates are low we have to set aside more money to ensure that we can pay our policyholders the fixed sum they are expecting to receive at a certain point in the future. Reserving more money to meet our future commitments comes at the expense of the investment profits mentioned earlier.

Because we proactively correct our entrusted funds to the current market rates before we attribute the profits to our shareholders’ equity, our policyholders benefit in the long term. Our financial position is therefore transparent to both our shareholders and our policyholders and we can keep our promise, now and in the future.

Below is a simplified model explaining how our 'marked-to-market' accounting method differs from 'traditional' accounting and the impact these models have on shareholders' funds under different circumstances.

http://verslag.deltalloydgroep.com/en/marked-to-market/

1.13.8. Help for home owners

At the start of 2013, Delta Lloyd Chairman Niek Hoek spoke out against government measures to curb the high mortgage debt of Dutch households. Property values had fallen by around 19% – about € 200 billion – since 2008, leaving many home owners with larger mortgages than their homes were worth. The government wanted to stimulate the stagnant market with a series of stringent reforms.

Niek felt these measures would decrease consumer confidence and stifle the economy rather than stimulate it. "Any requirement for mortgages to be fully redeemed in 30 years is bound to change the day-to-day spending pattern of most households," he said at the time. "They will have less money to spend precisely when it is so vital for the Dutch economy."

While changes to the housing market were certainly necessary, they could have been less severe. "Why don't we look initially at partial redemption," Niek suggested in a speech in January. "In this way, we could maintain disposable income at a sound level and at the same time limit the risks of excessive mortgage debts."

Low-risk mortgages

Twelve months later, and the Dutch economy seems to be back on the road to recovery – and with it the housing market – although we still think the government's measurements were too harsh and caused unnecessary economic damage. On the plus side, house prices have stopped falling, creating opportunities for potential buyers. This, along with the limited availability of private rental properties, means the housing market is starting to pick up again.

Delta Lloyd is helping the recovery with an attractive offering that is particularly favourable for low-risk, low-value mortgages, such as those for first-time buyers, which are usually less than € 250,000 and therefore guaranteed by the government. Under our new tariff system, the lower the loan to value (based on the property's market price and not the purchase price), the lower the interest rate we offer. As a result, in 2013, we increased new mortgages by 85% to € 952 million in the Netherlands.

With the economy poised for recovery and consumers regaining their confidence to spend, there is reason to feel more optimistic about the future of the Dutch housing market.

1.13.9. Learning from our mistakes

Delta Lloyd does many things right. We see this in our customers' increasing satisfaction. But sometimes we get it wrong. Like the way we tried to exit the Dutch WGA-ER market for own-risk partial disability allowances. These are benefits Dutch employees receive from their employers when they are temporarily unable to return to work because of a medical condition. Employers could choose to insure their risk through a commercial insurer or through the government's employee insurance agency (UWV).

When products to protect employers against these financial risks were first introduced in 2006, competition among insurers for this business was intense. Premiums were set far too low to entice customers – too low in hindsight. Especially when it turned out that there were more people claiming full disability than had been anticipated. In many cases, payment of the benefit would last the full own-risk period of 10 years.

On top of that, the government decided to extend the WGA-ER scheme to include workers on temporary contracts from January 2016. Setting an adequate premium to cover employers' risks for their flex workers would be very difficult. Our conclusion was that insurance through UWV would always be the cheaper option. Given that the WGA-ER business was already struggling, we decided in March 2013 to take steps to stem our losses. We stopped underwriting new business, raised the premium of existing contracts to a more sustainable level – in some cases by as much as four-fold – and aimed to gradually exit the market by January 2016.

Controversial decision
It proved to be a controversial decision and one that underlined how important it is to take care of our customers. We had underestimated just how much opposition there would be to the price hikes. At the time, it had seemed a reasonable way to return this business to profitability and satisfy our shareholders, especially as employers can still insure their risks through the cheaper public UWV scheme.

In hindsight, we should have considered our customers' interests more carefully. Many of them did not want to change to the public scheme. As it was, four large Dutch customers – among them a supermarket chain, a hospital and a university – took legal action against us to stop their premiums from rising during the term of their contract. The court found in their favour.

The decision surprised us, but we accepted it as we wanted to give our customers clarity on their premiums going forward and further delays were not in their interest. We rolled back the price increase and will keep these customers' premiums at this level until their contracts expire. However, we will exit this loss-making market in 2016 and will focus on improving our other disability products.

2. Report of the Supervisory Board

Delta Lloyd performed strongly in 2013, especially in the second half of the year. Performance was robust both commercially and operationally and the company further improved its financial position, despite the challenges of a low interest rate environment and fast-moving, substantial changes in the pensions and tax spheres.

2.1. Role of the Supervisory Board

Delta Lloyd Group has a two-tier structure, requiring a well-managed relationship between the Executive Board and the Supervisory Board. The two Boards have specific responsibilities, but also a shared responsibility for the company's strategy and risk profile.

The Supervisory Board has a number of functions. It acts as the company's internal supervisor, as well as having responsibility for corporate governance and for Delta Lloyd employees. The Supervisory Board can be called to account for its conduct and decisions.

A detailed account of the policy pursued and the company's results can be found in the Report of the Executive Board. In this Report of the Supervisory Board, we explain how we fulfilled our duties and responsibilities in 2013.

The Report of the Supervisory Board should be read in conjunction with section 3.1. on Governance, which outlines the corporate governance structure and provides additional factual information on how Delta Lloyd is managed.

2.2. Stakeholders and strategy

Delta Lloyd Group offers financial security. Its mission is to meet the demands and needs of its customers and of society. Delta Lloyd deliver clear, reliable and contemporary solutions that create value for its customers, shareholders and employees.
Customers are Delta Lloyd's licence to operate. In addition, the Supervisory Board weighs the diverse interests of all our stakeholders including investors, employees, suppliers, regulators and society as the starting point for its supervision of Delta Lloyd's strategy and progress.

As an insurer, Delta Lloyd is capital-intensive and therefore needs good access to capital markets. At the same time, it must deal with the growing and heavy quantity of regulatory requirements that are imposed on the insurance sector. Uncertainty over Solvency II makes it difficult to set consistent financial policy, while the different European regulatory regimes governing banks and insurers mean there is no level playing field in Europe.

The continuity of Delta Lloyd is an important responsibility for the Supervisory Board. As well as doing business, we wish to fulfil high standards of social behaviour and make a meaningful contribution to society.

2.3. Key issues in 2013

In 2013, the Supervisory Board devoted special attention to the following topics:

2.3.1. Customer centricity and product development

The Supervisory Board attaches great importance to customer satisfaction and confidence. This is therefore one of the criteria for management incentives.

The Supervisory Board held extensive discussions on customer centricity in general and product development in particular. At each meeting of the Supervisory Board, an update was given on customer centricity. The Supervisory Board looked at the results of assessments by the Netherlands Authority for the Financial Markets (AFM) and comparisons with competitors in this area. The Supervisory Board noted with satisfaction that customer satisfaction scores improved for the Dutch labels and also for Delta Lloyd Life in Belgium.

Specific attention was paid to product development and the way products are tested against the customer’s interest. The Supervisory Board had extensive discussions with the Executive Board on WGA-ER (partial disability benefits) and the decision to withdraw gradually from the WGA-ER market.

Four customers began summary proceedings on the increase of WGA-ER tariffs as from 1 January 2014. The Executive Board and the Supervisory Board discussed the summary proceedings and the ruling against Delta Lloyd. The Supervisory Board noted with approval the company’s decision not to appeal, as Delta Lloyd’s customers are entitled to clarity on their premiums for 2014 and a further delay was not in their interest. The Board discussed the results of a root-cause analysis by the Executive Board.

The Supervisory Board also devoted attention to the way in which Delta Lloyd compensates customers’ costs in unit-linked policies. The Executive Board repeatedly informed the Supervisory Board about the implementation of facilitating measures to ensure customers are stimulated to take action to ensure products are still appropriate to their financial situation.

By June 2013, 100% of customers were informed about the value of their unit-linked insurance policy and, if applicable, compensation had been credited to their policy. Various groups of ‘vulnerable’ customers are being approached and encouraged to ensure the policy fits their situation. The AFM is positive about the way Delta Lloyd incorporated the 2012 recommendations on ‘activating’ vulnerable customers.

Digitalisation was another focus area in 2013.The Supervisory Board was informed about and discussed the progress of the digitalisation programme, which aims to make Delta Lloyd a paperless insurer.

The Board discussed the input, output and organisational part of the digitalisation programme. Delta Lloyd is currently working on input management – digital processing of mail and incoming documents. Most of this will be completed by end-2014. It is also working on output management: understanding how customers prefer to receive information from Delta Lloyd.

2.3.2. Focus on Dutch and Belgian markets

The Supervisory Board had extensive discussions with the Executive Board about our focus on the Netherlands and Belgium. We are happy with the course set and progress made by the Executive Board.

2.3.3. Achieving business objectives

The Supervisory Board continuously discussed progress on the budget and annual plan. It held intensive discussions with the Executive Board on developments in the financial markets and the best way to respond to these developments, in particular margin improvement, risk mitigation, strengthening the capital position of Delta Lloyd, digitalisation and the cost-savings programme.

2.3.4. Risk management, setting risk appetite and risk awareness

Risks are an inextricable part of doing business. They are intrinsic to the insurance industry, so Delta Lloyd is not exempt. Its revenue model is based on taking on and managing a broad spectrum of risks in relation to the return to be achieved in the future. Risk management is therefore not an isolated activity but an integral part of the core business and, as such, is embedded throughout the organisation and in the company’s operational processes.

The Supervisory Board performs its duties along the same lines. This means we must form a clear overall view and understanding of the main risks so that it can assess how the Executive Board manages them and monitor the consequences of decisions for the risk profile.

In 2013, the Supervisory Board held extensive discussions with the Executive Board on risk management. These discussions covered areas such as defining the desired risk profile, which resulted in a sharper, more aligned and more coherent policy on capital allocation, the growth of business units and the setting of prices.

These are crucial points, because the financial market conditions, and especially the low interest rates, make it challenging to run a profitable Life business. This and the future requirements of Solvency II force us to examine our risk exposure and, by extension, the business model we have. The combination of more difficult financial markets and Solvency II led to a reassessment of our appetite to run certain risks, such as longevity risk, which under Solvency II is considered a large risk.

The Supervisory Board also devoted specific attention to cyber crime risk. It paid a visit to the Delta Lloyd data centre and was informed about the approach to such types of risk.

2.3.5. Capital allocation

Both the Supervisory Board and the Risk Committee devoted regular attention to Delta Lloyd's capital position. Specifically, they looked at opportunities to strengthen the capital position and discussed its potential for recovery, principally through retained profits. As an extension, the Supervisory Board looked at retention of capital within the various business units.

2.3.6. Shareholder base, dividend policy and access to capital markets

In general, the Supervisory Board believes that a major advantage of being market-listed is access to capital markets. However, this requires a dividend policy that enables that access.

Delta Lloyd needs a stable base of long-term shareholders and a stable dividend policy. Last year, the Executive Board succeeded well in explaining the strategy to and maintaining good contacts with the shareholder base.

In January 2013, Aviva sold its remaining stake in Delta Lloyd, increasing the free float to above 99%. This was an important development. In June, Fonds NutsOhra converted three million preference shares A into ordinary Delta Lloyd shares. Fonds NutsOhra's voting rights in Delta Lloyd declined to 5.0% from 6.74%. The Supervisory Board approved an equity offering of four million new ordinary shares via an accelerated book-build, proceeds of which were used to finance the ZA Verzekeringen acquisition.

The Supervisory Board is pleased that Delta Lloyd was included in Belgium's BEL-20 index in early 2013 and since March 2014 in the Amsterdam AEX index.

2.3.7. Sustainability

The Supervisory Board also devoted special attention to the following specific issues:

Strategy
The Board also worked on scenario-building. To act upon and mitigate the uncertainties in its business environment, Delta Lloyd uses scenario planning to guide its strategy. This allows the company to look at the full implications of various future scenarios from various perspectives over a period of 15-20 years. It gives a greater understanding of the forces driving the dynamics of its future

environment. The Board provided its input for the scenarios developed in 2013 for 2035, which Delta Lloyd will use to review its ‘Future Secured’ strategy later in 2014.

Good employer

The Supervisory Board examined the remuneration austerity that Delta Lloyd has announced and the negotiations on the new collective labour agreement (CAO). The Board is aware that this austerity asks a lot of employees; yet it is vital to the continuity of Delta Lloyd.

The Board discussed the annual employee survey, in which 79% of staff participated. As well as measuring engagement, questions covered areas including workload, the extent to which they experienced stress at work or encountered obstacles to doing their job to the best of their ability. Delta Lloyd calls this widened scope of engagement ‘sustainable engagement’.

The Board was also gratified to note that Delta Lloyd ranked highly in a number of external employee satisfaction surveys.

Diversity

Delta Lloyd’s diversity policy was a topic of discussion in 2013, with the Supervisory Board focusing mainly on the appointment of female managers and Executive Board members.

The Supervisory Board itself aims to have a gender balance by having at least 30% female members. In 2013, this criterion was not met. The profile of new members will depend partly on the profile of the members who are due to resign in the future, although there will be a strong focus on improving gender balance.

With each vacancy, it is explicitly stated that a female candidate is preferred. Overall, the Supervisory Board aspires to a reasonable balance in the gender, age, expertise, experience, nationality and background of its individual members.

Corporate social responsibility

A meeting of the Supervisory Board devoted special attention to CSR and the status of CSR at Delta Lloyd. The biggest challenge is incorporating sustainability into product development – in cradle-to-cradle products, for example. The Board noted with satisfaction the achievements made by Delta Lloyd Foundation in terms of community involvement. One in particular is a fund initiated by Delta Lloyd to finance small and medium-sized businesses in the Netherlands. It was set up with eight other insurers following the outcomes of the *Hoek Commission*, which found financing for these vital businesses was scarce in the wake of the economic crisis.

As well as the above issues, all customary subjects were also addressed at the Supervisory Board meetings. Particular attention was devoted to the company’s financial results.

Discussions within the Supervisory Board were based mostly on documents and presentations prepared by the Executive Board, but the Supervisory Board also drew on external sources of information.

2.4. Supervisory Board meetings

The Supervisory Board held seven plenary meetings in 2013, six of them in the Netherlands and one in Belgium. The attendance rate of members at the plenary meetings in 2013 was 98%. There was also much informal contact between individual Supervisory Board members outside the meetings.

Between meetings, the chairman of the Supervisory Board maintained intensive personal contact with the chairman of the Executive Board. The chairman acts as the first point of contact within the Supervisory Board for the chairman of the Executive Board, who discusses topical issues and the company's general affairs with him.

The chairman of the Audit Committee has frequent personal contact with the Chief Financial Officer (CFO) and his staff. The chairman of the Risk Committee holds frequent talks with the CFO, the chairman of the Executive Board and the risk management staff. The chairmen of the Remuneration Committee and the Nomination Committee have direct contact with the Executive Board member responsible for human resource management and the respective corporate staff director.

Supervisory Board members also paid individual visits to various business units within Delta Lloyd and spoke with employees. The Supervisory Board takes an active interest in developing talent in the management layer immediately under the Executive Board. To this end, it seeks frequent contact with individual managers.

Members of the Supervisory Board take turns to attend meetings of the Works Council, with which the Board has frequent discussions and enjoys good relations. Once a year, there is a joint meeting of the Supervisory Board, the Executive Board and the full Works Council. There was also informal consultation last year between the chairman and vice-chairman of the Supervisory Board, the chairman of the Executive Board and the executive committee of the Works Council. The Supervisory Board monitors the subjects raised in the consultative meetings and appreciates the contacts with the Works Council.

As part of the commitment to lifelong learning, the Supervisory Board took part in various modules at Nyenrode University in conjunction with the Association of Insurers. The Supervisory Board also took part in a lifelong learning module on S&P rating criteria.

Supervisory Board remuneration did not rise in 2013 and there are no plans to increase it in 2014.

The discussion of the management letter with the external auditor revealed no issues that need to be mentioned in this Report of the Supervisory Board. All issues discussed in the Audit Committee and mentioned in section 2.5.1. were also reviewed with the external auditor.

2.5. Supervisory Board committees

The Supervisory Board continued to be supported by its four committees: the Audit Committee, the Risk Committee, the Remuneration Committee and the Nomination Committee.

These committees prepare their delegated subjects ahead of the decision-making in the plenary meetings of the Board. The members of the committees are members of the Supervisory Board and are listed in section 3.1.1. Each committee reports its findings to the plenary Supervisory Board through its chairman. The committees also provide written reports on the items discussed.

2.5.1. Audit Committee

The Audit Committee met five times in 2013. All meetings were attended by the CFO and the chairman of the Executive Board as well as the directors of Audit, Finance, Control & Tax, Integrity and Actuarial & Risk Management. The external auditor was present for part of three meetings.

The Audit Committee devoted significant attention to the periodic financial reports, auditor's reports, actuarial analyses, control framework and internal audit reports. It also paid considerable attention to:

- Fitch's downgrade of France and the impact on the ECB AAA; the downward trend in the Collateralised AAA curve under the ECB AAA curve and the inclusion of an ultimate forward rate (UFR) in the determination of the Collateralised AAA curve;
- A clarification of the effects of the measurement methods used by Delta Lloyd compared with the traditional, more customary methods in the market;
- Development of operational results;
- Capital position, and in particular IGD development;
- Developments regarding WGA-ER;
- IT Risk and cyber security: an introduction to cybercrime and the measures taken by Delta Lloyd to counter these possible threats. The Audit Committee concluded that although Delta Lloyd is well guarded, cybercrime is a persistent threat that can not be 100% avoided; and
- Delta Lloyd's plans and budget;
- Operating effectiveness of Delta Lloyd's internal control framework;
- Impact of new accounting standard IFRS 13;
- Accounting related to the ZA-acquisition;
- Accounting related to the held-for-sale classification Delta Lloyd Bank Belgium;
- Valuation of investment property;
- Valuation derivatives and hedge accounting;
- Funding of Amstelhuys.

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

2.5.2. Risk Committee

The Risk Committee met five times in 2013. It discussed specific risk management issues, including the Risk Management Framework, the Group Risk Appetite Statement, the Financial Risk Report, the Own Risk and Solvency Assessment report, the outcomes of internal controls and analyses made by the Dutch Central Bank (DNB).

The most topical risks facing Delta Lloyd are discussed using the ORSA report. Special attention was devoted to:

- Introduction of theoretical solvency criterion (Solvency 1.5) for life insurers, also in relation to Solvency II;
- The recovery plan listing the actions Delta Lloyd can take if the regulatory ratio (IGD ratio) drops below 130%;
- Longevity risk;
- Pricing;
- Managing risk exposure;
- The bank's interest rates and liquidity risk; and
- How risk management is organised at Group level and throughout the company.

The package of measures to reduce risk further was discussed intensively. At the request of the Risk Committee, there was extensive discussion of the capital position, partly with a view to the introduction of Solvency II. The Risk Committee also discussed the allocation of capital, the associated growth opportunities of the different business lines and the need for proper pricing of individual products with the Executive Board. Non-financial risks, such as operational risks, IT risks (including cybercrime) and integrity policy, were also reviewed.

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

The Group Risk Appetite Statement (GRAS) is an important part of the risk management framework at Group level. It is reviewed in detail once a year in the Risk Committee and subsequently placed on the agenda of the plenary Supervisory Board meeting for discussion and approval. The GRAS is not confined to financial risks but also includes non-financial risks. It defines the overall risk appetite and gives a detailed indication of acceptable levels for the identified risks. The GRAS limits for financial and non-financial risks were reduced in 2013.

Every quarter, the Supervisory Board similarly discusses the Own Risk and Solvency Assessment Report (ORSA) and the Financial Risk Report.

2.5.3. Remuneration Committee

The Remuneration Committee met three times in 2013. Its standard duties include assessing the achievement of the Executive Board's performance targets and setting targets for short-term and long-term incentives. The Remuneration Committee also discussed the evaluation of the remuneration policy at various management levels and concluded that bonuses being paid were not excessive.

At the May 2013 Annual General Meeting, the Supervisory Board proposed a change to the remuneration policy for the members of the Executive Board. Variable remuneration has been capped at 50% of fixed salary since 1 January 2013. The AGM voted in favour of this proposal. The Executive Board has decided to cut variable payment to management and directors by at least 50%. The Remuneration Committee held discussions with the Works Council about this change to the remuneration policy.

Assisted by external advisors, the Remuneration Committee follows remuneration policy trends and developments and regularly assesses whether the current remuneration policy still corresponds with the latest market practices and corporate governance provisions.

The Remuneration Committee also paid attention to the Phantom Option Scheme and to the disability pension of the Executive Board.

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

2.5.4. Nomination Committee

The Nomination Committee met four times in 2013. Its standard duties include the evaluation process of the Supervisory Board, the assessment of the Executive Board, the preparation of appointments and corporate governance monitoring.

The review of the management layer directly below the Executive Board is also discussed annually. In this connection, specific attention is paid to eligible candidates for key future vacancies, including the succession of Executive Board members. The Nomination Committee discussed the succession of Paul Medendorp, who will retire in December 2014. The Supervisory Board is delighted to nominate Ingrid de Graaf to succeed Paul Medendorp as a member of the Executive Board. The Supervisory Board will inform shareholders of the proposed appointment of Ingrid de Graaf at the next Annual General Meeting on 22 May 2014.

The Nomination Committee also prepared the nomination of two new Supervisory Board members. Please see 'Profile and vacancies' in section 2.6. for more information.

2.6. Governance and remuneration

Self-assessment
Every year, the Supervisory Board evaluates its functioning, including the board dynamics. An external consultant assists with the evaluation once every three years.

In 2013, the Supervisory Board conducted a self-assessment with the support of an external consultant. An important positive element that emerged was the great respect members held for one another. Some points of improvement also transpired. For example, the Supervisory Board would like to be more involved in setting Delta Lloyd's strategy at an early stage. In addition, we discussed how we could make Supervisory Board meetings less procedural.

Profile and vacancies
The profile of the Supervisory Board has been drawn up with regard to the company's business objectives and main risks. It has developed into a competence matrix containing four profile characteristics. In performing its duties, the Supervisory Board aims to have significant expertise, knowledge and experience available in four areas:

- Management, organisation and communication;
- The company's products, services and markets;
- Controlled and sound operations; and
- Balanced and consistent decision-making.

We strive for a Supervisory Board composition that fulfils all those elements.

With the departure from the Supervisory Board of chairman René Kottman with effect from 1 January 2014 and the planned departure of Peter Hartman in mid-2014, the Board reviewed its composition compared to the desired profile. In the search for new members, the Supervisory Board is looking for organisational and HR experience in a listed company, especially in the financial services sector.

Pat Regan will resign as member of the Supervisory Board on 22 May 2014, as he accepted a position as CFO at QBE in Sydney, Australia. As a consequence of this resignation, a vacancy will arise on the Supervisory Board.

Pamela Boumeester resigned from the Supervisory Board on 1 April 2013 in connection with her appointment as a Supervisory Board member at Ziggo. A member of our Board for almost nine years, she played a significant role in the functioning of the Supervisory Board as a Board member, chairman of the Remuneration Committee and member of the Nomination Committee.

She was succeeded by Clara Streit, a former senior partner at McKinsey & Company. Clara Streit has advised international clients on governance and strategic issues and has extensive experience in the financial sector. She has also fulfilled various HR roles.

Jean Frijns succeeded René Kottman as chairman of the Supervisory Board with effect from 1 January 2014. Mr Frijns has been a member of the Supervisory Board since 2012.

All members of the Supervisory Board were 'independent of the company' in the meaning of the Dutch Corporate Governance Code.

The current membership of the Supervisory Board is set out in section 1.6.1. of the annual report. The relevant biographical details of the Supervisory Board members are set out on the website www.deltalloydgroep.com

Executive Board remuneration
In 2015, the Netherlands plans to introduce legislation that caps bonuses for financial sector employees at 20% of their annual salary. The Supervisory Board agrees on the need for moderation in financial sector remuneration, though is uncertain how such a bonus cap will help ensure management interests are aligned with the ebb and flow of the business. It believes the financial strength of a company is best served by a remuneration policy that can expand or contract with the company's long-term success

2.7. Financial statements and profit appropriation

In accordance with the provisions of Section 2:101(3) of the Dutch Civil Code, we submit the financial statements drawn up by the Executive Board to the General Meeting of Shareholders for adoption.

Taking into account the unqualified auditor's report of Ernst & Young Accountants LLP, which is included in this annual report, we recommend that the shareholders adopt the financial statements. In view of the positive operational result after tax and non-controlling interests, and in accordance with Article 44 of the Articles of Association, the Supervisory Board approves the Executive Board's decision to pay out a dividend. The dividend proposal is contained in section 5.3.1.

2.8. A word of thanks

The Supervisory Board wishes to express its deep gratitude to René Kottman for his immense contribution during his 17-year membership of the Board. He started in 1997 as member of the Supervisory Board of Nuts OHRA Beheer and chaired the Delta Lloyd Supervisory Board from 2006 until 2013.

We are grateful for the expertise, solidity, commitment and calm composure that René brought to the Supervisory Board and for the excellent manner in which he fulfilled his role as chairman. He made a great contribution to the creation of the Group during the merger between Delta Lloyd and OHRA, the relationship with former majority shareholder Aviva and the IPO in 2009.

The Supervisory Board wishes to thank shareholders for their ongoing confidence in the company. We are grateful to the Executive Board for its robust leadership, and would like to thank all the company's employees, who once again displayed their professionalism and dedication in 2013.

The Supervisory Board
Jean Frijns, chairman; Nomination Committee chairman; Risk Committee chairman
Eric Fischer, vice-chairman; Remuneration Committee chairman
Jan Haars, Audit Committee chairman
Peter Hartman
Fieke van der Lecq
Patrick Regan
Clara Streit

3. Certainty

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

3.1. Corporate governance

General outline
As a public company based and registered in the Netherlands, Delta Lloyd Group is subject to the Dutch Corporate Governance Code.

Delta Lloyd is governed by three corporate bodies: the General Meeting of Shareholders (the General Meeting), the Executive Board and the Supervisory Board. The Supervisory Board appoints the members of the Executive Board, while the members of the Supervisory Board are appointed by the General Meeting. Certain important Executive Board resolutions require Supervisory Board approval.

3.1.1. Supervisory Board

The Supervisory Board advises and supervises the Executive Board in the execution of its duties and monitors the policies and affairs of Delta Lloyd Group. Its members must serve the interests of the Group and are collectively responsible for carrying out the Supervisory Board’s duties.

To be eligible for appointment to the Supervisory Board nominees must satisfy the profile as set out in its by-laws. The profile contains guidelines on the composition and size of the Supervisory Board to ensure it represents the interests of all stakeholders as far as possible.

Remuneration of Supervisory Board members is determined by the General Meeting.

To help it in its decision making, the Supervisory Board has several committees focused on specific issues. These are the Audit Committee, Remuneration Committee, Nomination Committee and Risk Committee. Each Supervisory Board member serves on two committees.

Composition of the committees

Each committee has four members. Membership is in line with the appropriate competences.

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

Patrick Regan

Nomination Committee
René Kottman, chair (until 1 January 2014)
Pamela Boumeester (until 1 April 2013)
Eric Fischer
Peter Hartman
Clara Streit

Remuneration Committee
Eric Fischer, chair
Pamela Boumeester (chair, until 1 April 2013)
Peter Hartman
René Kottman (until 1 January 2014)
Clara Streit

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

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

3.1.2. Executive Board

The Executive Board is responsible for the day-to-day management of Delta Lloyd Group. It formulates the company strategy and policies and takes responsibility for the internal control systems. At least once a year it submits a written report to the Supervisory Board outlining the strategy, general and financial risks facing the company and the company's risk management and control systems.

3.1.3. Codes

Dutch Corporate Governance Code
Delta Lloyd is subject to the Dutch Corporate Governance Code (the Code). The full text of the Code can be found on www.commissiecorporategovernance.nl.

Delta Lloyd Group applies the Code with the exception of the following best practice provisions, which 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.' Members of the Executive Board who assumed office before 2004 were appointed for an indefinite period. All members of the Executive Board appointed thereafter are 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 applies this best practice provision to all new Executive Board members appointed since 2004. Executive Board members appointed before 2004 had different terms in their employment agreements, which we continue to honour. Delta Lloyd Group subscribes to the principle that failure by members of the Executive Board should not be rewarded.

Governance Principles and Banking Code
Background
Developments in the financial sector focused attention on corporate governance. To help restore trust in the sector, the Dutch Association of Insurers (*Verbond van Verzekeraars*) and Dutch Bankers' Association (*Nederlandse Vereniging van Banken*/NVB) drew up two self-regulation codes. These are the Governance Principles and the Banking Code.

The Governance Principles apply to all Delta Lloyd's insurance activities since 1 January 2011. The only exception is principle 6.3.2, to which we partially comply. Based on this principle, if a member of the Executive Board is dismissed, severance pay may not exceed one year's annual salary. We refer in this respect to Delta Lloyd's application of best practice provision II.2.8.

The Banking Code has applied to all banking activities of Delta Lloyd Group since 1 January 2010.

Compliance
Our compliance with the Governance Principles and Banking Code helps to strengthen trust in the financial sector. It requires a sustainable approach and unflagging attention and is an ongoing process. Delta Lloyd strives continuously to meet the principles of the Codes, not only their letter but also their spirit.

We explain our approach to compliance with the Codes in the context of four subjects: lifelong learning, the moral and ethical conduct declaration, customer focus and remuneration policy. Our approach to risk management is discussed in section 3.4 of this annual report and there is an up-to-date overview of the way our businesses apply the Codes on our website.

Lifelong learning
Knowledge is core to our business, and this places high demands on the professionalism within our organisation. We believe it is hugely important that knowledge be kept up-to-date. The lifelong learning programme we began in 2011 continued last year for Executive Board members and directors. It addresses a variety of topics, including risk management, Solvency II, management controls, financial reporting and upcoming regulatory developments. In 2013, the Dutch members of the Supervisory Board participated in a programme by Nyenrode Business University to improve insurers expertise. Among the subjects it addressed were ethics, behaviour and culture, governance

and risk management. This program will be continued in 2014. At the request of the Supervisory Board, an additional meeting on rating agencies was organised for the whole Supervisory Board.

Moral and ethical conduct declaration

All members of the Executive Board signed a moral and ethical conduct declaration in 2011. The text of the declaration is posted on the Delta Lloyd Group website. Since 2013, the moral and ethical conduct declaration is a legal duty for all members of executive boards, supervisory boards and policymakers of financial institutions. The Delta Lloyd Executive Board members reaffirmed their moral and ethical declarations to the Chairman of the Supervisory Board on 24 April 2013. The members of the Supervisory Board affirmed their moral and ethical declarations to the Chairman of the Supervisory Board on 6 August 2013.

The moral and ethical conduct declaration also guides the actions of all Delta Lloyd employees. The spirit of this declaration is reflected in our core values: honest, approachable and we work together.

Customer Centricity

Customer Centricity is a key focus area for Delta Lloyd. To support our commitment to putting our customers central in everything we do, we set up a customer centricity programme under the direct supervision of the Executive Board in 2011. Its four priorities are products, services, advice and organisational control. The Customer Centricity programme has made many improvements in the interests of customers, the results and more details are in section 1.10 and section 4.1.

Remuneration policy

Delta Lloyd Group applies a controlled, sound and sustainable remuneration policy. This helps us recruit, retain and motivate employees and to stimulate excellent results. This policy is in line with our risk appetite and supports and strengthens our strategy and core values.
Each job grade has a set maximum fixed-variable remuneration ratio. The variable remuneration for members of the Executive Board is maximised at 50% of fixed remuneration. The purpose of the variable remuneration is to stimulate the employee to achieve the desired results. More information about the Delta Lloyd remuneration policy is published in the Remuneration Disclosures on our website and in section 5.1.7.9. of this report.

3.1.4. Articles of Association

Introduction

The General Meeting in May 2013 resolved to amend the Articles of Association to reflect the fact that Aviva is no longer a shareholder of Delta Lloyd Group and to implement new legislation that came into force. For instance, it is now mandatory to provide a fixed record date for general meetings, which is 28 days prior to the day of the meeting. The amended Articles of Association reflect this. There is also new regulation around conflicts of interest. A supervisory director may not take part in deliberations or decision-making on matters in which they have a direct or indirect personal interest that conflicts with the interests of the company and the business connected with it. This change in legislation is also reflected in the revised Articles of Association. In addition several practical and technical amendments have been made to the Articles of Association. The revised Articles of Association can be found on the Delta Lloyd Group website.

Appointment and dismissal of Supervisory Board members
Members of the Supervisory Board are nominated by the Supervisory Board and appointed by the General Meeting. Each nomination is supported by arguments. The General Meeting and the Works Council can submit recommendations for nominations to the Supervisory Board. In addition, the Works Council is entitled to have its motivation for the nomination included in the notice convening the General Meeting where the nomination is decided, and can take to the floor at the meeting itself to set out its reasons.

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

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

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

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

Appointment and dismissal of Executive Board members
The members of the Executive Board are appointed by the Supervisory Board, which notifies the General Meeting of the 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 Works Council have been informed of the proposed dismissal. A member of the

Executive Board can be suspended by the Supervisory Board at any time. A suspension can be extended once or several times, but cannot exceed six months.

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

3.1.5. Shares

Details about the outstanding share capital of Delta Lloyd and the shareholders are given in section 5.1.7.23 respectively section 1.4.

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

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

3.1.5.1. Dividend

The portion of the profit remaining after payments on the preference shares A and B (as set out in the Articles of Association) and the addition to the reserves is at the disposal of the General Meeting. Distribution of the profit takes place after adoption of the financial statements confirming that distribution is permitted, taking into account all laws and regulations, including the capital requirements of the Dutch Central Bank. The General Meeting may resolve, upon a proposal of the Executive Board and approved by the Supervisory Board, that an ordinary share dividend be paid out wholly or partly in shares. The Executive Board may resolve to pay out an interim dividend on the shares, subject to the approval of the Supervisory Board.

For further details about dividend payments on preference shares A and preference shares B (if issued), refer to Article 44 of the Articles of Association of Delta Lloyd NV. The dividend policy is set out in section 5.3.1.

3.1.5.2. Issuance of shares

On 23 May 2013, the General Meeting resolved to designate the Executive Board as the competent body to issue ordinary shares and to grant rights to subscribe to ordinary shares for a period of 18 months, from 23 May 2013 to 23 November 2014, subject to approval of the Supervisory Board. In its resolution, the General Meeting restricted 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, acquisition or joint venture. After this 18-month period, the Executive Board may propose to the General Meeting to extend its designation as the competent body to issue shares.

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

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

3.1.5.3. Pre-emptive rights

On 23 May 2013, the General Meeting designated the Executive Board as the competent body to limit the pre-emptive rights of holders of ordinary shares. This designation was given for a period of 18 months, from 23 May 2013 to 23 November 2014. In its resolution, the General Meeting restricted the competency of the Executive Board as regards the limitation of pre-emptive rights of holders of ordinary shares to the authorisation it gave to the Executive Board to issue ordinary shares.

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

3.1.5.4. Depositary receipts

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

3.1.5.5. Repurchase of shares

On 23 May 2013, 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 ending on 23 November 2014. The designation relates to 10% of the issued capital, for which purpose the acquisition price must be between the nominal value of an ordinary share and the quoted price of an ordinary share, plus 10%. The quoted price is defined as the average of the closing prices of an ordinary share as reported in the official price list of NYSE Euronext Amsterdam over the five trading days prior to the acquisition date.

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

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

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

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

3.1.5.7. 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.

3.1.5.8. General Meeting of Shareholders

The annual General Meeting is held within six months of the end of the financial year. Its general purpose is to discuss the annual report, adopt the financial statements, discharge the Executive Board and Supervisory Board in respect of their management and supervision, respectively, and to decide on dividend policy and the dividend to be declared. Extraordinary General Meetings of Shareholders are held as often as the Executive Board or Supervisory Board deem necessary and at the request of shareholder(s) holding at least one tenth of the issued share capital of Delta Lloyd as set out in article 2:110 of the Dutch Civil Code.

3.1.5.9. Notice, agenda items

A General Meeting is called by means of a convening notice that is sent by the Executive Board or the Supervisory Board, stating the place and time of the meeting, the agenda detailing the subjects to be discussed and any proposals for items to be added to the agenda. Shareholders and/or holders of depositary receipts who, alone or jointly, represent at least 3% of Delta Lloyd Group’s issued capital may request that items be added to the agenda of these meetings. Such requests will be granted, providing they are received in writing by the Executive Board or the Supervisory Board at least 60 days before the day of the meeting and unless important interests of the company dictate otherwise.

3.1.5.10. 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 who accrues the right to vote on the shares, is authorised to exercise the voting right. Those entitled to attend a General Meeting may be represented at the meeting by a proxy authorised in writing.

3.1.5.11. 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. A qualified majority means at least two-thirds of the votes cast at a meeting regardless of the capital present or represented at the meeting.

3.1.5.12. Powers of the General Meeting

The most important powers of the General Meeting are to:

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

3.1.5.13. 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. Fonds NutsOhra

The object and purpose of Fonds NutsOhra is to initiate, manage and support projects relating to healthcare. The composition of its board is as follows:

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

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

- A public bid for Delta Lloyd Group;
- A legal merger or legal demerger involving Delta Lloyd Group;
- The sale by Delta Lloyd Group of the majority of its assets; or
- A resolution by the Executive Board on a significant change to Delta Lloyd Group, for which approval of the General Meeting is required pursuant to Section 2:107a of the Dutch Civil Code.

The conversion price for the preference shares A amounts to € 30.942 per ordinary share received upon conversion, minus € 0.20 (the nominal value of the preference share A). In specific circumstances as defined in the agreement, Fonds NutsOhra will be compensated for the dilutive effect of certain Delta Lloyd Group actions through an adjustment of the conversion price.

Conversion of the preference shares A into newly-issued ordinary shares will result in a dilution of the issued ordinary shares at that time. In 2013, Fonds NutsOhra converted three million preference shares A into ordinary shares. For more details we refer to section 1.4.1 'Developments in 2013'and section 5.1.7.23 'Share capital'.

The agreement between Fonds NutsOhra and Delta Lloyd Group can be viewed on the website of Delta Lloyd Group.

3.1.7. Protective measures

The object of Foundation Continuïteit Delta Lloyd is to protect Delta Lloyd Group from influences that could jeopardise its continuity, independence or identity. The board of Foundation Continuïteit met three times during 2013. During these meetings, the chairman of the Executive Board, the chief finance risk officer and investor relations manager of Delta Lloyd Group gave an account of the company's general affairs, financial reporting and relationship with its shareholders. In addition, attention was devoted to the Foundation's financial housekeeping and the documentation of procedures and processes.

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

The Foundation can exercise this call option to:

- Prevent, slow down or complicate an unwanted takeover bid or unwanted acquisition of shares through stock market transactions or otherwise;
- Prevent concentration of the voting rights at the General Meeting;
- Resist unwanted influence on or pressure by shareholders to amend the strategy of Delta Lloyd Group; and
- Give Delta Lloyd Group, in any of these situations, the opportunity to consider and explore possible alternatives and, if required, to work these out in the event of an actual or threatened concentration of control among the shareholder base of Delta Lloyd Group. Such actual or threatened concentration is considered unwanted and not in the interest of Delta Lloyd Group and its affiliated enterprise, according to the judgement/provisional judgement of the Executive Board or the Supervisory Board and the Board of Foundation Continuïteit Delta Lloyd, and exercising the call option enables Delta Lloyd Group to temporarily neutralise such concentration of control.

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

The board of Foundation Continuïteit Delta Lloyd comprises 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 of Section 5:71 (1)(c) of the Dutch Financial Supervision Act (‘*Wet op het financieel toezicht*’).

3.1.8. Corporate governance statement

This chapter – together with sections elsewhere in the report and the contents of the Delta Lloyd Group website – constitutes the corporate governance statement within the meaning of the Royal Decree of 20 March 2009 on the annual reporting of listed companies. The corporate governance section on the website www.deltalloydgroep.com contains our Articles of Association, various by-laws and the agreement between Delta Lloyd Group and Fonds NutsOhra. The composition of the Supervisory Board and the Executive Board is also set out here, including 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.

3.1.9. 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. This information is summarised below. Also given are references indicating where this information can be found in this annual report, in addition to the information contained in this chapter.

EU Directive on takeover bids

Prescribed information	Where to find it
The control mechanism for schemes that grant rights to employees to take or acquire shares in the capital of Delta Lloyd Group if the control is not exercised directly by the employees themselves.	This is described in the remuneration report for 2013, which is posted on www.deltalloydgroep.com.
Important agreements to which Delta Lloyd Group is a party and which are made, amended or dissolved subject to a change of control over Delta Lloyd Group after a takeover bid has been made.	The shareholders’ agreement that Delta Lloyd NV and ABN AMRO Bank NV concluded regarding their Delta Lloyd ABN AMRO Verzekeringen Holding BV joint venture includes a change of control provision, which entitles ABN AMRO Bank to obtain the shares held by Delta Lloyd Group in ABN AMRO Verzekeringen at the set price in the event of a change of control at Delta Lloyd Group.
Every agreement between Delta Lloyd Group and a director or an employee providing for a payment upon termination of their employment as a result of a takeover bid.	Delta Lloyd Group has concluded no agreements with directors and/or employees that provide for any payment upon termination of employment as a result of a takeover bid.

3.2. Solvency II

Solvency II is an updated set of regulatory requirements for insurance firms operating in the European Union. The framework will be implemented on 1 January 2016. Local regulators are carrying out their own preparatory measures.

Solvency I used liability volumes to calculate capital requirements. Solvency II, by contrast, takes into account all balance sheet and operational risks. It is based on economic principles for the measurement of assets and liabilities. Risk is measured according to consistent principles and capital requirements directly related to the outcomes. This means insurance companies will have to review their internal risk management and control environment, risk governance, test existing processes and implement improvements.

Although the preparations for Solvency II are far-reaching and wide-ranging, Delta Lloyd Group endorses its underlying principles. It enforces uniformity and creates a level playing field for insurers in Europe. This is in line with our strategy, which revolves around simplicity. In addition, Solvency II better protects consumers, which will help to restore trust in the sector.

The valuation of technical liabilities under Solvency II is a key topic for insurers that provide long-term guarantees. The components determining the interest rate curve used to calculate liabilities were tested in the first half of 2013. The test was part of the long-term guarantee assessment (LTGA), a study commissioned by the European Commission of various ways to calculate liabilities under Solvency II.

Often called 'Basel for insurers', Solvency II is similar to the Basel III banking regulations. It has three main areas (pillars):

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

Preparatory guidelines EIOPA

As a stepping stone to implementing Solvency II, local supervisors such as the European Insurance and Occupational Pensions Authority (EIOPA) have to put guidelines in place for insurers:

- Forward-looking assessments of own risks (based on the ORSA principles);
- Guidelines on pre-application of internal models;
- Guidelines on governance systems;
- Reporting guidelines.

The Dutch central bank (DNB) complies with implementation in these areas, and intends to comply with the guidelines on reporting. It will monitor the gradual implementation by insurance companies during 2014 and 2015.

Delta Lloyd Group's approach to Solvency II

Delta Lloyd Group has set up a Solvency II programme to ensure we comply with the Solvency II guidelines. Some of these activities were transferred to the business or postponed at end 2012. We will intensify the remaining Pillar 3 activities in 2014 to meet the reporting requirements brought forward by the EIOPA preparatory measures.

Solvency II Pillar 1
Delta Lloyd Group intends to report solvency on the basis of an internal model once Solvency II is implemented. This is the model we already use to calculate our economic capital for internal purposes. As indicated in the top 5 risks in section 1.7.1., clear guidance on the validation of long-term guarantees is still outstanding and needs to be finalised in order to report under this framework. To meet the requirements to use this model demands a major effort from Delta Lloyd Group in 2014. We plan to present our formal application for the model to the Dutch central bank (DNB) on 1 April 2015.

Solvency II Pillar 2
We continue to carry out annual own risk and solvency assessments (ORSA), and update the Group's risk profile quarterly. In December 2013, we participated in a sector-wide 'general rehearsal' of the own risk and solvency assessment for Solvency II, organised by the Dutch central bank.

Solvency II Pillar 3
Delta Lloyd Group is preparing to generate the required reports from 1 January 2016. These include the Regular Supervisory Report (RSR) and the Solvency and Financial Conditions Report (SFCR).

3.3. Risk management

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

- **Risk governance**: the risk management organisation 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. Each division has a dedicated audit committee (AC) and asset & liability committee (ALCO) that supervise the effectiveness of the business control systems within the respective business units.
- **Risk processes and systems**: the risk management framework takes into account all relevant elements of risk management, including an internal model for economic capital calculation, a solid risk management cycle and the interrelationship between governance and management information.
- **Risk culture**: the correct 'tone at the top' and active involvement of the Executive Board and the boards of the business units in risk/return considerations.
- **Risk taxonomy and mitigation**: the risk management policy framework encompasses the 'risk universe' of all relevant risks for Delta Lloyd and contains a set of mandatory policies to control and manage risk according to specific guidelines. The annual Group Risk Appetite Statement (GRAS) defines the Group's risk appetite for all risks within Delta Lloyd Group. Each business unit defines its own risk appetite statement consistent with the GRAS.
- **Capital model**: Delta Lloyd uses the Insurance Group Directive (IGD) Group Solvency model and has opted to report future regulatory solvency on the basis of an internal model for Solvency II. Delta Lloyd already applies this model for internal purposes to calculate economic capital. The banking activities report using the standardised approach for Basel II and Basel III.

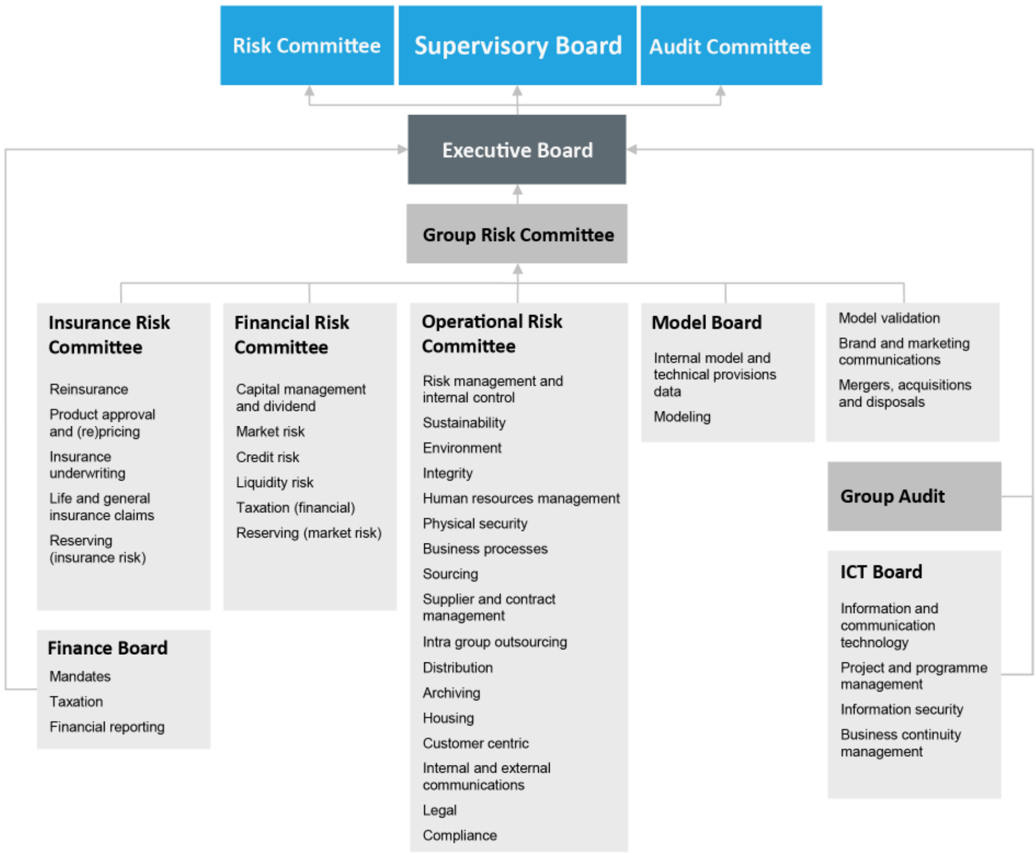
3.3.1. Risk governance

Our **governance structure** is based on roles and delegated authorities, the risk management policy set that comprises guidelines for all major risk types as described in section 3.3.4. 'Risk taxonomy and mitigation', and the risk committee structure.

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

- First line: Risk management in each business unit. This includes implementing policies, day-to-day duties and reporting and managing information. This line of defence is executed by the management of each business unit.
- Second line: The risk management and compliance organisation. This line of defence focuses on coordinating and developing policies, reporting structures and monitoring compliance with statutory rules and internal policies. It is executed by Group Actuarial & Risk Management, Group Integrity, Group Finance, Control & Tax, the risk management committees and the risk management and compliance departments or officers in each division.
- Third line: Internal audit function. The Supervisory Board reviews the governance, processes, appetite and risk positions, in a dedicated Risk Committee. Group Audit performs regular internal audits of key controls. Delta Lloyd Group is supervised by external supervisory authorities. In the Netherlands these are the Financial Markets Authority (*Autoriteit Financiële Markten*/AFM), the Dutch Central Bank (*De Nederlandsche Bank*/DNB), the Authority for Consumers & Markets (*Autoriteit Consument & Markt*/ACM) and the Data Protection Authority (*College bescherming persoonsgegevens*). In Belgium they are the National Bank of Belgium (*Nationale Bank van België*/NBB), the Commission for the Protection of Privacy (*Commissie voor de bescherming van de persoonlijke levenssfeer*/CBPL), the Financial Services and Markets Authority (*Autoriteit voor Financiële Diensten en Markten*/FSMA) and the Belgian Competition Authority (*Belgische Mededingingsautoriteit*). In Germany we are supervised by the Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*/Bafin).

The Group's risk management is organised as follows:



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

Risk management responsibilities

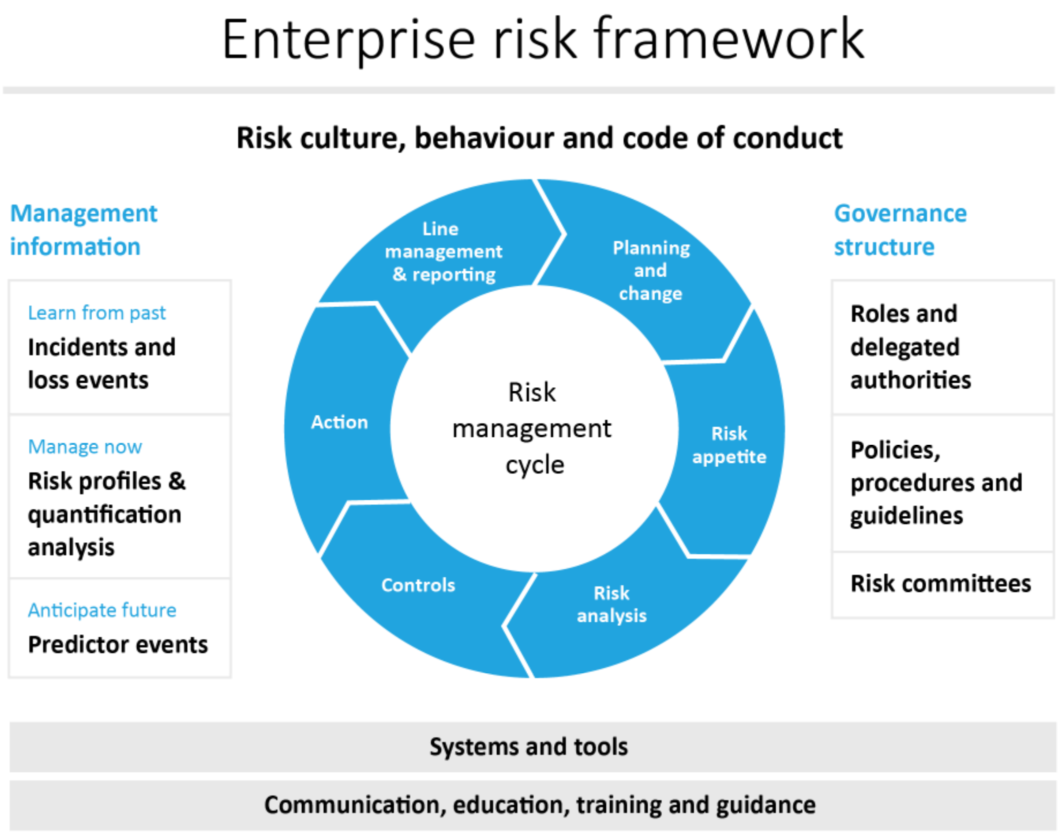
- The Executive Board is responsible for decisions relating to Delta Lloyd Group's risk profile. The Executive Board determines the Group's risk appetite at least once a year. The risk appetite sets the limit for each business unit's key risks.
- The Supervisory Board assesses how the Executive Board manages risks and monitors the consequences of decisions for the risk profile. The Executive Board assesses and approves the Group Risk Appetite Statement.
- 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 Chief Financial Officer of Delta Lloyd Group, the director of Group Actuarial & Risk Management (GARM), the managing directors of Delta Lloyd Asset Management, Delta Lloyd Schadeverzekering and Delta Lloyd Levensverzekering, the Chief Financial Risk Officer of Delta Lloyd Bank Netherlands and the Chief Risk Officer of Delta Lloyd Life Belgium. Specialists in specific areas are also invited, depending on the subject discussed. Risk analyses by the Group Risk Committee focus on the

consolidated economic balance sheet and risks of Delta Lloyd Group, taking account of restrictions arising from banking and insurance regulations at entity level.

- The management of each business unit within Delta Lloyd Group is responsible for identifying, assessing and controlling the risks falling within the responsibility of that business unit.
- The Chief Financial Officer carries overall responsibility for the independent oversight of all risks. Group Actuarial & Risk Management is responsible for the overall risk framework and monitors the effective management of these risks. The director of GARM bears delegated responsibility for the supervision of all risks, including compliance with the Solvency II policy house.
- Group Integrity is responsible for compliance, security, business continuity and the financial crime unit.
- Finance, Control & Tax is responsible for financial management and reporting and advises and instructs the business units. In addition, it is responsible for controlling, monitoring and reporting on the tax position of Delta Lloyd Group, and compliance with tax laws and provisions.
- Group Audit reports to the Executive Board and the Audit Committee of the Supervisory Board and is responsible for internal audits to establish the effectiveness of the Group's internal control systems.
- Group policy owners are responsible for providing oversight of specific risks and monitoring of the risks group-wide.

3.3.2. Risk processes and systems

Delta Lloyd Group's risk management framework is based on the enterprise risk management (ERM) model of the Committee of Sponsoring Organisations of the Treadway Commission (COSO). It meets future Solvency II requirements. This framework helps us understand, quantify and manage the risks to which we are exposed. Management information and governance are linked according to the cycle below.



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

- The management of each Delta Lloyd Group business unit assesses and manages its own risks and controls and updates its risk profile every quarter. Since 2012, these reports and processes include own risk and solvency assessments (ORSA), which are also a requirement of Solvency II. They cover the control of inherent risks, effectiveness of controls and an assessment of the probability and consequences of residual risks. One major objective is to keep residual risks within the limits of the defined risk tolerance. ORSA is a more forward-looking risk management exercise, to oversee and manage the effects of risk scenarios over a longer period.
- Each quarter, GARM draws up a financial risk report for Delta Lloyd Group. It addresses financial factors, such as recent developments in the financial markets and their consequences for the Group's capital position. We use 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 our risk appetite. Collateral is managed on a day-to-day basis. GARM draws up a monthly overview of the capital position of the Group and each of its legal entities, based on local reporting requirements. In addition, an economic balance sheet is prepared and economic capital is calculated on a quarterly basis. In 2013, considerable effort was expended to meet the requirements of Solvency II.
- The banking units of Delta Lloyd Group carry out their own annual risk assessment, known as the Internal Capital Adequacy Assessment Process (ICAAP). This is in line with Basel II – the revised solvency framework for the banking sector developed by the Basel Committee on

Banking Supervision of the Bank for International Settlements (BIS). The ICAAP indicates whether the current capital position is still sufficient, given the financial risks to which Delta Lloyd Bank is exposed.
- GARM coordinates the annual group risk appetite statement, which defines the appetite for all risks within Delta Lloyd Group. It is used to cascade risks down to the business units' risk appetite statements.
- Delta Lloyd Group has set up its own internal financial control framework based on the top-down risk approach of the Sarbanes-Oxley Act.
- To assess Delta Lloyd Group's operational risk, the bank, asset management and insurance segments use a series of key risk indicators that are partly based on Basel II. In addition, Delta Lloyd Group has a system for recording all operational losses above € 10,000 in all business units.
- Business units with large corporate customers apply a risk analysis and a risk management method that is subject to verification by external auditors. These units issue an ISAE 3402 statement regarding their internal controls (the standard for auditing service organisations).
- Group Legal and Group Integrity guide our legal and regulatory risk management. Group Integrity is also responsible for the Group's compliance network and the Regulators Desk unit within Group Compliance.

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

MI incidents and loss events
Recording and determining the cause of undesired incidents, near misses and loss events helps us identify weaknesses in our business processes and their underlying causes. Loss-data relating to internal incidents (such as fraud, near misses in the reporting process or frequent problems with IT systems) and external incidents helps us make better-informed and correct decisions, while providing input for building capital models.

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

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

MI predictor events

These are events 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 ensure controls remain effective. Specific stress tests and scenario analyses are used to estimate and manage the longer-term effects.

MI quantitative analyses
Analyses are supported by and derived from actuarial and business models used by Delta Lloyd Group. This applies in particular to the 'internal model' and its accompanying risk modules.

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

3.3.3. Risk culture

The Executive Board and directors determine our **risk culture**. They set the example for the rest of the organisation. It is imperative that management is approachable on risk management issues and open to discussions about improvement. In addition:

- Executive Board members include risk management objectives in the performance goals of directors.
- Business unit directors take direct responsibility for implementing enterprise risk management activities.
- The Executive Board and heads of the various risk committees provide an overview of risks and the actions they have taken to address these.
- We are implementing a continuous learning programme on risk management for all directors and managers.
- Executive Board members and directors regularly encourage staff to comply with the company's code of conduct.
- To promote effective risk-based decisions the Chairman of the Executive Board and Chief Financial Officer ensure that senior and operational managers put into practice the principles contained in the *CEO Guide - Better Business Decisions and CFO Guide - Better Business Decisions of Delta Lloyd Group*.

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

3.3.4. Risk taxonomy

Our risk management process has developed into an integrated enterprise risk management process and fits into our preparation for Solvency II. It consists of a **risk management cycle** where each action is a stepping stone for the next. Delta Lloyd Group carries out risk assessments and risk calculations to:

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

In the line management and reporting phase of the cycle, management delivers reports that are used to make decisions, which subsequently lead to action in the planning and change phase. The risk appetite for the adjusted business activities must then be re-determined and the cycle begins again. Delta Lloyd Group draws up a group risk appetite statement, which is used to generate business unit risk appetite statements. The statements are reviewed and adjusted at least once a year.

An important part of the risk management cycle is the risk and control self assessment (RCSA). This is a mechanism for identifying and assessing risks, including scenarios (a combination of risks occurring at the same time). It also assesses the effectiveness of existing controls and identifies control gaps. The RCSA is integral to the ERM framework and the own risk and solvency assessment (ORSA) process. This is because we can integrate and coordinate our risk identification and risk management efforts and generally to improve the understanding, control and oversight of our risks. From the findings of a RCSA we can formulate appropriate action plans that address identified control gaps, taking into account risk-reward (cost-benefit) considerations. Progress on these plans is monitored as part of the overall risk management approach. In this respect, RCSA promotes analysis and monitoring of factors that affect the level of risk exposure. Formal quarterly risk profile updates and ORSA are typically extracts and focus points brought forward from general RCSA exercises.

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

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

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

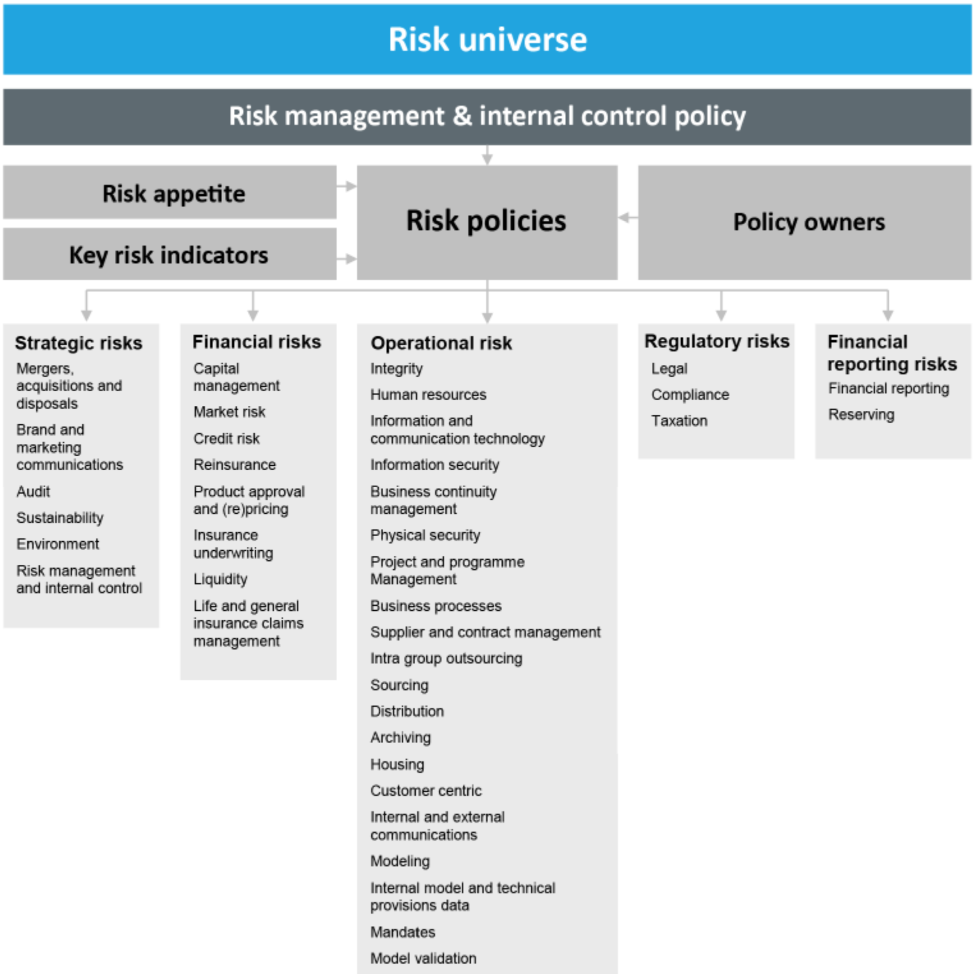
- Underwriting and provisioning;
- Asset-liability management;
- Investment, in particular derivatives and similar commitments;
- Liquidity and concentration risk management;
- Operational risk management; and
- Reinsurance and other risk mitigation techniques.

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

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

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

The Group uses five main conceptual categories of risks and policies within the overarching risk management and internal control policy. The categories are based on the Dutch corporate governance code and describe the risk universe.



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

Strategic risk
Strategic risk is defined as the risk to current and future earnings or capital arising from adverse business decisions, improperly implementing decisions or not responding to changes in customer demand and the industry. Strategic risk includes the risk of missing targets as a result of Delta Lloyd Group business units not responding or not responding adequately to changes in the business environment.

Operational risk
Operational risk is the risk of losses that may occur due to inadequate or malfunctioning internal processes or systems, human error, criminal behaviour or external events. Operational losses may have a direct impact (i.e. give rise to a quantified economic or financial loss) or an indirect impact (i.e. lower sales, opportunity costs or productivity losses that will unfold in the future but may be hard to establish accurately). Operational risks relate to areas such as integrity and fraud, crime

prevention, human resources management, information and communications technology, information security (including risk of innovative multimedia), business continuity management, physical security and outsourcing.

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

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

In addition, we consider systemic risk to be an inherent risk. This is the risk of the economic system or the entire market collapsing due to war, global illiquidity, hyperinflation or similar massive episodes.

Delta Lloyd Group has a number of mitigating techniques and measures to manage its risks. Mitigation and actual development of risk management in 2013 is extensively described in the Financial Statements 2013 , section 5.1.7.1. Risk management.

3.3.5. Capital model

The capital structure of Delta Lloyd Group is managed on the basis of the economic risks and the balance sheet, as well as on the current legal requirements for insurers (Solvency I) and banks (Basel II). Minimum capital requirements are set for each individual entity based on different economic and operating scenarios. Total capital employed is allocated in a way that meets the minimum levels required and maximises the expected returns, 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 policyholders, management, regulators and rating agencies at all times;
- Retain financial flexibility by maintaining strong liquidity, including substantial unutilised credit lines, and access to a range of capital markets; and
- Allocate capital efficiently to support growth.

We closely monitor the solvency ratio (Solvency I) developed under IFRS and the regulatory requirements (Insurance Group Directive or IGD) for insurance and all non-banking activities. Capital relating to the banking activities is assessed based on the Basel II system.
See section 5.1.7.2. for more detail and actual 2013 figures.

Delta Lloyd Group uses the Insurance Group Directive (IGD) group solvency model and has opted to report future regulatory solvency on the basis of an internal model for Solvency II. Delta Lloyd Group already applies this model for internal purposes to calculate economic capital. The risk types below are included in the economic capital model.

Market risks

Equity risk
For equities, we examine the effect of an extreme fall in market prices on investments and related liabilities. This stress test is based on the equity portfolio decreasing by 50%, which would reduce the value of the equity portfolio and the total capital employed and could increase the value of put options in the portfolio. 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 18% in property prices is taken into account for the property portfolio, based on the long-term volatility of a proxy for the Dutch property sector (IPD index) and our own portfolio. 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

This stress test consists of two modules. One model captures credit spread movements and the other measures credit default and concentration. The former calculates the effect of an extreme change in the credit spread. This effect depends on the credit quality and duration of an instrument. Liabilities are also affected by credit spread movements. The liability discount curve includes a liquidity premium. Since the liquidity premium is dependent on credit spread movements, the liabilities are also sensitive to credit spread movements. Since both assets and liabilities are sensitive to credit spread movements they have a compensating effect.

There is also a stress test for the default risk and concentration, which takes into account equity, cash, fixed income, reinsurance assets and preference shares.

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 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 against the euro. The impact on both foreign currency assets and liabilities is taken into account.

Inflation Risk
This test assumes a shift in the inflation curve. A shift in the curve immediately changes the value of liabilities that are dependent on the inflation level. Inflation swaps are also taken into account in the calculation of the overall effect.

Underwriting and other risks

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

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

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

Health and P&C catastrophe risk
This concerns the risk of a health or property & casualty (P&C) catastrophe. The P&C catastrophe risk consists only of the risk of windstorms to the property and engineering portfolios. Windstorm catastrophe scenarios are simulated in a stochastic simulation model which takes into account reinsurance recoveries, reinstatement premiums, and possible defaults of reinsurers. Health catastrophe risk covers five different events, such as a pandemic or a disaster at a mass public gathering which would have an adverse effect on the health portfolios.

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

Claims ratio volatility risk

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

Disability risk
This concerns the risk of the insured person's realised recovery rate being lower than expected and their incapacity to work being higher than expected. This risk is applicable to occupational disability products and life products.

Other risks
In this test, scenarios/events are analysed based on the Group's risk profile, whereby an estimate is made of the possible impact according to a three-point methodology. This methodology comprises a frequency estimate (interval or point) as well as a three-point severity estimate (optimistic, median, and pessimistic; corresponding to a 0.1-,0.5- and 0.9 quantile) for each operational risk. The test addresses all risks faced by the Group that are not already taken into account in other tests. Each risk is assessed to determine whether it is extremely remote, remote, possible or likely to occur. An assessment is also made to determine whether the impact of the risk, should it occur, 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.

3.4. Ratings

Standard & Poor's has assessed Delta Lloyd Group on a standalone basis since April 2011, when Aviva reduced its stake to a minority interest. In 2013, Standard & Poor's reconfirmed all its existing ratings and outlook for Delta Lloyd Group under new criteria it implemented in June 2013 to indicate ongoing strength in the context of deteriorating financial and economic market conditions.

Both Delta Lloyd Levensverzekering N.V. and Delta Lloyd Schadeverzekering N.V. have an A rating (stable outlook), while Delta Lloyd N.V. has a BBB+ rating (stable outlook) and Delta Lloyd Treasury B.V., considered highly strategic to the Group, has an A- rating (stable outlook).

Delta Lloyd Group introduced a euro medium-term note (EMTN) programme in 2010, to enable it to attract additional working capital in an efficient and flexible manner.

S&P ratings: stable outlook	
group company	Rating
Delta Lloyd Levensverzekering NV	A
Delta Lloyd Schadeverzekering NV	A
Delta Lloyd NV	BBB+
Delta Lloyd Treasury BV	A-

3.5. 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 2013 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 2013 and developments during the year ended 31 December 2013 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

3.6. In control statement 2013

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

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

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

Executive Board

Niek Hoek, chairman
Paul Medendorp
Emiel Roozen
Onno Verstegen

4. Sustainability

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

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

4.1. Sustainability strategy

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

4.1.1. Sustainability highlights

KKV hallmark
read more

Standard complaints
12,603
read more
19%

Customer Satisfaction (NL)
7.39
read more
1.5%

Fraud prevention cost savings
16m
read more


% Responsibly-managed assets
62%
read more
6pp

Supplier code of conduct
83%
read more
-3pp

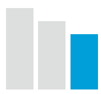
Volunteering jobs
463
read more


Financial literacy
read more

Female directors
24%
read more
1pp

Employee motivation
95%
read more
3pp

Absenteeism rate
4.1%
read more
0.2pp

Paper use (in thousands)
611kg
read more


4.1.2. Sustainability pillars

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

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

Customer centricity

Customer-centric financial services are paramount to the creation of long-term sustainable value. Delta Lloyd Group aims to offer simple and clear products and services that our customers can understand. By engaging with our customers and focusing on our complaints process, we expect to learn valuable lessons from our customers, improve products and services in co-creation with our customers and impact customer satisfaction in the long term. We believe our customer-centric approach promotes and strengthens the solid reputation of Delta Lloyd Group.

Integrity

Regulators, civil society organisations and the media rightly demand that financial services providers act with integrity, adhere to generally accepted values and principles, and comply with all applicable legislation and regulations. To this end, Delta Lloyd Group considers solid compliance and the strict prevention of fraud fundamental to our business.

In addition, we aim to increase the proportion of responsibly invested assets; this strengthens the sustainability of our own business while increasing the corporate responsibility of companies we invest in. Lastly, our responsibility extends beyond our own operations to our supplier code of conduct and our supply chain responsibility programmes.

Community involvement

We are very aware that our activities can have a direct bearing on people’s everyday lives, be they customers, suppliers or other stakeholders. As such, Delta Lloyd Group is very much aware of its corporate citizenship and consequent responsibility. We participate in society through community activities and voluntary work, putting our financial skills and expertise to use in order to benefit society and fight financial illiteracy. Our Foundation is key in achieving this, supported by volunteers among our staff.

We are committed to several United Nations Principles and other affiliated organisations in the field of corporate social responsibility and fund research in the fields of financial literacy and inclusion, pensions and healthcare.

Good employment practices

The age-old segregation between work and free time is becoming increasingly blurred. Expectations of where and how people want to work and how they are motivated are shifting. We believe that our employees' skills, expertise and engagement with Delta Lloyd Group are crucial to the realisation of our long-term sustainable aim of staying an employer of choice.

We are committed to offering competitive remuneration and benefits, personal training and development and a diverse working environment. We also pay particular attention to health and vitality. We believe this approach attracts new talent, retains valuable employees and enhances the reputation of Delta Lloyd Group as being a sustainable employer and a great place to work.

Environment

Environmental issues, and climate change in particular, are widely seen as increasingly urgent issues and could represent significant economic risks. Delta Lloyd wants to minimise the impact of its business on the environment. To achieve these objectives and set goals for the future, Delta Lloyd has an environmental policy guiding its operations. This policy covers the following areas: climate change, conserving energy, mobility management, conserving paper and waste prevention.

4.1.3. Governance and policy

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

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

In our businesses, implementation of our sustainability plans for customer interest, integrity and product integrity, community involvement, good employment practices and the environment is monitored by the relevant directors.

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

For 2013, customer centricity, employee motivation and diversity were key performance indicators for the variable remuneration of the Executive Board.

Agenda 2013 - 2015

For the coming three years we have decided to leave the sustainability agenda unaltered, maintaining our focus on all five sustainability pillars – customer interest, integrity, community involvement, good employment practices and the environment – and their respective goals. Since 2013, our goal to be included in the Dow Jones Sustainability Index has been incorporated into our annual planning cycle, thereby merging financial and non-financial performance at the highest strategic and tactical level of our business. At business unit level, regular reporting on metrics concerning customer interest and HR are incorporated in the planning and control monitoring cycle.

ESG committee

In 2013, an ESG Committee was installed, which discusses environmental, social and governance (ESG) issues, monitors progress and reports directly to the sustainability policy owner. The committee is chaired by the CSR manager. People responsible for each of the five policy areas are also members of the committee.

In 2013, the ESG committee met eight times. At each meeting a specific topic was presented and discussed, such as our responsible investment policy, the customer interest programme and our supply chain management. Since the last quarter of 2013, the ESG committee started monitoring progress on ESG issues, which were identified using the feedback scores of the Dow Jones Sustainability Index (DJSI) self assessment 2013.

Stakeholder dialogue

Delta Lloyd Group values constructive and regular dialogue with its relevant stakeholders. At strategic level, Delta Lloyd Group has two platforms dedicated to getting into dialogue with its stakeholders on strategic and sustainability issues, called the Advisory Board and Sustainability Dialogue (*Duurzaamheiddialoog*) respectively. Both provide feedback to the governance bodies on the matters discussed. As well as these two approaches to stakeholder dialogue, many other platforms exist in which Delta Lloyd Group engages with customers, employees, and shareholders, among others.

Delta Lloyd Group Advisory Board

Delta Lloyd Group Advisory Board is a stakeholder platform promoting the exchange of views with external stakeholders. In 2013, the purpose of the Advisory Board was revised; it expanded its dialogue with external stakeholders to include discussions on strategic matters. Delta Lloyd Group committed to taking the conclusions of these discussions into consideration when making important business decisions and to report on if or how these stakeholder discussions influenced its decision-making. The Advisory Board met three times in 2013. Themes discussed were customer centricity, the new pension system, and scenario thinking. The minutes of every meeting were shared with both internal and external participants.

Sustainability dialogue
In 2013, we expanded our stakeholder dialogue by setting up a series of dialogues on three major themes that are relevant not only to our business goals but also the global economy. The goal of these dialogues with internal and external stakeholders is to explore whether we can together resolve social or environmental issues.

The three major themes are poverty, water and wind, and ‘impact investing’, representing the themes ‘people, planet, profit’ respectively. Delta Lloyd plans to organise at least three stakeholder meetings on these themes. Each dialogue will result in a list of ideas and concrete actions. The ideas can be used to adjust our sustainability strategy and policy whenever appropriate. In 2013, the first dialogue on the theme poverty was held in October 2013. The chairman of the Executive Board and our CSR manager represented the internal stakeholders at this first meeting, which produced a short report. In the next two meetings the dialogue will concentrate on concrete subjects that address poverty.

For 2014, another two dialogues on poverty and three on the themes water and wind and ‘impact on investing’ are planned.

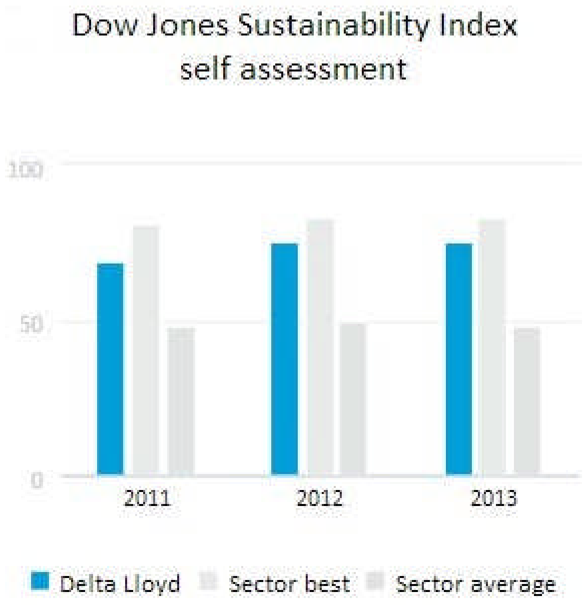
Stakeholders identification and selection
Delta Lloyd Group distinguishes between external and internal stakeholders, the latter being management and employees. External stakeholders are divided into business relations and outsiders. Business relations include customers, entrepreneurs, suppliers, peers, financial experts and representatives of customer interest organisations. Outsiders include independent experts, opinion leaders, representatives of NGOs, politicians, scientists, journalists and representatives of youth organisations. For each dialogue, we select stakeholders based on their expertise and relevance for the theme.

4.1.4. Benchmarks and indices

We consider it important that our sustainability policy can be objectively assessed. For this reason, we benchmark our policy and results against those of comparable organisations. In addition, we endorse several sustainability-related codes of conduct. We report on our progress and the impacts of our sustainability actions. Endorsing these codes underlines the importance we attach to sustainability and our ambition to be transparent about our results. It also gives us a further stimulus to continue moving in the direction we have chosen.

Dow Jones Sustainability Index
Two years ago, Delta Lloyd Group expressed the ambition to be included in the Dow Jones Sustainability Index (DJSI). This internationally recognised index, which is compiled by the RobecoSAM group and S&P Dow Jones, tracks the most sustainable companies in specific sectors. Although Delta Lloyd Group was not included in the index in 2012, RobecoSAM awarded us a ‘Sustainability Award Bronze Class 2013’ because performance was within a 10% range of the highest score in the insurance sector.

In 2013, Delta Lloyd Group retained a strong sustainability score in the 2013 DJSI self-assessment, maintaining 75 points. This is just above the threshold value of 74 for inclusion in the European Insurers sector. Again, the DJSI remained just out of reach in 2013 as the DJSI protects companies that are already included, giving them preference over newcomers with a same score.



We remain committed to our ambition to be included in the DJSI. Our main point for improvement is to explicate our efforts concerning financial inclusion, i.e. initiatives to improve the access and distribution to financial services for disadvantaged people.

Benchmarks

The Dutch Transparency Benchmark

Set by the Ministry of Economic Affairs, the Dutch Transparency Benchmark measures corporate social responsibility (CSR) among the top 500 largest Dutch companies. Since 2007 Delta Lloyd Group has submitted its Sustainability Report to the Dutch Transparency benchmark. In 2013, Delta Lloyd Group scored 166 out of 200 points, ranking 52nd among 460 companies (2012: 146 points, 72nd place out of 472). The improved score can be explained by the marked improvement in categories 'Relevance' and 'Contextual Coherence'. Among banks and insurers, Delta Lloyd Group ranked 15th out of 31. For more information, see the website of the Transparency Benchmark.

Sustainalytics

As a renown institute for sustainability research, Sustainalytics performs research into the environmental, social and governance (ESG) performance of listed companies to provide investors and analysts with a growing database of ESG factors on which they can base future investment decisions. Sustainalytics has performed research on Delta Lloyd since 2010. In 2013 Delta Lloyd ranked second among 141 insurers worldwide, scoring 84 out of 100 points (2010: rank 3 out of 87, 69 points). Improvements were made on all ESG factors.

The Dutch Association of Investors for Sustainable Development

The Dutch Association of Investors for Sustainable Development (*Vereniging van Beleggers voor Duurzame Ontwikkeling*, VBDO) carries out research into sustainable entrepreneurship and sustainable investment by listed companies. In 2013, Delta Lloyd Group dropped from ninth place to 11. The VBDO ranking is based on information provided by the participating companies, in our case by Delta Lloyd Asset Management.

The report of the VBDO provides insight into where we could improve our sustainability performance. An example of this is our country policy, where we get very few points because we have not yet developed a formal country policy yet. We do, however, already use ESG criteria in selecting fixed income assets. We will incorporate these in our overall ESG policy in 2014.

4.1.5. Results in 2013

General achievements in 2013
In 2013, the major objectives of our sustainability strategy were to be included in the Dow Jones Sustainability Index, to set up an ESG committee and to expand our stakeholder dialogue.

- We did not make the Dow Jones Sustainability Index;
- We set up an ESG committee; and
- We expanded our stakeholder dialogues.

In 2013, we took action again during the year to raise awareness among employees of the Delta Lloyd Group sustainability policy. Three 'sustainability tours' were organised, demonstrating to a motivated group of colleagues the different facets of our policy in action and on location. Each tour was hosted by a member of the Executive Board. A total of 28 colleagues joined the tours. On average, they rated the tour 7.8 out of 10 points.

In our annual employee survey we included several questions related to sustainability and integrity. Nine in 10 employees said they would not hesitate to give their opinion, including (top) management, one in four employees thinks top management is good at engaging their employees in decisions that have an impact on their work and half of our employees think that Delta Lloyd Group strikes the right balance between social and financial responsibilities.

Sustainability objectives and results in 2013	
Objectives customer centricity	**Results in 2013**
Further reduce the total number of standard complaints	Total number of standard complaints increased by 19% (2012: 10,612, 2013: 12,603). See section 4.2.1.
Retain the KKV hallmark for all Delta Lloyd Group brands	KKV hallmark retained by half of our labels. The other half were reassessed. See section 4.2.2.
Improve customer satisfaction for the Delta Lloyd Group brands	Average customer satisfaction up in the Netherlands to 7.39. Average customer satisfaction down in Belgium to 6.15, see section 4.2.3.
Objectives integrity	**Results in 2013**
Implement legislation requiring the management of Delta Lloyd Group and the Supervisory Board members to sign a moral and ethical conduct declaration	Since 2013, the moral and ethical conduct declaration is a legal duty for all members of executive boards, supervisory boards and policymakers of financial institutions. Legislation was implemented. See also section 4.3.1. and section 3.1.3.
Increase employee awareness by means of workshops and presentations on behaviour, culture and fraud awareness	Integrity Investigations continued promoting fraud prevention and raising awareness of fraud among employees and teamleaders through presentations and workshops. See section 4.3.2.
Further increase the percentage of sustainably and responsibly-managed assets	Sustainably and responsibly-managed assets increased to 62% from 56%. See section 4.3.3.
Further increase number of top 100 biggest suppliers to sign our sustainability code of conduct	Number of top 100 suppliers who signed our code of conduct down by 3 to 83. See section 4.3.4.
Objectives community involvement	**Results in 2013**
600 volunteers active for the Delta Lloyd Group Foundation	Foundation activated 463 volunteering jobs in 2013, see section 4.4.1.
Maintain sponsorship and donation amounts at same level	Sponsorship and donations down by 25%. See section 4.4.2.
Endorse global sustainability initiatives	Delta Lloyd became a member of the Dutch Global Compact network. See section 4.4.3.
Objectives good employment practices	**Results in 2013**
Absenteeism rate at 3.5% in 2013	Absenteeism up to 4.1% from 3.9%. See section 4.5.4.
Pilot new way of working concept more structurally, and further elaborate home working policy	On average, almost 2,500 users logged onto the virtual remote desktop at least once a week. The number of unique users of the remote desktop outside office location averages around 900. See section 4.5.5.
Woman on the Executive Board in 2015	Male/female ratio for directors up to 24% from 23%. See section 4.5.7.
Objectives environment	**Results in 2013**
Reduction of total CO_2 emissions of 2% per year through further emission and offset efforts	CO_2 emissions reduced by 8% since 2012, see section 4.6.1.
Reduction in energy consumption by 2% per year	Grid electricity consumption (KWh) reduced by 6% since 2012, see section 4.6.2.
Annual reduction of 2% in paper consumption at Delta Lloyd Group	Paper consumption(kg) reduced by 19% since 2012, see section 4.6.4.

4.1.6. Dilemmas in 2013

Working towards realising our sustainability strategy, we at times encounter challenges and dilemmas making it difficult to achieve certain targets. These are challenges and dilemmas we experienced in 2013:

Discussing remuneration
At our Annual Shareholder Meeting in May 2013, shareholders agreed to reduce variable remuneration of Delta Lloyd Group board members to a maximum of 50% of the annual fixed salary, while increasing their fixed salaries by 18.5%. At the same time, we were negotiating a new collective labour agreement (CLA) for employees during which Delta Lloyd Group indicated some cuts in employee benefits would be required. This combination of events sparked off a discussion between the labour unions and Delta Lloyd Group. The discussions perceptibly affected the working atmosphere.

At our annual employees meeting we openly discussed this issue with employees. During the meeting, we invited employees to ask questions in real time via a secure web service set up for this purpose. A total of 383 questions were asked at the meeting and via the secure web site, 41 of which were about remuneration and negotiations on the CLA. Questions that could not be answered immediately during the meeting were collected and addressed in the following days, via our intranet.

Meeting customer quality requirements
For Delta Lloyd Group, meeting the requirements of the KKV hallmark has been a major key performance indicator since the label's introduction in 2010. We were awarded the hallmark for three years in a row. In 2013, our OHRA and Delta Lloyd brands for the first time did not fully meet the hallmark's norms regarding e-mail handling times. We therefore took a series of measures to make sure we answer customer questions via e-mail faster and better.

We set up an email team, composed of representatives from several business divisions, responsible for making sure all e-mails are answered in time. The team supervises an additional project team that explores where and how handling incoming customer e-mails can be improved. We also started mystery calling and emailing – which means researchers make calls and send emails to test the process - to assess whether our customer service complies with the norms regarding email handling time and whether it addresses queries in a customer-friendly manner. In addition, we appointed text coaches to help customer service staff improve their writing skills, enabling them to improve quality of information and tone of voice in their e-mails.

NGOs reviewed our investment activities
The Dutch non-governmental organisations 'Honest Banking Guide' (*Eerlijke bankwijzer*) and 'Honest Insurer Guide' (*Eerlijke verzekeringswijzer*), which judge financial institutions based on sustainability criteria, criticised our investment approach, claiming it failed to meet international human rights standards. The 'Honest Banking Guide' and 'Honest Insurer Guide' published its assessment of our investment approach six times in 2013. It also invited visitors to its website to file a complaint about Delta Lloyd Group. This resulted in more than 200 complaints filed.

In response to the criticism and the complaints received, as well as received feedback in our stakeholder dialogues and specific questions from clients and potential clients, Delta Lloyd Group decided to review its position on a range of investment themes and sectors. These reviews and, whenever appropriate, adjusted positions, will be translated into guidelines and incorporated in our responsible investment policy. We also invited representatives of the Honest Banking Guide and Honest Insurer Guide to enter a dialogue with Delta Lloyd Group and attend our 'Sustainability Dialogue' event on impact investing, which took place in January 2014.

Offering opportunities to disabled people

Delta Lloyd Group is committed to providing job opportunities to disabled people and others who have a disadvantaged position in the labour market. We particularly aim to hire disabled young people belonging to the so-called Dutch '*Wajong*' category. However, to properly manage these people requires time, understanding and expertise about their individual situation. Although we strive to meet these requirements, the reality is that they may conflict with the growing pressure to increase productivity and efficiency. Also, the number of entry-level jobs suitable for '*Wajong*' youth has decreased due to continued digitalisation of our business processes. This means that our long-term goal to provide opportunities to disadvantaged youths is hindered by our short-term goal to meet business targets and market expectations.

4.2. Putting our customers first

Our number one priority is to put our customers first. We are committed to building lasting customer relations based on our 'customer centric' value. Our Customer Centric programme emphasises accessibility, easy-to-understand information and communication, as well as listening to customers and making improvements based upon their feedback. This approach must ensure that customer centricity becomes an integral part of the organisation's DNA and thus part of the processes, products and corporate culture. We believe this will strengthen the long-term relationship with the customer and bolster customer confidence. The ultimate aim is to create sustainable added value for the customer.

Delta Lloyd Group received a high rating in the Customer Centric Dashboard 2012, which was awarded in 2013 by the Dutch Financial Markets Authority (*Autoriteit Financiële Markten*/ AFM). Reasons include our change capacity and effective work towards customer centricity.

As part of our product approval and review process, we again reviewed our active products in 2013 – after reviewing our total portfolio in 2012 – to check whether they are cost-efficient, safe, understandable and meet our customers' needs. Another achievement of our Customer Centric programme in 2013 was the launch of a policy on customer interaction, aimed at gathering insights to help us develop new products and further improve customer centricity.

Retaining the KKV hallmark, issued by *Stichting Toetsing Verzekeraars*, turned out to be challenging in 2013. Two of our Dutch labels – ABN AMRO Verzekeringen and Erasmus Leven – retained the hallmark. The two other Dutch labels – Delta Lloyd and OHRA – had to undergo a reassessment. Both retained the hallmark following the outcome of the reassessment in early 2014.

KKV hallmark	Customer Satisfaction (NL)	Standard complaints
	7.39	12,603
read more	read more 1.5% ▲	read more 19% ▲

4.2.1. Learning from our customers

First and foremost, we value customer feedback, be it a complaint or any other type of response. We aspire to learn from complaints and other customer feedback to further improve our overall services. Furthermore, we believe sharing insights across our business labels will maximise these gains. To this end, we have numerous cross-divisional workgroups dedicated to share experiences and to add sustained customer value to our products and services.

Customer interaction policy
In 2013, we introduced a customer interaction policy for all our Dutch business units. The aim of this policy is to further embed customer interaction in product and proposition development, communication, and customer processes. Objectives of the policy are:

- Improving customer satisfaction by incorporating customer feedback into our products and services; and
- Helping restore customer trust in financial services by adjusting our products and services to customer needs.

Structurally deploying customer research will help us to reach these goals.

We initiate customer research at different stages in the process. Firstly, during product development and when product changes take place to make sure that our products meet our customers' needs. Secondly, our means of communication should be tested on how easy information can be found as well as on the information's comprehensibility, simplicity, completeness, balance, and usefulness. Thirdly, research should be conducted subsequent to customer processes, including the yearly customer satisfaction survey.

Customer dialogue
Delta Lloyd Group recognises the importance of raising awareness about customer centricity among its employees. Our ambition is to further embed customer centricity in our company culture. Therefore, we started a new initiative by organising company-wide customer dialogues, next to other customer researches we already conduct. Employees discussed with customers how they experienced our products and services. Results of these discussions were shared among colleagues, for instance at our yearly employee meeting. From 2014 onwards, customer dialogues will be held on a regular basis to further embed customer centricity in Delta Lloyd Group's culture.

Internal research panel
We launched an 'internal research panel' in 2013 to raise awareness of the importance of customer panels among our employees, and to further integrate customer thinking in our organisation. This way we will embed customer interaction in Delta Lloyd Group's corporate culture. The internal research panel is complementary to the regular external research panels. It not only provides valuable insights, but also stimulates employees to put themselves in our customers' shoes and experience what our products and services have to offer, thereby instilling a client-focused attitude. We aim to include employees from as many different backgrounds and expertise as possible to ensure our products are critically assessed from different viewpoints. This way, we strive to continually improve our products.

By the end of 2013, over a 100 employees were registered in our database. Since July 2013, we conducted the first internal researches. During the research we paid particular attention to a fair distribution – employees will never review products or services of their own business unit.

Complaints policy
All the Dutch business units of Delta Lloyd Group operate a complaints system. The system's standards and definitions apply throughout our business units in the Netherlands. Every year the number of complaints received and handled are reported and posted on the website. Standard complaints comprise all complaints received in writing or over the telephone. Complaints received by telephone or email must be fully processed within five working days. Complaints received by mail are processed within 10 working days.

Complaints handling process
In 2013, we enhanced the Complaints policy, a company-wide policy to deal with customer complaints. Objectives of this policy are:

- Increasing customer trust in the financial services;
- Increasing customer satisfaction on complaints handling;
- Raising mutual learning among employees about complaints handling; and
- Improving Delta Lloyd Group's service provision based on customer feedback.

Statistics on complaints are included in our regular reporting cycle. To ensure sound reporting, we use a consistent definition and guideline as what a complaint is: a complaint is defined as "any expression of discontent about the service provided by Delta Lloyd Group or its partners".

By means of this definition, we aimed at identifying more complaints in 2013 to record more feedback from our customers. This way, our complaints management process plays an important role in monitoring and tracking improvements in the processes of all business units that directly interact with customers, either in person or in writing.

Results in 2013

The total number of regular complaints increased by 19% to 12,603 (2012: 10,612). Specifically, 2013 saw a 41% increase in verbal complaints (2012: 4,679, 2013: 6,591). At Group level, the percentage of regular complaints settled before the deadline increased with four percentage points in 2013 to 93% (2012: 89%), above our target of 90%.

Complaints			
In numbers, unless otherwise stated	**2013**	**2012**	**Change**
Standard complaints			
Verbal complaints	6,591	4,679	40.9%
Written complaints	6,012	5,933	1.3%
Total standard complaints	**12,603**	**10,612**	**18.8%**
Handled within 15 days	11,671	9,428	21.1%
Handled within 15 days (in %)	93%	89%	4pp

The total number of official complaints, which include complaints filed with organisations such as Kifid, the Dutch complaints institution for the financial services sector, decreased to 250 (2012: 348) while the percentage settled within 20 working days increased from 72.4% in 2012 to 85.6% in 2013

Outlook for 2014

We aim to further improve our complaints cycle and response time in 2014. We believe that receiving feedback from customers, in any form, presents an opportunity to make improvements to our business. We will use the opportunity that the complaints process gives us to make further improvements to our products and business processes across Delta Lloyd Group.

4.2.2. Transparency of products and services

With an ever-increasing supply of financial products and services available, customers can find the market overly complex, to the extent that it becomes confusing and impenetrable. We believe this complexity obscures customers' understanding, and thus reduces their appreciation of our core business – insurance products and services. One of our strategic goals is therefore to make these as simple and intuitive as possible. In our Customer Centricity programme, we aim to increase the transparency of our products and services by 1) continuously boosting service levels via the KKV (*Keurmerk Klantgericht Verzekeren*) hallmark, the Quality Hallmark for Customer-Focused Insurance, 2) looking critically and continuously at all of our product portfolio and 3) rewriting our product information to enhance customers' understanding and usability of our products and services.

KKV hallmark

The KKV Hallmark is issued by '*Stichting Toetsing Verzekeraars*', an independent foundation dedicated to promoting trust in the insurance sector among customers. The hallmark provides insight into the standards insurers apply and allows customers to compare insurers based on their service and performance.

Assigned for the first time in 2010, the KKV hallmark ensures that insurers adhere to high standards of customer centricity. In 2013, the hallmark was based on three key performance areas comprising 12 standards. Additionally, the hallmark evaluates us on five quality norms, as a coordinating quality system is essential to meet the 12 standards of the key performance areas. The first key performance area covered whether customers understand the products as provided by the insurer. The second key performance area is related to whether products fit customers' needs. In other words, it measured the added value of products to customers. The third and last key performance area assesses whether service to customers is of maximum quality.

Retaining the KKV hallmark is by no means an automatic process or a formality. Insurers must demonstrate each year that they meet requirements, which are made ever more challenging. Both Erasmus Leven and ABN AMRO Verzekeringen, which Delta Lloyd facilitates, retained the KKV hallmark. The requirements of the hallmark proved to be challenging for our Delta Lloyd and OHRA labels. Neither label met the hallmark's standards in the category of email response time. This called for a re-assessment. Both retained the he KKV hallmark following the outcome of the reassessment in early 2014.

The KKV hallmark stipulates that insurers must have a product approval and review process, involving a careful assessment of the risks and compliance with such aspects as duty of care to the customer. This is in accordance with a Dutch ruling regarding the supervision of financial institutions' behaviour (*Besluit gedragstoezicht financiele ondernemingen*/ Bgfo), which prescribes that insurers must have such a process in place. The KKV hallmark ensures that insurers are compliant with this legislation.

Product approval and review process

Our Product approval and review process (PARP) aims to assess whether our products meet our requirements regarding duty of care to the customer. We continually seek to improve our products and services by putting customer interest and simplicity at the heart of all our processes, products and communications. All products are reviewed and assessed in terms of value added for the customer. This means we assess if products are cost-efficient, safe, understandable and meet customers' needs. These criteria are in line with the Dutch Financial Markets Authority's (AFM) regulations and applicable to both new and existing products offered by our Dutch businesses.

In 2013, we wrote over 150 Product approval reports (PAR). Based on the review, a PAR is submitted for approval to the Management Board and sent to the Supervisory Board for information purposes. Reviews are conducted by internal stakeholders such as Compliance and Actuarial & Risk Management. Our internal auditors (Group Audit) audit our product approval processes annually, reporting on both its design and the way it is being applied to business unit directors, the Executive Board and the audit committees, including the Audit Committee of the Supervisory Board.

We will continue reviewing our products to ensure our customers' interests remain our top priority in designing and marketing them.

Rewriting product information

Delta Lloyd Group recognizes the importance of clear and understandable information for our customers. Accurate, comprehensible information gives our customers better insights into our products, and the value products can add to their personal situation. An important achievement for 2013 was that we took concrete steps to make our information easier to find and understand; we rewrote the policy terms and conditions of a large number of our products. We also took steps to make it easier to exchange knowledge across the organisation and discuss the quality of our customer information. In 2014, we aim to further align all customer information.

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

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

In the first half of 2013, Delta Lloyd Group informed customers about the impact on their individual policy together with the annual cost and value statement. We approach unit-linked policy customers individually by email and telephone and urge them to assess whether their product still meets their initial goal.

The role of the intermediary to activate clients remains essential. For this reason, Delta Lloyd Group cooperates with the National Institute for Family Finance Information (*Nationaal Instituut voor Budgetvoorlichting* /Nibud) to investigate for what reasons clients decide to change their policy.

4.2.3. Customer Experience

Customer centricity does not always lead immediately to higher customer satisfaction. However, measuring and improving customer satisfaction is crucial to realising our ambition to be a customer-centric business.

Customer satisfaction in 2013
In 2013, the average customer satisfaction for Delta Lloyd Group was 6.98, below the average in 2012, which was 7.12. However, average customer satisfaction improved in our core businesses. Only Delta Lloyd Bank Belgium, which we decided to sell, showed a decline.

The average satisfaction score for general insurance increased by 0.12 points, from 7.10 in 2012 to 7.22 in 2013. The average satisfaction score for ABN AMRO Verzekeringen increased by 0.30, from 7.20 in 2012 to 7.50 in 2013. Average customer satisfaction at Delta Lloyd Bank in the Netherlands increased by 0.05 points, from 7.35 in 2012 to 7.40 in 2013. In Belgium, the average customer satisfaction at Delta Lloyd Life increased from 6.92 in 2012 to 7.00 in 2013.

At Delta Lloyd Bank Belgium however, customer satisfaction decreased from 6.70 in 2012 to 5.30 in 2013. In 2012, Delta Lloyd Bank Belgium's commercial services did particularly well with a score of 7.7, contributing to the increased average score of this business unit. In 2013, customer satisfaction for the commercial services was not measured. Excluding the figures of Delta Lloyd Bank Belgium, the average Group score would be 7.31 in 2013, as compared to 7.20 in 2012.

In the Netherlands, Delta Lloyd Life performed a customer satisfaction survey in 2013. However, as the results were not yet available at the time of writing they were not included in this annual report.

Customer satisfaction scores in 2013

Out of a scale of 1 to 10	Average	Overall	Life	GI	Commercial
The Netherlands					
General Insurance	7.22	-	-	7.22	-
Delta Lloyd Life	-	-	-	-	-
Commercial division	7.45	7.40	7.20	7.30	7.90
ABN AMRO Verzekeringen	7.50	-	7.40	7.60	-
Delta Lloyd Bank Netherlands	7.40	7.40	-	-	-
Total average The Netherlands	**7.39**	**7.40**	**7.30**	**7.37**	**7.90**
Belgium					
Delta Lloyd Bank Belgium	5.30	5.30	-	-	-
Delta Lloyd Life Belgium	7.00	7.05	7.05	-	6.90
Total average Belgium	**6.15**	**6.18**	**7.05**	**6.90**	**6.90**
Total average Delta Lloyd Group[1]	**6.98**	**6.79**	**7.22**	**7.37**	**7.40**

Customer satisfaction scores in 2012

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

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

Acting on customer feedback

In 2012, we launched the 'customer experience' programme for business units dealing directly with retail clients. The programme aims to ensure our customers' interests are at the centre of everything we do. It includes a six-step customer feedback management system to guide the business to assess, analyse and prioritise feedback and design and implement improvements based on the comments received on our products and services via phone, email or in person.

We introduced a process to measure satisfaction immediately after contact with customers. In combination with our customer satisfaction survey, this monitoring process gives us a deeper insight into the drivers of customer satisfaction and which areas we can improve to enhance customer satisfaction most effectively. In 2013, we gained several insights in the drivers that directly influence the satisfaction of our customers.

For instance, in our mailing process, a key driver identified was empathy. Email communication traditionally uses formal language, which the customer can experience as ‘distant’. For this reason, we actively started coaching the employees responsible for email communication to pay attention to empathy. The results indicated an increased satisfaction level.

Another example concerns our claims handling process. Although satisfaction scores were good regarding handling times, they lagged behind when a claim was not approved and the ‘distant’ written correspondence accounted for lower satisfaction scores. We therefore started actively calling customers at our general insurance contact centre to explain the reason why a claim was not approved.

Outlook for 2014
In 2014, we will continue focusing on improving customer satisfaction. We will again conduct customer satisfaction surveys, and be critical on gaining insights into where and how we can further improve our customer-centric approach. We will sharpen our focus on customer interaction and enhancing transparency by providing clear and accessible information to customers. We intend to continue the trend to make our written communications more emphatic, especially in our complaints-handling process.

4.2.4. Reputation of Delta Lloyd Group

Strengthening our reputation is a strategic theme for Delta Lloyd Group. The ‘Reptrak’ research method of the Reputation Institute (affiliated with Erasmus University Rotterdam) measures the reputation of an organisation in seven categories and provides a benchmark for comparison to other companies. Every year the Reputation Institute measures the reputation of the 30 largest Dutch companies (in terms of revenue) within the context of a worldwide survey.

The reputation score in 2013 showed a slight improvement compared to 2012: to 61.9 (24th place) from 59.9 (26th place). Reputation is measured on a 100-point scale, scores above 70 are considered very strong. Within our peer group, which contains five Dutch insurers, we ranked second. Achmea ranked first with a score of 65.9, SNS Reaal was last in the peer group with a score of 53.6.

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 ‘Renewing Insurers’ (*VerzekeraarsVernieuwen*). This process is aimed at promoting a situation where insurers deserve trust, through products that offer security.

A new ambitious communication concept for Delta Lloyd, ‘The Optimist’, was launched in 2013. It is a fully-integrated marketing campaign, which will run for a minimum of four years. The campaign will improve overall brand recognition and support Delta Lloyd’s brand values with product campaigns. The campaign mainly targets the top of the retail market and the business-to-business market.

Brand awareness

With the launch of a new commercial introducing the new OHRA claims app solution, supporting the health-insurance campaign, OHRA brand awareness increased in the fourth quarter from 20% to 24%, with an average of 23% for 2013. Brand consideration remained stable at 15%. Brand awareness of the Delta Lloyd label increased in the fourth quarter from 23% to 24%, with an average of 23% for 2013. Brand consideration decreased to 10% from 11% in 2012.

4.3. Integrity

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

Fraud prevention cost savings

16m

read more

% Responsibly-managed assets

62%

read more 6pp

Supplier code of conduct

83%

read more -3pp

4.3.1. Compliance

As a financial institution, Delta Lloyd Group is required to comply with various laws and regulations. These are set by legislators, supervisory bodies and various industry codes. However, Delta Lloyd Group goes further than simply adhering to the rules. To retain people's confidence in our business, protect our reputation and restore confidence in the banking and insurance industry more generally, we have drawn up our own internal codes of conduct that express our values and the behaviour we expect from our employees.

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

- The first line of defence applies to implementation and execution of what is required by Group policies. In terms of compliance, focus is on implementation of the Compliance Policy. The first line of defence is represented by the Executive Board and divisions, who have primary responsibility to ensure that Delta Lloyd Group complies with rules and regulations while executing its day-to-day activities.
- The second line of defence supports the first line of defence and provides the specific expertise required for adequate execution of activities. The second line compliance activities

are executed by the compliance function. This function consists of at least one compliance officer per division, Group Compliance (part of Group Integrity) and the compliance officers of Group Finance, Control & Tax and Group Human Resources Management (HRM).
- The third line of defence is represented by Group Audit. Group Audit supports first and second line functions and with regard to compliance specifically, by auditing the structure, existence and effectiveness of compliance measures.

Our efforts to comply with laws and regulations, industry codes and Delta Lloyd's internal codes of conduct, are controlled and coordinated by our compliance function. Being a financial institution, Delta Lloyd is required to pay particular attention to laws and regulations that affect its integrity and which fall under the supervision of the relevant regulators. Responsibility for the compliance function includes translating laws and regulations into policy, developing codes of conduct, providing requested and non-requested advice to the boards of the business units and the Executive Board on implementation issues, promoting policy awareness and monitoring policy compliance.
The Compliance and Group Audit departments report their findings and recommend necessary improvements to the boards of the business units, the Executive Board, the Audit and Risk Committees and the Supervisory Board.

Objectives 2013
The most important goals for the Compliance department in 2013 were:

- Update the Compliance Charter, the compliance policy and risk and control matrix (RCM);
- Update the insider's instructions and guidelines regarding private investment transactions;
- Setup key performance indicators for employees on customer-centric related activities, in cooperation with Group HRM;
- Implement legislation requiring the management of Delta Lloyd Group and the Supervisory Board members to sign a moral and ethical conduct declaration;
- Continuity in to raising compliance awareness.

Results in 2013
During 2013, the Compliance department achieved the following:

- Update of the Compliance policy and RCM and finalisation of testing the RCM in the fourth quarter (Solvency II requirement);
- Update of the Compliance Framework and Compliance Charter;
- Update of the Insider's instructions and guidelines regarding private investment transactions;
- Update of the instructions regarding additional jobs or activities and gifts & events;
- Review of the key performance indicators for employees on customer-centric related activities in cooperation with Group HRM;
- Implementation of legislation, requiring the day-to-day management of Delta Lloyd Group and the Supervisory Board members to sign a moral and ethical conduct declaration.

In addition to this, we made an analysis of new legislation and regulations relevant to Delta Lloyd Group and advised departments and business units on how to implement new laws and regulations. We provided an overview of all applicable laws and regulations and provided quarterly reports with updates on new legislation. We have had several meetings with our Legal Department and made our contributions as a member of the Supervisory and Regulatory Committee (*Commissie Toezicht en Regelgeving*) of the Dutch Association of Insurers (*Verbond van Verzekeraars*).

We sought to enhance awareness about compliance and integrity by organising integrity workshops for team leaders. We set up a learning programme for business unit directors, members of the Executive Board and members of the Supervisory Board in cooperation with Group HRM. The programme addressed topics such as compliance, customer centricity, management controls and expected regulatory developments. The programme will be continued in 2014.

As part of our coordinating role at the Regulator's Desk, which is part of Group Compliance, we handled information requests from industry supervisors about compliance issues. This included reporting to the Executive Board and Supervisory Board of Delta Lloyd.

To be able to provide advice on how to implement the latest due diligence regulations and improve our internal policies in this area, we started a review of our Customer Due Diligence processes.

Outlook for 2014
For 2014, we will continue our general compliance activities as conducted in 2013 and introduce a new programme to raise awareness and promote attention for our internal culture and behaviour related to compliance and integrity, in line with regulatory requirements for 2014.

4.3.2. Fraud prevention

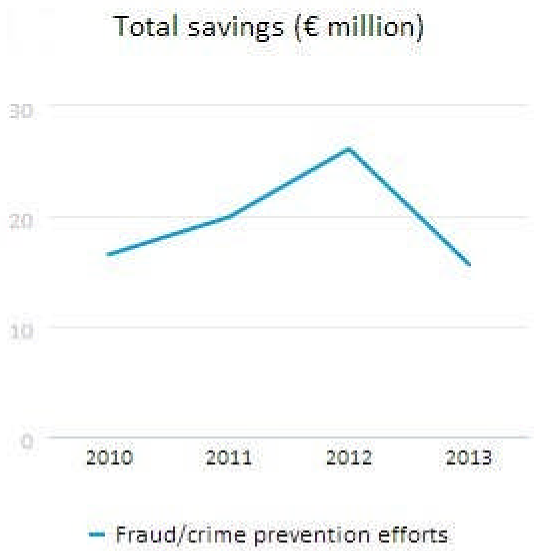
Fraud can harm Delta Lloyd Group's interests, as well as those of our customers and our industry. Unjustified or exaggerated claims lead to higher insurance premiums. Fraud undermines trust in our company and the financial sector as a whole. Delta Lloyd is committed to fighting fraud and maintaining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

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

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

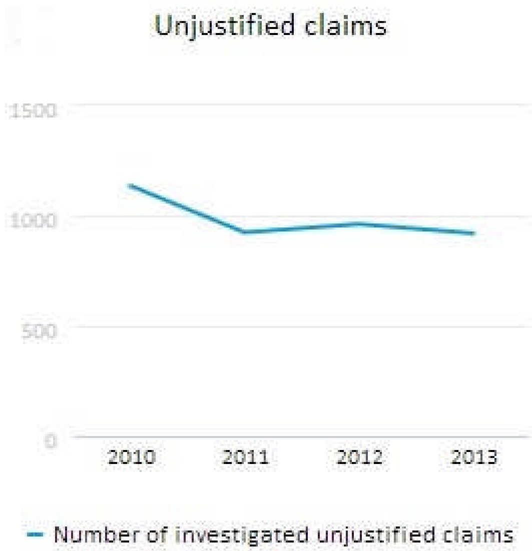
Results in 2013

Our fraud and crime prevention efforts led to total savings of € 16 million in 2013, which is lower than previous years and a huge decrease from the 2012 figure (€ 26 million). This difference is mainly due to the fact that the number of fraudulent claims in 2012 was exceptionally high; eight fraudulent claims (mainly fire claims) represented almost € 10 million of savings that year. In late 2012 we started a joint project resulting in adjustments to the acceptance process, improvement of expertise, and more specific policy conditions related to fire insurance.



Integrity Investigations continued its focus on promoting fraud prevention and raising awareness of fraud among employees. Through presentations and workshops, employees were stimulated to adopt a critical approach to customer integrity during acceptance and claims processes. Employees were instructed how to carry out checks and what questions to ask if in doubt about a claim or other issues. In addition, team leaders attended integrity (including fraud) awareness workshops. Topics related to integrity were also discussed at our Young Talent Network congress.

In addition, we introduced an analytical data tool enabling us to detect possible fraud more easily. In 2013, we used this analytical data tool in three specific projects: claims related to income insurances; acceptance of car theft insurances; and acceptance of internet insurances. The findings of these analyses served as input for further fraud prevention measures. In late 2013, we decided to introduce the previously mentioned analytical data tool company-wide.



By looking more critically at the integrity of customers during the acceptance process and, for instance, rejecting customers with a proven fraud record, we have managed to reduce the number of unjustified claims since 2011.

Delta Lloyd 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 own position. This is reflected in our Whistleblower Policy and the possibility of making reports to the Integrity Disclosure Office. In 2013, the Integrity Disclosure Office received 20 notifications about behaviour that potentially breaches our integrity standards (2012: 18). Furthermore, several other issues were reported (like spam, phishing mails and false invoices). This indicates employees know where to report incidents and where to ask questions.

A total of 28 internal notifications of incidents involving employees were investigated in 2013 (2012: 41), of which one was a whistleblower report (2012: 3). Internal incidents decreased mainly due to fewer reported internal investigations in the third quarter of 2013.

Outlook for 2014

In 2014, we will continue to focus on fraud prevention. This includes:

- Providing employee workshops and presentations on behaviour, culture and fraud awareness to enhance effective screening of potential clients and claims;
- Screening new and modified products for fraud sensitivity (integrated in our product approval process); and
- Analysing processes, procedures and systems to identify and assess fraud risks.

In 2014 Integrity Investigations will extensively use the data analysis tool, which means we will analyse more data. Employees will be trained to use the data analysis tool and be familiarised with new investigation skills.

4.3.3. Responsible asset management

Responsible investment policy

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

The process on improving our policy is ongoing. In 2013, we made the decision to stop investing in nuclear weapons.

In 2013, we noticed that there is an increasing interest in the subject of responsible investment among our customers. The importance of this topic is also shown by the attention it receives in our requests for proposals. In these requests we now elaborate more on ESG related subjects.

In 2013, we took steps to further align responsible investing practices across our businesses and further integrate ESG criteria in our investment decision-making processes and portfolio management. Delta Lloyd's responsible investment committee, which provides guidance on implementing our responsible investment policy, met three times in 2013. Summaries of these discussions are disclosed on our website (Dutch only).

Joining peers in promoting sustainable investing
Our membership of corporate governance forum Eumedion allows us to join peers in mutual efforts to promote responsible investment and engage with portfolio companies and stakeholders to enhance the efficiency and effectiveness of our sustainability activities.

Responsible asset management vs. total asset management

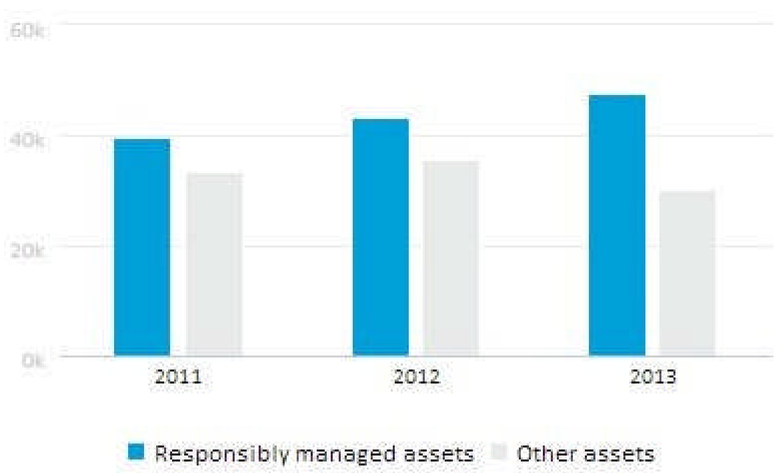
in millions of euros unless otherwise stated	2013	2012	Change
Sustainably managed assets	646.9	563.2	14.9%
Responsibly managed assets	47,692.5	43,440.1	9.8%
Total sustainably and responsibly managed assets	**48,339.3**	**44,003.2**	**9.9%**
Other			
Total assets managed through 5% equity interests	2,031.1	1,969.2	3.1%
Total assets under management	77,726.8	78,972.8	-1.6%
Sustainably and responsibly managed assets (%)	**62%**	**56%**	**6pp**

Responsible and sustainable investments

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

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

Increasing responsibly-managed assets* (€ million)



* Including sustainably-managed assets

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

Exclusions

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

Exclusions

Number of excluded companies	2013	2012	Change
Global Compact principles			
Human rights	11	15	-4
Labour	7	3	4
Environment	9	6	3
Corruption	5	6	-1
Total Global Compact principles	**32**	**30**	**2**
Weapons			
Controversial weapons	16	20	-4
Nuclear weapons	8	-	n.a.
Total Weapons	**24**	**20**	**4**
Total excluded companies	**56**	**50**	**6**

Engagement

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

Voting behaviour

Acting in the interests of insurance customers and other beneficiaries, Delta Lloyd Group actively exercises its voting rights as a shareholder. We vote wherever possible at general meetings of shareholders of listed companies in which we hold an interest of 5% or more (in terms of control) or an interest of € 25 million or more (in terms of capital).

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

Outlook for 2014
Our fixed income assets portfolio is our largest investment portfolio. The ESG criteria we already use to select our fixed income assets will be written down in a fixed income ESG policy. This makes the information more easily accessible for both internal and external stakeholders.

In 2014 we look to further improve the process of implementing our ESG criteria in all our investments. To achieve this we want to further improve our management information, encourage ESG-based discussions among our investment officers and seek active discussions with peers.

In 2014 we look to further improve our environmental impact by, among other initiatives, focusing on sustainable energy.

4.3.4. Promoting a sustainable value chain

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

Each year, we assess compliance with our CSR code of conduct among our major suppliers. We focus on the 100 biggest suppliers in terms of amount spent on products and services in the second half of the previous year and assess how many signed our CSR code of conduct. In 2013, 83% had signed our CSR code, as compared to 86% in 2012. Several suppliers refrained from signing because they have their own CSR code of conduct or had already committed to a similar industry code. Some of the bigger suppliers indicated that they cannot possibly sign the codes of all of their clients. To increase the percentage of signatories, we intend to develop an industry-wide CSR code of conduct, together with our peers.

In 2013, we audited several suppliers, using our CSR Audit Lite Process, which enables our suppliers to do a self-assessment and determine whether they meet our CSR standards. The CSR Audit Lite Process is based on a proprietary template. We invited three suppliers to do a self-assessment and received results from all three of them.

Supply chain management
Managing our supply chain has become even more important since a ban was announced on paying provisions to intermediaries, along with strict requirements for intermediaries regarding duty of care towards customers. In 2013, we saw a growing number of bankruptcies among intermediaries in the market, but also saw new intermediary business models are emerging. In this dynamic market environment, Delta Lloyd Group manages the supply chain risk as prudently as possible, looking for opportunities to engage with business partners. At the start of 2013, Delta Lloyd Group partnered with a total of 3,648 active intermediaries.

As part of our efforts to help our industry regain trust among the general public, we expect our intermediaries, who sell our insurance products, to meet Delta Lloyd's quality standards. We ensure adherence to these standards through our supply chain management which is part of our Customer Centric programme. We aim to align our efforts with the best intermediaries in the market.

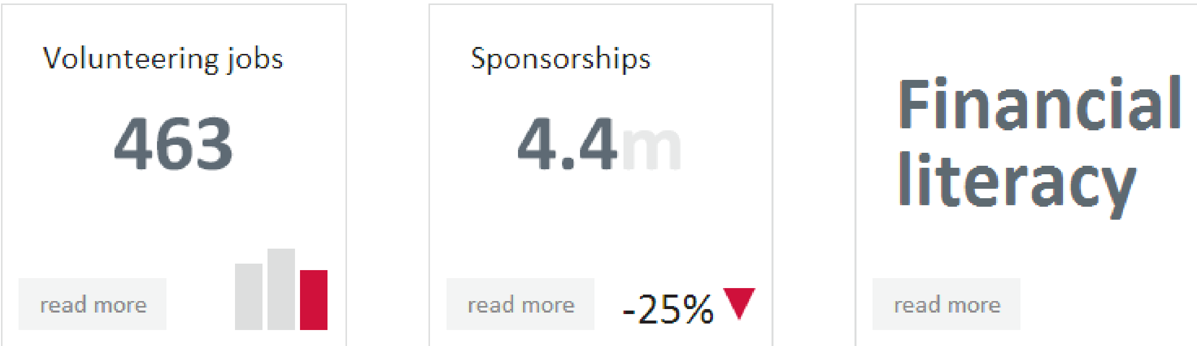
In 2013, we finished developing a quality dashboard which allows monitoring of our intermediaries' quality of customer service. Besides regulatory requirements, indicators such as the intermediaries' credit ratings have been incorporated to measure Delta Lloyd's quality standards. The quality dashboard is to be updated every three months.

Supply chain management is formally integrated in the operations of the commercial division, making the management of the quality dashboard and the monitoring of service quality provided to customers by intermediaries its formal responsibility. A special role is that of the chain manager. The chain managers engage with the intermediaries concerning the dashboards' results. If appropriate, plans for further improvement will be discussed.

In 2012, Delta Lloyd, and several other financial services companies and industry organisations, announced plans to participate in a new independent institution, the Quality Institute for the Financial Sector (KIFS), part of the the Dutch Foundation for Quality Financial Services (*Stichting Keurmerk Financiële Dienstverlening/Skfd)*. The goal of KIFS was to monitor intermediaries in compliance and law-related topics and register intermediaries that passed periodical audits. Unfortunately, the initiative was aborted in the third quarter of 2013, due to insufficient participation. We are currently investigating whether to engage with other platforms and/or to monitor some of the topics ourselves.

4.4. Community involvement

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



4.4.1. Taking community action

Delta Lloyd Foundation, Netherlands
Founded in 2008, the Delta Lloyd Foundation is dedicated to promoting financial self-reliance in communities in the Netherlands. We believe that we should contribute to society and the communities that we rely on for our business.

The Foundation supports and initiates projects aimed at helping people to better manage their finances and prevent financial problems. It stimulates Delta Lloyd's staff to become involved in these projects as volunteers, using and sharing their financial expertise. We believe that putting our financial knowledge and expertise to work for the common good is the best way Delta Lloyd Group can contribute to society.

Objectives
The objectives of the Delta Lloyd Foundation are:
- Activating all of our employees to volunteer for the Foundation;
- Supporting community activities that facilitate the financial self-reliance of vulnerable groups in our society;
- Promoting awareness, education, communication and public relations concerning financial self-reliance; and
- Developing community activities in collaboration with partners.

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

Results in 2013
In 2013, Delta Lloyd Group activated 463 volunteering jobs in Foundation projects, down from over 600 in 2012. The drop was due to the rescheduling of the annual 'Bank in the class room' project, which in 2012 had registered 150 volunteering jobs. Usually taking place each autumn, the 2013 session was rescheduled to the spring school semester, meaning it will take place in March 2014. We spent € 73,000 on activating employees to participate.

The Foundation focuses on four themes that are closely related to Delta Lloyd Group's core competences: financial education, financial self-reliance for women, debt prevention and fighting poverty.

Financial education
Neglecting one's finances can lead to serious problems for households, individuals and society at large. Ideally, financial education starts at a young age at home and at school. However, the reality is that many young people are unable to deal with finance responsibly. To enhance financial education, Delta Lloyd Foundation supported 10 initiatives in 2013. One example was Bizworld, a series of guest lectures about entrepreneurship for children aged 10 to 12. By simulating their own start-up companies, these children gain valuable lessons about money and doing business. In 2013, 33 colleagues volunteered as Bizworld guest lecturers.

Financial self reliance for women
More than half of women in the Netherlands are financially dependent on their partner, family or the government. Research suggested many of them are too optimistic about their financial position. This is why Delta Lloyd Foundation initiated a financial training and awareness programme for women, dubbed 'Manage your finances' (*Regel het financieel*), to help women deal with their finances responsibly. We offered 10 training sessions in 2013, two of which were entirely focused on pension issues, attended by 117 women, who gave the training an average rating of 8.7 out of 10.

Debt prevention
Helping people to get an overview of their finances and balance their income and expenses is what Delta Lloyd's volunteers are good at. Since 2010 we have been supporting the Dutch Centre for Financial Administration at Home (*Landelijk Steunpunt Thuisadministratie* /LSTA), which helps families deal with their financial administration to prevent excessive debt and other financial problems. We support the organisation's aims by financing its projects. In 2013, we financially supported eight projects with a total amount of € 94,300 and 130 employees (2012: 90) volunteered to help people at home organise their financial administration.

Fighting poverty

Cooperating with several organisations, Delta Lloyd Foundation helps fight poverty in the city of Amsterdam, where research shows 17% of the population lives below the poverty line. Delta Lloyd volunteers joined several projects, ranging from helping people to access education and healthcare to helping them set up a social network for themselves. Delta Lloyd Foundation set up an online platform for 15 Amsterdam-based companies to develop new initiatives to fight poverty. The platform, called BASTA, provides information on local poverty fighting projects and enables volunteers to join initiatives. In 2013, six companies were active in the BASTA platform, slightly below our expectations. In 2014, we hope to develop new ways to attract more companies and set up more initiatives. (See also: www.basta-amsterdam.nl.)

Delta Lloyd activities in Belgium
Taking seriously its responsibility as a corporate citizen, our Belgian business Delta Lloyd Life Belgium initiated activities to enhance awareness about pensions and help develop ideas on a reform of the pension system, a topical issue in Belgium. It conducted a national pension survey that resulted in a televised debate between the CEO of Delta Lloyd life and the Minister of Pensions. It also offered young graduates and senior employees opportunities to learn from each other through its 'Generation gift' ('*Generatiegeschenk*') initiative. Delta Lloyd Life Belgium also supports a university chair in pension policy.

Delta Lloyd Life Belgium's community activities include a campaign to collect used batteries for recycling in cooperation with local schools. It donated personal computers to local schools and libraries. The cafeteria's food surpluses are donated to Resto Du Coeur, an organisation that provides meals to disadvantaged people. Delta Lloyd Life Belgium's cafeterias support the local economy by ordering their food through local suppliers. In 2013, Delta Lloyd Life switched to fair trade coffee and started a collaboration with "Théatre Carbonique", a Brussels theatre company that created a play around money. The play will be shown in local schools and is intended to be seen by students aged between 16 and 18 to teach them about the role of money.

We seek to actively engage our employees in our sustainability activities. We seek to enhance our employees' awareness about our sustainability activities during our annual sustainability day. Several employees also donate blood to the Red Cross, which visits Delta Lloyd Life Belgium twice a year for this purpose.

4.4.2. Donations and sponsorships

Delta Lloyd Group is aware of the beneficial role it can play in the community. We aim to contribute to the creation of a more sustainable Dutch society, opting for long-term sponsorship and donation agreements. In 2013, we spent a total of € 4.4 million on sponsorship and donations, down from € 5.9 million in 2012.

Delta Lloyd Group sponsorship			
In thousands of euros	**2013**	**2012**	**Change**
Membership of civil society organisations	268,790	462,910	-41.9%
Community-based activities	304,379	1,431,236	-78.7%
Charity*	983,236	1,288,953	-23.7%
Commercial sponsorship	2,859,532	2,724,489	5.0%
Total	**4,415,937**	**5,907,588**	**-25.2%**

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

Community sponsorships
Delta Lloyd Group supports a diverse range of cultural and social organisations in the Amsterdam area, including the Netherlands Philharmonic Orchestra, the National Maritime Museum, the Delta Lloyd Art Collection Foundation and the Disabled Sports Fund (*Fonds gehandicaptensport*).

We also have a long tradition of supporting initiatives in the area of photography and since 2005 have been closely involved with the World Press Photo Foundation. Delta Lloyd Group entered into a three-year commitment in 2011 to support the annual World Press Photo Exhibition in Amsterdam. We are also a main sponsor of the Amsterdam photography museum Foam, which in 2013 featured works of the American photographer William Klein.

Our employees are actively engaged in supporting local organisations through donations. The Young Talent Network, involving Delta Lloyd employees aged 35 years and younger supports the foundation Sailwise, which enables people with a disability to enjoy various water sports. The Young Talent Network donated € 5,000 in 2013.

In total, Delta Lloyd spent € 300,000 on community-based sponsorship in 2013, down from € 1.4 million in 2012, due to our strategic cost cutting.

Commercial sponsorships
Delta Lloyd Group is a long-time sponsor of Dutch water sports. Examples include our official partnership with the KNWV (Royal Netherlands Yachting Union) and our role as chief sponsor of the Delta Lloyd national Sailing Team, the Delta Lloyd 24-hour Yachting Race, the Amsterdam In-Water Boat Show (HISWA), the Delta Lloyd Regatta and the Delta Lloyd North Sea Regatta. We also support the Netherlands Yachting Museum and the Optimist Club Netherlands, which helps young sailing enthusiasts develop their sailing skills from a very early age. In 2013 most water sport sponsorships were extended until 2016.

The Delta Lloyd national Sailing Team brings together world-class yachtsmen and women who have a chance of winning a medal in the European Sailing Championships, the World Sailing Championships and the Olympics. These top yachtsmen and women are among the best in the world.

Thierry Schmitter, Lisa Westerhof and Lobke Berkhout retired from professional sports in 2012, but a new talented generation is ready to fill the gap. In 2013, several members of the Delta Lloyd National Sailing Team won medals at European and World Sailing Championships.

In 2013, Delta Lloyd spent € 2.9 million on commercial sponsorship activities (2012: € 2.7 million).

Employee Donation Fund
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 with which they are involved in their spare time as active volunteers. The donation must be used to further the organisation's objectives.

Each member of staff is entitled once every three years to nominate an organisation of their choice to receive € 300. Of the total donations budget of Delta Lloyd Group, 10% goes to the employee donation fund. In 2013, the total budgeted amount for employee donations was lowered to € 20,000. To be able to service the same number of employees, we lowered the employee donation from € 500 to € 300. In 2013, this fund granted a total of € 14,700 to a wide range of organisations and associations.

Charitable giving
In 2013, Delta Lloyd Group donated close to € 1.0 million to charitable causes (2012: € 1.3 million). Following are three examples of charity giving by different business units:

- In honour of its 10-year anniversary, our joint venture ABN AMRO Verzekeringen set up an online auction to collect money for a hospice for cancer patients and their relatives. A total of € 6,365 was collected. The board of ABN AMRO Verzekeringen put in an extra € 6,000, making a total donation of € 12,365;
- Twelve employees of Delta Lloyd Bank Netherlands, including the CEO, competed in the 'Amsterdam City Swim', a sp0nsored two-kilometre swim through the city's canals. The proceeds were donated to the Dutch motor neurone Foundation (*Stichting ALS Nederland*). A total amount of € 3,769.13 was raised.

4.4.3. Affiliations and UN Commitments

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

Affiliations
Since 2012, Delta Lloyd has been a member of Eumedion, the Dutch shareholders organisation promoting the good governance and sustainability performance of Dutch listed companies (see also 4.3.3 Responsible Asset Management).

We have also cooperated with the Global Reporting Initiative's (GRI) organisational stakeholder programme since 2008. GRI is a worldwide non-profit network with the mission of giving sustainability reports equal status to financial reports. Delta Lloyd Group reports on the GRI 3.1 index, which can be found in section 6.3.

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

Enhancing financial knowledge
The organisation Wiser in finance (*Wijzer in geldzaken* represents more than 40 organisations who joined forces to make familiarise consumers with financial matters, enabling them to make better-informed decisions about their finances. Initiated by the Dutch Finance Ministry, the organisation works with partners from the financial and public sectors as well as from educational institutions and consumer organisations. Delta Lloyd is one of these partners.

Delta Lloyd Foundation aims to enhance financial know-how among women. In 2013, Delta Lloyd Foundation joined the network WOMEN Inc to help the organisation by providing financial expertise.

UN Commitments
We are a founding signatory of the Principles for Sustainable Insurance (PSI), which were launched at the United Nations Conference on Sustainable Development in Rio de Janeiro (Rio 20+; see also www.unepfi.org/psi). Developed by the UN Environment Programme's Finance Initiative, these principles represent the first-ever global sustainability framework tailored to the insurance industry, addressing environmental, social and governance risks and opportunities.

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

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

Since 2010, Delta Lloyd has been a signatory of the UN Global Compact for corporate social responsibility. Participants in this platform, set up in 1999 by the United Nations, we commit to 10 principles aimed at improving human rights, labour standards, the environment and anti-corruption. By signing the Global Compact for corporate social responsibility, Delta Lloyd committed to issuing a Communication on Progress to the United Nations' head office annually. This year's Communication on Progress is integrated into the annual report (section 6.4.). In 2013, we became a member of the Dutch Global Compact Network.

4.4.4. Supporting research

Delta Lloyd supports research relevant to areas related to our business strategy and expertise: financial literacy and inclusion, pensions and healthcare. We do this through the Delta Lloyd

Foundation, a pension policy chair at the University of Leuven in Belgium and the Fonds NutsOhra Foundation.

Financial literacy research

Delta Lloyd Foundation supported research conducted by students of Hogeschool Amsterdam college into the impact of the economic crisis on poverty in the Netherlands. In the Netherlands, 9.5% of the population lives at the lowest income level; in the city of Amsterdam this extends to 17%. In his research survey ‘Every picture tells a story’, Roeland van Geuns, professor of poverty and participation at Hogeschool Amsterdam, assesses the causes of poverty, with a view to devising solutions to the problem. Delta Lloyd Foundation will continue to support the ‘poverty and participation’ professorship at Hogeschool Amsterdam in 2014.

We commissioned research agency Intomart GfK to conduct a survey into how Dutch households deal with financial problems. Results of this ‘Abundance in the Netherlands’ (*Overvloed in Nederland*) survey, published in January 2013, showed women have been hit harder by the financial crisis than men. It also showed women more often base their financial decisions on emotional factors and are less focused on the long term than men.

Pension research

Delta Lloyd promotes awareness about pensions and stimulates people to critically look at their own pension. We commissioned research agency GfK to conduct the survey ‘How the Netherlands retires’ (*Hoe gaat Nederland met pensioen*), which we aim to repeat annually. The first survey took place in 2013 and asked 1,000 Dutch employees how they perceive the increase of the retirement age from 65 to 67 in the Netherlands. Results showed that 40% expect not to be able to continue working until the age of 67. The full results were published in the national media in early 2014.

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

At the request of the Belgian Federal Public Service for Social Security (*Federale Overheidsdienst Sociale Zekerheid*), Berghman’s Pension Policy Research Group (PPRG - *Onderzoeksgroep Pensioenbeleid*) provided an analysis of Belgian pension data in the Pension Atlas 2010. Early in 2012, the Pension Policy Research Group issued an additional report based on new data, providing a more up-to-date insight and interpretation of the distribution of pension incomes. The chair holder is presently one of the pension experts asked by the Belgian Minister of Pensions to prepare a pension policy proposal for the medium and longer term. The senior pension researcher of the Delta Lloyd Life pension policy chair is intensively consulted to provide empirical data and analysis in preparation of this policy proposal. Meanwhile the PPRG did field work for a research project for Delta Lloyd Life on the public’s awareness of second pillar annuities and how lump sum pension payments are used.

Health research

Fonds NutsOhra is affiliated with Delta Lloyd Group as a shareholder. This foundation, which is active as a fund for healthcare subsidies, owns an interest in Delta Lloyd Group as a result of the merger between Delta Lloyd Group and NutsOhra Beheer in 1999. The annual income that Fonds NutsOhra generates from this interest is used to finance healthcare projects. On 1 October 2013, Ann Kusters, former managing director of Raedelijn, took over the managing director position of Fonds NutsOhra from Ria de Heus, who accepted a job as project manager at Delta Lloyd after a career of almost 10 years at Fonds NutsOhra.

In 2013, funds were allocated to projects promoting health innovation and improvement, information and education, social inclusion of chronically ill or handicapped persons, and illness prevention. The foundation also donated € 644,000 to two projects managed by the not-for profit organisations ‘Arduin’ and ‘GGZ Drenthe’ to improve care to people with psychiatric problems.

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 small and medium-sized businesses. The projects are to be funded by Fonds NutsOhra, and form part of the group health contracts offered by Delta Lloyd Group.

4.5. Good employment practices

Our employees are key to achieving our business goals and realising our ambition to be a customer-centric company. We strongly believe we can serve our customers best by motivating our employees and ensuring they adhere to the highest standards in terms of expertise and competencies. Our human resources strategy aims to recruit the talented people we need, and enhance our staff's motivation, skills, competences and performance to ensure we achieve our business goals.

The demands of the insurance market require more than ever that employees have specialised skills and competences, and achieve operational excellence (good results in an efficient manner). In 2013 we continued our efforts to create a safe and entrepreneurial working environment where employees can develop, enabling them to strengthen their position within Delta Lloyd and in the labour market.

Delta Lloyd has been engaged in a programme to enhance efficiency and reduce its work since 2008. We strive to prevent needless redundancies by helping employees whose position has or will become redundant to find an alternative position inside or outside the organisation. This approach is based on a long-term perspective. We call it promoting sustainable employability.

Our sustainable employability approach focuses on four main areas: health and energy, skills and competencies, motivation and engagement; and promoting a good work-life balance. In addition, we promote diversity and fair remuneration and benefits.

Absenteeism rate	Female directors	Employee motivation
4.1%	24%	95%
read more 0.2pp ▲	read more 1pp ▲	read more 3pp ▲

4.5.1. Enhancing skills and competences

Delta Lloyd took several steps in 2013 to enhance its employees' skills and competencies and by doing so enhance operational excellence (good results in an efficient manner) and sustainable employability.

We introduced a new human resources information system, which included employee and manager self-service tools. The employee self-service tool enables employees to control their personal, career and benefits information. In addition the manager self-service tool provides up-to-date management information. The new HR information system supports implementing Delta Lloyd's Good Employee Practice policy, through better employee registration and targeted management information.

HR Resource Centre
We set up an HR Resource Centre as Delta Lloyd's central point for all matters concerning personnel hiring (both permanent and temporary staff), internal mobility and sustainable employability. Operational since 1 July 2013, the HR Resource Centre's main objective is to match personnel demand and supply through hiring new staff, stimulating internal transfers and managing departures. It coordinated the implementation of several initiatives in 2013.

We took the following actions to facilitate internal mobility of staff:

- We created a single point of contact for recruiting temporary staff, using our Managed Service Provider mechanism and publish some temporary vacancies on our intranet (Sterknet) to ensure that we only hire externally for positions if they cannot be filled internally;
- We introduced 'employee menu's ' listing training options or other ways for employees to develop their skills and competencies; and
- We proactively contacted employees and senior and middle management to familiarize them with opportunities in the areas of organisation development, temporary employment and personal development.

By year-end we had achieved an estimated cost reduction on hiring of temporary workers of 1%, meaning we were on track to reach our objective of a 2% external temporary hiring cost reduction by mid-2014.

We also started a tender-process to find an external agency to implement a programme to help employees assess how they can improve their skills and competencies even before there is a concrete need to change jobs as a result of a reorganisation or other developments. We expect to launch such a proactive mobility programme in 2014.

In addition, we started cooperating with the Delta Lloyd Foundation to enable employees to work for Foundation projects. This will provide opportunities for employees to become familiar with segments of society and issues they wouldn't necessarily have become involved with in their day-to-day job. We believe these experiences can be very valuable to enhancing a culture of customer centricity and to stimulate innovation.

By year-end, the HR Resource Centre was still increasing awareness about the new hiring process among employees and management.

Referral programme and social networks
Through our referral programme we seek to mobilise our employees to help fill vacancies, using their social networks to reach and attract the talented people we need. In 2013 job openings were shared 610 times by a total of 113 colleagues, generating 7,884 clicks on our website, www.werkenbijdeltalloyd.nl. This led to 53 applications. In 2014 the referral programme's focus will be less on attracting external new employees, and more on internal mobility of current employees.

Outlook for 2014

We expect to finalise the tender on 'proactive mobility' in the first quarter of 2014 and set up a project team to help implement this stimulating project.

Other focus areas in 2014:
- Continuous steering on cost reduction target on the hiring of temporary staff, including supplier management;
- Continuously steer on compliance with the new hiring process;
- Explore the possibilities of creating (external) flex pools to adapt to the demand for flexible filling of certain temporary positions; and
- Explore the possibilities for employee rotation between group staff departments and business units to enhance internal mobility and sustainable employability.

4.5.2. Enhancing development and performance

Performance management
We believe performance management is a key vehicle to achieving higher engagement among employees and better business results. Optimising the way we manage our employees' performance is a continuous effort. At the end of 2013 we introduced a new performance management system. The system makes information more transparent and accessible, and easier for managers and employees to use. It enables employees to take a more active role in managing their performance and development.

Sustainable development
We believe all of our employees are talented and we are committed to supporting them in managing and honing their talents for optimum results. Delta Lloyd offers a broad array of services to enhance employees' sustainable development. We encourage employees to participate in our leadership programmes, traineeships, professional programmes, personal development assessments, technical knowledge trainings, career development planning conversations and health and vitality programmes.

Delta Lloyd is committed to a balanced management style. Our management profiles provide guidelines to managers. Delta Lloyd has three management layers below the level of the Executive Board: director, manager, and team leader. Team leaders participate in our Management Development (MD) programme. Managers and directors participate in the Executive Development (ED) programmes. Both programmes aim to help leaders continue develop their talents and leadership skills. Our preferable period for leadership roles is three up to five years.

Our MD and ED programmes are supervised by committees. We have an MD committee at each of our divisions. These include several managers and are chaired by the division general director. Our ED committee includes two members of the Executive Board, all general directors and representatives of the human resources department of Delta Lloyd Group. The committees decide on filling job openings and who will be invited to participate in the MD and ED programmes. Other committee tasks are:

- Monitoring internal mobility and development of team leaders and managers as part of our annual evaluation;
- Developing leadership development policies; and
- Nominating candidates for the annual evaluation.

We are proud to be able to offer a lot of services for development. We still have work to do to enhance awareness about topics such as health, future job prospects, and developing the right expertise. A continuous dialogue between management and employees is instrumental in making this happen. We will focus on stimulating such a dialogue in 2014.

In addition ED/MD will have a more profound focus on career developments of professionals as further specialisation of knowledge is a clear market request. The program for professionals is in progress.

Training budget

The Delta Lloyd Group collective labour agreement provides for an annual training budget of 4% of the total wage bill. The 2013 training costs amounted to € 8.6 million. On top of this, once every three years employees are entitled to a freely disposable personal development budget equal to 1% of three gross annual salaries, or a minimum of € 1,200.

Regulators and professional organisations set specific requirements for management and content experts. In view of these requirements, several professional development programmes were developed and introduced in 2011, 2012 and 2013. This will continue in 2014. In 2013 Solvency II e-learning was rolled out for all management layers.

Delta Lloyd will continue to develop the technical expertise of employees and comply with the Financial Supervision Act (*Wet op het financieel toezicht* / Wft) by providing opportunities to participate in internal and external training.

Following a so-called 360-degree evaluation project for managers, Delta Lloyd Life in Belgium organised a 360-degree evaluation for experts within the organisation. Peers were invited to provide feedback on the level of competency demonstrated by the expert. The experts performed a self-assessment with respect to the same set of competencies defined by Delta Lloyd Life. Feedback and self-assessment were discussed in a workshop allowing experts to design individual development plans aimed at improving their competency levels.

The HR department of Delta Lloyd Life continues to develop e-learning modules to familiarise employees with corporate topics.

4.5.3. Enhancing motivation and engagement

Employee Motivation Survey
Satisfied and engaged employees are attached to the company and enjoy a high level of mental well-being, conditions that contribute to their productivity and performance. This is the most important reason why we measure the extent to which our employees are motivated and committed to our business and brand.

In 2013 we conducted our seventh annual employee survey. In addition to measuring employee engagement, we asked questions about our employees' work climate, workload, and the extent to which they experienced stress at work or encountered hindrances to doing their job to the best of their ability. We believe that this has significantly widened the scope of our measurement of employee engagement and will provide deeper insights that we can use to further develop and fine-tune our human resources policies. We call this widened scope of engagement 'sustainable engagement'.

In 2013, we invited Dutch and Belgian employees to participate in the employee survey. A total of 3,798 employees* completed the questionnaire, representing a response rate of 79%. The high response rate points to strong engagement among employees and managers.

* Delta Lloyd Bank Belgium did not participate in this year's survey.

Motivation increased
The survey showed that our employees are positive about the way they cooperate, how customer focus is put at the forefront, and the extent to which integrity in customer relations is being promoted. Delta Lloyd scored significantly higher than other Dutch companies in these three areas. Delta Lloyd employees also score higher than average in their assessment of their opportunities for personal development, their work-life balance and salary, and other labour conditions. Overall, Delta Lloyd employees seem to be happy in their job: the percentage of motivated employees increased from 92% to 95% in 2013, while the percentage of employees experiencing a 'motivation problem' decreased to 5% from 8%. We measured 'sustainable engagement' for the first time in 2013. Results show the sustainable engagement score at Delta Lloyd Group was 75%, which is in line with the Dutch benchmark.

Room for improvement
Delta Lloyd employees are critical of plans to limit certain benefits. They experience a work pressure that is higher than average among Dutch companies and think changes are implemented at a slow pace. They also express uncertainty about their future. Employees indicate that the Executive Board and directors could be more understanding of employees' positions and should explain changes better. At the same time, employees highly appreciate the support and leadership of the direct supervisors they report to.

Managers of our human resources department and the directors of our business divisions analysed the results of our employee survey. Based on the survey's results, directors decided to enhance dialogue between management and employees. In addition, managers and team leaders received copies of the survey report and the booklet outlining action points resulting from the survey. To implement these action points, we devised a 'Seven steps plan' with milestones to be achieved in 2014.

Delta Lloyd scores well as employer
The results of our employee survey were confirmed by independent external surveys. We were named as the Netherlands' best employer in the financial sector in the Incompany200 survey. Although Delta Lloyd dropped to ninth place from fourth in the ranking of 'best Dutch employers' published by Dutch newspaper *NRC Handelsblad*, it maintained its top 10 position. In the category of employee benefits, Delta Lloyd ranked second in this survey.

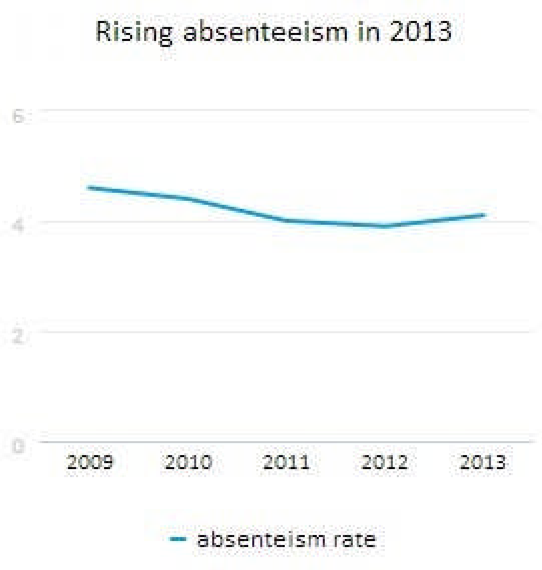
4.5.4. Health and vitality

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

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

We continued efforts to further reduce sickness-related absenteeism. The workshop for managers on how to deal with sickness absenteeism was held four times in 2013. We also offered a special workshop on the topic 'From work pressure to work pleasure' to help managers align their absenteeism reduction plans with the requirements of our 'new way of working' initiatives.

Reducing sickness absenteeism
The sickness-related absenteeism rate in 2013 is 4.1%, up from 3.9% in 2012. This compares favourably to the average of 4.5% sickness absenteeism reported by CBS (Q1 2013). We are committed to taking further steps towards our goal of reducing sickness absenteeism to 3.5%.



The average number of times employees reported sickness fell to 0.97 times per employee in 2013, a decrease of 7.6% compared to 2012, achieving our target of keeping such notifications below 1.0 times. Our target for 2014 is an average number of sickness notifications of 1.0 times per employee or lower.

Virtual health consult

In 2013, 712 employees visited our virtual health web portal HelloFysio, which we introduced in 2012 to make our corporate physical therapy services available at home. Visitors to the site sought information on a wide range of physical problems and 101 of them asked for specific advice on individual physical problems. In most cases – 74% – this concerned labour-related issues regarding back, neck, shoulder or arms. Of those that were advised by the virtual health consultant, 84% said it had resolved the issue. Users of the site awarded the service a score of 8.2 on a scale of 0 to 10 and a net promoter score (NPS) of 54.

Hiring disabled people
In 2013, 14 Delta Lloyd employees were declared unfit for work in the long term (so-called *WIA-instroom*), representing 0.33% of our total staff. Although higher than the previous year, we stayed well below our target of < 0.5%.

4.5.5. Work life balance

Delta Lloyd Group's policy for implementing a new way of working, dubbed 'Strong Work' (*Sterk Werk)*, is built on three pillars: bricks, bytes and behaviour. 'Bricks' refers to a stimulating and well-equipped physical working environment. The term 'bytes' refers to providing the required ICT facilities, such as wireless internet access, remote virtual desktop access and digitalisation of documents. Most importantly, 'behaviour' refers to improving effectiveness, efficiency and collaboration, by adopting work practices based on mutual flexibility and trust.

Through 2012 and 2013 a Group-wide programme coordinated efforts to implement these main pillars of Strong Work throughout Delta Lloyd. The programme taps into existing practices, developments and projects wherever possible. Extra activities were started where necessary. The programme has two goals: creating a working environment in which all managers and employees continually seek to improve working practices, and providing them with the tools to do so.

To guide all teams and employees in implementing the behavioural aspects, five general points of agreements have been introduced throughout the organisation. Strong Work is:

- Working in the service of the customer;
- Working as a team;
- Working within boundaries;
- Outcome-driven;
- Flexible.

To support management, training sessions have been provided to management teams at different levels. Training sessions for operational teams have started and are expected to be completed by the summer of 2014. In these sessions, teams agree on specific ways to fill in the general points of agreement. Through these practices, employees become more empowered to organize their own work within the agreed upon boundaries.

Working from different locations is increasingly common. This is supported by the robust IT facilities provided by Delta Lloyd, such as digital documents and the virtual remote desktop. On average, almost 2,500 users logged onto the virtual remote desktop at least once a week. The number of unique users of the remote desktop outside office location averages around 900. We expect that this trend towards working from home will continue in the coming years; accordingly we will continue to increase the flexibility for employees to choose where and when to work.

A project to refurbish the 'Toorop' building in Amsterdam to make it a more versatile and stimulating place to work has started and is expected to be completed by the end of 2015. The new interior will provide an inspiring workplace with many places to meet and confer with colleagues as well as 'regular' workstations. We expect this environment to encourage employees to actively connect with each other and collaborate.

We aim to end the Group-wide programme in 2014, assigning all relevant topics to departments within the organisation. In this way we intend to turn 'Strong Work' into the regular way of working.

4.5.6. Compensation and benefits

CLA and social plan
The current collective labour agreement (CLA) and social plan in the Netherlands expired on 1 January 2014. Delta Lloyd and the unions have started constructive discussions about a new CLA, including a social plan. Instead of only inviting union representatives to negotiate a new CLA, we also included employees, managers and members of the Works Council. Both Delta Lloyd and the unions are positive about the co-creation way in which the meetings in 2013 were held.

Important components of a new CLA are more focus on sustainable employability, remuneration in line with the general market as part of a balanced total reward package that also consists of secondary employment conditions, employee development and recognition of employees for their contribution to the company.

Furthermore, a future-proof pension plan is subject to discussion, which should also be compliant with changing laws and regulations in 2015. In 2013, Delta Lloyd and the unions agreed on adapting the pension scheme with regard to the pension age. From 2014, the pension age will be altered to 67 (was 65) to comply with changed tax law and regulations as of 2014.

Pensions
Pensions are an important element of our labour contracts and our pension fund aims to provide index-linked pensions to retired former employees and help current employees build up index-linked pensions for the future. In 2013, our pension fund increased accrued pension rights of current employees by 1.25% as of 1 January 2014 and those of retired employees and former Delta Lloyd employees by 0.90%. This increase represents 100% of our targeted increase. For retired and former employees this target is based on inflation figures as published by the Dutch statistics agency CBS.

Our pension fund's investment strategy resulted in a funding ratio (the ratio between assets and liabilities) of 125% by year-end 2013 (2012: 122%). As our pension fund re-insured its nominal liabilities, there is no risk that payments to pensioners need to be cut in the event of decreasing returns on our fund's investments. The re-insurance policy expires on 31 December 2015. The employer pays for this current insurance.

New legislation led to some adjustments of our pension system as of 1 January 2014. The pension starting age was raised to 67 years from 65. Employees are expected to retire from the company between 65 and 67. As the result of a political agreement regarding pensions between the government and opposition in parliament, more adjustments to the Dutch pension regulations are expected. This, and negotiations on a new collective labour agreement for Delta Lloyd employees, may lead to further adjustments to our pension system in 2014.

4.5.7. Diversity

Diversity policy
Delta Lloyd Group strives to create a company culture that appreciates diversity in the workplace where people enjoy working and feel free to express and share their different views and use these to take the company forward. We believe that if all employees remain open-minded to both the differences and similarities that exist between people, such a culture will have a positive effect on the atmosphere in the workplace and the cooperation between people. We believe that this will bring better results to the company and more initiatives for innovation.

In our diversity policy, we have defined three target groups:

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

Delta Lloyd Group strives to recognise and promote diversity. Our Diversity Council is responsible for promoting our diversity policy in the businesses and for making the diverse character of Delta Lloyd's workforce visible inside and outside the company. The council's members include various human resources specialists, a coordinator, and employees who are involved in our 'Diverse Talent' and 'Lloyd's Ladies' initiatives (see below). It meets once every quarter.

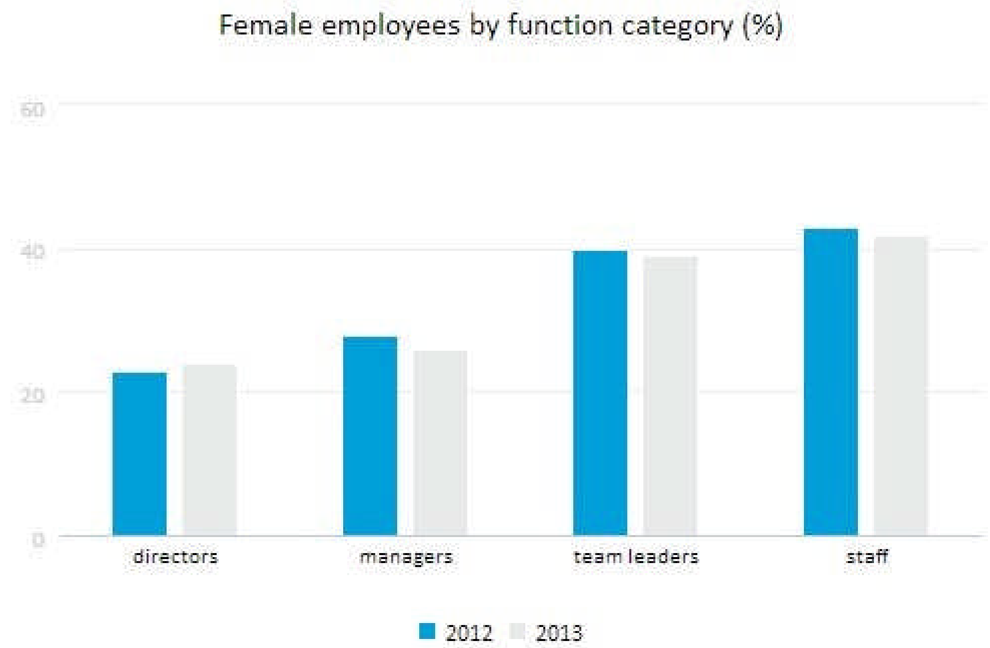
To further embed diversity in our organisation, the Executive Board has diversity targets to meet as a key performance indicator (KPI) in 2014 and beyond. Diversity is also recurring item on the agenda of the HR Board meetings and initiatives to promote diversity are evaluated at least once a year.

Diversity initiatives
Lloyd's Ladies network is a platform open to all women working at Delta Lloyd and aims to inspire, stimulate and motivate female staff. The network organises meetings to discuss topics relevant to women and maintains an online community – www.lloydsladies.nl - where women working at Delta Lloyd share ideas and experiences. Our Young Talent Network provides opportunities for employees aged under 35 to meet and share ideas. Each year, the network organises a congress where a work-related topic is discussed. Our Diverse Talent Network promotes cultural diversity at Delta Lloyd. It organises a cultural event annually and offers a mentor programme for talented employees from multicultural backgrounds and gives points for improvement for multicultural diversity.

Results 2013
As Delta Lloyd recognises that diversity is an increasingly important issue within our organisation, the general objective for 2013 was to increase awareness of it. We created a Diversity page on our intranet site (*Sterknet*), where employees can find information on all our diversity initiatives and are invited to share ideas on how to enhance diversity within Delta Lloyd. Concerning the cultural ratio we have not made the intended progress and we unfortunately did not meet our targets.

Male/female ratio

In 2013, we aimed to increase the share of female managers and directors by two percentage points. This target was not achieved. The share of female directors increased by one percentage point to 24% (2012: 23%), and the share of female managers decreased from 28% in 2012 to 26% in 2013. The main reason was that some female managers were promoted to a director's position and more female than male managers left the company without being replaced by new female managers.



Cultural diversity
For 2013, Delta Lloyd Group had set the following targets in relation to the cultural ratio:

- At least one management trainee should be a person with a multicultural background;
- At least one finance trainee should be a person with a multicultural background; and
- Each management development commission within Delta Lloyd should deliver one employee with a multicultural background for the management development programme and one for the professional development programme.

Our Diverse Talent Network initiated the establishment of a new platform together with six other large companies, called AGORA (www.agoranetwork.nl), to enhance the development of multicultural employees within the participating organisations and to attract and convince other large companies to participate with AGORA. The number of participating companies is growing.

The annual Diverse Talent event delivered tangible improvements, such as HRM setting up a 'work orientation' internship . The number of followers of Diverse Talent increased by 85% in comparison with 2012. In 2013, Diverse Talent addressed points for improvement for attracting multicultural management and finance trainees. In 2014, Diverse Talent will be actively involved in recruiting trainees.

As part of our commitment to cultural diversity, we introduced voluntary registration of employees; backgrounds, enabling us to gain more insights on which we can develop our diversity policy. All employees were given the possibility to register their cultural background in late 2013 and about 400 employees (10% of our work force) had registered by year-end. Our aim is to increase this registration percentage to 40% in 2014.

Disabled employees

In line with our sustainability strategy and as a key part of our commitment to acting as a responsible employer, Delta Lloyd is committed to providing job opportunities to disabled people, in particular to young disabled people and others who have a disadvantaged position in the labour market. We employ several people in this category; however, we seek to enlarge this group. In 2013, we aimed to hire at least one new young disabled employee from the so-called Dutch '*Wajong*' category at each of our six business divisions. All but one division managed to recruit a '*Wajong*' employee. We will seek to improve the supervision of team leaders when disabled people are placed in appropriate roles in their teams to make it easier to hire and support these employees.

Objectives 2014

Our main objective for 2014 is to investigate how we can help managers in the businesses give the promotion of diversity a more prominent place in their daily leadership. We want to develop a diversity toolkit that can be used by team leaders, managers and directors.

Male/female ratio

Delta Lloyd Group is a signatory of the Talent to the Top Charter and is dedicated to the objectives of this charter. For a number of years now, we have in particular been stimulating the inflow of female team leaders, as they are the pool from which future management will be recruited. Delta Lloyd aims to have a gender balance by having at least 30% female executives (overall percentage of the Executive Board and the two management layers immediately below: directors and managers). The objective for 2014 is to increase the share of female managers and directors by appointing more female team leaders to management positions and, if necessary, attracting more female talent from outside of the company.

For 2015, Delta Lloyd Group has set the following male/female ratio targets:

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

Another important objective is to register exit information centrally, enabling us to analyse the reasons why employees leave the company.

Cultural diversity
We will continue encouraging employees to voluntarily register their cultural background and aim for 40% of employees registered in 2014 and 80% in 2015. The insights provided by cultural diversity data will help us to fine-tune our diversity policies.

Wajong
We maintain our goal of hiring six young disabled people (belonging to the so-called Dutch '*Wajong*' category) per year.

4.5.8. Works Council

Vision and focus areas
The basic principle of the Works Council is that employees make the business. It therefore believes employees should have the scope to take initiative, generate ideas and continue to develop themselves. Only then can Delta Lloyd Group remain innovative and successful.

The Works Council identified four areas to focus on during the three-year term of its current members. These topics are:

- The new way of working;
- Employee development;
- Career progression and knowledge retention; and
- Innovation.

In 2013, the Works Council launched programmes to develop initiatives in each of these focus areas. All members contributed and the Works Council involved and consulted a broad range of internal stakeholders from across Delta Lloyd Group.

Organisation
The employee representation structure of Delta Lloyd Group has been adjusted to reflect the simplification of the rest of the organisation. Since January 2011, Delta Lloyd Group has had a single Works Council, which deals with Group-wide issues, and five sub-committees (SCs) representing the business units. The sub-committees are as follows:

- The AAV SC represents the interests of all employees working at ABN AMRO Verzekeringen;
- The Commercial SC represents the interests of all employees working in the commercial division;
- The Services SC represents the interests of employees working in IT & Services and the seven corporate staff departments of Delta Lloyd Group;
- The Life Asset Management Bank SC represents the interests of employees working in Life, Asset Management and Banking;
- The General SC represents the interests of employees working in General Insurance.

In 2013, the composition of the Works Council was as follows:

Executive Committee

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

Other members

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

Review of 2013

The Works Council exercised its right to speak at the 2013 Annual General Meeting to express its views about changes to the remuneration policy for the Executive Board. It also exercised its right to recommend the appointment of, among others, managing directors, the Supervisory Board and members of an accountability committee of the Delta Lloyd Pension Fund. In addition, the Works Council advised on and gave its approval for topics such as the reorganisation of the pension chain at AAV, improvements at the commercial division, changes regarding the management of intermediaries at General Insurance, simplifying the organisation of Information Management staff divisions at Services, the split of Cyrte and the harmonization of variable remuneration mechanisms at the commercial division.

We were informed about the takeover of ZA Verzekeringen in Belgium and plans to sell DL Bank in Belgium. In the second half of 2013, negotiations on a new collective labour agreement began between Delta Lloyd Group and the unions. The Works Council attended these talks.

The term of office for the current members of the Works Council will come to an end in 2014. In anticipation of this change, several evaluations of the Council's structure took place. The results of these evaluations and recommendations based on them will be made available to the new Works Council.

4.6. Environment

Delta Lloyd Group is aware of the impact our operations have on the environment and we take up the challenge to manage and reduce this impact responsibly. In our environmental policy for 2013-2016, we identified the following areas for our environmental efforts: climate change, energy savings, waste prevention, environmental awareness, reduction of paper and transport management. We added an extra target to increase the percentage of certified organic (Eko) and fair trade (Havelaar) food products and healthy options in the staff restaurants. We set targets for each area and monitor these annually.

Delta Lloyd Group has committed to offsetting the CO_2 emissions released from energy consumption in its offices, produce of waste, the use of paper, water, 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 power or carbon offset power.

Paper use (in thousands)

611kg

read more

Carbon emissions (in tonnes)

6,905

read more -8%

Energy use

17,833%

read more

4.6.1. Climate change

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

Climate change			
CO2 emissions	**2013**	**2012**	**Change**
energy consumption in tonnes	3,786	3,909	-3%
company cars in tonnes*	1,511	1,463	3%
paper consumption	733	911	-19%
business flights in tonnes	184	223	-17%
business rail traffic in tonnes	80	81	0%
waste generation in tonnes	598	924	-35%
water consumptions in tonnes	14	14	-2%
Total	**6,906**	**7,524**	**-8%**

* The 2012 figure of company cars footprint has been recalculated.

Delta Lloyd decided to continue using the ISO 14001 model as a format for its environment management system, but we will not certify this externally. We are committed to a strong environmental programme that is internally audited by Group Audit. Our internal environmental policy includes providing information to employees and discussing environmental issues.

In 2013, we started refurbishing the 'Toorop' building in Amsterdam to prepare us for the future and in particular to facilitate our new way of working. We sought to limit the building's environmental impact by choosing 100% recyclable carpets and sun shades, Cradle 2 Cradle office chairs and more bins to promote recycling at the work place (source separation).

A new auditorium on the patio of the building will facilitate meetings for up to 150 people. The building has a good EPC score (Energy Performance Certificate) and has been finished with a sedum roof, sustainable wood (C2C gold certified), LED lighting and water-efficient sanitary equipment. During the construction, all construction waste was separated for recycling.

We replaced the lighting in the car park of the Toorop building with energy-saving LED lighting, an investment that will be compensated by energy savings in 2.69 years.

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

We reduced our carbon emissions to 6,906 tonnes in 2013 from 7,524 tonnes in 2012. We achieved this by using less office space, investing in energy savings and using more environmentally-friendly forms of transport. We compensate for our remaining CO2 emissions by investing in CO2 reduction projects.

4.6.2. Energy

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

Energy consumption			
(in thousands, except for percentages)	**2013**	**2012**	**Change**
Grid electricity consumption (KWh)	17,833	18,888	-6%
% Share of renewable electricity purchased	92%	92%	-1pp
Natural gas consumption in m3	1,198	987	21%
Energy consumption for heating/cooling (in GJ)	18	18	-1%
Oil consumption (in litres)	20	15	30%
% Share of renewable gas purchased	13%	0%	N.A.

Energy consumption per FTE			
	2013	**2012**	**Change**
Grid electricity consumption (KWh)	3,081	3,266	-6%
Natural gas consumption in m3	207	171	21%
Energy consumption for heating/cooling (in GJ)	3	3	-1%
Oil consumption (in litres)	3	3	30%

Results in 2013

The use of electricity has decreased and the share of renewable energy purchased remained the same. There is an increase of the use of gas and oil visible although these numbers are adjusted for degree days. Delta Lloyd Belgium Life switched to purchasing green gas. Our office building in Arnhem stopped using gas and switched to using the city's heating system.

In the Netherlands, we ran an energy awareness campaign among employees. Some employees received a device to measure their energy consumption at home and help them reduce their energy use. Delta Lloyd Bank in Belgium continued its campaign to make employees aware of their energy use at the office, resulting in a reduction of electricity use.

4.6.3. Transport

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

Mobility			
(in thousands, except for average CO2)	**2013**	**2012**	**Change**
Average kilometrage lease cars	32	32	0%
Average CO2-emission per lease car (grams/km, ECE standard)	132	135	-2%
Total kilometres all automobility - (km)	9,434	9,184	3%
Kilometres company electrical and hybrid cars	514	338	52%
Business rail traffic	2,361	2,368	0%
Total kilometres - business travel by air	1,405	1,673	-16%

Mobility per FTE			
	2013	2012	Change
Total kilometres all automobility - (km)	1,630	1,588	3%
Kilometres company electrical and hybrid cars	89	58	52%
Business rail traffic	408	409	0%
Total kilometres - business travel by air	243	289	-16%

Number of lease cars per CO2 brand category in the Netherlands*			
number of cars	2013	2012	Change
CO2 band A	253	232	9%
CO2 band B	119	143	-17%
CO2 band C	58	79	-27%
CO2 band D	15	22	-32%
CO2 band E	3	5	-40%
CO2 band F	-	1	-100%
Total	**448**	**482**	**-7%**

* In Belgium, lease cars are classified into labels A to G but the classification is based on a different calculation to the Netherlands. The average CO2 emissions of Delta Lloyd Belgium lease cars is almost the same as the emissions of Dutch lease cars. Nevertheless, due to the slight difference in calculating emissions it is not possible to provide overall figures for Delta Lloyd Group.

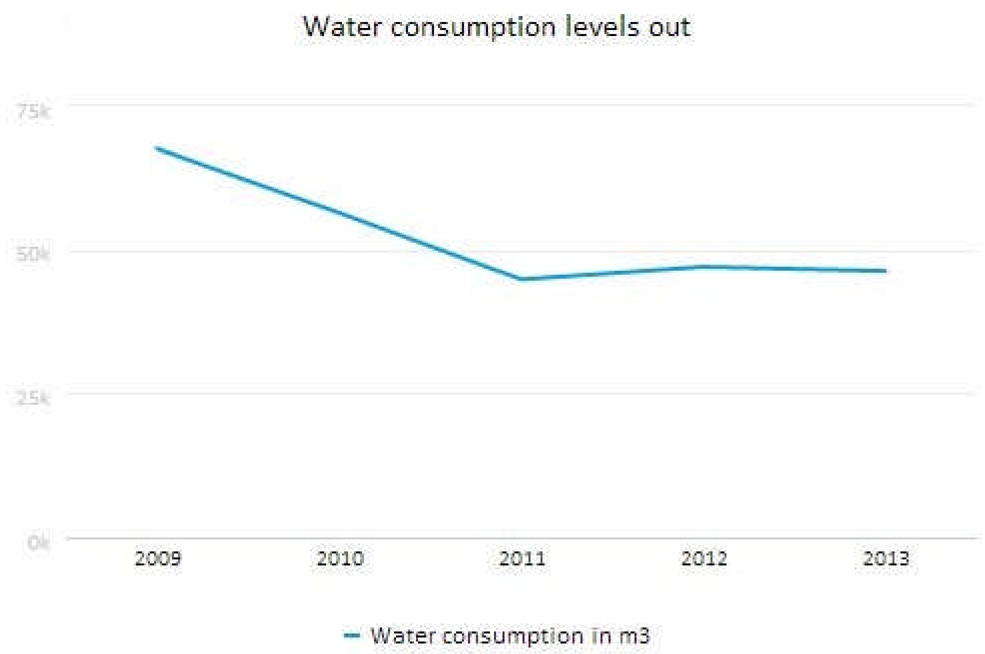
Results in 2013
Delta Lloyd introduced the 'NS-business card' of the national Dutch railway company, which makes it easier for employees to travel to work by train, bus or metro. The share of hybrid cars in the total number of kilometres travelled increased by 15% in 2013.

4.6.4. Raw materials use

Paper reduction
Delta Lloyd Group is committed to using raw materials in a responsible way. We aim to reduce our use of paper by 20% during the four-year period 2013-2016. All paper used must be FSC or PEFC-certified.

After a 16% reduction of paper use in 2012, we achieved a further 20% reduction in 2013 (based on paper purchased). 'Paperless working' has become standard practice at Delta Lloyd through continued digitalisation. Current account statements, insurance policies and annual statements are increasingly provided in digital form, which not only reduces paper use but also mailing costs. The percentage of FSC or PEFC-certified paper slightly increased to 96.6%.

Reducing water use
We reduced our water consumption by using water more efficiently and because employees on average spent more hours working outside of the office.



Raw materials use			
(in thousands, except for percentages)	**2013**	**2012**	**Change**
Water consumption in m3	46	47	-2%
Paper used in kg	611	759	-19%
Share of green purchased paper (in %)	97%	96%	0pp

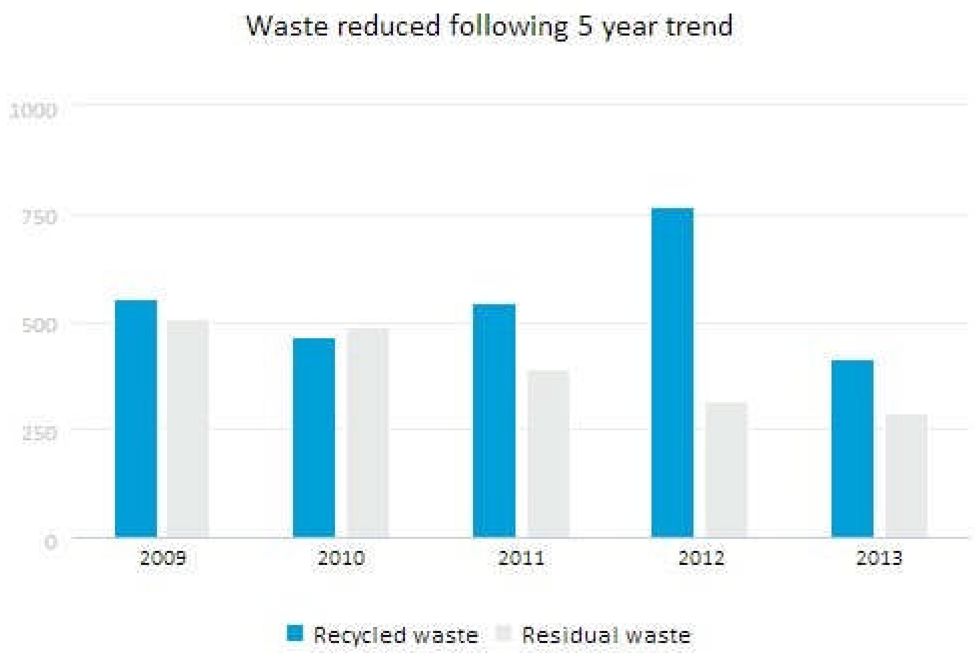
Raw materials use per FTE			
	2013	**2012**	**Change**
Water consumption in m3	8.3	8.5	-2%
Paper used in kg	109.4	136.8	-20%

4.6.5. Waste

Waste			
(in thousands of kg, except for percentages)	**2013**	**2012**	**Change**
Paper and cardboard waste	299.0	464.1	-36%
Other recyclable residual materials	116.7	305.1	-62%
Harmful waste	0.3	0.9	-61%
Residual waste	287.6	314.2	-8%
Total	**703.7**	**1,084.3**	**-35%**
Recycling percentage (in %)	59%	71%	-12pp

The percentage of recycled waste dropped moderately to a level slightly above that of 2011. In 2012, we removed a large amount of construction waste, which was a one-off event, resulting in a recycling percentage of 71%. While the number of employees remained the same, we significantly decreased the volume of waste.

Office equipment that became redundant as a result of refurbishment and the switch to digital work processes was donated to charity organisations such as Go for Africa, which transports the equipment to schools and hospitals in West Africa.



Outlook for 2014

We will continue our energy awareness campaign in 2014 as well as a sustainability campaign among staff. In addition, we will continue to focus on creating a paperless office and enhancing energy efficiency.

To further improve the separation of waste for recycling purposes, we have introduced waste separation at the work place for all employees as well as in the cafeteria of our Toorop building.

4.7. Reporting

In this sustainability 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 2013 sustainability report is integrated into the financial annual report of Delta Lloyd Group. We report on our efforts and the achievement of our objectives during the year. We also outline our plans and vision for the future. The future-orientation of the information can be recognised by the use of words such as: continue, aim, envisage, predict, expectation, goal, objective, vision, planning, ambition, scenario, intention and prediction.

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

Scope
The sustainability report describes the national and international activities of Delta Lloyd Group in 2013 (1 January-31 December), excluding the German operations (which are in run-off), suppliers, subcontractors and other entities on which our operations would typically have only an indirect impact. As an organisational Stakeholder of the GRI, Delta Lloyd Group commits to seeking external assurance for the sustainability report. The sustainability data of Delta Lloyd Group was verified by EY.

Reporting process
This year, Delta Lloyd Group took further steps to integrate its financial and non-financial performance within the annual report, using guidelines from the International Integrated Reporting Council (IIRC). Relevant themes were selected for the 2013 report, based on a materiality self assessment, using input from both internal and external stakeholders. These themes co-determine the structure and content of the Executive Board Report. Other chapters, including the Sustainability chapter, provide a more detailed description of these main themes. The quantified data was gathered centrally. Qualitative information was collected from memoranda, reports, news bulletins and interviews with relevant staff.

Information systems
Since 2005, Delta Lloyd Group has used a management information system (SAP Business Objects) to gather and process the relevant quantitative and qualitative sustainability data. Data gathering is coordinated at corporate level by Corporate Communications. Since 2011, we have used the IBM Cognos Financial Statement Reporting system to process and publish the reports online. The figures

for this year's report were gathered by Group Finance, Control & Tax and came from the responsible divisions within Delta Lloyd Group.

Global Reporting Initiative guidelines
The sustainability report of Delta Lloyd Group was compiled in line the Global Reporting Initiative (GRI). We believe that the GRI's G3.1 guidelines provide a good framework for corporate social responsibility reporting. The G3.1 guidelines distinguish different levels of application. Based on a self-assessment, Delta Lloyd Group submitted this year's sustainability report to the GRI for verification at A+ level. Delta Lloyd Group reports on many of the GRI key indicators and provides transparency in such areas as vision, objectives, achievements, progress and dilemmas relating to sustainability policy. The GRI index explicitly states the indicators Delta Lloyd Group is reporting on. From 2014, Delta Lloyd intends to start reporting against the new GRI 4.0 guidelines, which were introduced in the summer of 2013. See section 6.3. for the full GRI 3.1 content index.

Reporting changes and developments
In 2013, Delta Lloyd Group decided to withdraw from participating in the customer satisfaction surveys of the Dutch Association of Insurers because the sample of these surveys is low, making them less representative, and because of their high costs. Instead, we had private companies perform our surveys. This meant the NPS scores of our customer satisfaction survey weren't fully comparable with those of previous years.

The calculation of waste generation related to CO2 emissions was adjusted in 2013. CO2 emissions in 2012 under this new calculation were 924, as opposed to 96, which we reported last year. The restated figure is reported in section 4.6.1.

The total amount paid as compensation for kilometres travelled as well as the amount paid per kilometre are inserted into fields in SAP Business Objects with the aim to calculate the CO2 emission of car use at Delta Lloyd Netherlands. In our 2012 report, these figures were misinterpreted. That year, the correct number was 479,301 instead of the reported 1,711,790. This is in line with the amount of € 354,524 in 2011 and € 301,618 in 2013.

The number of full time equivalents (FTE's) is no longer reported in the paragraph on Good Employment Practices (section 4.5.). Instead, FTE's are reported in chapter 1 (section 1.10.7.). In contrast to the numbers reported in previous Sustainability reports, these include our employees in Germany.

More information
The online version of the integrated report for 2013 contains a number of links between the Sustainability chapter and other sections of the annual report and vice versa. Links to sources on the Delta Lloyd Group website are also included. Further information about Delta Lloyd Group can be found in the other chapters of this integrated annual report and on www.deltalloydgroep.com. For questions regarding the report or its contents you can find the contact information of Delta Lloyd Group in section 6. of this report.

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

4.7.2. Assurance report

Independent Assurance Report on Sustainability information

To the Managing Board of Delta Lloyd Group N.V.

Engagement

We have performed an assurance engagement on the sustainability information included in Chapter 4 "Sustainability" (hereinafter: Sustainability Report) of the accompanying Annual Report for the year 2013 of Delta Lloyd Group N.V. (hereinafter: Delta Lloyd).

Our assurance engagement is aimed:
1) to provide reasonable assurance that the information in the following paragraphs in the Sustainability Report (hereinafter: paragraphs reasonable assurance):

- 4.1.2 Sustainability pillars;
- 4.1.3 Governance and policy;
- 4.2.3 Customer satisfaction;
- 4.2.4 Reputation of Delta Lloyd Group;
- 4.3.1 Compliance;
- 4.3.2 Fraud prevention;
- 4.4.1 Taking community in action in 2013 (Delta Lloyd foundation in the Netherlands);
- 4.5.3 Enhancing motivation and engagement;
- 4.5.6 Compensation and benefits,

is in all material respects, correctly presented in accordance with the Sustainability Reporting Guidelines (G3) of the Global Reporting Initiative and the reporting policy of Delta Lloyd.

2) to provide limited assurance that the other information reported in the Sustainability Report is in all material respects, correctly presented in accordance with the Sustainability Reporting Guidelines (G3) of the Global Reporting Initiative and the reporting policy of Delta Lloyd.

The references in the Sustainability Report (to www.deltalloyd.nl, other external websites and other documents) are not part of our assurance engagement.

The Sustainability Report contains forward-looking information in the form of ambitions, strategy, plans, forecasts and estimates. The fulfilment of such information is inherently uncertain. For that reason, we do not provide any assurance relating to that forward-looking information.

Management’s responsibility
The Managing Board is responsible for the preparation of the Sustainability Report in accordance with the Sustainability Reporting Guidelines (G3) of the Global Reporting Initiative and the reporting policy of Delta Lloyd as described in paragraph “4.7.1 Reporting principles”, including the identification of stakeholders and the selection of material topics.

The Managing Board is also responsible for such internal control as it deems necessary to enable the preparation of the Sustainability Report such that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to form a conclusion and an opinion on the Sustainability Report. We conducted our assurance-engagement in accordance with Dutch law, including the Dutch Standard 3410N, "Assurance Engagements with respect to Sustainability Reports". This requires that we comply with ethical requirements and plan and perform procedures to obtain sufficient and appropriate evidence to obtain assurance about whether the Sustainability Report is free from material misstatements.

The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the report, whether due to fraud or error.

Procedures to obtain limited level of assurance are less extensive in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks, than those for a reasonable level of assurance and therefore less assurance is provided.

Our main procedures with regard to the information for which limited assurance is provided, were:

- Assessing the suitability of the reporting policies used and their consistent application, as well as reviewing significant estimates and calculations made in preparing the Sustainability Report 2013,
- Obtaining an understanding of the sector, organization and its most relevant sustainability issues,
- Obtaining an understanding of the design and operation of the systems and methods used to collect and process the reported information, including the consolidation process,
- Reviewing based on a risk analysis the plausibility of the information contained in the Sustainability Report 2013 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 the Sustainability Report 2013 and its overall presentation against the criteria mentioned above.

For obtaining reasonable assurance, we additionally performed the following procedures:

- Identifying inherent risks relating to the reliability of the information and investigating the extent to which these risks are covered by internal controls,
- Performing tests of control to review the existence and effectiveness of internal controls aimed at reviewing the adequacy and reliability of the information,
- Following the audit trail on a test basis, from the source data to the information contained in the Sustainability Report 2013,
- Performing tests of detail on a test basis aimed at reviewing the reliability of the primary information.

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

Opinion
In our opinion, the information reported in the 'paragraphs reasonable assurance' in the Sustainability Report is in all material respects correctly presented in accordance with the Sustainability Reporting Guidelines (G3) of the Global Reporting Initiative and the internal reporting criteria as described in the paragraph entitled "4.7.1 Reporting principles".

Conclusion
Based on our assurance procedures performed to obtain limited assurance we conclude that nothing has come to our attention that causes us to believe that the other information reported in the Sustainability Report is not, in all material respects, correctly presented in accordance with the Sustainability Reporting Guidelines (G3) of the Global Reporting Initiative and the internal reporting criteria as described in the paragraph entitled "4.7.1 Reporting principles".

Den Haag, 2 April 2014

Ernst & Young Accountants LLP

Signed by R. Bleijs

5. Financial statements 2013

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 the approval of the Supervisory Board on 2 April 2014. The General Meeting of Shareholders will be asked to adopt these financial statements at the Annual Meeting on 22 May 2014.

5.1. Consolidated financial statements

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

The reporting segments within Delta Lloyd Group are structured based on the above activities. These segments are Life insurance, General insurance, Bank, Asset Management and Other. Further details are provided in section 5.1.7.3. 'Segment information'.

On 8 January 2013, Aviva sold its remaining 19.4% of ordinary shares in Delta Lloyd NV to various institutional investors, increasing Delta Lloyd's free float to over 99%.

On 28 June 2013, Fonds NutsOhra converted 3.0 million preference shares A (nominal value € 0.20 per share) into ordinary shares that were sold to an institutional investor through a private placement. As a result, the voting rights of Fonds NutsOhra in the General Meeting of Shareholders decreased from 6.74% to 5.00%.

5.1.1. Consolidated statement of financial position

Consolidated statement of financial position			
In millions of euros		**31 December 2013**	**31 December 2012**
Assets			
Goodwill	O, 12	283.5	304.4
AVIF and other intangible assets	O, 13	99.8	113.9
Deferred acquisition costs	X, 14	137.8	180.7
Property and equipment	P, 15	105.8	140.8
Investment property	Q, 16	2,181.2	2,167.5
Associates and joint ventures	C, 17	296.9	193.6
Deferred tax assets	AF, 33	1,080.1	1,533.3
Debt securities	U, 18	24,959.9	25,232.8
Equity securities	U, 18	3,458.0	4,322.1
Derivatives	V, 18	1,172.4	2,550.3
Investments at policyholders' risk	U, V, 19	13,691.5	13,535.2
Loans at fair value through profit or loss	W, 18	5,784.0	6,249.1
Loans and receivables at amortised cost	W, 18	12,194.4	17,106.7
Reinsurance assets	H, N, 28	554.0	535.2
Plan assets	AE, 31	20.2	18.8
Inventory of real estate projects	R, 21	-	30.2
Receivables and other financial assets	A, 22	1,955.2	2,209.5
Current tax assets		70.0	79.7
Capitalised interest and prepayments	A	617.1	637.9
Cash and cash equivalents	Y	1,127.5	2,570.6
Assets held for sale	AG, 5	6,725.1	283.4
Total assets		**76,514.5**	**79,995.6**
Capital and reserves			
Share capital	23	38.4	35.4
Share premium		507.4	355.2
Revaluation reserves	25	645.9	637.7
Other reserves		-191.9	-277.5
Equity compensation plan		5.3	5.8
Treasury shares		-19.4	-36.8
Retained earnings	26	1,634.9	1,586.4
Total capital and reserves		**2,620.6**	**2,306.1**
Non-controlling interests		309.4	306.7
Shareholders' funds		**2,930.0**	**2,612.8**
Liabilities			
Insurance liabilities	K, L, 27	44,340.7	44,722.7
Liabilities for investment contracts	K, L, M, 29	4,817.0	4,736.8
Pension obligations	AE, 31	2,030.4	2,370.7
Provisions for other liabilities	AD, 32	79.2	87.0
Deferred tax liabilities	AF, 33	704.0	1,220.2
Current tax liabilities		161.0	44.8
Subordinated debt	Z, 34	682.3	716.8
Securitised mortgages loan notes	Z, 34	3,914.2	4,897.2
Other borrowings	Z, 34	731.9	1,078.3
Derivatives	V, 18	1,357.1	2,078.0
Investments at policyholders' risk	19	11.4	22.8
Customer savings and deposits	A, 35	4,730.3	10,532.7
Other financial liabilities	A, 35	1,500.9	2,457.2
Other liabilities	A, 36	2,088.0	2,282.5
Liabilities relating to assets held for sale	AG, 5	6,435.9	135.2
Total liabilities		**73,584.5**	**77,382.8**
Total shareholders' funds and liabilities		**76,514.5**	**79,995.6**

The accounting policies (in alphabetical order) and notes (in numerical order) are an integral part of these financial statements.

5.1.2. Consolidated income statement

Consolidated income statement			
In millions of euros		**2013**	**2012**
Income			
Gross written premiums	F, 6	5,017.0	5,205.5
Outward reinsurance premiums	6	-177.2	-201.5
Net written premiums		**4,839.8**	**5,004.0**
Change in unearned premiums provision	6	71.9	1.6
Net premiums earned	**F, 6**	**4,911.6**	**5,005.6**
Investment income	6	689.4	5,619.2
Share of profit or loss after tax of associates	C, 6	-14.6	9.5
Net investment income	**I, 6**	**674.8**	**5,628.6**
Fee and commission income	G, H, 6	297.8	256.0
Other income	6	43.5	12.1
Total investment and other income	**6**	**1,016.1**	**5,896.7**
Total income	**6**	**5,927.8**	**10,902.3**
Expenses			
Net claims and benefits paid*	7	4,237.7	4,594.2
Change in insurance liabilities	7	-257.3	6,433.9
Expenses relating to the acquisition of insurance, investment and other contracts	J, 7	599.8	651.2
Finance costs	7	427.0	551.8
Other operating expenses	7	681.5	681.9
Total expenses		**5,688.6**	**12,913.1**
Result before tax from continuing operations	**3, 6**	**239.1**	**-2,010.8**
Income tax	AF, 11	34.1	-533.6
Result after tax from discontinued operations	AG, 5	1.3	11.8
Net result		**206.3**	**-1,465.4**
Attributable to:			
Delta Lloyd NV shareholders		168.3	-1,495.1
Non-controlling interests		38.1	29.7
Net result		**206.3**	**-1,465.4**

* Net claims and benefits paid includes profit sharing and discounts

Earnings per share			
In euros		**2013**	**2012**
Basic earnings per share from continuing operations	AB, 24	0.91	-8.70
Basic earnings per share from discontinued operations	AB, 24	0.01	0.07
Basic earnings per share including discontinued operations		**0.92**	**-8.63**
Diluted earnings per ordinary share from continuing operations	AB, 24	0.83	-8.70
Diluted earnings per ordinary share from discontinued operations	AB, 24	0.01	0.06
Diluted earnings per ordinary share including discontinued operations		**0.84**	**-8.64**

The accounting policies (in alphabetical order) and notes (in numerical order) are an integral part of these financial statements.

5.1.3. Consolidated statement of comprehensive income

Consolidated statement of comprehensive income		
In millions of euros	**2013**	**2012**
Net result	**206.3**	**-1,465.4**
Fair value adjustments property	-	2.8
Actuarial gains and losses (pension obligations)	117.2	-258.0
Transfer of actuarial gains and losses relating to DPF contracts to provisions	-2.2	8.4
Income tax relating to items that will not be reclassified	-29.2	61.8
Total items that will not be reclassified to income statement	**85.7**	**-185.0**
Changes in value of financial instruments available for sale*	-100.7	299.7
Transfer of available for sale relating to DPF contracts to provisions	8.2	-52.7
Fair value adjustments associates	62.5	25.5
Fair value adjustments due to micro hedge debt securities available for sale	16.0	-2.0
Income tax relating to items that may be reclassified	20.9	-34.7
Total items that may be reclassified subsequently to income statement	**6.9**	**235.7**
Total amount recognised directly in equity	**92.6**	**50.7**
Total comprehensive income	**299.0**	**-1,414.7**
Attributable to:		
Delta Lloyd NV shareholders	262.2	-1,450.5
Non-controlling interests	36.8	35.8
Total comprehensive income	**299.0**	**-1,414.7**

* Realised gains/losses on revaluations of financial instruments available for sale, impairment losses and reversal of impairment losses transferred to income statement are part of changes in value of financial instruments available for sale. For disclosure on impairment losses and reversal of impairment see section 5.1.7.3. 'Segment information'.

The accounting policies (in alphabetical order) and notes (in numerical order) are an integral part of these financial statements.

5.1.4. Consolidated statement of changes in equity

Consolidated statement of changes in equity										
In millions of euros	Ordinary share capital	Share premium	Revaluation reserves	Other reserves	Equity compensation plan	Treasury shares	Retained earnings	Total capital and reserves [1]	Non-controlling interests	Shareholders' funds
At 1 January 2012	34.1	356.4	406.0	-90.5	5.4	-37.9	3,191.9	3,865.6	309.4	4,175.0
Total amount recognised directly in equity	-	-	231.7	-187.1	-	-	-	44.6	6.1	50.7
Result for the period [2]	-	-	-	-	-	-	-1,495.1	-1,495.1	29.7	-1,465.4
Final dividend payment 2011	0.5	-0.5	-	-	-	-	-76.2	-76.2	-	-76.2
Interim dividend payment 2012	0.7	-0.7	-	-	-	-	-34.8	-34.8	-	-34.8
Non-controlling interests in dividend payment 2012	-	-	-	-	-	-	-	-	-29.3	-29.3
Movement non-controlling interests [3]	-	-	-	-	-	-	-	-	-9.3	-9.3
Change treasury shares	-	-	-	-	-	1.5	-	1.5	-	1.5
Change indirectly held shares in investment funds for own risk	-	-	-	-	-	-	-	-	-	-
Change indirectly held shares in investment funds at policyholders' risk	-	-	-	-	-	-0.5	-	-0.5	-	-0.5
Conditional shares granted	-	-	-	-	0.4	-	0.6	0.9	0.1	1.0
At 31 December 2012	**35.4**	**355.2**	**637.7**	**-277.5**	**5.8**	**-36.8**	**1,586.4**	**2,306.1**	**306.7**	**2,612.8**
At 1 January 2013	35.4	355.2	637.7	-277.5	5.8	-36.8	1,586.4	2,306.1	306.7	2,612.8
Total amout recognised directly in equity	-	-	8.2	85.7	-	-	-	93.9	-1.3	92.6
Result for the period [2]	-	-	-	-	-	-	168.3	168.3	38.1	206.3
Final dividend payment 2012	0.9	-0.9	-	-	-	-	-38.4	-38.4	-	-38.4
Interim dividend payment 2013	0.7	-0.7	-	-	-	-	-29.6	-29.6	-	-29.6
Non-controlling interests in dividend payment 2013	-	-	-	-	-	-	-	-	-34.0	-34.0
Conversion preference shares A	0.6	92.2	-	-	-	-	-51.5	41.3	-	41.3
Issue share capital	0.8	61.6	-	-	-	-	-	62.4	-	62.4
Change treasury shares	-	-	-	-	-	2.4	-	2.4	-	2.4
Change indirectly held shares in investment funds for own risk	-	-	-	-	-	1.2	-	1.2	-	1.2
Change indirectly held shares in investment funds at policyholders' risk	-	-	-	-	-	13.9	-	13.9	-	13.9
Conditional shares granted	-	-	-	-	-0.5	-	-0.2	-0.7	-	-0.7
At 31 December 2013	**38.4**	**507.4**	**645.9**	**-191.9**	**5.3**	**-19.4**	**1,634.9**	**2,620.6**	**309.4**	**2,930.0**

1) Attributable to Delta Lloyd NV shareholders

2) The distribution of the result will be determined by the General Meeting of Shareholders (see section 5.3.1.)

3) Purchase and disposal of FBA and reclass 15% non-controlling interest in Cyrte Investment to financial liabilities

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

On 28 June 2013, Fonds NutsOhra converted 3.0 million preference shares A (nominal value € 0.20 per share) into ordinary shares Delta Lloyd NV, against an additional payment of € 30.742 nominal per share increasing share capital by € 0.6 million and share premium by € 92.2 million. The conversion was funded through the Fonds NutsOhra subordinated loan to Delta Lloyd Group. The difference between the redemption of € 92.2 million at nominal value and actual book value is accounted for in the retained earnings (€ 51.5 million).

Delta Lloyd issued 4.0 million new ordinary shares (2.1% of total issued share capital) on 25 September 2013 at a share price of € 15.74. This resulted in an equity movement of € 62.4 million, after deduction of costs (€ 0.6 million), which was used to acquire ZA Verzekeringen in Belgium. With the transaction the ordinary share capital was charged with € 0.8 million and share premium with € 61.6 million.

Payment and delivery of shares regarding the 2012 final dividend of € 0.61 per ordinary share took place on 20 June 2013. Around 64.1% of shareholders elected to receive the dividend in ordinary shares. Consequently, 4,742,334 new ordinary shares were issued as stock dividend and charged to the share premium (€ 0.9 million). The remaining 35.9% of the shareholders received the dividend in cash (€ 38.4 million).

On 4 September 2013 payment and delivery of shares took place regarding the 2013 interim dividend of € 0.42 per share in cash or with a 4% premium if stock dividend was chosen (€ 0.4374). Around 61.5% of shareholders opted for the stock dividend. There were 3,284,325 new ordinary shares issued as stock dividend and charged to the share premium account (€ 0.7 million). The other 38.5% of shareholders took the dividend in cash (€ 29.6 million). Section 5.3.1. gives further details on the dividend distributions and policy.

Treasury shares relate to shares held both directly and indirectly through investment funds (for own risk or at policyholders' risk). Directly-held shares were acquired as part of a share repurchase programme with 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. A total of 167,555 shares (€ 2.4 million) were delivered under the equity compensation plan. In 2013, the movement in treasury shares of € 15.1 million was mainly due to the sale of all 954,897 shares indirectly held through investment funds, with an average purchase price in 2012 of € 15.76.

The equity compensation plan refers to the Performance Share Plan and the Variable Incentive Plan for the Executive Board members, directors and managers in control functions and functions that impact the risk profile. The € 0.5 million movement in conditional shares granted under the equity compensation plan consists of a settlement of € 3.3 million and € 2.8 million in grants of new options (see section 5.1.6.31. 'Employee benefits' and section 5.1.7.9. 'Employee information'). Options settled at a different rate than initially granted resulted in a movement of € 0.2 million in retained earnings.

The accounting policies (in alphabetical order) and notes (in numerical order) are an integral part of these financial statements.

5.1.5. Consolidated cash flow statement

Consolidated cash flow statement for the year ending 31 December			
In millions of euros		**2013**	**2012**
Net result		206.3	-1,465.4
Net result from discontinued operations	5	1.3	11.8
Net result from continuing operations		**205.0**	**-1,477.2**
Adjustments for:			
Tax	11	34.1	-533.6
Depreciation	7	12.9	16.5
Amortisation		303.5	357.1
Impairments of:			
- Intangible assets	7	26.6	30.0
- Property and equipment	7	23.7	7.7
- Inventory of real estate projects	7	-	15.6
- Financial investments	6	92.5	183.9
- Loans and receivables including insurance receivables	6,7	17.5	27.1
- Property held for sale	7	0.1	1.5
Net unrealised Fair value movements on financial assets, investment property and borrowings		2,054.9	-2,107.5
Net (decrease)/increase in insurance liabilities	27	-381.9	5,618.4
Net (decrease)/increase in liabilities for investment contract	29	80.2	708.6
Non cash movements associates and joint ventures	17	-97.0	-25.5
Share of profit or loss from associates and joint ventures	17	14.6	-9.5
Cash generating profit of the year		**2,386.7**	**2,813.3**
Cash flow from operating activities			
Net (increase)/decrease in intangible assets related to insurance and investment contracts	13	3.7	9.6
Net (increase)/decrease in other intangible assets	5,13	-11.2	-12.0
Net (increase)/decrease in property and equipment	5,15	5.6	-9.6
Net (increase)/decrease in investment property	5,16	-97.0	181.8
Net (increase)/decrease in plan assets	31	-1.4	0.3
Net (increase)/decrease in associates	17	18.6	180.6
Net (increase)/decrease in reinsurance assets	28	-18.9	26.4
Net (increase)/decrease in other assets	5	100.2	-516.6
Net (increase)/decrease in receivables and other financial assets	5	-13.2	-220.7
Net (increase)/decrease in capitalised interest and prepayments	5,5.1.1	-14.2	-32.0
Net (increase)/decrease in pension obligations and provisions for other liabilities	5,31,32	-338.7	275.1
Net (decrease)/increase in tax assets / liabilities	5	32.8	-30.1
Net (decrease)/increase in borrowings	5,34	-248.5	-171.7
Net (decrease)/increase in other liabilities	5,36	64.4	-1,303.2
Net (decrease)/increase in financial liabilities	5,35	-1,166.4	922.3
Net movement in derivative financial instruments	5,39	-2.7	49.5
Subtotal		**699.8**	**2,163.0**

Consolidated cash flow statement for the year ending 31 December

In millions of euros		2013	2012
Subtotal		**699.8**	**2,163.0**
Income taxes (paid)/received		-53.8	15.1
Total net cash flow from operating activities		**646.0**	**2,178.1**
Cash flow from investing activities			
Capital injection subsidiaries	17	-59.0	-4.6
Capital withdrawal subsidiaries	17	19.5	-
Acquisition of ZA Verzekeringen	4	-50.0	-
Cash and cash equivalents bought from subsidiaries	4	11.8	-
Disposal of subsidiaries, including cash and cash equivalents sold		-	15.1
Net (increase)/decrease in debt securities	5,39	-2,146.9	-3,537.8
Net (increase)/decrease in equity securities	5,39	975.0	519.3
Net (increase)/decrease in other investments		-9.5	-7.5
Net (increase)/decrease in investments at policyholders' risk		341.4	-188.9
Net increase/decrease in loans against fair value through profit or loss (including at policyholders' risk)		-366.3	-284.4
Net (increase)/decrease in loans and receivables at amortised cost	5,39	385.0	684.5
Purchases of property and equipment	15	-8.8	-17.9
Proceeds from sale of property and equipment	15	1.1	6.0
Total net cash flow from investing activities		**-906.8**	**-2,816.4**
Cash flow from financing activities			
Proceeds from borrowings	34	790.8	1,503.6
Repayments of borrowings	34	-1,786.4	-1,688.3
Issue of share capital	5.1.4	62.4	-
Dividends paid to shareholders	5.1.4	-68.0	-111.0
Dividends paid to non-controlling interests	5.1.4	-34.0	-29.3
Total net cash flow from financing activities		**-1,035.3**	**-325.0**
Net (decrease)/increase in cash and cash equivalents		-1,296.0	-963.3
Cash and cash equivalents at beginning of year	5,39	2,580.1	3,543.4
Net (decrease)/increase in cash and cash equivalents		-1,296.0	-963.3
Total cash and cash equivalents at 31 December		**1,284.1**	**2,580.1**
Cash and cash equivalents consolidated statement of financial position		1,127.5	2,570.6
Cash and cash equivalents in assets Held for sale		129.1	-
Cash and cash equivalents risk reward policyholder		27.5	9.6
Total cash and cash equivalents at 31 December		**1,284.1**	**2,580.1**
Further details on cash flow from operating activities			
Interest paid		447.1	737.7
Interest received		1,664.7	1,762.1
Dividends received	6, 17	349.3	414.6

Investments at policyholders' risk are now separately disclosed in the cash flow statement. Prior year figures have been adjusted accordingly.

The accounting policies (in alphabetical order) and notes (in numerical order) form an integral part of these financial statements.

5.1.6. Accounting policies

The principal accounting policies adopted in preparing these financial statements are set out below. Unless otherwise stated, these policies are consistently applied throughout Delta Lloyd Group, in all the years presented.

5.1.6.1. (A) Basis of presentation

Delta Lloyd Group prepares its consolidated financial statements using International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union. Since 1 July 2012, Delta Lloyd Group uses the EU carve-out on hedge accounting for its banking activities in Belgium.

From 1 January 2013, Delta Lloyd Group applied the following new and amended IFRS standards and IFRIC interpretations. This did not affect the financial results.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income (mandatory for financial years beginning on or after 1 July 2012)
These amendments enhance the consistency and clarity in the way in which items in the statement of other comprehensive income are presented. The main change is the requirement for entities to group items within other comprehensive income according to whether they may be reclassified to the income statement. This amendment does not affect the financial results of Delta Lloyd Group.

IFRS 13 Fair Value Measurement (mandatory from 1 January 2013)
This standard defines how fair value should be measured using an overall definition of fair value. The definition of fair value of investment property is tightened into the highest and best use. This has not significantly affected the financial results. It also requires disclosures on fair value measurements. The fair value disclosures required under IFRS 7, 'Financial Instruments', including the fair value hierarchy, were transferred to this standard. This led to an extending of the disclosed assets and liabilities in section 5.1.7.39. The updated definition on fair value had no significant impact on other parts of the financial statements.

Amendments to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (mandatory for financial years beginning on or after 1 July 2011)
The amendment regarding severe hyperinflation provides guidance for entities emerging from severe hyperinflation either to resume presenting IFRS financial statements or to present IFRS financial statements for the first time. In respect of the removal of fixed dates, first-time adopters of IFRS are exempt from having to reconstruct transactions that occurred before the date of transition to IFRS. Delta Lloyd Group is not a first-time adopter and does not face hyperinflation. Delta Lloyd Group is therefore not affected by these amendments.

Amendments to IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities (mandatory from 1 January 2013)
These amendments require additional information to be disclosed that will enable users of financial statements to evaluate the effect or potential effect of netting arrangements, including rights of setoff

associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. This standard does not affect Delta Lloyd Group's financial results or its equity. The additional required disclosures to the financial statements are not applicable to Delta Lloyd Group because it does not have the mentioned enforceable master netting arrangement or similar arrangements, does not set off the mentioned financial assets or financial liabilities or otherwise the financial instruments fall within the exemption scope (e.g. loans and customer deposits at the same institution and financial instruments that are subject only to collateral agreement as these are disclosed elsewhere in the financial statements).

Amended and improved IFRS standards endorsed by the European Union during the first half of 2013 and applied immediately by Delta Lloyd Group are:

Amendments to IFRS 1 Government loans (mandatory from 1 January 2013)
The amendments add an exception to the retrospective application of IFRS, which requires first-time adopters to apply the requirements from IFRS 9 'Financial Instruments' and IAS 20 'Accounting for Government Grants and Disclosure of Government Assistance' prospectively to government loans that already exist at the date of transition to IFRS. These amendments do not affect Delta Lloyd Group as it is not a first-time adopter.

Improvements to IFRSs 2009-2011 (mandatory from 1 January 2013)
These amendments to IFRSs and the related basis for conclusions and guidance address the following topics: IFRS 1 'First-time Adoption of International Financial Reporting Standards' - repeated application of IFRS 1 and borrowing costs, IAS 1 'Presentation of Financial Statements' - clarification of the requirements for comparative information, IAS 16 'Property, Plant and Equipment' - classification of servicing equipment, IAS 32 'Financial Instruments: Presentation' - tax effect of distribution to holders of equity instruments and IAS 34 'Interim Financial Reporting' - interim financial reporting and segment information for total assets and liabilities. The improvements do not affect Delta Lloyd Group's financial result or equity because they are mainly a clarification.

The IASB has published new standards, amendments and interpretations which were endorsed by the European Union by 31 December 2013 and became mandatory for Delta Lloyd Group from 1 January 2014.

IFRS 10 Consolidated Financial Statements (mandatory within EU from 1 January 2014)
IFRS 10 replaces IAS 27, 'Consolidated and Separate Financial Statements', and SIC 12, 'Consolidation - Special Purpose Entities', although IAS 27 continues to apply to separate financial statements. The term 'control' is specified in more detail. An investor has 'control' of an entity if the following criteria are met:

- The investor has power over the entity;
- The investor is exposed, or has rights, to variable returns due to their involvement in the relevant activities of the entity; and
- The investor has the ability to use their power to affect the level of the returns, reflecting a link between power and returns.

Delta Lloyd Group has examined the effects of IFRS 10 and related standards on its investments. The main impact of this adoption is that more investment funds need to be consolidated. The balance sheet total will increase with approximately € 3 billion mainly due to the non-controlling interest of third parties in these investment funds. In addition there will be a reclassification within shareholder's equity of approximately € 0.3 billion from revaluation reserve to retained earnings due to the fact that the financial instruments in investment funds are classified as other than trading portfolio instead of available for sale. The effect of the aforementioned change in classification in financial instruments in investment funds on the 2013 net result is an increase of approximately € 0.1 billion.

IFRS 11 Joint Arrangements (mandatory within the EU from 1 January 2014)
This standard supersedes IAS 31, 'Interests in Joint Ventures', and SIC 13, 'Jointly Controlled Entities – Non-monetary Contributions by Venturers'. Under IFRS 11, proportionate consolidation is no longer permitted. IFRS 11 distinguishes between 'joint operations' and 'joint ventures' with the focus being on economic reality, i.e. on rights and obligations, rather than on the legal form of the joint arrangement ('substance over form'). A joint operator recognises the assets and liabilities of the arrangement and the related revenues and expenses. A joint venturer recognises its interest in the arrangement using the equity method. This standard does not affect Delta Lloyd Group since all joint arrangements classified as joint ventures are already recognised using the equity method.

IFRS 12 Disclosure of Interests in Other Entities (mandatory within the EU from 1 January 2014)
This standard requires more extensive disclosure of information on entities included in the consolidated financial statements and on participating interests not consolidated under IFRS 10, 'Consolidated Financial Statements', IFRS 11, 'Joint Arrangements', IAS 27, 'Separate Financial Statements' and IAS 28, 'Investments in Associates and Joint Ventures'. The additional disclosures relate mainly to the extent and the nature of risks relating to investments in other entities. This standard will not affect Delta Lloyd Group's financial result but will expand the notes to the financial statements.

Amendments to IFRS 10, IFRS 11 and IFRS 12 Transitional guidance (mandatory within the EU from 1 January 2014)
The amendments clarify the transition guidance in IFRS 10, IFRS 11 and IFRS 12 and provide relief from presenting or adjusting comparative information for periods prior to the immediately preceding period. The amendments explain that the 'date of initial application' in IFRS 10 means 'the beginning of the annual reporting period in which IFRS 10 is applied for the first time' and clarify how an investor shall adjust comparative periods retrospectively if the consolidation conclusion reached at the date of initial application differs, depending on whether IFRS 10 or IAS 27/SIC-12 is applied. IFRS 12 was amended further to provide additional transition relief by eliminating the requirement to present comparatives for disclosures relating to unconsolidated structured entities for any period prior to the first annual period for which IFRS 12 is applied. Delta Lloyd Group will use the described transitional guidance when IFRS 10, IFRS 11 and IFRS 12 become mandatory.

Revised IAS 27 Separate Financial Statements (mandatory within the EU from 1 January 2014)
This standard was revised due to the introduction of IFRS 10, 'Consolidated Financial Statements'. All elements relating to 'control' and requirements on consolidation were eliminated from the

previous standard. In addition, elements from IAS 28 'Investments in Associates' and IAS 31, 'Interests in Joint Ventures' relating to separate financial statements were added to this standard. This standard does not result in changes to the separate financial statements and, therefore, does not affect Delta Lloyd Group's financial result and disclosures.

Revised IAS 28 Investments in Associates and Joint Ventures (mandatory within the EU from 1 January 2014)
The title of this standard was expanded to include joint ventures, because both associates and joint ventures must now be measured using the equity method due to the replacement of IAS 31, 'Interests in Joint Ventures' and the new IFRS 11, 'Joint Arrangements'. The content of the standard was not changed, so there are no consequences for Delta Lloyd Group.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities (mandatory from 1 January 2014)
These amendments contain a change in the application guidance (and corresponding Basis for Conclusion) regarding the requirement that an entity 'currently has a legally enforceable right to offset the recognised amounts' and 'intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously'. These amendments do not affect Delta Lloyd Group's result and equity.

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment entities (mandatory from 1 January 2014)
The amendments define an investment entity and introduce an exception to consolidating particular subsidiaries for investment entities. These amendments require an investment entity to measure those subsidiaries at fair value through profit or loss in accordance with IFRS 9 'Financial Instruments' in its consolidated and separate financial statements. The amendments also introduce new disclosure requirements for investment entities in IFRS 12 and IAS 27. These amendments have no impact because Delta Lloyd Group is not an investment entity.

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets (mandatory 1 January 2014)
The amendments clarify the disclosure requirements in respect of fair value less costs of disposal. When IAS 36 Impairment of Assets was originally changed as a consequence of IFRS 13, the IASB intended for information about the recoverable amount of impaired assets to be disclosed if that amount was based on fair value less costs to sell. An unintended consequence of the amendments was that it required an entity to disclose the recoverable amount for each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit was significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. This requirement has been deleted by the amendment.
In addition, the IASB added two disclosure requirements:

- Additional information about the fair value measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal;
- Information about the discount rates that have been used when the recoverable amount is based on fair value less costs of disposal using a present value technique. The amendment harmonises disclosure requirements between value in use and fair value less costs of disposal.

This amendment will not affect Delta Lloyd Group's result and equity.

Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting (mandatory 1 January 2014)
This amendment provides relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria (for example in a circumstance in which a derivative is novated to a central counterparty following the introduction of a new law or regulation). Similar relief will be included in IFRS 9 Financial Instruments. This amendment will not affect Delta Lloyd Group's financial result or equity.

The IASB published new standards, amendments and interpretations that were not yet endorsed by the European Union by 31 December 2013. Once the European Union endorses them, Delta Lloyd Group will decide whether to adopt these new standards, amendments and interpretations early for the 2014 financial statements.

IFRS 9 Financial Instruments Phase I
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. In 2013 the mandatory date of 1 January 2015 was withdrawn. How financial assets are measured depends on the business model and contractual characteristics of the financial assets. The key change before 2012 involved eliminating the 'available for sale' category for financial assets. This meant there were only two categories (fair value and amortised cost). In 2012 the IASB decided to add an additional category for debt instruments: fair value through other comprehensive income with recycling through profit and loss. If the European Union endorses this standard as proposed, it may have a material effect on Delta Lloyd Group's result and equity, depending on market conditions at the time of transition.

IFRIC Interpretation 21 Levies (mandatory 1 January 2014)
The interpretation clarifies that an entity recognises a liability for a levy when an activity occurs that triggers payment, as identified by the relevant legislation. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability is recognised before the specified minimum threshold is reached. This interpretation does not affect Delta Lloyd Group's financial result or equity because it concerns a clarification.

Annual Improvements to IFRSs 2010-2012 Cycle (mandatory from 1 July 2014)
These amendments to IFRSs and the related basis for conclusions and guidance address the following topics: IFRS 2 'Share-based Payment' – Definition of vesting condition, IFRS 3 'Business Combinations' – accounting for contingent consideration in a business combination, IFRS 8 'Operating Segments' – aggregation of operating segments and reconciliation of the total of the reportable segments' assets to the entity's assets, IFRS 13 'Fair Value Measurement'- short-term receivables and payables, IAS 16 'Property, Plant and Equipment' - revaluation method (proportionate restatement of accumulated depreciation), IAS 24 'Related Party Disclosures' – key management personnel and IAS 38 'Intangible Assets' – revaluation method (proportionate restatement of accumulated amortisation). The improvements do not affect Delta Lloyd Group's financial result or equity because they are mainly a clarification or are not applicable.

Annual Improvements to IFRSs 2011-2013 Cycle (mandatory from 1 July 2014)
These amendments to IFRSs and the related basis for conclusions and guidance address the following topics: IFRS 1 'First-time Adoption of International Financial Reporting Standards' – meaning of effective IFRSs, IFRS 3 'Business Combinations' – scope exceptions for joint ventures, IFRS 13 'Fair Value Measurement' – scope of portfolio exception, IAS 40 'Investment Property' –clarifying the interrelationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property. The improvements do not affect Delta Lloyd Group's financial result or equity because they are mainly a clarification.

Amendments to IAS 19 Employee Benefits (mandatory from 1 July 2014)
These amendments are made to permit a simplified approach in IAS 19 for certain contributions from employees or third parties to a defined benefit plan. If the amount contributed is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period that the related service was rendered, instead of attributing the contributions to the periods of service. The amendments will not affect Delta Lloyd Group's financial result or equity because the permitted simplified approach will not be implemented.

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 section 5.1.6.10. '(J) Acquisition costs'. Financial assets and liabilities that are of a current nature (i.e. recoverable/payable within one year) are also accounted for at cost. The difference between cost and fair value is insignificant. Derivative financial instruments, which are measured at fair value irrespective of their duration, are an exception.

Other
Items in the financial statements of each of the Delta Lloyd Group entities are measured in the currency of the primary economic environment in which that entity operates ('the functional currency'). The consolidated financial statements are stated in euros, which is Delta Lloyd Group's key functional currency and also the presentation currency. Unless stated otherwise, the amounts shown in these financial statements are in millions of euros. Calculations in the tables are made based on unrounded figures; as a result, rounding differences can occur.

IAS 1 'Presentation of Financial Statements' requires a distinction between current and non-current assets and liabilities in the consolidated statement of financial position, unless a liquidity-based presentation provides better insight. For an insurance group, close control over liquidity, asset and liability matching, and highly regulated capital and solvency positions are considered to be more relevant. The distinction between current and non-current is therefore not made for insurance-related items. Further details of their risk management are provided in section 5.1.7.1. 'Risk management'.

As the income statement of Delta Lloyd NV for 2013 is incorporated in the consolidated financial statements, an abridged company income statement is presented in the separate financial statements, in accordance with section 2:402 of the Dutch Civil Code.

The consolidated cash flow statement is prepared according to the indirect method. It distinguishes between cash flows from operating, investing and financing activities.

5.1.6.2. (B) Use of assumptions and estimates

Preparing financial statements requires Delta Lloyd Group to make estimates and assumptions that affect items reported in the consolidated statement of financial position and income statement and the disclosure of contingent assets and liabilities at the date of the financial statements. This particularly concerns estimates and assumptions used to establish insurance contract provisions (including longevity risk), determine the fair value of assets and liabilities, establish impairment (including of goodwill and receivables), employee benefits and deferred acquisition costs. These estimates and assumptions are based on management's best knowledge of current facts, circumstances and, to some extent, future events and actions. Important assumptions made are set out in the relevant note. Actual results may ultimately differ, possibly significantly, from these estimates.

Change in accounting estimates
Each reporting period Delta Lloyd Group assesses whether the applied Collateralised AAA curve is representative as a current market interest rate curve for the valuation of long-term liabilities. Delta Lloyd Group's assessment showed that the long end of the Collateralised AAA curve has been comprised over a longer period on a very limited number of constituents. A curve that is based over a longer period on limited market observation on the long end of the curve is not representative and creates an undesired dependency, making it untenable. From 30 June 2013, Delta Lloyd Group therefore decided to adjust the extrapolating method of the Collateralised AAA curve by using an Ultimate Forward Rate (UFR), in line with the draft principles of Solvency II. Delta Lloyd Group determined the point at which the market is illiquid (last liquid point) and uses an extrapolation approach after that point. The yield-curve is extrapolated using the Smith-Wilson method after the last liquid point. The last liquid point, the convergence period and ultimate forward rate applied at 31 December 2013 are 20 years, 40 years and 4.2% respectively (unchanged since 30 June 2013). Each reporting period Delta Lloyd Group will assess whether the long end of the Collateralised AAA curve can be derived from sufficient relevant observable market inputs. If that is the case, then Delta Lloyd Group will cease to apply the extrapolation approach and will use the Collateralised AAA curve for the long end of the curve. If no sufficient relevant observable market inputs are available, Delta Lloyd Group will continue to estimate current market interest rate using the described extrapolation approach while reassessing the parameters used. This adjustment to the extrapolating method of the Collateralised AAA curve is in accordance with the adjustments to the ECB AAA curve and the swap curve for defining the regulatory (IGD) solvency as introduced by the Dutch central bank (De Nederlandsche Bank (DNB)) in 2012 and creates a stable and robust solution for the illiquid part of the long end of the Collateralised AAA curve. The application of the Collateralised AAA curve with an UFR had a positive effect on the reported result for the first half year of 2013 of € 133.4 million after tax (hence on shareholders' funds). No full year effect could be calculated as processes were changed

accordingly. Developments of the Collateralised AAA curve can be found on
http://www.deltalloydgroep.com/en/investor-relations/other-publications/reference-rate.

Since June 2013, Delta Lloyd Schadeverzekering uses improved premium data from authorised agents, including the periodicity of the premium. This enables Delta Lloyd Schadeverzekering to apply the same method for calculating the unearned premium reserve that is applied to all other non-life insurance business. The data improvement is the result of a protocol developed by the association of insurers. The data is collected by Market Scan and distributed to insurers. In the first half year of 2013 the effect on the technical result is € 47.3 million positive. No full year effect could be calculated as processes were changed accordingly. The total change in general insurance claims provisions is explained in section 5.1.7.27. 'Insurance Liabilities'.

5.1.6.3. (C) Consolidation principles

Subsidiaries
Subsidiaries are entities (including special purpose vehicles) where Delta Lloyd Group has the power to exercise control over financial and operating policies in order to gain economic benefits. Subsidiaries are consolidated from the date when effective control is transferred to Delta Lloyd Group and are excluded from consolidation from the date when effective control is lost. Subsidiaries with no material value are not consolidated. To ensure consistency, the accounting policies used by the subsidiaries have been aligned with those of Delta Lloyd Group. All intercompany transactions, balances and unrealised gains and losses on transactions between subsidiaries are eliminated.

Delta Lloyd Group uses the purchase method when a subsidiary is acquired. The acquisition price is the sum of the fair value of assets given, equity instruments issued and any acquisition-related liabilities. Separately identifiable assets, liabilities and contingent liabilities acquired, as well as net assets, are measured at fair value on the acquisition date. The difference between the acquisition price of a subsidiary and the share in net assets that is attributable to Delta Lloyd Group's equity interest is recognised as goodwill in the financial statements. If the acquisition price is lower than the fair value of the equity interest, the surplus is recognised through profit or loss.

Investment funds in which Delta Lloyd Group has the power to exercise control, either directly or indirectly, are consolidated. As Delta Lloyd Group is obliged to acquire non-controlling interests in such funds in the event that these are offered, they are classified as liabilities and appear as 'financial liabilities' in the statement of financial position (see section 5.1.7.35. 'Financial liabilities'). These liabilities are accounted for at fair value through profit or loss. For further details, see accounting policies section 5.1.6.9. '(I) Net investment income' and section 5.1.6.21. '(U) Financial investments'.

Securitisations
Delta Lloyd Group has securitised part of its mortgage portfolio in 'special purpose vehicles' (SPVs). Under these transactions, beneficial ownership of these mortgage receivables is transferred to the SPV. Delta Lloyd Group does not directly or indirectly hold shares in these SPVs or their parent companies (also see section 5.1.7.20. 'Securitised mortgages and related assets') but it does hold notes of a number of SPVs (see section 5.1.7.34. 'Borrowings'). SPVs are included in the consolidated financial statements if and when the economic reality of the relationship between Delta Lloyd Group and the SPV means that it has control of the SPV, or if Delta Lloyd Group retains part of the risks and

economic benefits, meaning that Delta Lloyd Group remains exposed to 100% of the prepayment, liquidity and interest rate risks after securitisation. Part of the credit risk is transferred to the note holders, but the full expected credit losses are absorbed by the reserve built up in the SPVs (of which the residual amount accrues to Delta Lloyd Group). Consequently, Delta Lloyd Group remains exposed to the majority of the residual risks.

Joint ventures
Joint ventures are entities over which Delta Lloyd Group has joint control. This control is contractually agreed and strategic decisions on financial and operational policies are taken unanimously. Joint ventures are accounted for based on the same method used for associates (see below), i.e. the equity method, starting on the date Delta Lloyd Group gains 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 when it has between 20% and 50% of the voting rights.

Investments in associates are accounted for based on the equity method of accounting. This method accounts for any goodwill calculated on acquisition net of impairment charges since the acquisition date. Under this method, the cost of the investment in the associate, together with Delta Lloyd Group's share of that associate's post-acquisition changes to equity, is recognised as an asset in the consolidated statement of financial position. Where necessary, the accounting policies used by the associates are changed to ensure they are consistent with the policies of Delta Lloyd Group. Delta Lloyd Group's share of their post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition movements in equity is recognised in equity. The equity method of accounting is discontinued when Delta Lloyd Group no longer has significant influence over the investment or when it obtains control, in which case the entity is consolidated. All intercompany transactions, balances and unrealised gains and losses on transactions with associates are eliminated, unless unrealised losses provide evidence of impairment.

When Delta Lloyd Group’s share of losses in an associate equals or exceeds its interest in the associate, Delta Lloyd Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the entity.

5.1.6.4. (D) Foreign currency translation

Foreign currency transactions are initially accounted for at the exchange rate of the functional currency prevailing on the date of the transaction. Gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

Translation differences on debt securities and other monetary financial assets measured at fair value through profit or loss are included in foreign exchange gains and losses in the income statement. Exchange differences resulting from changes in the amortised cost of monetary available-for-sale financial assets are accounted for in the income statement. Other changes in fair value are included in the investment revaluation reserve within equity.

Translation differences on non-monetary items held at fair value through profit or loss (see accounting policy section 5.1.6.21. '(U) Financial investments') are accounted for as part of fair value changes through profit or loss. Translation differences on non-monetary items whose movements are accounted for through equity are accounted for in the revaluation reserve. Translation takes place at the exchange rates prevailing when fair value is determined.

5.1.6.5. (E) Product classification

Insurance contracts are defined as those transferring significant insurance risk but only if, at the inception of the contract, an insured event could cause an insurer to pay substantial additional benefits in any scenario, excluding scenarios that lack commercial substance. Insurance risk is considered significant if the payment on the occurrence of an insured event differs at least 10% from the payment if the event does not occur. These contracts are considered to be insurance contracts throughout the remaining term to maturity, irrespective of when the insured event occurs. Any contract not included in the scope of IFRS 4 is classified as an investment contract and treated in accordance with IAS 39. Investment contracts can be reclassified as insurance contracts after inception if the insurance risk becomes significant.

Some insurance and investment contracts contain a participating feature, of which the value and timing depend on decisions taken by management. A participating feature is a discretionary right to receive additional benefits that make up a significant portion of the total contractual benefits. These contracts are referred to as discretionary participating feature (DPF) contracts. The additional benefits referred to are contractually based on the performance of a specified portfolio of contracts or a specified type of contract, realised and/or unrealised investment returns on a specified investment portfolio held by Delta Lloyd Group or the profit or loss of Delta Lloyd Group, the fund or the subsidiary entering into the contract. Finally, Delta Lloyd Group has non-discretionary participation based on an external benchmark (T or U yield).

5.1.6.6. (F) Income and expenses relating to insurance contracts

Premiums
General insurance premiums written reflect new and renewed business during the year, and exclude any sales-based taxes. A limited part of the general insurance portfolio (mainly pools, exchange and inward reinsurance) is reported with a delay of one quarter. Unearned premiums are premiums written in a year related to periods of risk after the reporting period. Unearned premiums are computed daily, monthly or quarterly on a pro rata basis.

Premiums on life insurance contracts and discretionary or non-discretionary participating investment contracts are recognised as income when receivable. For single-premium business, this is the date from when the policy is effective. Premiums on regular-premium contracts and additional contributions are recognised when payments are due. Premiums on unit-linked insurance contracts are recognised when they are received. Premiums are shown gross of commission and before any sales-based taxes and duties. When policies lapse due to non-receipt of premiums, all accrued premium income is debited to premium income from the date when the policies are deemed to have lapsed.

No premium income is recognised in the income statement for investment contracts without discretionary participating features (non-DPF). Recognition of fee income on such contracts is explained in accounting policy section 5.1.6.7. '(G) Income and expenses relating to investment contracts'.

Claims and benefits
General insurance claims incurred include all losses occurring during the year, whether reported or not, related handling costs for claims, reduced for the value of salvage and subrogation, and adjustments to claims outstanding from previous years. Claims-handling costs relate to internal costs incurred in connection with the settlement of claims. Internal claims-handling costs include the direct expenses of the claims department and allocated general expenses.

Life insurance benefits reflect the cost of all claims arising during the year, including handling costs and bonuses accrued.

5.1.6.7. (G) Income and expenses relating to investment contracts

Income
Investment contract policyholders are charged fees for policy administration, investment management, surrenders and other contract services. These fees are recognised as revenue in the period in which they arise unless they relate to future services, in which case they are deferred and recognised when the service is provided.

Policyholders are charged an initial fee on certain non-participating investment contracts and investment management contracts. If the fee relates to investment management services, it is deferred and recognised when the services are provided. If there is no contract for investment management services, the upfront fee is recognised as revenue on receipt. However, the fee forms part of the amortised cost for investment contracts which are measured at amortised cost in the statement of financial position.

Expenses
Expenses for investment contracts without discretionary participating features are recognised insofar as payments or recalculated obligations exceed the carrying value of the obligations.

5.1.6.8. (H) Fee and commission income and expenses

Fee and commission income consists primarily of investment fund management fees, distribution fees from investment funds, commission revenue from the sale of investment fund shares and intermediary fees. These fees are recognised in the period when the services they relate to 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 section 5.1.7.18. '(U) Financial instruments'), impairment charges on available-for-sale investments, impairment charges on loans and receivables at amortised cost and book gains and losses on the sale of investments. Dividends on investments in equity securities are recorded as revenue on the ex-dividend date. Interest income is recognised as it accrues, taking into account the effective interest rate of the investment. It includes interest income as a result of interest rate differentials on forward foreign exchange contracts. Rental income is recognised based on the elapsed rental period.

The realised gain or loss on the disposal of an investment is the difference between the proceeds received, net of transaction costs, and its original cost or amortised cost as appropriate. Unrealised gains and losses represent the difference between the carrying value at year end and the carrying value at the previous year end or the purchase price during the year, less the reversal of previously recognised unrealised gains and losses on disposals made during the year.

Income from securities lending is settled with the counterparty and recognised in the income statement on a quarterly basis.

Securities sold under repurchase agreements (repos) are reclassified as related assets in the financial statements if the recipient is entitled by custom or contract to sell or offer the collateral as security. This obligation towards the counterparty is recognised as other liabilities to banks, bank deposits, other funds entrusted or deposits due to customers. Securities purchased under re-sale agreements (reverse repos) are recognised as loans and advances to other banks or customers. The difference between the selling price and the repurchase price is accounted for as interest using the effective interest rate method over the term of the contract. Lent securities are also recognised in the financial statements as beneficial ownership of these securities is retained.

5.1.6.10. (J) Acquisition costs

Acquisition costs comprise fixed and variable costs arising from writing insurance contracts.

Fee and commission expenses and other acquisition costs for insurance contracts and discretionary participating investment contracts represent the acquisition commission costs and other acquisition costs incurred during the period for these contracts, less the amounts deferred during the financial year, plus amortisation.

Transaction costs for non-participating investment contracts only include costs which are taken in the income statement during the term of these contracts. Transaction costs are incremental costs that are directly attributable to the acquisition of a financial asset or a financial liability, and include for example fees and commissions paid to advisers and brokers.

Acquisition costs relating to life insurance contracts and investment contracts are amortised systematically over a term no longer than the period expected to recover them from future margins, subject to a maximum of ten years. Acquisition costs relating to general insurance contracts are amortised over the term in which premiums are earned.

Deferred acquisition costs are reviewed by business segment at the end of each reporting period. They are impaired if they are no longer considered recoverable.

5.1.6.11. (K) Contracts with discretionary participation features (DPF contracts)

Under DPF contracts policyholders are entitled to a profit share, of which the timing and/or level is at the insurer's discretion. This discretionary profit share comes on top of their entitlement to a guaranteed element. Delta Lloyd Group is entitled to decide whether this additional return is distributed to the policyholders or to the shareholders, subject to the contract terms and conditions. Movements in DPF contracts are recognised through profit or loss.

The Netherlands
Delta Lloyd Group offers only one DPF product in the Netherlands.

Belgium
In Belgium, all profit-sharing products have discretionary participating features. The discretionary participating features are defined in the policy setting out the DPF products, conditions and calculations. The actuarial department and the management board determine the policy, which is approved by the shareholders' meeting and must be authorised by the Belgian insurance regulator (NBB). DPF contracts can be either insurance contracts or investment contracts.

Germany
Profit sharing for traditional insurance contracts and single-premium investment contracts issued by Delta Lloyd Germany is based on the technical results plus the excess of interest-earnings over the base rate. A total of 90% of the excess interest earnings and 50% of the technical results are added to a provision for future distribution to policyholders. This percentage is based on management's assessment of the expected profit distribution and includes anticipated taxes. The timing of the release of this provision is at the discretion of the board of Delta Lloyd Germany. The difference between the (net) assets and (net) liabilities relating to discretionary participating contracts is classified as a liability.

5.1.6.12. (L) Insurance contract provisions

Life insurance business provisions
Delta Lloyd Group has used market interest rates to measure the insurance liabilities for most of its products since 2005 (DNB swap curve). From 1 January 2008, in view of developments in the financial markets (strong rise in illiquidity premium on other credit risk free instrument), Delta Lloyd Group no longer regarded the DNB swap curve as representative of the market interest rate. The higher illiquidity premium should be reflected in the market interest rate used to measure insurance liabilities because they are relatively illiquid and offer long-term financing and a predictable

development. Consequently, Delta Lloyd Group decided to define the discount curve for a major part of its insurance liabilities 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. Collateralised AAA bonds were chosen because they are less liquid and no information on historical defaults of collateralised bonds within the iBoxx index that were initially AAA-rated were found. As such Delta Lloyd regards them as sufficiently free of credit risk.

Each reporting period Delta Lloyd Group assesses whether the applied Collateralised AAA curve is still representative as a current market interest rate curve for the valuation of long-term liabilities. Delta Lloyd Group's assessment in June 2013 showed that the long end of the collateralised AAA curve has been comprised over a longer period on a very limited number of constituents. A curve that is based over a longer period on limited market observation on the long end of the curve is not representative and creates an undesired dependency, making it untenable. From 30 June 2013, Delta Lloyd Group therefore decided to adjust the extrapolating method of the Collateralised AAA curve by using an UFR, in line with the draft principles of Solvency II. Delta Lloyd Group determined the point at which the market is illiquid (last liquid point) and uses an extrapolation approach after that point. The yield-curve is extrapolated using the Smith-Wilson method after the last liquid point. The last liquid point, the convergence period and ultimate forward rate applied at 31 December 2013 (unchanged since 30 June 2013) are 20 years, 40 years and 4.2% respectively. Each reporting period Delta Lloyd Group will assess whether the long end of the Collateralised AAA curve can be derived from sufficient relevant observable market inputs. If that is the case, then Delta Lloyd Group will cease applying the above described extrapolation approach and will use the collateralised AAA curve for the long end of the curve. If no sufficient relevant observable market inputs are available, Delta Lloyd Group will continue to estimate current market interest rate using the described extrapolation approach while reassessing the parameters used. This adjustment to the extrapolating method of the Collateralised AAA curve is in accordance with the adjustments to the ECB AAA curve and the swap curve for defining the regulatory (IGD) solvency as introduced by the DNB in 2012 and creates a stable and robust solution for the illiquid part of the long end of the collateralised AAA curve.

Delta Lloyd Group believes that the Collateralised AAA curve with the new extrapolation method is a good representation of the market interest rate.

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. The provision for a large part of the life insurance and investment contract liabilities is an exception and is calculated using the Collateralised AAA curve (i.e. market interest rates instead of a fixed interest rate).

Life insurance business provisions are calculated separately for each life operation, based on local accounting standards and general actuarial principles. The provisions are calculated on the basis of assumptions including a margin for prudence. The assumptions used in the calculations and any estimated margin for prudence depend on the specific situation of the entities involved. The principal assumptions used and a description of the liability adequacy test are set out in section 5.1.7.27. 'Insurance liabilities'. Within the life insurance business, explicit allowance is made for provisions for non-discretionary participating features, including those arising contractually from linked investments. Movements in provisions are taken to the income statement. Explicit provisions are also formed for discretionary participation.

The provision for guaranteed benefits for participating insurance contracts is calculated, like all other insurance provisions, in accordance with prevailing actuarial principles using a deterministic approach and a prudent set of valuation assumptions. Other options in insurance contracts (including guarantees in unit-linked contracts) are measured stochastically at fair value. Related changes in value are recognised through profit or loss.

General insurance

(i) Outstanding claims provisions
Outstanding claims provisions for general insurance are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs, reduced for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years. Movements in provisions are taken to the income statement.

Significant delays are experienced in the notification and settlement of certain types of general insurance claims, particularly regarding liability business, including the insurance of asbestos and environmental exposure and WGA claims. The ultimate cost cannot be known with certainty at the reporting date. Anticipated benefit payments as a result of disability claims are discounted using either a fixed rate or the current collateralised AAA curve. Any estimate is determined within a range of possible outcomes. Further details of estimation techniques used and a description of the liability adequacy test are given in section 5.1.7.27. 'Insurance liabilities'. Outstanding claims provisions are measured net of an allowance for expected future recoveries. Recoveries include assets that were acquired by exercising rights to salvage and subrogation under the terms of insurance contracts.

Outstanding claims provisions include 'claims incurred but not reported' (IBNR) and claims handling costs. Claims handling costs include all costs incurred internally in connection with the settlement or payment of claims, and are recognised in the income statement when the claims to which the costs relate are recognised in the income statement. Related costs also include costs which cannot be associated with specific claims, but which are related to claims paid or are in the process of settlement, such as internal costs of the claims functions or a proportion of overheads. Legal fees, doctors' fees, loss adjusters' fees, and external costs are recognised in incurred losses. Outstanding claims provisions include a margin for prudence. According to the guidelines of Delta Lloyd Group, each business unit's margin for prudence must ensure that the level of adequacy for the majority of the general insurance business provisions (except 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. Changes in this provision are taken to the income statement during the risk period in question to ensure the premium reflects the insured risk throughout the policy period.

(iii) Provision for unexpired risks
A provision for unexpired risks is made for contracts completed at a lower price than the actuarial required premium. Any shortfalls within Property & Casualty products can be offset with any surplus within other Property & Casualty products. The offset with surplus is derived from premiums and

insurance liabilities from other Property & Casualty products. This can also be done within income products.

(iv) Salvage and subrogation
Some insurance contracts allow Delta Lloyd Group to sell property (usually damaged) when settling a claim (i.e. salvage). Delta Lloyd Group may also have the right to pursue third parties for payment of some or all costs (i.e. subrogation). This reimbursement is reflected in section 5.1.7.27. 'Insurance liabilities' as part of recoveries on claims payments.

Other assessments and levies
Delta Lloyd Group is subject to various periodic insurance-related assessments or guarantee fund levies. Provisions related to these are established when there is a present obligation (legal or constructive) resulting from a past event. Such amounts are not included in insurance liabilities but are disclosed under section 5.1.7.32. 'Provisions for other liabilities', except for provisions for the Dutch Motor Insurers' Guarantee Fund *(Waarborgfonds der Motorrijtuigenverzekeraars)* which are part of the IBNR.

5.1.6.13. (M) Investment contract liabilities

Provision for non-participating investment contracts
Liabilities for non-participating investment contracts are measured at amortised cost, with the exception of unit-linked liabilities. The fair value of the liability is initially established through the use of prospective discounted cash-flow techniques. For unit-linked contracts, the value of the liability equals the fair value of the investments, plus a provision, if required, for guaranteed returns. Amortised cost is calculated as the fair value of the consideration received on the date of initial recognition, less the net effect of initial payments such as transaction costs and front-end fees. During subsequent periods, the cumulative amortisation (using the effective interest rate method) of any differences between that initial amount and the maturity value are either added or deducted, less any write-down for surrender payments. The effective interest rate is the rate at which the discounted cash payments are equal to the initial amount. On each reporting date, the amortised cost provision is determined as the estimated value of future cash flows discounted at the effective interest rate.

Provision for discretionary participating investment contracts
Liabilities for discretionary participating investment contracts are measured at fair value calculated in the same way as life insurance contracts (see section 5.1.7.29. 'Liabilities for investment contracts').

5.1.6.14. (N) Reinsurance

Delta Lloyd Group assumes and cedes reinsurance in the normal course of business, with retention limits varying according to the type of insurance contract. Reinsurance assets assumed are recognised in the same way as direct business, reflecting the product classification of the reinsured business. The cost of reinsurance relating to insurance contracts is accounted for over the life of the underlying reinsured policies, based on assumptions consistent with those used to account for the original policies.

Reinsurance assets primarily include amounts receivable from reinsurance companies on ceded reinsurance. In the case of life insurance, this is mainly non-proportional reinsurance relating to group contracts. Amounts recoverable from reinsurers are calculated in a manner which is consistent with the insurance provisions or the settled claims associated with the reinsured policies and in accordance with the relevant reinsurance contract.

If a reinsurance asset is impaired, Delta Lloyd Group reduces the carrying amount accordingly and recognises that impairment loss in the income statement. A reinsurance asset is impaired if there is objective evidence, resulting from an event occurring after the reinsurance asset is initially recognised for, indicating that Delta Lloyd Group may not manage to receive all amounts receivable under the terms of the contract. It is also essential that the impairment can be measured in a reliable way.

Delta Lloyd Group follows a strict procedure to select reinsurance counterparties. The reinsurance asset exposures for all business units and all business lines are aggregated in a reinsurance security list. As a result Delta Lloyd Group controls the counterparty default risk with its reinsurers within pre-defined limits that are based on the financial strength of the reinsurers. This mitigates the risk of concentrating a large portion of reinsurer counterparty default exposure at a single reinsurer. Premiums ceded to reinsurers and income from reinsurance premiums are shown separately in the income statement.

5.1.6.15. (O) Intangible assets

Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of Delta Lloyd Group's share of net assets, including the (contingent) liabilities, of the acquired subsidiary on the date of acquisition. The carrying amount of goodwill for each cash generating unit, or combination of cash generating units, is reviewed annually, or more frequently when circumstances or events indicate a possible impairment. Goodwill is written down for impairment when the recoverable amount is insufficient to support its carrying value. The impairment is charged as an expense to the income statement (other operating expenses). Further details on impairment testing and goodwill allocation and impairment testing are given in accounting policy section 5.1.6.19. '(S) Impairment of non-financial assets' and section 5.1.7.12. 'Goodwill'.

Acquired value of in-force business (AVIF)
The present value of future profits on a portfolio of insurance and investment contracts acquired, either directly or through the purchase of a subsidiary, is recognised as an intangible asset. The amortisation on AVIF follows the development of the portfolio to which it is linked. The amortisation charge is part of other operating expenses. The estimated values are adjusted if they differ from earlier estimates. The carrying amount of AVIF is reviewed annually for impairment by including it in the liability adequacy test. Any impairment is charged to the income statement.

Other intangible assets
Other intangible assets include software, customer relationships and distribution channels recognised in relation to an acquisition. An acquisition is initially recognised at fair value (cost). In subsequent periods, acquisitions are accounted for at cost net of amortisation and impairment.

Amortisation and impairment are recognised through profit or loss. Both purchased and internally-developed software are recognised as other intangible assets, but the latter only qualifies if it is identifiable that Delta Lloyd Group has the power to exercise control over the software and if the software will generate positive future cash flows. Purchased and proprietary software are amortised using a straight-line method over their useful lives, up to a maximum of three years. The amortisation charge is included in the income statement under 'Other operating expenses'.

Customer relationships and access to distribution channels, when acquired in a business combination, are capitalised when the definition of an intangible asset is met and when fair value can be measured reliably.

Upon the acquisition of ABN AMRO Verzekeringen, the access obtained to the ABN AMRO distribution channel was separately identified as an intangible asset and is being amortised over 30 years. This represents the duration of the agreement with ABN AMRO Bank.
Amortisation periods for other intangible assets are reviewed once a year. The estimated values are adjusted if they differ from previous estimates. Circumstances can also lead to impairments.

5.1.6.16. (P) Property and equipment

Owner-occupied properties (including those under construction) are carried at historical cost less accumulated depreciation and impairment. Depreciation and impairment are accounted for through profit or loss. The historical cost of assets which take a long time to develop, and owner-occupied properties in particular, also include capitalised borrowing costs. All other items classified as equipment in the statement of financial position are carried at historical cost less accumulated depreciation and impairments.

Depreciation of property and equipment to their residual values is calculated on a straight-line basis over their estimated useful lives as follows:

- Land: no depreciation;
- Properties (own use): 40 years
- Properties under construction (own use): no depreciation;
- Computer equipment: four years;
- Furniture, fixtures: five years.

If an asset consists of different ‘components’ with different useful lives and/or different residual values, it is broken down into those components, which are then depreciated separately. The useful life and residual value are reviewed once a year. If the estimated values deviate from previous estimates, adjustments are made.

Where the carrying amount of an asset is greater than its estimated recoverable amount, the impairment is taken to the income statement. Gains and losses on the disposals of property and equipment, representing the difference between the sales price and the carrying value, are taken to the income statement in the period in which the property or equipment is sold.

Repairs and maintenance are charged to the income statement in the financial period to which they relate. The cost of major renovations is included in the carrying amount of the asset when it is probable that additional future economic benefits from the existing asset will flow to Delta Lloyd Group. Major renovations are depreciated over the remaining useful life of the asset concerned.

5.1.6.17. (Q) Investment property

Investment property (including property under construction) is held for long-term rental yields and is not occupied by Delta Lloyd Group. Investment property (including property under construction) is measured at fair value, which is supported by market evidence, as assessed by qualified external valuers. Changes in fair value are recognised in the income statement within net investment income. Borrowing costs on investment property under construction are capitalised until completion.

5.1.6.18. (R) Inventory of real estate projects

Inventory of real estate projects comprises real estate which is offered for sale as part of normal business operations or is being built or developed for that purpose. This is real estate acquired either with the sole intention of being sold in the near future or for development and resale purpose and is not being held for long-term rental yields (see accounting policy section 5.1.6.17. ‘(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 that will be realised as part of normal business operations less the estimated cost of completion and the estimated costs required to bring about the sale. If a real estate project is sold, the carrying value is recognised as an expense in the period in which the related revenues are accounted for. The amount of impairment to net realisable value and all losses on inventory are accounted for in the period in which the impairment or loss occurs (see accounting policy section 5.1.6.19. '(S) Impairment of non-financial assets').

5.1.6.19. (S) Impairment of non-financial assets

Property and equipment and other non-financial assets are reviewed for impairment losses when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Goodwill

(a) Life insurance activities
The minimum recoverable amount related to life insurance activities is determined by the embedded value (EV) of the activities concerned. The embedded value is calculated using estimates of future distributable profits arising from the existing portfolio of an insurance company. The embedded value provides a prudent estimate of the value in use (VIU) as it does not include the value of future new business. Whether goodwill is impaired, is verified as follows:

- There is no impairment if the carrying value (net assets including attributable goodwill) is lower than the embedded value;
- It is possible that impairment of goodwill must be recognised if the carrying value (net assets including attributable goodwill) is higher than the embedded value. In this case, a decision must be made as to whether asset spread contracts make up a significant portion of the life insurance activities. Asset spread contracts are insurance contracts where the margin for the insurer comprises the difference between the return made on the underlying investments and the return paid to policyholders;
- If asset spread products do not make up a significant portion of the life insurance activities, appraisal value is used to determine the recoverable amount. Appraisal value is an actuarial value comparable to fair value and determined as the sum of two components: (i) the embedded value of the existing portfolio of life insurance activities and (ii) the present value of various annual tranches of future new business. The value of new business in one year is determined on EV principles that discount expected future distributable profits. The present value of various annual tranches of expected future new business are generally calculated by taking the value of new business in one year and extrapolating it into the future, taking into account recent growth and volatility of new business, expected future growth and profitability of new business, the types of distribution channel and degree of control over them and recent estimates by analysts and industry benchmarks.
- If asset spread products make up a significant portion of the life insurance activities, the value attributed to these must be explicitly included in an appraisal value calculation.

The key assumptions to calculate embedded value are:
- Use of Solvency II interest rate structure including a liquidity premium of 39 (2012: 58) basis points and an UFR of 4.2%;
- No growth expectations for in-force business; and
- Tax rates of 25% in the Netherlands, 34% in Belgium and 30% in Germany.

If the recoverable amount is lower than the carrying value, the carrying amount is impaired to the recoverable amount.

Calculating the recoverable amount for ABN AMRO Verzekeringen takes into account the duration of the contract with ABN AMRO Bank.

(b) General insurance and other operating activities
The recoverable amount relating to general insurance and other operating activities is defined as the higher of the VIU and fair value less costs to sell. The discounted cash flow method is used to establish the VIU and fair value less costs to sell. This uses net-of-tax forecasts of cash inflows and cash outflows which are incurred to generate the cash inflows. Factors at the basis of the expected future cash flows include historical growth, agreed business plans for the activities, expected working and fixed capital requirements and historical and expected levels of operating profits. In addition, the asset's ability to generate cash flows beyond the explicit forecast period is included through establishing a terminal value. The future cash flows and the terminal value are then discounted using a risk-adjusted discount rate (often the weighted average cost of capital or the cost of equity) which accurately reflects the inherent risk of the asset. In order to avoid double counting, risks that have already been taken into account in determining the cash flows are not included in the discount rate.

The key assumptions used to calculate the recoverable amount of goodwill are:

- Expected cash flows for future periods based on plan figures for a period of three to five years, depending on the plan period of the cash-generating entity;
- For the years after management's plan period, cash flows are extrapolated using an average growth rate ranging between 0.8% and 1.2% (2012: between 0% - 3.5%) depending on the specific circumstances of the activities; and
- Depending on the activities being valued, the risk adjusted discount rate is 10.7% to 11.3% (2012: 9.0% - 10.2%).

The expected cash flows for future periods are based on the figures for the 2014-2016 plan period. The expected cash flows beyond the plan period are extrapolated based on a growth rate that takes into account analysts' estimates of the increase in gross national product and inflation. If the recoverable amount is lower than the carrying value, the carrying amount is impaired to the recoverable amount.

Other non-financial assets
An impairment loss is accounted for in other non-financial assets for the amount by which the carrying amount of the asset exceeds its recoverable amount, whichever is the higher between the asset's net realisable value and its 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. Assessing as to whether an impairment occurs takes place either at the level of the separate asset or at that of the smallest identifiable cash flow-generating entity.

5.1.6.20. (T) Derecognition and offset of financial assets and financial liabilities

A financial asset (or, where applicable, 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 substantially transferred all the risks and rewards of the asset, or (b) has neither transferred nor substantially retained all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount is reported on the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and simultaneously settle the liability.

5.1.6.21. (U) Financial investments

Delta Lloyd Group classifies its investments as financial assets at fair value through profit or loss (FVTPL), available-for-sale financial assets (AFS), or loans and receivables (see accounting policy section 5.1.6.23. '(W) Loans and receivables'). The classification depends on the purpose for which the investments were acquired and is determined by Delta Lloyd Group when initially recognised. In general, the FVTPL category is used where this eliminates an accounting mismatch. An accounting mismatch can exist for insurance contracts when the insurance liability is measured using market-based interest rates.

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 FVTPL (referred to in this accounting policy as 'other than trading'). In addition to derivatives, certain investments held by Delta Lloyd Bank are classified in the 'held for trading' category.

Investments classified as 'held for trading', 'other than trading' and 'available for sale' are measured at fair value. Changes in the fair value of investments 'held for trading' and 'other than trading' are accounted for in the income statement in the period in which the value change occurs. Changes in the fair value of investments classified as available for sale, other than impairment losses and relevant foreign exchange gains and losses, are recorded in a specific investment revaluation reserve within equity.

Certain securitised mortgages and derivatives and related liabilities are managed on the basis of fair value. Delta Lloyd Group also evaluates their performance on the basis of fair value, in line with its risk strategy. The securitised mortgages are also recognised as 'financial assets at fair value through profit or loss'. The fair value is determined on the basis of the current swap curve and the likelihood of early repayment. Details of securitised mortgages are given in section 5.1.7.20. 'Securitised mortgages and related assets'.

Purchases and sales of investments are recognised at fair value when the trade occurs; i.e. the date that 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 based on amortised cost. The difference between the initial value and future repayment is recognised through profit or loss as amortisation, using the effective interest rate method. The initial amortised cost is calculated as the fair value including transaction costs.

Investments carried at fair value are measured using the fair value hierarchy as described in section 5.1.7.39. 'Fair value of financial assets and liabilities'. Fair values of investments are based on quoted bid prices or amounts derived from cash flow models. Fair values for unlisted equity securities are estimated using applicable price/earnings or price/cash flow ratios defined to reflect the issuer's specific circumstances. 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 regularly reviews the carrying value of its investments. If the carrying value is greater than the recoverable amount over 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 due to events occurring after the date of the initial recognition (a 'loss event'), and when that event has an impact on estimated future cash flows. Objective evidence that a financial asset or a group of assets is impaired includes observable data 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 a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified based on the individual financial assets in Delta Lloyd Group, including adverse changes in the payment status of borrowers of Delta Lloyd Group and 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 there is no objective evidence of impairment for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed 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 estimated future cash flows discounted at the financial asset's original effective interest rate. Future credit losses that have been incurred are not taken into account. The impairment is recognised in the income statement. If a financial investment has a variable interest rate, the discount rate for measuring the impairment loss is the current effective interest rate determined in the contract. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related to an event occurring after the impairment was recognised, the previously recognised impairment is reversed and accounted for in the income statement.

(b) Financial assets carried at fair value
At each reporting date Delta Lloyd Group assesses whether objective evidence exists that an available for sale financial asset is impaired. In the case of equity instruments classified as 'available for sale', this means a significant or prolonged decline in the fair value of the security below its cost. Significant is defined as:
- At least 20% over an uninterrupted period of six months; or
- More than 40% on the reporting date.

Prolonged is defined as measured below cost for more than a year. Delta Lloyd Group uses a graduated scale for the period between six months and one year and for a decline in value of up to 20%, to determine whether a financial asset available for sale is impaired. If the impairment proves to be structural, Delta Lloyd Group may decide to recognise it despite the period being less than six months. Impairment losses on equity securities cannot subsequently be reversed through the income statement. If a financial asset has been impaired, any future reductions in value, irrespective of the amount, are recognised through the income statement.

Debt securities available for sale are impaired if there is objective evidence that they are unlikely to be redeemed or if it is known that the issuer is in financial difficulties. If such evidence exists, the cumulative loss, measured as the difference between the acquisition cost and current fair value (excluding previously recognised impairment losses) is removed from equity and recognised in the income statement. If, in a subsequent period, the fair value of a debt instrument classified as 'available for sale' increases and the increase can be related to an objective event occurring after the recognition of the impairment loss, the impairment is reversed through the income statement.

Financial assets carried at fair value through profit or loss are not subject to impairment testing. The fair value of these assets already reflects possible impairments.

5.1.6.22. (V) Derivative financial instruments

Derivative financial instruments include foreign exchange contracts, interest rate futures, currency and interest rate swaps, currency and interest rate options (both written and purchased), swaptions, and other financial instruments that derive their value mainly from underlying interest rates, foreign exchange rates, commodity values or equity instruments. All derivatives are initially recognised in the statement of financial position at fair value, which usually represents their cost. They are subsequently measured at their fair value through profit or loss. Fair values are obtained from quoted market prices or, if these are not available, by using valuation techniques such as discounted cash flow models or option pricing models. Derivatives are carried as assets when fair values are positive and as liabilities when fair values are negative. Premiums paid for derivatives are recorded as an asset on the statement of financial position at the date of purchase, representing their fair value on that date.

Derivative contracts may be traded on an exchange or over-the-counter (OTC). Exchange-traded derivatives are standardised and include certain futures and option contracts. OTC derivative contracts are individually negotiated between contracting parties and include forwards, swaps, caps and floors. Derivatives are subject to various risks including market, liquidity and credit risk, similar to those related to the underlying financial instruments. The notional or contractual amounts associated with derivative financial instruments are not recorded as assets or liabilities on the statement of financial position as they do not represent the potential gain or loss associated with such transactions. These amounts are disclosed in section 5.1.7.18. ‘Financial investments’.

Fair value hedge accounting
Delta Lloyd Group uses derivatives to partially hedge the market value risk of certain financial assets due to interest rate movements. Fair value hedge accounting can be used for these derivatives in accordance with IAS 39, provided 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 must be established that the hedge is likely to be highly effective. During the hedging period, the effectiveness is tested and documented for each reporting period. A hedge is considered to be effective if the change in the fair value of the hedged position is offset almost fully by a change in the fair value of the hedging instrument. Delta Lloyd Group pursues a bandwidth of 80% to 125%. The EU carve-out on hedge accounting, which allows for more leniency when calculating hedge effectiveness, has been in use since 1 July 2012 for the banking activities in Belgium.

Changes in the fair value of derivatives designated as 'fair value hedges' that meet the set conditions are recognised in the income statement under ‘result from derivatives’.
Changes in the fair value of the hedged assets are disclosed under the same heading, to the extent that those changes relate to the hedged risk. The net effect of this is that only the ineffective part of the hedge influences the result. An adjustment to the carrying value of a hedged financial instrument is amortised and credited or charged to the income statement under ‘result from derivatives’ from the moment the carrying value is first adjusted and during the anticipated remaining life of the hedged instrument.

Derivatives not included in a hedge relationship
Changes in the value of derivatives that are not included in a hedge relationship are taken directly to the income statement and presented separately in the result from derivatives.

5.1.6.23. (W) Loans and receivables

Loans and receivables with fixed maturities, including policyholder loans, issued loans, mortgage loans, securitised mortgages and loans, are recognised on the statement of financial position when cash is advanced to borrowers. Measurement of these loans and receivables, excluding loans initially recognised as ‘at fair value through profit or loss’, is based on amortised cost, using the effective interest rate method and taking impairments into account where 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 section 5.1.6.21. '(U) Financial investments'.

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 relating to non-participating investment contracts are amortised over the period in which the service is provided. Deferred acquisition costs are reviewed by business segment at the end of each reporting period and are impaired if they are no longer considered to be recoverable.

5.1.6.25. (Y) Cash and cash equivalents

Cash and cash equivalents consist of cash at banks and cash in hand, deposits held at call with banks, treasury bills and other short-term highly liquid investments with less than 90 days maturity from the date of acquisition. For the purposes of the cash flow statement, cash and cash equivalents also include bank overdrafts, which are included within payables and other financial liabilities on the statement of financial position.

5.1.6.26. (Z) Borrowings

Borrowings are initially recognised at the proceeds of their issue less transaction costs incurred. Subsequently, borrowings are measured at amortised cost, and any difference between net proceeds and the redemption value is recognised in the income statement over the remaining term of the borrowings using the effective interest rate method.

Certain notes issued by Delta Lloyd Group that relate to securitised mortgages are recognised at fair value through profit or loss. The fair value changes are recognised in the income statement under 'investment income', even though they were initially recognised as loans and receivables under IAS 39. Since the total of the financial assets and financial liabilities relating to securitised mortgages is managed on the basis of fair value, and their performance is also evaluated on the basis of fair value, the fair value option applies. These notes are restated to fair value through profit or loss at the end of each period. The fair value of borrowings is calculated on the basis of future cash flows discounted at the current three-month Euribor rates. Differences between the fair values and the market values calculated in this way are negligible. Details of the notes are given section 5.1.7.34. 'Borrowings'.

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 either profits or dividends and are ignored when calculating earnings per share. They are, however, included in the calculation of the dividend per share to be declared.

Reserves
Reserves consist of the share premium, the revaluation reserve and other reserves. The share premium includes calls paid on shares in excess of the nominal value. The revaluation reserve only comprises the revaluation of available-for-sale investments including value changes taken to equity less deferred tax liabilities and less any part of the revaluation allocated to the DPF provision. The other reserves include the actuarial gains and losses for pensions (since the application of IAS 19 Revised as of 1 January 2012).

Dividend available for distribution
Dividends available for distribution on ordinary shares are recognised in equity over the period in which they are declared and, for the final dividend, approved by shareholders. Dividends available for distribution on preference shares are recognised in the income statement as interest costs or taken to equity in the period in which they are declared and approved, depending on the classification of the financial instruments.

Delta Lloyd Group may by law only pay a dividend if the sum of the share capital and reserves so permits. The profit remaining after additions to reserves have been made is first used to pay a dividend on the preference shares. The appropriation of the remaining profit, after any additions to reserves have been made as determined by the Executive Board, is at the disposal of the shareholders' meeting subject to the approval of the Supervisory Board.

5.1.6.28. (AB) Earnings per share

Earnings per ordinary share are calculated by dividing the net result attributable to holders of ordinary shares after deduction of the preference dividend for the period by the weighted average number of ordinary shares in issue during the period, excluding the weighted average number of ordinary shares repurchased by Delta Lloyd Group and held as treasury shares.

Diluted earnings per ordinary share are calculated by dividing the net result attributable to holders of ordinary shares for the period by the weighted average number of ordinary shares in issue adjusted for dilutive potential ordinary shares, such as convertible bonds and share options. Potential or conditional issues of shares are treated as dilutive if their conversion into shares would reduce net earnings per share.

5.1.6.29. (AC) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are recognised as operating leases. Payments made as lessee under operating leases (net of any incentives received from the lessor) are recognised in the income statement on a straight-line basis over the lease period. There are no material financial leases affecting Delta Lloyd Group as either lessor or lessee.

5.1.6.30. (AD) Provisions for other liabilities and contingent liabilities

Provisions are recognised if Delta Lloyd Group has a present legal or constructive obligation resulting from past events, if it is probable it will require an outflow of resources to settle the obligation and if a reliable estimate of the scope of the obligation can be made. If it is 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 are less than the unavoidable costs of meeting the obligations under the contract.

Provisions are measured as the best estimate of the expenditure required to settle the present obligation on the reporting date. Liabilities 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 benefit is deemed to be remote.

5.1.6.31. (AE) Employee benefits

The entitlement to annual leave and long-term leave is recognised when it accrues to employees. A provision is made for the estimated liability for annual leave and long-service bonuses accumulated up to the reporting date.

Pension obligations
Delta Lloyd Group operates a number of defined benefit and defined contribution plans in all countries in which it operates. The assets of these are generally held in separate investment deposits. To finance the pension plans, contributions are paid by the relevant subsidiaries and employees.

For defined benefit plans, the pension expenses and obligations are assessed using the projected unit credit method. The cost of providing pensions is charged to the income statement to spread the regular cost over the service life of employees, in accordance with actuarial calculations. Additionally, the pension cost includes the interest cost and expected return on plan assets. The pension obligation is measured as the present value of the estimated future outflows using a discount rate based on market yields for high-quality corporate bonds. The net asset or liability in the statement of financial position is the difference between the liabilities and the qualified plan assets at fair value. These assets are held by a fund that is legally separate from Delta Lloyd Group, with the exception of non-transferable financial instruments issued by Delta Lloyd Group. They may only be used to pay employee benefits; they may not be used to meet any other obligations of Delta Lloyd Group. Actuarial gains and losses are recognised in other comprehensive income. In the Netherlands, the Delta Lloyd Group Pension Fund has reinsured most of its pension obligations with Delta Lloyd Levensverzekering. As a result, the related investments do not qualify as plan assets. To avoid double-stating of the assets and the liabilities, the insurance liabilities and the associated cash flows have been eliminated. See section 5.1.7.31. ‘Pension obligations’ for details.

For defined contribution plans, Delta Lloyd Group pays contributions to collective or individually administered pension plans. Once the contributions have been paid, Delta Lloyd Group, as an employer, has no further payment obligations. Delta Lloyd Group’s contributions are charged to the income statement.

Other employee benefits
Delta Lloyd Group offers schemes for anniversary payments and for senior and early retirement. Delta Lloyd Group offers a compensation for social security contributions and a death benefit scheme for a limited number of participants who were members of the pension plans before 1 January 1999.

Share-based and performance-related incentive plans

Phantom Option Plan
The final grants under the 2006 Phantom Option Plan were made in 2009. According to this plan on 1 January of each year, conditional phantom options were granted to members of the Executive Board and to certain members of the (senior) management of Delta Lloyd Group. No initial payment was required. A phantom option entitles the holder to receive in cash the increase in value of a 'performance unit' measured from the grant date until the date of exercise. Subject to the fulfilment of set performance criteria and continued employment at Delta Lloyd Group, the phantom options vest and become exercisable at the end of the performance period. The vesting date is exactly three years after the grant date. The exercise period ends five years from the vesting date. There is a cap on the actual amount that can be realised on the exercise date, based on a percentage of the annual salary of the employee on the date of vesting. The Phantom Option Plan is recognised as a cash-settled share-based payment transaction (IFRS 2). The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed on a straight-line basis over the vesting period and the maturity is determined by the fair value of the options granted, which is measured using a binomial tree model, taking into account the terms and conditions under which the phantom options were granted, including the cap on the actual payment. The vesting conditions (i.e. performance criteria and continued employment) are included in the assumptions for estimating the number of phantom options expected to become exercisable in the vesting period. Delta Lloyd Group revises the estimate of the number of exercisable options on each reporting date and on the vesting date based on the number of phantom options which are unconditionally exercisable. Furthermore, Delta Lloyd Group re-measures the fair value on each reporting date and on the settlement date and immediately recognises all changes in the income statement, applying a corresponding adjustment to the provision.

Performance Share Plan and Phantom Performance Share Plan
Effective from 1 January 2010, the long-term incentive plan consists of a conditional grant of Delta Lloyd NV shares to members of the Executive Board and directors under the Performance Share Plan

(PSP) and conditional phantom shares to eligible managers under the Phantom Performance Share Plan (PPSP). The conditional shares under the PSP grant the right to a distribution of Delta Lloyd NV shares and the conditional phantom shares grant the right to a cash distribution based on the underlying value of the Delta Lloyd NV shares. The conditional shares and phantom shares may be settled in shares or cash after three years of becoming unconditional (vesting date), depending on the achievement of set performance criteria and continued employment at Delta Lloyd Group. The number of shares and phantom shares that will eventually vest depends on the relative percentage of the applicable performance criteria achieved during the performance period. The performance criteria relate to (i) total shareholder return (35% of the grant), (ii) return on equity (35% of the grant), (iii) employee engagement (20% of the grant) and (iv) reputation of Delta Lloyd Group (10% of the grant). On the dividend payment dates, based on the dividend distribution per Delta Lloyd NV share, additional conditional shares and conditional phantom shares will be granted on the shares and phantom shares granted to participants during the vesting period (‘dividend shares’ and ‘dividend phantom shares’ respectively). These dividend shares and dividend phantom shares are granted conditionally and are also subject to the set performance criteria applicable to the PSP and the PPSP and to continuing 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 those shares sold upon vesting up to an amount necessary to satisfy any taxes and social security contributions payable with regard to the vesting of the performance shares. Both plans also have a ‘clawback clause’ in which any variable remuneration may be recovered up to two years after vesting if it was based on incorrect financial or other data. In addition, under the PSP and the PPSP, the underlying value on the vesting date is capped at four times the grant value. If this cap is reached on the vesting date, the number of underlying shares and phantom shares which will vest is adjusted downwards.

The overall expense is calculated on the grant date of the conditional shares (PSP) as the fair value of a conditional share multiplied by the estimated number of conditional shares that will vest based on expectations regarding performance criteria 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 performance criteria related to total shareholder return. The fair value does not change during the period up to vesting. The overall expense is allocated on a straight-line basis over the vesting period (three years) based on the employee services rendered, taking into account the estimated number of conditional shares that can vest under the applicable vesting conditions on each reporting date. The expense is recognised in staff costs with 'equity compensation plan' in equity as the contra-account.

The expense of the PPSP is recorded against an 'equity compensation plan' provision in debt, and allocated on a straight-line basis over the vesting period. Delta Lloyd Group determines the fair value of the PPSP on each reporting and option settlement date, using the same conditions as for the PSP. All changes are immediately recognised in the income statement with a related adjustment to the provision.

The fair value of the grants under the PPSP and the PSP is measured using Monte Carlo simulation models that incorporate all the specific characteristics of both plans. Measurement of this fair value also takes into account the expected number of conditional dividend shares and dividend phantom shares, and this number is ascertained on the date of the conditional grant.

Variable Incentive Plan (from 1 January 2011 to 31 December 2012)
In 2011, the existing long-term and short-term incentive plans were modified based on the new 'Regulation on sound remuneration policies' that apply to the Dutch financial sector. In the 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 members, 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 cash payout.

The performance period for all targets for both groups is one year. The targets are drawn up in a balanced way at group, business unit and individual level 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 next three years. This payout depends on achieving the set performance objectives during the performance period and on continued employment at Delta Lloyd Group until the rights become unconditional. The total expense is recognised in equal 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 this 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 this plan.

The cash distribution payout is 50% after the remuneration year and 50% in equal instalments in the three subsequent years. The provision for the cash payout is made on the basis of the PPSP up to the level that it depends on the underlying value of Delta Lloyd NV shares. The remainder, which is not related to shareholder value, consists of a current liability and a long-term liability in cash.
The provision for the current liability and the long-term cash liability is made for the estimated liabilities accrued for performance received until the reporting date. The long-term liability is measured using the present value of expected future payments. The total expense is recognised in equal 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 the vesting date, if an employee has acted unethically and/or in conflict with Delta Lloyd Group's policy.

Variable Incentive Plan (from 1 January 2013)
In 2013, the remuneration policy was changed to bring the amount and composition of Delta Lloyd Group's remuneration packages more in line with the company's risk appetite and culture. It also takes into consideration the public debate on variable remuneration and the Dutch government's intention to cap variable remuneration in the financial sector in the Netherlands at 20% of the fixed salary.

This led to two adjustments:
- The maximum grant is 50% (previously maximised at 100%) of the base salary (including holiday pay and a '13th month') at ambition level and 75% (previously maximised at 150%) at outperformance level; and
- All grants are in conditional shares for identified staff and conditional phantom shares for other managers (no longer a cash grant of 50%).

See the previous Variable Incentive Plan above for the measurement of conditional (phantom) shares, bearing in mind that there are no longer grants in cash.

General (applicable to all share-based and performance-related incentive plans)
Delta Lloyd NV shares have been listed on NYSE Euronext Amsterdam since 3 November 2009. This means there is insufficient historical share price data available for some of the volatilities needed. As a result the expected volatility of the underlying Delta Lloyd NV shares is estimated in part by using the historical volatilities of comparable listed entities in the financial sector for periods where there is no historical price information on Delta Lloyd NV shares.
Expected dividends are applied in accordance with the dividend policy of Delta Lloyd Group.

The vesting of grants is subject to set performance criteria and continued employment at Delta Lloyd Group on the vesting date. If employment is terminated, the grants lapse immediately, except in a situation where the employee leaves as a result of early retirement, disability, death or because the entity for which the employee works is no longer part of Delta Lloyd Group. In this last case, the grants remain outstanding and become exercisable for a period of one year, after which they lapse.

5.1.6.32. (AF) Income taxes

The tax expense is based on the taxable profits for the year, after any adjustments are made for previous years and after any changes in deferred tax assets and liabilities. Tax is allocated to the result before taxation and amounts are charged or credited to reserves, as appropriate.

Deferred tax assets and deferred tax liabilities are recognised on all material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the statement of financial position. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available to use against the temporary differences. The principal temporary differences arise from depreciation of property and equipment, revaluation of certain financial assets and liabilities, including derivative and insurance contract liabilities, provisions for pensions, other post-retirement benefits and tax losses carried forward. The rates enacted or decided upon on the reporting date are used to determine the deferred tax. Deferred tax related to fair value re-measurement of available-for-sale investments and other amounts taken directly to equity are recognised in the statement of financial position as a deferred tax asset or liability.

5.1.6.33. (AG) Discontinued operations and assets held for sale

Assets held for disposal as part of operations which are discontinued or held for sale are recorded at the lower of their carrying amount and their fair value, less the expected cost to sell the assets. As part of the held for sale classification Delta Lloyd Group assesses if the expected sale price is higher than the book value. Any impairment is restricted to the carrying amount of the non-current assets within the scope of IFRS 5 measurement requirements. Classification as held for sale takes place if the carrying amount will be recovered principally through a sale transaction rather than through continuing use. This is only the case when the sale is highly probable:

- The disposal group or group of assets is available for immediate sale in its present condition;
- Delta Lloyd Group is committed to a plan to sell these assets and has an active programme to locate a buyer;
- The sale is expected to occur within one year from the date of classification as held for sale.

When a group of assets classified as held for sale represents a major line of business or geographical area the disposal group classifies as discontinued operations. In the consolidated profit and loss account, the income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of result after tax for both the current and for comparative years.

5.1.6.34. (AH) Segment information

Reports to the Executive Board of Delta Lloyd Group are based on both operations and divisions. Delta Lloyd Group bases its operating segments on the nature of the products and services provided, i.e. the nature of the operations. This choice was made as operations will take a more prominent role in the decision-making and management process for allocating resources and measuring and evaluating financial performance. The following operating segments were identified: Life Insurance, General Insurance, Bank, Asset Management and Other. All transactions between the segments are at arm's length. Although the segment information for the Executive Board is based on the IFRS figures, as shown in the financial statements, there are some exceptions which are explained in section 5.1.7.3. ‘Segment information'.

5.1.6.35. (AI) Off-balance sheet commitments

Contingent liabilities, including credit facilities granted and guarantees issued for the liabilities of third parties, are not recognised in the statement of financial position as their existence is confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Delta Lloyd Group. The amount of these obligations cannot be measured with sufficient reliability.

The maximum potential credit risk of these contingent liabilities is stated in the notes. In order to determine the maximum potential credit risk the assumption is that all counterparties will fail to meet their contractual obligations and that all collateral received has no value.

5.1.7. Notes to the consolidated financial statements

5.1.7.1. (1) Risk management

In this risk management note Delta Lloyd Group describes and analyses its main risks, and the approach to managing these. It also provides a sensitivity analysis, based on the main economic and non-economic assumptions that may lead to volatility in results and in shareholders' equity. Please note that the risks of the Delta Lloyd Bank Belgium (held for sale portfolio) are included in this paragraph.

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

- **Risk governance**: The risk governance framework comprises 'three lines of defence' and risk committees. It outlines the responsibilities and guidelines of Delta Lloyd Group's management structure. Each division has a dedicated Audit Committee (AC) and Asset & Liability Committee (ALCO) to supervise the effectiveness of its business control systems.
- **Risk processes and systems:** The risk management framework takes into account all relevant elements of risk management, including an internal model for economic capital calculation, a solid risk management cycle and the interrelationship between governance and management information.
- **Risk culture:** The correct 'tone at the top' and active involvement of the Executive Board and the boards of the business units in risk/return considerations.
- **Risk taxonomy and mitigation**: The risk management policy framework encompasses the 'risk universe' of all relevant risks for Delta Lloyd and contains a set of mandatory policies and the Group Risk Appetite Statement (GRAS) to control and manage risk according to specific guidelines. The annual GRAS defines the risk appetite for all risks within Delta Lloyd Group. Each division defines its Business Unit Risk Appetite Statement consistent with the GRAS.
- **Capital model:** Delta Lloyd Group uses the Insurance Group Directive (IGD) group solvency model and has opted to report future regulatory solvency on the basis of an internal model for Solvency II. Delta Lloyd Group already applies this model for internal purposes to calculate economic capital. The capital relating to the banking activities is assessed based on the Basel II system.

The risk management philosophy is described in detail in section 3.3 Risk management.

Risk taxonomy
Delta Lloyd Group uses five main conceptual categories of risks and policies within its overarching risk management and internal control policy. The categories are based on the Dutch Corporate Governance Code and describe the Group's risk universe.

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

Strategic risk
Strategic risk is defined as the risk to current and future earnings or capital arising from adverse business decisions, improperly implementing decisions or not responding to changes in customer demand or the industry. Strategic risk includes the risk of missing targets as a result of Delta Lloyd Group business units not responding or not responding adequately to changes in the business environment.

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

Regulatory risk
Regulatory risk is the risk of not complying with laws, regulations and internal policies and procedures, for example risks related to litigation, compliance and tax.

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

In addition, Delta Lloyd Group considers systemic risk to be an inherent risk. This is the risk of the economic system or the entire market collapsing due to war, global illiquidity, hyperinflation or similar massive events.

Solvency II
Solvency II is the new regulatory framework for insurance companies operating in the European Union. It is due to be implemented on 1 January 2016, however Delta Lloyd Group already includes several risk-based elements in its daily operations.

Under Solvency II capital requirements depend directly on consistently-measured risk. It is based on economic principles for measuring assets and liabilities. Although the preparations which insurance companies have to make for Solvency II are far-reaching and comprehensive, Delta Lloyd Group supports the principles underlying the new framework.

Delta Lloyd Group has opted to report its required solvency using an ‘internal model’. In 2013, significant effort was made to meet the requirements for using the internal model and much was achieved. These activities will be continued in 2014.

In 2013, Dutch insurers successfully participated in initiatives organised by the Dutch central bank (DNB) to prepare for Solvency II, such as the Long Term Guarantee Assessment (LTGA) and the second general rehearsal of the own risk and solvency assessment (ORSA).

In September 2013 the European Insurance and Occupational Pensions Authority (EIOPA) published preparatory guidelines Solvency II guidelines for supervisors. The DNB will translate these into guidelines for Dutch insurance companies. These guidelines introduce more risk-based supervision. More detailed information about Solvency II is included in section 3.2 ‘Risk management of the annual report’.

The major risks Delta Lloyd Group is exposed to, their impact and the way they are managed are explained below. The top five risks that Delta Lloyd Group has identified in 2013 are included in section 1.6 ‘Delta Lloyd in 2013’ of the annual report.

Credit risk

Credit risk consists of default risk, credit spread risk and concentration risk. Default risk is the risk that counterparties are unable to meet all or part of their payment obligations. Credit spread risk is the risk that the perceived risk of default increases, reducing the value of the asset (bond, mortgage or otherwise) to which the risk relates. Concentration risk arises from the concentration of default risk at large counterparties and from inadequate sector or country diversification. Defaults may occur in the bond, mortgage and consumer and commercial loan portfolios or at counterparties including reinsurers, insurance intermediaries, policyholders, banks, derivative counterparties and other debtors. In 2013, Delta Lloyd Group had set the risk tolerance for credit default risk in the fixed income portfolio (excluding mortgages) at an average credit quality of the equivalent of an external single A rating. In addition, various limits were in place to limit concentrations to individual counterparties and countries.

The own credit risk is shown in the table below. The risk reduction effect of credit default swaps is limited and hence not included. The collateral does not exceed the carrying value of the asset.

The residential mortgage portfolio of € 16.8 billion (2012: € 16.7 billion) is included under loans (both at amortised cost and fair value) and includes securitised residential mortgages. More information about the residential mortgage portfolio of Delta Lloyd Group can be found in section 5.1.7.18 ‘Financial Investments’.

Credit risk own risk

		2013			2012	
In millions of euros	Gross credit risk	Collateral	Net credit risk	Gross credit risk	Collateral	Net credit risk
Debt securities	26,067.8	-	26,067.8	25,232.8	49.7	25,183.1
Loans and receivables at amortised cost	17,191.1	11,055.8	6,135.4	17,106.7	12,627.9	4,478.8
Loans at fair value through profit or loss (FVTPL)	5,784.0	4,675.9	1,108.2	6,249.1	3,794.3	2,454.8
Reinsurance assets	554.0	330.5	223.6	535.2	342.2	193.0
Receivables and other financial assets	2,122.5	-	2,122.5	2,209.5	-	2,209.5
Derivatives	1,201.0	947.1	253.9	2,550.3	2,369.1	181.2
Deferred tax assets	1,135.5	-	1,135.5	1,533.3	-	1,533.3
Tax assets	70.0	-	70.0	79.7	-	79.7
Capitalised interest and prepayments	649.7	-	649.7	637.9	-	637.9
Cash and cash equivalents	1,256.6	-	1,256.6	2,570.6	-	2,570.6
Maximum credit risk recognised on the statement of financial position	**56,032.5**	**17,009.2**	**39,023.3**	**58,705.1**	**19,183.2**	**39,521.9**
Gross maximum credit risk not recognised on the statement of financial position	699.1	-	699.1	673.8	-	673.8
Gross maximum credit risk own risk	**56,731.6**	**17,009.2**	**39,722.4**	**59,378.9**	**19,183.2**	**40,195.7**

At 31 December 2013, Delta Lloyd Group's debt securities amounted to € 26.1 billion (2012: € 25.2 billion), 44% (2012: 45%) of which was invested in government bonds, 34% (2012: 33%) in corporate and collateralised bonds and 22% (2012: 22%) in bonds of non-central government institutions.

For the above-mentioned exposures, Delta Lloyd Group received the following collateral:

- Loans and receivables at amortised cost: property, cash collateral, salary waiver, pledges, term accounts and deposits;
- Loans at fair value through profit or loss: property;
- Reinsurance assets: cash collateral;
- Derivatives: cash collateral.

Delta Lloyd Group maintains a diversified fixed-income investment portfolio structured to match its insurance liabilities. Its credit risk is primarily related to government bonds, corporate bonds, residential mortgages, reinsurance assets and other loans. Delta Lloyd Group's fixed income portfolio managers and specialist staff are primarily responsible for managing default risk. Default rates of Delta Lloyd Group's residential mortgage loans are monitored daily and reported monthly. A significant part of the mortgage portfolio is securitised and some of the default risk relating to the securitised mortgages is passed on to third parties (the buyers of the mortgage-backed securities). All assets exposed to credit defaults are monitored at Group level. The exposure of the asset portfolio to default and concentration risk is analysed in depth each quarter.

Exposure to sovereign and sub-sovereign debt of southern European countries and Ireland amounts to € 502.8 million at 31 December 2013, compared to € 58.7 million at year end 2012. Investment in these countries increased because Europe took steps to stabilise the financial sector and the cost of sovereign borrowing, mainly on the European Central Bank's (ECB) promise "to do whatever it takes to save the euro". In addition, there were some signs of economic recovery, and Ireland was able to redeem its emergency support loans. Although in general the risk/return profile for investing in these countries improved, the situation per country differs significantly and recovery still has a long way to go. Therefore, Delta Lloyd Group continues to strictly monitor exposure to southern European countries and Ireland.

The tables below show Delta Lloyd Group's total exposure to risks on these countries at 31 December 2013, including lending to the financial sector and other private businesses. Lending to private businesses in these countries is, by their nature and activities, not necessarily exposed to the same credit risk as in countries where their headquarters are located. The tables are based on Delta Lloyd Group's 'country of risk' methodology and the figures include accrued interest. The risk-reduction effect of credit default swaps is not shown. Delta Lloyd Group has hedged a nominal value of € 378.4 million, of default risk relating to all fixed-income investments in these countries using credit default swaps (2012: € 542.8 million). A nominal value of € 50.0 million is hedged against a default of Italy and € 328.4 million against a default of Spain. The 'Other bonds' column includes collateralised bonds. All amounts are gross, i.e. before adjustment for any collateral received.

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 2013
Portugal	21.2	6.5	-	18.9	-	46.6
Italy	254.1	169.7	17.9	137.4	-	579.1
Ireland	122.7	28.4	43.8	131.2	-	326.2
Greece	-	-	-	-	-	-
Spain	104.8	169.1	72.6	419.0	199.7	965.2
Total	**502.8**	**373.8**	**134.3**	**706.5**	**199.7**	**1,917.1**

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 2012
Portugal	-	6.4	-	9.7	-	16.1
Italy	1.7	177.1	18.8	160.7	-	358.3
Ireland	-	12.7	33.2	122.2	-	168.1
Greece	-	6.8	-	0.9	-	7.7
Spain	57.0	133.3	-	332.0	215.0	737.3
Total	**58.7**	**336.2**	**52.0**	**625.5**	**215.0**	**1,287.4**

Cash position limits are in place to maximise exposure to counterparties, and are based on credit ratings. Delta Lloyd Group monitors this at regular intervals. Counterparty default risk related to derivative contracts is mitigated by collateral and by maintaining a diversified portfolio.

The concentration risk in relation to reinsurance contracts is monitored through the Delta Lloyd Group Security List that contains the maximum exposure per reinsurance counterparty.

The tables below show the own credit risk based on external ratings. The external ratings are based on Standard & Poor's, but if these ratings are not available then Moody's or Fitch is used. Most of the loans and receivables without external ratings concern residential mortgages. The portfolio exposed to credit risk increased by about € 473 million in 2013. The average credit rating of the portfolio decreased, mainly due to changing positions in European sovereign bonds.

Gross credit risk own risk at year end

In millions of euros	AAA	AA	A	BBB	BB	B	Speculative rating	Without external rating	Total 2013
Debt securities	7,016.4	8,220.7	3,336.6	4,134.3	480.9	23.6	-	2,855.3	26,067.8
Loans and receivables	668.2	688.2	508.9	255.9	85.0	-	-	20,769.0	22,975.2
Reinsurance assets	-	382.9	104.3	8.1	-	-	-	58.6	554.0
Total	**7,684.6**	**9,291.9**	**3,949.8**	**4,398.3**	**565.9**	**23.6**	**-**	**23,682.9**	**49,597.0**

Gross credit risk own risk at prior year end

In millions of euros	AAA	AA	A	BBB	BB	B	Speculative rating	Without external rating	Total 2012
Debt securities	8,874.9	6,864.1	3,261.1	2,864.9	309.5	36.2	8.4	3,013.6	25,232.8
Loans and receivables	878.4	676.0	515.3	279.2	85.0	-	-	20,922.0	23,355.8
Reinsurance assets	-	388.6	86.0	5.9	-	-	-	54.6	535.1
Total	**9,753.3**	**7,928.7**	**3,862.4**	**3,150.0**	**394.5**	**36.2**	**8.4**	**23,990.3**	**49,123.7**

Despite the financial crisis, Delta Lloyd Group has so far suffered limited losses on Dutch residential mortgages loans: € 5.9 million in 2013.

The economic crisis has substantial consequences for the housing market and for employment. Delta Lloyd Group commits to proactively helping customers prevent and resolve their financial difficulties. It is in the customers' interest and it stems from Delta Lloyd Group duty of care to them in all phases of the mortgage product cycle. Forbearance measures are taken in cases where customers are temporarily experiencing:

- Double housing costs by offering, under strict conditions, the option to rent out the property;
- Residual debt problems after selling the mortgaged property; by stopping the required interest payments and offering financial counselling.

The maximum exposure on double housing costs is € 29.2 million (2012: € 21.4 million) on a total mortgage portfolio of € 16.8 billion (2012: € 16.7 billion). Delta Lloyd Group has a proactive approach toward customers who are likely to get into financial difficulties due to their mortgage product type (securities-based). Through these forbearance measures and further expansion in 2014 of the proactive approach, Delta Lloyd Group believes customers can often avoid getting into substantial financial difficulty.

The tables below provide 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 relate to own risk financial assets.

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 2013
Debt securities	26,037.0	0.7	30.0	26,067.8
Loans and receivables	22,486.0	380.1	109.1	22,975.2
Receivables and other financial assets	1,550.7	557.8	14.1	2,122.6

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 2012
Debt securities	25,180.5	6.2	46.1	25,232.8
Loans and receivables	22,837.0	399.2	119.6	23,355.8
Receivables and other financial assets	1,744.9	456.3	8.1	2,209.4

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 2013
Debt securities	-	-	-	0.7	0.7
Loans	269.4	50.8	33.2	26.7	380.1
Receivables and other financial assets	531.3	10.5	15.9	0.1	557.8
Total	**800.7**	**61.3**	**49.1**	**27.6**	**938.7**

Maturity of financial assets that are past due but not impaired at prior year end					
In millions of euros	Within three months	Between three and six months	Between six months and a year	More than one year	Total 2012
Debt securities	-	-	0.5	5.6	6.2
Loans	331.7	34.7	19.4	13.3	399.2
Receivables and other financial assets	413.9	24.3	17.9	0.1	456.3
Total	**745.7**	**59.1**	**37.8**	**19.1**	**861.7**

The fair value of collateral held for loans that are past due and not yet impaired was € 295.5 million on 31 December 2013 (2012: € 316.2 million).

Equity risk

Equity risk is the risk of loss in assets and liabilities as a result of lower market prices, or changes in the volatility of equity prices. Most of Delta Lloyd Group's equity risk is in the investment portfolio, but there is also equity risk originating from guarantees in the Unit Linked and GSB ("Gesepareerde Beleggingdepots") liabilities portfolio of Delta Lloyd Group.

In 2013, Delta Lloyd Group set the risk tolerance for equity risk at 35% of total available economic capital. This risk tolerance is based on a different methodology compared to the risk appetite disclosed in 2012. Delta Lloyd Group discontinued the futures programme that allowed for the purchase of short positions in index futures when the equity market fell below pre-set levels.

On 31 December 2013, Delta Lloyd Group's equity portfolio which is held at own risk was € 3.5 billion (2012: € 4.3 billion). About 18% (2012: 24%) of these equity investments was in shareholdings with a stake of 5% or more of the outstanding capital of mainly Dutch companies, 47% (2012: 41%) in investment funds and 19% (2012: 17%) in alternative equity (includes private equity, hedge funds, CDO equity). The property and bond funds with a value of € 643.1 million (2012: € 506.1 million) are accounted for in equity securities (investment funds). The remaining 16% (2012: 18%) of the portfolio comprises of ordinary and preference shares. Excluding private equity, preference shares and property and bond funds, and including equity derivatives, the equity portfolio is € 2.3 billion (2012: € 3.0 billion). A considerable part of the equity portfolio is invested in large and medium-sized Dutch companies.

Delta Lloyd Group has reduced equity risk by selling € 0.8 billion of equity securities. These were sold across all categories, but predominantly equity funds, participations and ordinary shares.

Delta Lloyd Group's risk management policy includes hedging against 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 the risk appetite. To optimise the hedging strategy, Delta Lloyd Group purchases options with various exercise prices, underlying indices, maturity dates and counterparties. In 2013 the hedges were reduced in line with the reduction in equity exposure. On 31 December 2013, the notional value of the long puts was € 1.5 billion excluding € 0.5 billion futures (2012: € 2.6 billion excluding € 0.4 billion futures).

Property risk

Property risk is the risk of losses due to lower prices of property investments. There is no direct property risk in Delta Lloyd Group's liabilities. Investment in property provides additional return in the long-term. In addition, rental income from the residential portfolio offers protection to the long-term inflation risk faced by Delta Lloyd Group's Life insurance business. In 2013, Delta Lloyd Group had no appetite to increase its property exposure in the segments office and retail segments.

Delta Lloyd Group maintains a diversified property portfolio that includes residential property, car parks, shopping centres and commercial property. Part of it is directly invested and part is invested through funds. The residential sector, which to date has remained relatively stable, makes up the largest part of the portfolio. The residential letting market is positive in the sector in which Delta Lloyd Group invests. The largest part of Delta Lloyd Group's office portfolio is located in Germany, where demand, vacancy rates and prices are stable.

Demand for commercial property (mainly offices and shops) in the Netherlands has been under pressure for some time due to the state of the Dutch economy. This has resulted in higher vacancy rates in the Dutch market in 2013. This trend is reflected in Delta Lloyd Group's Dutch commercial property portfolio. In addition Delta Lloyd Group used fewer offices, leading to higher vacancy rates in properties Delta Lloyd Group occupies.

On 31 December 2013, Delta Lloyd Group's property portfolio (excluding property funds) which is held at own risk was valued at € 2.3 billion (2012: € 2.4 billion), divided into residential 41% (2012:

47%), offices 36% (2012: 34%), retail 12 % (2012: 12%), property occupied by Delta Lloyd Group 6 % (2012: 5%) and other 5% (2012: 2%). Of this portfolio 70% is located in the Netherlands (2012: 69%), 24% (2012: 27%) in Germany and 6% (2012: 4%) in Belgium. Residential property, which has to date remained relatively steady, accounts for the largest share of the portfolio. Vacancy rates for property in the Netherlands are 2% (2012: 2%) for residential, 7% (2012: 4%) for retail and 20% (2012: 19%) for offices. Vacancy rates for property in Germany are 4% (2012: 3%) for residential and 3% (2012: 3%) for offices. Vacancy rates for Germany are calculated based on the number of vacant square meters versus the total number of available square meters. Vacancy rates for the Dutch property portfolio are calculated by stating rental income foregone as a percentage of total gross rental income.

The section on sensitivity analysis quantifies the effect of changes in property values. In view of the increased risks in the Dutch market, the table below demonstrates the expiry dates of leases of offices rented out by Delta Lloyd Group in the Netherlands, where the value of the rented offices is shown as a percentage of the total office portfolio in the Netherlands (€ 242.9 million, excluding offices occupied by Delta Lloyd Group against € 269.7 million in 2012). The table shows that during 2013 the share of contractual terms of leases that expire within five years, increased by 10 percentage points.

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 2013
Offices in the Netherlands excluding those occupied by the group	14%	23%	40%	23%	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 2012
Offices in the Netherlands excluding those occupied by the group	12%	22%	33%	33%	100%

Delta Lloyd Group's risk management strategy for property risk focuses on retaining a self-managed portfolio of high quality. Most purchases and sales take place through a tender process and the value is determined objectively through external appraisals. Delta Lloyd Group's overall property exposure is managed by volume limits and conducting periodic stress tests.

The retail and office portfolio needs to be pro-actively managed and requires intensive contact with managers and agents to keep vacancy rates at the lowest possible level. Negotiations with tenants take place well before a lease expires. The portfolios are subject to hold-sell analyses. Each property is assessed critically, with the sale of less strategic assets being considered. The office portfolio receives the greatest attention as it has the highest vacancy rates.

Interest rate risk

Delta Lloyd Group is subject to interest rate risk as the market value of the assets and liabilities depends on interest rates. There is an additional risk regarding fixed-income assets and instruments, as the yields on these assets may develop differently from the yields used to discount the liabilities.

Delta Lloyd Group uses the collateralised AAA curve to measure the value of most insurance provisions. At half-year 2013 the determination of the long end of the Collateralised AAA curve was changed. An ultimate forward rate (UFR) of 4.2%, which will be reached in 40 years starting at year 20, was introduced in line with the methodology adopted by DNB for the Wft adequacy test and Solvency II. This adaptation was necessary, because there were too few bonds with a long maturity in the Collateralised AAA universe - only one had a maturity exceeding 15 years. Besides the risk of this bond being downgraded, Delta Lloyd Group wanted to avoid an undesirable accounting volatility due to the valuation of this single bond on the long end of the curve.

The Collateralised AAA curve is comprised of 338 bonds on 31 December 2013 compared to 328 bonds on 31 December 2012. During the year several bonds were added, but the number reduced again in the second half of 2013 after Fitch downgraded mainly French bonds following the downgrade of France. The Collateralised AAA curve increased by 0.45 percentage points (45 basis points) at the 10-year point, compared to year end 2012, but increased less than the swap rate.

The Dutch life insurance entities of Delta Lloyd Group also use the Collateralised AAA curve as a basis for reporting under the Financial Supervision Act (*Wft, Wet op het financieel toezicht*). The adequacy of the insurance liabilities is assessed on the basis of DNB requirements using the European Central Bank (ECB) AAA curve or the swap curve for ABN AMRO insurance - and deficits are added to the insurance liabilities. The ECB AAA curve comprises government bonds of AAA rated countries and has an ultimate forward rate. On 12 July, rating agency Fitch downgraded France's debt rating to AA+. As a result, the yield on the outstanding French government debt was no longer included in the ECB AAA curve. This downgrade affected Delta Lloyd Group's IGD Group solvency negatively by approximately 19 percentage points in July 2013.

Interest rate risk based is measured based on the interest rate curve used in Solvency II. This curve is based on the Euro Swap curve plus an illiquidity premium and converges after 20 year towards the UFR of 4.2%. The interest rate risk appetite was set at a limit which, in combination with inflation risk, is 15% of Delta Lloyd Group's total available economic capital. Interest rate risk is managed by matching the duration of assets and liabilities, and by cash flow matching. The interest rate risk is controlled by means of bonds and derivatives, including swaps and swaptions. The unit-linked guarantee is actively hedged in a separate portfolio.

The effect of interest rate movements on an economic basis may be different compared to the effects on a regulatory basis. Accounting and capital regimes are focussed on exit values, which do not fully represent the asset's value from an economic view, for example by matching assets to liabilities. 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. Part of this inflation risk is hedged by inflation-linked derivative instruments. Delta Lloyd Group also faces inflation risk on claims provisions: if inflation rises, so will claims payments. For example, car damage repair costs will be higher than was projected when the premium was set. 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 are not adjusted downwards, even though the value of the inflation linked swaps would fall. On the other hand, deflation reduces economic costs. This has a positive net effect on total required economic capital employed by Delta Lloyd Group.

The inflation risk appetite which is set as a limit in combination with interest rate risk was 15% of total available economic capital.

Currency risk
Delta Lloyd Group defines currency risk as the risk that the value of financial instruments will change due to exchange rate fluctuations.

Delta Lloyd Group operates primarily within the euro area. Its investments in foreign currencies are mainly in pound sterling and the US dollar. Delta Lloyd Group hedges investment positions in foreign currencies to limit the impact of exchange rate fluctuations on profit and loss. In 2013, the risk appetite for currency risk was set at 6% of total available economic capital.

Delta Lloyd Group does not apply hedge accounting under IAS 39 to offset currency risk. The sensitivity to foreign currency in the event of a 10% decrease in the exchange rate of all foreign currencies at the same time is € -82.0 million (2012: € -127.5 million) on the result before tax and € -61.5 million (2012: € -95.6 million) on capital and reserves. If an internationally- operated company expresses its equity in foreign currency, the value of the equity is expected to rise if the exchange rate in which the equity is quoted falls. This compensating effect has not been included in the sensitivity analysis.

The table below demonstrates foreign currency assets and liabilities which are held at Delta Lloyd Group's own risk. The amounts are before and after hedging using currency derivatives. The own risk foreign currency exposure is lower than the foreign currency positions presented below. This is partly due to consolidated investment funds that are not fully owned by Delta Lloyd Group. The category '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	155.3	88.1	67.2	156.9	86.1	70.8
US dollar	1,442.0	1,190.0	252.0	1,426.4	842.7	583.7
Brazilian real	22.3	-	22.3	132.9	-	132.9
Canadian dollar	26.6	8.3	18.3	14.5	-73.8	88.3
Swedish krona	14.4	13.5	0.9	46.6	-18.3	64.9
Singapore dollar	14.5	-	14.5	24.3	9.9	14.4
Hong Kong dollar	34.4	-	34.4	39.4	-	39.4
Danish krone	10.3	-	10.3	263.6	248.9	14.7
Japanese yen	33.1	-0.2	33.3	30.0	1.6	28.4
Mexican peso	31.3	-	31.3	24.8	-	24.8
Polish zloty	29.3	-	29.3	12.6	-	12.6
South African rand	34.1	-0.1	34.2	23.9	0.2	23.7
Russian ruble	35.5	9.3	26.2	-	-	-
Other	232.7	-12.8	245.5	215.2	39.0	176.2
Total	**2,115.8**	**1,296.1**	**819.7**	**2,411.1**	**1,136.3**	**1,274.8**

Underwriting risk

Underwriting risks arise from the possibility that insurance premiums and/or provisions will not be sufficient to meet future payment obligations. This can occur due to mis-selling, inadequate pricing or when claims differ from what was expected. To manage the underwriting risk, Delta Lloyd Group has a policy that is periodically tested, in order to ensure that the underwritten risks remain within accepted limits.

Life insurance

The main underwriting risks for life insurance are mortality risk, longevity risk, lapse risk and expense risk.

Delta Lloyd Group distinguishes between three risk factors within mortality risk: catastrophe risk, trend risk and portfolio-specific mortality risk. Catastrophe and trend risks relate to national developments while the portfolio-specific mortality risk relates to variances in mortality between the national trend and the Delta Lloyd Group portfolio. The sensitivity analysis separately demonstrates the effects of a change in mortality assumptions.

Delta Lloyd Group manages longevity risk (the risk that people will live longer than expected) through detailed analysis, both of mortality data within its portfolio and of the latest external industry data and trends. Delta Lloyd Group uses these data to form adequate provisions. Expected mortality improvements over the next 50 years are incorporated in the pricing of policies. In principle and when appropriate, Delta Lloyd Group uses the most recent mortality forecasts when forming its provisions for insurance liabilities, other than term life policies.

At year end 2012 Delta Lloyd Group switched to the AG2012-2062 mortality prognosis, which is based on more up-to-date mortality figures than the previous CBS2010 prognosis that were used. One of the main strengths of the AG2012-2062 mortality prognosis is that it is solely based on historic mortality figures in the Netherlands. This makes it transparent, reproducible, and suitable for the majority of the population relevant to Delta Lloyd Group. It also incorporates a strong longevity trend for the first upcoming years that adequately captures the current accelerating longevity trend, occurring in Dutch mortality rates since 2002.

Delta Lloyd Group is setting aside additional longevity provisions for annuity and pension products on top of the premium principles. The additional longevity provisions were € 1,828.9 million at 31 December 2013 (2012: € 1,836.0 million).

Delta Lloyd Group does not yet use reinsurance for longevity risk.

Mortality risk (the risk that people will die sooner than expected) is also significant to Delta Lloyd Group's Life insurance business. As with longevity, insight into this risk is obtained by extensive analysis of mortality statistics. Although mortality and longevity risks are opposite risks, they cannot always be netted because of the different age structures and exposures in the portfolios concerned.

Mortality risk is managed by reinsurance and checks for accepting new business. The mortality risk reinsurance programme is set annually. On 31 December 2013, Delta Lloyd Levensverzekering renewed the additional one-year mortality reinsurance contract originally agreed in 2011 which, apart from covering the mortality risk, also reduces the capital requirements under the current capital regime (Solvency I). To manage mortality risk Delta Lloyd Group's guidelines for term life business, include mandatory medical examination above set limits.

The life insurance business is also exposed to lapse risk. This involves all the options available to policyholders to change their insurance. At Delta Lloyd Group, this mainly involves the possibility that the policies are surrendered, or become paid-up. Keeping life insurance products attractive for customers, agents, intermediaries and banks is key to managing this risk. Trends in lapses in the portfolio are carefully monitored.

Expense risk to life insurance mainly involves the risk of increasing costs to maintaining current policies. Delta Lloyd Group manages this risk through detailed budgeting, a dedicated cost reduction programme 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 our provisions formed for insurance liabilities are adequate. The liabilities in this adequacy test are measured using realistic assumptions plus a margin for uncertainty. Delta Lloyd Group tests for both IFRS (liability adequacy test) and Wft (adequacy test) purposes. Each year, an external actuary provides an opinion on the adequacy of the technical provisions. Both IFRS and the Wft tests require that the overall technical provisions to be adequate.

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 Delta Lloyd Group product lines and is evaluated each year and revised if necessary. Regular random checks are carried out on the product lines to check whether underwriters are following the rules and regulations.

Delta Lloyd Group has customised reinsurance programmes for the various business units and risk groups. The exposure to the parent reinsurance companies of these reinsurance contracts (general insurance, life insurance and Delta Lloyd Life Belgium) are monitored in the Delta Lloyd Group Security List, to ensure that they remain below the concentration limits of the Group's risk appetite.

Catastrophic events are a major risk to Delta Lloyd Group's general insurance business. The main natural catastrophe threatening the Netherlands are storms causing severe wind damage. Delta Lloyd Group's cumulative risk (maximum possible loss) resulting from natural disasters (particularly storms) is identified using postal codes. Delta Lloyd Group purchases a reinsurance contract offering protection against a 1 in 200 year storm based on the RMS catastrophe model.
The catastrophe reinsurance contract for 2013 provides a cover of € 370.0 million (2012: € 390.0 million) above the retention limit of € 50.0 million (2012: € 50.0 million). For a second catastrophe the retention limit is lowered to € 20.0 million by means of a special reinsurance contract.

Delta Lloyd Group's general insurance business also faces risks regarding the frequency and size of claims, unexpected claims, inaccurate pricing of the general insurance risks, inadequate reinsurance protection and concentration risk. To manage the risk of higher claim frequencies and higher-than-expected claims and a higher ratio of claims to premiums (claims ratio), Delta Lloyd Group monitors the probability of occurrence and the required economic capital per risk group.

In addition, reinsurance contracts per risk group are in place, covering Delta Lloyd Group against large one-off events such as fires. All these contracts cover both Dutch property and casualty entities within Delta Lloyd Group.

Delta Lloyd Group takes the 'premium rating cycle' characteristic of the general insurance industry into account when pricing general insurance policies. Favourable market results put downward pressure on premiums (due to a higher capital supply) and this leads to weaker financial performance, necessitating an increase in premiums. Delta Lloyd Group has product teams and specific knowledge centres to manage this risk and for the correct timing of premium pricing or adjustments.

To manage the provisions for the general insurances Delta Lloyd Group calculates best estimates based on standard actuarial projection techniques are calculated. Delta Lloyd Group therefore uses past claims to project future claims development. This involves the risk that our insurance liabilities may prove to be inadequate. The adequacy of claim liabilities is therefore tested each quarter and each year, with the external actuary providing an opinion on the adequacy of the technical provisions. Both IFRS (liability adequacy test) and the Wft (adequacy test) require that the overall technical provisions are adequate.

The sensitivity analysis demonstrates the quantitative effect of underwriting risks.

Liquidity risk

Delta Lloyd Group has a strong liquidity position, and therefore liquidity risk at Group level is deemed to be limited. Active cash management within Treasury ensures the Group has sufficient liquidity to meet its liabilities when these fall due. Within Delta Lloyd Group the banking operations face the highest liquidity risk. This is the risk that liquid assets are insufficient to meet short-term obligations. The banking activities have separate liquidity management in place to mitigate this risk. The liquidity risk is closely monitored by risk management functions and asset liability committees within the banking business.

There were no transactions in 2013 under the Delta Lloyd Group's euro medium-term note (EMTN) programme, which was launched in 2010 to gain efficient and flexible access to working capital. This is in addition to the sources of capital and liquidity already in use. Delta Lloyd Group continued to use its Commercial Paper Programme, set up in 2010, regularly in 2013 to meet part of its short-term financing requirement. The maximum total financing available under these programmes is € 4.0 billion. Delta Lloyd Group also has substantial credit facilities in place with several reputable financial institutions.

Delta Lloyd Group's insurance operations face a limited liquidity risk: there are sufficient liquid investments and inflows of new premiums compared to a stable outflow of payments. Delta Lloyd Group has defined a target liquidity coverage ratio (LCR) of 105% for the insurance entities. The LCR largely meets the target, i.e. the ratios show that in case of a stress situation (e.g. mass lapse, catastrophe) Delta Lloyd Group will have sufficient liquid stock of assets.

Delta Lloyd Group's banking business requires liquidity to fund residential mortgage and retail lending. We use securitisation as a source of funding but the residential mortgages are also funded from alternative sources, such as savings, premium deposits, intercompany loans and assignments, traditional bank financing and repo transactions. In 2013, mortgages with a total value of € 247.2 million were transferred to the Life business (2012: € 207 million) and € 62.3 million (2012: none) to general insurance business. In this way the Life business was been able to extend the term of its investments and reduce the interest rate risk. In addition, € 135.9 million (2012: € 510.9 million) of funding was obtained in 2013 through *banksparen*; this particular type of savings can be withdrawn less quickly than traditional savings. If necessary, Delta Lloyd Group can partially limit its funding needs by increasing the margins on mortgage loans, thereby limiting new mortgage lending.

During 2014 several securitisation programs of Delta Lloyd Group with an aggregated amount of € 3.0 billion will have their first optional redemption date. Funding for a possible redemption will come from a combination of internal and external sources. As of today, all securitisation programs at Delta Lloyd Group have been called on or before their first optional redemption date.

The table below provides details on the contractual maturity of the assets on the statement of financial position. The amounts reported are Delta Lloyd Group's own risk. The derivatives are presented in a separate table. The receivables and other financial assets are not included in the statement as they are held for the short term. See section 5.1.7.22 'Receivables and other financial assets' 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 2013
Goodwill	-	-	-	-	283.5	283.5
AVIF and other intangible assets	-	-	-	-	100.1	100.1
Deferred acquisition costs	-	-	-	-	137.8	137.8
Property and equipment	-	-	-	-	106.3	106.3
Investment property	-	-	-	-	2,183.0	2,183.0
Associates and joint ventures	-	-	-	-	296.9	296.9
Debt securities	479.8	1,318.7	1,700.8	22,422.2	146.3	26,067.8
Equity securities	-	-	-	-	3,458.2	3,458.2
Loans and receivables	1,889.2	1,450.0	871.0	18,691.6	73.5	22,975.2
Reinsurance assets	87.0	95.3	65.9	305.8	-	554.0
Capitalised interest and prepayments	648.0	-	0.1	1.7	-	649.8
Cash and cash equivalents	1,256.6	-	-	-	-	1,256.6
Assets held for sale	6.8	-	-	-	-	6.8
Total	**4,367.4**	**2,864.0**	**2,637.8**	**41,421.2**	**6,785.5**	**58,075.9**

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 2012
Goodwill	-	-	-	-	304.4	304.4
AVIF and other intangible assets	-	-	-	-	113.9	113.9
Deferred acquisition costs	-	-	-	-	180.7	180.7
Property and equipment	-	-	-	-	140.8	140.8
Investment property	-	-	-	-	2,167.5	2,167.5
Associates and joint ventures	-	-	-	-	193.6	193.6
Debt securities	639.4	962.3	1,826.9	21,724.1	80.2	25,232.8
Equity securities	-	-	-	-	4,322.1	4,322.1
Loans and receivables	2,551.1	2,491.3	2,177.4	16,066.6	69.4	23,355.8
Reinsurance assets	74.6	77.6	51.1	331.9	-	535.2
Inventory of real estate projects	-	2.0	13.5	13.8	0.9	30.2
Capitalised interest and prepayments	637.9	-	-	-	-	637.9
Cash and cash equivalents	2,570.6	-	-	-	-	2,570.6
Assets held for sale	283.4	-	-	-	-	283.4
Total	**6,756.9**	**3,533.2**	**4,068.9**	**38,136.4**	**7,573.4**	**60,068.7**

The table below presents the maturity analysis for derivatives. The amounts reported are held at Delta Lloyd Group's own risk and at the risk of policyholders. All positive cash flows are added up and broken down by maturity, and all negative cash flows are added up and broken down by maturity. Neither the positive nor the negative cash flows are discounted, so they cannot be reconciled with the statement of financial position.

Maturity analysis of derivatives at year end					
In millions of euros	Within one year	Between one and three years	Between three and five years	More than five years	Total 2013
Negative cash flow	1,951.0	747.5	511.9	6,224.3	9,434.6
Positive cash flow	1,884.1	930.1	949.9	5,619.5	9,383.6

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 2012
Negative cash flow	2,708.3	891.7	743.5	5,393.2	9,736.7
Positive cash flow	2,567.9	785.1	873.3	6,172.4	10,398.7

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 2013
Non-unit-linked	2,207.9	6,596.1	10,904.9	9,932.9	29,641.8
Unit-linked	748.9	2,547.2	4,434.3	4,689.7	12,420.1
Total life insurance contract liabilities	**2,956.8**	**9,143.4**	**15,339.1**	**14,622.6**	**42,062.0**
General insurance liabilities	794.6	889.4	490.1	104.6	2,278.8
Total	**3,751.5**	**10,032.8**	**15,829.2**	**14,727.2**	**44,340.7**

Contract maturity date of insurance contract liabilities at prior year end					
In millions of euros	Within one year	Between one and five years	Between five and fifteen years	More than fifteen years	Total 2012
Non-unit-linked	1,999.7	6,700.4	11,005.7	10,089.9	29,795.6
Unit-linked	739.9	2,599.7	4,455.9	4,832.3	12,627.8
Total life insurance contract liabilities	**2,739.6**	**9,300.1**	**15,461.6**	**14,922.1**	**42,423.4**
General insurance liabilities	979.1	897.1	382.3	40.9	2,299.3
Total	**3,718.6**	**10,197.2**	**15,843.9**	**14,963.0**	**44,722.7**

The table below provides details on the contract maturity dates of investment contracts. The amounts shown are undiscounted cash flows and therefore cannot be reconciled with the statement of financial position. The increase in the undiscounted cash flows of the investment contracts (+ €255.8 million) compared to last year is significantly higher than the increase as reported on the statement of financial position (+ € 58.3 million). This is mainly due to higher interest rates

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 2013
Non-unit-linked	307.2	1,069.1	2,257.8	2,235.0	5,869.1
Unit-linked	25.0	148.8	352.8	159.6	686.2
Total life investment contract liabilities	**332.2**	**1,217.9**	**2,610.6**	**2,394.6**	**6,555.3**

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 2012
Non-unit-linked	288.4	999.3	2,543.2	1,905.4	5,736.3
Unit-linked	22.4	89.9	255.9	195.0	563.2
Total life investment contract liabilities	**310.8**	**1,089.2**	**2,799.1**	**2,100.4**	**6,299.5**

The table below provides details on the contractual maturities of borrowings. The amounts reported may differ from those in the consolidated statement of financial position, which are based on undiscounted cash flows. Items that do not generate cash flow are discounting, amortisation of expenses, value changes in derivatives, own risk surcharges and the like. In addition, undiscounted future interest payments are reported in a separate line and allocated to the relevant maturity category.

Interest payments on loans and loan terms are recognised until the contract end date.

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 2013
Subordinated debt	-	-	-	-	-	1,004.7	1,004.7
Amounts owed to credit institutions	11.9	50.7	-	-	-	-	62.6
Securitised mortgage loan notes	-	-	-	27.9	-	4,150.7	4,178.6
Medium-term note	-	-	-	575.0	-	-	575.0
Commercial paper	94.9	-	-	-	-	-	94.9
Convertible loan	-	-	-	-	-	2.0	2.0
Other	102.2	42.8	92.1	26.2	5.0	21.5	289.8
Total borrowings	**209.0**	**93.5**	**92.1**	**629.1**	**5.0**	**5,178.9**	**6,207.5**
Future interest payments	148.0	142.7	141.1	127.6	112.5	3,266.4	3,938.2
Total borrowings including future interest payments	**356.9**	**236.2**	**233.2**	**756.7**	**117.5**	**8,445.3**	**10,145.8**

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 2012
Subordinated debt	-	-	-	-	-	1,096.9	1,096.9
Amounts owed to credit institutions	15.5	11.6	58.2	-	-	-	85.2
Securitised mortgage loan notes	-	-	-	-	-	5,180.3	5,180.3
Medium-term note	-	-	-	-	575.0	-	575.0
Commercial paper	93.1	-	-	-	-	-	93.1
Convertible loan	-	-	-	-	-	2.6	2.6
Other	48.1	97.2	41.2	89.2	26.8	26.7	329.3
Total borrowings	**156.7**	**108.8**	**99.4**	**89.2**	**601.8**	**6,306.6**	**7,362.4**
Future interest payments	155.7	151.8	147.6	146.2	142.9	3,359.4	4,103.7
Total borrowings including future interest payments	**312.4**	**260.6**	**247.0**	**235.4**	**744.7**	**9,666.0**	**11,466.1**

Sensitivity analysis

Due to the nature of Delta Lloyd Group's business, a number of assumptions are 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	
Credit risk	The effect of a 0.5% change in credit spread (applicable to collateralised and (sub)sovereign bonds with a rating below AAA, corporate bonds and FV loans).
Interest rate	The effect of a parallel 0.25% increase or decrease across the yield curve taking the UFR methodology into account (UFR is not changed)
Equity markets	The effect of a change of 10% in equity markets (applicable to ordinary shares, 5% participations, investment funds and derivatives).
Property	The effect of a change of 10% in property value (applicable to offices, residential, retail and other property).
Funding spread risk	The effect of a 0.5% change in funding spread (applicable in the valuation of FV mortgages and mortgage funding).
Expenses	The effect of a 10% increase in expense assumptions
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 these 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 measurements in the fair value hierarchy (measurement method not based on significant observable market inputs) is presented in section 5.1.7.39 ‘Fair value of financial assets and liabilities’. The sensitivity analysis of pensions is presented in section 5.1.7.31 ‘Pension obligations’.

The tables below show the impact of the main market risks for Delta Lloyd Group on results and shareholders’ funds. The IFRS sensitivities are based on Delta Lloyd Group accounting policies and are shown after tax. Due to the introduction of the UFR methodology and therefore a change in the valuation of insurance liabilities in the Netherlands, the interest sensitivities profile changes. In 2013 the UFR methodology is also applied to derive the Collateralised AAA curve. The sensitivities are calculated with a fixed UFR (UFR is not changed). In addition due to historically low interest rates, interest rate sensitivity is based on a 0.25% increase or decrease in interest rates, while previously 1% sensitivities were disclosed. Quarter-to-quarter interest rate movements often do not exceed 25 basis points. As a consequence interest rate sensitivities at prior year end have been restated to 25 basis points.

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	-271.7	-292.1	-260.6	-270.5
Credit risk -50 bps	291.0	312.4	278.9	289.3
Interest rate risk +25 bps	-605.2	-616.7	-655.3	-662.4
Interest rate risk -25 bps	640.6	652.4	692.5	699.9
Equity risk +10%	-11.7	92.9	-34.3	89.8
Equity risk -10%	27.8	-76.8	63.9	-60.2
Property risk +10%	184.2	184.2	176.7	184.0
Property risk -10%	-184.2	-184.2	-176.7	-184.0

Sensitivity analysis of liabilities of life insurance business

In millions of euros	Impact on result at year end	Impact on equity at year end	Impact on result at prior year end	Impact on equity at prior year end
Credit risk +50 bps	5.3	23.7	5.4	14.3
Credit risk -50 bps	-5.6	-24.9	-5.7	-15.0
Interest rate risk +25 bps	616.9	627.3	626.0	632.4
Interest rate risk -25ps	-649.3	-660.0	-711.8	-718.4
Equity risk +10%	34.5	33.7	37.3	36.3
Equity risk -10%	-36.8	-35.9	-42.3	-41.4
Property risk +10%	-42.7	-42.7	-40.3	-40.3
Property risk -10%	42.7	42.7	40.3	40.3
Longevity risk -5%	-161.1	-161.1	-169.3	-169.3
Expense risk +10%	-33.6	-33.6	-34.9	-34.9

Mortality risk +5%	150.1	150.1	159.4	159.4

Sensitivity analysis of general insurance, gross of reinsurance

In millions of euros	Impact on result at year end	Impact on equity at year end	Impact on result at prior year end	Impact on equity at prior year end
Credit risk +50 bps	-1.8	-25.7	-1.9	-18.0
Credit risk -50 bps	1.8	26.9	2.0	18.9
Interest rate risk +25 bps	8.0	-13.1	3.0	-12.6
Interest rate risk -25 bps	-8.2	13.4	-3.0	13.1
Equity risk +10%	0.5	14.6	0.7	16.8
Equity risk -10%	-8.9	-14.6	-14.3	-16.8
Property risk +10%	-	3.3	0.2	3.5
Property risk -10%	-	-3.3	-0.2	-3.5
Expense risk +10%	-23.1	-4.4	-25.6	-4.4
Claims ratio +5%	-38.6	-38.6	-51.2	-51.2

Sensitivity analysis of general insurance, net of reinsurance

In millions of euros	Impact on result at year end	Impact on equity at year end	Impact on result at prior year end	Impact on equity at prior year end
Credit risk +50 bps	-1.8	-25.7	-1.9	-18.0
Credit risk -50 bps	1.8	26.9	2.0	18.9
Interest rate risk +25 bps	8.2	-13.2	2.9	-12.7
Interest rate risk -25 bps	-8.5	13.5	-3.0	13.1
Equity risk +10%	0.5	14.6	0.7	16.8
Equity risk -10%	-8.9	-14.6	-14.3	-16.8
Property risk +10%	-	3.3	0.2	3.5
Property risk -10%	-	-3.3	-0.2	-3.5
Expense risk +10%	-23.1	-4.4	-25.6	-4.4
Claims ratio +5%	-35.8	-35.8	-48.0	-48.0

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	-1.8	-7.9	-	-3.5
Credit risk -50 bps	1.8	7.9	-	3.5
Interest rate risk +25 bps	-	-16.2	12.8	2.4
Interest rate risk -25 bps	-	16.5	-12.2	-1.5
Equity risk +10%	-	8.6	-	7.5
Equity risk -10%	-	-8.6	-	-7.5
Funding spread risk +50 bps	-51.4	-51.4	-70.5	-70.5
Funding spread risk -50 bps	54.0	54.0	70.5	70.5

The IGD sensitivities can be described as follows:

Sensitivity factor IGD	
Credit risk	The effect of a change of 0.5% in credit spread (applicable to (sub)sovereign with a rating below AAA, corporate and collateralised bonds and loans).
Interest rate	The effect of a 0.25% increase or decrease across the yield curve taking the UFR methodology into account. (UFR is not changed)
Equity markets	The effect of a change of 10% in equity markets (applicable to ordinary shares, 5% participations, investment funds and derivatives).
Property	The effect of a change of 10% in property (applicable to offices, residential, retail and other property).
Funding spread	The effect of a 0.5% change in credit spread (applicable to FV mortgages and mortgage funding)

The table below shows the impact of the main market risks on IGD available capital after tax. The IGD available capital sensitivities on 31 December 2013 and comparable figures on 31 December 2012 are based on local Solvency I guidelines, instead of using a single consolidated approach. The IGD interest rate sensitivity on available capital reflects the effects of yield curve changes using the prevailing legislative environment and take into account the UFR methodology. The sensitivities are calculated with a fixed UFR (UFR is not changed). The IGD available capital sensitivities at prior year end have been restated for interest rate risk.

Sensitivity analysis according to IGD

In millions of euros	Impact on available solvency at year end	Impact on available solvency at prior year end
Credit risk +50 bps	-200.8	-224.5
Credit risk -50 bps	211.6	239.3
Interest rate risk +25 bps	-27.7	-38.7
Interest rate risk -25 bps	35.4	44.1
Equity risk +10%	130.9	155.0
Equity risk -10%	-118.5	-130.7
Property risk +10%	133.4	135.4
Property risk -10%	-133.4	-135.4
Funding spread +50 bps	-112.5	-127.4
Funding spread -50 bps	117.6	129.9

Interest rate, credit and equity risks sensitivities have changed, mainly as a result of management actions in combination with increased interest rates in 2013.

Credit risk
Credit risk increases under IFRS due to an increase in exposure to credit risk, mainly at Delta Lloyd Life Belgium. There are more collateralised and government bonds with ratings below AAA as a result of these changes in the portfolio. The sensitivities under local IGD decrease due to the change of the market value of a loan which is taken into account within the Liability Adequacy Test (LAT).

Interest rate risk
In 2013 the UFR methodology is also applied in determining the Collateralised AAA curve, which is used for valuing liabilities under IFRS. Market interest rates were higher compared to December

2012, resulting in a decrease in asset and liability impact. The sensitivity to a 25 basis point increase in interest rates declined compared to December 2012. This is mainly due to interest rate sensitivity on provisions for Delta Lloyd Life Belgium becoming more symmetric, caused by implementing a new model for valuing options and guarantees. In general, the total interest rate risk under IFRS is decreasing as the decline in the impact on the investments is smaller than the impact on the liabilities.

Under IGD the sensitivities remained stable compared to last year.

Equity risk
Sensitivity to a fall in equity markets increased under IFRS because the hedging programme became less effective for small decreases in equity value due to increased equity markets/indices and sold downside protection in 2013. Sensitivity to a rise in equity markets remained stable under IFRS. The sensitivities under local IGD declined as a result of a decreased equity exposure. Differences with IFRS are due to the fact that not all equity values are affected when valued on local solvency basis.

For life insurance business investments, the impact of a change in equity markets on the results differs from the impact on equity because equity securities that are classified as available for sale do not have impact on the result.

Property risk
Sensitivity to a fall in property markets slightly decreased as a result of the revaluation of the property portfolio.

Funding spread risk
At the end of 2013, the fair value methodology for mortgages was adjusted. The fair value of the mortgage portfolio now depends on spreads obtained from the residential mortgage-backed securities (RMBS) market. As a result there is no longer a direct relation in the valuation of mortgages, to the corporate bond credit spread market. Therefore mortgages are no longer taken into account in the credit spread sensitivity, but instead are stressed in separate funding spread sensitivity. Both fair value mortgages and the funding of mortgages are stressed. The difference between IFRS and IGD is because a large portion of the mortgage portfolio is not at fair value under IFRS.

Claims risk
Sensitivity to a 5% increase in the claims ratio decreased compared with year end 2012 as a result of the decrease in claims ratio. This is mainly caused by lower premium and claims for international marine business and WGA ER compared to December 2012.

Limitations of sensitivity analysis
The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, this 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 analysis does not take into consideration that Delta Lloyd Group’s assets and liabilities are actively managed and may vary when actual market movement occurs. The financial risk management strategy aims to minimise the exposure to market fluctuations. Techniques used include selling investments, changing investment portfolio allocation

and using derivative financial instruments. Another limitation in the sensitivity analysis 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 (with exception of convergence to the UFR) while this may not be the case in practice.

Strategic risk

Delta Lloyd Group uses scenario techniques to deal with possible future uncertainties arising from economic and social developments. Thinking through the consequences of different future scenarios gives us an understanding of the forces determining the dynamics of the prospective environment. Scenarios outline alternative futures by extrapolating current trends and providing insight into the context in which Delta Lloyd Group will be doing business in 15 to 20 years.

Approximately every five years Delta Lloyd Group generates plausible, relevant and challenging scenarios. The last iteration was in 2009. In 2013, Delta Lloyd Group further refined its use of scenarios in the strategic decision making process. Between these five-year cycles, minor strategy reassessments are conducted in knowledge sessions with senior management and in dialogues on strategic topics with an advisory board. This, along with quarterly feedback on management objectives and risks provides input for the three-year plans and annual budget both at Group and divisional levels.

Based on the 2009 scenario analyses and developments in the financial and insurance markets, Delta Lloyd Group observes a growing diversity in customer demands, a continuing quest for more transparency, increased regulation and ongoing digitalisation of the financial sector. To adapt to this changing environment, Delta Lloyd Group must continue to change and think differently and invest in the necessary competences. This is possible in an open culture with a refocused strategy based on the following five strategic pillars:

- Certainty: Being a solid and trustworthy provider of financial services and contributing to a sustainable and certain future for all stakeholders;
- Distribution: Employing distribution opportunities and knowledge to connect with customers and distribution partners and develop new solutions that fit customer needs;
- Simplicity: Efficiency in processes, products, organisation and communication and offering transparent products and services, whereby customer centricity is key;
- Expertise: Being the first-choice financial service provider be seen as competent and trustworthy;
- Core values: Respect in the way Delta Lloyd Group conducts business, be honest, approachable and work together.

To successfully achieve the strategic goals, a set of good competences is essential. Delta Lloyd Group already excels in risk management, asset management, multi-channel distribution and niche-specific knowledge and expertise. It is essential to maintain these competences and, where possible, raise them to an even higher level. Four additional competences, which are of essential significance to the growth strategy, were identified but need to be developed further:

- Innovative power;
- Customer-focused culture;

- A balanced and broadly compiled set of simple modular standard products;
- Price and risk differentiation.

Other competences such as operational excellence and process management, human resource management, IT, expense level and efficiency, strength in execution, know-how in virtual technologies and culture, time to market, marketing, transparency and customer knowledge must also be developed. Delta Lloyd Group applies three complementary and mutually reinforcing business strategies to its portfolio to strengthen its market position: asset strategy, volume strategy and multi-niche strategy (i.e. 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 focused on the further implementing it. Since 2012, Delta Lloyd Group has used the model of the Dutch Quality Institute (INK, *Instituut Nederlandse Kwaliteit*) as the standard for Delta Lloyd Group's plan cycle. Delta Lloyd Group assess' the residual strategic risks during the quarterly risk management cycles and take additional action as necessary to ensure the risk profile remains within the set risk appetite.

Legal and regulatory risk
By correctly interpreting and translating relevant legislation and regulations, industry codes and codes of conduct into policy, Delta Lloyd Group can avoid inappropriate behaviour and manage inherent reputation risk and financial risks. A compliance policy has been set up and contains four themes:

- Awareness;
- Governance;
- Signalling legislation and regulations;
- Implementing legislation and regulations.

The Compliance function is responsible for Delta Lloyd Group's adherence to laws and regulation and focuses on the requirements of the supervisory authorities. Group departments like Group Finance, Control & Tax, Group Actuarial and Risk Management, Group HRM, Group Business Development and Group Legal deal with specific legislation and regulations, e.g. with respect to financial reporting, capital management and HRM-related subjects.

Regulators Desk
Regulation of the financial markets has increased significantly in recent years, partly influenced by involvement of European regulators. Simultaneously the supervising authorities have strengthened their supervision at financial institutions. The Regulators Desk co-ordinates internal and external contacts with the regulatory authorities and distributes regulators' supplementary guidelines to the different business units. The Regulators Desk is coordinated by Group Compliance.

Customer centric
Focus on treating customers fairly is a key element of Delta Lloyd Group's strategy. A specific programme was set up in 2012 to ensure that focus on the customer's interest is a key priority. The Compliance function actively contributes to the various pillars of this programme and encourages the implementation of any new legislation, regulations and industry codes in this area.

Operational risk

Delta Lloyd Group recognises the risk of simultaneously implementing several major change processes, such as sharing services through chain integration and profit improvement programmes, since each of these initiatives requires careful monitoring and control. The Group Business Development (GBD) department is responsible for central coordination of the inception, management and implementation of change processes.

Delta Lloyd Group records and analyses operational losses in the business units and keeps a central register of losses exceeding € 10,000. Scenarios based in part on possible operational losses are computed for impact and probability. This supports current and future risk analysis and controls, which are in place or will be implemented. Delta Lloyd Group is a member of ORIC, an independent 'loss data' consortium set up by the Association of British Insurance Companies (ABI) to provide and benchmark operational loss data for internal Solvency II modelling and operational risk management.

The Delta Lloyd Group Operational Risk Committee consists of risk management specialists from the divisions and discusses and advises on operational risks. These include the consequences of IT risks on operations, outsourcing, fraud and crime, business protection and human resources.

IT and infrastructure
Delta Lloyd Group believes that its ICT systems are appropriately structured and utilised to achieve its strategic and operational goals, look after its customers' interests and meet statutory and regulatory requirements. To maintain this situation, Delta Lloyd Group has an effective IT risk management and control system in place. The IT Risk Manager supervises compliance with and the further development of the risk management system in a changing environment and under changing market conditions. The ICT Board is the risk committee on IT matters. It comprises managing directors, two members of the Executive Board and the Chief Information Officer of Delta Lloyd Group. Internally and externally reported issues are regularly discussed by the ICT Board. In 2013 several financial companies in the Netherlands were targeted in fierce cybercrime attacks. So far Delta Lloyd Group has not been the subject of such an attack, but Delta Lloyd Group took preventative measures and additional ones will be put in place in 2014 to address potential cyber threats.

Outsourcing
Companies are increasingly asks their suppliers for 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 an ISAE 3402 statement. This statement is internationally recognised and constitutes a standard element in the 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 the business partners. If relevant, Delta Lloyd Group contracts services from several suppliers who can replace each other. A risk management process for supplier risks was implemented in 2012.

In 2013, the DNB declared cloud computing a specific form of outsourcing. All current cloud applications were examined according to the standard DNB risk model and necessary measures were taken. Delta Lloyd Group performs a risk assessment for all new cloud applications, which have to be approved by DNB before implementation.

Business continuity management
Delta Lloyd Group aims to deliver secure, reliable services. To ensure adequate response to unusual events, Delta Lloyd Group regularly tests its incident and crisis management procedures. These procedures are aimed at responding appropriately to disruptions in operations and breakdowns in operating processes.

Contingency ICT and business arrangements aim to restore services to markets and customers in the event of a business interruption. Contingency and continuity plans have been prepared for all critical business operations and applications. These measures are tested annually, evaluated and where necessary improved.

In 2013, the Business Continuity programme built on the progress made in 2012, particularly in testing and fine tuning measures to match the ambition level to current customer expectations.

Information security
In 2013, external events such as large scale denial-of-service attacks on several Dutch banks and high-profile corporate hacking incidents, demonstrated the need for a strong information security framework at a financial company like Delta Lloyd Group. In 2013, Delta Lloyd Group continued the information security programme and realised the required information security maturity level as set out by the regulator. In addition, Delta Lloyd Group invested in technical measures and advanced its e-learning awareness programme to raise awareness of information security and effectively manage the risks. A detailed assessment of Delta Lloyd Group's information security risk profile forms the basis for ongoing improvements in the coming year.

Human resources
Recruiting, developing and retaining qualified staff is vital to Delta Lloyd Group's business. Trainee programmes have been developed to attract young talent, and Delta Lloyd Group is strengthening management's leadership abilities 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 the retention of qualified staff and preserves vital knowledge and expertise for Delta Lloyd Group.

Fraud and crime
Fraud and other criminal activities result in operational losses. Group Integrity has defined fraud prevention measures. In addition, controls to minimise (fraud) risks were implemented in the context of Solvency II. Delta Lloyd Group has taken out 'Crime insurance' for major claims (over € 5 million) resulting from fraud.

Group Integrity prevents fraud by raising employees' awareness of fraud and by using analytical fraud detection software, so that attempts at fraud are identified as quickly as possible and an honest portfolio is achieved. If losses are caused by fraud or other criminal activities, Group Integrity investigates them and aims to recover the loss and the cost of the investigation from the perpetrator.

Financial reporting risks
Delta Lloyd Group manages its financial reporting risks through an internal control framework and external audit. Financial reporting within Delta Lloyd Group is the outcome of a structured process carried out by various divisions, directed and supervised by the Group's financial management. The Executive Board is responsible for designing, maintaining and monitoring the controls for financial reporting.

5.1.7.2. (2) Capital management

The capital structure of Delta Lloyd Group is managed on the basis of the economic risks and the statement of financial position as well as on the current regulatory 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 a way that meets the required minimum and maximises the expected returns 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 policyholders, management, regulators and rating agencies at all times;
- Retain financial flexibility by maintaining strong liquidity, including substantial unutilised credit lines, and access to a range of capital markets; and
- Allocate capital efficiently to support growth.

An important aspect of Delta Lloyd Group's capital management process is setting after-tax profitability targets for the individual divisions. These targets are aligned to performance objectives and ensure Delta Lloyd Group remains fully focused on creating value for its shareholders. Delta Lloyd Group has access to a number of sources of capital and seeks to optimise its debt-to-equity ratio in order to ensure that it can consistently maximise returns to shareholders.

Total capital employed
Total capital employed is defined as share capital and reserves, adjusted for other capital items. Other capital items are subordinated loans received, prudential margin and other capital items. The prudential margin is defined as the sum of the LAT margin for life insurance and the prudential margin for general insurance. The other capital items are conditional profit sharing in Germany (RfB), intangible assets, mortgage revaluation and asset management fees. Capital employed is determined using IFRS accounting policies. The composition is as follows:

Total capital employed at year end		
In millions of euros	**2013**	**2012**
Total capital and reserves attributable to parent	2,620.6	2,306.1
Subordinated loans	684.0	718.3
Goodwill	-283.5	-304.4
Prudential margin	1,056.1	1,087.2
Other capital items	667.5	801.6
Total capital employed	**4,744.7**	**4,608.9**

Subordinated loans with a maturity date can be accounted for as capital employed up to a limit of 25% of the lower of either the total of the actual solvency margin or of the required solvency margin at group level. The perpetual subordinated loan granted by Fonds NutsOHRA can be accounted for as capital employed up to a limit of 50% of either the lower of the total of the actual solvency margin or of the required solvency margin at group level. For more detailed information on subordinated debts see section 5.1.7.34. ‘Borrowings’.

Total capital employed increased with € 135.8 million compared to 2012, in line with the increase in the total share capital and reserves.

Capital requirements

To provide strong assurance to shareholders and policyholders that Delta Lloyd Group can meet their demands, management has defined a minimum capital requirement. It aims to have a capital ratio of at least 160% to 175% of the regulatory solvency requirement so that it can maintain its dividend policy. The Group tests the total capital employed and the required capital level at regular intervals. During the year Delta Lloyd Group complied with the regulatory requirements, both on a consolidated basis and at the level of regulated entities.

The table below shows 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 based on the Basel II system.

Solvency ratio at year end		
	2013	**2012**
IFRS Solvency	215%	205%
Regulatory (IGD) group solvency	184%	177%
Bank NL-Bis ratio	19.6%	12.3%
Bank BE-Bis ratio	13.7%	12.0%

Due to sound risk and capital management, Delta Lloyd Group still enjoys healthy solvency levels. At the end of the second quarter of 2012, DNB introduced the UFR in line with Solvency II. The UFR entails that the interest rate converges to a level of 4.2% over a period of 40 years, with extrapolation starting after 20 years (‘last liquid point’). At the end of the second quarter of 2013, the UFR was introduced in the Collateralised AAA curve.

On 2 December 2013 Delta Lloyd Life signed a purchase-agreement with ZA Verzekeringen. The acquisition will be effective with retrospectively effect from 1 January 2013. This acquisition was financed by the proceeds of the issue of 4.0 million shares (€ 63.0 million) in September 2013. See section 5.1.7.4. 'Subsidiaries' for more information.

In the Netherlands, there is the additional burden of interim regulation introduced in 2014, the theoretic solvency criterion (TSC), often called 'Solvency 1.5'. TSC makes it harder for Dutch life insurers to compete on a European level playing field as capital becomes less flexible and long-term guarantees could become more expensive. This raises the risk that investors doubt the ability of Delta Lloyd entities to pay dividends.

Regarding Solvency II capital requirements, Delta Lloyd Group is seeking approval from DNB to use its economic capital model as an internal model. The target capital position is consistent with an AA rating. The internal model is explained further in section 3.3.5. 'Capital model'.

5.1.7.3. (3) Segment information

(a) Operating segments

The operating segments are determined from the reports the Executive Board uses to make strategic decisions. The principal activity of Delta Lloyd Group is financial services. It 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

The Life business comprises life insurance, savings, pensions and annuity business written by the life insurance subsidiaries, including managed pension fund business and the share of the other life and related business written by associates. Premium and investment income are the main sources of revenues for this operating segment.

General

The General insurance business provides insurance coverage to individuals and businesses for risks associated with motor vehicles, property, disability and liability, such as employers' liability and professional indemnity liability. Premium and investment income are the main sources of revenues for this operating segment.

Bank

Delta Lloyd Bank has retail banking and mortgage activities in the Netherlands and Belgium. The main sources of revenue for this operating segment are interest income and fees. Although Delta Lloyd Bank België is treated as asset held for sale in the consolidated financial positions and income statement, it is still included in the segment information.

Asset Management

The asset management business invests at its own risk and at the risk of policyholders, provides investment management services to institutional pension fund mandates and manages a range of retail investment products, including investment funds.

Other

Any business activities that are not reportable segments are reflected in this category. It includes Delta Lloyd Group's mortgage business which is unrelated to the Life and Bank segments. The mortgages shown in the Life segment are part of the investment portfolios of life insurance companies. Health label activities are also included in the Other segment. Overheads, such as the financing of Delta Lloyd Group, expenses incurred by corporate staff departments and other activities not related to the core segments, as well as results on the run-off of the Health insurance business, are also classified as 'Other'. The Eliminations column relates to intercompany eliminations between operating segments and eliminations for Group purposes.

(b) Basis of accounting

The accounting policies of the segments are the same as those described in the section on accounting policies, unless specifically stated otherwise. Any transactions between the operating segments are based on normal commercial terms and in line with market practice.

Segment performance is evaluated using a profit or loss measure, which is measured differently in certain respects from the profit or loss in the consolidated financial statements. The Executive Board assesses the performance of the operating segments using operational result after tax and non-controlling interests.

Operational result after tax and non-controlling interests as presented by Delta Lloyd Group is a non-GAAP financial measure and 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, in management's view, provides a better basis for assessing trends in Delta Lloyd Group's operational performance over time. A key aspect of the calculation of operational result after tax and non-controlling interests is that it represents the normalised long-term performance of Delta Lloyd Group's investment portfolio. The actual investment return is reported under IFRS and is subject to short-term volatility.

Operational result after tax and non-controlling interests should not be considered in isolation as an alternative to the result before tax from continuing operations or to other data presented in Delta Lloyd Group's financial statements as indicators of financial performance. Since operational result after tax and non-controlling interests as presented by Delta Lloyd Group is not determined in accordance with IFRS, it may not be comparable to other similarly titled measures of performance of other companies.

Delta Lloyd Group's operational result after tax and non-controlling interests comprises the following elements:

- The actual technical result of the life insurance business line, consisting of the margins earned on mortality, disability, lapses and expenses;
- The actual technical result of the general insurance business line, which is the total of all the line items represented in the combined ratio.
- The actual technical result of the banking business line, consisting of the interest, fee and commission income less operating expenses;
- The results from the Asset Management and Other segments; Asset Management results are comprised of performance fees, treasury income and management fees less operating expenses;
- The long-term investment returns, which are given by the reference rate (10-year Collateralised AAA bond curve) on average shareholders' equity, the long-term excess return on policyholder

assets plus the risk margins earned on investments at own risk. As from 2012, due to a change in asset mix, the risk margin on mortgages of 0.8% is included besides the risk return on equities (3.5%) and real estate investments (2.0%).

- The long-term excess investment return on life policyholder assets, which consists of a 20-basis point margin on average assets backing non-linked life insurance liabilities;
- The long-term investment return on general insurance policyholder assets, which is given by the reference rate (10-year Collateralised AAA bond curve) on average assets backing technical liabilities; and
- Adjustments to exclude non-operational items, which reflect one-off circumstances or are, in the judgment of management, not attributable to the ongoing business operations of the Delta Lloyd Group.

The figures for operational result after tax and non-controlling interests presented were calculated by deducting (i) the actual amount of non-controlling interests for the relevant period and (ii) illustrative tax at a rate of 25% from the operational result before tax and non-controlling interests. The tax rate employed for this purpose is the statutory corporate tax rate in the Netherlands.

In 2013, Delta Lloyd Group acquired Belgium-based life insurance company ZA Verzekeringen. The transaction was completed in December after approval of the Belgian authorities and ZA Verzekeringen was adopted into Group's financial figures. This had a € 5.6 million impact on the management cost base and a negative impact of € 2.0 million after tax on the operational result.

(c) Segment information provided to the Executive Board

The segment information on 31 December 2013 is reported as follows to the Executive Board:

Income and result for the financial year

In millions of euros	Life	General	Bank	Asset management	Other	Eliminations	Total
Income							
Gross written premiums	3,589.2	1,427.8	-	-	-	-	5,017.0
Net premiums earned	**3,521.4**	**1,390.2**	**-**	**-**	**-**	**-**	**4,911.6**
Fee and commission income	61.8	62.0	76.1	142.8	59.7	-104.6	297.8
Net investment income							
Interest income	1,186.0	60.7	267.0	18.4	154.2	-83.4	1,602.8
Net rental income	118.3	-	-	-	-0.2	-6.4	111.7
Dividends	272.0	8.4	-	-	0.1	-	280.5
Movements in the fair value of investments classified as held for trading	2.6	-	0.4	-	-	-	3.0
Movements in the fair value of investments classified as other than trading	-391.2	0.5	29.0	1.4	-150.6	-	-510.9
Realised gains and losses on investments classified as available for sale	181.6	50.0	-25.1	-	6.2	-	212.7
Impairment of investments classified as available for sale	-85.7	-2.7	-2.5	-	-1.9	-	-92.8
Reversal of impairment of investments classified as available for sale	-	0.3	-	-	-	-	0.3
Result from loans and receivables	-0.6	-0.2	-	-	-	-	-0.7
Impairment of loans and receivables	-8.7	-	-13.7	-	-3.9	-	-26.4
Reversal of impairment of loans and receivables	3.0	-	6.8	-	-	-	9.8
Result from derivatives	-955.8	20.8	5.1	2.8	185.9	-	-741.2
Other investment income	-153.3	-	-	-	1.6	-7.6	-159.3
Share of profit or loss after tax of associates	-14.6	-	-	-0.1	0.1	-	-14.6
Total investment income	**153.6**	**137.8**	**266.9**	**22.5**	**191.5**	**-97.4**	**674.8**
Other income	52.9	1.2	0.1	-	-9.7	-	44.5
Total income	**3,789.7**	**1,591.2**	**343.0**	**165.3**	**241.5**	**-202.0**	**5,928.8**
Total intercompany income	71.9	2.1	50.9	36.3	40.8	-202.0	-
Revenue from external customers	**3,717.8**	**1,589.1**	**292.1**	**129.0**	**200.7**	**-**	**5,928.8**
Result after tax and non-controlling interests	143.7	45.9	-13.8	40.0	-47.4	-	168.3
Operational result after tax and non-controlling interests	**322.2**	**66.8**	**23.6**	**44.9**	**-27.5**	**-**	**430.0**

Expenses for the financial year

In millions of euros	Life	General	Bank	Asset management	Other	Elimi-nations	Total
Net claims and benefits paid*	**3,290.4**	**947.4**	**-**	**-**	**-**	**-**	**4,237.7**
Total change in insurance liabilities, net of reinsurance	**-295.9**	**38.6**	**-**	**-**	**-**	**-**	**-257.3**
Expenses relating to the acquisition of insurance, investment and other contracts	**222.2**	**382.8**	**13.8**	**60.0**	**25.6**	**-104.6**	**599.8**
Total finance costs	**168.1**	**27.1**	**151.0**	**3.6**	**168.3**	**-91.1**	**427.0**
Staff costs and other employee-related expenditures	137.8	112.7	69.2	26.2	208.6	-	554.4
Amortisation of intangible fixed assets	7.0	1.7	1.1	2.5	3.3	-	15.5
Depreciation of property and equipment	3.7	-	2.7	-	6.5	-	12.9
Operating expenses	155.6	133.1	79.8	19.5	-119.9	-6.3	261.7
Gains and losses on disposals	-	-	0.1	-	-	-	0.1
Impairment of goodwill	-	-	12.8	-	9.1	-	21.8
Impairment of AVIF	-	-	-	-	-	-	-
Impairment of other intangible fixed assets	-	-	4.7	-	-	-	4.7
Impairment of property and equipment	4.2	-	19.2	-	0.2	-	23.7
Impairment of receivables	0.9	4.5	-	-	-	-	5.5
Reversal of impairment of receivables	-2.2	-2.0	-	-	-0.4	-	-4.6
Foreign exchange differences	-	-	-	-	-	-	-
Allocated to expenses relating to the acquisition of insurance, investment and other contracts	-79.8	-135.2	-	-	-	-	-215.0
Total other operating expenses	**227.3**	**114.7**	**189.6**	**48.2**	**107.3**	**-6.3**	**680.8**
Total expenses	**3,612.1**	**1,510.5**	**354.4**	**111.8**	**301.2**	**-202.0**	**5,687.9**
Income tax	13.4	16.8	2.5	13.6	-11.7	-	34.5

* Net claims and benefits paid includes profit sharing and discounts

Segment statement of financial position at year end							
In millions of euros	Life	General	Bank	Asset Management	Other	Eliminations	Total
Assets							
Intangible assets	56.3	27.7	0.7	15.0	283.9	-	383.6
Associates and joint ventures	293.6	-	-	0.2	3.1	-	296.9
Financial investments	50,775.9	2,502.6	9,827.7	707.7	6,052.0	-2,384.7	67,481.2
Reinsurance assets	441.4	112.7	-	-	-	-	554.0
Assets held for sale	0.6	-	6.2	-	-	-	6.8
Other assets	5,673.5	553.0	1,082.7	517.5	3,384.2	-3,418.9	7,791.9
Total assets	**57,241.3**	**3,196.0**	**10,917.3**	**1,240.3**	**9,723.1**	**-5,803.5**	**76,514.5**
Total shareholders' funds	**2,836.9**	**496.6**	**406.1**	**55.9**	**-865.4**	**-**	**2,930.0**
Liabilities							
Investment liabilities	4,817.0	-	-	-	-	-	4,817.0
Insurance liabilities	42,062.0	2,278.8	-	-	-	-	44,340.7
Borrowings	586.8	98.3	560.2	94.9	5,118.5	-704.5	5,754.1
Other liabilities	6,938.8	322.3	9,951.0	1,089.5	5,470.1	-5,099.0	18,672.7
Total liabilities	**54,404.5**	**2,699.4**	**10,511.2**	**1,184.4**	**10,588.6**	**-5,803.5**	**73,584.5**
Total shareholders' funds and liabilities	**57,241.3**	**3,196.0**	**10,917.3**	**1,240.3**	**9,723.1**	**-5,803.5**	**76,514.5**
Capital expenditure							
Property and equipment	0.7	-	4.3	-	3.8	-	8.8
Intangible assets	2.2	-	3.3	-	2.2	-	7.7
Capital injection subsidiaries	43.9	-	-	-	-	-	43.9
Purchase of subsidiaries	50.0	-	-	-	-	-	50.0
Total capital expenditure	**96.8**	**-**	**7.6**	**-**	**6.0**	**-**	**110.3**

Differences compared to the consolidated statement of financial position are due to Delta Lloyd Bank Belgium, which is not presented as assets held for sale in the table above.

The segment information reported to the Executive Board is as follows:

Income and result for the prior financial year

In millions of euros	Life	General	Bank	Asset Manage-ment	Other	Elimi-nations	Total
Income							
Gross written premiums	3,555.2	1,650.3	-	-	-	-	5,205.5
Net premiums earned	**3,483.3**	**1,522.2**	**-**	**-**	**-**	**-**	**5,005.6**
Fee and commission income	16.1	73.7	74.0	146.2	39.7	-93.8	256.0
Net investment income							
Interest income	1,183.8	63.6	94.5	26.4	344.4	-128.0	1,584.8
Net rental income	126.3	-	-	-	-0.1	-7.8	118.5
Dividends	343.2	13.7	0.2	-	2.5	-	359.6
Movements in the fair value of investments classified as held for trading	-	-	1.9	-	3.0	-	4.8
Movements in the fair value of investments classified as other than trading	3,010.5	5.8	-25.4	0.1	285.0	-	3,276.0
Realised gains and losses on investments classified as available for sale	98.3	91.2	45.1	-	0.5	-	235.1
Impairment of investments classified as available for sale	-125.8	-27.5	-	-	-32.2	-	-185.6
Reversal of impairment of investments classified as available for sale	-	0.6	1.1	-	-	-	1.7
Result from loans and receivables	0.9	0.1	-0.2	-	-	-	0.8
Impairment of loans and receivables	-3.7	-	-15.6	-	-16.3	-	-35.6
Reversal of impairment of loans and receivables	3.4	-	5.2	-	3.0	-	11.6
Result from derivatives	611.2	-3.7	-19.6	4.7	-137.6	-	455.0
Other investment income	-31.1	15.5	0.1	-	-183.7	-6.8	-205.9
Share of profit or loss after tax of associates	17.1	3.2	-	-0.1	-10.8	-	9.5
Total investment income	**5,234.3**	**162.3**	**87.3**	**31.2**	**257.7**	**-142.5**	**5,630.3**
Other income	4.8	-0.4	0.3	-	7.4	-	12.1
Total income	**8,738.5**	**1,757.8**	**161.7**	**177.4**	**304.8**	**-236.2**	**10,904.0**
Total intercompany income	119.9	6.2	72.5	42.7	-5.0	-236.2	-
Revenue from external customers	**8,618.6**	**1,751.6**	**89.2**	**134.7**	**309.8**	**-**	**10,904.0**
Result after tax and non-controlling interests	-1,174.7	-121.6	-60.6	43.9	-182.0	-	-1,495.1
Operational result after tax and non-controlling interests	**319.5**	**53.9**	**-11.1**	**47.9**	**-6.1**	**-**	**404.1**

Expenses for the prior financial year

In millions of euros	Life	General	Bank	Asset management	Other	Elimi-nations	Total
Net claims and benefits paid*	**3,618.0**	**976.2**	**-**	**-**	**-**	**-**	**4,594.2**
Total change in insurance liabilities, net of reinsurance	**6,091.7**	**342.3**	**-**	**-**	**-**	**-**	**6,433.9**
Expenses relating to the acquisition of insurance, investment and other contracts	**233.7**	**421.9**	**17.6**	**51.8**	**20.0**	**-93.8**	**651.2**
Total finance costs	**184.9**	**28.1**	**59.2**	**8.2**	**406.2**	**-134.8**	**551.8**
Staff costs and other employee-related expenditures	145.2	121.8	71.2	29.8	200.4	-	568.3
Amortisation of intangible fixed assets	7.6	3.6	0.9	2.5	3.1	-	17.7
Depreciation of property and equipment	4.3	0.1	3.8	0.3	8.0	-	16.5
Operating expenses	158.0	142.7	84.4	25.5	-161.0	-7.6	242.0
Gains and losses on disposals	-	-	-0.5	-	2.0	-	1.5
Impairment of goodwill	-	-	-	-	30.0	-	30.0
Impairment of property and equipment	5.3	-	-	-	2.4	-	7.7
Impairment of inventory of real estate projects	-	-	-	-	15.6	-	15.6
Impairment of receivables	2.9	6.1	-	-	-	-	9.0
Reversal of impairment of receivables	-3.2	-5.8	-	-	3.2	-	-5.9
Foreign exchange differences	-0.2	-	-	-	-	-	-0.2
Allocated to expenses relating to the acquisition of insurance, investment and other contracts	-84.8	-149.7	-	-	-	-	-234.5
Total other operating expenses	**235.0**	**118.8**	**159.9**	**58.1**	**103.7**	**-7.6**	**667.8**
Total expenses	**10,363.3**	**1,887.2**	**236.7**	**118.1**	**529.9**	**-236.2**	**12,899.0**
Income Tax	-463.3	-24.3	-14.4	15.0	-42.7	-	-529.7

* Net claims and benefits paid includes profit sharing and discounts

Segment statement of financial position at prior year end							
In millions of euros	Life	General	Bank	Asset Management	Other	Eliminations	Total
Assets							
Intangible assets	61.1	29.4	16.2	17.5	294.0	-	418.2
Associates and joint ventures	190.2	-	-	0.3	3.2	-	193.6
Financial investments	52,864.2	2,414.2	9,880.9	950.5	6,723.2	-3,836.8	68,996.3
Reinsurance assets	416.9	143.5	-	-	-	-	560.4
Assets held for sale	107.0	-	6.3	-	20.4	-	133.8
Other assets	5,997.8	844.3	1,260.2	1,329.4	3,934.7	-3,673.0	9,693.3
Total assets	**59,637.2**	**3,431.5**	**11,163.7**	**2,297.8**	**10,975.4**	**-7,509.9**	**79,995.6**
Total shareholders' funds	**2,812.4**	**483.5**	**416.3**	**66.9**	**-1,166.2**	**-**	**2,612.8**
Liabilities							
Investment liabilities	4,736.8	-	-	-	-	-	4,736.8
Insurance liabilities	42,423.4	2,433.3	-	-	-	-	44,856.7
Borrowings	510.3	98.1	475.2	93.1	6,189.5	-673.8	6,692.3
Other liabilities	9,154.3	416.6	10,272.2	2,137.8	5,952.1	-6,836.1	21,097.0
Total liabilities	**56,824.8**	**2,948.0**	**10,747.4**	**2,230.9**	**12,141.6**	**-7,509.9**	**77,382.8**
Total shareholders' funds and liabilities	**59,637.2**	**3,431.5**	**11,163.7**	**2,297.8**	**10,975.4**	**-7,509.9**	**79,995.6**
Capital expenditure							
Property and equipment	1.6	-	3.1	-	13.2	-	17.9
Intangible assets	0.2	-	2.6	-	8.3	-	11.0
Total capital expenditure	**1.7**	**-**	**5.7**	**-**	**21.6**	**-**	**29.0**

Differences compared to the consolidated statement of financial position are due to the Belgium General Insurance portfolio, which is not presented as held for sale in the table above.

(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	**2013**	**2012**
Operational result after tax and non-controlling interests	**430.0**	**404.1**
Income tax	154.8	147.2
Non-controlling interests	34.4	37.5
Operational result before tax and non-controlling interests	**619.2**	**588.9**
Assumed long-term investment return	-365.1	-371.9
Fair value gains and losses	725.2	-4,704.2
Actual return including required interest	-578.4	2,806.4
Longevity - non operational	-14.3	16.7
Non-operational items	-145.8	-329.3
Operational result before tax and non-controlling interests from discontinued operations	-1.7	-17.5
Result before tax from continuing operations	**239.1**	**-2,010.8**

The decline in the assumed long-term investment return is mainly attributed to a lower average level of shareholders' equity (calculated on the accounting policies of the segments) and lower risk premiums (mainly related to equity and property).

The increase in interest rates led to a lower actual investment return in 2013, as the market value of the fixed income portfolio including derivatives decreased by € -1,723.0 million. This compared to the equivalent period in 2012 when interest rates decreased, which resulted in a positive actual return in 2012.

Discontinued operations relates to the run-off of DLG Zorgverzekeringen.

In 2013 the Collateralised AAA curve increased, supported by the adoption of an UFR, see section 5.1.6.2 'Use of assumptions and estimates'. This resulted in a decrease in the life insurance provision and is shown as 'fair value gains and losses' in the table above.

The € 14.3 million longevity charge in 2013 relates to the finalisation of the AG2012-2062 mortality table implementation (€ 4.0 million) and a refinement of the longevity model (€ 10.3 million). Life technical provisions in 2012 were also determined using the AG2012-2062 table, which combined with own experience variances and the recalibration of the longevity risk margin led to a positive impact on the IFRS result of € 16.7 million. These longevity effects are considered to be non-operational.

The non-operational items consist of the run off result on the terminated international marine portfolio of € -18.0 million (2012: € -139.5 million), the impact in WGA-ER of € -44.8 million (2012: € -57.5 million), impairments of € -51.4 million (2012: € -48.8 million) and other non-operational items of € -31.6 million (2012: € -83.5 million). Other non-operational items in 2013 include € 41.5 million related to negative goodwill (i.e. badwill) from the adoption of ZA Verzekeringen.

Management cost base per segment

In millions of euros	2013	2012
Life Insurance	274.6	288.0
General Insurance	232.7	236.0
Bank	143.7	154.7
Asset Management	43.5	54.2
Other	77.1	48.9
Total	**771.5**	**781.9**

Reconciliation IFRS operational costs to other operating expenses

In millions of euros	2013	2012
Other operating expenses	681.5	681.9
Allocated to expenses relating to the acquisition of insurance and investment contracts	215.0	234.5
Movement in other provisions	-6.7	13.7
Non-operational costs	-118.4	-148.3
Management cost base	**771.5**	**781.9**

The table below provides details of the other operating expenses.

Other operating expenses		
In millions of euros	**2013**	**2012**
Other operating expenses		
Staff costs and other employee-related expenditures	564.4	580.4
Amortisation of intangible fixed assets	15.5	17.7
Depreciation on property and equipment	12.9	16.5
Operating expenses	252.4	244.1
Impairment of property held for sale	0.1	1.5
Impairment of goodwill	21.8	30.0
Impairment of other intangible fixed assets	4.7	-
Impairment of property and equipment	23.7	7.7
Impairment of inventory of real estate projects	-	15.6
Impairment of receivables	5.5	9.0
Reversal of impairment of receivables	-4.6	-5.9
Foreign exchange differences	-	-0.2
Allocated to expenses relating to the acquisition of insurance, investment and other contracts	-215.0	-234.5
Total other operating expenses	**681.5**	**681.9**

Allocated to expenses relating to the acquisition of insurance and investment contracts of € 215.0 million include acquisition costs of € 156.8 million (2012: € 171.3 million) and costs for handling claims of € 58.3 million (2012: € 63.2 million).

The non-operational costs consist of impairments of € 51.4 million (2012: € 48.8 million), several non-operational projects of € 43.6 million (2012: € 34.4 million) such as Solvency II and SEPA, and other non-operational costs of € 23.4 million (2012: € 65.1 million).

(e) Entity-wide disclosures

Geographical areas

Delta Lloyd Group operates in three main geographical areas. These are the Netherlands, Belgium and Germany. Revenue by geographical area does not differ materially from the revenue by area of origin, as most risks are located in the countries where the contracts were written.

Gross written premiums in the financial year		
In millions of euros	**2013**	**2012**
The Netherlands	3,953.9	4,018.3
Belgium	803.6	898.2
Germany	259.5	289.1
Total	**5,017.0**	**5,205.5**

Fee and commission income in the financial year		
In millions of euros	**2013**	**2012**
The Netherlands	244.4	204.5
Belgium	45.1	40.9
Germany	8.2	10.6
Total	**297.8**	**256.0**

Interest income in the financial year		
In millions of euros	**2013**	**2012**
The Netherlands	1,114.1	1,251.8
Belgium	343.8	321.7
Germany	145.0	151.5
Total	**1,602.8**	**1,725.1**

Assets per geographical area at year end								
In millions of euros	The Netherlands 2013	The Netherlands 2012	Belgium 2013	Belgium 2012	Germany 2013	Germany 2012	Total 2013	Total 2012
Assets								
Intangible assets	381.2	414.2	1.7	3.6	0.8	0.4	383.6	418.2
Associates and joint ventures	296.9	193.6	-	-	-	-	296.9	193.6
Financial investments	48,845.0	50,297.7	14,526.8	14,576.8	4,109.5	4,121.8	67,481.2	68,996.3
Reinsurance assets	520.0	516.6	30.2	41.6	3.9	2.2	554.0	560.4
Assets held for sale	-	-	6.2	6.3	0.6	127.4	6.8	133.8
Other assets	5,450.6	7,466.5	1,381.3	1,340.4	960.0	886.5	7,791.9	9,693.3
Total assets	**55,493.6**	**58,888.7**	**15,946.2**	**15,968.7**	**5,074.7**	**5,138.2**	**76,514.5**	**79,995.6**

Differences compared to the consolidated statement of financial position are due to Delta Lloyd Bank Belgium, which is not presented as assets held for sale.

5.1.7.4. (4) Subsidiaries

Information on the principal associates on 31 December 2013 is included in section 5.2.1.3. ‘Participating interest’.

The restrictions on dividend distributions relate to minimum regulatory capital requirements.

Acquisitions during the financial year

On 3 December 2013 Delta Lloyd Life completed the acquisition of 100% of Belgium-based insurer Zwolsche Algemene (‘ZA’) Verzekeringen from Amodo Group. ZA Verzekeringen specialises in term life insurance with annual gross written premiums totalling around € 50.0 million. In 2013, the company had on average 65 employees (FTE).

The acquisition of ZA Verzekeringen is in line with Delta Lloyd Group’s strategy to become a leading player in the Belgian market, offering a comprehensive range of products. ZA Verzekeringen’s product offering ties in well with Delta Lloyd Life’s strategic focus in Belgium on protection (death and disability benefits) and pensions (pension savings and investments).

The acquisition makes ZA Verzekeringen’s distribution agreements with banks and independent brokers available to Delta Lloyd Life, strengthening its Belgian distribution network. Delta Lloyd Life will offer the term life insurance products to its new and existing clients. In addition, ZA

Verzekeringen's client base opens up attractive commercial opportunities for Delta Lloyd Life, which offers pension solutions that are attuned to the wealthy personal client segment where ZA Verzekeringen has recorded strong growth in recent years.

Delta Lloyd Group will fully integrate ZA Verzekeringen into Delta Lloyd Life. The innovative products and the solid product development process of ZA Verzekeringen will contribute to the further enhancement of the quality of service to customers and distribution partners. The transaction meets the financial criteria set by Delta Lloyd Group and will immediately contribute positively to earnings per ordinary share.

Assets and liabilities acquired

In millions of euros	**2013**
Assets	
Intangible assets	1.3
Property and equipment	0.6
Investment property	30.8
Debt securities	172.4
Equity securities	8.1
Loans and receivables	14.7
Reinsurance assets	14.7
Receivables and other financial investments	3.4
Other assets	0.7
Capitalised interest and prepayments	2.9
Cash and cash equivalents	11.8
Total assets	**261.3**
Liabilities	
Insurance liabilities	4.5
Liabilities for investment contracts	82.3
Financial liabilities	82.9
Total liabilities	**169.8**
Shareholders' fund	**91.5**
Shareholders' fund acquired (100%)	91.5
Purchase price	-50.0
Badwill	**41.5**

The recognised badwill on line item 'other income' in the income statement is due to the fact that Delta Lloyd Life realised a discount on the embedded value, which is in line with the current market circumstance in the insurance sector.

This agreement contributed € -4.6 million to Delta Lloyd Group's total net result in 2013.

The final acquisition balance sheet of ZA Verzekeringen has not yet been drawn up. The allocation of the purchase price of the stand-alone interest in ZA Verzekeringen is € 50.0 million. 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.

5.1.7.5. (5) Discontinued operations and assets and liabilities held for sale

The composition of the assets and liabilities classified as held for sale and of discontinued operations at year end was:

Assets and liabilities relating to assets held for sale		
In millions of euros	**2013**	**2012**
Assets held for sale		
Property relating to Belgium	-	6.3
Property relating to Germany	0.6	127.5
Non-life insurance business relating to Belgium	-	149.6
Delta Lloyd Bank België	6,724.5	-
Total assets held for sale	**6,725.1**	**283.4**
Liabilities held for sale		
Non-life insurance business relating to Belgium	-	135.2
Delta Lloyd Bank België	6,435.9	-
Total liabilities held for sale	**6,435.9**	**135.2**

The non-life insurance business in Belgium and the sale of German properties held for sale at year end 2012 were all finalised during 2013.

On 2 October 2013, Delta Lloyd Group started the sale process for its Belgium-based banking business. This decision is in line with the Group's strategic ambition to grow in the Belgian life insurance and pensions markets and to reinforce its distribution power in Belgium. The proposed sale of its banking activities in Belgium will strengthen the Group's focus on insurance and unlock capital for investment in its strategic activities.

As part of the held for sale classification, the expected sale price compared to the book value of Delta Lloyd Bank België had to be assessed. As the expected sales price is below the book value, Delta Lloyd Group needed to assess the fair value of the assets. This resulted in an impairment of € 24.0 million, which is presented as part of other operating expenses in the income statement.

The assets and liabilities of Delta Lloyd Bank België are set out in the table below together with the condensed income statement and the movement in the revaluation reserve. The tables below include intercompany assets of € 79.9 million and intercompany liabilities of € 187.8 million.

Assets and liabilities Delta Lloyd Bank België at 31 December	
In millions of euros	**2013**
Assets	
AVIF and other intangible assets	0.4
Property and equipment	0.5
Investment property	1.7
Deferred tax assets	55.4
Debt securities	1,107.9
Equity securities	0.2
Derivatives	28.7
Loans and receivables at amortised cost	5,084.1
Receivables and other financial assets	275.2
Capitalised interest and prepayments	35.0
Cash and cash equivalents	129.1
Assets held for sale	6.2
Assets held for sale	**6,724.5**
Liabilities	
Pension obligations and other provisions	9.3
Current and deferred tax liabilities	5.6
Subordinated debt	107.5
Securitised mortgages loan notes	27.9
Derivatives	311.9
Customer savings and deposits	4,813.5
Other financial liabilities	766.3
Other liabilities	393.9
Liabilities relating to assets held for sale	**6,435.9**

Condensed income statement Delta Lloyd Bank België	
In millions of euros	**2013**
Delta Lloyd Bank België	
Income	200.3
Expenses	172.5
Results before tax and held for sale impairment	**27.8**
Held for sale impairment	24.0
Results before tax	**3.8**
Income tax	3.1
Net result	**0.8**

Revaluation reserve Delta Lloyd Bank België	
In millions of euros	**2013**
At 1 January 2013	**14.9**
Fair value gains and losses arising in period	-21.6
Aggregate tax effect	7.3
At 31 december 2013	**0.7**

The tax losses in the tax position for Delta Lloyd Bank België include notional interest deductions; these are taxable interest deductions that reduce the taxable amount. The recognised tax losses are € 35.1 million (2012: € 42.1 million), for which a deferred tax asset is recognised of € 11.9 million (2012: € 14.3 million). The unrecognised tax losses are € 32.1 million (2012: € 23.2 million).

The tables below show financial assets and liabilities measured at fair value and the total carrying value to maintain the link with the above table of assets and liabilities relating to held for sale.

Assets held for sale by measurement method at year end

In millions of euros	Total carrying value	Total fair value	Level 1	Level 2	Level 3
Property and equipment	0.5	21.8	-	8.5	13.3
Investment property	1.7	1.7	-	-	1.7
Debt securities	1,107.9	1,107.9	1,107.9	-	-
Equity securities	0.2	0.2	0.2	-	-
Derivatives	28.7	28.7	-	28.7	-
Loans and receivables at amortised cost	5,084.1	5,435.0	-	5,435.0	-
Receivables and other financial assets	275.2	275.2	248.8	26.4	-
Cash and cash equivalents	129.1	129.1	129.1	-	-
Total	**6,627.5**	**6,999.7**	**1,486.0**	**5,498.7**	**15.1**

Liabilities held for sale by measurement method at year end

In millions of euros	Total carrying value	Total fair value	Level 1	Level 2	Level 3
Subordinated debt	107.5	119.8	-	119.8	-
Securitised mortgages loan notes	27.9	27.9	-	27.9	-
Derivatives	311.9	311.9	-	311.9	-
Other	5,579.9	5,954.9	925.7	5,029.2	-
Total	**6,027.1**	**6,414.5**	**925.7**	**5,488.7**	**-**

Due to the allocation of impairment arising from the transfer to assets held for sale, the fair value of property and equipment is higher than the carrying amount.

There were no transfers of recurring assets and recurring liabilities between fair value measurement based on published prices (level 1 of the fair value hierarchy) and fair value measurement based on observable market inputs (level 2 of the fair value hierarchy) during the year.

The valuation techniques used to obtain the fair value of assets and liabilities which are held for sale are the same of that of assets and liabilities not held for sale. See section 5.1.7.39. ‘Fair value of financial assets and liabilities’ for a description of the valuation techniques and inputs used in the fair value measurements.

The table below offers additional information on assets for which there are significant unobservable market inputs (level 3 of the fair value hierarchy).

Statement of changes in assets and liabilities valued using a level 3 measurement method in the financial year 2013			
In millions of euros	Owner-occupied property	Investment property	Total
At 1 January	**13.3**	**1.4**	**14.7**
Changes in fair value recognised through profit and loss	-	0.3	0.3
At 31 December	**13.3**	**1.7**	**15.1**

The fair value of owner-occupied property and investment property is assessed by qualified external appraisers, 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 Institute of Chartered Surveyors. Delta Lloyd believes that no reasonable alternative assumptions will change the fair value significantly.

Discontinued operations

On 1 January 2009, the health business was sold to CZ Verzekeringen. In accordance with the sales contract, Delta Lloyd Group continued to bear the insurance risks up to 1 January 2009. In 2013, Delta Lloyd Group reached an agreement to transfer the remaining insurance risks up to 1 January 2009 to CZ Verzekeringen. Due to this agreement Delta Lloyd Group bears no longer insurance risk responsibility for the period up to 1 January 2009, no significant result was made on this agreement. The run-off results are set out in the table below.

Result after tax from discontinued operations		
In millions of euros	**2013**	**2012**
Delta Lloyd Group Health		
Income	1.7	15.8
Income tax	0.4	3.9
Total result after tax from discontinued operations	**1.3**	**11.8**

5.1.7.6. (6) Details of income

Details of income		
In millions of euros	**2013**	**2012**
Premiums earned		
Life	3,589.2	3,555.2
General	1,427.8	1,650.3
Gross written premiums	**5,017.0**	**5,205.5**
Premiums ceded to reinsurers		
Life	-67.7	-71.9
General	-109.5	-129.6
Net written premiums	**4,839.8**	**5,004.0**
Gross movement in provision for unearned premiums	77.2	0.6
Reinsurers' share of movement in provision for unearned premiums	-5.3	1.0
Net movement in provision for unearned premiums	**71.9**	**1.6**
Net premiums earned	**4,911.6**	**5,005.6**
Net investment income		
Interest income	1,583.3	1,564.5
Net rental income	111.7	118.5
Dividends	176.9	159.1
Movements in the fair value of investments classified as held for trading	3.0	4.8
Movements in the fair value of investments classified as other than trading	-1,154.5	2,246.7
Realised gains and losses on investments classified as available for sale	212.7	235.1
Impairment of investments classified as available for sale	-93.2	-185.6
Reversal of impairment of investments classified as available for sale	0.3	1.7
Result from loans and receivables	-0.7	0.8
Impairment of loans and receivables	-26.0	-35.6
Reversal of impairment of loans and receivables	9.8	11.6
Result from derivatives	-740.1	447.4
Realised/unrealised other investment income	-87.0	-123.5
Income on investment property	-72.4	-82.4
Share of profit or loss after tax of associates	-14.6	9.5
Total net investment income - own risk	**-90.8**	**4,372.6**
Interest income	19.5	18.6
Dividends	103.5	200.5
Movements in the fair value of investments classified as other than trading	643.6	1,029.3
Result from derivatives	-1.0	7.6
Total net investment income - at policyholders' risk	**765.6**	**1,256.0**
Total net investment income	**674.8**	**5,628.6**
Fee and commission income		
Fee income from investment contract business	1.2	2.2
Fund management fee income	122.2	120.0
Other fee income	48.4	24.9
Total income from reinsurance premiums	30.8	37.4
Other commission income	95.1	71.6
Total fee and commission income	**297.8**	**256.0**
Other income	43.5	12.1
Total income	**5,927.8**	**10,902.3**

Movements in the fair value of investments classified as other than trading include € 216.5 million (2012: € 620.1 million) of realised fair value changes for debt securities at own risk and € -1.283.3 million (2012: € 1,306.0 million) of unrealised fair value changes for debt securities at own risk, due to higher interest rates. In addition, unrealised fair value changes to equity securities at policyholders' risk amounted € 551.9 million (2012: € 841.7 million).

The results from derivatives included € -1,062.5 million (2012: € -45.6 million) of unrealised fair value changes and € 321.4 million of realised fair value changes (2012: € 500.6 million).

Gross written premiums of Life in the financial year

In millions of euros	Individual insurance	Group insurance	Individual investment	Group investment	Total
Single premium	390.2	1,039.1	172.1	141.8	1,743.1
Annual premium	805.2	899.1	48.3	62.8	1,815.4
Reinsurance	25.5	5.1	-	-	30.6
Total	**1,220.9**	**1,943.3**	**220.4**	**204.6**	**3,589.2**

Gross written premiums of Life in the prior financial year

In millions of euros	Individual insurance	Group insurance	Individual investment	Group investment	Total
Single premium	671.9	732.2	284.2	82.9	1,771.2
Annual premium	858.8	791.7	41.6	61.2	1,753.3
Reinsurance	31.4	-0.6	-	-	30.8
Total	**1,562.1**	**1,523.3**	**325.8**	**144.1**	**3,555.2**

Interest income in the financial year - own risk

In millions of euros	**2013**	**2012**
Debt securities available for sale	103.3	96.4
Debt securities held for trading	0.1	0.7
Debt securities other than trading	702.1	718.5
Total debt securities	**805.4**	**815.5**
Total mortgages	**709.4**	**667.9**
Deposits	2.9	4.9
Issued loans	174.0	175.8
Loans to banks	2.0	8.2
Loans and advances to clients	71.4	82.7
Cash and cash equivalents	7.5	22.4
Other	-189.4	-212.9
Other interest income	**68.4**	**81.0**
Total interest income	**1,583.3**	**1,564.5**

For presentation purposes the result on interest rate swaps € -109.5 million (2012: € -140.3 million) is reported as other interest income as part of investment income instead of finance costs. Comparative figures have been adjusted accordingly.

Movements in fair value of derivatives held for fair value hedge accounting		
In millions of euros	**2013**	**2012**
Movement in fair value of the hedging instrument	104.2	-154.0
Movement in fair value of the hedged positions	-118.7	153.0
Amortisation of the fair value of the hedged positions	-28.6	-75.6
Movements in fair value of derivatives held for fair value hedge accounting	**-43.1**	**-76.6**

Movements in the fair value of the hedging instrument and movements in the fair value of the hedged positions are included in result from derivatives. Amortisation of the fair value of the hedged positions is included in other interest income.

5.1.7.7. (7) Details of expenses

Details of expenses in the financial year		
In millions of euros	**2013**	**2012**
Life	3,370.4	3,700.5
General	992.3	1,013.2
Total claims and benefits paid*	**4,362.7**	**4,713.7**
Claim recoveries from reinsurers		
Life	-80.0	-82.5
General	-44.9	-37.0
Total claim recoveries from reinsurers	**-125.0**	**-119.5**
Net claims and benefits paid*	**4,237.7**	**4,594.2**
Change in insurance liabilities, net of reinsurance		
Change in insurance liabilities	-248.6	6,431.8
Change in reinsurance assets for insurance	-8.8	2.2
Total change in insurance liabilities, net of reinsurance	**-257.3**	**6,433.9**
Expenses relating to the acquisition of insurance, investment and other contracts	**599.8**	**651.2**
Finance costs		
Interest on other financial liabilities	34.1	46.0
Interest on savings and (demand) deposits	134.5	173.9
Interest on issued bond loans	68.0	101.2
Interest on subordinated loans	74.0	70.2
Interest on securitised mortgage loan notes	48.8	70.4
Pension interest cost	67.7	90.1
Total finance costs	**427.0**	**551.8**
Other operating expenses		
Staff costs and other employee-related expenditures	554.4	568.3
Amortisation of intangible fixed assets	15.5	17.7
Depreciation on property and equipment	12.9	16.5
Operating expenses	262.4	256.2
Impairment of property held for sale	0.1	1.5
Impairment of goodwill	21.8	30.0
Impairment of AVIF	-	-
Impairment of other intangible fixed assets	4.7	-
Impairment of property and equipment	23.7	7.7
Impairment of inventory of real estate projects	-	15.6
Impairment of receivables	5.5	9.0
Reversal of impairment of receivables	-4.6	-5.9
Foreign exchange differences	-	-0.2
Allocated to expenses relating to the acquisition of insurance, investment and other contracts	-215.0	-234.5
Total other operating expenses	**681.5**	**681.9**
Total expenses	**5,688.6**	**12,913.1**

* Total claims and benefits paid includes profit sharing and discounts

To present a better link between finance costs and borrowings the presentation of the costs was adjusted. Comparative figures have also been adjusted accordingly.

Of the total finance costs, € 409.6 million (2012: € 650.1 million) relates to loans measured at amortised cost and € 17.4 million (2012: € 42.0 million) to securitised mortgage loan notes measured at fair value.

For presentation purposes the result on interest rate swaps of € -109.5 million (2012: € -140.3 million) is now reported as interest income instead of finance costs. Comparative figures have been adjusted accordingly.

5.1.7.8. (8) Exchange rates

A significant proportion of Delta Lloyd Group's operations are carried out in the eurozone.

The overall currency result recognised in the income statement was € -71.3 million (2012: € -5.8 million). An additional € 25.7 million (2012: € 8.9 million) was recognised in the revaluation reserve.

The overall currency result does not include any results on financial instruments held for trading.

5.1.7.9. (9) Employee information

Average number of employees (FTEs) during the year

Number in FTEs	2013	2012
Permanent staff	5,221.4	5,430.9
Temporary staff	511.1	560.6
Total	**5,732.5**	**5,991.5**

The average number of employees decreased as a result of a cost-saving programme.

Staff costs in the financial year

In millions of euros	2013	2012
Salaries	300.1	312.5
External staff	66.8	75.6
Social security contributions	53.2	54.5
Pension expenses [1])	48.9	52.2
Profit sharing and incentive plans	12.5	4.2
Termination benefits	12.2	7.9
Other staff costs	60.7	61.5
Total	**554.4**	**568.3**

1) See section 5.1.7.31. Pension obligations

Staff costs charged to:

In millions of euros	2013	2012
Expenses relating to the acquisition of insurance and investment contracts	72.4	74.5
Claims handling expenses	21.6	24.0
Other operating expenses	460.4	469.7
Total	**554.4**	**568.3**

Other staff costs include € 36.8 million in travel expenses, holiday allowances and training costs (2012: € 37.6 million).

An amount of € 11.0 million for share-based and performance-related incentive plans as described below was charged to the income statement under profit sharing and incentive plans (2012: € 2.0 million), and an amount of € 1.5 million for other profit sharing and incentives was charged to the income statement (2012: € 2.2 million).

Profit sharing and incentive plans

In millions of euros	2013	2012
Equity-settled share-based payment transactions		
- Performance Share Plan	-0.7	0.8
- Variable Incentive Plan for identified staff	3.5	2.3
	2.8	3.1
Cash-settled share based payment transactions		
- Phantom option plan	5.4	-4.1
- Phantom Performance Share Plan	0.1	-
- Variable Incentive Plan for other managers	2.2	0.5
- Variable Incentive Plan for identified staff and other managers for the cash settlement that is based on the Delta Lloyd NV share price development	0.3	0.2
	8.0	-3.4
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	0.2	2.3
Total share-based and performance-related incentive plans	11.0	2.0
Other profit sharing and incentives	1.5	2.2
Total profit sharing and incentive plans	12.5	4.2

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 Variable Incentive Plan was modified per 1 January 2013 to bring the amount and composition of Delta Lloyd Group's remuneration packages closer in line with the company's risk appetite and culture. The decision also considered the public debate on variable remuneration and the Dutch government's intention to cap variable remuneration in the financial sector in the Netherlands to 20% of the fixed salary. The adaptations to the remuneration policy are in accordance with the European Capital Requirements Directive III, which has been incorporated into the guidelines of the Committee of European Banking Supervisors and adopted by the DNB in its Regulation on Sound Remuneration Policies (Regeling Beheerst Beloningsbeleid Wft 2011) and with other applicable legislation and regulations.

This led to two adjustments:

- The grant is 50% at ambition level (previously 100%) of the base salary (including holiday pay and a ‘13th month’) and 75% at outperformance level (previously 150%), and
- All grants are in conditional shares for identified staff and conditional phantom shares for other managers.

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 vest after three years (performance period) and are exercisable until five years after the vesting date (see section 5.1.6.31. ‘Employee benefits’).

As a result of the public offering on 3 November 2009, the Supervisory Board revised the terms and conditions of the Plan. Existing performance criteria attached to the outstanding options were dropped and the vesting percentage of the outstanding options granted in 2007, 2008 and 2009 was fixed at 75%. The vesting percentage for options granted in 2006 that vested on 1 January 2009 was set at 62.5%, based on the actual embedded value performance of Delta Lloyd Group compared to the peer group. The underlying value of all outstanding options at the date of the public offering was converted from embedded value to the price of Delta Lloyd NV shares on a value-neutral basis. Consequently, the underlying value of the options immediately before and after the public offering did not change and the exercise value of the options was converted to a value based on the share price. Application of the Plan did not, therefore, lead to additional costs for Delta Lloyd Group. The other terms and conditions attached to the options remained in place. The value increase per option is settled in cash upon exercise of the options.

The fair value of the liability and the amount to be expensed at the end of the reporting period is determined using a binomial tree model incorporating the individual cap applicable to each outstanding option. The assumption is that the employees will exercise the options when the Delta Lloyd NV share price reaches a level equal to the individual cap applicable during the predetermined periods in which the options can be exercised.

Phantom options and parameters current year

		2007 options	2008 options	2009 options
Outstanding number at year end		1,687,746	1,521,320	974,464
Date of grant		01-Jan-2007	01-Jan-2008	01-Jan-2009
Vesting date		01-Jan-2010	01-Jan-2011	01-Jan-2012
Expiry date		31-Dec-2014	31-Dec-2015	31-Dec-2016
Share price volatility		25.00%	32.00%	37.00%
Exercise price (euros)		20.64	22.10	13.63
Dividend yield		5.55%	5.55%	5.55%
Risk-free interest rate		0.09%	0.25%	0.49%
Remaining term (years)		1	2	3
Lapse percentage		6%	6%	2%

Phantom options and parameters prior year

	2006 options	2007 options	2008 options	2009 options
Outstanding number at year end	1,059,302	1,648,958	1,496,251	1,705,379
Date of grant	01-Jan-2006	01-Jan-2007	01-Jan-2008	01-Jan-2009
Vesting date	01-Jan-2009	01-Jan-2010	01-Jan-2011	01-Jan-2012
Expiry date	31-Dec-2013	31-Dec-2014	31-Dec-2015	31-Dec-2016
Share price volatility	36.00%	41.00%	36.00%	44.00%
Exercise price (euros)	17.08	20.64	22.10	13.63
Dividend yield	8.02%	8.02%	8.02%	8.02%
Risk-free interest rate	-0.04%	-0.01%	0.13%	0.34%
Remaining term (years)	1	2	3	4
Lapse percentage	24%	27%	27%	22%

The charge to the income statement of € 5.4 million (2012: release of € 4.1 million) includes the rise in the number of outstanding phantom option for 2007, 2008 and 2009 at 31 December 2013 compared to 31 December 2012. This is because a number of options accidentally administered as lapsed in 2012, which also causes the positive number of forfeited option in the statement of changes.

The movements in the number of options granted were as follows:

Statement of changes in phantom options granted

In numbers of options	2013	2012
Outstanding at 1 January	**5,909,890**	**7,902,536**
Granted	-	-
Exercised during the year	-1,907,996	-
Forfeiture by termination of employment during the year	181,636	-1,992,646
Forfeiture by performance criteria during the year	-	-
Outstanding at 31 December	**4,183,530**	**5,909,890**

All phantom options that were granted and have vested are unconditional from 31 December 2012 onwards. The exercise of phantom options 2006 took place from 10 November 2013 to 23 December 2013 at a weighted average share price of € 17.57. The exercise of phantom options 2009 took place from 15 March 2013 to 20 December 2013 at a weighted average share price of € 16.32.

The total intrinsic value of options granted is € 4.3 million at 31 December 2013 (2012: nil); the Delta Lloyd NV share price of € 18.04 at 31 December 2013 (2012: € 12.34) was above the exercise prices of the options granted in 2009.

Intrinsic value of phantom options granted current year

	Number of unconditional options outstanding at 31 December 2013	Vesting date	Intrinsic value per option (euros)	Total intrinsic value (in millions of euros)
2006	-	01- Jan-2009	-	-
2007	1,687,746	01- Jan-2010	-	-
2008	1,521,320	01- Jan-2011	-	-
2009	974,464	01- Jan-2012	4.41	4.3

Phantom Performance Share Plan (PPSP, from 3 November 2009 to 1 January 2011)
The PPSP grants conditional phantom shares to eligible managers. The phantom shares entitle the holder to a cash payment at the end of a set performance period based on the underlying value of the Delta Lloyd NV shares. The phantom shares may become unconditional after three years (the vesting date), subject to the fulfilment of set performance criteria and continued employment at Delta Lloyd Group (see section 5.1.6.31. 'Employee benefits'). Grants under this plan were only made in 2010. The fair value of the provision for the PPSP is measured using Monte Carlo simulation models which take into account all the specific characteristics of the plan. Market conditions applicable to part of the conditional phantom shares, namely the performance criterion related to total shareholder return, are taken into account when determining the fair value. The expected number of dividend shares at 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 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.

All phantom shares vested on 1 January 2013 and were paid. The parameters used to determine the fair value at 31 December 2012 were the closing price of Delta Lloyd NV shares of € 12.34, vesting at 1 January 2013, dividend yield of 8.02%, risk-free interest rate of zero and a lapse percentage of 16%. This led to charge of nil for 2012 accounted for the forfeiture of conditional phantom shares and 100% vesting (the maximum is 150%) and a charge of € 0.1 million in 2013.

Movements in the number of phantom shares granted were as follows:

Statement of changes in phantom shares granted

In numbers of shares	2013	2012
Outstanding at 1 January	**144,499**	**146,981**
Granted	-	-
Exercised	-144,499	-
Expected phantom dividend shares	-	9,615
Forfeiture by termination of employment during the year	-	-12,097
Outstanding at 31 December	**-**	**144,499**

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. These 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 achieving 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 overall expense is calculated on the grant date of the conditional shares (PSP) as the fair value of a conditional share multiplied by the estimated number of shares that will vest based on current performance criteria. The fair value does not change during the period to vesting. The overall expense is allocated on a straight-line basis over the vesting period (three years) based on the employee services rendered and taking into account the estimated number of conditional shares that can vest according to the applicable vesting conditions at each reporting date. The expense is recognised in staff costs with 'share option plan' in equity as the contra-account.

The conditional shares granted are measured using Monte Carlo simulation models. In determining the fair value, market conditions applicable to the part of the conditional shares, namely the performance criterion related to total shareholder return, are taken into account. The expected number of dividend shares per ex-dividend date is also estimated, using simulated share prices, and these estimates are revised on the actual ex-dividend date.

The table below provides further information on the conditional shares granted and the parameters used to determine the fair value on the grant date:

Parameters of conditional shares at date of grant (28 May 2010)	
Date of grant	28-May-2010
Vesting date	01-Jan-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 release of € 0.7 million (2012: charge € 0.8 million) accounts for the forfeiture of conditional shares and 100% vesting (the maximum is 150%). All conditional shares vested on 1 January 2013 and were paid out.

Statement of changes in conditional shares		
In numbers of shares	**2013**	**2012**
Outstanding at 1 January	**230,041**	**237,049**
Granted	-	-
Exercised	-230,041	-
Expected dividend shares	-	11,771
Forfeiture by termination of employment during the year	-	-18,779
Outstanding at 31 December	**-**	**230,041**

Variable Incentive Plan for identified staff (VIP-is, from 1 January 2011)
The VIP-is is a plan for Executive Board members, directors and managers in control functions and functions affecting the risk profile. Their grant until 31 December 2012 is conditional and paid 50% in cash and 50% in shares. Their grant from 1 January 2013 onward is conditional and fully paid in shares. The conditional shares confer the right to a distribution of Delta Lloyd NV shares and may become unconditional after the respective vesting dates, depending on the achievement of set performance criteria and continued employment at Delta Lloyd Group (see section 5.1.6.31. 'Employee benefits').

Recognition and treatment are in line with the PSP as explained above, except that there is no right to dividend shares while the shares have not yet vested and the payout is 50% after the remuneration year and 50% is paid in equal instalments in the three subsequent years. This payout depends on the achievement of set performance criteria and continued employment at Delta Lloyd Group.

The table below provides further information on shares granted conditionally and the parameters applied to determine their fair value. For the grants in 2011, the 10 April 2011 parameters continue to apply to converted grants made under the PSP as their fair value is higher than it was on the date of the modification. The 8 December 2011 parameters only apply to additional grants made in 2011 under the VIP-is.

Parameters for conditional shares (VIP-is)

	shares granted 2013	shares granted 2012	converted PSP shares 2011	shares granted 2011
Valuation date (grant date)	01-Jan-2013	22-Feb-2012	10-Apr-2011	08-Dec-2011
Start vesting period	01-Jan-2013	01-Jan-2012	01-Jan-2011	01-Jan-2011
End of vesting period	-	-	31-Dec-2013	-
First determination date	31-Dec-2013	31-Dec-2012	-	31-Dec-2011
Vesting date first tranche	01-Jan-2014	01-Jan-2013	-	01-Jan-2012
Vesting date second tranche	01-Jan-2015	01-Jan-2014	-	01-Jan-2013
Vesting date third tranche	01-Jan-2016	01-Jan-2015	-	01-Jan-2014
Vesting date fourth tranche	01-Jan-2017	01-Jan-2016	-	01-Jan-2015
Share price volatility	-	-	55%	-
Share price volatility (first tranche)	36%	47%	-	31%
Share price volatility (second tranche)	41%	38%	-	44%
Share price volatility (third tranche)	36%	39%	-	36%
Share price volatility (fourth tranche)	44%	53%	-	50%
Share price at initial grant date (euros)	13.41	14.53	19.35	13.83
Share price at modification date (8 December 2011 in euros)	-	-	-	13.10
Dividend yield	7.40%	6.66%	3.80%	7.36%
Risk-free rate	-	-	2.25%	-
Risk-free rate (first tranche)	-0.03%	0.18%	-	0.11%
Risk-free rate (second tranche)	0.03%	0.42%	-	0.44%
Risk-free rate (third tranche)	0.19%	0.74%	-	0.83%
Risk-free rate (fourth tranche)	0.42%	1.10%	-	1.26%
(Average) fair value at grant date (in euros)	-	-	15.77	11.44

The charge for 2013 was € 3.5 million (2012: € 2.3 million). This accounts for the forfeiture of conditional shares and 50% vesting of grants made in 2012 and 100% of grants made in 2011 and 2013 (the maximum is 150%). The change to a vesting of 50% in 2012 was due to the discretionary decision of the Supervisory Board and the Executive Board to make downward adjustments based on the rules of the variable incentive plan. The modification date of 8 December 2011 is the date that DNB formally approved the revised remuneration policy.

Statement of changes in conditional shares (VIP-is)

In numbers of shares	2013	2012
Outstanding at 1 January	**336,341**	**333,209**
Granted	415,779	412,255
Exercised	-130,138	-146,850
Forfeiture by termination of employment during the year	-10,056	-4,062
Forfeiture by performance criteria during the year	-29,829	-52,083
Forfeiture due to maximum vesting cap of 50%	-	-206,128
Outstanding at 31 December	**582,097**	**336,341**

All conditional shares were fully unvested at 31 December 2013 and 31 December 2012.

Variable Incentive Plan for other managers (VIP-om, from 1 January 2011)
The VIP-om is a plan for other managers who are not identified staff. Their grant until 31 December 2012 is paid 50% in cash and 50% in conditional phantom shares. From 1 January 2013 their grant is fully in conditional phantom shares. The conditional phantom shares confer the right to a distribution in cash and may become unconditional at the respective the vesting dates, depending on achieving set performance criteria and continued employment at Delta Lloyd Group (see section 5.1.6.31. ‘Employee benefits’).

Recognition and treatment are in line with the PPSP as explained above, except that there is no right to dividend phantom shares while the phantom shares have not yet vested, and that the payout is 50% after the remuneration year and 50% is paid in equal instalments in the three subsequent years. This payout depends on achieving set performance criteria and continued employment at Delta Lloyd Group.

The table below provides further information on the phantom shares and the parameters used to determine the fair value at 31 December 2013, based on the closing price of Delta Lloyd NV shares of € 18.04 (2012: € 12.34).

Phantom shares and parameters current year (VIP-om)

	2013 shares	2012 shares	2011 shares
Grant date	01- Jan-2013	22- Feb-2012	08- Dec-2011
Start of vesting period	01- Jan-2013	01- Jan-2012	01- Jan-2011
First determination date	31- Dec-2013	31- Dec-2012	31- Dec-2011
Vesting date first tranche	01- Jan-2014	01- Jan-2013	01- Jan-2012
Vesting date second tranche	01- Jan-2015	01- Jan-2014	01- Jan-2013
Vesting date third tranche	01- Jan-2016	01- Jan-2015	01- Jan-2014
Vesting date fourth tranche	01- Jan-2017	01- Jan-2016	01- Jan-2015
Share price volatility (first tranche)	-	-	-
Share price volatility (second tranche)	25%	-	-
Share price volatility (third tranche)	32%	25%	-
Share price volatility (fourth tranche)	37%	32%	25%
Dividend yield	7.40%	5.55%	5.55%
Risk-free rate (first tranche)	-	-	-
Risk-free rate (second tranche)	0.09%	-	-
Risk-free rate (third tranche)	0.25%	0.09%	-
Risk-free rate (fourth tranche)	0.49%	0.25%	0.09%

Phantom shares and parameters previous year (VIP-om)

	2012 shares	2011 shares
Grant date	22-Feb-2012	08-Dec-2011
Start of vesting period	01-Jan-2012	01-Jan-2011
First determination date	31-Dec-2012	31-Dec-2011
Vesting date first tranche	01-Jan-2013	01-Jan-2012
Vesting date second tranche	01-Jan-2014	01-Jan-2013
Vesting date third tranche	01-Jan-2015	01-Jan-2014
Vesting date fourth tranche	01-Jan-2016	01-Jan-2015
Share price volatility (first tranche)	-	-
Share price volatility (second tranche)	36%	-
Share price volatility (third tranche)	41%	36%
Share price volatility (fourth tranche)	36%	41%
Dividend yield	8.02%	8.02%
Risk-free rate (first tranche)	-	-
Risk-free rate (second tranche)	-0.04%	-
Risk-free rate (third tranche)	-0.01%	-0.04%
Risk-free rate (fourth tranche)	0.13%	-0.01%

The charge in 2013 was € 2.2 million (2012: € 0.5 million). This accounts for the forfeiture of conditional shares and 50% vesting of grants made in 2012 and 100% of grants made in 2011 and 2013 (the maximum is 150%). The change to vesting of 50% in 2012 is due to the discretionary decision of the Supervisory Board and the Executive Board to make downward adjustments based on the rules in the Variable Incentive Plan.

The movements in the number of phantom shares granted are set out below.

Statement of changes in conditional phantom shares (VIP-om)		
In numbers of shares	2013	2012
Outstanding at 1 January	**126,108**	**141,613**
Granted	162,658	160,186
Exercised	-44,879	-49,990
Forfeiture by termination of employment during the year	-11,444	-19,522
Forfeiture by performance criteria during the year	-14,071	-26,086
Forfeiture due to maximum vesting cap of 50%	-	-80,093
Outstanding at 31 December	**218,372**	**126,108**

All conditional phantom shares were fully unvested at 31 December 2013 and 31 December 2012.

Cash remuneration in the Variable Incentive Plan for grants made until 31 December 2012

Until 31 December 2012, the Variable Incentive Plans for identified staff and other managers included a grant that is paid 50% in cash. The cash payment may become unconditional at the respective vesting dates, depending on the achievement of set performance criteria and continued employment at Delta Lloyd Group (see section 5.1.6.31 'Employee benefits'). The payout is 50% after the remuneration year and 50% is paid in equal instalments in the three subsequent years. The parameters used to determine the provision for cash remuneration granted, which is dependent on the underlying value of Delta Lloyd NV shares, are identical to those described under the Variable Incentive Plan for other managers. The charges are recognised over the periods in which services are provided, per tranche, to Delta Lloyd Group.

The charge in 2013 was € 0.5 million (2012: € 2.5 million). This was calculated taking into account forfeiture of grants and 50% vesting of grants made in 2012 and 100% of grants made in 2011 (the maximum is 150%). The change to a vesting of 50% is due to the discretionary decision of the Supervisory Board and the Executive Board to make downward adjustment based on the rules in the Variable Incentive Plan.

5.1.7.10. (10) Remuneration of directors and the Supervisory Board

Remuneration of directors

The remuneration of directors refers to the members and former members of the Executive Board. The costs involved are not allocated and are, therefore, part of the result of Delta Lloyd Group.

The Executive Board's remuneration package consists of three components: the base salary, a variable incentive plan and a pension plan. The remuneration policy as proposed by the Supervisory Board is approved by the General Meeting of Shareholders. The Supervisory Board determines the remuneration of the individual members of the Executive Board based on the recommendations of the Remuneration Committee and within the policy framework.

The remuneration policy is based on a review of the external market. With the assistance of an external remuneration consultant, 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 based on a number of criteria. In determining the remuneration levels at Delta Lloyd Group, the median of the two peer groups serves as a guide.

Base salary
The base salary was adjusted in 2013 on an average fixed/variable conversion of 37% determined by the Hay Group as a compensation of the 50% reduction in variable remuneration as adopted by the General Meeting of Shareholders on 23 May 2013. The base salary of the chairman of the Executive Board was set at € 800,000 (2012: € 675,000), and that of the other members of the Executive Board at € 592,500 (2012: € 500,000), including holiday pay and a '13th month'.

Variable Incentive Plans
The existing long-term and short-term incentive plans were revised in 2011 based on the 'Regulation on Sound Remuneration Policies' that applies to the Dutch financial sector. In the variable incentive plan, which came into effect on 1 January 2011, the distinction between long-term and short-term incentives disappeared.

At 31 December 2013 only the old long-term variable incentive plans 'Delta Lloyd Phantom Option Plan (until 3 November 2009)' remains in force but no further grants are being made under this plan. 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, until 1 January 2011) were only made in 2010 because the new Variable Incentive Plan came into effect on 1 January 2011. The grants under the PSP vested and were fully paid in shares in 2013. Further details about this incentive 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 conditional grants made in 2011 and 2012 were 50% in cash and 50% in shares and there is partial vesting. Payout is 50% after the remuneration year and 50% in equal instalments in the three subsequent years. On each occasion payment is half in cash and half in shares. Because Delta Lloyd Group wishes to bring the amount and composition of its remuneration packages closer into line with the company's risk appetite and culture, it changed the remuneration policy as adopted by the General Meeting of shareholders on 23 May 2013. The conditional grant is now 100% in shares. The variable incentive as a percentage of the base salary was adjusted from 100% at ambition level to 50% (and from 150% to 75% at outperformance level). The plan is described in greater detail in section 5.1.6.31. 'Employee benefits' and section 5.1.7.9. 'Employee information'.
There is a holding period of two to four years depending on the vesting date, unless a sale is made to satisfy any tax liabilities relating to the vesting of the performance shares.

As the Executive Board has collective responsibility for managing 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	
2013	**2012**
Business Management Objective (BMO) efficiency (operating expenses Group)	Business Management Objective (BMO) efficiency (operating expenses Group)
BMO life (IRR), BMO non-life (COR) and bank (result after tax and non-controlling interest)	BMO life (IRR), BMO non-life (COR) and bank (result after tax and non-controlling interest)
Equity (Solvency I score at end of 2013)	Equity (Solvency I score at end of 2012)
Total Shareholder Return	Total Shareholder Return
New business (NAPI-life, non-life and new money third party)	New business (NAPI-life, non-life and new money third party)
Operational result after tax and non-controlling interest	Operational result after tax and non-controlling interest

Non-financial group targets	
2013	**2012**
Putting the customer first	Putting the customer first
Employee engagement	Employee engagement
Policy compliance	Sustainability
	Solvency II

In 2013, the Chief Financial Officer was responsible for the risk function and therefore certain targets were no longer allowed while others had to be added. The differences with the group targets are:

- Financial: inapplicable are BMO life/non-life and bank, new business and operational result after tax and non-controlling interest and added was IGD after predefined stress test;
- Non-financial: four additional targets (investor relations, rating outcome Delta Lloyd Levensverzekering and Delta Lloyd Schadeverzekering, Compliance group risk appetite statement (GRAS) and relationship with the Dutch regulator).

The financial and non-financial targets are broken down on a 50%-50% basis and are based on Delta Lloyd Group’s strategy and long-term interests.

The Supervisory Board retains the right to adjust the variable incentive downwards if:

- There is evidence of misconduct or gross error by the eligible Executive Board member (for example, a breach of the code of conduct or other internal regulations);
- Delta Lloyd Group suffers a significant decline in its financial performance;
- Delta Lloyd Group suffers major failures of risk management; or
- There are major changes in the economic or regulatory capital requirements.

According to this plan, the Supervisory Board is authorised to adjust components of the variable incentive downwards (but not adjust it upwards, as was the case under the previous plan) in exceptional circumstances, if it believes it would otherwise create an unfair or unintended result.

The clawback clause covers a period of five years from the vesting date.

Pension plan

The pension plan for the Executive Board members is a defined benefit plan as explained in section 5.1.7.31. ‘Pension obligations’. This plan differs in certain respects from that for the employees. The plan for the Executive Board members is as follows (in euros):

- The retirement, dependants' and orphans' pensions are based on maximum pensionable earnings of € 588,434. If the endowment capital exceeds € 5.0 million, the pension base will be reduced to a level at which the capital sum payable on death is € 5.0 million, unless the insurer accepts the risk of death. Higher cover has been agreed for the pension base of the chairman of the Executive Board, which is € 786,785 (2012: € 661,938). The endowment capital of an Executive Board member exceeds € 5.0 million and higher cover has been agreed with the insurer;
- The annual retirement pension is 2.25% of pensionable earnings per year of employment, assuming uninterrupted employment until the retirement date;
- The annual dependants' pension is 70% of the retirement pension;
- The maximum insurable occupational disability pension is € 265,552 per year. The chairman of the Board has a higher cover, € 486,115 (2012: € 468,701) compared to € 336,869 (2012: € 337,451) for the other Executive Board members.

Executive Board members' salaries and incentives

In thousands of euros	2013	2012
Niek Hoek, chairman		
Salary	800.0	675.0
Paid variable remuneration in cash (VIP and Phantom options)	164.3	135.5
Paid variable remuneration in shares (VIP and PSP)	307.2	125.6
	1,271.5	936.1
Paul Medendorp		
Salary	592.5	500.0
Paid variable remuneration in cash (VIP and Phantom options)	121.9	100.1
Paid variable remuneration in shares (VIP and PSP)	240.3	92.7
	954.7	692.8
Emiel Roozen		
Salary	592.5	500.0
Paid variable remuneration in cash (VIP and Phantom options)	94.5	100.1
Paid variable remuneration in shares (VIP and PSP)	145.3	92.7
	832.3	692.8
Onno Verstegen		
Salary	592.5	500.0
Paid variable remuneration in cash (VIP and Phantom options)	98.7	100.1
Paid variable remuneration in shares (VIP and PSP)	155.5	92.7
	846.7	692.8
Total	3,905.2	3,014.5

Former Executive Board members' salaries, incentives and pension expenses

In thousands of euros	2013	2012
Henk Raué (from 1 April 2011)		
Transitional payment [1])	57.1	357.8
Paid variable remuneration in shares	146.8	177.9
Pension expenses (surrender of pension rights)	-	-
Total	203.9	535.7

1) Mr Raué retained a monthly transitional payment until 1 March 2013.

Delta Lloyd NV ordinary shares (including locked shares) owned by active members of the Executive Board at year end		
In numbers of shares	**2013**	**2012**
Niek Hoek, chairman	73,216	51,002
Paul Medendorp	46,571	34,008
Emiel Roozen	14,750	7,989
Onno Verstegen	15,184	7,989
Total	**149,721**	**100,988**

The increase in 2013 is due to the settlements of tranches under the Variable Incentive Plan, PSP and stock dividend.

The table below presents the conditional cash grant to the members of the Executive Board under the Variable Incentive Plan. The conditional grant recognised in the financial statements differs from the notional grant because part of its value is calculated on the basis of share-based payments and partly involves deferred employee benefits. The plan and the related measurements are described in greater detail in section 5.1.6.31. 'Employee benefits' and section 5.1.7.9. 'Employee information'.

In 2013, the expense recognised for this type of incentive was € 0.1 million (2012: € 0.4 million), taking account of 100% vesting (with a maximum of 150%), except for VIP 2012 grants, which can vest for a maximum of 50% due to the discretionary decision of the Supervisory Board to adjust the variable incentives downwards. The cap of 50% vesting for grants made in 2012 was recognised in 2012 as 'forfeited' in the statement of changes below. The forfeiture of the VIP 2012 grants is caused by not achieving all set targets (mainly total shareholders return).

Statement of changes in conditional cash incentive granted current year						
In thousands of euros	Notional at 1 January 2013	Granted	Settled	Forfeited	Notional at 31 December 2013	Balance sheet liability at 31 December 2013
Niek Hoek, chairman						
VIP 2012	168.8	-	73.0	22.8	73.0	52.7
VIP 2011	135.5	-	45.2	-	90.3	79.1
	304.3	**-**	**118.2**	**22.8**	**163.3**	**131.8**
Paul Medendorp						
VIP 2012	125.0	-	58.7	7.5	58.8	42.4
VIP 2011	100.1	-	33.4	-	66.7	58.4
	225.1	**-**	**92.1**	**7.5**	**125.5**	**100.8**
Emiel Roozen						
VIP 2012	125.0	-	54.0	16.9	54.1	39.0
VIP 2011	100.1	-	33.4	-	66.7	58.4
	225.1	**-**	**87.4**	**16.9**	**120.8**	**97.4**
Onno Verstegen						
VIP 2012	125.0	-	58.7	7.5	58.8	42.4
VIP 2011	100.1	-	33.4	-	66.7	58.4
	225.1	**-**	**92.1**	**7.5**	**125.5**	**100.8**
Total	**979.6**	**-**	**389.8**	**54.7**	**535.1**	**430.8**

Statement of changes in conditional cash incentive granted prior year						
In thousands of euros	Notional at 1 January 2012	Granted	Settled	Forfeited	Notional at 31 December 2012	Balance sheet liability at 31 December 2012
Niek Hoek, chairman						
VIP 2012	-	337.5	-	168.8	168.8	114.9
VIP 2011	325.0	-	135.5	54.0	135.5	97.9
	325.0	**337.5**	**135.5**	**222.8**	**304.3**	**212.8**
Paul Medendorp						
VIP 2012	-	250.0	-	125.0	125.0	85.1
VIP 2011	240.0	-	100.1	39.8	100.1	72.3
	240.0	**250.0**	**100.1**	**164.8**	**225.1**	**157.4**
Emiel Roozen						
VIP 2012	-	250.0	-	125.0	125.0	85.1
VIP 2011	240.0	-	100.1	39.8	100.1	72.3
	240.0	**250.0**	**100.1**	**164.8**	**225.1**	**157.4**
Onno Verstegen						
VIP 2012	-	250.0	-	125.0	125.0	85.1
VIP 2011	240.0	-	100.1	39.8	100.1	72.3
	240.0	**250.0**	**100.1**	**164.8**	**225.1**	**157.4**
Henk Raué (until 1 April 2011)						
VIP 2011	240.0	-	-	240.0	-	-
Total	**1,285.0**	**1,087.5**	**435.8**	**957.2**	**979.6**	**684.8**

The table below presents the remuneration of the members of the Executive Board in the form of outstanding options granted under the Delta Lloyd Phantom Option Plan in 2006, 2007, 2008 and 2009, conditional shares granted in 2010 under the Performance Share Plan and conditional shares granted in 2011, 2012 and 2013 under the Variable Incentive Plan (VIP).

Fair value of the conditional shares and phantom options related to long-term variable incentive current year				
In thousands of euros	Conditional shares VIP	Conditional shares PSP	Phantom options	Total
Niek Hoek, chairman	440.7	-	1,019.1	1,459.8
Paul Medendorp	330.1	-	652.5	982.6
Emiel Roozen	330.1	-	189.2	519.3
Onno Verstegen	326.2	-	227.6	553.8
Total	**1,427.2**	**-**	**2,088.4**	**3,515.6**

Fair value of the conditional shares and phantom options related to long-term variable incentive prior year				
In thousands of euros	Conditional shares VIP	Conditional shares PSP	Phantom options	Total
Niek Hoek, chairman	374.5	267.0	510.5	1,152.0
Paul Medendorp	277.0	197.2	326.3	800.5
Emiel Roozen	277.0	71.4	94.9	443.3
Onno Verstegen	277.0	78.0	111.6	466.6
Henk Raué (until 1 April 2011)	-	197.2	-	197.2
Total	**1,205.5**	**810.8**	**1,043.3**	**3,059.6**

In 2013, the total expense for this type of incentive was € 1.9 million (2012: € 0.1 million). This consists of an € 1.0 million expense (2012: € 0.6 million) in conditional shares (Variable Incentive Plan), an € 0.2 million income (2012: € 0.3 million expense) in conditional shares (PSP) and an € 1.1 million expense (2012: € 0.8 million income) 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 2013. It 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 2013 was equal to the fair value at the grant date taking into account an expected 100% vesting (the maximum is 150%), except for 2012 grants, which are capped by the discretionary decision of the supervisory board at 50% vesting. This is being recognised through profit or loss over the vesting period.

The cap of 50% vesting for grants made in 2012 was recognised as ‘forfeited’ in 2012 in the statement of changes below. The forfeiture of the PSP and VIP 2012 grants in 2013 is caused by not achieving all set targets (mainly total shareholders return).

The movements in the number of conditional shares granted were as follows:

Statement of changes in conditional shares granted under the VIP current year

In numbers of shares	At 1 January 2013	Granted	Exercised	Forfeited	At 31 December 2013
Niek Hoek, chairman					
VIP 2013	-	35,067	-	-	35,067
VIP 2012	15,552	-	6,724	2,104	6,724
VIP 2011	9,796	-	3,265	-	6,531
Total	**25,348**	**35,067**	**9,989**	**2,104**	**48,322**
Paul Medendorp					
VIP 2013	-	25,972	-	-	25,972
VIP 2012	11,520	-	5,413	695	5,412
VIP 2011	7,233	-	2,411	-	4,822
Total	**18,753**	**25,972**	**7,824**	**695**	**36,206**
Emiel Roozen					
VIP 2013	-	25,972	-	-	25,972
VIP 2012	11,520	-	4,981	1,559	4,980
VIP 2011	7,233	-	2,411	-	4,822
Total	**18,753**	**25,972**	**7,392**	**1,559**	**35,774**
Onno Verstegen					
VIP 2013	-	25,972	-	-	25,972
VIP 2012	11,520	-	5,413	695	5,412
VIP 2011	7,233	-	2,411	-	4,822
Total	**18,753**	**25,972**	**7,824**	**695**	**36,206**
Total	**81,607**	**112,983**	**33,029**	**5,053**	**156,508**

Statement of changes in conditional shares granted under the VIP prior year

In numbers of shares	At 1 January 2012	Granted	Exercised	Forfeited	At 31 December 2012
Niek Hoek, chairman					
VIP 2012	-	31,104	-	15,552	15,552
VIP 2011	23,492	-	9,796	3,900	9,796
Total	**23,492**	**31,104**	**9,796**	**19,452**	**25,348**
Paul Medendorp					
VIP 2012	-	23,040	-	11,520	11,520
VIP 2011	17,347	-	7,234	2,880	7,233
Total	**17,347**	**23,040**	**7,234**	**14,400**	**18,753**
Emiel Roozen					
VIP 2012	-	23,040	-	11,520	11,520
VIP 2011	17,347	-	7,234	2,880	7,233
Total	**17,347**	**23,040**	**7,234**	**14,400**	**18,753**
Onno Verstegen					
VIP 2012	-	23,040	-	11,520	11,520
VIP 2011	17,347	-	7,234	2,880	7,233
Total	**17,347**	**23,040**	**7,234**	**14,400**	**18,753**
Henk Raué (until 1 April 2011) VIP 2011[1]	**17,347**	**-**	**13,877**	**3,470**	**-**
Total	**92,880**	**100,224**	**45,375**	**66,122**	**81,607**

1) In accordance with section 6 article 7 paragraph 9 (ii) of the Variable Incentive Plan, the conditional grants will vest on the original vesting date in the case of (early) retirement.

Statement of changes in conditional shares PSP current year

In numbers of shares	At 1 January 2013	Granted	Expected dividend shares	Exercised	Forfeited	At 31 Decemb er 2013
Niek Hoek, chairman	24,017	-	-	14,456	9,561	-
Paul Medendorp	17,735	-	-	10,675	7,060	-
Emiel Roozen	6,424	-	-	3,866	2,558	-
Onno Verstegen	7,019	-	-	4,226	2,793	-
Henk Raué (until 1 April 2011) [1])	17,735	-	-	10,675	7,060	-
Total	**72,930**	**-**	**-**	**43,898**	**29,032**	**-**

1) Notwithstanding article 15 paragraph 2 of the Performance Share Plan, the conditional granted shares do not lapse after termination of employment, but vest on the original vesting date.

Statement of changes in conditional shares PSP prior year

In numbers of shares	At 1 January 2012	Granted	Expected dividend shares	Exercised	Forfeited	At 31 December 2012
Niek Hoek, chairman	22,437	-	1,580	-	-	24,017
Paul Medendorp	16,568	-	1,167	-	-	17,735
Emiel Roozen	6,001	-	423	-	-	6,424
Onno Verstegen	6,558	-	461	-	-	7,019
Henk Raué (until 1 April 2011) [1])	16,568	-	1,167	-	-	17,735
Total	**68,132**	**-**	**4,798**	**-**	**-**	**72,930**

1) Notwithstanding article 15 paragraph 2 of the Performance Share Plan, the conditional granted shares do not lapse after termination of employment, but vest on the original vesting date.

The intrinsic value of outstanding phantom options at 31 December 2013 was € 4.41 for the 2009 options because the Delta Lloyd NV share price of € 18.04 was higher than the exercise prices of the options granted in 2009. For the 2007 and 2008 options the intrinsic value was nil as the share price was lower than the exercise prices of the options granted in those years. At 31 December 2012 the intrinsic value of all granted phantom options was nil, because the Delta Lloyd NV share price of € 12.34 was lower than the exercise prices.

Characteristics and the number of outstanding phantom options at 31 December 2013 was as follows:

Delta Lloyd Phantom Option Plan

	Number of unconditional options outstanding at 31 December 2013 [1])	Vesting date	Expiration date	Exercise price (in euros) [1])	Total intrinsic value as at 31 December 2013 (in euros)
Niek Hoek, chairman					
2007	191,762	01- Jan-2010	31- Dec-2014	20.64	-
2008	153,412	01- Jan-2011	31- Dec-2015	22.10	-
2009	131,254	01- Jan-2012	31- Dec-2016	13.63	578,830
Paul Medendorp					
2007	123,869	01- Jan-2010	31- Dec-2014	20.64	-
2008	99,092	01- Jan-2011	31- Dec-2015	22.10	-
2009	84,787	01- Jan-2012	31- Dec-2016	13.63	373,911
Emiel Roozen [2])					
2007	31,078	01- Jan-2010	31- Dec-2014	20.64	-
2008	27,285	01- Jan-2011	31- Dec-2015	22.10	-
2009	25,735	01- Jan-2012	31- Dec-2016	13.63	113,491
Onno Verstegen [3])					
2007	28,701	01- Jan-2010	31- Dec-2014	20.64	-
2008	28,239	01- Jan-2011	31- Dec-2015	22.10	-
2009	32,995	01- Jan-2012	31- Dec-2016	13.63	145,508

1) The number of options was adjusted based on the vesting percentages and on the conversion with regard to the change in the exercise price before and after the public offering.

2) All options were granted in the period when Mr Roozen was not a member of the Executive Board. As a consequence, the upper limit was set at 90% of the 12-month salary.

3) All options were granted in the period when Mr Verstegen was not a member of the Executive Board. As a consequence, the upper limit was set at 90% of the 12-month salary, except for the year 2009, for which the upper limit was set at 110%.

The movements in the number of phantom options granted are stated below. The exercised options all relate to the 2006 grants.

Long-term variable incentive (Delta Lloyd Phantom Option Plan) current year

In numbers of options	At 1 January 2013	Granted	Exercised	Forfeited	At 31 December 2013
Niek Hoek, chairman	613,002	-	136,574	-	476,428
Paul Medendorp	395,967	-	88,219	-	307,748
Emiel Roozen	105,217	-	21,119	-	84,098
Onno Verstegen	109,438	-	19,503	-	89,935
Total	**1,223,624**	**-**	**265,415**	**-**	**958,209**

Long-term variable incentive (Delta Lloyd Phantom Option Plan) prior year					
In numbers of options	At 1 January 2012	Granted	Exercised	Forfeited	At 31 December 2012
Niek Hoek, chairman	613,002	-	-	-	613,002
Paul Medendorp	395,967	-	-	-	395,967
Emiel Roozen (from 27 May 2010)	105,217	-	-	-	105,217
Onno Verstegen (from 1 January 2011)	109,438	-	-	-	109,438
Peter Kok (until 27 May 2010)	84,787	-	-	84,787	-
Henk Raué (until 1 April 2011)	313,611	-	-	313,611	-
Total	**1,622,022**	**-**	**-**	**398,398**	**1,223,624**

Pension expenses relating to members of the Executive Board		
In thousands of euros	**2013**	**2012**
Niek Hoek, chairman	228.6	179.0
Paul Medendorp	162.2	128.9
Emiel Roozen	162.2	128.9
Onno Verstegen	162.2	128.9
Total	**715.2**	**565.7**

Mortgages and loans

Delta Lloyd Group has granted mortgages on market-consistent terms and conditions to two current members of the Executive Board.

Loans and advances relating to members of the Executive Board						
In thousands of euros	Outstanding at 31 December 2013	Average interest rate	Repaid in 2013	Outstanding at 31 December 2012	Average interest rate	Repaid in 2012
Niek Hoek, chairman	797.8	4.9%	-	797.8	4.7%	-
Emiel Roozen	773.5	3.1%	151.5	925.0	3.8%	-

Remuneration of the Supervisory Board

The members of the Supervisory Board are remunerated in accordance with their positions on the Board. The remuneration also includes payment for membership of Supervisory Board committees and expenses incurred.

No bonuses, loans or mortgages have been granted to current or former Supervisory Board members. There are no pension entitlements or option plans for current or former members of the Supervisory Board.

The members of the Supervisory Board are not entitled to contractual severance payment on termination of service.

Remuneration was adjusted from 1 November 2009, as a result of changes in the weight of the position. Advice on the composition of the remuneration based on a peer group benchmark was obtained from an independent remuneration expert.

Since 1 November 2009, the annual remuneration of Supervisory Board members is as follows (in euros):

- Chairman of the Supervisory Board: € 75,000;
- Vice-chairman of the Supervisory Board: € 60,000; and
- Members of the Supervisory Board: € 50,000.

Payment for membership of the Supervisory Board committees from 1 November 2009, are as follows (in euros):

- Chairman of the Audit Committee and/or Risk Committee € 9,000;
- Members of the Audit Committee and/or Risk Committee € 6,000;
- Chairman of the Remuneration Committee and/or Nomination Committee: € 9,000; and
- Members of the Remuneration Committee and/or Nomination Committee: € 5,000.

Remuneration of the Supervisory Board

In thousands of euros	2013	2012
René Kottman, chairman (until 1 January 2014) [1]		
Remuneration	75.0	75.0
Committees	14.0	14.0
Expenses	0.2	0.2
	89.2	**89.2**
Eric Fischer, vice chairman		
Remuneration	60.0	60.0
Committees	12.0	14.5
Expenses	0.2	0.2
	72.2	**74.7**
Pamela Boumeester (until 1 April 2013)		
Remuneration	12.5	50.0
Committees	3.5	14.0
Expenses	0.1	0.2
	16.1	**64.2**
Jean Frijns (from 23 May 2012) [3]		
Remuneration	50.0	37.5
Committees	15.0	11.3
Expenses	0.2	0.2
	65.2	**49.0**
Jan Haars		
Remuneration	50.0	50.0
Committees	15.0	16.5
Expenses	0.2	0.2
	65.2	**66.7**
Peter Hartman		
Remuneration	50.0	50.0
Committees	10.0	7.0
Expenses	0.2	0.2
	60.2	**57.2**
Fieke van der Lecq		
Remuneration	50.0	50.0
Committees	12.0	12.0
Expenses	0.2	0.2
	62.2	**62.2**
Patrick Regan [2]		
Remuneration	50.0	-
Committees	12.0	-
Expenses	0.2	-
	62.2	**-**
Clara Streit (from 23 May 2013)		
Remuneration	25.0	-
Committees	5.0	-
Expenses	0.1	-
	30.1	**-**
Total	**522.6**	**463.2**

1) Excluding € 20,000 (2012: € 20,000) remuneration of the Supervisory Board of the Delta Lloyd Bankengroep

2) Aviva sold its remaining stake in Delta Lloyd NV on 8 January 2013 and relinquised its right to nominate a member of the Supervisory Board. As the Supervisory Board was very satisfied with Mr Regan, they asked him to stay as an independent member of the Supervisory Board.

3) Chairman from 1 January 2014

5.1.7.11. (11) Tax expense

Tax charged to the income statement in the financial year		
In millions of euros	**2013**	**2012**
Current tax liabilities	183.3	35.3
Adjustment for prior-year final assessments	-3.6	-3.1
Tax due for immediate payment	**179.7**	**32.2**
Deferred taxation:		
Originating from timing differences	-156.5	-564.0
Measurement of deferred tax assets	10.9	-1.8
Total deferred tax	**-145.6**	**-565.8**
Total tax charged to income statement	**34.1**	**-533.6**

The categories of movements in deferred tax were as follows:

Movements in deferred tax in the result		
In millions of euros	**2013**	**2012**
Insurance liabilities	397.9	-1,110.1
Investments	-551.8	356.8
Equalisation reserve	0.7	-4.1
Unused tax losses	37.4	106.7
Intangible fixed assets	-3.1	-1.4
Pension plans	-29.3	61.0
Other movements	2.5	25.3
Total	**-145.6**	**-565.8**

Tax charged to equity at year end		
In millions of euros	**2013**	**2012**
Deferred tax	9.7	-29.0
Total tax charged to equity	**9.7**	**-29.0**

Deferred tax taken from equity relates to tax on gains and losses on investments recognised in equity. In 2013 and 2012, the nominal tax rates were 25.0% in the Netherlands, 33.99% in Belgium and 30.0% in Germany. The difference between the effective tax rate and the nominal tax rate is explained below:

Tax charged to the income statement in the financial year		
In millions of euros	**2013**	**2012**
Result before tax from continuing operations	**239.1**	**-2,010.8**
Tax calculated at standard Netherlands corporation tax rate of 25%	**59.8**	**-502.7**
Non-assessable dividends	-28.5	-18.2
Impairment of 5% interests in investments	17.5	39.3
Untaxed un(realised) gains and losses	-35.5	-30.9
Transfers from/to non-capitalised losses in Germany	1.3	-9.7
Transfers to capitalised losses in Belgium	9.6	7.9
Tax rate difference with Germany	0.7	0.3
Tax rate difference with Belgium	20.2	-20.6
Badwill ZA Verzekeringen	-14.1	-
Change in tax provision	4.4	0.5
Other	-1.2	0.5
Total tax charged to income statement	**34.1**	**-533.6**

5.1.7.12. (12) Goodwill

Statement of changes in carrying value of goodwill		
In millions of euros	**2013**	**2012**
Gross carrying value of goodwill		
At 1 January	**344.2**	**340.2**
Addition	1.0	4.0
Disposals	-	-
Other movements	-	-
At 31 December	**345.2**	**344.2**
Accumulated impairment		
At 1 January	**-39.9**	**-9.9**
Impairment losses	-21.8	-30.0
Disposals	-	-
Other movements	-	-
At 31 December	**-61.7**	**-39.9**
Net carrying value of goodwill at 31 December	**283.5**	**304.4**

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 2013	127.3	131.8	21.3	3.1	283.5
Carrying value at 31 December 2012	127.3	131.8	29.4	15.9	304.4

As set out in section 5.1.6.15. ‘Intangible assets’ and section 5.1.6.19. ‘Impairment of non-financial assets’, 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 impairment test for ABN AMRO Verzekeringen established a surplus value of € 55.0 million (2012: € 81.9 million). A rise of 100 basis points in market interest rates would lead to a fall of € 57.2 million in the embedded value component of realisable value (€ 29.2 million based on 51%). A fall of 100 basis points in market interest rates would lead to a rise of € 66.7 million in the embedded value component of realisable value (€ 34.0 million based on 51%). The calculation does not take new business into account.

An impairment test for Swiss Life Belgium established a surplus value of € 150.8 million (2012: € 318.3 million). The main variables in this calculation are the market interest rates used to calculate the embedded value. A 100 basis points rise in market interest rates would lead to an increase of € 18.9 million in the embedded value component of realisable value. A 100 basis points fall in market interest rates would decrease the embedded value component of realisable value by € 70.0 million.

The acquisition of the 15% minority share of Cyrte Investments led to an additional adjustment in goodwill of € 1.0 million. The updated impairment test performed on 30 June 2013 resulted in a carrying amount of € 21.3 million for Cyrte Investments and an impairment of € 9.1 million was charged to ‘other operating expenses’. At year end the impairment test established a surplus of € 8.7 million.

The movement in Other is due to the impairment of Bank Nagelmackers at Delta Lloyd Bank België. The Bank Nagelmackers goodwill (€ 12.8 million) has been fully impaired considering the fund outflow, the effects of the restructuring of Delta Lloyd Bankengroep and the classification of Delta Lloyd Bank België as assets held for sale.

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 2012	**91.1**	**122.5**	**188.0**	**401.6**
Additions	-	7.0	-	7.0
Disposals	-16.6	-6.7	-20.1	-43.3
At 31 December 2012	**74.5**	**122.9**	**167.9**	**365.3**
Additions	-	5.5	1.3	6.7
Disposals	-	-1.1	-	-1.1
Other movements	-	-	-	-
Transfer to assets held for sale	-	-21.5	-	-21.5
At 31 December 2013	**74.5**	**105.8**	**169.2**	**349.5**
Accumulated amortisation				
At 1 January 2012	**-54.9**	**-108.2**	**-76.7**	**-239.9**
Amortisation for the year	-4.0	-5.8	-7.9	-17.7
Disposals	3.1	6.7	1.8	11.6
Other movements	-	-	-	-
At 31 December 2012	**-55.9**	**-107.4**	**-82.7**	**-246.0**
Amortisation for the year	-3.7	-5.5	-6.3	-15.5
Disposals	-	0.9	-	0.9
Other movements	-	-	-	-
Transfer to assets held for sale	-	16.4	-	16.4
At 31 December 2013	**-59.6**	**-95.6**	**-89.0**	**-244.3**
Accumulated impairment				
At 1 January 2012	**-7.9**	**-5.4**	**-0.2**	**-13.5**
Disposals	7.9	-	0.2	8.1
At 31 December 2012	**-**	**-5.4**	**-**	**-5.4**
At 31 December 2013	**-**	**-5.4**	**-**	**-5.4**
Carrying value				
At 1 January 2012	**28.2**	**8.8**	**111.1**	**148.2**
At 31 December 2012	**18.6**	**10.0**	**85.2**	**113.9**
At 31 December 2013	**14.9**	**4.7**	**80.2**	**99.8**

As of 2013, Delta Lloyd Bank België is classified as held for sale. As a result, the accumulated impairment and accumulated amortisation of Delta Lloyd Bank België was transferred to assets held for sale.

The AVIF (acquired value of in-force) refers to the acquired portfolio value of ABN AMRO Verzekeringen of € 14.9 million (2012: € 18.6 million). AVIF is amortised on a straight-line basis. The remaining amortisation period for the AVIF portfolio at the end of 2013 is four years.

The category 'Other' mainly consists of the distribution channel acquired as part of the takeover of ABN AMRO Verzekeringen for an amount of € 64.0 million (2012: € 67.3 million). This item will be amortised over the next 19 years.

It also includes the accumulated amortisation of Delta Lloyd Deelnemingen Fonds over a 10-year period. At 31 December a total amount of € 10.0 million (2012: € 7.5 million) was amortised. The remaining balance sheet item will be amortised over the next six years.

5.1.7.14. (14) Deferred acquisition costs

Deferred acquisition costs at year end

In millions of euros	Life	General	Total 2013	Life	General	Total 2012
Participating insurance contracts	26.3	-	26.3	28.9	-	28.9
Non-participating insurance contracts	48.0	44.3	92.3	64.0	69.4	133.4
Investment contracts	19.2	-	19.2	18.4	-	18.4
Total deferred acquisition costs	**93.5**	**44.3**	**137.8**	**111.3**	**69.4**	**180.7**

Statement of changes in deferred acquisition costs of life insurance contracts

In millions of euros	**2013**	**2012**
At 1 January	**111.3**	**126.7**
Deferred acquisition costs	20.5	24.9
Amortisation	-37.6	-38.9
Other adjustments	-0.6	-1.5
At 31 December	**93.5**	**111.3**

Statement of changes in deferred acquisition costs of general insurance contracts

In millions of euros	**2013**	**2012**
At 1 January	**69.4**	**73.5**
Deferred acquisition costs	187.1	249.0
Amortisation	-212.2	-253.1
At 31 December	**44.3**	**69.4**

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
Statement of changes				
At 1 January 2012	**131.0**	**10.6**	**19.0**	**160.6**
Additions	1.6	9.5	6.9	17.9
Changes within Group	-	-	-	-
Disposals	-2.6	-0.2	-3.1	-6.0
Transfers to / from investment property	-5.9	-	-	-5.9
Depreciation	-4.2	-5.8	-6.5	-16.5
Impairment	-5.3	-	-2.3	-7.7
Other movements	-1.7	-	-	-1.7
At 31 December 2012	**112.8**	**13.9**	**14.1**	**140.8**
At 1 January 2013	**112.8**	**13.9**	**14.1**	**140.8**
Additions	2.6	3.2	3.0	8.8
Changes within Group	-	-0.2	0.3	0.1
Disposals	-0.7	-	-0.4	-1.1
Transfers to / from investment property	-5.7	-	-	-5.7
Depreciation	-3.6	-6.0	-3.3	-12.9
Impairment	-4.2	-	-0.2	-4.4
Transfer to assets held for sale	-10.6	-1.8	-7.3	-19.7
Other movements	-0.1	-	-	-0.1
At 31 December 2013	**90.4**	**9.1**	**6.2**	**105.8**
Carrying value				
At 1 January 2012				
Cost	192.2	40.2	134.6	367.1
Depreciation	-46.5	-29.7	-115.6	-191.7
Impairment losses	-14.8	-	-	-14.8
Carrying value	**131.0**	**10.6**	**19.0**	**160.6**
At 31 December 2012				
Cost	178.2	47.1	137.3	362.6
Depreciation	-45.3	-33.2	-120.9	-199.4
Impairment losses	-20.1	-	-2.3	-22.4
Carrying value	**112.8**	**13.9**	**14.1**	**140.8**
At 31 December 2013				
Cost	152.7	32.4	91.2	276.2
Depreciation	-38.0	-23.2	-82.4	-143.6
Impairment losses	-24.3	-	-2.5	-26.8
Carrying value	**90.4**	**9.1**	**6.2**	**105.8**

Delta Lloyd Group has no material financial leases for property and equipment, nor has it leased property and equipment to third parties under operating leases. There are no restrictions on ownership and no property and equipment has been pledged as security for liabilities.

There was no property under construction. As such no related borrowing costs were capitalised in the reporting period.

The fair value of property and equipment are included in section 5.1.7.39. 'Fair value of financial assets and financial liabilities'. The fair value of computer and other equipment is not materially different from the carrying value.

Delta Lloyd Group's owner-occupied properties were impaired by € 4.2 million, which mainly relates to vacancies at the office building in Arnhem.

Transfer to the held for sale category during 2013 relates to Delta Lloyd Bank België. See section 5.1.7.5. 'Discontinued operations and assets and liabilities held for sale'.

5.1.7.16. (16) Investment property

Statement of changes in investment property					
In millions of euros	Investment property under construction 1)	Investment property - freeholds	Investment property - long-term leaseholds	Investment property - short-term leaseholds	Total
Cost					
At 1 January 2012	**45.8**	**1,829.9**	**90.1**	**49.5**	**2,015.2**
Additions	11.5	28.1	1.1	-	40.7
Changes within Group	-	-	-	-	-
Disposals	-	-116.9	-	-	-116.9
Transfers to / from investment property	-	5.8	-	-	5.8
Transfer to assets held for sale	-	-107.0	-	-	-107.0
Other movements	-	-0.3	-	-	-0.3
At 31 December 2012	**57.3**	**1,639.6**	**91.1**	**49.5**	**1,837.5**
At 1 January 2013	**57.3**	**1,639.6**	**91.1**	**49.5**	**1,837.5**
Additions	4.5	52.0	0.7	0.1	57.4
Changes within Group	-	30.8	-	-	30.8
Disposals	-0.4	-16.6	-	-	-17.0
Transfers to / from investment property	29.8	5.7	-	-	35.5
Transfer to assets held for sale	-	-11.6	-	-	-11.6
Other movements	-	-	-	-	-
At 31 December 2013	**91.1**	**1,699.9**	**91.8**	**49.7**	**1,932.5**
Revaluation					
At 1 January 2012	**6.6**	**445.7**	**-21.2**	**0.5**	**431.6**
Fair value gains and losses	-18.1	-64.2	-11.2	-4.2	-97.7
Changes within Group	-	-	-	-	-
Disposals	-	-6.7	-	-	-6.7
Transfers to / from investment property	-	-	-	-	-
Other movements	-	2.6	-	-	2.6
At 31 December 2012	**-11.4**	**377.4**	**-32.4**	**-3.6**	**329.9**
At 1 January 2013	**-11.4**	**377.4**	**-32.4**	**-3.6**	**329.9**
Fair value gains and losses	-15.2	-54.3	-8.6	-3.5	-81.6
Changes within Group	-	-	-	-	-
Disposals	-	-2.6	-	-	-2.6
Transfers to / from investment property	-	-	-	-	-
Transfer to assets held for sale	-	2.9	-	-	2.9
Other movements	-	0.1	-	-	0.1
At 31 December 2013	**-26.6**	**323.5**	**-41.1**	**-7.1**	**248.7**
Carrying value					
At 1 January 2012	**52.4**	**2,275.6**	**68.8**	**50.0**	**2,446.9**
At 31 December 2012	**45.8**	**2,017.1**	**58.7**	**45.9**	**2,167.5**
At 31 December 2013	**64.5**	**2,023.4**	**50.7**	**42.6**	**2,181.2**

1) Including real estate projects

During the year real estate projects were reclassified from inventory of real estate projects to investment properties as the purpose of these projects changed.

Delta Lloyd acquired € 30.8 million freehold investment property with the takeover of ZA Verzekeringen. See section 5.1.7.4. 'Subsidiaries'.

Investment properties are stated at fair value assessed by qualified external valuers each half year as described in accounting policy section 5.1.6.17. 'Investment property'. Desktop appraisals are performed every half year and a full appraisal is carried out every three years. All investment properties had a full external appraisal at the end of 2013. Each appraisal is also checked by a second valuer. 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 table below shows the discount rates used for the three main groups.

Discount rate used

Main group	2013	2012
Residential	5.8% to 8.5%	4.8% to 8.2%
Retail	7.0%	7.0%
Offices	6.2% to 9.0%	6.8% to 10.7%

It has become more difficult to establish market values of Dutch retail and offices due to a lack of a sufficient number of comparable sales transactions. This implies that the degree of uncertainty in the appraisals is greater than usual. The appraisal values reflect the volatility of today's market.

The investment properties are appraised using:

- Current leases, which form the basis of the appraisal;
- A gross initial yield, which is the percentage relationship between annual rental income at year end and the fair value of the property excluding costs;
- A best estimate of the costs of future renovations and maintenance; and
- At the end of a lease contract, realistic estimates are made of the probability of vacancy, the potential impact of future rent discounts (lease incentives) and re-letting expectations. These estimates reflect the current situation in the property market.

In the reporting period no borrowing costs were capitalised (2012: € 1.5 million). The average weighted capitalisation rate used in 2012 was 2.76%. € 18.5 million was invested in new purchases and € 10.9 million was incurred in additional investment expenditure.

See section 5.1.7.1. 'Risk management' for the breakdown of the own risk property portfolio in residential, retail and offices.

Rental income		
In millions of euros	2013	2012
Rental income		
Gross rental income	154.3	161.4
Operating expenses		
Operating expenses related to vacancies	1.8	1.4
Other direct operating expenses	40.7	41.5
Direct operating expenses	**42.5**	**42.9**
Net rental income	**111.7**	**118.5**

Lease agreements are at arm's length.

Expected future rental income is disclosed in section 5.1.7.38. 'Off-balance sheet positions'.

5.1.7.17. (17) Associates and joint ventures

Statement of changes in associates and joint ventures		
In millions of euros	2013	2012
Carrying value		
At 1 January	**193.6**	**334.8**
Change in ownership	34.4	-
Disposals	-	-136.4
Capital injection	59.0	4.6
Capital withdrawal	-19.5	-
Share of result after tax	-14.6	9.5
Dividends received	-68.8	-55.0
Fair value changes in equity	62.5	25.4
Other movements	50.3	10.7
At 31 December	**296.9**	**193.6**

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	445.0	0.2	28.0	24.1	21.74%
Dasym Edam Holding CV	278.5	39.7	5.2	5.0	5.23%
Project Holland Fonds CV	223.3	2.1	82.7	80.7	49.63%
Dasym Investments IX BV	63.0	0.1	4.9	4.8	60.10%
Dasym Investments V BV	58.4	-	15.4	15.4	50.00%
BeFrank	10.5	7.3	0.9	-5.4	50.00%
End 2013	**1,078.8**	**49.4**	**137.0**	**124.6**	
CF I Invest CV	729.5	0.1	130.2	124.8	22.01%
Cyrte Fund II CV	273.4	39.6	29.1	0.3	10.48%
Project Holland Fonds CV	138.9	-	37.9	37.9	49.63%
BeFrank	7.4	2.9	0.4	-3.8	50.00%
End 2012	**1,149.2**	**42.6**	**197.5**	**159.2**	

The figures are based on the most recent financial information on the associates made available to Delta Lloyd Group. As such, this financial information is not based on the carrying values (including goodwill) notionally recognised by Delta Lloyd Group as a result of the notional purchase price allocation performed on the date when significant influence commenced. Individual investments in other associates are not considered material and are therefore not included in the statement of Delta Lloyd Group's principal associates and joint ventures.

In the first half of 2013, Cyrte Investments BV, a 85% subsidiary of Delta Lloyd, was split into Cyrte Investments BV and Dasym Investment Strategies. Cyrte Investments is fully owned by Delta Lloyd NV and Dasym Investments Strategies is considered a third party. Given this split, Delta Lloyd has no full control over Daysm Investments III BV, Dasym Investments IV BV, Dasym Investments V BV and Dasym Investments IX BV and as a result, the entities are now presented as associates. Cyrte Investments will focus on investments in listed technology, media and telecoms companies via the Cyrte LatAm Fund, Cyrte Africa Fund and Cyrte Global Fund, which are considered subsidiaries of Delta Lloyd Group. Delta Lloyd Group and Dasym investment strategies will continue to cooperate on a case-by-case investment basis.

If a Cyrte fund is set up as a limited partnership (commanditaire vennootschap or CV), Cyrte Investments BV becomes the investment manager and Delta Lloyd Group will participate as one of the investors or general partner. Irrespective of whether a Cyrte fund is structured as a BV (private limited company) or as a CV, the other investors' rights in aggregate allow them to participate in important decisions 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 through its role as investment manager or as general partner, it classifies all the individual investments in the Cyrte funds as subsidiaries.

As a result of the restructuring of Cyrte Investments BV, the addition to associates relates to direct and indirect shares in Dasym Investment III BV, Dasym Investment IV BV and Dasym Investment V BV, which are no longer presented as subsidiaries. The capital injection consists of € 35.0 million capital contribution to Dasym Investment IX BV, € 6.8 million for CF I Invest CV, € 15.1 million for Project Holland Fonds CV, € 2.0 million from BeFrank and a capital withdrawal of € 19.5 million from Project Holland Fonds CV. The changes in fair value and dividends received relate to the interests in CF I Invest CV, Project Holland Fonds CV and Dasym Investment V BV. Other movements contains indirect interests in Cyrte LatAm Fund which runs through CF I Invest CV.

In 2013, Cyrte Fund II CV changed its name to Dasym Edam Holding CV.

BeFrank is a joint venture of Delta Lloyd Group. € 1.7 million of the assets can be qualified as long-term. All the liabilities can be qualified as short term.

Delta Lloyd Group held a 30.5% interest in Van Lanschot NV at 31 December 2013 (2012: 31.2%). It is generally assumed that significant influence is exercised on the financial and operating policy of an entity when the interest is above 20%. Delta Lloyd Group is unable to exercise influence on the strategic financial policy, operating policy and dividend policy as it is not represented on the board of directors or supervisory board of Van Lanschot NV and as such is not able to independently appoint board members. As a result, Delta Lloyd Group accounts for its stake in Van Lanschot NV as an equity security available for sale and not as an associate.

5.1.7.18. (18) Financial investments

Financial investments for own risk at year end		
In millions of euros	**2013**	**2012**
Debt securities	24,959.9	25,232.8
Equity securities	3,458.0	4,322.1
Derivatives	1,172.4	2,550.3
Loans at fair value through profit or loss (FVTPL)	5,784.0	6,249.1
Loans and receivables at amortised cost	12,194.4	17,106.7
Total financial investments	**47,568.8**	**55,461.0**

As of 2013, Delta Lloyd Bank België is classified as assets held for sale. As a result an amount of € 6,221.0 million was transferred to assets held for sale. A further breakdown of this amount can be found in section 5.1.7.5. 'Discontinued operations and assets and liabilities held for sale'.

Loans at fair value through profit or loss include € 5,650.5 million of mortgages (2012: € 6,089.1 million). Of the fair value gains and losses on loans at fair value through profit or loss, € -2.3 million (cumulative € -78.9 million) is attributable to changes in credit risk. The change, during the period and accumulated, in the fair value of the loans attributable to changes in the credit risk of the financial asset is determined based on the following method:

A comparison between the applied credit spread between ultimo 2012 and 2013 was made on instrument level. The credit delta in basis points was multiplied by the basis point value figure.

The revaluation of loans recognised at fair value through profit or loss was € -125.5 million (2012: € 271.9 million).

Fair value of financial investments for own risk by category at year end					
In millions of euros	Recognised in the statement of financial position at amortised cost	Recognised at fair value through profit or loss trading	Recognised at fair value through profit or loss other than trading	Available for sale	Total 2013
Debt securities	-	0.1	21,667.0	3,292.8	24,959.9
Equity securities	-	0.8	567.4	2,889.8	3,458.0
Derivatives	-	1,172.4	-	-	1,172.4
Loans at fair value through profit or loss (FVTPL)	-	-	5,784.0	-	5,784.0
Loans and receivables at amortised cost	13,254.6	-	-	-	13,254.6
Total	**13,254.6**	**1,173.3**	**28,018.4**	**6,182.7**	**48,629.0**

Fair value of financial investments for own risk by category at prior year end

In millions of euros	Recognised in the statement of financial position at amortised cost	Recognised at fair value through profit or loss trading	Recognised at fair value through profit or loss other than trading	Available for sale	Total 2012
Debt securities	-	14.4	21,695.1	3,523.3	25,232.8
Equity securities	-	3.4	672.0	3,646.7	4,322.1
Derivatives	-	2,550.3	-	-	2,550.3
Loans at fair value through profit or loss (FVTPL)	-	-	6,249.1	-	6,249.1
Loans and receivables at amortised cost	18,625.3	-	-	-	18,625.3
Total	**18,625.3**	**2,568.1**	**28,616.2**	**7,170.0**	**56,979.6**

In 2013, the non-consolidated investment funds ceased to invest in Delta Lloyd NV shares (2012: € 1.4 million).

Derivatives for own risk at year end

In millions of euros	Contract / notional amount 2013	Fair value asset 2013	Fair value liability 2013	Contract / notional amount 2012	Fair value asset 2012	Fair value liability 2012
Foreign exchange contracts						
OTC						
Forwards	7,151.9	74.3	44.0	9,355.7	75.5	52.3
Currency swaps *	-	136.1	151.6	-	158.8	157.4
Total foreign exchange contracts	**7,151.9**	**210.4**	**195.5**	**9,355.7**	**234.3**	**209.7**
Interest rate contracts						
OTC						
Interest rate and currency swaps held for fair value hedge accounting	1,644.2	1.3	103.2	2,037.5	-	118.6
Interest rate and currency swaps not held for fair value hedge accounting	22,531.3	748.5	731.2	21,592.9	1,601.5	1,403.5
Options	4,400.0	180.3	-	6,500.0	462.1	0.8
Exchange traded						
Futures	2,059.5	-	-	910.2	-	-
Options	550.0	0.2	-	550.0	0.6	-
Total interest rate contracts	**31,185.0**	**930.3**	**834.4**	**31,590.6**	**2,064.2**	**1,522.9**
Equity/index contracts						
OTC						
Options	3,678.5	25.8	316.9	6,477.3	191.7	343.4
Exchange traded						
Futures	0.2	-	-	259.9	-	-
Options	224.9	2.4	-	269.3	20.6	-
Total equity/index contracts	**3,903.6**	**28.1**	**316.9**	**7,006.5**	**212.3**	**343.4**
Credit default swaps	**826.9**	**3.6**	**10.3**	**956.4**	**39.5**	**2.0**
Total	**43,067.4**	**1,172.4**	**1,357.1**	**48,909.2**	**2,550.3**	**2,078.0**

* No notional amount of the currency swaps is reported, as it is relates to back-to-back transactions.

Delta Lloyd Group has applied an OIS (overnight indexed swap) curve to measure fully cash-collateralised derivatives since May 2012. The projected cash flows of these derivatives are discounted using the EONIA (euro overnight index average) swap curve, which reflects the fair value of future overnight interest rates and is regarded as the best estimate of a risk-free interest rate.

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 are designated as such and that the conditions for hedge accounting stated in section 5.1.6.22. 'Derivative financial instruments' are met. These derivatives are recognised in the held for trading investment category.

The notional amounts of derivatives are not recognised on the statement of financial position because the notional amounts merely act as units of account. Derivatives include financial instruments embedded in contracts whose value depends on one or more underlying securities, reference prices or indices. Delta Lloyd Group mainly uses interest rate and currency contracts and equity options.

For most of the derivative positions the credit risk is nil as they are fully cash collateralised. The accumulated credit risk as part of the fair value revaluation (credit value adjustment) is € 15.5 million for positions that are not fully cash collateralised at year end 2013 (2012: nil). This credit risk mainly relates to the currency swaps which are linked with the life settlement contracts of the counterparty. The value of these currency swaps is therefore dependant on the value of the life settlement contracts of this counterparty which were established by using best estimate principles.

The result for derivatives held for fair value hedge accounting in 2013 was € 104.2 million (2012: € -154.0 million). The result on the hedged mortgages arising from the hedged interest rate risk was € 1.5 million in 2013 (2012: € -3.0 million).

Fair value hedge accounting is applied within the segments Bank and Other.

Interest rate and currency swaps

Interest rate swaps are contractual agreements between two parties to exchange interest payments in the same currency at a given time. The payments are calculated on the contractual principal sum, based on different terms to maturity. In most cases, interest rate swaps involve the exchange of fixed interest rates for variable interest rates. In their simplest form, currency swaps are contractual agreements to exchange two different currencies at regular intervals or on the final date. Gains or losses on interest rate or currency swap contracts will rise or fall during the period to maturity depending on the expiry date, interest rates, exchange rates and payment dates.

Interest rate futures, forward contracts and options

Interest rate futures are exchange-traded instruments representing the obligation to buy or sell a given security or money market instrument at a set price on a set future date. Interest rate forward contracts are OTC contracts in which two parties agree on an interest rate and other terms and conditions which, together with the contracted principal sum, determine the net amount which one party will pay the other based on the interest rate on a given date in the future. Interest rate options, such as caps and floors, are instruments that offer protection against changes in interest rates. The seller of an interest rate option is committed to paying the purchaser the difference between the current and the agreed interest on the contractual principal sum, in exchange for paying of a premium. Gains and losses on all interest rate contracts will rise or fall during the period to maturity depending on movements in interest rates.

Currency contracts
In currency contracts, including currency spot contracts, currency forward contracts and currency futures, there is an agreement to exchange one currency for another at a set exchange rate on the settlement date. Currency option contracts are similar to interest rate options, except that they are based on currencies rather than on interest rates. Gains and losses on these contracts will rise or fall during the period to maturity depending on movements in exchange rates and interest rates.

Part of the inflation risk is hedged by inflation-linked derivative instruments.

Loans recognised at fair value through profit or loss
Loans recognised at fair value through profit or loss consist mainly of mortgage assets that have first priority mortgage rights. Second ranking mortgages are only granted when the first priority mortgage assets are granted by Delta Lloyd Group.

The conditions governing financial assets that would otherwise have been matured or impaired were not renegotiated.

Loans and receivables at amortised cost for own risk at year end

In millions of euros	2013	2012
Loans to policyholders	181.6	153.6
Loans to banks	54.2	794.5
Loans and advances to clients and intermediaries	23.1	54.6
Issued loans	4,141.7	5,520.4
Total loans and advances	**4,400.6**	**6,523.0**
Securitised mortgages	1,284.1	3,589.5
Non-securitised mortgages	6,509.8	6,994.2
Total mortgages	**7,793.8**	**10,583.7**
Total loans and receivables	**12,194.4**	**17,106.7**
Terms of loans and receivables		
Less than one year	1,000.1	2,557.3
More than one year	11,194.4	14,549.5
Total	**12,194.4**	**17,106.7**

As of 2013, Delta Lloyd Bank België is transferred to assets held for sale. As a result, an amount of € 5,084.1 million (2012: € 5,738.1 million) of loans at amortised cost was transferred to assets held for sale, which includes € 286.7 million (2012: € 599.7 million) of loans to banks, € 1,456.7 million (2012: € 1,617.0 million) of issued loans, € 1,522.6 million (2012: € 1,771.7 million) of securitised mortgages and € 1,818.1 million (2012: € 1,749.6 million) of non-securitised mortgages.

In 2013, mortgages worth € 1,295.0 million (2012: € 679.5 million) were granted and € 942.3 million (2012: € 872.4 million) was redeemed. Due to market conditions the number of new mortgages granted is still relatively low compared to previous years (2011: € 2,144.4). Amortisation of the fair value of hedged positions was € -5.4 million (2012: € 12.8 million) for ordinary mortgages, € 36.2

million (2012: € 50.2 million) for securitised mortgages and € -2.2 million (2012: € 12.6 million) for other loans, making up a total of € 28.6 million (2012: € 75.6 million).

Mortgage loans

Almost all mortgages are for residential properties. Of the mortgages granted, 39,3% (2012: 37.3%) have a loan-to-value ratio that is less than 90%. Dutch mortgages guaranteed through the government's national mortgage guarantee scheme ('Nationale Hypotheek Garantie') make up 46,7% (2012: 47.0%) of the portfolio. No mortgages were granted with a loan-to-value ratio exceeding 125% without the applicant pledging additional collateral. No derivative instruments were contracted to mitigate any credit risk related to mortgage loans for it is Delta Lloyd Group's opinion that hedging is not required given the relatively small credit risk exposure.

Please refer to section 5.1.7.20. 'Securitised mortgages and related assets' for further information on securitised mortgages.

Accumulated impairment of debt securities available for sale

In millions of euros	2013	2012
At 1 January	**23.6**	**59.7**
Impairment charges during the period	7.4	1.5
Reversal of impairment charges during the year	-0.3	-1.7
Disposals	-2.4	-35.9
At 31 December	**28.2**	**23.6**

Accumulated impairment of equity securities available for sale

In millions of euros	2013	2012
At 1 January	**1,176.3**	**1,135.3**
Impairment charges during the period	85.8	184.1
Disposals	-226.8	-143.1
At 31 December	**1,035.3**	**1,176.3**

Accumulated impairment of loans and receivables at amortised cost

In millions of euros	2013	2012
At 1 January	**112.5**	**101.4**
Impairment charges during the period	25.9	33.9
Reversal of impairment charges during the year	-9.8	-11.5
Irrecoverable	0.2	0.5
Disposals	-6.0	-7.4
Transfer to assets held for sale	-48.5	-
Other	-	-4.4
At 31 December	**74.3**	**112.5**

Impairment for the period is part of the realised gains and losses forming part of investment income. The € 25.9 million impairment charge for the reporting period (2012: € 33.9 million) includes € 13.4 million (2012: € 14.6 million) on loans held by Delta Lloyd Bank Nederland and Delta Lloyd Bank België. The reversal of impairment by Delta Lloyd Bank Nederland and Delta Lloyd Bank België was € 6.8 million (2012: € 5.1 million).

The gross value of loans on an individual basis on which an impairment loss is recognised is € 195.8 million (2012: € 154.7 million). The impairment recognised on these loans was € 25.4 million (2012: € 24.2 million). Loans which are fully impaired are not taken into account. The value of the collateral relating to these loans was € 158.6 million (2012: € 127.9 million). The collateral is measured mainly on the basis of the original appraisal value when the loan was granted, except at Delta Lloyd Bank België where it is measured at fair value. Delta Lloyd Bank België uses the STADIM and GUDRUN indices as the variable for appraising the collateral. The collateral consists mainly of mortgaged properties. Collateral for loans that have not been impaired is also mainly made up of mortgaged properties.

Accrued interest of € 0.8 million (2012: € 0.8 million) was recognised in financial assets subject to individual impairment.

Repurchase agreements
Delta Lloyd Group has entered into repurchase agreements worth € 433.4 million (2012: € 1,151.4 million) on debt securities across various investment portfolios. The agreements were entered into with Rabobank and are accounted for as other financial liabilities (see section 5.1.7.35. 'Financial liabilities').

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	**2013**	**2012**
Debt securities	2,759.1	2,697.4
Equity securities	10,660.9	10,352.2
Derivatives	120.5	358.5
Receivables and other financial assets	121.0	114.3
Capitalised interest and prepayments	2.5	3.2
Cash and cash equivalents	27.5	9.6
Total	**13,691.5**	**13,535.2**
The associated liabilities are:		
Unit-linked contracts classified as insurance contracts	12,314.2	12,544.7
Unit-linked contracts classified as investment contracts	523.3	452.2
Derivatives liabilities	11.4	22.8
Third-party interests in investment funds	876.7	1,065.6
Total	**13,725.6**	**14,085.4**

The above table provides further information on the nature of the various financial investments. The liabilities relating to unit-linked investments were adjusted to eliminate pension obligations as explained in section 5.1.7.31. 'Pension obligations'. Without this elimination, the obligations would be higher than presented here.

5.1.7.20. (20) Securitised mortgages and related assets

Revenues from 10 portfolios of residential mortgage-backed securities (RMBS) of Delta Lloyd Group subsidiaries Amstelhuys and Delta Lloyd Bank België were securitised by seven special purpose vehicles (SPVs), B-Arena NV/SA, Arena 2007-I BV, Arena 2009-I BV, Arena 2011-I BV, Arena 2011-II BV, Arena 2012-I BV and DARTS Finance BV ('securitisation companies'), which were primarily funded by the issue of notes. For the Arena 2006-I BV and E-Arena-I BV transactions, group subsidiaries exercised their rights and paid down the transaction on the first optional redemption date.

All the shares in the securitisation companies are held by special purpose vehicles: B-Arena Holding BV, Stichting Security Trustee Arena 2007-I, Security Trustee Arena 2009-I, Stichting Security Trustee Arena 2011-I, Stichting Security Trustee Arena 2011-II, Stichting Security Trustee Arena 2012-I and Stichting Trustee DARTS Finance respectively. Amstelhuys and Delta Lloyd Bank België do not hold shares either directly or indirectly in the securitisation companies or their parent companies. Amstelhuys and Delta Lloyd Bank België have no right or obligation to repurchase the liabilities of any of the securitised mortgage loans prior to the optional call-date, except if, in certain circumstances, they are in breach representations and or warranties.

On 31 December 2013, Delta Lloyd Levensverzekering, Delta Lloyd Treasury, Delta Lloyd Bank Nederland and Delta Lloyd Bank België held notes in the securitisation companies, which are legally repayable on various dates between 2041 and 2066. The carrying value of these notes was € 2,552.2 million (2012: € 3,259.9 million). The notes were eliminated on the consolidated statement of financial position.

Amstelhuys, Delta Lloyd Bank Nederland and Delta Lloyd Bank België 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 regarding the securitised mortgage loans into interest flows that are designed to substantially match the interest payable to the note holders.

In none of the above transactions are Delta Lloyd Group and its subsidiaries obliged to support any losses that may be suffered by the note holders other than those arising from the structure. Additionally, the notes were issued on the basis that note holders are only entitled to receive payment of principal and interest to the extent to which the available resources of the special purpose securitisation companies concerned are sufficient. This is including funds due from customers regarding the securitised loans. Note holders have no recourse whatsoever to Delta Lloyd Group companies.

Total mortgage assets in the above securitisation companies were € 6,850.3 million on 31 December 2013 (2012: € 8,777.6 million). This includes Delta Lloyd Bank België for € 1,522.6 million which was transferred to assets held for sale in 2013. Apart from the administration fees payable to other Delta Lloyd Group undertakings, there are no other material gains or losses in these companies.

See section 5.1.7.34. 'Borrowings' for further information on the securitised mortgage loans.

5.1.7.21 (21) Inventory of real estate projects

Statement of changes in inventory of real estate projects		
In millions of euros	**2013**	**2012**
At 1 January	**30.2**	**42.6**
Additions	-	5.4
Disposals	-	-2.1
Impairment	-	-15.6
Transfer to Investment property	-30.2	-
At 31 December	**-**	**30.2**

During the year the real estate projects were reclassified from inventory of real estate projects to investment properties as the purpose of these projects changed.

5.1.7.22. (22) Receivables and other financial assets

Receivables and other financial assets at year end		
In millions of euros	**2013**	**2012**
Receivables from policyholders	616.1	531.3
Receivables from intermediaries	180.1	255.8
Deposits with ceding undertakings	7.9	6.0
Other receivables	374.0	316.9
Other financial assets	777.1	1,099.4
Total	**1,955.2**	**2,209.5**
Expected to be settled within one year	1,950.4	2,195.6
Expected to be settled in more than one year	4.8	13.9
Total	**1,955.2**	**2,209.5**

Most of the receivables from policyholders are owed to Delta Lloyd Levensverzekering, which had receivables from policyholders of € 476.3 million at year end 2013 (2012: € 400.9 million).

Other receivables include receivables from reinsurance companies, short-term receivables, prepaid benefits and receivable dividend payments.

Amstelhuys, Delta Lloyd Bank België and Nederland hold non-transferable deposits, or cash collateral, for the financing of the mortgage portfolio. The decrease in other financial assets was mainly caused by the lower balance of these deposits in 2013 (€ 634.7 million) compared to the previous year (2012: € 966.1 million). This was due to a rise in long-term interest rates which led to a decrease in the collateral for interest rate swaps.

Concentrations of credit risk regarding receivables are limited due to the size and spread of Delta Lloyd Group's operations.

See section 5.1.7.1. 'Risk management' for an analysis of receivables and other financial assets adjusted for impairments, and an analysis of payment arrears regarding receivables and other financial assets.

5.1.7.23. (23) Share capital

The company's ordinary and preference share capital is as follows:

Share capital at year end		
In millions of euros	2013	2012
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:		
191,797,530 ordinary shares with a nominal value of € 0.20 each (2012: 176,770,871 with a nominal value of € 0.20 each)	38.4	35.4
	38.4	35.4
The 10,021,495 (2012: 13,021,495) outstanding convertible preference shares A with a nominal value of € 0.20 each are recognised as a convertible loan.	2.0	2.6

Ordinary shares have equal ranking. All the ordinary shares carry the same rights to dividends and other distributions declared, made or paid by the company.

The shares in issue were fully paid-up, and each share gives the bearer the right to cast one vote.

Movements in the issued capital relate to the distribution of stock dividend, conversion of 3.0 million preference shares and issue of 4.0 milion shares to finance the acquisition of ZA Verzekeringen.

Statement of changes in ordinary shares		
In numbers	2013	2012
At 1 January	176,770,871	170,578,697
Issue of shares	4,000,000	-
Conversion of preference Shares A	3,000,000	-
Stock dividend	8,026,659	6,192,174
At 31 December	191,797,530	176,770,871

Convertible preference shares A

The convertible preference shares A carry a fixed dividend of 2.76%. Fonds NutsOHRA is entitled to convert these cumulative preference shares A on a one-to-one basis. The conversion price is € 30.94 (2012: € 33.21) per ordinary share less € 0.20 (the nominal value of the convertible preference shares A). In 2013, Fonds NutsOhra converted 3.0 million preference shares A (nominal value € 0.20 per share) into ordinary shares Delta Lloyd NV.

Preference shares B

The preference shares B are protective preference shares. The preference shares B have not been issued but there is an option agreement with Stichting Continuïteit Delta Lloyd (see section 3 'Corporate governance'), which is legally and administratively independent of Delta Lloyd Group. Stichting Continuïteit Delta Lloyd has a call option to acquire protective preference shares B in Delta

Lloyd NV for an indefinite period. The maximum to be acquired equals 100% of the share capital in issue in the form of ordinary shares and preference shares A immediately prior to the exercise of the call option, minus one share. This will entitle it to 49.9% of the voting rights after the issuance of such shares.

On acquisition, at least one quarter of the nominal value must be paid up on each preference share B. The call for further payment on preference shares B shall be made pursuant to a resolution of the Executive Board of Delta Lloyd NV. Such a resolution shall be subject to the approval of the Supervisory Board. Delta Lloyd Group believes that the call option is not material as meant by IAS 1.31 since there is a very small probability of the call option being exercised. In the highly exceptional circumstances in which the call option would be exercised, these preference shares B would, in all probability, be cancelled within a very short time. The option is, therefore, not recognised in the financial statements nor is any additional information presented pursuant to IAS 32 and IAS 39.

5.1.7.24. (24) Earnings per share

The earnings per share as calculated below are based on the current number of shares (basic earnings per share) and on potential shares. Net profit in the following tables is after tax and non-controlling interests.

Earnings per share at year end

In millions of euros (unless indicated otherwise)	**2013**	**2012**
Net profit from continuing operations	167.0	-1,506.9
Net profit from discontinued operations	1.3	11.8
Net profit (loss) attributable to holders of ordinary shares for calculating the earnings per ordinary share	**168.3**	**-1,495.1**
Weighted average number of ordinary shares in issue	182,953,236	173,194,656
Basic earnings per share continuing operations (in euros)	0.91	-8.70
Basic earnings per share discontinued operations (in euros)	0.01	0.07
Basic earnings per share (in euros)	**0.92**	**-8.63**

Diluted earnings per share at year end

In millions of euros (unless indicated otherwise)	**2013**	**2012**
Net profit (loss) attributable to holders of ordinary shares for calculating the earnings per ordinary share	168.3	-1,495.1
Net profit (loss) attributable to holders of ordinary shares for calculating the diluted earnings per ordinary share	**168.3**	**-1,495.1**
Net profit from continuing operations	167.0	-1,506.9
Net profit from discontinued operations	1.3	11.8
Net profit (loss) attributable to holders of ordinary shares for calculating the earnings per ordinary share	**168.3**	**-1,495.1**
Weighted average number of ordinary shares in issue	182,953,236	173,194,656
Effect of conversion rights of preference shares A (2012) at year end	10,021,495	13,021,495
Effect of stock dividend	6,754,553	5,919,430
Effect of employee equity compensation plan	873,146	723,826
Diluted weighted average number of ordinary shares	**200,602,430**	**192,859,407**
Diluted earnings per ordinary share from continuing operations (in euros)	0.83	-8.70
Diluted earnings per ordinary share from discontinued operations (in euros)	0.01	0.06
Diluted earnings per ordinary share (in euros)	**0.84**	**-8.64**

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 have a dilutive effect (see section 5.1.7.9. 'Employee information'). The terms and conditions for the convertible preference shares A are set out in section 5.1.7.23. 'Share capital'.

No other transactions involving ordinary or potential ordinary shares occurred between the reporting date and the signing date of these financial statements.

5.1.7.25. (25) Revaluation reserves

Statement of changes in revaluation reserves	
In millions of euros	
Total revaluation reserves at 1 January 2012	**406.0**
Gross fair value gains and losses arising in period	342.9
Transfer of available for sale relating to DPF contracts to provisions	-52.7
Impairment losses transferred to income statement	185.6
Reversal of impairment losses transferred to income statement	-1.7
Realised gains/losses on revaluations of financial instruments available for sale transferred to income statement	-235.1
Fair value adjustments due to micro hedge debt securities available for sale	-2.0
Fair value adjustments associates	25.5
Fair value adjustments owner-occupied property	2.8
Aggregate tax effect	-33.5
Total revaluation reserves at 31 December 2012	**637.7**
Total revaluation reserves at 1 January 2013	**637.7**
Gross fair value gains and losses arising in period	22.2
Transfer of available for sale relating to DPF contracts to provisions	8.2
Impairment losses transferred to income statement	92.8
Reversal of impairment losses transferred to income statement	-0.3
Realised gains/losses on revaluations of financial instruments available for sale transferred to income statement	-212.7
Fair value adjustments due to micro hedge debt securities available for sale	16.0
Fair value adjustments associates	62.5
Fair value adjustments owner-occupied property	0.1
Aggregate tax effect	19.5
Total revaluation reserves at 31 December 2013	**645.9**

5.1.7.26. (26) Retained earnings

Retained earnings at year end		
In millions of euros	**2013**	**2012**
At 1 January	**1,586.4**	**3,191.9**
Result after tax and non-controlling interests	168.3	-1,495.1
Dividends	-68.0	-111.0
Conversion preference shares A	-51.5	-
Other movements	-0.2	0.6
At 31 December	**1,634.9**	**1,586.4**

Movements in treasury shares held directly and indirectly and the conversion of preference shares A are presented in section 5.1.4. 'Consolidated statement of changes in equity'.

Of the shareholders' funds, € 1,396.2 million is available for distribution (2012: € 1,245.4 million). In 2013, € 38.4 million was distributed as a final dividend for 2012 and € 29.6 million as interim cash dividend for 2013. Pursuant to article 44 of the Articles of Association, the proposal is to pay a final dividend of € 117.0 million (2012: € 106.9 million), being € 0.61 (2012: € 0.61) per ordinary share of € 0.20 nominal value. The final dividend may be paid entirely in cash or entirely in shares as the shareholder wishes. The value of the stock dividend (dividend in shares) will have a 4% premium approximately compared to the value of the cash dividend and will be charged to the share premium.

The other movement of € 0.2 million refers to option settlements in the equity compensation plan at a different rate than initially granted.

5.1.7.27. (27) Insurance liabilities

Insurance liabilities at year end			
In millions of euros	Life	General	Total
Discretionary participating contracts	7,488.5	-	7,488.5
Non-discretionary participating contracts	3,864.8	0.1	3,864.8
Unit-linked non-participating contracts	12,314.2	-	12,314.2
Other non-participating contracts	18,394.4	-	18,394.4
Outstanding claims provisions	-	1,376.9	1,376.9
Provision for claims handling expenses	-	58.8	58.8
Provision for claims incurred but not reported	-	559.2	559.2
Provision for unearned premiums	-	257.5	257.5
Provision for unexpired risks	-	26.3	26.3
Total	**42,062.0**	**2,278.8**	**44,340.7**

Insurance liabilities at prior year end			
In millions of euros	Life	General	Total
Discretionary participating contracts	7,616.9	-	7,616.9
Non-discretionary participating contracts	4,334.8	0.1	4,334.9
Unit-linked non-participating contracts	12,544.7	-	12,544.7
Other non-participating contracts	17,926.9	-	17,926.9
Outstanding claims provisions	-	1,309.6	1,309.6
Provision for claims handling expenses	-	52.8	52.8
Provision for claims incurred but not reported	-	577.2	577.2
Provision for unearned premiums	-	344.6	344.6
Provision for unexpired risks	-	15.0	15.0
Total	**42,423.4**	**2,299.3**	**44,722.7**

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 discounting 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. 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, while those allocated as part of the bonus declaration are included in the movements in the life insurance business provision. Provision is also made for unearned premiums, outstanding payments and other technical provisions (including agreements with foundations, defined contribution plan and longevity provisions). These principles are described in detail below.

In general, Delta Lloyd Group's insurance companies carry out a deterministic liability adequacy test, using current estimates of future cash flows under insurance contracts (option contracts determined stochastically are measured at fair value). The future cash flows to be considered include all contractual cash flows such as administrative handling costs, as well as cash flows resulting from options and guarantees. The liability adequacy test is carried out at least twice a year, at the year end and at the half year reporting dates.

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 contracts (Spaarhypotheek);
- All group contracts.

Provisions are also formed for the longevity risk associated with certain types of individual and group life insurance contracts as the original life expectancy assumptions are no longer prudent. At the end of 2012, the longevity provision was strengthened on the basis of AG2012-2062, the most recent mortality table published by the Dutch Society of Actuaries (Actuarieel Genootschap). The AG2012-2062 mortality table is adjusted for mortality experience, based on observed differences between mortality in the Delta Lloyd portfolio compared to the mortality in the entire population as observed by CBS. Furthermore an explicit risk margin is included in the longevity provision.

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 interest rates. This means that more than 95% of the provision for the total non-linked insurance liabilities is calculated using market interest rates.

Life insurance business provisions where the policyholder carries the investment risk
Unit-linked contracts and segregated funds, which are classified as insurance contracts, are valued based on the same principles as those used to measure the investments on behalf of policyholders. Any additional provisions that are needed to cover mortality risks or guaranteed surrender values are included in the insurance provisions where the insurer carries the investment risk. Stochastically measured minimum return guarantees are recognised in the insurance provision where the policyholder carries the investment risk.

Transparency around unit-linked insurance contracts
Following the public debate that began in 2006 around the lack of transparency concerning unit-linked insurance contracts and the level of costs associated with these products, Delta Lloyd Group entered into agreements in 2008 and 2010 with consumer and investor interest groups: Stichting Verliespolis, Stichting Woekerpolis, Vereniging van Effectenbezitters and the Dutch Home Owners' Association (Vereniging Eigen Huis). The agreements include a settlement on standardised charges for individual, privately-held unit-linked insurance products concluded in the past.

In 2013, the individual Wabeke provision was assigned to the policies and included in the insurance liabilities. The only remaining provision, for hardship cases, is approximately € 27.0 million. The original provision created by Delta Lloyd Group for individual cases of distress was € 40.0 million, which included € 10.0 million for similar claims against ABN AMRO Levensverzekering. To the extent that this amount is not fully spent, it will become available for ABN AMRO Levensverzekering. To be eligible for compensation from the other € 30.0 million, policyholders must sign up before the five-year period (as described in the agreement) elapses on 1 October 2016.

By order of the Ministry of Finance, Deloitte audited the status of the flanking policies of Dutch insurance companies. The results were sent to the Dutch House of Representatives, where they were adopted by parliament for information. There will not be a parliamentary debate on this audit, however, the Minister of Finance urged insurers to continue actively approaching vulnerable customers. Delta Lloyd Group approaches each of these vulnerable customers individually by email and telephone and urges them to assess whether their product still meets their initial goal. The role of intermediaries to activate clients remains essential. The Financial Markets Authority (AFM) has approved Delta Lloyd Group's approach.

Provision for outstanding payments
This provision includes outstanding payments regarding both unit-linked and non-unit-linked business. It is determined based on an estimate of payments still to be settled at the end of the financial year and recognised in insurance liabilities.

Provision for unearned premiums
This provision equals the proportion of premiums written that relate to the period of risk after the reporting date and is included in insurance liabilities.

Provision bonuses and rebates

The provision relates to the bonus declarations for the current financial year and arises mainly on group life contracts in Germany. Bonus amounts are determined based on estimated interest returns rooted in underlying policy terms and conditions, and recognised in insurance liabilities.

Liability adequacy test for life insurance business provisions
The liability adequacy test for life insurance business provisions is conducted on each reporting date; by performing this test possible losses will be recognised when they occur. 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. 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 'best estimate' provision (including the intrinsic value and time value of options and guarantees) is increased by a risk margin for unhedgeable insurance risks, based on a 4% (2012: 3%) cost-of-capital approach.

The test is performed for each portfolio component at company level. The portfolio components are classified as 'group' and 'individual', and then broken down into ‘traditional' and 'unit-linked'. Traditional is broken down further into participating and non-participating contracts. Unit-linked is broken down further into contracts with and without guarantee.

An additional test is conducted at Delta Lloyd Group level which takes into account the unhedgeable financial insurance risks. Financial risks are defined as risks that Delta Lloyd Group is exposed to as a whole, including credit, equity, investment property, interest, inflation and currency risk, insurance risks and liquidity and capital management.

If the tests performed at business level or at 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

Delta Lloyd Levensverzekering and Delta Lloyd ABN AMRO Verzekeringen use 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 2013	**Mortality tables used in 2013**
Short-life risk insurance	Coll-AAA curve, 3.0% - 4.0% or contract interest rate	GBM 61-65, GBM 71-75, GBM/V 76-80, GBM 80-85, GBM/V 85-90, GBM/V 90-95 and CRC, CBS2010-2060, AG2012-2062
Longevity-life risk insurance	Coll-AAA curve, 3.0% - 4.0% or contract interest rate	GBM/V 76-80, GBM/V 85-90, GBM/V 95-00, Coll 1993/2003, DLG CRC 1988 and DIL 98, plus adjustment for future longevity based on AG2012-2062

Life insurance business provisions are calculated primarily using the mortality rates on the tariff bases, while future life expectancy is accounted for through an additional longevity provision. Delta Lloyd Group uses the Collateralised AAA curve to calculate the discounted value of most of its products.

The provisions for group life contracts, with the exception of group contracts surrendered on the expiry date where the mortality bases are not equal to the Coll. 1993 mortality table, are increased by multiplying them by the ratio between the actuarial benefit factor based on the mortality table GBM/V 1990-1995 and the actuarial factor based on the tariff base.

Within Delta Lloyd Levensverzekering an additional provision for longevity risk has been made at portfolio level for group life contracts. This additional provision represents the amount required if the provision were to be formed on the basis of the AG2012-2062 mortality table, taking into account historical figures rather than the GBM/V 1990-1995 table.

The longevity provision was € 1,732.7 million at 31 December 2013 (2012: € 1,742.0 million). The impact of the adjusted mortality experience and the implementation of an explicit risk margin during 2013 is limited to an increase of € 11.6 million as the implicit risk margin was released.

ABN AMRO Levensverzekering has no explicit longevity provision. In 2013, the mortality experience was adjusted, which resulted in a release of the provision of € 8.7 million. The provision for mortality risky products is based on tariff bases.

A provision has been made for contracts with an interest guarantee. For the majority of the portfolio, this provision is determined on a stochastic basis consistent with the valuation of option contracts.

A provision has also been made for traditional policies with a profit sharing guarantee in accordance with the Dutch regulatory requirements.

(ii) Belgium

Delta Lloyd Life uses local generally accepted interest rates and published standard mortality tables for different categories of business as appropriate. The tables are based on relevant experience and show mortality rates, by age, for specific groups of people. Current provisions are calculated using market interest rates (Collateralised AAA curve). In Belgium, the current provisions need to be adjusted to the level of the adequacy test; the adequacy test is leading. In the LAT, the AG2012-2062 mortality table is used and customised for Delta Lloyd Life portfolio mortality experience through experience factors. In 2013, Delta Lloyd Life updated the best estimate experience mortality parameters. No explicit longevity provision is held, as this is included in the LAT.

Valuation discount rates and mortality tables in the financial year

	Valuation discount rates in 2013	Mortality tables used in 2013
Short-life risk insurance	Coll-AAA curve or 0% - 4.85%	MR, FR, MK, FK mortality tables, AG2012-2062
Longevity-life risk insurance	Coll-AAA curve or 3.25% - 4.75%	MR, FR mortality tables, AG2012-2062

A participation provision has been made for contracts with discretionary participating features and is based on the guaranteed amounts insured. The surplus is distributed to policyholders at the discretion of the management after validation by the NBB and the General Meeting of Shareholders. In 2013, profit sharing is effective for contracts with a guaranteed base rate lower or equal to 1.50% (retail) or 2.25% (corporate) 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 2013	Mortality tables used in 2013
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	1.75%, 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. The longevity provision at 31 December 2013 was € 96.1 million (2012: € 94.0 million).

Profit sharing for traditional policies is based on technical results plus the excess of interest-earnings over the base tariff. At least 90% of the excess interest-earnings and 50% of the technical results are added to a provision for future allocation to policyholders. This percentage is based on management's assessment of the expected profit distribution and includes the expected tax amounts. The allocation of this provision is at the discretion of the board of directors of Delta Lloyd Lebensversicherung. The same procedure is used for investment contracts.

Movements

Statement of changes in life insurance business provisions		
In millions of euros	**2013**	**2012**
At 1 January	**42,423.4**	**37,046.8**
Provisions in respect of new business	1,635.5	1,494.5
Expected change in existing business provisions	-1,273.9	-543.3
Movement in longevity provision	-7.2	411.1
Variance between actual and expected experience	301.5	-348.1
Effect of operating assumption changes	-70.7	-100.6
Effect of economic assumption changes	-855.2	4,456.2
Other movements recognised as expense	-53.8	6.3
Change in liability recognised as expense	**-323.8**	**5,376.2**
Other movements not recognised as expense	-42.1	0.4
Changes in group	4.5	-
At 31 December	**42,062.0**	**42,423.4**

The change in expected change in existing business provisions and the variance between actual and expected experience relate to the claims, interest and portfolio developments.

The changes in the operating assumptions are a result of:

- Adjustments to explicit expense, lapse and mortality assumptions in Delta Lloyd Life's adequacy test;
- Delta Lloyd Levensverzekering adjusted the lapse rate for the individual and collective portfolio in the third quarter and also the parameters for longevity risk;
- Germany adjusted the annuity mortality assumptions in accordance with the German regulator.

The changes in economic assumptions are mainly the result of price effects and the effect of interest rate movements reflected in the Collateralised AAA curve, on which many of the provisions are based (see section 5.1.7.30. 'Effect of changes in assumptions and estimates on provisions for insurance and investment contracts'). The related effect of changes in market interest rates, including the introduction of the UFR in the Collateralised AAA curve, decreased insurance provisions by € 626.5 million (2012: increased by € 4,124.7 million). The movements in the provisions for interest rate guarantees on unit-linked and segregated funds are also included in the economic assumption changes. The movements in the provision for the unit-linked portfolio, due to changes in the underlying investments, are recognised as expected changes and the variance between expected and actual movements.

Other movements recognised as expenses of € -53.8 million (2012: € 6.3 million) mainly relates to adjustments in the model used in the adequacy test at Delta Lloyd Life.

Other movements not recognised as expenses in 2013 totalled € -42.1 million and relate to profit sharing in Germany. (2012: € 14.3 million to profit sharing in Germany and -13.9 million due to an internal transfer of value for Delta Lloyd Herverzekeringsmaatschappij to general insurance liabilities).

Changes in group relates to the acquisition of ZA Verzekeringen NV. See section 5.1.7.4. 'Subsidiaries' for more information.

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
Delta Lloyd Group applies a method and assumption setting cycle (MASC). In this cycle, all methods and assumptions used to determine provisions and the liability adequacy tests are adjusted and validated in the third quarter of every year. When an entity wants to deviate from this cycle, a dispensation request has to be formally approved.
Mortality assumptions are derived from industry expertise and are based on national mortality tables. The mortality assumption underlying the provisions often reflects the pricing assumptions. Delta Lloyd Group adjusted the longevity provision in 2013. The changes to the mortality experience reflect that its mortality trend is gradually converting to the Dutch population. Furthermore an explicit risk margin was introduced. The necessary increase in the longevity provision was financed by releasing the implicit risk margin that was included in this provision. Pricing assumptions for mortality are generally based on the most recent national mortality tables. The disability insurance provisions, which are part of Delta Lloyd Group's life portfolio, do not make specific allowance for assumptions on rehabilitation. This builds an element of prudence into the provision for these products. Provisions for traditional saving-products are calculated based on either the Collateralised AAA curve or based on a fixed interest rate. Savings-based mortgages, however, have contract-related interest rates.

General insurance business

Business description
Significant delays occur in the notification and settlement of claims and substantial experience and judgement is involved in assessing outstanding liabilities. The ultimate cost cannot be known with complete certainty at the reporting date. The provisions for general insurance are based on information available when the provision is determined; however, it is inherent in the nature of the business that the ultimate liabilities differ from the reported liabilities because of subsequent developments.

Provisions for outstanding claims are made covering the outstanding expected ultimate liability for losses and loss adjustment expenses regarding all claims that have already occurred. The provisions established cover reported claims and associated loss adjustment expenses, as well as claims incurred but not reported (IBNR) and estimated loss adjustment expenses. Outstanding claims provisions are based on undiscounted estimates of future claim payments, except for disability business for which discounted provisions are held.

Average discount rate and mean term of liabilities

	Average discount rate 2013	Mean term of liabilities in years 2013	Average discount rate 2012	Mean term of liabilities in years 2012
The Netherlands and Belgium				
Disability insurance contracts	2.46%	6.80	2.35%	7.51

Outstanding claims provisions are determined using facts known at the date of assessment, including statistics on the development of claim payments, incurred losses, average costs per claim and the number of similar claims. Delta Lloyd Group also uses a method according to which a proportion of the premium income is retained and amortised on a straight-line basis. The outstanding claims provisions are continually refined as part of a regular ongoing process as claims experience develops, losses are settled and further losses reported.

There is a provision of € 37.8 million (2012: € 39.4 million) for the exposure to claims associated with asbestos-related diseases. The provisions were estimated by claims handlers on a case-by-case basis. A provision was also made for future asbestos-related claims. Claims development is monitored periodically.

The provision required for benefit payments for individual occupational disability class B (post-first year risk) and WIA/WAO was established using best estimate principles. The benefit provision is the discounted value of expected future cash flows including recovery and mortality probabilities. The recovery and mortality probabilities are derived from the company's own statistics and industry expertise. The best estimate principles for the WIA provisions are in line with the most recent rates. The principles for individual occupational disability are based on AOV 2009, an industry statistic. The best estimate IBNR for WIA was established using the current market insights in the actuarial premium excluding the embedded profit margin and a prudential loading. The discount rates used are either a fixed discount rate or the Collateralised AAA curve.

WGA ER

In 2012, Delta Lloyd faced an industry-wide issue around the assumed length of disability payments for WGA ER ('Werkhervatting Gedeeltelijk Arbeidsgeschikten - Eigen Risico) products. The underwriting of this product was based on an assumed maximum payment period of five years. In 2012 it became obvious that the criteria for disability were forward looking and that the maximum payment period was therefore only restricted by the contractual period, resulting in an increase of the provision in 2012. In 2013, claims information around WGA ER further improved. The assumptions used in the calculations also improved during the year. These improvements led to further increased provisions. In 2013, an en-bloc increase of premiums was announced for 2014. This was denied in a summary proceeding, which led to an increase in the unexpired risk reserve as well.

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 € 499.1 million required for these benefit payments is based on the assumptions as described below. An amount of € 292.1 million of the provision is based on a fixed discount rate that equals the tariff rate. The discount rate for certain portfolios (provision of € 207.0 million) in the Netherlands is based on the Collateralised AAA curve. The assumptions on which the disability insurance business provisions are based can vary for each division of Delta Lloyd Group. Differences are partly attributable to different portfolios and historical rates. This section summarises the assumptions used under the previous accounting policies of Dutch GAAP (Belgium GAAP for Delta Lloyd Life), as permitted by IFRS 4, by product type.

Assumptions for the provision for future ascending risks

A best estimate is calculated by computing the actuarial provision for each policy based on the best estimate principles (AOV 2009) for occupational disability and rehabilitation for claims payments. If the actuarial provision calculated for a portfolio is negative, it is set at nil. The premiums used are those paid by the customers. Discounting is at an interest rate based on the average term of the premiums and a rate based on the average term of claims payments. A fixed interest rate is used for part of the portfolio and the Collateralised AAA curve for the remainder. These interest rates are set for each policy for each cover.

Assumptions The Netherlands

	Premium calculation	Outstanding claims provisions
Individual	KAZO 90 (4%), KAZO 90 (3%), AOV 2009 (3%), Verbond 97 (4%), Verbond 97 (3%), Verbond 99 (3%), WIA 2006 (3%)	AOV 2009 (3%), Coll-AAA curve, WIA 2006 (3%)
Group	WIA 2006 (3%), SOLV2 LP100 curve	Coll-AAA curve, WIA 2006 (3%)

Assumptions Belgium

	Premium calculation	Outstanding claims provisions
Belgium	MFRK (4.75%)	MFRK (4.75%)

Liability adequacy test for claims business provisions

The adequacy test for claims provisions tests whether the claims provision recognised in the statement of financial position is greater than the best estimate of the provision. The difference between these two amounts is called the surplus in the claims provision.

Property & Casualty

The best estimate for the claims provision is determined for each accident year by the loss development patterns. If considered necessary, the underwriting or notification period is also used for analysis. Certain lines of business are further analysed by claim type or type of cover. In addition, large claims for each business line are usually assessed on an individual basis. They are recognised either at the face value of the claim appraisal, or separately projected 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 common methods are the chain-ladder and the Bornhuetter-Ferguson methods.

The chain-ladder method may be applied to claims paid or incurred (i.e. paid claims plus case reserves). The basic technique involves analysing historical claims development factors and then

selecting development factors based upon the historical pattern. The selected development factors are applied to cumulative claims data for each accident year that has not fully developed to produce an estimated ultimate claims cost for each accident year.
Chain-ladder techniques are most appropriate for mature classes of business with a relatively stable development pattern. Chain-ladder techniques are less suitable in cases where the insurer does not have a developed claims history for a particular class of business.

The Bornhuetter-Ferguson method uses a combination of a benchmark or market-based estimate and an estimate based upon actual claims experience. The former is based on a measure of exposure such as premiums; the latter is based on the claims paid or incurred to date. The two estimates are combined using a formula that gives more weight to the experience-based estimate as time passes. This technique is used in situations where developed claims experience is not available for the projection (recent accident years or new classes of business). The choice of estimate for each accident year for each line of business depends on assessing the technique that proves to be most appropriate to observed historical developments. In some instances, this has meant that different techniques or combinations of techniques have been selected for individual accident years or groups of accident years within the same business line.

Upper and lower limits for the surplus are determined using the bootstrap technique and are applied to test the level of the provision for the Property & Casualty portfolio, excluding the Asbestos portfolio, against Delta Lloyd Group's reservation policy. The surplus is the margin between the book value of the liability and the best estimate. Each division tests the adequacy of the provision each quarter and checks whether the group reserving policy is being met. If necessary, the provision is adjusted. The Asbestos provision is tested by comparing it against a best estimate of the provision, including a risk margin based on the cost of capital method.

Income

The best estimate provision for Accident & Absenteeism is established using a method in line with that for Property & Casualty. The best estimate provision for benefit payments is determined based on the established provision recognised on the statement of financial position, except that no prudential loading is incorporated in the IBNR. However, a sufficient margin for uncertainty is deducted from that surplus. The margin for uncertainty is established using a 4% (2012: 3%) cost of capital. As this is the minimum adequacy level for the provision, the provision should be strengthened when the minimum requirement is not met. The best estimate provision is discounted using the interest rate curve set by DNB on 31 December 2013. The trend in the surplus is monitored by the divisions.

IFRS Liability Adequacy Test (LAT)

IFRS 4 requires an adequacy test to be performed on the total insurance liabilities. The IFRS LAT has to show the total insurance liabilities are adequate: in other words, the insurance liabilities recognised in the statement of financial position must be higher than the best estimate of the insurance liabilities plus the risk margin. Any prudence margin in the insurance liabilities on the statement of financial position is incorporated when determining the actual solvency margin. The adequacy of the claims provision is discussed above. For the adequacy of the provision for unearned premiums, any shortfall in the premium is determined for each product with an expected combined operating ratio (COR). Any shortfalls within Property & Casualty products can be offset with any surplus within other Property & Casualty products. This can also be done within Income products.

Process used to decide on assumptions for general insurance business provisions
At Delta Lloyd Group a MASC is applied. In this cycle, all methods and assumptions used to determine provisions and the liability adequacy test are adjusted and validated in the third quarter of every year. Claims history is important input for forming and testing a large part of the provision. Claims triangles, showing trends in claims and loss development over several years, are available for this. Assumptions may have to be made on trends after the final loss development year for certain products with a long run-off period. These assumptions are made by the actuarial teams, using existing information. The claims history may also be affected by large claims and the actuarial teams also make assumptions on this. All these assumptions are discussed and reviewed regularly by the external actuary.

Claims provisions are regularly recalibrated using the most recent information. This leads to an adjustment of the provision and also often to a change in the provision recognised through profit or loss. To recalibrate the provisions, the actuarial teams propose the change, which is then recommended to local management in agreement with the external actuary. The recommendation is agreed upon with the external actuary. Local management takes the final decision on whether or not to change the provision.

If the regular testing of the provision does not meet the confidence level as set out in the reserving policy, there will also be a change to the provision, including recognition through profit or loss. In this case too, the actuarial teams make a proposal that leads to a recommendation to local management which, ultimately decides whether to follow the recommendation.

Movements
The movements in the claims provisions were as follows:

Statement of changes in claims provisions[1]

In millions of euros	2013	2012
At 1 January	**1,939.7**	**1,687.5**
Effect of changes in operational assumptions	3.6	-6.8
Effect of changes in economic assumptions	-3.4	27.7
Claim losses and expenses incurred in the current year	1,024.0	1,170.1
Movement in anticipated claim losses and expenses incurred in prior years	8.7	160.3
Incurred claims losses and expenses	**1,032.9**	**1,351.3**
Payments made on claims incurred in the current year	-443.9	-495.7
Payments made on claims incurred in prior years	-563.0	-531.4
Recoveries on claim payments	13.2	13.9
Claims payments made in the year, net of recoveries	**-993.7**	**-1,013.2**
Increase in provision due to passage of time	16.1	15.5
Other movements in the claims provisions	-	8.8
Movement in claims provision recognised as expense	**55.2**	**362.5**
Transfer to liabilities relating to assets held for sale	-	-119.8
Other gross movements	-	9.6
At 31 December	**1,994.9**	**1,939.7**

1) The statement of changes in general insurance provisions excludes provision for unearned premiums and provision for unexpired risk

The effect of changes in assumptions was € 3.6 million for operational assumptions and € -3.4 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.

Claim losses and expenses incurred in current year and movement in anticipated claim losses and expenses incurred in prior years decreased considerably in comparison to 2012, when losses were exceptionally high due to the International Marine business and the required additional reserve for WGA ER. In 2012, the International Marine business portfolio was placed in run-off and no exceptional losses were recognised in 2013.

Loss development table

The following table presents the development of cumulative claim payments and the claims for the accident years 2004 to 2013. 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 2013, € 523.6 million had been paid in settling claims relating to the accident year 2004. In addition, as reflected in the lower section of the table, the cost of claims of € 766.5 million, relating to the accident year of 2004, was revised to € 539.9 million in the years 2004 to 2013. The revision of the claims is generally due to a combination of factors, including claims being settled for larger or smaller amounts than originally estimated. The original estimates also increase or decrease as more information becomes available about the individual claims, overall claim frequency and severity patterns.

Loss development gross of reinsurance

In millions of euros	All prior years	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
Gross cumulative claims payments												
At end of accident year		315.5	328.3	365.4	378.3	407.6	426.5	458.4	453.9	459.2	433.3	
One year later		438.7	448.6	515.4	563.1	660.4	677.1	731.9	732.7	744.4	-	
Two years later		469.0	476.4	547.9	606.7	735.2	741.8	805.3	830.1	-	-	
Three years later		483.2	497.0	565.7	657.1	775.7	775.2	846.6	-	-	-	
Four years later		494.0	509.5	586.5	680.1	799.2	806.4	-	-	-	-	
Five years later		502.0	522.5	600.8	694.2	825.3	-	-	-	-	-	
Six years later		509.4	533.2	608.5	709.1	-	-	-	-	-	-	
Seven years later		516.9	538.7	622.2	-	-	-	-	-	-	-	
Eight years later		521.6	547.9	-	-	-	-	-	-	-	-	
Nine years later		523.6	-	-	-	-	-	-	-	-	-	
Estimate of gross cumulative claims												
At end of accident year		766.5	748.5	785.1	825.7	896.5	971.3	1,000.0	1,018.6	1,139.5	1,031.8	
One year later		687.3	684.4	689.6	770.5	920.1	950.1	1,014.2	1,114.1	1,149.3	-	
Two years later		605.6	634.6	701.8	782.2	902.0	936.7	1,019.6	1,109.9	-	-	
Three years later		587.9	622.2	673.9	776.5	898.9	918.6	1,021.3	-	-	-	
Four years later		578.4	602.4	680.4	773.8	913.2	926.1	-	-	-	-	
Five years later		566.8	588.7	674.1	778.1	928.4	-	-	-	-	-	
Six years later		556.7	589.8	688.1	785.3	-	-	-	-	-	-	
Seven years later		550.9	605.7	675.6	-	-	-	-	-	-	-	
Eight years later		548.2	602.5	-	-	-	-	-	-	-	-	
Nine years later		539.9	-	-	-	-	-	-	-	-	-	
Estimate of cumulative claims		**539.9**	**602.5**	**675.6**	**785.3**	**928.4**	**926.1**	**1,021.3**	**1,109.9**	**1,149.3**	**1,031.8**	
Cumulative payments		**523.6**	**547.9**	**622.2**	**709.1**	**825.3**	**806.4**	**846.6**	**830.1**	**744.4**	**433.3**	
Total	204.8	16.3	54.6	53.4	76.2	103.1	119.8	174.7	279.8	404.9	598.5	2,086.0
Effect of discounting	-16.1	-1.3	-2.4	-5.9	-7.4	-8.7	-10.3	-12.5	-15.9	-13.4	-12.0	-106.0
Current value	**188.7**	**14.9**	**52.2**	**47.5**	**68.8**	**94.3**	**109.5**	**162.1**	**263.9**	**391.5**	**586.5**	**1,980.0**
Remaining provisions Delta Lloyd Life Belgium												14.9
Value recognised in balance sheet												**1,994.9**

The loss development after reinsurance was:

Loss development net of reinsurance

In millions of euros	All prior years	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
Gross cumulative claims payments												
At end of accident year		308.1	317.3	352.8	368.8	392.8	418.3	445.5	428.0	449.1	420.6	
One year later		424.8	428.8	497.2	549.2	627.6	674.5	706.7	697.2	724.3	-	
Two years later		452.9	455.0	525.9	582.5	710.4	726.9	775.9	790.6	-	-	
Three years later		465.5	473.9	542.5	627.7	749.1	756.2	811.2	-	-	-	
Four years later		473.9	486.3	557.9	650.0	771.2	785.9	-	-	-	-	
Five years later		481.7	497.7	564.3	663.0	796.1	-	-	-	-	-	
Six years later		484.7	512.5	573.7	676.7	-	-	-	-	-	-	
Seven years later		490.0	516.3	587.0	-	-	-	-	-	-	-	
Eight years later		492.6	524.3	-	-	-	-	-	-	-	-	
Nine years later		493.4	-	-	-	-	-	-	-	-	-	
Estimate of gross cumulative claims												
At end of accident year		733.3	711.2	742.5	771.3	849.8	907.4	944.6	959.3	1,100.7	996.4	
One year later		657.4	647.1	639.4	728.7	870.1	916.1	966.5	1,062.0	1,108.0	-	
Two years later		582.6	595.6	654.2	745.3	862.1	908.1	981.2	1,060.4	-	-	
Three years later		558.9	583.6	632.0	739.6	863.1	894.4	977.9	-	-	-	
Four years later		550.4	569.5	636.1	736.4	880.9	902.0	-	-	-	-	
Five years later		538.8	555.0	632.7	744.3	894.5	-	-	-	-	-	
Six years later		527.7	561.7	649.9	751.0	-	-	-	-	-	-	
Seven years later		521.3	579.4	637.7	-	-	-	-	-	-	-	
Eight years later		516.0	576.0	-	-	-	-	-	-	-	-	
Nine years later		508.6	-	-	-	-	-	-	-	-	-	
Estimate of cumulative claims		**508.6**	**576.0**	**637.7**	**751.0**	**894.5**	**902.0**	**977.9**	**1,060.4**	**1,108.0**	**996.4**	
Cumulative payments		**493.4**	**524.3**	**587.0**	**676.7**	**796.1**	**785.9**	**811.2**	**790.6**	**724.3**	**420.6**	
Total	180.1	15.3	51.7	50.7	74.3	98.4	116.1	166.7	269.8	383.7	575.8	1,982.6
Effect of discounting	-16.3	-1.3	-2.4	-5.9	-7.4	-8.7	-10.3	-12.5	-15.9	-13.4	-12.0	-106.2
Current value	**163.8**	**13.9**	**49.3**	**44.8**	**66.9**	**89.7**	**105.8**	**154.2**	**253.9**	**370.3**	**563.8**	**1,876.5**
Remaining provisions Delta Lloyd Life Belgium												12.7
Value recognised in balance sheet												**1,889.1**

Compared to 2012, several adjustments have been made to the loss development table to improve insight into the actual claims development. These adjustments are:

- In the loss development tables in prior year annual accounts the general insurance business of Delta Lloyd Life Belgium was included from 2008; before 2008 it was an 'Effect of acquisition'. At year end 2012 it was transferred to held for sale and the paid claims were set equal to the incurred claims, so no claims reserves were shown for this business, which has now been completely removed from the loss development tables above, even though a small part of the general insurance business of Delta Lloyd Life Belgium was not sold. As this effect is small in comparison to the overall development, Delta Lloyd decided to exclude it from the loss development table.

- The health business has also been removed from the loss development table. In prior year tables the health business liability was included up to 2008, as it was sold in 2009 to CZ Verzekeringen including the run-off on prior years.
- In the loss development tables of prior year the acquired Erasmus portfolio was shown as an ‘Effect of acquisition’ up to March 2007. This portfolio is now completely integrated into the Delta Lloyd Schadeverzekering’s portfolio and Delta Lloyd Schadeverzekering is responsible for the run-off of these claims. Delta Lloyd therefore decided to include Erasmus in the loss development and no longer as an ‘Effect of acquisition’.

The increase in incurred claims for accident years 2007 to 2010 is mainly the result of additional provisioning for WGA ER.

The tables above include information on asbestos and environmental pollution (A&E) claims provisions for business written before 2004. The uncertainty inherent in A&E claims provisions is largely due to the extremely long latency period, uncertainties in the cover and claims costs, the limited availability of data and uncertainties in the surrounding completeness and accuracy of the data. The A&E cumulative payments and claim reserves are shown separately in the following table.

Asbestos and environmental pollution loss development table

In millions of euros	Cumulative payments	Claims reserves	Estimate of cumulative claims
31 December 2004	9.6	45.0	54.6
31 December 2005	10.7	49.6	60.3
31 December 2006	16.1	57.8	74.0
31 December 2007	20.3	53.2	73.5
31 December 2008	21.1	56.8	77.9
31 December 2009	22.6	55.8	78.4
31 December 2010	25.0	50.2	75.2
31 December 2011	27.8	49.4	77.2
31 December 2012	34.5	39.4	73.8
31 December 2013	39.5	37.8	77.3

Asbestos and environmental pollution contracts have not been reinsured.

Provision for unearned premiums and provision for unexpired risk

Movements provision for unearned premiums and provision for unexpired risk

In millions of euros	2013	2012
At 1 January	**359.6**	**370.0**
Premiums written during the year	1,427.8	1,650.3
Premiums earned during the year	-1,513.9	-1,661.6
Transfer to liabilities relating to assets held for sale	-	-14.2
Other gross movements	10.3	15.1
Total movements	**-75.8**	**-10.4**
At 31 December	**283.8**	**359.6**

The movement in the provision for unearned premiums and unexpired risk of € -75.8 million mainly relates to the use of improved premium data of authorised agents, including the periodicity of the premium as of June 2013. The data improvement is the result of a protocol developed by the association of insurers. See section 5.1.6.2. 'Use of assumptions and estimates'. The impact on the provision for unearned premiums and unexpired risk was € -68.6 million.

Other gross movements relate mainly to the increase in unexpired risk reserve for WGA ER contracts.

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	2013	2012
Life	441.4	416.9
General	112.7	118.3
Total	**554.0**	**535.2**

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 2013	Reinsurance assets 2013	Net 2013	Gross insurance provisions 2012	Reinsurance assets 2012	Net 2012
Discretionary participating contracts	7,488.5	17.1	7,471.4	7,616.9	16.1	7,600.8
Non-discretionary participating contracts	3,864.8	2.8	3,861.9	4,334.8	-	4,334.8
Unit-linked non-participating	12,314.2	-	12,314.2	12,544.7	-	12,544.7
Other non-participating	18,394.4	421.4	17,973.0	17,926.9	400.8	17,526.1
Life provisions	**42,062.0**	**441.4**	**41,620.6**	**42,423.4**	**416.9**	**42,006.5**
Discretionary participating policies	3,799.3	-	3,799.3	3,770.9	-	3,770.9
Non-participating policies	494.3	-	494.3	513.6	-	513.6
Unit-linked contracts	523.3	-	523.3	452.2	-	452.2
Investment contracts	**4,817.0**	**-**	**4,817.0**	**4,736.8**	**-**	**4,736.8**
Outstanding claims provisions	1,377.0	96.9	1,280.1	1,309.7	100.4	1,209.3
Provision for claims handling expenses	58.8	-	58.8	52.8	-	52.8
Provision for claims incurred but not reported	559.2	8.9	550.3	577.2	5.7	571.6
Provision for unearned premiums	257.5	6.9	250.7	344.6	12.2	332.4
Provision for unexpired risks	26.3	-	26.3	15.0	-	15.0
General provisions	**2,278.8**	**112.7**	**2,166.1**	**2,299.3**	**118.3**	**2,181.0**
Total	**49,157.7**	**554.0**	**48,603.7**	**49,459.4**	**535.2**	**48,924.3**

Assumptions

The assumptions used for reinsurance contracts generally follow those applied to insurance contracts. Reinsurance assets included in life insurance business provisions were not measured on the basis of market interest rates, but on the basis of fixed interest rates.

Movements

The movements in reinsurance assets during the year were as follows:

(i) Life insurance

Statement of changes in reinsurance assets		
In millions of euros	2013	2012
At 1 January	**416.9**	**423.7**
Assets in respect of new business	18.4	2.8
Expected movement in existing business assets	0.7	1.4
Variance between actual and expected experience	-9.2	-11.0
Movements reinsurance assets recognised as income	**9.8**	**-6.8**
Changes in group	14.7	-
At 31 December	**441.4**	**416.9**

The increase in respect of new business is mainly due to the new reinsurance contract at ABN AMRO Levensverzekeringen commencing on 1 February 2014.

Changes in group relate to the acquisition of ZA Verzekeringen NV. See section 5.1.7.4. 'Subsidiaries' for more information.

(ii) General insurance

Statement of changes in reinsurance assets[1]		
In millions of euros	**2013**	**2012**
At 1 January	**106.1**	**126.7**
Effect of changes in assumptions	-	0.1
Reinsurers' share of claim losses and expenses incurred in current year	35.4	40.9
Reinsurers' share of claim losses and expenses incurred in prior years	9.8	0.7
Reinsurers' share of claim losses and expenses incurred	**45.3**	**41.7**
Reinsurance recoveries received on claims incurred in current year	-12.7	-10.1
Reinsurance recoveries received on claims incurred in prior years	-32.9	-26.9
Reinsurance recoveries received in the year	**-45.6**	**-37.0**
Movements in reinsurance assets recognised as income	**-0.3**	**4.7**
Transfer to liabilities relating to assets held for sale	-	-25.2
At 31 December	**105.8**	**106.1**

1) The statement of changes in reinsurance assets excludes provision for unearned premiums

(iii) Reinsurers' share of provision for unearned premium

Statement of changes in provision for unearned premium		
In millions of euros	**2013**	**2012**
At 1 January	**12.2**	**11.1**
Reinsurers' share in the year	109.5	129.6
Reinsurers' share of premiums earned during the year	-114.7	-128.6
Movements in provision for unearned premiums recognised as income	**-5.3**	**1.0**
At 31 December	**6.9**	**12.2**

5.1.7.29. (29) Liabilities for investment contracts

Investment contract liabilities at year end		
In millions of euros	**2013**	**2012**
Discretionary participating policies (fair value)	3,799.3	3,770.9
Non-participating investment contracts (amortised cost)	494.3	513.6
Unit-linked contracts (fair value)	523.3	452.2
Total investment contracts	**4,817.0**	**4,736.8**

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. The number of related group pension contracts without insurance risk, which are valued at amortised cost using the effective interest method, is limited. In respect of contract liabilities valued at amortised cost, the book value is not significantly different from the fair value. The total interest expense on discretionary participating investment contracts was € 99.0 million (2012: € 91.6 million).

Many investment contracts contain a discretionary participation feature under which the contract holder has a contractual right to receive additional benefits as a supplement to guaranteed benefits. These are referred to as participating contracts and are measured at fair value or amortised cost. The discretionary participation feature of participating business concluded by Delta Lloyd Life is recognised separately from the guaranteed element and is classified as a separate liability within discretionary participating policies referred to as unallocated distributable surplus.
Investment contracts that do not contain a discretionary participation feature are referred to as non-participating contracts and the liability is measured at amortised cost.

Unit-linked contracts are measured at fair value. The liability is equal to the unit-linked investment value plus, if required, additional non-unit provisions on a fair value basis. For this business, deferred acquisition costs and a deferred income reserve liability are recognised for transaction costs and front-end fees respectively. These relate to the management of investments and are amortised systematically 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	2013	2012
At 1 January	**4,736.8**	**4,028.1**
Provisions in respect of new business	76.8	132.6
Expected change in existing business provisions	217.9	284.1
Variance between actual and expected experience	-218.8	-166.0
Effect of changes in assumptions	-129.0	507.8
Other movements	51.0	-49.9
Changes in group	82.3	-
At 31 December	**4,817.0**	**4,736.8**

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 (€ 51.0 million) relate mainly to adjustments in Delta Lloyd Life's adequacy test caused by using an improved model to calculate expected future cash flows. The effect of changes in assumptions decreased mainly because of changes in market interest rates, € 95.1 million (2012: increased by € 491.7 million).

Changes in group relate to the acquisition of ZA Verzekeringen NV. See section 5.1.7.4. 'Subsidiaries' for more information.

5.1.7.30. (30) Effect of changes in assumptions and estimates on provisions for insurance and investment contracts

Determining 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 2013	Effect on result 2012
Life insurance contracts		
Interest rate/price movements	879.4	-4,432.7
Expenses	23.5	34.2
Lapse rate	46.3	60.8
Mortality risk for life insurance contracts	2.5	13.3
Other	-3.3	-10.0
Investment contracts		
Interest rate/price movements	99.9	-516.4
Expenses	31.0	-7.8
Lapse rate	15.2	-3.0
Mortality risk for investment contracts	0.6	3.6
Other	-17.7	15.7
General insurance contracts		
Change in discount rate assumptions	3.4	-27.5
Change in expense ratio assumptions	-3.6	6.6
Total	**1,077.3**	**-4,863.0**

Section 5.1.7.27. ‘Insurance liabilities’ addresses the effect of changes in economic assumptions on insurance provisions. This differs from the effect of movements in interest rates/prices. The interest rate effect on the result involves the consequences of movements during the year in the Collateralised AAA curve.

Each reporting period Delta Lloyd Group assesses whether the applied Collateralised AAA curve is representative as a market interest rate curve for long-term liabilities. The assessment showed the curve was no longer representative for the long end of the curve and an UFR was introduced. See section 5.1.6.2. ‘Use of assumptions and estimates’. Due to the introduction of the UFR and the market interest rate movements, the Collateralised AAA curve increased by 45 bps. The impact on result of the movement in the Collateralised AAA curve in 2013 was € 626.5 million (2012: € -4,124.7 million) of life insurance contracts and € 95.1 million (2012: € -491.7 million) of investment contracts. These effects, and the effect of interest rate changes in particular, are partly offset by movements in the investment portfolio resulting from changes in market interest rates. The result will be affected primarily by differences in volumes and maturities.

The changes in assumptions and estimates for insurance contracts are a result of:

- Adjustments to explicit expense, lapse, mortality and other assumptions in Delta Lloyd Life's adequacy test;
- Delta Lloyd Levensverzekering adjusted the lapse rate for the individual and collective portfolios;
- Movements in the Wabeke provisions within Delta Lloyd Levensverzekering and ABN AMRO Levensverzekering.

The changes in assumptions and estimates for investment contracts are due to changes in the explicit assumptions in the adequacy test of Delta Lloyd Life.

The change in discount rate assumptions in general insurance relates to the increase of the Collateralised AAA curve.

5.1.7.31. (31) Pension obligations

Delta Lloyd Group has a number of pension plans in the countries where 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 that has reinsured its pension obligations with the subsidiary Delta Lloyd Levensverzekering. In the insurance agreement Delta Lloyd Levensverzekering guarantees the payment of the vested nominal pensions. In January 2013, Delta Lloyd Pensioenfonds decided to split its investment portfolio. The portfolio is still reinsured at Delta Lloyd Levensverzekering to an aimed coverage ratio of 105%. Since January 2013 the amount above this aimed coverage ratio is invested for own risk of Delta Lloyd Pensioenfonds (year end 2013: € 269.3 million). The current IFRS coverage ratio, calculated as investments divided by defined benefit obligation, is 121% (year end 2012: 115%). Delta Lloyd Levensverzekering guarantees a minimum solvency level of 100%.

The figures include provisions to meet other post-retirement obligations to staff. Delta Lloyd Group also operates a variety of smaller pension plans in the Netherlands, Belgium and Germany, including defined contribution plans.

There were no significant contributions outstanding or prepaid during the past two years.

Details of the significant defined benefit plans
The measurement of the defined benefit plans is based on the most recent actuarial valuations, which were updated to assess the liabilities of the significant plans on 31 December 2013.

The principal features of the current plan in the Netherlands are as follows:
- From 1 January 2014 the main pension plan is based on average pay and a retirement age of 67 years (employees are expected to retire from the company between 65 and 67). Pension contributions are determined on 1 January of each year and based on the hourly salary of the employee (including holiday pay and a '13th month') multiplied by the number of contract hours. The pension entitlements per service year are 2.15% of the employee's pension base;
- 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;

- The average weighted duration of the pension obligation is 18.4 years, a decrease compared to last year (2012: 19.2 years) mainly due to the increase in the discount rate and fewer active members of Delta Lloyd Pensioenfonds.

The pension obligations relating to the defined pension entitlements will be increased to the level of the investments if there is a surplus. The surplus accrues to members and is to be used for indexation purposes. The pension and post-retirement obligations of Delta Lloyd Group are therefore equal to the pension plan assets at the reporting date. Based on the actuarial valuations set out below, the provision for pension and post-retirement obligations was increased by € 386.5 million (2012: € 295.8 million). Details of the main defined benefit plans are shown below. Where plans provide both defined benefit and defined contribution pensions, the assets and liabilities shown only relate to defined benefit pensions. The mortality table used for the Dutch pension plan from 31 December 2012 onwards is the AG2012-2062 mortality table, taking into account the "Delta Lloyd Levensverzekering experience adjustment".

Main financial assumptions used to calculate defined benefit obligations

In percentages	The Netherlands 2013	The Netherlands 2012	Other countries 2013	Other countries 2012
Inflation rate	2.00%	2.20%	1.00%-2.05%	2.20%
General salary increases	2.10%+merit	2.30%+merit	1.10%-2.15%+merit	2.30%+merit
Pension increases active members	1.60%	1.40%	0.00%-2.15%	0.00%-2.20%
Pension increases inactive members	1.55%	1.35%	1.00%-2.05%	0.00%-2.20%
Discount rate	3.80%	3.20%	1.25%-3.60%	0.80%-3.20%

Delta Lloyd Pensioenfonds' investment policy is aimed at maintaining a balanced portfolio. This limits the risks of underfunding that arises from the selected asset mix. The composition of the investments is considered the most important mechanism to optimise the revenue and risk structure of the pension fund. The investments are managed by the asset managers of Delta Lloyd Group, who are constrained to mandates. The composition of the portfolio is regularly evaluated and will be adjusted when it appears the revenue and risk structure are no longer adequate.

The expected rate of return on plan assets equals the discount rate used to calculate the pension obligation (see table above).

The defined benefit obligation recognised in the statement of financial position can be reconciled to the actual defined benefit obligation at year end as follows:

Defined benefit obligation recognised in the statement of financial position

In millions of euros	**2013**	**2012**
Net defined benefit liability	2,007.6	2,342.2
Other post retirement benefits	3.6	6.3
Net pension obligation recognised in statement of financial position	**2,011.2**	**2,348.5**
Recognised in plan assets	20.2	18.8
Recognised in pension obligation	2,030.5	2,370.7
Recognised in liabilities relating to assets held for sale	3.6	-
Other post retirement schemes	-2.7	-3.3
Net pension obligation recognised in statement of financial position	**2,011.2**	**2,348.5**

Statement of changes in defined benefit obligation		
In millions of euros	**2013**	**2012**
At 1 January	**2,410.9**	**2,079.3**
Current service cost	62.9	49.0
Past service cost	-15.3	0.4
Interest cost on pension obligations	76.1	92.9
Payments and acquisitions	-79.0	-73.8
Employee contributions current year	12.2	11.6
Other transfers	1.9	-10.0
Actuarial (g)&l on pension obligations	-97.4	261.5
At 31 December	**2,372.3**	**2,410.9**

Due to the low discount rate at the beginning of 2013 compared to 2012, the calculated service cost in 2013 is higher than in 2012.

Since the retirement age in the Netherlands changed from 65 to 67 year, a past service cost is recognised of € 15.3 million.

The interest cost in 2013 is much lower than in 2012, mainly due to the low discount rate at the beginning of 2013.

Payments take place evenly (monthly) throughout the year.

Statement of changes in plan assets		
In millions of euros	**2013**	**2012**
At 1 January	**69.2**	**64.5**
Interest income	8.5	2.8
Contributions	269.9	0.6
Benefits paid	-2.2	-1.7
Actuarial g&(l) on pension assets	23.3	3.0
At 31 December	**368.6**	**69.2**

Contributions include transfers of investments to Delta Lloyd Pensioenfonds of € 269.3 million (2012: nil).

Statement of changes in total net pension obligations		
In millions of euros	**2013**	**2012**
At 1 January	**2,342.2**	**2,015.9**
Pension expense for defined benefit plans	115.2	139.5
Actuarial (g)&l	-117.2	258.0
Distributions and investement gains and losses	-334.4	-61.1
Other transfers	1.9	-10.0
At 31 December	**2,007.6**	**2,342.2**

Distributions and investment gains and losses includes transfers of investments to Delta Lloyd Pensioenfonds of € -269.3 million (2012: nil).

Net defined benefit liability and experience adjustments		
In millions of euros	**2013**	**2012**
Defined benefit obligation	2,372.3	2,410.9
Plan assets	-368.6	-69.2
Asset ceiling	4.0	0.5
Net defined benefit liability	**2,007.6**	**2,342.2**
Experience adjustments on plan liabilities	15.9	19.5
Experience adjustments on plan assets	23.3	3.0

As the Delta Lloyd Pensioenfonds has reinsured the main part of its pension obligations with Delta Lloyd Levensverzekering in the Netherlands, this entity recognises the related investments and related insurance liability. To avoid double recognition, under actual investments and reimbursement rights on the asset side and defined benefit obligations and insurance liabilities on the liability side, reimbursement rights and insurance liabilities have been eliminated. The remaining plan assets are mainly related to plan assets invested for own risk of the Delta Lloyd Pensioenfonds.

Pension obligations of € 58.9 million relate to plans that are completely unfunded (2012: € 65.4 million).

The assets of the pension schemes attributable to participants under the defined benefit plans can be specified as follows:

Assets of the pension schemes attributable to participants under the defined benefit plans (without elimination of plan assets) at year end (geography)						
In millions of euros	The Netherlands 2013	Other countries 2013	Total 2013	The Netherlands 2012	Other countries 2012	Total 2012
Equity securities	448.6	21.5	470.1	324.1	16.9	341.0
Bonds	1,610.8	21.8	1,632.6	1,558.9	27.1	1,586.0
Property	64.1	-	64.1	59.2	-	59.2
Other	121.2	54.2	175.4	327.9	52.3	380.2
Total fair value of assets	**2,244.7**	**97.5**	**2,342.2**	**2,270.1**	**96.3**	**2,366.4**

(Un)listed assets of the pension schemes attributable to participants under the defined benefit plans (without elimination of plan assets) at year end						
In millions of euros	Listed 2013	Unlisted 2013	Total 2013	Listed 2012	Unlisted 2012	Total 2012
Equity securities	205.2	264.9	470.1	157.5	183.5	341.0
Bonds	136.4	1,496.2	1,632.6	27.1	1,558.9	1,586.0
Property	-	64.1	64.1	-	59.2	59.2
Other	-	175.4	175.4	-	380.2	380.2
Total fair value of assets	**341.6**	**2,000.6**	**2,342.2**	**184.7**	**2,181.8**	**2,366.4**

All investments in bonds and property in the Netherlands are invested in investment funds. In the tables above the look-through principle is used.

For the financial years 2013 and 2012, equity securities and bonds in the pension schemes did not include any equity securities and bonds in Delta Lloyd Group. In addition, the property of the pension schemes did not include any property that was in use by Delta Lloyd Group. ‘Other’ includes mainly interest rate swaps.

Pension deficit (without elimination of plan assets) at year end							
In millions of euros	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**
Fair value of plan assets and reimbursement rights at year end	2,342.2	2,366.4	2,042.8	1,801.1	1,639.5	1,564.9	1,465.8
Present value of defined benefit obligations at year end	2,372.3	2,410.9	2,079.3	1,835.3	1,667.2	1,564.9	1,500.1
Asset ceiling	4.0	0.5	1.1	-	-	-	-
Net pension deficit	**34.1**	**45.0**	**37.6**	**34.2**	**27.7**	**-**	**34.3**

The defined benefit obligation for the Dutch pension plans is set equal to the plan assets, as such no surplus or deficit is applicable here. The total deficit shown is caused by the German plans as no specific plan assets are allocated to the defined benefit obligation. The German deficit is partially offset by the surplus for the Belgian plans.

Pension expenses		
In millions of euros	**2013**	**2012**
Current service cost	62.9	47.9
Past service cost (gain)/loss	-15.3	1.4
Net interest expense	67.7	90.1
Total charge to income defined benefit	**115.2**	**139.5**
Total charge to income defined contribution	1.3	2.8
Total charge to income	**116.6**	**142.3**
Investment income (gain)/loss	32.7	-327.5
Total pension result recognised in Income Statement	**149.3**	**-185.2**
Actuarial (gains) and losses recognised in other comprehensive income	-117.2	258.0
Net pension result	**32.1**	**72.8**

Pension expenses recognised as staff costs (see section 5.1.7.9. ‘Employee information’) consist of service cost and defined contribution. Net interest expense is recognised as part of finance cost.

The investment income is the actual return on the assets backing the pension obligations. For the Netherlands an amount of € -36.5 million (2012: € 320.5 million) was recognised in the investment income of the Life segment as this segment holds the investments. The actual return on plan assets of the Belgian defined benefit plan for 2013 was € 3.8 million (2012: € 7.1 million).

The employees' contribution to the pension expenses was € 12.2 million (2012: € 11.6 million), excluding transfer of investments to Delta Lloyd Pensioenfonds of € -269.3 million (2012: nil). The employer's contribution to the pension assets for 2014 is expected to be € 50.1 million (2013: € 52.9 million).

Statement of changes in other comprehensive income		
In millions of euros	**2013**	**2012**
At 1 January	**-431.5**	**-173.5**
Actuarial g&(l) on pension obligations due to changes in demographic assumptions	-	51.3
Actuarial g&(l) on pension obligations due to changes in financial assumptions	172.2	-399.2
Actuarial g&(l)on pension obligations due to adjustment for funding agreement	-90.7	66.9
Actuarial g&(l) on pension obligations due to changes in experience adjustments	15.9	19.5
Actuarial g&(l) on pension assets	23.3	3.0
Actuarial g&(l) due to change in asset ceiling	-3.5	0.6
Total changes in other comprehensive income	**117.2**	**-258.0**
At 31 December	**-314.3**	**-431.5**

Sensitivity analysis of defined benefit obligations		
In millions of euros	Impact on equity at year end 2013	Impact on equity at year end 2012
Interest rate risk +25 bps	67.4	70.1
Interest rate risk -25 bps	-67.4	-70.1
Value of equity shares +10%	-46.8	-33.8
Value of equity shares -10%	46.8	33.8

The table above shows the effect of a 25 basis-point interest rate change for the total interest rate structure. A change in interest rate does not have a direct impact on equity or the result, as the impact is first recognised at the expense or in favour of the surplus. The table above assumes that there is no surplus. See section 5.1.7.1. ‘Risk management’, subsection ‘Sensitivity analysis’ for further explanation of the sensitivity analysis and the limitations of the analysis.

Estimated future benefit payments in the next 10 years are as follows:

Estimated future benefit payments	
In millions of euros	
Financial year	
2014	55.1
2015	56.1
2016	60.7
2017	63.8
2018	66.2
2019-2023	376.7

5.1.7.32. (32) Provisions for other liabilities

Provisions for other liabilities				
In millions of euros	Restructuring provisions	Employee equity compensation plan	Other provisions	Total
At 1 January 2012	**32.5**	**15.3**	**88.5**	**136.3**
Additional provision made in the year	0.5	2.5	9.3	12.3
Unused amounts released	-6.5	-4.1	-33.5	-44.0
Withdrawal from provision during the year	-6.2	-2.8	-8.7	-17.7
At 31 December 2012	**20.2**	**11.0**	**55.7**	**87.0**
Additional provision made in the year	8.5	8.3	7.9	24.7
Unused amounts released	-4.5	-0.2	-3.4	-8.1
Withdrawal from provision during the year	-6.8	-6.6	-5.3	-18.7
Transfer to liabilities relating to assets held for sale	-0.1	-0.2	-5.4	-5.7
At 31 December 2013	**17.4**	**12.4**	**49.4**	**79.2**

The additional provision of € 8.5 million relates mainly to the restructuring at Delta Lloyd Schadeverzekering (€ 2.6 million), Delta Lloyd Houdstermaatschappij (€ 2.2 million) and ABN AMRO Verzekeringen (€ 2.2 million).

The withdrawal from restructuring provisions of € 6.8 million (2012: € 6.2 million) mainly relates to the restructuring of Delta Lloyd Services (€ 5.0 million).

The equity compensation plan comprises € 7.5 million for the Phantom Option Plan and € 4.9 million for the Variable Incentive Plan (see section 5.1.7.9. 'Employee information').

The expected funds outflow is € 28.0 million within a year and € 51.2 million after one year. There are no substantial uncertainties about the amount and timing of these expected funds outflows.

5.1.7.33. (33) Deferred tax assets and liabilities

Deferred tax assets and liabilities caused by temporary differences in tax base at year end		
In millions of euros	**2013**	**2012**
Insurance liabilities	1,009.3	1,431.3
Investments	-617.1	-1,146.9
Equalisation reserve	-8.1	-8.0
Unused tax losses	9.4	58.7
Intangible fixed assets	-20.0	-21.1
Other	2.7	-0.9
Total deferred tax	**376.1**	**313.1**

The full amount of tax assets and liabilities is expected to be recoverable or payable.

Deferred tax assets		
In millions of euros	**2013**	**2012**
At 1 January	**1,533.3**	**628.5**
Recognised through the income statement	-374.6	960.7
Movement in revaluation reserve	-20.2	52.4
Reclassification between deferred tax assets and liabilities	-3.6	-108.3
Transfer to assets held for sale	-55.4	-
Changes in group	0.5	-
At 31 December	**1,080.1**	**1,533.3**

Deferred tax liabilities		
In millions of euros	**2013**	**2012**
At 1 January	**1,220.2**	**911.3**
Recognised through the income statement	-520.2	394.9
Movement in revaluation reserve	-11.8	25.3
Changes in group	25.1	-3.0
Reclassification between deferred tax assets and liabilities	-3.6	-108.3
Transfer to liabilities held for sale	-5.5	-
Other movements	-0.2	-
At 31 December	**704.0**	**1,220.2**

The deferred tax assets and liabilities of companies that are part of the corporate tax entity Delta Lloyd NV are cumulated. The same approach is used for the corporate income tax entity Delta Lloyd ABN AMRO Verzekeringen Holding BV.

The tax assets and liabilities are shown on a net basis per item. As a result, there was a reclassification of € -3.6 million between deferred tax assets and liabilities in 2013 (2012: € -108.3 million).

Tax assets on tax losses		
In millions of euros	**2013**	**2012**
Delta Lloyd NV tax entity	-	11.9
Delta Lloyd Life	4.5	22.8
Delta Lloyd Bank België	-	14.3
Delta Lloyd Germany	4.9	9.7
Total	**9.4**	**58.7**

In the Netherlands, losses are carried forward to a maximum of nine years. Due to the taxable result in 2013, the tax losses of the corporate income tax entity Delta Lloyd NV at year end 2012 are compensated at an amount of € 47.6 million. At year end 2013 no taxable losses remain. The net deferred tax position of the corporate income tax entity Delta Lloyd NV is mainly the result of the valuation difference of the insurance liabilities and investments.

In Belgium, the tax position consists of the combination of tax losses and notional interest deduction, which is a taxable interest deduction that reduces the taxable amount. The tax losses can be carried forward indefinitely. The regulations on the deduction of notional interest have changed, abolishing the carried forward period of seven years. As of 2012 the notional interest deduction is limited to the actual year. The existing notional interest deduction at the end of 2011 will, under certain conditions, be deductible for the remaining seven years. The tax losses in Belgium are expected to be compensated within coming years. At year end 2013, Delta Lloyd Bank België is recognised as held for sale.

In Germany, € 16.2 million in taxable losses are recognised at year end 2013. Taxable losses can be carried forward indefinitely. Under tax regulations, the use of these losses on a yearly basis is limited to a certain part of the taxable profits. It is expected the recognised losses will be compensated within coming years.

Delta Lloyd Group has recognised tax losses of € 29.5 million (2012: € 189.2 million, excluding Delta Lloyd Bank België € 147.1 million). Tax losses carried forward 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 € 241.5 million (2012: € 253.5 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	2013	2012
Subordinated loans		
Institutional investors	448.0	441.9
Fonds NutsOHRA perpetual loan	136.0	176.8
Rabobank Nederland	98.3	98.1
	682.3	716.8
Securitised mortgage loan notes		
Amstelhuys valued at fair value	2,123.8	3,014.7
Amstelhuys valued at amortised cost	1,790.4	1,882.5
Delta Lloyd Bank België	-	-
Delta Lloyd Bank Nederland	-	-
	3,914.2	4,897.2
Amounts owed to credit institutions	62.6	85.2
Medium-term note	572.4	571.8
Commercial paper	94.9	93.1
Convertible loan	2.0	2.6
Other borrowings	-	325.7
	731.9	1,078.3
Total	5,328.4	6,692.3

As of 2013, Delta Lloyd Bank België is classified as assets held for sale. As a result, an amount of € 289.8 million, the entire amount on the category other, was transferred to assets held for sale.

Fonds NutsOHRA
Fonds NutsOHRA converted 3.0 million preference shares A (nominal value € 0.20 per share) into ordinary shares Delta Lloyd NV, against an additional payment of € 30.742 nominal per share. The conversion was funded through the Fonds NutsOHRA subordinated loan to Delta Lloyd Group. This decreased the book value of the subordinated loan by € 40.7 million to € 136.0 million (nominal value decreased by € 92.2 million) and the convertible loan decreased by € 0.6 million to € 2.0 million.

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 at 31 December 2013 was € 404.7 million (2012: € 496.9 million) and the carrying amount was € 136.0 million (2012: € 176.8 million). The interest rate on the notes was 2.76% at 31 December 2013 (2012: 2.76%) and the fair value of the subordinated loan was € 206.9 million (2012: € 292.2 million).

Delta Lloyd Group decided to substitute the applied proxy credit spread (compiled from credit curves in the same industry sector and industry group) with a curve based upon its own listed and actively traded subordinated debt. The spread levels derived from this new curve were wider than the formerly used proxy curve, decreasing the fair value of this loan.

Rabobank Nederland
On 26 February 2009, a subordinated loan of € 100.0 million was granted by Rabobank Nederland to Delta Lloyd Schadeverzekering at an interest rate of 10.44%. This loan remained unchanged in 2013. The fair value of this loan was € 122.2 million on 31 December 2013 (2012: € 133.8 million).

On 29 August 2012, Delta Lloyd Levensverzekering successfully priced a new benchmark € 500.0 million fixed to floating rate subordinated note transaction at a coupon of 9%, which replaced the 2009 subordinated note issue of € 400.0 million that was granted by Rabobank Nederland. The notes have a final maturity of 2042 and can be redeemed at Delta Lloyd's choosing from 2022 onwards. The transaction was sold to institutional investors. The transaction costs were deducted from the principal amount. The fair value of this loan was € 607.0 million at 31 December 2013 (2012: € 560.0 million).

In the event of bankruptcy, subordinated loans rank lower than other liabilities but higher than preference and other shareholders. The perpetual subordinated loan extended to Fonds NutsOHRA ranks below other subordinated loans.

Securitised mortgage loan notes
These borrowings (known as Arena and DARTS notes) are bonds where a part of the mortgage portfolio of Delta Lloyd Group is pooled and transferred to special purpose vehicles. See section 5.1.7.20. 'Securitised mortgages and related assets' for further information.

Amstelhuys (fair value) at year end

In millions of euros	Fair value 2013	Fair value 2012	Contract maturity date	Anticipated maturity date	Interest rate
Arena 2006-I	-	751.4	12/2064	03/2013	floating, range 0.4% - 0.8%
Arena 2007-I	886.6	927.0	10/2049	10/2014	floating, range 0.5% - 3.0%
Arena 2011-II	699.9	745.2	09/2043	12/2015 / 09/2016	floating, range 0.1% - 1.9%
DARTS 2004-I	441.0	434.9	10/2066	10/2014	floating, 0.6%
DARTS 2005-I	903.5	951.3	11/2064	11/2014	floating, 0.4%
Eliminations	-807.2	-795.2			
Total	**2,123.8**	**3,014.7**			

The cumulative revaluation at 31 December 2013 was € -16.0 million (2012: € -8.3 million). Of the elimination, € 560.7 million (2012: € 683.6 million) related to the Arenas at Amstelhuys; € 119.1 million (2012: € 111.6 million) to Arenas at Delta Lloyd Bank Nederland; € 127.4 million to Arenas at Delta Lloyd Treasury. Arena 2006-I was redeemed in February 2013. There were no new issued notes at fair value in 2013.

Amstelhuys (amortised cost) at year end

In millions of euros	Amortised cost 2013	Amortised cost 2012	Contract maturity date	Anticipated maturity date	Interest rate
Arena 2009-I	723.1	758.8	11/2041	11/2014	floating. range 1.2% - 5.0%
Arena 2011-I	612.1	637.5	12/2042	11/2015	floating. range 0.2% - 1.7%
Arena 2012-I	671.5	708.3	11/2044	11/2017	floating. range 0.1% - 1.3%
Eliminations	-216.4	-222.1			
Total	**1,790.4**	**1,882.5**			

The fair value of these loans on 31 December 2013 was € 1,802.5 million (2012: € 1,904.3 million). The eliminations relate to Arena 2009-I, Arena 2011-I and Arena 2012-I at Amstelhuys. No new notes (2012: € 710.5 million) were issued during the year.

Delta Lloyd Bank België at year end

In millions of euros	Amortised cost 2013	Amortised cost 2012	Contract maturity date	Anticipated maturity date	Interest rate
Arena B-II	765.0	892.5	10/2044	10/2016	floating. 0.2 - 1.2%
Arena B-III	781.6	909.8	01/2045	01/2017	floating. 0.2 - 1.2%
Eliminations	-1,528.7	-1,802.3			
Transfer to liabilities related to assets held for sale	-17.9	-			
Total	**-**	**-**			

As of 2013, Delta Lloyd Bank België is classified as assets held for sale. The notes on the balance sheet of Delta Lloyd Bank België after elimination have been transferred to liabilities relating to assets held for sale.

The elimination relates entirely to Arena B-II and Arena B-III at Delta Lloyd Bank België.

Delta Lloyd Bank Nederland at year end					
In millions of euros	Fair value 2013	Fair value 2012	Contract maturity date	Anticipated maturity date	Interest rate
E-Arena 2011-I	-	440.2	05/2018	12/2013	floating. 1.25%
Eliminations	-	-440.2			
Total	-	-			

E-Arena 2011-I was redeemed in December 2013. There were no new issued notes at Delta Lloyd Bank Nederland during 2013 (2012: nil).

Of the fair value gains and losses (revaluations) on borrowings at fair value through profit and loss there is no amount attributable to changes in credit risk.

The fair value notes (borrowings at fair value) are mortgage collateralised. The tranches of the notes at the SPVs with the highest risk (those that are first in line not to be paid out should credit problems occur) are held at own risk for Delta Lloyd. Delta Lloyd assumes the credit risk for external parties is close to zero and no credit risk is expected.

The notional amount of the loans measured at fair value through profit or loss at 31 December 2013 was € 2,116.7 million (2012: € 3,023.0 million).

Statement of changes in borrowings		
In millions of euros	**2013**	**2012**
At 1 January	**6,692.3**	**6,898.6**
New borrowings	790.8	1,503.6
Repayments of borrowings	-1,786.4	-1,688.3
Net cash inflow / outflow	**-995.6**	**-184.8**
Revaluation	16.0	150.2
Fonds NutsOhra subordinated loan	-40.7	-
Transferred to financial liabilities	-	-171.7
Transfer to liabilities relating to assets held for sale	-307.7	-
Other borrowings	-35.8	-
At 31 December	**5,328.4**	**6,692.3**

New borrowings of € 790.8 million (2012: € 1,503.6 million) relate entirely to commercial papers issued during 2013.

During the year, Arena 2006-I was redeemed for € 751.4 million. The transaction was funded entirely by Delta Lloyd Levensverzekering and Delta Lloyd Bank Nederland. There were no new securitisations during the year. Total repayments on commercial paper were € 788.9 million (2012: € 757.8 million). The 2013 year end amount on commercial paper of € 94.9 million (2012: € 93.1 million) has repayment dates in February and June 2014.

5.1.7.35. (35) Financial liabilities

Financial liabilities at year end		
In millions of euros	**2013**	**2012**
Savings	2,623.0	4,844.5
Demand deposits	526.1	3,054.7
Deposits	1,581.3	2,633.5
Customer savings and deposits	**4,730.3**	**10,532.7**
Third-party interests in investment funds	876.7	1,065.6
Other	624.3	1,391.6
Other financial liabilities	**1,500.9**	**2,457.2**
Financial liabilities	**6,231.3**	**12,989.9**
Expected to be settled within one year	5,656.6	12,618.5
Expected to be settled in more than one year	574.7	371.3
Total	**6,231.3**	**12,989.9**

Savings, demand deposits and deposits are liabilities primarily held by Delta Lloyd Bank Nederland and Delta Lloyd Levensverzekering.

As of 2013, Delta Lloyd Bank België is classified as held for sale and an amount of € 5,579.8 million was transferred to liabilities relating to assets held for sale.

Under deposits, an amount of € 245.0 million is related to pledged assets. For € 150.1 million Delta Lloyd Bank Nederland pledged assets with counterparty NIBC Bank with a maturity date of 20 January 2014. For € 94.9 million Amstelhuys pledged assets with counterparty NIBC Bank with a maturity date of 20 January 2014.

The large decline in demand deposits is mainly due to a decrease of € 1,521 million in cash collaterals on derivative positions. This decrease is primarily driven by closing OTC derivative positions and the declined value of the receiver swaps due to the increased interest rate.

For better presentation the day-to-day loans of € 292.7 million (2012: € 350.8 million) are reclassified from other financial liabilities to deposits. Comparative figures have been adjusted accordingly.

Furthermore, the repurchase agreements of € 433.4 million (2012: € 1,151.3 million) are part of the other financial liabilities. Repurchase agreements of Delta Lloyd Bank België has been transferred to assets held for sale; € 761.8 million (2012: € 775.5 million).

5.1.7.36. (36) Other liabilities

Other liabilities at year end		
In millions of euros	**2013**	**2012**
Payables arising out of direct insurance	300.4	299.9
Payables arising out of reinsurance	44.5	90.7
Deposits received from reinsurers	374.6	369.9
Accruals and deferred income	829.7	851.1
Short-term creditors	538.7	671.0
Total	**2,088.0**	**2,282.5**
Expected to be settled within one year	2,008.6	2,207.7
Expected to be settled in more than one year	79.4	74.9
Total	**2,088.0**	**2,282.5**

5.1.7.37. (37) Contingent liabilities and other risk factors

Uncertainty over claims provisions

Section 5.1.7.27. 'Insurance liabilities' gives details of the estimation techniques and assumptions used to determine the provisions for the general insurance business and for the life insurance business. The assumptions are designed to ensure that the provisions for future liabilities, including any future bonuses, are prudent. Both are expected to give an estimated result. Due to the nature of the estimation process, there is uncertainty about this future liability, for example where actual outcomes are worse than assumed for the general insurance business, or where assumptions about inflation of life business claims may change in the future.

Asbestos, pollution and other environmental hazards

Companies in Delta Lloyd Group receive general insurance liability claims as part of their insurance business that could lead to actual or threatened litigation. This includes claims in respect of pollution and other environmental hazards. Among these are claims relating to asbestos production and handling asbestos in the Netherlands. The ultimate cost cannot be determined with certainty, given the significant delays experienced in receiving notification of these claims, the number of potential claims involved and the uncertainties associated with establishing liability. Delta Lloyd Group's net exposure to such liabilities is further explained in section 5.1.7.27. 'Insurance liabilities'. On the basis of current information and taking into account the level of provisions made for these specific general insurance claims, Delta Lloyd Group considers it unlikely for any additional costs arising to have a material impact on its financial position.

Guarantees

Delta Lloyd Group has granted warranties as part of its insurance contracts. These warranties are taken into account in the calculation of the insurance liabilities. Warranties have also been granted with respect to investment properties. No other material warranties have been granted.

Litigation

Several claims against Delta Lloyd have been filed, all of which are being contested. Based on the legal advice and information obtained, it is assumed these claims will not have a material adverse effect on Delta Lloyd Group's financial position. Accordingly, no significant provisions have been made in this respect.

The main pending legal proceedings are:

Swiss Life NV

On 4 May 2006, Swiss Life NV, now Delta Lloyd Life NV, was indicted in Belgium for breaches of the Belgian Consumer Credit Act *(Wet op het Consumentenkrediet)* and Trade Practices Act *(Wet Handelspraktijken)* in relation to alleged mis-selling of investment products by Spaar Select. The case also has a civil component and to date 309 people have filed claims.

The judgment of the Belgian Court of Appeal dated 21 November 2012, found in favour of Delta Lloyd Life. One civil party gave notice of appeal against this judgement, but did not file any legal brief and eventually decided not to continue the procedure before the Supreme Court.

Following final settlement of the criminal case, the civil parties resumed their civil claim. The hearing before the Justices of the Peace of Antwerp was scheduled for 21 June 2013. The claimants requested: (i) partial waiver of the procedure towards certain defendants, (ii) joinder of the cases and (iii) fixing of the calendar. Delta Lloyd Life opposed the joinder of the different proceedings and argued that such issue could not be tried at that point in time. The calendar was set for the claimants to submit their evidence, exchange submissions and for a hearing date to try the issue of joinder. The judge ruled to postpone the hearing to 17 January 2014. On 22 January 2014, the Justice of the Peace referred the Spaar Select matter to the Court of First Instance in Brussels, which has to schedule a hearing to rule on the issue of joinder and the early termination of the proceedings towards certain parties.

When Swiss Life NV was acquired by Delta Lloyd Life, the seller, SNS, made a provision for a warranty that includes possible civil convictions. On the basis of the available information at that time, the warranty should be sufficient. The recent nationalisation of SNS did not have an impact on this warranty.

Cyrte/Boekhoorn

On 9 May 2009, Mr. Boekhoorn initiated legal proceedings against Delta Lloyd Group, Cyrte and the Chief Executive Officer of Cyrte, Mr. Botman ('Cyrte c.s.'). Mr. Boekhoorn claims 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, or at a lower price to be determined. Cyrte c.s. contest Mr. Boekhoorn's claim that there was a verbal agreement. On 6 April 2011, the District Court of Amsterdam ruled in favour of Cyrte c.s. and dismissed all Mr. Boekhoorn's claims. Mr. Boekhoorn appealed on 4 July 2011. The appeal is directed against Cyrte and Mr. Botman. Unlike the proceedings in first instance, Delta Lloyd Group is no longer a party to the dispute, although it was noted in the pleadings in appeal that Delta Lloyd Group may possibly become a party in the case at a later stage.

On 10 December 2013, the Court of Appeal ruled to dismiss the appeal. Mr. Boekhoorn filed a cassation appeal to the Supreme Court on 7 March 2014.

Other
The company and several of its subsidiaries have guaranteed the overdraft 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 in third parties. In the opinion of Delta Lloyd Group, no material loss will rise in respect of these guarantees, indemnities and warranties. The nature of the guarantees and security provided does not require them to be measured in accordance with IAS 39.

5.1.7.38. (38) Off-balance sheet positions

Contractual commitments for acquisitions of or capital expenditure on investment property, property and equipment and intangible assets not recognised on the statement of financial position are as follows:

Off-balance sheet liabilities at year end

In millions of euros	2013	2012
Investment property	6.5	4.3
Property and equipment	3.4	8.6
Intangible assets	-	-
Repairs and maintenance	6.3	9.7
Investments	78.2	95.3
Outsourcing	1.5	2.0
Contingent liabilities	530.5	471.9
Operational lease commitments rental		
Within one year	11.7	9.9
Between one and five years	35.8	37.7
More than five years	12.7	19.9
Operational lease commitments non-rental		
Within one year	5.2	5.7
Between one and five years	7.4	8.8
More than five years	-	-
Total	**699.1**	**673.8**

Lease commitments are recognised on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which users benefit. All the leases are eligible for renewal. There are no subleases to third parties.

Contingent liabilities include irrevocable facilities of € 386.1 million (2012: € 322.4 million).

Off-balance sheet receivables at year end		
In millions of euros	**2013**	**2012**
Operational lease receivables rental		
Within one year	88.5	89.6
Between one and five years	266.1	272.6
More than five years	193.8	222.9
Operational lease receivables non-rental		
Within one year	-	-
Between one and five years	39.5	39.1
More than five years	-	-
Total	**587.9**	**624.3**

Rental receivables, at 31 December 2013, were € 548.4 million (2012: € 585.1 million) and related mainly to property investments held by Delta Lloyd Vastgoed to a total of € 220.1 million (2012: € 243.0 million); and Delta Lloyd Germany, totalling € 266.6 million (2012: € 271.4 million). In 2012 accidentely vacant investment property of Delta Lloyd Vastgoed was part of the rental receivables. Comparative figures 2012 of Delta Lloyd Vastgoed have been adjusted accordingly.

The non-rental receivables include € 39.5 million due from LeasePlan and Athlon on 31 December 2013 for the financing of Delta Lloyd Group's vehicle fleet (2012: € 39.1 million). The non-rental receivables within one year regarding LeasePlan and Athlon are accounted for in the statement of financial position to a total of € 9.9 million (2012: € 9.8 million).

5.1.7.39. (39) Fair value of assets and liabilities

The tables below show assets and liabilities measured at fair value and the total carrying value to maintain the link with the relevant statement of financial position items.

Assets at year end

In millions of euros	Total carrying value	Total fair value	Level 1	Level 2	Level 3
Property and equipment	105.8	144.0	-	144.0	-
Investment property	2,181.2	2,181.2	-	1,519.7	661.5
Debt securities	24,959.9	24,959.9	24,744.8	184.1	31.1
Equity securities	3,458.0	3,458.0	1,896.2	593.8	968.0
Derivatives	1,172.4	1,172.4	25.8	1,146.6	-
Loans at fair value through profit or loss	5,784.0	5,784.0	-	5,784.0	-
Loans and receivables at amortised cost	12,194.4	13,254.6	-	13,254.6	-
Receivables and other financial assets	1,955.2	1,955.4	-	1,955.4	-
Cash and cash equivalents	1,127.5	1,127.5	1,127.5	-	-
Total assets for own risk	**52,938.5**	**54,037.0**	**27,794.3**	**24,582.1**	**1,660.6**
Investments at policyholders' risk	13,691.5	13,690.9	8,829.6	4,788.8	72.5
Total	**66,630.0**	**67,728.0**	**36,624.0**	**29,370.9**	**1,733.1**

Assets at prior year end

In millions of euros	Total carrying value	Total fair value	Level 1	Level 2	Level 3
Property and equipment	140.8	175.2	-	175.2	-
Investment property	2,167.5	2,167.5	-	2,167.5	-
Debt securities	25,232.8	25,232.8	23,937.6	1,240.6	54.6
Equity securities	4,322.1	4,322.1	2,693.9	542.6	1,085.7
Derivatives	2,550.3	2,550.3	-	2,550.3	-
Loans at fair value through profit or loss	6,249.1	6,249.1	-	6,249.1	-
Loans and receivables at amortised cost	17,106.7	18,625.3	-	18,625.3	-
Inventory of real estate projects	30.2	30.2	-	30.2	-
Receivables and other financial assets	2,209.5	2,209.5	-	2,209.5	-
Cash and cash equivalents	2,570.6	2,570.6	2,570.6	-	-
Total assets for own risk	**62,579.5**	**64,132.5**	**29,202.1**	**33,790.1**	**1,140.3**
Investments at policyholders' risk	13,535.2	13,535.2	8,271.7	5,196.7	66.8
Total	**76,114.7**	**77,667.7**	**37,473.8**	**38,986.9**	**1,207.1**

Financial liabilities at year end

In millions of euros	Total carrying value	Total fair value	Level 1	Level 2	Level 3
Liabilities for investment contracts					
Liabilities for investment contracts designated at fair value	4,322.7	4,322.7	435.4	3,887.3	-
Liabilities for investment contracts designated at amortised cost	494.3	534.6	-	534.6	-
Total liabilities for investment contracts	**4,817.0**	**4,857.3**	**435.4**	**4,421.9**	**-**
Subordinated loans	**682.3**	**936.0**	**607.0**	**329.1**	**-**
Securitised mortgages loan notes					
Securitised mortgages loan notes designated at fair value	2,123.8	2,200.3	796.3	1,403.9	-
Securitised mortgages loan notes designated at amortised cost	1,790.4	1,802.5	1,802.5	-	-
Total securitised mortgages loan notes	**3,914.2**	**4,002.8**	**2,598.9**	**1,403.9**	**-**
Other borrowings					
Amounts owed to credit institutions	62.6	62.9	-	62.9	-
Medium-term note	572.4	620.0	620.0	-	-
Commercial paper	94.9	94.9	94.9	-	-
Convertible loan	2.0	0.8	-	0.8	-
Other borrowings	-	-	-	-	-
Total other borrowings	**731.9**	**778.6**	**715.0**	**63.7**	**-**
Derivatives	**1,357.1**	**1,357.1**	**-**	**1,357.1**	**-**
Other financial liabilities	**6,231.3**	**6,339.2**	**2,623.2**	**3,716.0**	**-**
Total financial liabilities for own risk	**17,733.7**	**18,271.0**	**6,979.4**	**11,291.6**	**-**
Investments at policyholders' risk	**11.4**	**11.4**	**-**	**11.4**	**-**
Total	**17,745.1**	**18,282.4**	**6,979.4**	**11,303.0**	**-**

Financial liabilities at prior year end					
In millions of euros	Total carrying value	Total fair value	Level 1	Level 2	Level 3
Liabilities for investment contracts					
Liabilities for investment contracts designated at fair value	4,223.1	4,223.1	-	4,223.1	-
Liabilities for investment contracts designated at amortised cost	513.6	572.8	-	572.8	-
Total liabilities for investment contracts	**4,736.8**	**4,795.9**	**-**	**4,795.9**	**-**
Subordinated loans	**716.8**	**986.0**	**560.0**	**426.0**	**-**
Securitised mortgages loan notes					
Securitised mortgages loan notes designated at fair value	3,014.6	3,014.6	1,348.8	1,665.8	-
Securitised mortgages loan notes designated at amortised cost	1,882.5	1,904.3	1,904.3	-	-
Total securitised mortgages loan notes	**4,897.2**	**4,918.9**	**3,253.1**	**1,665.8**	**-**
Other borrowings					
Amounts owed to credit institutions	85.2	85.5	3.6	81.9	-
Medium-term note	571.8	623.1	623.1	-	-
Commercial paper	93.1	93.2	93.2	-	-
Convertible loan	2.6	1.3	-	1.3	-
Other borrowings	325.7	325.7	-	325.8	-
Total other borrowings	**1,078.3**	**1,128.8**	**719.9**	**409.0**	**-**
Derivatives	**2,078.0**	**2,078.0**	**0.6**	**2,077.4**	**-**
Other financial liabilities	**12,989.9**	**12,989.5**	**4,861.3**	**8,128.2**	**-**
Total financial liabilities for own risk	**26,497.0**	**26,897.2**	**9,395.0**	**17,502.2**	**-**
Investments at policyholders' risk	**22.8**	**22.8**	**-**	**22.8**	**-**
Total	**26,519.7**	**26,920.0**	**9,395.0**	**17,525.0**	**-**

The fair value of assets and liabilities is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under the current market conditions. The way the fair value is established for each statement of financial position category is set out below.

Assets

Property and equipment, investment property and inventory of real estate projects

The fair value is assessed by qualified external appraisers, 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.

Desktop appraisals are performed every half year and full appraisals are carried out every three years. However, given the current market circumstances, all investment properties had a full external appraisal at the end of 2013. Each appraisal is independently executed by two external appraisers.

The main assumptions used in property appraisals are the current leases discounted by the gross initial yield. Also taken into account as assumptions are the best estimates of future renovations and maintenance and probability of vacancy, future rent discount and re-letting expectations. The details of the parameters are included in section 5.1.7.16. ‘Investment property’.

The investment property of the German portfolio and the Dutch residential portfolio are recognised under fair value level 2 because the property appraisals are based on observable data in active markets.

The fair value of equipment is not materially different from the carrying value. The carrying value is determined by historical cost less accumulated depreciation and impairment.

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 available in the market other than market prices: 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 and Loans and receivables at amortised cost
The fair value of loans (including mortgages) and receivables is estimated by comparing discounted future cash flows 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 measurement model takes into account observable as well as non-observable inputs. As far as possible, the input for the model uses observable market data rather than unobservable data. With regard to the mortgage portfolio, observable inputs used are risk free interest rates (swap) and illiquidity/funding spreads (RMBS spreads). Non-observable inputs includes servicing cost, early repayment probabilities and credit spreads. Mortgages are classified as level 2, since the impact of the non-observable inputs on the fair value measurement is determined to be not significant (less than 10% of the fair value measurement).

The loans included in each of the two different categories have similar characteristics. Therefore no separate categories are presented.

Receivables, other financial assets and cash and cash equivalents
The carrying value of receivables and other financial assets is regarded as a good approximation of the fair value, as these assets have a short term nature.

Financial liabilities

Liabilities for investment contracts
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. ‘Insurance liabilities’).

Financial instruments (subordinated loans, medium-term notes, commercial paper, convertible loans)
The fair value of financial instruments is estimated by discounting future cash flows using the discount rate applicable for similar financial instruments at the reporting date.

Securitised mortgages loan notes
If the securitised mortgages loan notes are actively traded on the market the quoted prices are used. If this is not the case, fair value is calculated by discounting the expected 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. Transfers between levels of the fair value hierarchy are deemed to occur at the end of the reporting period:

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 equity securities, 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 equity securities 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. For private equity investments and private placements external broker quotes are used when the market is no longer transparent and/or liquid. These broker quotes are challenged twice a year by obtaining quotes from other brokers as well. The value of Delta Lloyd Groups' own broker is leading, but when the difference between the brokers is significant additional information is obtained and a best estimate is made based on all available information. Investment property is reported under level 3 if there is no active market.

A small percentage of the total assets are measured at fair value based on estimates and recorded as level 3.

The tables below offer additional information on financial instruments for which there are insufficient observable market inputs (level 3 of the fair value hierarchy).

Movement in fair value level 3 of investment property and investment at policyholders' risk is also included in the table compared to prior year. The recurring assets and financial liabilities designated at fair value are included per class in the movement of fair value level 3. In prior year, the presentation was on total level of assets.

As Delta Lloyd Bank België has been transferred to held for sale, the fair value levels of the assets and financial liabilities are presented in section 5.1.7.5. 'Discontinued operations and assets and liabilities held for sale'.

Statement of changes in financial instruments within level 3 at year end

In millions of euros	Investment property	Equity securities	Debt securities	Investments at policyholders' risk	Liabilities for investment contracts designated at fair value	Total
At 1 January	**-**	**1,085.7**	**54.6**	**66.8**	**-**	**1,207.1**
Additions	-	35.0	0.4	-	-	35.4
Disposals	-	-115.5	-10.8	-6.3	-	-132.6
Changes in fair value recognised through equity	-	-23.4	0.1	-	-	-23.2
Changes in fair value recognised through profit and loss	-	-16.0	-31.8	-2.3	-	-50.1
Transfer into Level 3	661.5	2.2	18.9	14.3	-	697.0
Transfer out of level 3	-	-	-0.4	-	-	-0.4
At 31 December	**661.5**	**968.0**	**31.1**	**72.5**	**-**	**1,733.1**

Statement of changes in financial instruments within Level 3 at year end 2012						
In millions of euros	Investment property	Equity securities	Debt securities	Investments at policyholders' risk	Liabilities for investment contracts designated at fair value	Total
At 1 January	**-**	**1,188.5**	**6.4**	**-**	**-**	**1,194.9**
Additions	-	371.2	-	-	-	371.2
Disposals	-	-403.3	-	-	-	-403.3
Changes in fair value recognised through equity	-	3.2	0.1	-	-	3.4
Changes in fair value recognised through profit and loss	-	-14.8	0.2	-	-	-14.5
Transfer into Level 3	-	-59.1	47.9	66.9	-	55.6
At 31 December	**-**	**1,085.8**	**54.7**	**66.9**	**-**	**1,207.2**

In 2013 the total transfers from level 2 to level 1 amounted to € 489.4 million. This regards several debt securities that were actively traded on the market due to increased frequency and volume.

As a result of a lack of quoted prices for some debt securities, these securities were transferred out of level 1 to level 2 and amounts to € 20.3 million.

In 2013, there were no transfers from level 1 to level 3 (2012: nil).

The transfers from level 2 into level 3 for an amount of € 661.5 million regards investment property portfolios in the Dutch and Belgium market except residential portfolios. The transfers were made on 31 December 2013. Furthermore, a number of transfers totalling € 33.2 million (2012: € 55.6 million) were made from level 2 into level 3, all related to debt securities. These transfers are mainly due to a lack of market transactions.

The level 3 equity securities consist primarily of private equity securities.

The total accumulated unrealised gains and losses on level 3 investments recognised in the income statement, which amount to € -22.5 million (2012: nil), comprise gains and losses on debt securities, equity securities and financial assets at policyholders' risk. These gains and losses are presented as line item 'investment income' in the consolidated income statement.

The total accumulated unrealised revaluation of the investments on level 3 at year end, which amount to € 177.8 million (2012: € 185.2 million), through comprehensive income, results from debt securities and equity securities held as available for sale. These gains and losses are recognised in the 'revaluation reserve' in the consolidated statement of comprehensive income. The realised gains and losses are transferred to income statement and presented as line item 'realised gains and losses on investments classified as available for sale'. The accumulated impairment of investments on level 3 at year end was € 229.0 million (2012: € 219.6 million). The impairment on the investments held as available for sale in 2013 is € 36.6 million (2012: € 2.0 million).

A small percentage of the total assets are measured at fair value based on estimates and recorded as level 3. Where estimates are used, these 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.
In the table below Delta Lloyd Group adjusted the assumption pertaining to investment property values up or down by 10% which is seen a probable market change. Also the value of equity securities (private equity investments and private placements) is calculated up or down by 10% because the underlying investments are highly diversified in nature by terms of sector, type of investment and investment strategy. There is no one significant unobservable assumption or combination of assumptions that could be identified and used to perform a reasonably possible sensitivity analysis for this portfolio.

Sensitivity analysis Level 3

In millions of euros	Significant non-observable assumptions	Impact on result 2013	Impact on equity 2013	Impact on result 2012	Impact on equity 2012
Investment property	Property value +/- 10%	49.6	49.6	-	-
Equity securities	Market spread +/- 10%	8.7	76.7	10.0	95.9
Debt securities	Liquidity premium +/- 0.5%	0.2	0.2	0.2	0.2

5.1.7.40. (40) Transferred financial assets

The tables below reflect the transferred financial assets that are not derecognised in their entirety. This regards debt instruments in sale and repurchase agreements.

Delta Lloyd Group is not active in the securities lending market.

There are no transferred financial assets that are derecognised in their entirety with continuing involvement (2012: nil).

Transferred financial assets that are not derecognised in their entirety at year end

In millions of euros	Mortgages at amortised cost 1)	Mortgages at fair value 1)	Equity securities and debt securities	Total 2013
Carrying amount of assets	2,806.7	4,043.6	1,187.0	8,037.2
Carrying amount of associated liabilities	-3,553.3	-2,931.0	-1,195.1	-7,679.5
Total net carrying amount	**-746.7**	**1,112.6**	**-8.2**	**357.8**
Fair value of assets	3,045.0	4,043.6	1,187.0	8,275.5
Fair value of associated liabilities	-3,575.5	-2,931.0	-1,195.1	-7,701.6
Total net fair value	**-530.5**	**1,112.6**	**-8.2**	**573.9**

1) The securitised mortgages at amortised cost and securitsed mortgages at fair value with their associated liabilities shoud be analysed together.

Transferred financial assets that are not derecognised in their entirety at prior year end				
In millions of euros	Mortgages at amortised cost 1)	Mortgages at fair value 1)	Equity securities and debt securities	Total 2012
Carrying amount of assets	3,589.5	5,188.1	1,208.8	9,986.4
Carrying amount of associated liabilities	-3,906.9	-4,250.0	-1,151.3	-9,308.3
Total net carrying amount	**-317.4**	**938.0**	**57.5**	**678.1**
Fair value of assets	3,589.5	5,188.1	1,208.8	9,986.4
Fair value of associated liabilities	-4,101.5	-4,250.0	-1,151.5	-9,503.1
Total net fair value	**-512.0**	**938.0**	**57.3**	**483.3**

1) The securitised mortgages at amortised cost and securitsed mortgages at fair value with their associated liabilities shoud be analysed together.

The transferred financial assets at Delta Lloyd Bank België, which has been transferred to assets held for sale, are also included in this table. The carrying amount of the mortgages at amortised cost is € 1,522.6 million (fair value: € 1,657.7 million) and the associated liabilities are € 1,546.6 million (fair value: € 1,546.6 million). The carrying amount of the available for sale equity securities and debt securities is € 750.1 million (fair value: € 750.1 million) and the associated liabilities are € 761.8 million (fair value: € 761.8 million). See section 5.1.7.5. 'Discontinued operations and assets and liabilities held for sale' for the figures of Delta Lloyd Bank België.

The carrying amount of the liabilities includes notes of the mortgage securitisation held as own book. The own book positions are eliminated for an amount of € 2,552.2 million (2012: € 3,259.8 million).

Transferred financial assets are repurchase agreements and securitisation.

Repurchase agreements
Delta Lloyd Group has entered into repurchase agreements for € 1,195.1 million (2012: € 1,151.3 million) on debt securities from various investment portfolios. The agreements were made with Rabobank, KBC Bank NV, ING Groep, RBS and Fortis.

Securitisation
Delta Lloyd Group does not derecognise securitised mortgages; see section 5.1.6.3. 'Consolidation principles'. For more information about securitised mortgages and related liabilities see section 5.1.7.20. 'Securitised mortgages and related assets' and section 5.1.7.34. 'Borrowings'.

See section 5.1.7.5. 'Discontinued operations and assets and liabilities held for sale' for the securitised mortgages at Delta Lloyd Bank België which has been transferred to assets held for sale.

5.1.7.41. (41) Assets under management

Third-party funds under management include funds managed by Delta Lloyd Group that have not been recognised elsewhere in the consolidated financial statements.

Assets under management at year end

In millions of euros	2013	2012
Total funds under management in the statement of financial position	69,988.5	71,480.6
Third-party funds under management	7,738.3	7,492.1
Total assets under management	**77,726.8**	**78,972.8**

Total assets under management is excluding owner occupied property 2013: € 90.4 million (2012: € 131.0 million).

Delta Lloyd Bank België contributes to € 6,135.2 million in the total funds under management in the statement of financial position and € 2,549 million in the third-party funds under management, which is classified as asset held for sale.

5.1.7.42. (42) Related party transactions

Services provided to related parties

In millions of euros	Income earned in year 2013	Receivable at year end 2013	Income earned in year 2012	Receivable at year end 2012
Joint ventures	0.2	-	0.1	-
Total	**0.2**	**-**	**0.1**	**-**

Services provided by related parties

In millions of euros	Expenses incurred in year 2013	Payable at year end 2013	Expenses incurred in year 2012	Payable at year end 2012
Employee pension plans	115.2	2,007.6	139.5	2,343.2
Total	**115.2**	**2,007.6**	**139.5**	**2,343.2**

All related party transactions are on terms equivalent to arm’s length transactions.

Related party transactions mainly involve transactions with the pension fund. The main plan in the Netherlands is held in a separate foundation that has reinsured its pension obligations with the subsidiary Delta Lloyd Levensverzekering. In January 2013, Delta Lloyd Pensioenfonds decided to split its investment portfolio. The portfolio is still reinsured at Delta Lloyd Levensverzekering to a coverage ratio of 105%. The amount above 105% is invested for own risk of Delta Lloyd Pensioenfonds at Delta Lloyd Asset Management. See section 5.1.7.31. ‘Pension obligations’ of the consolidated financial statements for additional information on the pension obligations.

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.

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 to be key management, as they determine and monitor respectively the company's operational and financial policies.

Key management personnel compensation current year

In millions of euros	Active executive board members	Former executive board members	Total executive board members	Supervisory board	Total
Short-term employee benefits	2.7	0.1	2.7	0.5	3.3
Post-employment benefits	0.7	-	0.7	-	0.7
Other long-term benefits	0.2	-	0.2	-	0.2
Termination benefits	-	-	-	-	-
Share-based payment	2.0	-0.1	1.9	-	1.9
Total	**5.6**	**-**	**5.6**	**0.5**	**6.1**

Key management personnel compensation previous year

In millions of euros	Active executive board members	Former executive board members	Total executive board members	Supervisory board	Total
Short-term employee benefits	2.6	0.2	2.8	0.5	3.3
Post-employment benefits	0.6	-	0.6	-	0.6
Other long-term benefits	0.3	-	0.3	-	0.3
Termination benefits	-	-	-	-	-
Share-based payment	0.4	-0.4	-	-	-
Total	**3.9**	**-0.2**	**3.7**	**0.5**	**4.1**

The crisis levy for Dutch companies of € 0.6 million (2012: € 0.4 million) has not been included in key management personnel compensation in 2013. This crisis levy is a 16% tax on salaries over € 150,000 received from present employment in 2013.

In addition to the positions presented in the tables above, Delta Lloyd Group has a long-term loan with Fonds NutsOHRA. Further information about this loan is given in section 5.1.7.34. 'Borrowings' in the consolidated financial statements and section 5.2.1.8. 'Subordinated debt' in the separate financial statements.

5.1.7.43. (43) Subsequent events

There are no subsequent events.

Amsterdam, 2 April 2014

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

Supervisory Board
Jean Frijns, chairman
Eric Fischer
Jan Haars
Peter Hartman
Fieke van der Lecq
Patrick Regan
Clara Christina Streit

5.2. Separate financial statements

Separate income statement for the year ending 31 December		
In millions of euros	**2013**	**2012**
Result from participating interests after tax	229.5	-1,364.1
Other results after taxation	-61.2	-131.0
Total result after tax	**168.3**	**-1,495.1**

Separate statement of financial position before appropriation of result for the year ending 31 December			
In millions of euros		**2013**	**2012**
Goodwill	I	148.5	156.6
Total intangible assets		**148.5**	**156.6**
Participating interests in group companies	II	3,142.2	3,134.8
Participating interests with significant influence	II	2.1	2.2
Long-term loans	III	210.1	155.0
Total financial fixed assets		**3,354.4**	**3,292.0**
Total fixed assets		**3,502.9**	**3,448.6**
Debt securities		0.4	2.0
Equity securities	III	77.0	69.2
Short-term loans	III	-	20.8
Receivables	IV	465.4	480.2
Cash and cash equivalents		2.0	4.1
Total current assets		**544.8**	**576.3**
Total assets		**4,047.8**	**4,024.9**
Share capital	V	38.4	35.4
Share premium	V	507.4	355.2
Other statutory reserves	V	0.2	1,072.7
Revaluation reserve	V	675.6	667.5
Other reserves	V	1,227.9	1,668.0
Equity compensation plan	V	2.8	2.4
Unallocated profit / (loss)	V	168.3	-1,495.1
Total shareholders' funds	**V**	**2,620.6**	**2,306.1**
Provisions	VI	17.5	17.7
Subordinated debt	VII	138.1	179.4
Long-term borrowings	VIII	572.4	705.1
Total long-term liabilities		**727.9**	**902.1**
Other liabilities	IX	699.3	816.6
Total liabilities		**1,427.2**	**1,718.8**
Total shareholders' funds and liabilities		**4,047.8**	**4,024.9**

5.2.1. Notes to the separate financial statements

5.2.1.1. Accounting policies

The separate financial statements of Delta Lloyd NV have been prepared in accordance with the legal requirements of Part 9 of Book 2 of the Dutch Civil Code. As the income statement of Delta Lloyd NV for 2013 is incorporated in the consolidated financial statements, only an abridged company income statement is presented pursuant to Section 2:402 of the Dutch Civil Code.

The option to use the same accounting policies in the separate financial statements as in the consolidated financial statements, as described in section 2:362 of the Dutch Civil Code, has been exercised. Consequently, the accounting policies in the separate financial statements are the same as those presented in notes A to AI to the consolidated financial statements, except for the following:

Subsidiaries and associates
Subsidiaries and associates in which Delta Lloyd Group has a controlling interest are measured at the net asset value. The net asset value is determined by measuring the assets, provisions and liabilities and calculating the net result using the same accounting policies applied in the consolidated financial statements.

5.2.1.2. (I) Goodwill

The carrying value at 31 December 2013 was € 148.5 million, (2012: € 156.6 million). Based on the final agreement, the acquisition of the 15% minority share of Cyrte Investments led to an additional adjustment in goodwill of € 1.0 million. The updated impairment test performed as per 30 June 2013 resulted in a carrying amount of € 21.3 million for Cyrte Investments and an impairment of € 9.1 million which is charged to the 'other operating expenses'. At year end the impairment test established a surplus of € 8.7 million.

5.2.1.3 (II) Participating interests

Movements in associates

In millions of euros	Participating interests in group companies	Participating interests with significant influence	Total
At 1 January 2012	**4,706.2**	**2.6**	**4,708.8**
Disposals	-90.4	-	-90.4
Share of result after tax	-1,364.1	-	-1,364.1
Withdrawn dividend	-262.6	-	-262.6
New equity capital	99.5	0.2	99.7
Amount recognised directly in equity	46.2	-0.6	45.6
At 31 December 2012	**3,134.8**	**2.2**	**3,137.0**
Disposals	-2.5	-	-2.5
Share of result after tax	229.5	-	229.5
Withdrawn dividend	-589.2	-	-589.2
New equity capital	288.9	-	288.9
Amount recognised directly in equity	80.7	-0.2	80.6
At 31 December 2013	**3,142.2**	**2.1**	**3,144.3**

Restrictions on dividend distributions relate to minimum capital requirements.

List of major Group companies at year end
The major Group companies in which Delta Lloyd NV has an interest (100% unless otherwise stated) are:
Holding
Delta Lloyd Houdstermaatschappij Verzekeringen NV (Amsterdam)
Delta Lloyd Bank NV (Amsterdam)
Delta Lloyd Bank België NV (Brussels, Belgium)
Delta Lloyd Deutschland AG (Wiesbaden, Germany)
Delta Lloyd Houdstermaatschappij België BV (Arnhem)
Delta Lloyd ABN AMRO Verzekeringen Holding BV (51%) (Zwolle)
Delta Lloyd Services BV (Amsterdam)
Amstelhuys NV (Amsterdam)
Delta Lloyd Asset Management Holding BV (Amsterdam)
Delta Lloyd Treasury BV (Amsterdam)
Life
Delta Lloyd Levensverzekering NV (Amsterdam)
Delta Lloyd Lebensversicherung AG (Wiesbaden, Germany)
Delta Lloyd Vastgoed Fonds NV (Amsterdam)
Delta Lloyd Life NV (Brussels, Belgium)
ZA Verzekeringen NV (Brussels, Belgium)
ABN AMRO Levensverzekering NV (51%) (Zwolle)
Investment funds
Delta Lloyd Europa Fonds (92.7%) (Amsterdam)
Delta Lloyd Select Dividend Fonds (68.3%) (Amsterdam)
Delta Lloyd Investment Fund NV (95.4%) (Amsterdam)
Delta Lloyd Rente Fonds (73.9%) (Amsterdam)
Daedalus plc (Dublin, Ireland)
Delta Lloyd Azië Deelnemingen Fonds (96.3%) (Amsterdam)
General
Delta Lloyd Schadeverzekering NV (Amsterdam)
Delta Lloyd Schadeverzekering Volmachtbedrijf BV (Amsterdam)
ABN AMRO Schadeverzekering NV (51%) (Zwolle)
ABN AMRO Assuradeuren BV (51%) (Zwolle)

The list pursuant to Sections 379 and 414 of Book 2 of the Dutch Civil Code has been filed with the Chamber of Commerce in Amsterdam.

5.2.1.4. (III) Investments

Statement of changes in investments in equity securities		
In millions of euros	**2013**	**2012**
At 1 January	**69.2**	**101.9**
Additions	-	-
Disposals	-4.5	-0.7
Fair value gains and losses	12.3	0.2
Impairment losses	-	-32.2
At 31 December	**77.0**	**69.2**
Cumulative fair value gains and losses	16.8	4.4
Cumulative impairment losses	-172.6	-172.6

Statement of changes in loans			
In millions of euros	Long-term loans	Short-term loans	Total
At 1 January 2012	**157.3**	**26.4**	**183.8**
Additions	-	-5.5	-5.5
Disposals	-5.3	-	-5.3
Impairment losses	-	-	-
Reversal of impairment	3.0	-	3.0
Other adjustments	-	-0.1	-0.1
At 31 December 2012	**155.0**	**20.8**	**175.8**
At 1 January 2013	**155.0**	**20.8**	**175.8**
Additions	80.0	-	80.0
Disposals	-21.4	-	-21.4
Impairment losses	-2.2	-	-2.2
Reversal of impairment	-	-	-
Other adjustments	-1.3	-20.8	-22.1
At 31 December 2013	**210.1**	**-**	**210.1**

The fair value of the total loan portfolio with an amortised cost of € 210.1 million (2012: € 175.8 million) was € 210.1 million (2012: € 175.8 million). The other movement of € 20.8 in the short-term loans is due to a reclass to the receivables.

An amount of € 209.5 million (2012: € 154.6 million) of the long-term loans was held by subsidiaries and associates. Of the long-term loans held by subsidiaries and associates € 209.5 million (2012: € 102.0 million) is subordinated. In 2013 a new loan of € 80.0 million was issued with Delta Lloyd Life.

As in 2012, there were no arrears on interest or repayments.

Accumulated impairment was € 23.6 million (2012: € 21.4 million).

5.2.1.5. (IV) Receivables

Receivables at year end		
In millions of euros	**2013**	**2012**
Receivables from Group companies	364.5	356.6
Receivables and other financial assets	0.1	6.5
Capitalised interest and prepayments	10.7	2.5
Tax assets (refer to section IX 'Other liabilities')	90.1	114.6
Total	**465.4**	**480.2**

As in the previous reporting period, all receivables are due within one year.

Capitalised interest and prepayments include € 8.1 million (2012: € 1.6 million) from Group companies.

5.2.1.6. (V) Equity

Statement of changes in equity		
In millions of euros	**2013**	**2012**
Share capital		
At 1 January	**35.4**	**34.1**
Conversion Preference A shares	0.6	-
Issues of shares	0.8	-
Final dividend for 2012	0.9	0.5
Interim dividend for 2013	0.7	0.7
At 31 December	**38.4**	**35.4**
Share premium		
At 1 January	**355.2**	**356.4**
Conversion Preference A shares	92.2	-
Issues of shares	61.6	-
Final dividend for 2012	-0.9	-0.5
Interim dividend for 2013	-0.7	-0.7
At 31 December	**507.4**	**355.2**
Other statutory reserves		
At 1 January	**1,072.7**	**1,498.1**
Result on participating interest in prior year	-1,364.1	-67.1
Transfer to other reserves	796.0	90.2
Other direct equity movements in participating interest	84.8	-185.9
Dividends received from participating interests	-589.2	-262.6
At 31 December	**0.2**	**1,072.7**
Revaluation reserves		
At 1 January	**667.5**	**435.8**
Movements in the value of investments	12.1	-0.4
Movements in the value of participating interests	-4.1	232.1
Taxes on the above movements	-	-
At 31 December	**675.6**	**667.5**
Other reserves		
At 1 January	**1,668.0**	**1,720.5**
Transfer from other statutory reserves	-796.0	-90.2
Dividends received from participating interests	589.2	262.6
Prior year result of the holding company excluding result on participating interests	-131.0	-115.4
Final dividend paid	-38.4	-76.2
Interim dividend paid	-29.6	-34.8
Conversion of Preference A shares	-51.5	-
Change in treasury shares	2.4	1.5
Change in conditional shares granted	-0.2	0.6
Change in shares held indirectly in investment funds at policyholders' risk	15.1	-0.5
At 31 December	**1,227.9**	**1,668.0**
Equity compensation plan	2.8	2.4
Result for the year	168.3	-1,495.1
Total shareholders' funds	**2,620.6**	**2,306.1**

Share capital
Issued shares are fully paid-up and each gives the bearer the right to cast one vote.

Statement of changes in ordinary shares		
Numbers	**2013**	**2012**
At 1 January	**176,770,871**	**170,578,697**
Issue of shares	4,000,000	-
Conversion of Preference shares A	3,000,000	-
Stock dividend	8,026,659	6,192,174
At 31 December	**191,797,530**	**176,770,871**

Convertible preference shares A
The convertible preference shares A carry a fixed dividend of 2.76%. Fonds NutsOHRA is entitled to convert these cumulative preference shares A one to one into ordinary shares. The conversion price is € 30.94 (2012: € 33.21) per ordinary share less € 0.20 (the nominal value of the convertible preference shares A). In 2013 Fonds NutsOHRA converted 3.0 million preference shares A (nominal value € 0.20 per share) into ordinary shares Delta Lloyd NV. The difference between the redemption of € 92.2 million at nominal value and actual book value is accounted for in the other reserves (€ 51.5 million).

Preference shares B
The preference shares B are protective preference shares. The preference shares B have not been issued but an option agreement has been entered into with Stichting Continuïteit Delta Lloyd, Amsterdam (see section 3.1 Corporate governance), which is legally and administratively independent of Delta Lloyd Group. Stichting Continuïteit Delta Lloyd, therefore, has a call option for an indefinite period to acquire preference shares B in Delta Lloyd NV, up to a maximum equal to 100% of the issued share capital in the form of ordinary shares and preference shares A immediately prior to the exercise of the call option, minus one share.

On acquisition, at least one quarter of the nominal value must be paid up on each preference share B. The call for a further payment on preference shares B shall be made pursuant to a resolution of the Executive Board of Delta Lloyd NV. Such resolution shall be subject to the approval of the Supervisory Board. Delta Lloyd Group believes that the call option is not material as meant by IAS 1.31 since there is a very small probability of the call option being exercised. In the highly exceptional circumstances in which the call option would be exercised, these preference shares B would, in all probability, be cancelled within a very short time. The option is, therefore, not recognised in the financial statements nor is any additional information as referred to in IAS 32 and IAS 39.

Share premium
This reserve includes amounts received from the issuance of shares in excess of their nominal value. The movement in 2013 is attributable to a stock dividend charge and an addition because of the conversion of preference shares. The share premium is freely distributable to the relevant class of shareholders (holders of preference shares A and ordinary shareholders) to the amount they have paid in.

Revaluation reserve
The revaluation reserve recognises unrealised value changes in investments available for sale, less the related deferred tax liability. It includes direct movements in the equity of associates that also cannot be distributed without restrictions.

Other statutory reserves
This reserve includes the associates' reserve, which is the profit from subsidiaries and associates. It is not freely distributable, partly because of solvency requirements imposed on subsidiaries and associates. The result of the subsidiary is transferred to the other reserves if the subsidiary has a negative equity.

Other reserves
The category 'Other reserves' includes the result of the company, treasury shares held directly and indirectly and transfers out of the associates reserve due to the dividends received from subsidiaries and associates. 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 2012	**14.3**	**6.4**	**20.7**
Additional provision made in the year	0.2	1.0	1.1
Unused amounts released	-	-2.8	-2.8
Withdrawal provision during the year	-	-1.4	-1.4
Movement in provisions	**0.2**	**-3.3**	**-3.1**
At 31 December 2012	**14.5**	**3.1**	**17.7**
Additional provision made in the year	6.3	5.3	11.6
Unused amounts released	-4.4	-	-4.4
Withdrawal during the year	-5.0	-2.4	-7.4
Movement in provisions	**-3.1**	**2.9**	**-0.2**
At 31 December 2013	**11.4**	**6.1**	**17.5**

The restructuring provision of € 11.4 million relates to the discontinuation of the activities of OHRA Belgium NV, a general insurer operating in the Belgian market, and restructuring at commercial division. OHRA Belgium NV will be wound up as soon as the remaining claim files have been closed.

The expected funds outflow of the restructuring provision is € 11.4 million within a year.

5.2.1.8. (VII) Subordinated debt

The following table provides information on the composition of the company's subordinated debt and preference shares. Both loans have terms of more than five years.

Subordinated debt		
In millions of euros	**2013**	**2012**
Subordinated debt	136.0	176.8
Preference shares	2.0	2.6
Total subordinated debt	**138.1**	**179.4**

Fonds NutsOHRA

Fonds NutsOHRA converted 3.0 million preference shares A (nominal value € 0.20 per share) into ordinary shares Delta Lloyd NV, against an additional payment of € 30.742 nominal per share. The conversion was funded through the Fonds NutsOHRA subordinated loan to Delta Lloyd Group. As a result, the book value of the subordinated loan decreased by € 40.7 million to € 136.0 million (nominal value decreased by € 92.2 million) and the convertible loan decreased by € 0.6 million to € 2.0 million.

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 at 31 December 2013 was € 404.7 million (2012: € 496.9 million) and the carrying amount was € 136.0 million (2012: € 176.8 million). The interest rate on the notes was 2.76% at 31 December 2013 (2012: 2.76%) and the fair value of the subordinated loan was € 206.9 million (2012: € 292.2 million).
Delta Lloyd decided to substitute the applied proxy credit spread (compiled from credit curves in the same industry sector and industry group) with a curve based upon it's own listed and actively traded subordinated debt. The spread levels derived from this new curve were wider than the formerly used proxy curve, hence the decrease in fair value of this loan.

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

The long-term time borrowings relates to the EMTN programme which was issued in 2010. Delta Lloyd NV has pledged shares of about € 77.0 million (2012: € 60.2 million) to a subsidiary.

Statement of changes in borrowings		
In millions of euros	**2013**	**2012**
At 1 January	**705.1**	**791.9**
New borrowings drawn down, net of expenses	0.6	0.6
Repayments of borrowings	-133.3	-87.4
Net cash inflow / outflow	**-132.7**	**-86.8**
At 31 December	**572.4**	**705.1**

None of the long-term borrowings fall due within one year and € 572.4 million (2012: € 705.1 million) falls due within five years. The average interest rate on this loan is 4.25% (2012: 4.4%).

5.2.1.10. (IX) Other liabilities

Other liabilities at year end		
In millions of euros	**2013**	**2012**
Tax liabilities	140.8	10.4
Accrued interest	11.9	13.2
Amount owed to Group companies	16.6	353.3
Credit on demand	527.6	434.6
Other	2.4	5.2
Total	**699.3**	**816.6**

As in 2012, all other liabilities are payable within one year.

Tax assets and liabilities at year end		
In millions of euros	**2013**	**2012**
Current tax assets	64.0	73.7
Deferred tax assets	26.1	40.9
Total tax assets	**90.1**	**114.6**
Current tax liabilities	140.4	10.0
Deferred tax liabilities	0.4	0.4
Total tax liabilities	**140.8**	**10.4**
Net tax asset	**50.8**	**104.2**

Delta Lloyd NV is the parent company of the Delta Lloyd tax entity. No amount of the deferred tax relates to tax losses (2012: € 11.9 million).

Deferred tax assets and liabilities at year end		
In millions of euros	**2013**	**2012**
Unrealised gains and losses on investments	1.3	3.7
Unused tax losses	-	11.9
Other temporary differences	24.4	24.9
Net deferred tax asset	**25.7**	**40.4**

Statement of changes in deferred tax assets / liabilities		
In millions of euros	**2013**	**2012**
At 1 January	**40.4**	**146.9**
Amounts charged/credited to result	-14.7	-106.4
Amounts charged/credited to equity	-	-
At 31 December	**25.7**	**40.4**

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 2013	Receivable at year end 2013	Income earned in year 2012	Receivable at year end 2012
Subsidiaries	227.2	582.1	227.2	531.2
Total	**227.2**	**582.1**	**227.2**	**531.2**

Services provided by related parties				
In millions of euros	Expenses incurred in year 2013	Payable at year end 2013	Expenses incurred 2012	Payable at year end 2012
Subsidiaries	47.2	544.1	49.6	921.1
Total	**47.2**	**544.1**	**49.6**	**921.1**

The related party transactions concern intercompany loans between the holding and Group companies, and the related interest. All related party transactions are at arm's length.

Information on directors’ remuneration is included in section 5.1.7.10. ‘Remuneration of directors and the Supervisory Board’ and section 5.1.7.42. ‘Related party transactions’. Within Delta Lloyd Group, only the Executive Board and the Supervisory Board are considered to be key management, as they are respectively responsible for determining and monitoring the operational and financial policies.

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	**2013**	**2012**
Contingent liabilities	4.8	10.8
Total	**4.8**	**10.8**

The contingent liabilities relate to two (2012: three) guarantees. None of the contingent liabilities will expire within one year (2012: nil).

5.2.1.13. (XII) Employee information

Average number of employees (FTE) during the year		
Number in FTE	**2013**	**2012**
Permanent staff	1,068	1,038
Temporary staff	217	231
Total	**1,285**	**1,269**

Staff costs in the financial year		
In millions of euros	**2013**	**2012**
Salaries	70.2	67.3
External staff	39.3	45.1
Social security contributions	8.8	8.7
Pension and post-retirement expenses	7.0	18.2
Profit sharing and incentive plans	7.6	-0.3
Termination benefits	3.9	1.1
Care	1.6	1.4
Other staff costs	13.5	12.6
Total	**151.8**	**154.1**

Details of the remuneration of directors and the Supervisory Board members are given in section 5.1.7.10. ‘Remuneration of directors and Supervisory Board’ and section 5.1.7.42. ‘Related party transactions’ of the consolidated financial statements.

All staff are employed by Delta Lloyd Services BV. The costs included in the 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 include all related expenditures. The increase in salaries is mainly caused by indexation and reorganisation costs.

Section 5.1.7.9. ‘Employee information’ of the consolidated financial statements provides information on share-based and performance-related compensation plans. Income under share-based and performance-related compensation plans derives mainly from the release of the phantom option plan.

5.2.1.14. (XIII) Audit fees

Due to tightening of Dutch legal requirements (RJ-Uiting 2013-16) audit fees are recognised differently compared to previous years. Delta Lloyd Group follows the recommendation of the RJ to disclose only the fees related to the financial year. Comparative figures have been adjusted accordingly.

Audit fees in the financial year

In millions of euros	2013	2012
Audit of the financial statements	2.6	3.0
Other audit services	0.1	0.3
Total	**2.7**	**3.3**

Amsterdam, 2 April 2014

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

Supervisory Board
Jean Frijns, chairman
Eric Fischer
Jan Haars
Peter Hartman
Fieke van der Lecq
Patrick Regan
Clara Christina Streit

5.3. Other information

Subsequent events
There are no subsequent events.

5.3.1. Dividends and appropriation of result

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 is extinguished (article 44.2).

From the profit not distributed and added to the dividend reserve A pursuant to articles 44.1 and 44.2, such additions shall be made to reserves as determined by the Executive Board, subject to the approval of the Supervisory Board (article 44.3).

The profit remaining after the above (articles 44.1, 44.2 and 44.3) shall be at the disposal of the General Meeting of Shareholders.

The General Meeting of Shareholders may, on a proposal of the Executive Board approved by the Supervisory Board, resolve that a dividend be paid in full or in part in ordinary shares of the company and not in cash (article 44.9).

Dividend policy
Delta Lloyd Group will aim for a dividend payout ratio of around 40-45% of the yearly net operational result (operational result after tax and non-controlling interests) on the ordinary shares. In setting the annual dividend within the targeted payout ratio, Delta Lloyd Group will take into consideration the anticipated profitability over its three-year management planning period. By considering current and expected profitability, Delta Lloyd Group aims to achieve an appropriate degree of stability in dividend distribution 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, 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 2013 charged to the freely distributable reserves, being € 194.5 million. Taking into account the interim dividend of € 0.42 per share already paid, the final dividend will be € 0.61 per ordinary share. The final dividend may be paid entirely in cash or entirely in shares, as the shareholder chooses. The value of the stock dividend (dividend in shares) will have a premium of approximately 4% compared to the value of the cash dividend and will be charged to the share premium.

To set the value of the stock dividend, Delta Lloyd Group will use a fraction of a share based on the weighted average share price over a period of five consecutive trading days (to take account of the prevailing market price). Shareholders have until 11 June 2014 to decide whether they wish to receive the dividend in cash or shares.

The number of shares that entitles shareholders to a new ordinary share (with a nominal value of € 0.20) will be decided after 5.30 pm on 11 June 2014, based on the weighted average closing price quoted on NYSE Euronext Amsterdam in the five trading days from 5 June 2014 to 11 June 2014.

Appropriation of result

Upon approval of the proposed dividend by the General Meeting of Shareholders, the appropriation of result shall be:

Appropriation of result

In millions of euros	**2013**	**2012**
Addition to/withdrawal from (-) other reserves	-26.2	-603.1
Addition to/withdrawal from (-) other statutory reserves	-	-1,072.5
Dividend on ordinary shares	194.5	180.6
Total	**168.3**	**-1,495.1**

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 2013 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 statement of financial position as at 31 December 2013, the consolidated income statement, the consolidated statement of comprehensive income and the consolidated statements of changes in equity and cash flows for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information. The separate financial statements comprise the company balance sheet as at 31 December 2013, 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 Report of the Executive Board in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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

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

Opinion with respect to the consolidated financial statements
In our opinion, the consolidated financial statements give a true and fair view of the financial position of Delta Lloyd NV as at 31 December 2013 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Opinion with respect to the separate financial statements
In our opinion, the separate financial statements give a true and fair view of the financial position of Delta Lloyd NV as at 31 December 2013 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

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

Amsterdam, 2 April 2014

Ernst & Young Accountants LLP

Signed by M. Koning

6. General information

The 2013 annual report is a publication of Delta Lloyd Group's Corporate Communications & Investor Relations department. It is posted on www.deltalloydgroep.com and is available as an iPad app. This app also contains our current financial press releases and presentations. The report is published in English, a Dutch summary is available on this website.

More details on Delta Lloyd Group, our brands, personal details of the Executive Board and our management and the addresses of our office locations are posted on www.deltalloydgroep.com.

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6.1. Glossary

Acquired value of in-force business (AVIF)
The present value of future profits on a portfolio of insurance and investment contracts acquired, either directly or through the purchase of a subsidiary, is recognised as an intangible asset.

Acquisition costs
Fixed and variable costs arising from writing insurance contracts.

Actuarial gains and losses
These comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and the effects of changes in actuarial assumptions.

Amortised cost of financial asset or financial liability
The amount at which the financial asset or financial liability is measured at initial recognition; less any principal repayments; plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount; and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability.

Asset and liability management (ALM)
The process a company uses to gain insight into mutual dependencies in the development of its assets and liabilities, with the aim of limiting market risks while at the same time achieving the highest possible return within those limits.

Associates
Entities over which Delta Lloyd Group has significant influence but does not control. Generally, it is presumed Delta Lloyd Group has significant influence where it has between 20% and 50% of the voting rights.

Available for sale (AFS)
This is a category of financial assets, other than derivative financial instruments, designated as available for sale or which are not classified as loans, held-to-maturity investments, or financial assets at fair value through profit or loss. They are measured at fair value with gains and losses recognised through equity.

Claims ratio
The claims ratio is claims, including claims handling costs, expressed as a percentage of net written premiums.

Collateralised AAA curve
Delta Lloyd Group decided to define the discount curve for a major part of its insurance liabilities 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.

Collateralised debt obligation (CDO)
The general term for a type of debt obligation secured on collateral consisting mainly of receivables, such as a group of mortgages.

Combined operating ratio
A measure of profitability used by an insurance company to indicate how well it is performing in its daily operations. A ratio below 100% indicates that the company is making underwriting profit while a ratio above 100% means it is paying out more money in claims that it is receiving from premiums. The combined operating ratio is calculated by taking the sum of incurred losses and expenses and dividing this by earned premium.

Commercial paper
A tradable loan issued by a financial institution or large enterprise with a term of usually less than two years, and in general between one and six months, and which is not secured.

Control
The power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Coverage ratio (pensions obligation)
The investments divided by defined benefit obligation.

Credit default swap
A contract between two parties under which the credit risk is transferred from a third party.

Credit risk
The risk that one party to a financial instrument will cause a financial loss for the other party by failing to fulfil an obligation.

Currency risk
The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Deferred acquisition costs (DAC)
Costs directly attributable to the acquisition of new business for insurance and participating investment contracts are deferred provided they are covered by future margins on these contracts. Acquisition and selling costs for non-participating investment contracts and investment management contracts that are directly attributable to securing investment management services are also deferred.

Defined benefit obligation (DBO or DB)
Pension plan other than a defined contribution plan. The amount to be paid for the pension entitlement is set using a formula that is usually based on the employee's income and/or length of service.

Defined contribution plan (DC)
Pension plan under which an entity (a company) pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to meet its obligations to its current and future beneficiaries.

Delta Lloyd Group (DLG)
Delta Lloyd NV and its subsidiaries.

Derivative financial instruments
Derivative financial instruments include foreign exchange contracts, interest rate futures, currency and interest rate swaps, currency and interest rate options (both written and purchased), swaptions and other financial instruments that derive their value mainly from underlying interest rates, foreign exchange rates, commodity values or equity instruments.

Diluted earnings per ordinary share
This is calculated by dividing the net result for the period attributable to holders of ordinary shares by the weighted average number of ordinary shares in issue adjusted for dilutive potential ordinary shares, such as convertible bonds and share options.

Dilution
A reduction in earnings per share or an increase in loss per share resulting from the assumption that convertible instruments are converted, that options or warrants are exercised, or that ordinary shares are issued subject to the satisfaction of specified conditions.

Discretionary participating contracts
Contracts with discretionary participating features (DPF) are contracts in which policyholders are assigned, in addition to their entitlement to a guaranteed element, an entitlement to a profit share whose timing and/or level is at the insurer's discretion. Delta Lloyd Group is entitled to decide whether this additional return is distributed to the policyholders or the shareholders, subject to the contract terms and conditions.

Earnings per ordinary share
This is calculated by dividing the net result attributable to holders of ordinary shares after deduction of the preference share dividend for the period by the weighted average number of ordinary shares in issue during the period, excluding the weighted average number of ordinary shares purchased by Delta Lloyd Group and held as treasury shares.

Economic capital
Unlike external minimum capital requirements, such as those imposed by regulators, economic capital refers to the amount of capital that Delta Lloyd Group needs, according to its own insights, to absorb economic risks. The economic capital is the total capital employed according to a valuation of assets and technical obligations based on economic principles. The required economic capital is the required solvency, based on the internal models of Delta Lloyd Group, to meet the obligations over a one-year period with at least 99.5% probability.

Effective interest method
A method of calculating the amortised cost of a financial asset or a financial liability and allocating the interest income or interest expense over the relevant period.

Embedded value (EV)
Embedded value comprises the market value of the freely distributable shareholders' funds (net worth) and the present value of the expected future results on the life insurance portfolio itself (value of in-force).

Euro OverNight Index Average (Eonia)
Eonia is the one-day interbank interest rate for the euro zone. Hence it is the rate at which banks provide loans to each other with a duration of one day.

Equity method
A method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets of the investee. The profit or loss of the investor includes the investor’s share of the profit or loss of the investee.

Fair value
The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

Goodwill
The positive difference between the cost of an acquired activity and Delta Lloyd Group’s share in the fair value of the assets, liabilities and contingent liabilities of the acquired subsidiary on the acquisition date.

Gross written premiums
Total premiums (earned or unearned) in a given period on insurance and reinsurance contracts (including deposits for investment contracts with no or limited life insurance features).

Gudrun index
An index used to value commercial property in Belgium.

Held for sale

A business or group of assets for which the carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Incurred but not reported (IBNR) provision
A provision for claims that have occurred by the reporting date but have not yet been reported to the insurer.

INK model
The plan cycle model used by Delta Lloyd Group, based on the Dutch Quality Institute model (*Instituut Nederlandse Kwaliteit model*).

Insurance contract
A contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder in exchange of a premium.

Insured event
An uncertain future event that is covered by an insurance contract and creates insurance risk.

Interest rate risk
The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates or the collateralised AAA curve.

International Financial Reporting Standards (IFRS)
Reporting standards and interpretations for companies adopted by the International Accounting Standards Board (IASB). These comprise:

- International Financial Reporting Standards (IFRS);
- International Accounting Standards (IAS); and
- Interpretations by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC).

Joint control
The contractually-agreed sharing of control over an economic activity that exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

Joint venture
See joint control.

Lapse risk
The risk that policyholders will terminate their insurance contracts earlier or, more often, before the expiry date. The stress test assumes an increase in the lapse rate, meaning a decline in future profits and earlier benefit payments. This only affects the Life business, due to the permanent character of Life contracts. General insurance contracts are short-term contracts (usually one year).

Lease
An agreement where the lessor transfers the right to use an asset for an agreed period to the lessee in return for a series of payments.

Legal and regulatory risk
The risk of not complying with laws, regulations and Delta Lloyd Group's own policies and procedures, including risks related to legal proceedings, compliance and tax.

Liquidity coverage ratio
A ratio showing in case of a stress situation (e.g. mass lapse, catastrophe) how sufficient the liquid stock of assets is.

Liquidity risk
The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial assets.

Longevity risk
The opposite effect of mortality risk. The effects of a further improvement in life expectancy over and above the expected improvement already built into the current prognoses. These effects lead to higher benefit costs for annuities and lower payments under term life policies.

Market risk
The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Method and assumption setting cycle (MASC)
In this cycle, all methods and assumptions used to determine provisions and the liability adequacy tests are adjusted and validated.

Monte Carlo simulation model
A mathematical model that provide a range of outcomes and the probabilities they will occur for any choice of action.

Mortality risk
The opposite effect of longevity risk. The mortality figure may undergo an extreme increase as a result of external factors (e.g. a worldwide pandemic). This leads to accelerated payment of traditional life insurance policies, an increase in payments under term life policies and a possible decrease in benefits paid under annuities.

Mortgage-backed securities (MBS)
Mortgage-backed securities are securities where the cash flows are covered by the principal and/or interest payments in a portfolio of mortgages.

Net investment income

Investment income consists of cash and stock dividends, interest and rental income receivable for the year, fair value changes in investments through profit or loss, impairment charges on available-for-sale investments, impairment charges on loans and receivables at amortised cost, and gains and losses on the sale of investments.

Net written premiums
Gross written premiums less reinsurance premiums paid in a given period.

Non-controlling interest
That portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned directly, or indirectly through subsidiaries, by Delta Lloyd NV.

Operational risk
The risk that losses may occur from the inadequacy or malfunctioning of internal processes or systems, human error, criminal behaviour or external events and risks relating to matters such as fraud and crime prevention, personnel, IT/infrastructure, business protection, projects and programmes, business processes, third parties and distribution.

Over-the-counter (OTC) instrument
Non-standard financial instruments that are not exchange traded but negotiated directly between market parties.

Performance share plan (PSP)
The long-term incentive plan for members of the Executive Board and directors under which equity-settled conditional Delta Lloyd NV shares are granted.

Phantom option
A conditional option that entitles the holder to receive in cash the increase in value of a ‘performance unit’ measured from the date of grant until the date of exercise.

Phantom Performance Share Plan (PPSP)
The long-term incentive plan for eligible managers under which cash-settled conditional phantom shares are granted.

Premiums earned
The portion of net written premiums in the current and previous periods that relate to the expired part of the term or the policy, calculated by deducting movements in the provision for unearned premiums and unexpired risks from the net premiums.

Provision for unearned premiums
The proportion of written premiums, gross of commission payable to intermediaries, attributable to subsequent periods.

Proxy curve

The curve composed on the basis of credit curves with similar credit rating in the same industry sector and industry group.

Realistic net asset value
The value of shareholders' funds when all assets and liabilities have been measured on an economic basis.

Receiver swaption
A receiver swaption entitles the buyer to enter into a swap where a fixed interest rate is received on a principal sum and a variable interest rate is paid on the same principal sum. The seller of a receiver swaption undertakes, upon the exercise of the swaption by the buyer on the exercise date, to enter into a swap where the seller pays a fixed interest rate on the principal sum in exchange for a variable interest rate on the same principal sum. The seller receives a premium for entering into the swaption.

Repo
Contract under which parties commit to sell bonds or equities to each other at a given time and to trade those securities in the opposite direction in the future.

Share premium
Calls paid on shares in excess of the nominal value.

Significant influence
The power to participate in the financial and operating policy decisions of an entity, but not to exercise control over those policies. Significant influence may be gained by share ownership, by law or under an agreement.

Solvency II
The new regulatory framework for insurance companies operating in the European Union.

Stadim index
An index used to value residential property in Belgium.

Strategic risk
The risk that targets are not achieved because the business units of Delta Lloyd Group fail to respond, or respond inadequately, to changes in the business environment and risks related to matters such as mergers and acquisitions, brands and reputation, risk management, audits, corporate social responsibility, climate, customers and communications.

Subrogation
Some insurance contracts allow Delta Lloyd Group to pursue third parties for payment of some or all costs (income from subrogation).

Subsidiary
An entity, including an entity without legal personality such as a partnership, over which another entity (the parent) exercises control.

Ultimate forward rate (UFR)
The UFR is the fixed forward discount rate, after the last liquid point in the swap futures

Unit-linked contracts
Contracts where savings are invested in investment funds. The savings are used to purchase units. There is often a choice between equity, bond and mixed funds.

Vesting conditions
The conditions that must be satisfied for the counterparty to become entitled to receive cash, other assets or equity instruments of the company, under a share-based payment arrangement. Vesting conditions include service conditions, which require the other party to complete a specified period of service, and performance conditions, which require specified performance targets to be met.

6.2. Abbreviations

A&E	Asbestos and environmental pollution claims
ABC	Activity-based costing
ABI	Association of British Insurance Companies
AC	Audit Committee–
AFM	Financial Markets Authority *(Autoriteit Financiële Markten)*
AFS	Available for sale
AG	Dutch Society of Actuaries (*Actuarieel Genootschap*)
ALCO	Asset & Liability Committee
AOV	Occupational disability insurance (*Arbeidsongeschiktheidsverzekering*)
AVIF	Acquired value of in-force business
BMO	Business Management Objective
CBS	Statistics Netherlands (*Centraal Bureau voor de Statistiek*)
CDO	Collateralised debt obligation
CFO	Chief Financial Officer
Coll-AAA curve	Collateralised AAA curve
COR	Combined operating ratio
CSR	Corporate Social Responsibility
C2C	Cradle to cradle
DDoS	Distributed Denial-of Service
DIL	Longevity risk product (*Direct ingaande lijfrente*)
DJSI	Dow Jones Sustainability Index
DNB	Dutch Central Bank (*De Nederlandsche Bank NV*)
DPF	Discretionary participating features
ECB	European Central Bank
EIOPA	European Insurance and Occupational Pensions Authority
EONIA	Euro OverNight Index Average
EMTN	Euro Medium Term Note
EPC	Energy performance coefficient
ESG	Environmental, social, governance
EV	Embedded value
FBA	Friesland Bank Assurantiën Holding
FSC	Forest stewardship council
FTE	Full-time equivalent
FVTPL	Fair value through profit or loss
GAAP	Generally accepted accounting principles
GBD	Group business development
GBM/V	Entire population male/female (*Gehele Bevolking Mannen/Vrouwen*)
GRAS	Group Risk Appetite Statement
GRI	Global Reporting Initiative
GSB	Separate Investment Portfolio *(Gesepareerde Beleggingsdepot)*
IAS	International Accounting Standard

IASB	International Accounting Standards Board
IBNR	Incurred but not reported
IFRIC	International Financial Reporting Interpretations Committee
IGD	Insurance Group Directive
IFRS	International Financial Reporting Standards
INK model	Management model (*Instituut Nederlandse Kwaliteit model*)
IRR	Internal Rate of Return
ISAE	International Standard on Assurance Engagement
KAZO	Contact Committee for Disability, Sickness and Accident Insurance (*Kontaktcommissie Arbeidsongeschiktheid- Ziekengeld- en Ongevallenverzekeringen*)
LAT	Liability adequacy test
LCR	Liquidity coverage ratio
LED	Light emitting diode
LTGA	Long Term Guarantee Assessment
MASC	Method and Assumption Setting Cycle
MFRK	Male/female interest capital (*Male/Female Rente Kapitaal*)
MJA3	Multi-Year Energy Efficient Agreement
NAPI	Net Annual Premium Income
NBB	National Bank of Belgium (*Nationale Bank van België*)
NBM	New business margin
NPS	Net promoter score
NYSE Euronext	New York Stock Exchange Euronext
OCI	Other comprehensive income
OIS	OverNight Index Swap
ORIC	Operational Risk Consortium
ORSA	Own Risk and Solvency Assessment
OTC	Over-the-counter
PAR	Product approval report
PARP	Product approval and review process
PEFC	Programme for Endorsement of Forest Certification
PPSP	Phantom performance share plan
PSI	Principles for Sustainable Insurance
PSP	Performance share plan
PRI	Principles for Responsible Investment
Repo	Repurchase agreement
RfB	*Rückstellung für Beitragsrückerstattungen* (provision for premium refunds)
RICS	Royal Institution of Chartered Surveyors
RMBS	Residential mortgage-backed security
RMS	Risk Management Solutions (catastrophe model)
SEPA	Single Euro Payments Area
SIC	Standing Interpretations Committee
SPV	Special purpose vehicle
Stadim index	Study & Advice of real estate index in Belgium (*Studie & Advies in immo index*)

UFR	Ultimate forward rate
UN	United Nations
VIP-is	Variable Incentive Plan for identified staff
VIP-om	Variable Incentive Plan for other managers
VIU	Value in use
WAO	Occupational Disability Insurance Act (*Wet op de arbeidsongeschiktheids-verzekering*)
Wft	Financial Supervision Act (*Wet op het financieel toezicht*)
WGA-ER	Return to work of partially disabled persons scheme-own risk (*Regeling werkhervatting gedeeltelijk arbeidsgeschikten eigen risico*)
WIA	Work and Income (Capacity for Work) Act (*Wet werk en inkomen naar arbeidsvermogen*)

6.3. Global Reporting Initiative-index

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

Global Reporting Initiative™

Statement
GRI Application Level Check

GRI hereby states that **Delta Lloyd Group** has presented its report "Annual report 2013" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 31 March 2014

Ásthildur Hjaltadóttir
Director Services
Global Reporting Initiative

A+
GRI REPORT
GRI CHECKED

The "+" has been added to this Application Level because Delta Lloyd Group has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

***Disclaimer:** Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 21 March 2014. GRI explicitly excludes the statement being applied to any later changes to such material.*

The index shows reporting level and section references. Regarding readability, Delta Lloyd Group decided to omit additional columns. The full GRI index can be found on our Annual report website.

G3.1 Content Index - Financial Services Sector Supplement

	Application Level	A+	
Profile Disclosure	**Disclosure**	**Level of reporting**	**Location of disclosure**
1. Strategy and Analysis			
1.1	Statement from the most senior decision-maker of the organization.	Fully	section 1.3.
1.2	Description of key impacts, risks, and opportunities.	Fully	section 1.5.2., section 1.7.1., section 3.3., section 5.1.7.1.
2. Organizational Profile			
2.1	Name of the organization.	Fully	section 5.1.
2.2	Primary brands, products, and/or services.	Fully	section 1.10.5., section 4.2.2.
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	Fully	section 3.1., section 4.1.3.
2.4	Location of organization's headquarters.	Fully	secion 5.1.
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.	Fully	section 1.1.
2.6	Nature of ownership and legal form.	Fully	section 1.4.4., section 1.6.
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	Fully	section 2.3.
2.8	Scale of the reporting organization.	Fully	section 1.2., section 1.4.5., section 1.9., section 4.5.
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	Fully	section 1.4.1.
2.10	Awards received in the reporting period.	Fully	section 1.10.5.4., section 4.1.4., section 4.1.6., section 4.2., 4.5.3
3. Report Parameters			

3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	Fully	section 4.7.1.
3.2	Date of most recent previous report (if any).	Fully	see link on homepage 'previous reports'
3.3	Reporting cycle (annual, biennial, etc.)	Fully	section 4.7.1.
3.4	Contact point for questions regarding the report or its contents.	Fully	section 6.
3.5	Process for defining report content.	Fully	section 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.	Fully	section 4.7.1.
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	Fully	section 4.7.1.
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.	Fully	section 4.7.1., section 5.1.6.3.
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. Explain any decisions not to apply, or to substantiall	Fully	section 5.1.6.
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).	Fully	section 4.7.1.
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Fully	section 4.7.1.
3.12	Table identifying the location of the Standard Disclosures in the report.	Fully	section 4.7.2.
3.13	Policy and current practice with regard to seeking external assurance for the report.	Fully	section 4.7.4.
4. 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.	Fully	section 3.1. (general outline), section 3.1.1., section 3.1.2.
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	Fully	section 1.6. (introduction)

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.	Fully	Delta Lloyd has a two tier board structure instead of a unitary board structure
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Fully	section 3.1.5.8., section 3.1.5.9., section 3.1.5.10., section 3.1.5.11., section 3.1.5.12, section 3.1.5.13., section 4.5.8.
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).	Fully	section 5.1.6.31., section 5.1.7.9., section 5.1.7.10.
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Fully	section 2.1., section 2.5., section 1.6. (introduction)
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.	Fully	section 2.6., section 3.1.5.12.
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.	Fully	section 1.5.1., section 3.1.3., section 4.3.1., section 4.3.4.
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agre	Fully	section 2.3., section 2.4., section 2.5.
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	Fully	section 2.3., section 2.5.
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	Fully	section 4.2.2.
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	Fully	section 3.1.3., section 4.4.3.
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyo	Fully	section 4.4.3.
4.14	List of stakeholder groups engaged by the organization.	Fully	section 4.1.3.

4.15	Basis for identification and selection of stakeholders with whom to engage.	Fully	section 4.1.3.
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Fully	section 3.1.5.8., section 3.1.5.13., section 4.1.5., section 4.2.1., section 4.2.3., section 4.3.4., section 4.5.3., section 4.5.8.
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.	Fully	section 4.1.5., section 4.1.6., section 4.2.1., section 4.2.3., 4.3.3.
G3.1 FSSS DMAs	**Disclosure**	**Level of reporting**	**Location of disclosure**
DMA PS	**Disclosure on Management Approach PS**		
Aspects	**Product Portfolio**		
FS1	Policies with specific environmental and social components applied to business lines.	Fully	section 4.3.3.
FS2	Procedures for assessing and screening environmental and social risks in business lines.	Fully	section 4.3.3.
FS3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions.	Fully	section 4.3.3., section 4.3.4.
FS4	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines.	Fully	section 4.1.5., section 4.5.2.
FS5	Interactions with clients/investees/business partners regarding environmental and social risks and opportunities.	Fully	section 4.3.3., section 4.3.4., section 4.4.3., section 4.4.4.
	Audits		
	Active Ownership		
DMA EC	**Disclosure on Management Approach EC**		
Aspects	Economic PerformanceCOMM	Fully	section 1.2., section 1.10.
	Market presence	Not	
	Indirect economic impacts	Not	
DMA EN	**Disclosure on Management Approach EN**		
Aspects	Materials	Fully	section 4.6.1, section 4.6.4.
	Energy	Fully	section 4.6.2.
	Water	Fully	section 4.6.1., section 4.6.4.
	Biodiversity	Not	

	Emissions, effluents and waste	Fully	section 4.6.1., section 4.6.5.
	Products and services	Not	
	Compliance	Not	
	Transport	Fully	section 4.6.1., section 4.6.3.
	Overall	Not	
DMA LA	**Disclosure on Management Approach LA**		
Aspects	Employment	Fully	section 4.5.1.
	Labor/management relations	Fully	section 4.5.6.
	Occupational health and safetyCOMM	Fully	section 4.5.4.
	Training and education	Fully	section 4.5.2.
	Diversity and equal opportunity	Fully	section 4.5.7.
	Equal remuneration for women and men	Fully	section 4.5.7.
DMA HR	**Disclosure on Management Approach HR**		
Aspects	Investment and procurement practices	Fully	section 4.3.3., section 4.3.4.
	Non-discrimination	Fully	section 4.5.7.
	Freedom of association and collective bargaining	Fully	by law
	Child labor	Fully	section 4.3.3.
	Prevention of forced and compulsory labor	Fully	section 4.3.3.
	Security practices	Not	
	Indigenous rights	Not	
	Assessment	Not	
	Remediation	Not	
DMA SO	**Disclosure on Management Approach SO**		
Aspects	Local communities	Fully	section 4.4.
	Corruption	Fully	section 3.3.
	Public policy	Not	
	Anti-competitive behavior	Not	
	Compliance	Fully	section 4.3.1.
DMA PR	**Disclosure on Management Approach PR**		
Aspects	Customer health and safety	Not	
	Product and service labelling	Fully	section 4.2.2.
FS15	Policies for the fair design and sale of financial products and services.	Fully	section 4.2.2.
	Marketing communications	Fully	section 4.2.2.
	Customer privacy	Fully	section 1.13.3.
	Compliance	Fully	section 4.3.1.
Performance Indicators			

Product portfolio			
FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector.	Fully	section 1.1., section 5.1.7.3
FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose.	Partially	section 1.13.2.
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose.	Partially	section 1.13.1.
Audit			
FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures.	Fully	section 4.3.4.
Active ownership			
FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues.	Fully	section 4.3.3., section 4.3.4.
FS11	Percentage of assets subject to positive and negative environmental or social screening.	Fully	section 4.3.3.
FS12	Voting polic(ies) applied to environmental or social issues for shares over which the reporting organization holds the right to vote shares or advises on voting.	Fully	section 4.3.3.
Economic performance			
EC1COMM	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.	Fully	section 1.9, section 1.10.1, section 1.11., section 5.
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	Fully	sec 4.6.1
EC3	Coverage of the organization's defined benefit plan obligations.	Fully	section 5.1.7.9., section 5.1.7.10., section 5.1.6.31.
EC4	Significant financial assistance received from government.	Not	
Market presence			
EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	Not	
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	Not	

EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	Not	
Indirect economic impacts			
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	Not	
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	Fully	Section 1.13.2.
Environmental			
Indicator	Disclosure	Level of reporting	Location of disclosure
Materials			
EN1	Materials used by weight or volume.	Fully	section 4.6.4.
EN2	Percentage of materials used that are recycled input materials.	Not	-
Energy			
EN3	Direct energy consumption by primary energy source.	Partially	section 4.6.2.
EN4	Indirect energy consumption by primary source.	Not	
EN5	Energy saved due to conservation and efficiency improvements.	Fully	section 4.6.1.
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	Fully	section 4.6.1.
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	Fully	section 4.6.2., section 4.6.3.
Water			
EN8	Total water withdrawal by source.	Not	
EN9	Water sources significantly affected by withdrawal of water.	Not	
EN10	Percentage and total volume of water recycled and reused.	Not	
Biodiversity			
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Not	
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Not	

EN13	Habitats protected or restored.	Not	
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	Not	
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	Not	
Emissions, effluents and waste			
EN16COMM	Total direct and indirect greenhouse gas emissions by weight.	Fully	section 4.6.1
EN17	Other relevant indirect greenhouse gas emissions by weight.	Not	
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Fully	section 4.6.1 en 4.6.3.
EN19	Emissions of ozone-depleting substances by weight.	Not	
EN20	NOx, SOx, and other significant air emissions by type and weight.	Not	
EN21	Total water discharge by quality and destination.	Not	
EN22COMM	Total weight of waste by type and disposal method.	Fully	section 4.6.5.
EN23	Total number and volume of significant spills.	Not	
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	Not	
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	Not	
Products and services			
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Not	
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	Not	
Compliance			

EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	Not	
Transport			
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	Fully	section 4.6.3.
Overall			
EN30	Total environmental protection expenditures and investments by type.	Not	
Employment			
LA1	Total workforce by employment type, employment contract, and region, broken down by gender.	Fully	section 1.10.7., section 4.5.7.
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	Fully	section 4.5., section 5.2.1.13.
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	Fully	section 5.1.6.31.
LA15	Return to work and retention rates after parental leave, by gender.	Not	
Labor/manage ment relations			
LA4	Percentage of employees covered by collective bargaining agreements.	Fully	section 4.5.6.
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	Not	
Occupational health and safety			
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	Fully	section 4.5.4.
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender.	Fully	section 4.5.4.
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	Fully	section 4.5.4.
LA9	Health and safety topics covered in formal agreements with trade unions.	Not	
Training and education			

LA10	Average hours of training per year per employee by gender, and by employee category.	Not	section 4.5.2.
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Fully	section 2.4., section 3.1.3., section 4.5.2.
LA12	Percentage of employees receiving regular performance and career development reviews, by gender.	Fully	section 4.5.2.
Diversity and equal opportunity			
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	Fully	section 4.5.7.
Equal remuneration for women and men			
LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	Not	
Investment and procurement practices			
HR1COMM	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	Fully	section 4.3.3.
HR2	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken.	Fully	section 4.3.4.
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	Partially	section 4.3.2., section 4.5.2.
Non-discrimination			
HR4	Total number of incidents of discrimination and corrective actions taken.	Not	
Freedom of association and collective bargaining			
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	Fully	section 4.3.4.

Child labor			
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	Not	
Prevention of forced and compulsory labor			
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	Not	
Security practices			
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	Not	
Indigenous rights			
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	Not	
Assessment			
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	Partially	Section 4.1.6.
Remediation			
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	Not	
Local communities			
SO1 (FSSS)	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	Not	
SO1 (G3.1)	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	Partially	section 4.1.3., section 4.4.1.
FS13	Access points in low-populated or economically disadvantaged areas by type.	Not	
FS14	Initiatives to improve access to financial services for disadvantaged people.	Fully	section 1.13.2., section 4.4.4.

SO9	Operations with significant potential or actual negative impacts on local communities.	Not	
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	Not	
Corruption			
SO2	Percentage and total number of business units analyzed for risks related to corruption.	Fully	section 4.3.2.
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	Fully	section 4.3.1., section 4..3.2.
SO4	Actions taken in response to incidents of corruption.	Partially	section 4.3.2.
Public policy			
SO5	Public policy positions and participation in public policy development and lobbying.	Fully	section 1.13.2., section 1.13.6., section 1.13.8.
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	Not	
Anti-competitive behavior			
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	Not	
Compliance			
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	Not	
Customer health and safety			
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	Not	
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	Not	
Product and service labelling			

PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	Fully	section 4.2.2.
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	Not	-
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Fully	section 4.2.3.
FS16	Initiatives to enhance financial literacy by type of beneficiary.	Fully	section 4.4.1., section 4.4.3., section 4.4.4.
Marketing communication s			
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	Fully	section 4.2.2.
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	Not	
Customer privacy			
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Not	
Compliance			
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	Not	

6.4. United Nations Principles

United Nations Global Compact

In April 2010, Delta Lloyd Group joined the United Nations Global Compact for corporate social responsibility. This platform, which was established by the UN in 1999, asks participating companies and organisations to commit to aligning their operations with ten principles. These principles address the improvement of human rights, labour, the environment and anti-corruption. The underlying concept is that businesses play a key role (make a difference) in these areas.

Communication on Progress

In section 1.3. Executive Board chairman's message, Delta Lloyd Group endorses the United Nations Global Compact. In the table below you will find for each of the 10 principles, the references to the sections in our annual report.

UN Global Compact principles	
Principle	**Reference**
1. Businesses should support and respect the protection of internationally proclaimed human rights; and	section 4.4.3.
2. make sure that they are not complicit in human rights abuses.	section 4.3.1., section 4.3.3., section 4.5.
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	section 4.5.6., section 4.5.7., section 4.5.8.
4. the elimination of all forms of forced and compulsory labour;	section 4.3.3., section 4.5.
5. the effective abolition of child labour; and	section 4.3.3.
6. the elimination of discrimination in respect of employment and occupation.	section 4.5.7.
7. Businesses should support a precautionary approach to environmental challenges;	section 4.6., section 4.6.1., section 4.6.2., section 4.6.3., section 4.6.4., section 4.6.5.
8. undertake initiatives to promote greater environmental responsibility; and	section 1.13.1., section 4.1.3., section 4.3.4.
9. encourage the development and diffusion of environmentally friendly technologies.	section 1.13.1., section 4.3.3., section 4.3.4.
10. Businesses should work against corruption in all its forms, including extortion and bribery.	section 3.1.3., section 3.2., section 4.3.1., section 4.3.2., section 4.3.3., section 4.3.4.

United Nations Principles for Sustainable Insurance

Delta Lloyd has committed itself to the Principles for Sustainable Insurance (PSI) that were launched in June 2012. Worldwide, nearly 30 insurers have signed the Principles, which were presented at the United Nations Conference on Sustainable Development in Rio de Janeiro.

Communication on Progress

In section 1.3. Executive Board Chairman's message, Delta Lloyd Group endorses the United Nations Principles for Sustainable Insurance. In the table below you will find for each of the 4 principles, the references to the sections in our annual report.

UN Principles for Sustainable Insurance	
Principle	**Reference**
1. We will embed in our decision-making environmental, social and governance issues relevant to our insurance business.	section 3.2., section 4.2.2., section 4.3.2., section 4.3.3., section 4.3.4., section 4.4.1., section 4.4.2.
2. We will work together with our clients and business partners to raise awareness of environmental, social and governance issues, manage risk and develop solutions.	section 1.13.2., section 3.1.3., section 4.2.2., section 4.3.4., section 4.4.1., section 4.5.7.
3. We will work together with governments, regulators and other key stakeholders to promote widespread action across society on environmental, social and governance issues.	section 1.13.2., section 4.1.4., section 4.2.2., section 4.3.1., section 4.3.3., section 4.3.4., section 4.4.1., section 4.4.3., section 4.4.4., section 4.6.2.
4. We will demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the Principles.	section 1.3., section 4.7.1., section 6.3., section 6.4.

6.5. Disclaimer

Certain statements in this annual report 2013 that are not historical information are "forward-looking statements". These forward-looking statements are based on management's understanding and assumptions and on information currently available to them. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond Delta Lloyd Group's control and all of which are based on management's current understanding and expectations about future events.

Forward-looking statements involve inherent risks and uncertainties and apply only on the date they were made. Delta Lloyd Group does not undertake to update any of the forward-looking statements in light of new information or future events, except to the extent required by law. A number of significant factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statement as a result of risks and uncertainties facing Delta Lloyd Group. Such risks, uncertainties and other significant factors include: (i) changes in the financial markets and general economic conditions, (ii) changes in competition from local, national and international companies, new entrants in the market and self-insurance and changes to the competitive landscape in which Delta Lloyd Group operates, (iii) the adoption of new, or changes to, existing laws and regulations such as Solvency II, (iv) catastrophes and terrorist-related events, (v) default by third parties owing money, securities or other assets on their financial obligations, (vi) equity market losses, (vii) long and/or short-term interest rate volatility, (viii) illiquidity of certain investment assets, (ix) flaws in underwriting assumptions, pricing and/or claims reserves, (x) the termination of or changes to relationships with principal intermediaries or partnerships, (xi) the unavailability and unaffordability of reinsurance, (xii) flaws in Delta Lloyd Group's underwriting, operating controls or IT systems, or a failure to prevent fraud, (xiii) a downgrade (or potential downgrade) of Delta Lloyd Group's credit ratings and (xiv) the outcome of pending, threatened or future litigation or investigations. Should one or more of these risks or uncertainties materialise, or should any underlying assumptions prove to be incorrect, Delta Lloyd Group's actual financial condition or results of operations could differ materially from those described herein as “anticipated”, “believed”, “estimated” or “expected”.