

# Delta Lloyd Group

## Update on Joint Venture

## Delta Lloyd Group - ABN AMRO Insurance

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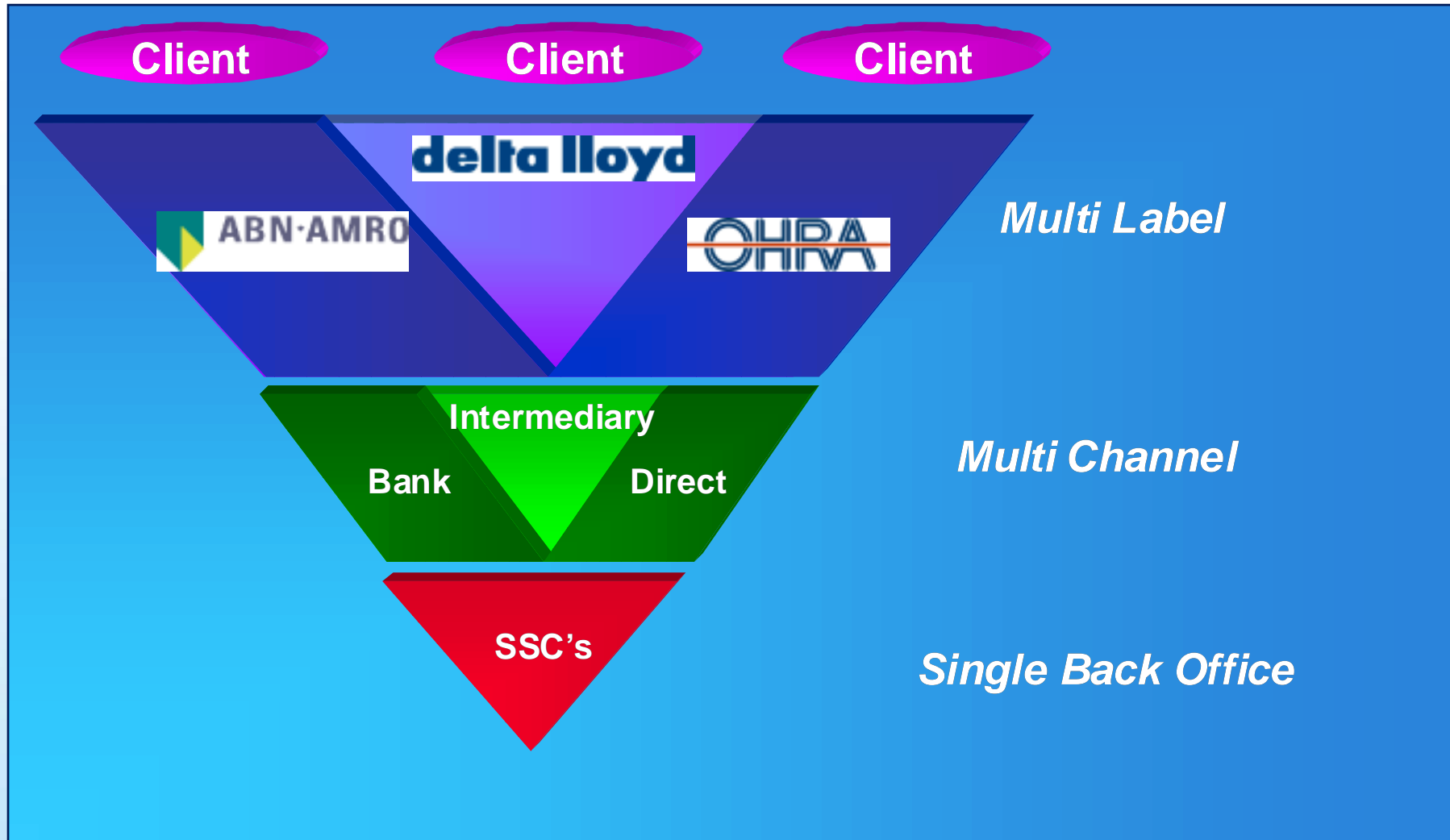
*Chairman Executive Board Delta Lloyd*

**July 2003**

# Strategic Rationale Joint Venture

- **Expand client base**
- **Create leading market positions in new business (Private & Group Life and Pensions, GI, Health)**
- **Expand distribution capabilities (true multi-channel)**
- **Asset Management opportunities**
- **Synergies**
  - **Multi Channel, Multi Label, Single back office strategy**
  - **Economies of Scale**

# Perfect Fit Strategy Delta Lloyd



# Distribution power of ABN AMRO

*(the Netherlands)*

- **Strong Brand**
- **Access to 5m Clients**
  - ▶ 4.6m Consumer Clients
  - ▶ 310k SME Clients
  - ▶ 3k Corporate Clients
  - ▶ 15k Private Clients (assets > €1m)
- **Access to 570 bank shops + 80 advice offices**
- **Direct channels (call centres, internet, mail)**

# Profile ABN AMRO Insurance

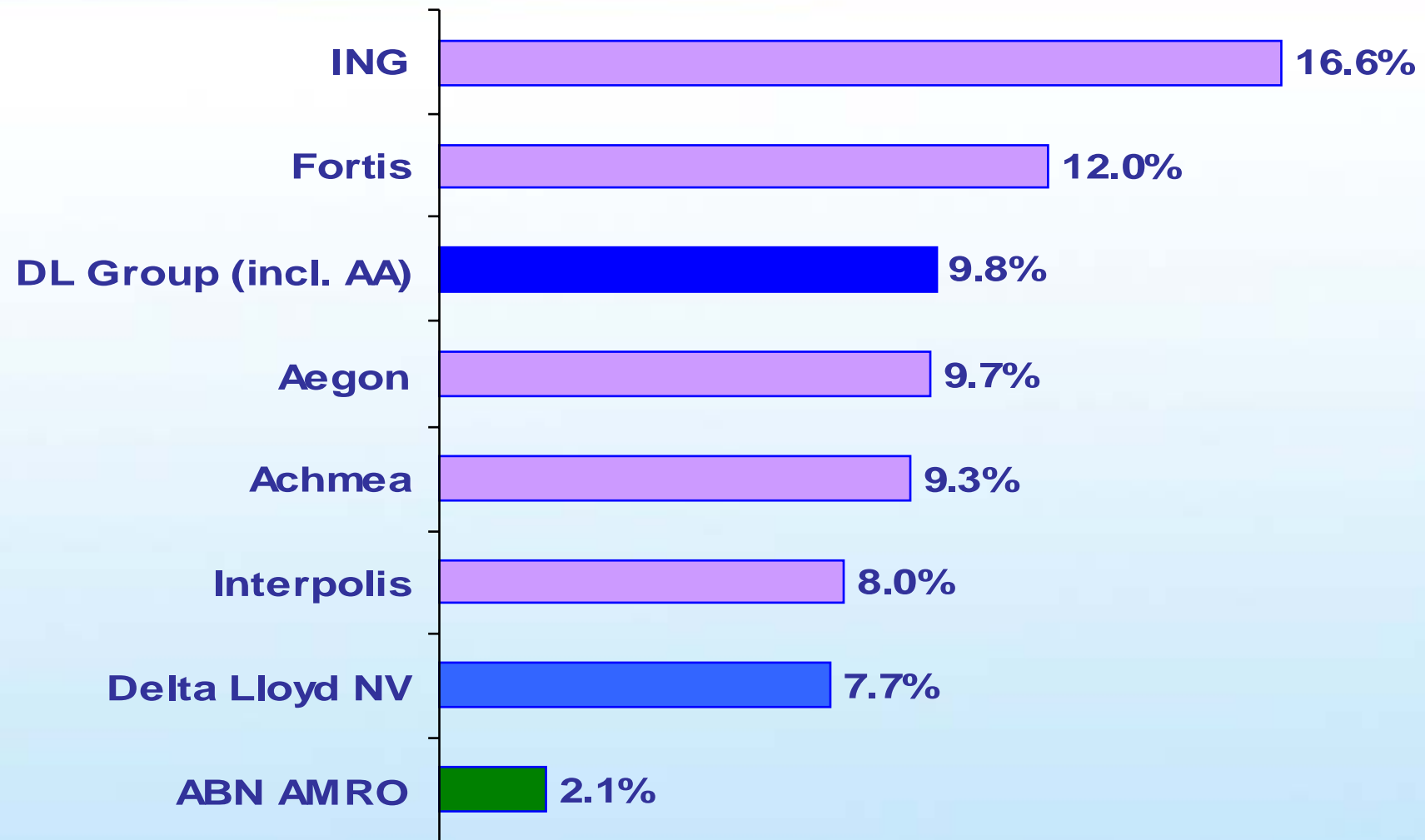
	Full year 2002*	6 months 2003
	€m	€m
<b><u>GWP</u></b>		
<b>Life</b>	<b>720</b>	<b>364</b>
<b>General Insurance</b>	<b>128</b>	<b>87</b>
<b>Intermediary (Underwriting agents)</b>	<b>96</b>	<b>63</b>
<b><u>New business life</u></b>		
<b>Single</b>	<b>359</b>	<b>185</b>
<b>Regular</b>	<b>36</b>	<b>12</b>
<b><u>Embedded value</u></b>		
<b>Life</b>	<b>99</b>	<b>107</b>
<b>General Insurance (NAV)</b>	<b>#76</b>	<b>79</b>

\*Subject to completion accounts

# After a pre-completion dividend of € 70m

# Total market share

(incl. U/W), Dutch market 2001, based on GWP

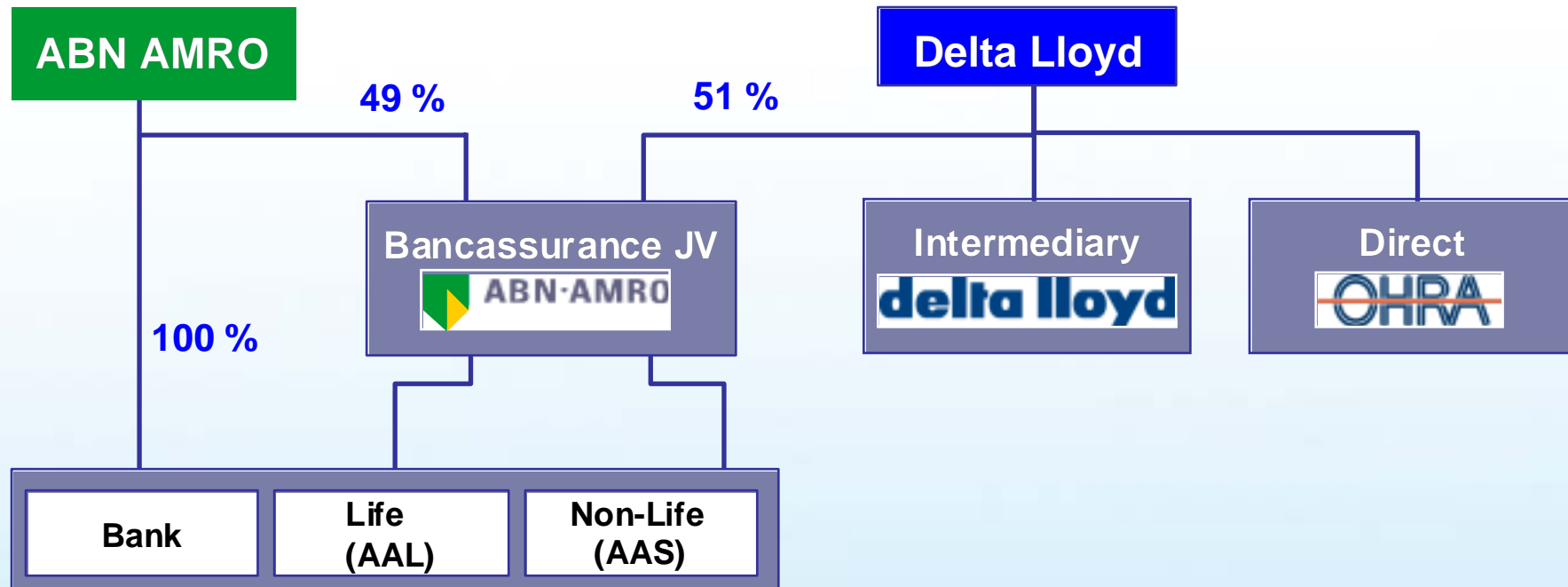


Source: Press Releases & AM Jaarboek, November 2002

# Deal structure

- **51% Life and 51% General Insurance**  
(incl. Intermediary Business, Underwriting Agencies,  
Employee Benefit Consultants & Commercial Brokerage)
- **Brand ABN-AMRO**
- **Management Control Delta Lloyd**
- **Asset Management Delta Lloyd**
- **30 years exclusive distribution agreement**
- **Extensive Service Level Agreements**
- **Exit clauses include serious penalties**

# Organisational structure JV



ACCESS TO BANK  
CLIENT DATABASE

**ABN AMRO**

*Incentive based Distribution Fees*

**Delta Lloyd**

*Servicing Fees*

# Financials of deal

Purchase consideration €267m (includes €25m in respect of performance linked consideration)

		<u>Annualised profits after tax and minorities</u>
<u>Rights to new business and renewals</u>		
	6 months 2003	
•	Life new business added value †	€10m
•	GI COR	95%
	Operating profit before tax and minorities	€23m
+	Expected cost savings (€15m per annum pre-tax)	€10m
=	Sub-Total	<u>€25m</u>
	Implied multiple of earnings to purchase price	10.5x

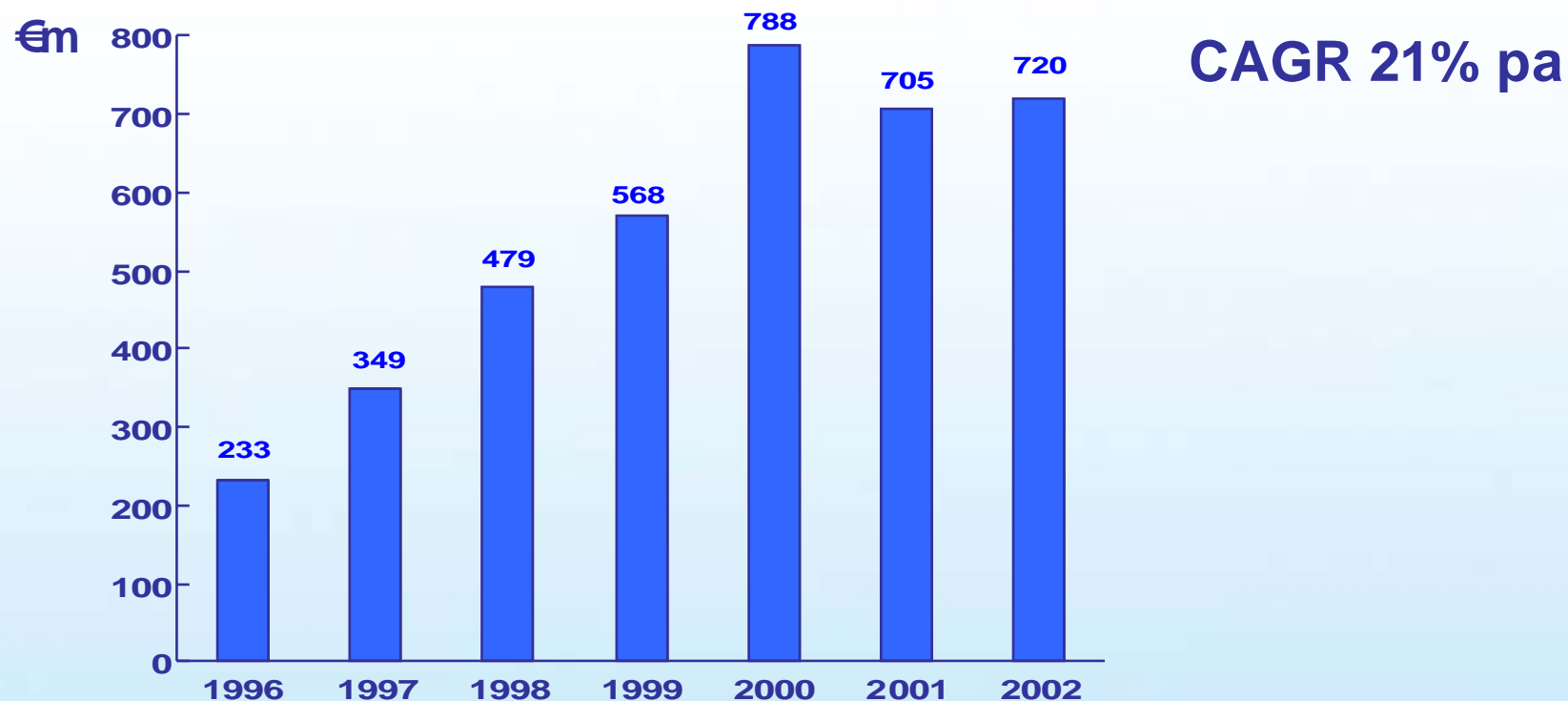
†Pre-tax, pre cost of capital

# Financials of deal (cntd)

- Target growth of over 100% life (APE) and over 60% general insurance (GWP) by end 2006
- Integration costs €20m (pre-tax) by end 2005
- IRR of over 12% (after tax)

# ABN AMRO bancassurance has a strong growth record

## ABN AMRO LIFE (GWP)



- ABN AMRO bancassurance business launched in 1995
- Top 10 position in Dutch market within 10 years

# Growth potential of JV understates EV

- Low penetration (8-16%) compared to other Dutch banks
- Commission levels set between direct & IFA
- Focus on opportunities in:
  - Group Life (tax reform and supplementary pension schemes)
  - GI-Packages (packaged products show double digit growth)
- Conversion opportunities from 'third' party products to JV products
- Opportunity to market full product range to ABN AMRO clients

**Substantial upside potential in APE & GI GWP expected**

# Conclusion

- **Delta Lloyd - ABN AMRO JV creates leading market positions**
  - **Substantial upside growth in life & general insurance**
  - **Expense advantage**
  - **Attractive life margins (H1 2003: 34%)**
  - **Excellent general insurance performance**
  - **30 year exclusive agreement**

# Questions and Answers