

**20**  
**09**

**Annual report**

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# 1 Delta Lloyd Group in brief

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Delta Lloyd Group is a financial services provider offering life insurance and pensions, general insurance, fund management and banking products and services. Delta Lloyd Group has been a trusted partner for its customers since as early as 1807, and is now primarily active in the Netherlands and Belgium, with a staff of 6,300 permanent employees.

Sound and responsible entrepreneurship stands at the basis of Delta Lloyd Group's commercial success. Continuity and reliability are paramount. The key prerequisite here is financial solidity, with a strong focus on long-term goals and advanced risk management. This is how Delta Lloyd Group aims to achieve a solid reputation and customer confidence. At the same time, continuous efforts to boost the distribution power and enhance the efficiency of processes underpin Delta Lloyd Group's growth ambitions.

## **The Netherlands: three strong brands**

In the Netherlands, Delta Lloyd Group pursues a multi-brand, multi-channel strategy, operating under three strong brand names each with its own distribution channel and market activities.

Under the Delta Lloyd brand, the Group targets commercial and personal customers in the middle and top market segments. Life and general insurance products are marketed chiefly through independent intermediaries. Delta Lloyd Bank provides mortgages, bank annuities and savings products. Delta Lloyd Asset Management offers investment funds for institutional and personal customers.

With ABN AMRO Insurance, the Group primarily concentrates on personal life and general insurance sales via the ABN AMRO Bank distribution network. ABN AMRO Insurance also enjoys a strong position among collectivities and commercial customers in the mid-market segment.

OHRA is the Group's brand for standard life and general insurance products that are offered to personal customers via the direct channel (call centres and the internet).

## **Belgium: moving towards a second home market**

In Belgium, Delta Lloyd Group profiles itself as a financial services provider offering a comprehensive portfolio of insurance and bank products for personal customers and small and medium-sized enterprises, as well as in the field of private banking. The portfolio is mainly marketed through intermediaries, tied agents (who exclusively sell Delta Lloyd products) and Delta Lloyd Bank's own network. Belgium is well on the way to becoming a second home market for Delta Lloyd Group.

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## Delta Lloyd Group in brief

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### **Ambitions**

Through its strong brands, good product range and focus on distribution power, Delta Lloyd Group seeks to increase its share in the Dutch and Belgian markets. In the medium term, Delta Lloyd Group aims to become one of the three largest insurance companies in the Dutch market and one of the top five in the Belgian market. Its long-term goal is to be recognised as the most reliable insurer and financial services provider in the markets where it is active.

### **Strategy**

Over the years Delta Lloyd Group has pursued its objectives with great consistency, with its 'The Future Secured' strategy providing the foundation of these efforts. The five strategic pillars of this strategy are: reputation, distribution power, expertise, efficiency and core values. The core values serve as both a guide and touchstone in all activities of Delta Lloyd Group and its employees.

### **Reputation**

Delta Lloyd Group's significant brand recognition and good reputation facilitate long-term customer relations. The Group leverages opportunities for further growth through the continuous development of products and services that respond to the customer's changing requirements and wishes at each stage of life.

### **Distribution power**

With its multi-brand, multi-channel approach, Delta Lloyd Group aims to further expand its share in the Dutch and Belgian markets. Delta Lloyd Group expects to apply increased resources to the development of its direct distribution channel and bank distribution. The ability to deliver banking and insurance products over the internet is seen as a key driver in attracting new customers and reducing costs. In addition, Delta Lloyd Group will pursue further growth through acquisitions or takeovers as and when opportunities arise.

### **Expertise**

Customer preferences and markets are constantly developing. Delta Lloyd Group is well-equipped to identify these developments and respond promptly by launching new products and services. Delta Lloyd Group plans to focus on premium products, such as group pensions and engineering insurance. Simultaneously, Delta Lloyd Group wants to expand the number of simple commodity products offered through the general insurance business line and to promote bank annuities (*bancaire lijfrente*) and other products as alternatives to individual life insurance.

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## Delta Lloyd Group in brief

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### ***Efficiency***

Delta Lloyd Group aims to reduce per-product costs, create economies of scale and enhance processes. Delta Lloyd Group is combining the back offices for the various brands and distribution channels, and expects that this will reduce the organisation's costs and create opportunities to further improve the service level for customers.

### ***Core values***

The seven core values of Delta Lloyd Group have been deeply embedded in the organisation. They give clear expression to what the Group stands for, and determine its corporate culture and identity. The core values are: integrity, central focus on the customer, responsibility and commitment, team spirit, open communication, flexibility and entrepreneurship.

### ***Corporate social responsibility***

For Delta Lloyd Group, corporate social responsibility is about its desire to display transparent and ethical behaviour, to take account of all dimensions of sustainable development and to make responsible choices that weigh up the interests of all stakeholders. Delta Lloyd Group is committed to making corporate social responsibility a natural and integral part of its business processes throughout the organisation. This calls for a strategic policy for which five priorities have been defined: good employment practices, the environment, customer interest, product integrity and community engagement. The Delta Lloyd Group Foundation, which was set up in 2008, aims to promote financial self-reliance and financial awareness, particularly among vulnerable groups in society. Delta Lloyd Group employees are highly involved in the foundation's activities, which allow them to apply their specific know-how and skills to volunteer work.

## **1.1 Supervisory Board and Executive Board**

### **1.1.1 Supervisory Board**

R.H.P.W. (René) Kottman, chairman

P.G. (Pamela) Boumeester

E.J. (Eric) Fischer

J.G. (Jan) Haars

J.H. (Jan) Holsboer

A.J. (Andrew) Moss

Ph.G. (Philip) Scott (until 1 January 2010)

M.H.M. (Marcel) Smits (until 1 February 2010)



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## Delta Lloyd Group in brief

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### Supervisory Board committees

#### *Audit Committee*

Jan Haars (chairman), Philip Scott, Marcel Smits and Jan Holsboer.

#### *Remuneration Committee*

Pamela Boumeester (chairman), René Kottman, Philip Scott and Eric Fischer.

#### *Nomination Committee*

René Kottman (chairman), Eric Fischer, Philip Scott and Pamela Boumeester.

## 1.1.2 Executive Board

N.W. (Niek) Hoek, chairman

P.J.W.G. (Peter) Kok

P.K. (Paul) Medendorp

H.H. (Henk) Raué

## 1.2 Report to stakeholders

Delta Lloyd Group can look back on an extraordinary year. The world in general and the financial sector in particular slowly started to recover from the deep credit crisis whose effects will continue to be seen and felt for a long time yet. Delta Lloyd Group managed to come through the crisis without any outside assistance thanks to its high-quality risk management and strong capital base.

The decision to go public in such a challenging year was testimony to Delta Lloyd Group's strength and confidence. And this was further underlined by the success of the initial public offering (IPO) and subsequent positive development of the share price. The listing marks the start of a new phase in the company's evolution.

The trust placed in Delta Lloyd Group also stems from the balanced attention the Group seeks to give all its stakeholders. The recent financial crisis has shown that the relentless pursuit of shareholder value to the exclusion of all other interests hit shareholders hardest. Delta Lloyd Group works with its customers' money, and is therefore duty-bound to carry out its operations with due prudence, care and consideration.

The deep financial crisis is leading to faster and more radical changes in society and, hence, in the financial world as well. Delta Lloyd Group is anticipating this by using scenarios to look ahead and

renew its outlook on the future. The Group strategy will be tightened up to address the new challenges, with a central focus on simplification, customer knowledge, positioning and innovation.

Above all, we want to be reliable and do what we promise our customers, our shareholders, our employees, society and our business partners. The Future Secured.

## **1.3 Information for shareholders**

The stock market launch of Delta Lloyd Group was the largest initial public offering in Western Europe in 2009, the third-largest worldwide and the biggest in the global financial services sector. After the stock exchange launch on 3 November, the Group's share price developed positively in 2009. The stock exchange listing underpins Delta Lloyd Group's growth strategy, enhances its strategic flexibility and reinforces its identity and brand. As a listed company, Delta Lloyd Group has direct access to the capital market, giving it sufficient leeway to play a role in the anticipated market consolidation in the Netherlands and Belgium. The flotation will broaden its shareholder base and strengthen its ability to pursue its own strategy.

Delta Lloyd wants to be a reliable listed company that pays out a stable dividend. The dividend is determined on the basis of the operational result after tax and non-controlling interests, and the ambition is to offer a dividend that is developing along a steady and positive course. The corporate strategy is aimed at sustaining the growth and progress achieved in recent years.

On 29 January 2010, NYSE Euronext Global Index Group announced that the Delta Lloyd share would be included in the AMX Index from 2 March 2010, with a weighting of 6.1%.

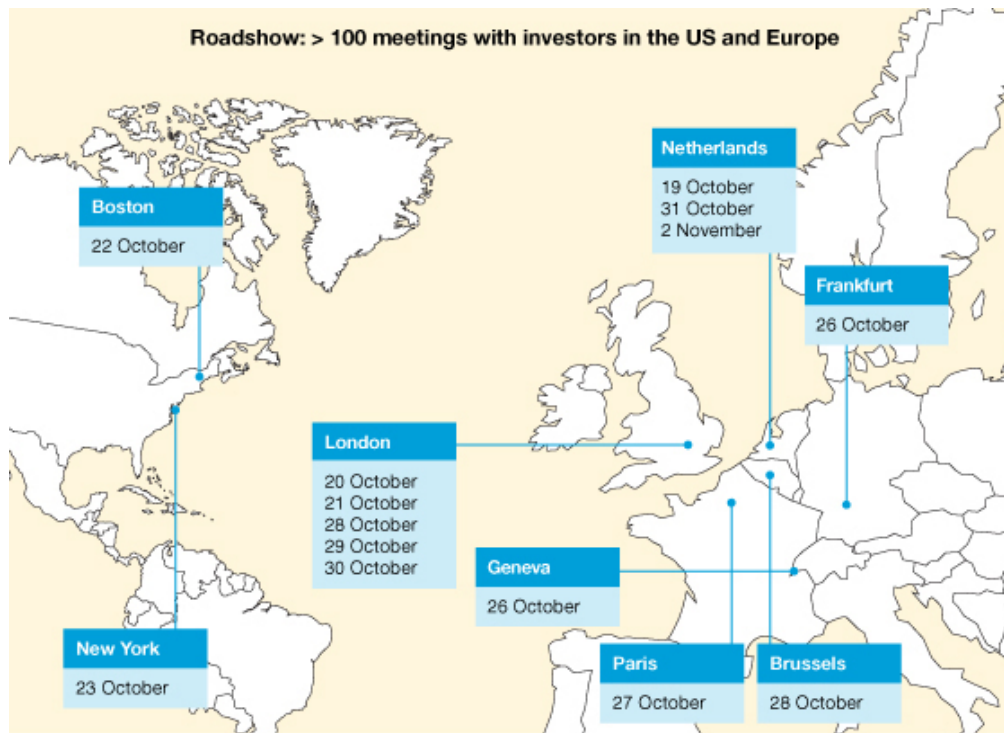
### **October 2009 road show**

From 19 October to 2 November 2009, CEO Niek Hoek, CFO Peter Kok and Investor Relations manager Rozan Dekker visited a large number of prospective investors during Delta Lloyd Group's first road show. A special session was held in Amsterdam for retail investors, and a large-scale publicity campaign was organised, which culminated in the spectacular display outside the old stock exchange building in Amsterdam of the boat sailed by Team Delta Lloyd during the Volvo Ocean Race. The official listing on NYSE Euronext Amsterdam was obtained on 3 November 2009.

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## Delta Lloyd Group in brief

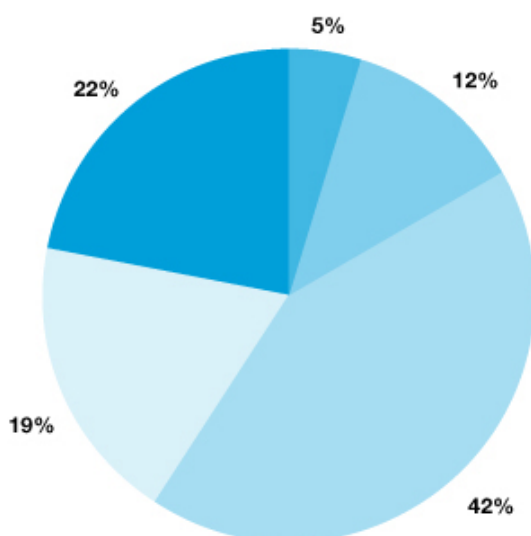
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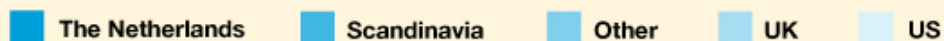
### Allocation of Delta Lloyd shares on 3 November 2009

The successful IPO has broadened the geographical spread of our shareholder base, with a clear concentration in the UK, the Netherlands and the US.

Allocation of ordinary shares on IPO\*



\* excluding equity interests of Aviva and Fonds NutsOhra



### Dividend policy and proposal

Delta Lloyd Group intends to pay an annual interim dividend and an annual final dividend on ordinary shares, with a split between interim dividend and final dividend of approximately 45% and 55%, respectively. In this connection, Delta Lloyd Group will aspire to a dividend pay-out ratio on the ordinary shares of about 40-45% of the operational result after tax and non-controlling interests. The dividend for 2009 on post-IPO ordinary shares will be made payable after the annual General Meeting of Shareholders on 27 May 2010. In 2010 and beyond, Delta Lloyd Group intends to pay out an interim dividend and a final dividend on ordinary shares.

Based on the achieved operational result after tax and non-controlling interests, Delta Lloyd Group proposes to pay out a dividend of € 82.8 million, or € 0.50 per ordinary share, from the share premium account. The shareholder can elect to have the dividend paid out either wholly in cash or wholly in shares. The stock dividend will have approximately the same value as the cash dividend and will be charged to the share premium account.

Delta Lloyd Group determines the value of the stock dividend using a share fraction based on the weighted average closing price over a period of five trading days (to allow for the prevailing market price) prior to the definite determination of the dividend. The shareholders can state whether they wish to receive the dividend in cash or in shares up to and including 16 June 2010. If no choice is indicated, the dividend will be paid out in cash.

The number of dividend coupons entitling the holder to one new ordinary share (with a nominal value

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## Delta Lloyd Group in brief

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of € 0.20) will be determined on 16 June 2010 after 5.30 p.m., based on the weighted average quoted closing price on NYSE Euronext Amsterdam for the five trading days from 10 June 2010 to 16 June 2010 (inclusive).

### Proposed dates for 2009 dividend

Ex-dividend date:	Monday 31 May
Record date:	Wednesday 2 June
Start of dividend election period:	Thursday 3 June
End of dividend election period:	Wednesday 16 June
Payment date:	Thursday 24 June

### Delta Lloyd share in 2009 (based on total ordinary shares in issue as at 31 December 2009)

<b>Delta Lloyd share closing price</b>	
High (3 December 2009)	€ 17.40
Low (3 November 2009)	€ 15.49
Closing price on 31 December 2009	€ 16.93
Market capitalisation on 31 December 2009	€ 2,803 million

<b>Figures per share</b>	
Comprehensive income per share (incl. paid dividends)	€ 3.06
Result after tax and non-controlling interests	€ -0.75
Operational result after tax and non-controlling interests	€ 2.21
Proposed dividend	€ 0.50
Shareholders' equity	€ 23.47
Price / operational result after tax and non-controlling interests	7.7

<b>Average daily trading volume (through 31 December 2009)</b>	
On the first day of trading, 13 million shares were traded. The subsequent daily trading volume averaged over 570,000 shares.	
Incl. first day of trading	1,000,312 shares
Excl. first day of trading	703,337 shares
Excl. the first trading week (3 through 6 November)	570,550 shares

### Ordinary shares and preference shares in issue

Voting rights		Ordinary shares	%	Pref A	%
38.1%	of voting rights - public	68,050,000	41.1%	0	0.0%
7.9%	of voting rights - Fonds NutsOhra	1,068,790	0.6%	13,021,495	100.0%
54.0%	of voting rights - Aviva	96,488,795	58.3%	0	0.0%
100.0%			100.0%		100.0%

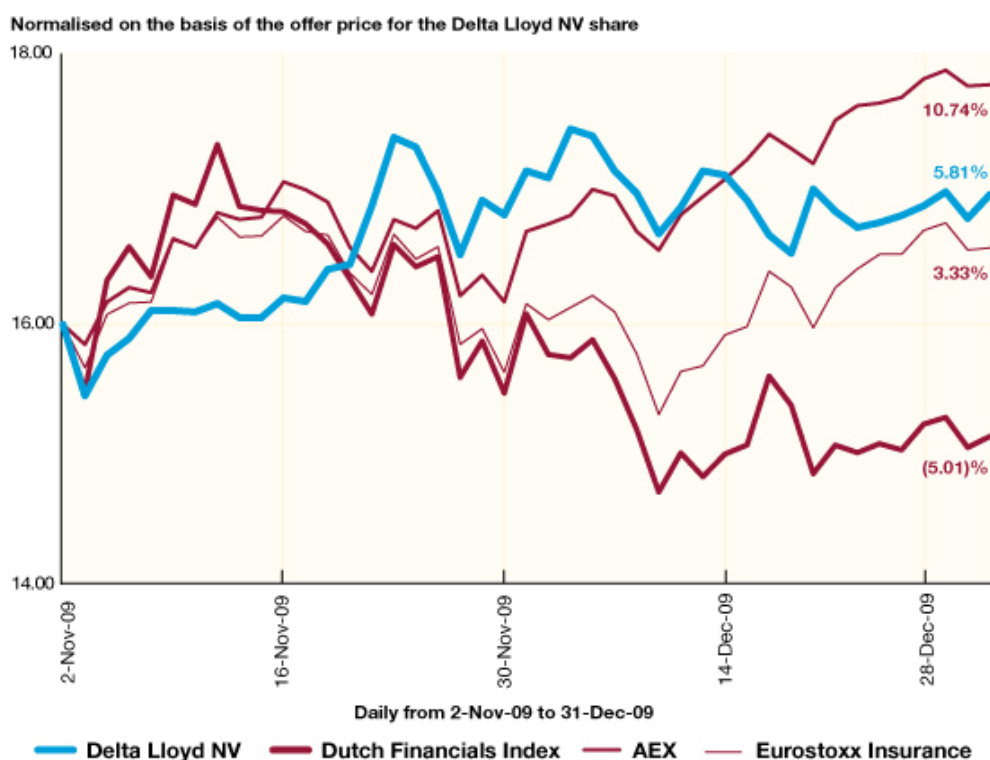
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## Delta Lloyd Group in brief

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### Share price performance

The Delta Lloyd share performed well from 3 November 2009 to 31 December 2009, rising 5.81% from the offer price of € 16.00 to € 16.93.



The Dutch Financials Index is an unweighted index that includes all financial institutions listed on the AEX and AMX.

### Delta Lloyd Group ratings

S&P '09		S&P '08
A+	Delta Lloyd Life	AA-
A+	Delta Lloyd General	AA-

### General Meeting of Shareholders

The General Meeting of Shareholders will be held in the Hilton Hotel in the city of Amsterdam on 27 May 2010. Further details will be announced at <http://www.deltalloydgroep.com/>. Information on the structure of, admission to and voting rights at the General Meeting of Shareholders is included in section 2.4.1 of this annual report.

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## Delta Lloyd Group in brief

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### Major shareholders (>5%)

Aviva plc, London

### Financial calendar 2010

11 May 2010	First quarter 2010 interim management statement
27 May 2010	General Meeting of Shareholders
31 May 2010	Ex-dividend date
2 June 2010	Record date
3 June 2010	Start of dividend election period
16 June 2010	End of dividend election period
24 June 2010	Dividend payment date
5 August 2010	Half-year figures for 2010
4 November 2010	Third quarter 2010 interim management statement

All the above dates are provisional. Please consult our website (<http://www.deltalloydgroep.com/>) for the most up-to-date calendar.

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## 2 Governance

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Delta Lloyd Group has a two-tier board structure consisting of an Executive Board and an independent Supervisory Board, in accordance with the applicable Dutch full large company regime. The Executive Board is responsible for the day-to-day management of Delta Lloyd Group and for its strategy, policy and operations. The Supervisory Board supervises and advises the Executive Board.

Additionally, as the full large company regime is applicable, the Supervisory Board appoints members of the Executive Board. The Supervisory Board's approval is required for certain important decisions of the Executive Board. The members of the Supervisory Board are appointed by the General Meeting based on nominations by the Supervisory Board.

Immediately prior to the initial public offering on 3 November 2009, Delta Lloyd Group and Aviva, the selling shareholder, entered into a Strategic Investment Agreement. This agreement contains orderly market arrangements, subject to which Aviva may sell its shareholding in Delta Lloyd Group. Furthermore, the Strategic Investment Agreement covers key issues related to Delta Lloyd Group's corporate governance, including Aviva's role in the composition of the Supervisory Board. The full text of the Strategic Investment Agreement is available on Delta Lloyd Group's website ([www.deltalloydgroep.com](http://www.deltalloydgroep.com)); a summary of the most important elements is given in section 2.5.

### Legal structure

Delta Lloyd Group is a financial services provider offering life insurance, general insurance, fund management and banking products and services. Pursuant to Dutch law, the banking and insurance activities must be undertaken through separate companies. The various subsidiaries of Delta Lloyd NV, the parent company, have been clustered into a number of divisions, whereby Delta Lloyd Group's structure matches the label structure. The subsidiaries where Delta Lloyd NV exercises control over financial and operating policies are consolidated in the financial statements of Delta Lloyd NV.

### Supervision

Delta Lloyd NV and its Netherlands-based subsidiaries are under the supervision of various regulatory authorities including the Dutch Central Bank (*De Nederlandsche Bank / DNB*), the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten / AFM*), the Netherlands Competition Authority (*Nederlandse Mededingingsautoriteit / NMa*) and the Dutch Data Protection Authority (*College Bescherming Persoonsgegevens / CBP*). Delta Lloyd Belgium is under the supervision of the Banking, Finance and Insurance Commission (*Commissie voor het Bank-, Financie- en Assurantiewezen / CBFA*), whilst the Bundesanstalt für Finanzdienstleistungsaufsicht (*BaFin*) is the primary regulator for Delta Lloyd Germany.



## **2.1 Report of the Supervisory Board**

### **The year 2009**

Delta Lloyd Group can look back on an extraordinary year. In a volatile financial market Delta Lloyd Group realised a successful initial public offering (IPO) in which Aviva successfully offered 41.1% of its ordinary shares in the Group to other investors. Since 3 November 2009, Delta Lloyd Group has been listed on NYSE Euronext Amsterdam. The listing offers the Group good opportunities to pursue its long-term strategy. The key objectives of this strategy are to achieve further growth in the Netherlands and Belgium, strengthen the distribution capability and play an active role in the further consolidation of the market. Investors recognised the company's underlying value potential: the order book for the share placement was substantially oversubscribed.

### **Financial statements and profit appropriation**

In accordance with the provisions of section 2:101 (3) of the Netherlands Civil Code, we submit the financial statements drawn up by the Executive Board to the General Meeting of Shareholders for adoption. Taking into account the unqualified audit opinion of Ernst & Young Accountants LLP, which is included in this annual report, we recommend that the shareholders adopt the financial statements. In view of the positive operational result after tax and non-controlling interests, and in accordance with Article 44 of the Articles of Association, our Board approves the Executive Board's decision to pay out a dividend for the 2009 financial year.

### **Strategic developments**

In preparation for the IPO decision, the Supervisory Board extensively analysed the motives, feasibility and risks as well as discussing other strategic options, including merger and acquisition strategies. Key considerations in the decision-making process were Delta Lloyd Group's long-term strategy, Aviva's international strategy, our competitive position in a market in which other parties had run into problems, our strong capital base, the opportunity to be among the first to benefit from a market recovery, Delta Lloyd Group's valuation, the extent to which the organisation and the management were ready for such an important step and the resolution of the corporate governance dispute with Aviva. In the run-up to the IPO the Supervisory Board was continuously kept informed of the progress, risks and main developments. It formed a special committee from among its members. This committee was tasked with supervising the preparations for the IPO. In addition, the Supervisory Board received assistance from its own legal adviser. The Board would like to emphasise that the process took place in close consultation with Aviva.

New Articles of Association were adopted during the Extraordinary General Meeting of Shareholders on 12 October 2009. Delta Lloyd Group now has a corporate governance structure that fully corresponds with the statutory two-tier rules.

After a period of recession, the Dutch economy showed some growth in the third quarter of 2009 and

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the equity markets moved up. However, the recovery remains fragile. The Supervisory Board, and the Audit Committee in particular, held intensive discussions with the Executive Board on market developments and Delta Lloyd Group's response. Results and risk management were monitored closely. Delta Lloyd Group astutely anticipated the market conditions. The developments in the financial markets demonstrated the essential importance of prudent risk management. Delta Lloyd Group is well-positioned in the worsened economic climate and has also taken measures, such as the hedging of interest rate and investment risks, to limit the direct consequences of these developments.

One important barometer for Delta Lloyd Group's strength is solvency. Thanks to effective protection measures and the recovery of the equity markets, the Group's solvency improved further. In the opinion of the Supervisory Board, this makes Delta Lloyd Group one of the best capitalised insurers in the market.

### **Organisational developments in 2009**

In Belgium, the legal and organisational integration of Swiss Life and Delta Lloyd Life was completed, leading to a top five position in the Belgian life market.

### **Supervisory Board meetings**

The Supervisory Board held six plenary meetings in 2009, and organised various telephone conferences. In addition, individual members of the Supervisory Board maintained intensive contacts with Executive Board members in the interim. The many issues the Supervisory Board discussed during its meetings in 2009 included the IPO and all related aspects such as the prospectus and the amendments to the Articles of Association, the by-laws of the Executive Board and the Supervisory Board and the terms of reference of the Audit, Remuneration and Nomination Committees.

The remuneration policy was re-adopted and brought into line with the most recent laws and regulations in this field, including the Dutch corporate governance code, the recommendations of the Maas Committee and the principles of the Dutch Central Bank (*De Nederlandsche Bank / DNB*) and the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten / AFM*). The Supervisory Board is in favour of a controlled remuneration policy that is in keeping with Dutch practices. A peer group comparison was made with the aid of an external consultant. A detailed account of this comparison was included in the IPO prospectus, and also forms part of the remuneration section in this Annual Report. The Supervisory Board holds the opinion that the remuneration is a balanced combination of the ambitions for Delta Lloyd Group's further development, the high-quality requirements set for its management and the condition that Delta Lloyd Group must award its management a market-consistent remuneration. The General Meeting of Shareholders adopted a remuneration for the Supervisory Board that takes account of the increased responsibilities of Supervisory Boards in general and of a listed company in particular. Here, too, independent external advice has been sought.

Each quarter the Supervisory Board was informed about the development of results by means of a general presentation and a detailed report. During these discussions the Supervisory Board emphasised the importance of living up to the expectations presented to the shareholders. Particular

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attention was devoted to risk management, the development of the DLG curve and swap curve, and the equity markets. The Supervisory Board sought and obtained extensive information about how the management actively responded to the financial crisis. In a special meeting centring on the theme of risk management, the Supervisory Board received detailed information about the various aspects of risk management and Delta Lloyd Group's policy in this connection. Due to the increased importance of risk management, the Supervisory Board decided to hold a dedicated risk management meeting at least once a year. The Supervisory Board also requested and was given information on the progress of the ICT insourcing programme and consulted with the management about the IT strategy going forward.

The 2009-2011 and 2010-2012 corporate plans were intensively discussed, including the cost savings integrated in these plans. The Supervisory Board considered how these savings were to be realised and how they would affect the organisation. The financial plans were tested against several crash scenarios. Furthermore, the Supervisory Board asked questions about the feasibility of the plans and how they fit in with Delta Lloyd Group's growth strategy and other objectives as well as future developments such as Solvency II. In addition, the chairmen of the divisions gave presentations about various business units.

The meetings of the Supervisory Board were largely attended by all members of the Supervisory Board. Mr Smits ceased attending the meetings from September 2009. Mr Scott did not attend the meeting in the month of December.

### **Supervisory Board committees**

The Supervisory Board is supported by three committees that prepare the specific issues delegated to them for decision-making in the full Supervisory Board. The committees are appointed from among the Supervisory Board members. In accordance with the by-laws of the Supervisory Board, each committee reports its findings to the Supervisory Board at the next meeting of the Board. The committees also provide written reports of their meetings.

### ***Audit Committee***

The Audit Committee met five times in 2009. All meetings were attended by one or more representatives of the Executive Board and the directors of Group Finance & Control, Group Audit, Group Integrity and Group Actuarial & Risk Management. Mr Smits did not attend the meetings in the months of November and December. Mr Scott was absent from the December meeting and was replaced by the chairman of the Supervisory Board, who will attend the Audit Committee meetings until the vacancies have been filled. The meetings held in February, July, November and December were also attended by representatives of the external auditor of Delta Lloyd Group. At the February meeting, the external auditor reported its findings in the absence of the Executive Board members. During the meetings, the quarterly, half-year and annual results were discussed at length, as were the auditor's opinions, actuarial analyses, Delta Lloyd Group's risk profile, management letters, the reports on the internal audit findings and the financial risks, as well as the Solvency II programme. In addition, the progress of the Sarbanes-Oxley project was reviewed at each meeting. Particular

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attention was devoted to the consequences of the credit crisis and the necessary protection measures.

### ***Remuneration Committee***

The Remuneration Committee met twice in 2009. All members were in attendance on both occasions. The topics discussed by the Committee included the remuneration policy, the Executive Board's long-term and short-term incentive plans, the Supervisory Board's remuneration and the Executive Board's objectives and targets. The meeting at which the amended remuneration policy was prepared, was attended by external remuneration specialists. In addition, the advice for the remuneration of the Supervisory Board was prepared.

The Remuneration Committee issued advice to the shareholder Aviva concerning its proposal to award the Executive Board a transaction bonus for achieving the IPO within four months. The Committee also advised the Supervisory Board about the positioning of the total remuneration package compared to the peer group. The remuneration package also contains provisions for capping and, if necessary, clawing back remuneration elements. In addition, the Remuneration Committee considers it important that the remuneration policy for the management layers below the Executive Board be a derivative of the Executive Board's remuneration schemes. The Remuneration Committee's proposals were accepted without change by the Supervisory Board and were subsequently adopted by the General Meeting of Shareholders.

### ***Nomination Committee***

The Nomination Committee met twice in 2009. All members were present, with the exception of the December meeting which Mr Scott was unable to attend. Amongst other things, the Nomination Committee discussed the functioning of the Supervisory Board and the Executive Board. The functioning of the Supervisory Board was assessed by means of a questionnaire and the results were discussed in a meeting of the Supervisory Board in the absence of the Executive Board. The Supervisory Board is satisfied with its own functioning.

The Nomination Committee held individual interviews with the members of the Executive Board. This involved both the functioning of the Executive Board as a whole and the functioning of the individual members. These interviews had a retrospective as well as a prospective nature. The Executive Board is assessed as a collective body.

The Nomination Committee initiated preparations for the appointment of new members of the Supervisory Board. This concerns the vacancies that have arisen as a result of the resignations of Messrs Scott and Smits with effect from 1 January 2010 and 1 February 2010, respectively, and the expansion of the Supervisory Board from eight to nine members. The selection of candidates takes place on the basis of the Supervisory Board membership profile. Aviva will be given an opportunity to nominate a successor for Mr Scott.

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### **Contacts with the Central Works Council**

A changing delegation of the Supervisory Board participated in the scheduled consultative meetings between the Executive Board and the Central Works Council. The annual tripartite consultation between the Supervisory Board, the Executive Board and the Central Works Council took place in November 2009. Agenda items included the roles of the Central Works Council, the Executive Board and the Supervisory Board and their relationships.

### **Composition of the Supervisory Board and Executive Board**

#### ***Executive Board changes***

There were no changes to the Executive Board in 2009.

#### ***Supervisory Board and committee changes***

The term of office of the Supervisory Board's chairman, Mr Kottman, would end in 2011. With a view to continuity, Mr Kottman was reappointed as chairman of the Supervisory Board for another four-year term, starting from 6 November 2009 (the settlement date of the initial public offering). Messrs Scott and Smits resign from the Supervisory Board with effect from 1 January 2010 and 1 February 2010, respectively. At the presentation of the annual figures on 4 March 2010, the candidates nominated to replace Messrs Scott and Smits will also be announced. These candidates will be nominated for appointment to the Supervisory Board at the General Meeting of Shareholders to be held on 27 May 2010. At an Extraordinary General Meeting of Shareholders held on 12 October 2009, a resolution was passed to amend the Articles of Association.

#### ***Financial calendar***

Delta Lloyd Group follows the financial calendar of its shareholder Aviva and will therefore publish its results for the first six months of 2010 on 5 August 2010. Interim management statements will be published on 26 April and 4 November 2010.

#### ***A word of thanks***

The members of the Supervisory Board wish to express their gratitude to the members of the Executive Board and the other employees of Delta Lloyd Group. During the financial year 2009, marked by its successful IPO, they gave a particularly outstanding demonstration of their professional knowledge, experience and enthusiasm. Supervising their work was a captivating challenge for the Supervisory Board. We are pleased to be heading into the new financial year full of confidence.

The Chairman of the Supervisory Board,

René Kottman

## 2.2 Supervisory Board

The function of the Supervisory Board is to monitor the policy of the Executive Board and the affairs of Delta Lloyd Group and its affiliated enterprise. The Supervisory Board may also, on its own initiative, provide the Executive Board with advice and may request any information from the Executive Board that it deems appropriate. In performing their duties, the Supervisory Board members must serve the interests of the Group and its affiliated enterprise. The Supervisory Board is collectively responsible for carrying out the Board's duties. The Supervisory Board monitors and supervises the policies of the Executive Board and the Group's general course of business.

### **Supervisory Board members**

The Supervisory Board consists of nine members. Three seats are currently vacant. The General Meeting of Shareholders appoints the members in accordance with nominations by the Supervisory Board. Aviva has the right to nominate two Supervisory Board members and to propose replacements for each.

Delta Lloyd Group aspires to have a Supervisory Board that is reasonably representative of the interests of all stakeholders. The Supervisory Board consists of four independent members, two members who are nominated by Aviva and three members who are recommended by the Central Works Council. Any person nominated for membership of the Supervisory Board must satisfy the profile of the Supervisory Board as set out in its by-laws, which are posted on [www.deltalloydgroep.com](http://www.deltalloydgroep.com).

As described in the corporate governance section, Aviva's right to nominate Supervisory Board members will lapse if Aviva directly or indirectly holds less than 15% of the Delta Lloyd Group shares, excluding the protective preference shares. If Aviva holds less than 35% of the shares, it is entitled to nominate one member of the Supervisory Board.

### **Potential conflicts of interest**

Other than the fact that two members of the Supervisory Board are not independent within the meaning of the Dutch corporate governance code because they have been nominated by Aviva (see best practice provision *III.2.1*), Delta Lloyd Group is not aware of any potential conflicts between any duties of the members of the Supervisory Board and their private interests and/or other activities.

## 2.2.1 Composition of the Supervisory Board

R.H.P.W. (René) Kottman, chairman  
P.G. (Pamela) Boumeester  
E.J. (Eric) Fischer, vice-chairman  
J.G. (Jan) Haars  
J.H. (Jan) Holsboer  
A.J. (Andrew) Moss  
Ph.G. (Philip) Scott (until 1 January 2010)  
M.H.M. (Marcel) Smits (until 1 February 2010)

### Curricula vitae of the Supervisory Board members

#### ***R.H.P.W. (René) Kottman***

Chairman

#### **Current position**

Management consultant

#### **Supervisory Board Memberships**

Altera NV, chairman

Delta Lloyd Bank NV

Keyrail Exploitiemaatschappij Betuweroute NV, chairman

Warmtebedrijf NV, chairman

Wavin NV

#### **Other positions**

Chairman of the Board of Overseers of Medisch Centrum Alkmaar – Gemini Ziekenhuisgroep

Member of the Board of Overseers of Raad van Organisatie-Adviesbureaus

Board member of De Baak Management Training Centre

Chairman of the Advisory Council of the Amsterdam Noord-Zuid metro line

#### **Year of appointment**

1999

#### **Year of expiry of current term**

2013

#### **Year of birth**

1945

#### **Nationality**

Dutch

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### ***P.G. (Pamela) Boumeester***

#### **Current position**

Advisor and board member

#### **Supervisory Board Memberships**

Ordina NV

Persgroep Nederland BV

#### **Other positions**

Chairwoman of the Board of Overseers of Informatie Beheer Groep

Chairwoman of the Board of Overseers of TSM (Twente School of Management)

Member of the Advisory Council of Reinier de Graaf Groep

Member of the Advisory Council of Veerstichting

Member of the Utrecht Development Board

Board member of Stichting K.F. Hein Fonds

Board member of Ubbo Emmius Fonds

Board member of Frans Liszt Concours

#### **Year of appointment**

2003

#### **Year of expiry of current term**

2012

#### **Year of birth**

1958

#### **Nationality**

Dutch

### ***E.J. (Eric) Fischer***

#### **Current position**

Extraordinary professor at the University of Amsterdam

Interim Dean of the Faculty of Economics and Business, University of Amsterdam (from 1 February 2010)

#### **Other positions**

Board member of SEO Economisch Onderzoek

Board member of Academie voor Verenigingsmanagement (AVVM)

Member of the International Commission on Holocaust Era Insurance Claims

Chairman of the Advisory Council of Chainworks

Board chairman of SNS Reaal Fonds

Board chairman of Paepon

Board chairman of Nederlandse Museumvereniging and Stichting Museumjaarkaart

#### **Year of appointment**

2006

#### **Year of expiry of current term**



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2010

**Year of birth**

1946

**Year of expiry of current term**

Dutch

***J.G. (Jan) Haars***

**Current position**

Member of the Management Board and CFO of Corio NV

**Supervisory Board Membership**

Ajax NV

**Year of appointment**

2006

**Year of expiry of current term**

2010

**Year of birth**

1951

**Nationality**

Dutch

***J.H. (Jan) Holsboer***

**Current position**

Retired

**Supervisory Board Memberships**

Atradius NV

Atradius Credit Insurance NV

PartnerRe Ltd

TD Waterhouse Bank NV

Yura International NV/YAM Invest NV

**Other positions**

Honorary president / member of the Geneva Association

Board chairman of Stichting Vie d'Or

Board chairman of Vereniging Pro Senectute

Board chairman of Fonds van Hove van Zijll anno 1647

Board member of Stichting Imtech NV

Board member of Stichting Corporate Express NV

Member of the Investment Committee of the Dutch Cancer Society

Member of the Curatorium of the Executive Master of Financial Planning, University of Amsterdam

Member of the Program Board of the Executive Master of Internal Auditing, University of Amsterdam

**Year of appointment**

2008

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### **Year of expiry of current term**

2012

### **Year of birth**

1946

### **Nationality**

Dutch

### ***A.J. (Andrew) Moss***

#### **Current position**

Chief Executive of Aviva plc

#### **Other positions**

Board member of the Association of British Insurers

Member of the European Financial Services Roundtable

Member of the Pan-European Insurance Forum

Board member and treasurer of the Geneva Association

#### **Year of appointment**

2007

#### **Year of expiry of current term**

2011

#### **Year of birth**

1958

#### **Nationality**

British

### ***Ph.G. (Philip) Scott (until 1 January 2010)***

#### **Current position**

Chief Financial Officer of Aviva plc (until 26 January 2010)

#### **Supervisory Board Memberships**

Diageo plc

Royal Bank of Scotland

#### **Other position**

Fellow of the Institute of Actuaries (FIA)

#### **Year of appointment**

2007

#### **Year of birth**

1954

#### **Nationality**

British

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***M.H.M. (Marcel) Smits (until 1 February 2010)***

**Current position**

Executive Vice President and CFO of Sara Lee Corporation

**Other position**

Board member of the Prince Claus Fund

**Year of appointment**

2003

**Year of birth**

1961

**Nationality**

Dutch

### 2.2.2 Supervisory Board committees

The Supervisory Board currently has an Audit Committee, a Remuneration Committee and a Nomination Committee. The task of these committees is to prepare the decision-making of the Supervisory Board, but the Supervisory Board remains collectively responsible for the fulfilment of the duties delegated to its committees. The Supervisory Board does not have any other permanent committees.

**Audit Committee**

The Audit Committee supervises the operation of the internal risk management and control systems, the provision of financial information by Delta Lloyd Group, the follow-up on observations and recommendations of the internal audit services and the external auditor, the scope of operation and functioning of the internal audit services, Delta Lloyd Group's tax planning policy, the relationship with the external auditor, the financing of Delta Lloyd Group and the application of information and communication technology.

The Audit Committee meets at least four times a year and at least one of its meetings relates to the closing of the financial year and the preparation of the financial statements and annual report. At the request of the Audit Committee, its meetings may be attended by the chairman of the Executive Board, the CFO, the external auditor and/or the directors of Internal Audit and/or Group Integrity and/or Group Finance & Control.

In 2009, the Audit Committee consisted of four members: Jan Haars (chairman), Philip Scott, Marcel Smits en Jan Holsboer.

### **Remuneration Committee**

The Remuneration Committee sets the Executive Board remuneration policy for the coming and subsequent years. The remuneration policy for Executive Board members must be submitted to the General Meeting for adoption. The Remuneration Committee makes proposals for the remuneration of the individual members of the Executive Board, and also makes proposals to the Supervisory Board regarding the remuneration of the individual Supervisory Board members. The latter proposals must also be submitted to the General Meeting for adoption. Furthermore, the Remuneration Committee analyses possible outcomes of variable remuneration components and prepares the annual remuneration report. The Remuneration Committee meets as often as is necessary for its proper functioning, with no fewer than two meetings per year.

In 2009, the Remuneration Committee consisted of four members: Pamela Boumeester (chairman), René Kottman, Philip Scott en Eric Fischer.

### **Nomination Committee**

Among other things, the Nomination Committee draws up selection criteria and appointment procedures for the Supervisory Board and Executive Board members, and at least once a year assesses the size and composition of the Supervisory Board and Executive Board and their effectiveness.

In 2009, the Nomination Committee consisted of four members: René Kottman (chairman), Eric Fischer, Philip Scott en Pamela Boumeester.

## **2.3 Report of the Remuneration Committee**

### **1. Introduction**

#### ***Members of the Remuneration Committee***

The Remuneration Committee currently consists of three members: Pamela Boumeester (chairman), René Kottman and Eric Fischer.

Philip Scott was a member of the Remuneration Committee and Supervisory Board until January 1, 2010.

### ***Duties Remuneration Committee***

The Remuneration Committee prepares, within its designated area of duties, the decision-making of the Supervisory Board. Ultimately, the full Supervisory Board is collectively responsible for executing the duties of the Remuneration Committee.

The Remuneration Committee is (amongst others) responsible for:

- making proposals to the Supervisory Board regarding the remuneration policy for Executive Board members;  
Any significant changes to the remuneration policy for the Executive Board are submitted to the Annual General Meeting for adoption (and for approval when it concerns share-based payments);
- making proposals to the Supervisory Board for the remuneration of the individual members of the Executive Board;
- making proposals to the Supervisory Board for the remuneration of the individual members of the Supervisory Board;  
Any significant changes to the remuneration policy for the Supervisory Board are submitted to the Annual General Meeting for approval.

For a more comprehensive overview of the duties of the Remuneration Committee, please refer to the by-laws of the Remuneration Committee as posted on the website [www.deltalloydgroep.com](http://www.deltalloydgroep.com).

### ***Activities during 2009***

The Remuneration Committee met two times in 2009 with all members being present at each meeting. In light of Delta Lloyd Group's IPO on Euronext Amsterdam in November 2009, the Remuneration Committee has reviewed Delta Lloyd Group's remuneration policy for the Executive Board and Supervisory Board and made a proposal to the AGM for amending these policies. The activities as undertaken by the Remuneration Committee entailed amongst others:

- conducting benchmark assessments (based on a financial and cross-industry reference market);
- reviewing and proposing to amend the short-term and long-term incentive plans (amongst others performance period, performance criteria);
- setting targets for the short-term and long-term variable pay;
- conducting scenario analyses in order to assess possible outcomes of the variable remuneration components and how they may affect the remuneration of the Executive Board members.

The Supervisory Board has also discussed Aviva's proposal to grant a transaction bonus to the Executive Board (as a reward for realising a successful IPO). In addition, the Supervisory Board has – at the proposal of the Remuneration Committee – also prepared an updated version of the by-laws of the Remuneration Committee and drafted this remuneration report.

### ***Role of the remuneration consultant***

The Supervisory Board of Delta Lloyd Group has been assisted by an independent external remuneration consultant (Towers Watson). The Remuneration Committee ensures that the consultant of the Remuneration Committee acts independently from Delta Lloyd Group and does not provide advice to members of the Executive Board.

### **2. Remuneration policy Executive Board**

In this remuneration report, we outline the remuneration policy as adopted by the General Meeting on October 12, 2009, and effective as per November 1, 2009.

Over the period November – December 2009, we have solely adjusted basic salary levels. We did not adjust the performance criteria, targets and pay out levels for variable remuneration as set for 2009. The new policy (as outlined in this report) will become effective as from January 1, 2010 onwards.

Please note that the performance criteria that were used under the ‘former variable pay policy’ are to a large extent comparable to the performance criteria that are adopted under the ‘new policy’ (amongst others embedded value and customer satisfaction).

### ***Objective of the remuneration policy***

The Remuneration Committee aims to provide members of the Executive Board with such a remuneration package that qualified and expert managers can be attracted, that remain motivated and can be retained. At the same time, it should be assured that the mid and long-term objectives of Delta Lloyd Group will be protected and promoted.

The performance criteria and targets for variable pay are directly derived from the strategic agenda of Delta Lloyd Group. The variable pay elements have been designed in such a way that it promotes behaviour that is in line with the risk profile of Delta Lloyd Group. Variable pay is for example (at ambition level) equal to 100% of fixed pay and is the pay out of the long-term variable element capped.

The remuneration policy for the Executive Board has been cascaded down into the Delta Lloyd Group organisation.

### ***Reference markets***

In order to ensure overall competitiveness of remuneration levels as set by Delta Lloyd Group, these levels have been benchmarked against two reference markets. Delta Lloyd Group operates a financial and a cross industry reference market. The remuneration levels as set, qualify around the median level of both reference markets.

The current composition of the financial reference market is presented in the table below. The cross industry reference market consists of the smaller AEX companies and larger AMX companies.

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### Financial reference market

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SNS Reaal  
Van Lanschot  
ABN AMRO  
ASR  
Leaseplan Corporation  
AEGON Nederland  
ING Nederland  
Achmea  
Standard Life  
Swiss Life  
Legal & General

The Remuneration Committee will regularly review both reference markets to ensure that their composition remains appropriate in terms of comparability. The composition of the reference markets might be adjusted as a result of mergers or other corporate activities.

### ***Compensation elements***

Below, we provide a tabular overview of Delta Lloyd Group's remuneration package for the Executive Board. This package consists of a basic salary, pension arrangement, short-term variable incentive and long-term variable incentive.

Type of compensation	Compensation element	Pay out vehicle	Performance criterion & performance period	Pay-out level (STI/LTI: % of base)
Fixed	A. Basic salary	Cash	NA	CEO: € 650,000 Member: € 480,000
	B. Pension	Cash	NA	NA
Variable	C. Short-term incentive	Cash	60% financial (e.g. new business margin, combined ratio, volume of new business, operational costs, operational results and growth in shareholders' capital). 40% non-financial (e.g. customer satisfaction). One year performance period.	Performance Below threshold: 0% Threshold: 30% Ambition: 50% Outperformance: 75%
	D. Long-term incentive	(Condi-tional) shares	Absolute TSR (35%) Average RoE (35%) Employee engagement (20%) Reputation (10%) Three-year performance period followed by a two year holding period	Performance Below threshold: 0% Threshold: 25% Ambition: 50% Outperformance: 75%

**Ad B – Pension.** Members of the Executive Board are eligible for participation in Delta Lloyd Group's pension plan and – in addition to that – an annexure on the collective pension plan is applicable for higher management and members of the Executive Board (*regeling directeuren en*

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*leden Raad van Bestuur*’). Yearly accrual is equal to 2.25%. There are no further arrangements for early retirement.

The members of the Executive Board are eligible to participate in a standard life-course savings scheme (*‘levensloop’*) based on a contribution of 6% of the gross pensionable salary.

**Ad C – Short-term incentive.** The performance criteria and targets as set for the short-term incentive are directly derived from Delta Lloyd Group’s operational and strategic agenda. The Supervisory Board sets – at the proposal of the Remuneration Committee – (on an annual basis) stretching performance targets per short-term performance criterion. For each of the performance criteria, it is defined which performance will qualify as threshold, ambition and outperformance. There will be no pay out of the short-term incentive for below threshold performance.

The Remuneration Committee monitors performance on a frequent basis (both quantitative and qualitative performance assessments take place – depending on the specific performance criterion). The internal compliance and audit function are involved to make sure that all agreed-upon procedures with respect to the determination of pay-out are correctly followed.

In case of extraordinary circumstances during the performance period, the Supervisory Board has the discretionary power to adjust variable remuneration components both upwards and downwards if these would, in the opinion of the Supervisory Board, produce an unfair and unintended result. Other than that, the Supervisory Board may recover from the Executive Board any variable remuneration awarded on the basis of incorrect financial or other data (claw-back clause).

Please note that at the discretion of the Supervisory Board, part of the short-term incentive might be deferred for a period up to three years.

**Ad D – Long-term incentive.** The performance criteria and targets as set for the long-term incentive are derived from Delta Lloyd Group’s longer term strategic agenda and take account of the interests of various stakeholders (customers, employees and shareholders). For every three-year period, the Supervisory Board sets – at the proposal of the Remuneration Committee – challenging targets per performance criterion (on a threshold, ambition and outperformance level). At the beginning of the performance period, a number of conditional shares are being granted, which may become unconditional based on meeting the set performance targets and on continued employment.

The value of the share award at the moment of vesting (i.e. shares becoming unconditional) will be maximised at four times the grant value.

As with the short-term variable incentive, both the internal compliance function and the internal audit function are involved to ensure that all the agreed procedures are correctly followed. The Supervisory Board may adjust variable pay upwards or downward if extraordinary circumstances take place during the performance period (resulting in unfair and unintended results) and may recover variable pay that is awarded based on incorrect financial or other data (claw-back clause).



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## Governance

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Both short-term and long-term incentive plans are cascaded down to director and management levels, slightly tailored to the specific group of functions.

### ***Other elements***

**Additional arrangements:** A number of additional fringe benefit arrangements apply to members of the Executive Board. These arrangements (e.g. expense allowance, use of mobile phone and company car provision) are broadly in line with other companies of similar size and complexity.

**Terms of employment & severance pay:** The members of the Executive Board are employed by Delta Lloyd Group on the basis of an employment agreement.

- Each of Messrs. P.K. Medendorp, P.J.W.G. Kok and N.W. Hoek have entered into an employment agreement with Delta Lloyd Group for an indefinite term.  
These employment agreements do not provide for a specific severance payment upon termination of their employment, because the employment agreements were entered into prior to the Dutch Corporate Governance Code becoming effective.
- Mr.H.H. Raué has entered into an employment agreement with Delta Lloyd Group for a fixed term ending April 1, 2011. If Mr.Raué's employment agreement is not extended beyond that date, he will receive an unconditional bridging benefit.

**Notice period:** All employment agreements of the members of the Executive Board can be terminated by either Delta Lloyd Group or the member of the Executive Board subject to a notice period of six months.

**Loans:** Company policy states that Delta Lloyd Group and its subsidiaries shall not grant any personal loans, guarantees or the like to Executive Board members, save as part of its ordinary business operations, on conditions applicable to all employees and after approval of the Supervisory Board. Loans shall not be remitted.

As of December 31, 2009 mortgages of € 1,257,000 were still outstanding to two members of the Executive Board.

### **3. Remuneration policy 2009**

The remuneration policy as executed per November 2009 is in line with the remuneration policy that has been adopted by the General Meeting on October 12, 2009.

The table below provides an overview of the costs incurred by Delta Lloyd Group during 2009 with regard to remuneration for the Executive Board (2006 – 2008 are provided for reference purposes):

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### Total Remuneration (costs incurred in 2009)

in euros	Financial year	Basic salary (fixed remuneration) 1)	Short-term (variable remuneration)	Transaction bonus (variable remuneration) 3)	Option awards (variable remuneration) 4)	Pension 5)	Total
N.W. (Niek) Hoek, chairman	2009	553,200	0	324,640	236,258	93,000	1,207,098
	2008	533,900	262,200	-	225,004	78,800	1,099,904
	2007	508,500	262,200	-	217,330	110,900	1,098,930
	2006	508,400	252,100	-	211,963	119,800	1,092,263
P.J.W.G. (Peter) Kok	2009	431,300	0	239,744	152,616	73,000	896,660
	2008	421,500	207,000	-	145,335	62,300	836,135
	2007	401,400	172,500	-	140,384	87,500	801,784
	2006	401,400	165,800	-	136,916	94,600	798,716
P.K. (Paul) Medendorp	2009	431,300	0	239,744	152,616	73,000	896,660
	2008	421,500	207,000	-	145,335	62,300	836,135
	2007	401,400	172,500	-	140,384	87,500	801,784
	2006	401,400	165,800	-	136,916	94,600	798,716
H.H. (Henk) Raué	2009	431,300	0	239,744	152,616	73,000	896,660
	2008	421,500	207,000	-	145,335	62,300	836,135
	2007	401,400	172,500	-	101,547	87,500	762,947

1) Represents all fixed, salaried payments (including vacation allowance, 13th month).

2) Actual bonus chargeable to the company in the financial year (i.e. bonus relating to performance in previous year but paid out in the current financial year).

3) Reflects the fair value of the shares that were purchased of the (net) transaction bonus. Costs under IFRS might deviate from the value attributed to the individual awards at the date of grant, due to differences in calculation method. Under IFRS, the fair value of share-based payments is charged to the P&L during the vesting period.

4) The fair value of the option award as of the grant date. Costs under IFRS might deviate from the value attributed to the individual awards at the date of grant, due to differences in calculation method. Under IFRS, the fair value of share-based payments is charged to the P&L during the vesting period.

5) Current pension schemes and the related financing costs (under IFRS).

### Actual pay out (including transaction bonus)

In 2009, no variable short-term incentive was awarded to the Executive Board members. The performance of the members of the Executive Board in the 2009 financial year has been assessed on the basis of the old system (70-105% of 12 monthly salaries) and the performance targets set at the beginning of 2009.

After assessing performance on the various (financial and non-financial) performance criteria, the Supervisory Board has decided to grant a short-term variable element of 50% of basic salary in 2010 to members of the Executive Board.

In light of Delta Lloyd Groups' IPO in November 2009, Aviva proposed to grant a transaction bonus to the Executive Board (as a reward for realising a successful IPO). The Remuneration Committee agreed with this proposal and the transaction bonus has been approved by the General Meeting on October

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## Governance

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12, 2009.

The transaction bonus consisted of (unconditional) ordinary shares with a value equal to 100% of their basic salary. The members of the Executive Board will need to retain those shares for three years, with the exception that part of these shares might be sold to fulfil tax obligations.

The table below provides an overview of the minimum and maximum number of shares and options conditionally granted up and until 2009 that the Executive Board member may acquire if specified performance targets are achieved and employment conditions are met.

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### Unvested equity awards - minimum/ maximum numbers

	Grant date	Type of grant	Number granted 1)	Vesting date	Minimum number at vesting 2)	Maximum number at vesting 3)	End of lock-up period
N.W. (Niek) Hoek, chairman	11-3-2009	Restricted shares	20,290	11-3-2009	20,290	20,290	40,950
	1-1-2009	(Phantom) options	175,006	1-1-2012	-	131,254	-
	1-1-2008	(Phantom) options	204,549	1-1-2011	-	153,412	-
	1-1-2007	(Phantom) options	255,682	1-1-2010	-	191,762	-
	1-1-2006	(Phantom) options	218,519	1-1-2009	-	136,574	-
P.J.W.G. (Peter) Kok	11-3-2009	Restricted shares	14,984	11-3-2009	14,984	14,984	40,950
	1-1-2009	(Phantom) options	113,049	1-1-2012	-	84,787	-
	1-1-2008	(Phantom) options	132,123	1-1-2011	-	99,092	-
	1-1-2007	(Phantom) options	165,158	1-1-2010	-	123,869	-
	1-1-2006	(Phantom) options	141,151	1-1-2009	-	88,219	-
P.K. (Paul) Medendorp	11-3-2009	Restricted shares	14,984	11-3-2009	14,984	14,984	40,950
	1-1-2009	(Phantom) options	113,049	1-1-2012	-	84,787	-
	1-1-2008	(Phantom) options	132,123	1-1-2011	-	99,092	-
	1-1-2007	(Phantom) options	165,158	1-1-2010	-	123,869	-
	1-1-2006	(Phantom) options	141,151	1-1-2009	-	88,219	-
H.H. (Henk) Raué	11-3-2009	Restricted shares	14,984	11-3-2009	14,984	14,984	40,950
	1-1-2009	(Phantom) options	113,049	1-1-2012	-	84,787	-
	1-1-2008	(Phantom) options	132,123	1-1-2011	-	99,092	-
	1-1-2007	(Phantom) options	119,467	1-1-2010	-	89,600	-

1) The number of (phantom) options granted equals 93.6% of the originally granted number, resulting from the conversion from pre-IPO phantom options into post-IPO options and the corresponding exchange in exercise prices.

2) The minimum number of options that will vest is 0, and will only occur if and when the incumbent leaves the company before the vesting date and qualifies as a bad leaver.

3) In light of the IPO, it was decided no longer to use the existing performance calculations for the Phantom Option Plan, but instead it was decided to fix the number of options that will vest at 75% of the initially granted numbers for 2007 - 2009 and at 62.5% for 2006.

The table below provides a comprehensive overview of share awards and (phantom) options:

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### Overview of share awards, over which the Executive Board member has not yet full control

	Grant date	Status at moment of grant	Number at moment of grant	Fair value at moment of grant (euros) 1)	Total value at moment of grant (euros) 2)	Vesting date	Number at moment of vesting	Share price at end FY moment of vesting 3)	Total value at moment of vesting (in euros) 3)	End of lock-up	number at end of lock-up period	Share price at end FY moment of lock-up period (in euros) 4)	Value at end lock-up period (in euros) 4)
N.W. (Niek) Hoek, chairman	11-3-2009	Conditional	20,290	16	324,640	11-3-2009	20,290	17	343,510	11-2-2012	-	-	-
	2008	-	-	-	-	-	-	-	-	-	-	-	-
	2007	-	-	-	-	-	-	-	-	-	-	-	-
P.J.W.G. (Peter) Kok	11-3-2009	Conditional	14,984	16	239,744	11-3-2009	14,984	17	253,679	11-2-2012	-	-	-
	2008	-	-	-	-	-	-	-	-	-	-	-	-
	2007	-	-	-	-	-	-	-	-	-	-	-	-
P.K. (Paul) Medendorp	11-3-2009	Conditional	14,984	16	239,744	11-3-2009	14,984	17	253,679	11-2-2012	-	-	-
	2008	-	-	-	-	-	-	-	-	-	-	-	-
	2007	-	-	-	-	-	-	-	-	-	-	-	-
H.H. (Henk) Raué	11-3-2009	Conditional	14,984	16	239,744	11-3-2009	14,984	17	253,679	11-2-2012	-	-	-
	2008	-	-	-	-	-	-	-	-	-	-	-	-
	2007	-	-	-	-	-	-	-	-	-	-	-	-

1) The fair value of the shares as of the grant date. Costs under IFRS might deviate from the value attributed to the individual awards at the date of grant, due to differences in calculation method. Under IFRS, the fair value of share-based payments is charged to the P&L over the vesting period.

2) Value is calculated by multiplying number of shares awards by the fair value.

3) Value is calculated by multiplying number of shares by the share price as of the end of the financial year of unconditional vesting.

4) Value is calculated by multiplying number of shares by the share price as of the end of the financial year in which the lock-up period ends.

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### Overview of (phantom) option awards, over which the Executive Board member has not yet full control

	Grant date	Status at moment of grant	Number at moment of grant	Exercise price at moment of grant (euros)	Fair value at moment of grant (in euro) 1)	Total value at moment of grant (in euros) 2)	Vesting date	Number at moment of vesting	Share price end FY	Total intrinsic value at moment of vesting 3) 4)	Expiration date
N.W. (Niek) Hoek, chairman	1-1-2009	Conditional	175,006	13.63	1.35	236,258	1-1-2012	-	-	-	1-1-2016
	1-1-2008	Conditional	204,549	22.10	1.10	225,004	1-1-2011	-	-	-	1-1-2015
	1-1-2007	Conditional	255,682	20.64	0.85	217,330	1-1-2010	-	-	-	1-1-2014
	1-1-2006	Unconditional	218,519	17.08	0.97	211,963	1-1-2009	145,913	16.93	0	1-1-2013
P.J.W.G. (Peter) Kok	1-1-2009	Conditional	113,049	13.63	1.35	152,616	1-1-2012	-	-	-	1-1-2016
	1-1-2008	Conditional	132,123	22.10	1.10	145,335	1-1-2011	-	-	-	1-1-2015
	1-1-2007	Conditional	165,158	20.64	0.85	140,384	1-1-2010	-	-	-	1-1-2014
	1-1-2006	Unconditional	141,151	17.08	0.97	136,916	1-1-2009	94,251	16.93	0	1-1-2013
P.K. (Paul) Medendorp	1-1-2009	Conditional	113,049	13.63	1.35	152,616	1-1-2012	-	-	-	1-1-2016
	1-1-2008	Conditional	132,123	22.10	1.10	145,335	1-1-2011	-	-	-	1-1-2015
	1-1-2007	Conditional	165,158	20.64	0.85	140,384	1-1-2010	-	-	-	1-1-2014
	1-1-2006	Unconditional	141,151	17.08	0.97	136,916	1-1-2009	94,251	16.93	0	1-1-2013
H.H. (Henk) Raué	1-1-2009	Conditional	113,049	13.63	1.35	152,616	1-1-2012	-	-	-	1-1-2016
	1-1-2008	Conditional	132,123	22.10	1.10	145,335	1-1-2011	-	-	-	1-1-2015
	1-1-2007	Conditional	119,467	20.64	0.85	101,547	1-1-2010	-	-	-	1-1-2014

1) The fair value of the option award as of the grant date. Costs under IFRS might deviate from the value attributed to the individual awards at the date of grant, due to differences in calculation method. Under IFRS, the fair value of the option awards is charged to the P&L over the vesting period.

2) Value is calculated by multiplying the number of option awards by the fair value.

3) Intrinsic value is calculated by multiplying the number of option awards by the share price as of the end of the financial year of vesting -/- the exercise price.

4) The total (intrinsic) value at the moment of exercise is maximised at 160% (200% for the CEO) of the total fair value at the moment of grant.

Below, an overview of shares currently held by members of the Executive Board is being provided:

### Number of shares

In euros	2009	2008
N.W. (Niek) Hoek, chairman	32,790	-
P.J.W.G. (Peter) Kok	21,234	-
P.K. (Paul) Medendorp	21,234	-
H.H. (Henk) Raué	21,234	-
<b>Total</b>	<b>96,492</b>	<b>-</b>

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### 4. Outlook for 2010

Since the revised remuneration policy has only become effective as per November 1, 2009, the Remuneration Committee does not expect significant changes during 2010. The Remuneration Committee will monitor trends and developments and assess on a frequent basis whether the current remuneration policy stays in line with the most recent market practice and corporate governance requirements.

### 5. Supervisory Board remuneration policy

The remuneration policy for the Supervisory Board has been adopted by the General Meeting in October 2009. The table below provides an overview of annual and committee fee levels for the Supervisory Board:

#### Remuneration of Supervisory Board

In euros	2009
Chairman of the Supervisory Board	75,000
Vice-chairman of the Supervisory Board	60,000
Member of the Supervisory Board	50,000
Chairman of the Audit Committee	9,000
Member of the Audit Committee	6,000
Chairman of the Remuneration Committee and/or Nomination Committee	9,000
Member of the Remuneration Committee and/or Nomination Committee	5,000

No Supervisory Board member is granted options or shares as a form of remuneration. As a policy, Delta Lloyd Group does not provide loans to its Supervisory Board members.

The table below shows the remuneration paid to current and former Supervisory Board members in 2009.

#### Remuneration of Supervisory Board

In euros	2009
R.H.P.W. (René) Kottman, chairman 1)	62,300
E.J. (Eric) Fischer, vice chairman	53,700
P.G. (Pamela) Boumeester	45,700
J.G. (Jan) Haars	45,700
J.H. (Jan) Holsboer	44,800
M.H.M. (Marcel) Smits	44,800
Ph.G. (Philip) Scott 1)	-
A.J. (Andrew) Moss 1)	-
Total	297,000

The members of the Supervisory Board do not hold shares in Delta Lloyd Group.

## **2.4 Corporate governance**

### **2.4.1 General Meeting of Shareholders**

The annual General Meeting of Shareholders will be held in the city of Amsterdam on 27 May 2010. Its general purpose is to discuss the annual report, to adopt the financial statements, to discharge the Managing Board and Supervisory Board in respect of their management and supervision, respectively, and to decide on dividend policy and the dividend to be declared. Extraordinary General Meetings of Shareholders are held as often as the Executive Board or the Supervisory Board deems necessary.

The annual General Meeting of Shareholders and Extraordinary General Meetings of Shareholders are called by means of a convening notice that is sent by the Executive Board or the Supervisory Board to the shareholders and the holders of depositary receipts. Only those shareholders who alone, or jointly, represent at least 1% of Delta Lloyd Group's issued capital or a block of shares worth at least € 50 million may request items be added to the agenda of these meetings. Such requests will be granted, providing they are received in writing at least 60 days before the day of the meeting and unless important interests of the company dictate otherwise.

The notice convening a General Meeting of Shareholders is given no later than the day prescribed by law, and includes the location and the time of the meeting, an agenda indicating the items for discussion and any proposals for the agenda. The General Meeting of Shareholders is presided over by the chairman of the Supervisory Board who, even if present at the meeting, may appoint someone else to chair the meeting. The chairman appoints the secretary.

#### **Admission to the general meeting**

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

#### **Voting rights**

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

Subject to certain exceptions provided by Dutch law or the Articles of Association, resolutions of the General Meeting of Shareholders 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, may only be passed by a qualified majority. Pursuant to the Articles of Association, a qualified majority means at least two-thirds of the votes cast in a meeting in which at least two-thirds of the issued capital is present or represented. If this quorum is not met, a second meeting will be held



whereby the qualified majority means at least two-thirds of the votes cast regardless of the issued share capital that is present or represented at the meeting. If the quorum at the first meeting is not met because Aviva is not present or represented, qualified majority at the first meeting means at least two-thirds of the votes cast, regardless of the issued share capital that is present or represented at the meeting. In the event that Aviva holds less than 15% of the issued capital of Delta Lloyd Group, qualified majority means a majority of two-thirds of the votes cast, regardless of any capital present or represented at the meeting.

### **Amendments to the Articles of Association**

A resolution to amend the Articles of Association may only be taken by a qualified majority of the General Meeting of Shareholders pursuant to a proposal of the Executive Board that has been approved by the Supervisory Board. The Strategic Investment Agreement (see section 2.5) provides that no amendment of the Articles of Association may be proposed by Delta Lloyd Group and Aviva that would violate the Strategic Investment Agreement.

## **2.4.2 Dutch corporate governance code**

Delta Lloyd Group applies the amended Dutch corporate governance code. For the purpose of this section, reference is made to the provisions of the amended Dutch corporate governance code, which came into force on 1 January 2009.

The following best practice provisions of the Dutch corporate governance code are not applied in full for the reasons given below:

*Best practice provision II.1.1:* 'A management board member is appointed for a maximum period of four years. A member may be reappointed for a term of not more than four years at a time.' The members of the Executive Board who assumed office before 2006 were appointed for an indefinite period. All members who joined the Executive Board thereafter, were appointed in accordance with the Dutch corporate governance code.

*Best practice provision II.2.8:* 'The maximum remuneration in the event of dismissal is one year's salary. If the maximum of one year's salary would be manifestly unreasonable for a management board member who is dismissed during his first term of office, such board member shall be eligible for severance pay not exceeding twice the annual salary.' Delta Lloyd Group subscribes to the principle that failure by members of the Executive Board should not be rewarded, but also believes that Executive Board members are entitled to reasonable severance pay.

*Best practice provision III.2.1:* 'All supervisory board members, with the exception of not more than one person, shall be independent within the meaning of best practice provision III.2.2.' The Supervisory Board has two members who are not independent within the meaning of best practice provision III.2.2. These members were nominated by Aviva. Pursuant to the Strategic Investment

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Agreement, Aviva is entitled to nominate two Supervisory Board members and to propose replacements for each. This right will lapse in accordance with the following provisions of the agreement:

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

The Supervisory Board members nominated by Aviva, even if not independent, are obliged to perform their tasks in the best interests of Delta Lloyd Group.

*Best practice provision III 3.5:* 'A person may be appointed to the supervisory board for a maximum of three 4-year terms.' Mr Kottman was appointed as member of the Supervisory Board in 1999. For reasons of continuity, he was reappointed for another term of four years as of 6 November 2009, the settlement date of the initial public offering.

*Principle V.2:* 'The remuneration of the external auditor, and instructions to the external auditor to provide non-audit services, shall be approved by the supervisory board on the recommendation of the audit committee and after consultation with the management board.' The Group has implemented an audit charter that specifies when an external auditor may be assigned to provide non-audit services to the Group. This audit charter has been approved by the Audit Committee.

### 2.4.3 Capital and shares

The authorised share capital of Delta Lloyd Group amounts to € 150,000,000, divided into:

- 360,000,000 ordinary shares with a nominal value of € 0.20 each;
- 15,000,000 preference shares A with a nominal value of € 0.20 each; and
- 375,000,000 protective preference shares with a nominal value of € 0.20 each.

Delta Lloyd Group's share capital is divided into ordinary shares, preference shares A and protective preference shares. All shares are registered shares. No share certificates will be issued.

Delta Lloyd Group's issued share capital outstanding as at 31 December 2009 was divided into ordinary shares, preference shares A and protective preference shares. Over 58% of Delta Lloyd Group's ordinary shares are held by London-based Aviva plc. Fonds NutsOhra owns all preference shares A. Foundation Continuïteit Delta Lloyd has a call option on all protective preference shares. The Strategic Investment Agreement between Delta Lloyd Group and Aviva, the agreement between Delta Lloyd Group and Fonds NutsOhra and the articles of association of Foundation Continuïteit Delta Lloyd are posted on the website [www.deltalloydgroep.com](http://www.deltalloydgroep.com).

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### Capital and voting rights as at 31 December 2009

	Ordinary shares	%	Voting rights	%
Aviva	96,488,795	58.3%	96,488,795	54.0%
FNO	1,068,790	0.6%	14,090,285	7.9%
Free float	68,050,000	41.1%	68,050,000	38.1%
Total	165,607,585	100%	178,629,080	100%

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

Delta Lloyd Group granted a call option on protective preference shares to Foundation Continuïteit Delta Lloyd. This call option is exercisable at any time, either wholly or partly. See section 2.7 (Protective measures) for further details.

As described in the Strategic Investment Agreement (see section 2.5), Aviva's remaining shareholding is subject to a lock-up period of 180 days, starting from 6 November 2009. Furthermore, certain transfer restrictions are applicable, pursuant to which Aviva may reduce its holding in Delta Lloyd Group after the expiry of the lock-up period, whilst maintaining an orderly market.

### 2.4.4 Issue of shares

At the proposal of the Executive Board, and with approval of the Supervisory Board, the General Meeting of Shareholders (the 'General Meeting') may resolve to issue shares unless the General Meeting has granted authority to issue shares to the Executive Board. A resolution of the General Meeting to issue shares can only be adopted 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 which body has the authority 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 2.7 'Protective measures').

The General Meeting may also, on the proposal of the Executive Board and approved by the Supervisory Board, designate the Executive Board as the competent corporate body to resolve to issue shares. Pursuant to Article 7.3 of the Articles of Association, this designation may be granted to the Executive Board for a period of not more than five years. Following such designation, the Executive Board may issue shares subject to the approval of the Supervisory Board. The designation may be extended from time to time by the General Meeting, for a period not exceeding five years. Unless the designation provides otherwise, it may not be withdrawn.

On 12 October 2009, the General Meeting resolved to designate the Executive Board, with the approval of the Supervisory Board, as the competent body to issue ordinary shares and protective preference shares and to grant rights to subscribe for ordinary shares and protective preference shares for a period of three years, to be calculated from 6 November 2009. In its resolution, the General Meeting

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resolved to restrict the competency of the Executive Board as regards the issue of ordinary shares to a maximum of 10% of the total issued and outstanding share capital at the time of issue, plus a further issue up to 10% of the total issued and outstanding share capital if an issue occurs as part of a merger or acquisition. The General Meeting did not limit the competency of the Executive Board to issue protective preference shares and to grant rights to subscribe for protective preference shares. This competency concerns all protective preference shares which are not yet issued of the authorised share capital, as it reads or will read from time to time. After this three-year period, the Executive Board may propose to the General Meeting to extend its designation as the competent body to issue shares, together with the right to limit or exclude pre-emptive rights. In the Strategic Investment Agreement, Delta Lloyd Group and Aviva have agreed, however, that as long as Aviva directly or indirectly holds 15% or more of the shares (excluding the protective preference shares), such proposal shall not include the granting of the delegated authority to issue shares and to limit or exclude pre-emptive rights for a period of more than 18 months without the approval of Aviva.

Furthermore, Delta Lloyd Group and Aviva have agreed in the Strategic Investment Agreement that the Executive Board will not use its delegated authority to issue shares if, as a result of such issuance, Aviva's (direct or indirect) shareholding in Delta Lloyd Group would dilute below 50% of the shares (excluding the protective preference shares) or below 20% of the shares (excluding the protective preference shares), unless consented to by Aviva, which consent Aviva may grant or withhold at its discretion. This restriction on the use of the delegated authority to issue shares will terminate when Aviva directly or indirectly holds less than 20% of the shares (excluding the protective preference shares).

### **Depository receipts**

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

### **Pre-emptive rights**

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

At the proposal of the Executive Board, with approval of the Supervisory Board, the General Meeting may resolve to limit or exclude the pre-emptive rights, which resolution requires a qualified majority. The General Meeting may also designate the Executive Board, with approval of the Supervisory Board, to resolve to limit or exclude the pre-emptive rights. This designation may be granted to the Executive Board for a specified period of time of not more than five years and only if the Executive Board has

also been designated, or is simultaneously designated, the authority to resolve to issue shares. The designation may be extended for no longer than five years at a time and only applies as long as the designation to issue shares is in force.

On 12 October 2009, the General Meeting resolved to designate the Executive Board, with the approval of the Supervisory Board, as the competent body to limit or exclude the pre-emptive rights upon the issuance of ordinary shares for a period of three years to be calculated from 6 November 2009, simultaneously with the designation of the Executive Board as the competent body to issue shares.

### 2.4.5 Repurchase of shares

Under Dutch law, listed public liability companies are permitted to repurchase their own shares up to a maximum of 50% of the nominal amount of the total issued share capital. Accordingly, pursuant to Article 12.2 of the Articles of Association, Delta Lloyd Group may acquire fully paid-up shares, provided that either no valuable consideration is given or (i) the distributable part of the shareholders' equity is at least equal to the purchase price; and (ii) the nominal value of the shares or depositary receipts to be acquired, and of the shares or depositary receipts already held or held in pledge by Delta Lloyd Group and its subsidiaries, does not exceed 50% of the issued share capital. Pursuant to Article 12.3 of the Articles of Association, acquisition of shares by Delta Lloyd Group in a way other than for no consideration can only take place if the General Meeting of Shareholders (the 'General Meeting') has authorised the Executive Board to this effect. As part of this authorisation, the General Meeting must specify the number of shares or depositary receipts that may be acquired, the manner in which the shares or depositary receipts may be acquired and the price limits within which the shares or depositary receipts may be acquired.

On 12 October 2009, the General Meeting resolved to authorise the Executive Board to acquire ordinary shares or depositary receipts through a purchase on a stock exchange or otherwise for a term of 18 months from 6 November 2009. The authorisation relates to 50% of the nominal amount of the total issued share capital of Delta Lloyd Group. The acquisition can take place at a share price of at least the nominal value and at a maximum share price equal to the quoted ordinary share price plus 10%. The quoted ordinary share price is defined as the average of the closing prices of an ordinary share as reported in the official price list of Euronext over the five trading days prior to the acquisition date.

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

Delta Lloyd Group cannot derive any right to any distribution from shares acquired by Delta Lloyd Group. Furthermore, no voting rights may be exercised for any share held by Delta Lloyd Group or a subsidiary, unless the shares are subject to the right of usufruct or to a pledge in favour of a company other than Delta Lloyd Group or a subsidiary, in which 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 or a subsidiary has a right of usufruct or a pledge.

### **Capital reduction**

At the proposal of the Executive Board, and with approval of the Supervisory Board, the General Meeting may resolve to reduce the issued share capital (i) by cancellation of shares; or (ii) by reducing the nominal value of shares by an amendment to the Articles of Association. A resolution to cancel shares can only relate (a) to shares held by Delta Lloyd Group or for which Delta Lloyd Group holds depositary receipts; or (b) if repayment is made, to all preference shares A or all protective preference shares. A resolution of the General Meeting to reduce the issued share capital of Delta Lloyd Group requires a qualified majority.

A reduction in the number of shares without repayment and without release from the obligation to pay up the shares shall take place proportionally on shares of the same class. The requirement of proportion may be foregone with the consent of all concerned shareholders. Partial repayment on shares or release from the obligation to make payments will only be possible for the purpose of execution of a resolution to reduce the nominal value of the shares.

## **2.4.6 Transfer of shares, transfer restrictions and notification**

A transfer of a registered share or of a restricted right thereto requires a deed of transfer drawn up for that purpose and written acknowledgement of the transfer by Delta Lloyd Group. The latter condition is not required in the event that Delta Lloyd Group is party to the transfer.

If a registered share is transferred for inclusion in a collective deposit, the concerned institution associated with Euroclear Nederland shall accept the transfer. If a registered share is transferred for inclusion in a book-entry deposit, Euroclear Nederland shall accept the transfer. The cooperation of the other participants in a collective deposit and the cooperation of other institutions associated with Euroclear Nederland are not required for the transfer and acceptance of deposit shares.

Unless the transfer of deposit shares has been precluded, an institution associated with Euroclear Nederland is authorised to transfer deposit shares from its collective deposit, without cooperation of the other participants in the collective deposit. Furthermore, an institution associated with Euroclear Nederland is authorised to transfer shares for inclusion in the book-entry deposit without the cooperation of other participants. To the extent that transfers have not been precluded, Euroclear Nederland is authorised without the cooperation of the other participants to transfer shares out of the book-entry deposit for inclusion in a collective deposit.

Deposit shares cannot be delivered out of the Deposit System unless the Executive Board has given its consent. In any event, the Executive Board shall honour a request to deliver deposit shares out of the Deposit System if this means the applicant will become a direct holder of at least 5% of the shares upon

delivery or, as a consequence of the acquisition, such an interest will be increased.

The approval of the Executive Board (subject to 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.

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

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

Pursuant to the Strategic Investment Agreement, the remaining shareholdings of Aviva are subject to a lock-up period of 180 days after 6 November 2009 and, furthermore, certain transfer restrictions are applicable, pursuant to which Aviva may reduce its holding in Delta Lloyd Group after the expiry of the lock-up period, whilst maintaining an orderly market.

## 2.5 Strategic Investment Agreement

Immediately prior to the initial public offering, Delta Lloyd Group and Aviva entered into a Strategic Investment Agreement. This agreement contains the terms and conditions on lock-up and orderly market arrangements, subject to which Aviva may reduce its shareholding in Delta Lloyd Group over time following the offering. Furthermore, the Strategic Investment Agreement, which entered into effect on 3 November 2009, contains certain key issues with respect to Delta Lloyd Group’s corporate governance.

The full text of the Strategic Investment Agreement is available on Delta Lloyd Group’s website ([www.deltalloydgroep.com](http://www.deltalloydgroep.com)). The following is a summary of several important elements of the Strategic Investment Agreement.

### Information and reporting

Delta Lloyd Group has agreed to provide Aviva with certain financial information and other information which has been specified in the Strategic Investment Agreement to enable Aviva to satisfy its consolidation requirements and other, legal and regulatory requirements (including Aviva's tax, risk management and control procedures). Delta Lloyd Group's requirement to comply with legal obligations concerning the content and timing of disclosure. Delta Lloyd Group publishes its periodic financial reports on the same day as Aviva's report for the same period. Aviva has agreed not to use the information for any other purpose than to satisfy the applicable relevant requirements.

Delta Lloyd Group has agreed to implement processes and procedures aimed at enabling Aviva to certify its compliance with SOx as long as Aviva holds more than 20% of the shares (excluding the protective preference shares). Delta Lloyd Group has no additional reporting obligations to Aviva and the SOx certifications will not give Aviva entitlement to any additional audits nor any rights of access to supporting records (with the exception of the annual attestation of, and report on, Delta Lloyd Group's controls over financial reporting to be undertaken by the Group's external auditor).

### Lock-up

For a period of 180 days following 6 November 2009, Aviva shall neither directly nor indirectly offer, sell, lend, create certain restrictions (including security rights (zekerheidsrechten) or other limited rights (beperkte rechten) and attachments (beslagen)) over, charge, assign, contract to sell, sell any option or contract to purchase, grant (whether by way of warrant, convertible or exchangeable security or otherwise) any option to subscribe for or purchase any ordinary shares, or otherwise transfer or dispose of any ordinary shares or enter into any swap or any other transaction, of whatever kind, which directly or indirectly leads to a total or partial transfer to one or more third parties of title (eigendom) to any ordinary shares, legal or economic, or which in any way whatsoever fixes, limits or transfers any risk arising from the possibility of price movement, up or down, in respect of such ordinary shares, whether any such swap or transaction described above is to be settled by delivery of ordinary shares or other securities, in cash or otherwise, nor shall Aviva agree to do or announce any of the aforementioned things (collectively, a Transfer).

During the lock-up period Aviva may conduct a Transfer of ordinary shares (i) as part of tendering shares to a third party making a friendly takeover bid, and (ii) to a wholly-owned subsidiary, on condition, however, that this wholly-owned subsidiary shall comply with all the obligations as set out in the Strategic Investment Agreement.

The lock-up period may be shortened or waived with the written consent of Delta Lloyd Group and the unanimous written consent of the Joint Global Coordinators as set out in the Underwriting Agreement.



### **Orderly market arrangements**

After expiry of the lock-up period, Aviva and its affiliates may conduct a Transfer of ordinary shares held by them in an orderly market manner to avoid a negative impact on the price of the ordinary shares as a result of such Transfer. Delta Lloyd Group will cooperate to a reasonable extent with Aviva to optimise the Transfer of ordinary shares. Aviva will cooperate with Delta Lloyd Group so that the latter's shareholder base is diversified and trading volumes and liquidity are enhanced.

After expiry of the lock-up period, Aviva, the selling shareholder and its affiliates may conduct a Transfer of their ordinary shares by means of:

- trading in a regulated market up to 5% of the shares in Delta Lloyd Group (excluding the protective preference shares) that are sold and transferred over a two-month period (Article 10.4 of the Strategic Investment Agreement);
- a fully-marketed offering, provided that this takes place only once every six months (Articles 10.5-10.8 of the Strategic Investment Agreement);
- a bought deal involving up to 10% of the shares in Delta Lloyd Group (excluding the protective preference shares) (Article 10.9 of the Strategic Investment Agreement); and
- an accelerated bookbuild offering of up to 15% of the shares in Delta Lloyd Group (excluding the protective preference shares) (Article 10.10 of the Strategic Investment Agreement).

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

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

### **Tag Along Right**

If Delta Lloyd Group effects a primary offering of its ordinary shares, Aviva has tag-along rights for an amount equivalent to 25% of the amount raised, or 10% of the total issued and outstanding ordinary shares, whichever is less. The tag-along right is the right for Aviva to offer an amount of ordinary shares held by it, proportionate to the relevant percentage alongside a primary offering effected by Delta Lloyd Group.

### **Restriction on public bid**

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

### **Termination**

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

## **2.6 Fonds NutsOhra**

Fonds NutsOhra's objects and purposes are, *inter alia*, to initiate, manage or support projects relating to healthcare. Fonds NutsOhra has a board of directors and a supervisory board. In 2009, the members of the board of directors comprised Mr P. de Bot (chairman), Ms A. Brouwer, Mr A. Burger and Ms M. Janssen. The members of the supervisory board were Ms L. Schmitz (chairman), Ms T. van der Maat, Mr N. Mogendorff, Mr H. Nijhuis and Ms E. Vreede-Chabot.

On 22 December 1999, Fonds NutsOhra and Delta Lloyd Group entered into a subordinated loan agreement for an amount of approximately € 489 million in connection with the merger between Delta Lloyd Group and Nuts Ohra Beheer B.V. In the context of the merger, 9,312,360 preference shares A were issued to Fonds NutsOhra. This subordinated loan agreement contained certain terms and conditions with regard to these preference shares A, including Fonds NutsOhra's right to convert part of these preference shares A 1:1 into newly issued ordinary shares against payment of the conversion price detailed below, which payment obligation would be set off against the amount lent under the subordinated loan.

In the context of the initial public offering, and deviating from the terms and conditions of the subordinated loan agreement, Delta Lloyd Group agreed to repurchase a number of preference shares

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## Governance

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A from Fonds NutsOhra prior to 3 November 2009. The purchase price for these preference shares A remained due and was added to the principal amount of the subordinated loan, which is now approximately € 496 million.

Fonds NutsOhra agreed with Delta Lloyd Group certain restrictions on the right to convert its preference shares A (13,021,495). The first three years following 3 November 2009, Fonds NutsOhra will not convert its preference shares A. After these three years, Fonds NutsOhra will be entitled each year to convert up to 6,510,748 preference shares A (50% of its current preference shares A) 1:1 into newly issued ordinary shares against payment of the conversion price detailed below. Fonds NutsOhra must observe an interval period of six months between the conversion of the first 50% of the preference shares A and any subsequent (partial) conversion. Any part of the 50% of the preference shares A which is not converted in any particular year may not be converted in a subsequent year if 50% of the preference shares A have already been converted in such subsequent year.

Fonds NutsOhra will, however, be entitled to fully convert its preference shares A into newly issued ordinary shares at all times (i.e. also in the first three years following 3 November 2009) if any of the following triggering events occur:

- a public bid for Delta Lloyd Group;
- a legal merger (*juridische fusie*) or legal demerger (*juridische splitsing*) involving Delta Lloyd Group;
- the sale by Delta Lloyd Group of the majority of its assets; or
- a resolution by the Executive Board on a significant change to Delta Lloyd Group, such that approval of the General Meeting is required pursuant to article 2:107a of the Dutch Civil Code.

The conversion price for the preference shares A amounts to € 38.334 per ordinary share received upon conversion less € 0.20 (the nominal value of the preference share A).

Fonds NutsOhra will be compensated for the dilutive effect of certain Delta Lloyd Group actions through an adjustment of the conversion price. The conversion price will be adjusted if (i) Delta Lloyd Group were to issue ordinary shares below the listed share price or equity-linked instruments below the market value of such instruments, (ii) Delta Lloyd Group makes a distribution out of its reserves to holders of ordinary shares, (iii) the ordinary shares are split, (iv) Delta Lloyd Group sells all or substantially all of its assets and pays out the proceeds by way of dividend, or (v) Delta Lloyd Group pays a 'super dividend' before 31 December 2013. A 'super dividend' is defined as a cash or share dividend above the thresholds set out in the table below.

Year of resolution to pay out dividend	Year of dividend payment	Dividend threshold (in euros)
2009	2010	165,000,000
2010	2011	190,000,000
2011	2012	220,000,000
2012	2013	250,000,000

If the conversion price is adjusted downwards, Fonds NutsOhra will receive more newly issued

ordinary shares to achieve full set-off against the subordinated loan.

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

## 2.7 Protective measures

Foundation Continuïteit Delta Lloyd was incorporated on 19 October 2009. One key objective is to protect Delta Lloyd Group from influences that could jeopardise the continuity, independence or identity of the Group. In this context Foundation Continuïteit Delta Lloyd acquires protective preference shares in the capital of Delta Lloyd Group.

Delta Lloyd Group has granted a call option to Foundation Continuïteit Delta Lloyd. 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 that is equal to 100% of Delta Lloyd Group's total issued and outstanding share capital, minus one share, which will entitle it to 49.9% of the voting rights after the issuance of such shares.

The Foundation can exercise this call option in order to:

- prevent, slow down or complicate an unwanted takeover bid and an unwanted acquisition of shares through stock market transactions or otherwise;
- prevent concentration of the voting rights in the General Meeting of Shareholders;
- resist unwanted influence on and pressure to amend the strategy of Delta Lloyd Group by the shareholders; and
- with respect to the foregoing, give Delta Lloyd Group the opportunity to consider and explore possible alternatives and, if required, to work these out in the event that an actual or threatened concentration of control arises among the shareholder base of Delta Lloyd Group. Such actual or threatened concentration would be considered unwanted and not in the interest of Delta Lloyd Group and its affiliated enterprise, according to the (provisional) judgement of the Executive Board or the Supervisory Board and the Board of Foundation Continuïteit Delta Lloyd, and to enable Delta Lloyd Group to (temporarily) neutralise such concentration of control.

Within 20 months following the issuance of protective preference shares to Foundation Continuïteit Delta Lloyd, a General Meeting of Shareholders shall be held to decide on the proposal to repurchase or withdraw the outstanding protective preference shares. Any repurchase or withdrawal of protective preference shares shall be without prejudice to the Foundation's right to subscribe for protective preference shares again up to the maximum as referred to above, following the repurchase or withdrawal.

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## Governance

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### **Board of Foundation Continuïteit Delta Lloyd**

The Board of Foundation Continuïteit Delta Lloyd is currently composed of the following members:

H. Th. (Dick) Bouma (1944), chairman

A. (Aart) van Bochove (1939), vice-chairman

R.A. (Rob) Ruijter RA (1951)

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

## **2.8 The Executive Board**

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

The Executive Board is responsible for formulating the Group's strategy and policies such as the setting and achievement of Delta Lloyd Group's objectives, capitalisation and capital allocation, potential mergers and acquisitions, and strategic alliances. The Executive Board is ultimately responsible for the Group's strategy and long-term planning in particular, as well as its internal control systems.

The members of the Executive Board are appointed by the Supervisory Board. Prior to appointing a member of the Executive Board, the Supervisory Board must inform the General Meeting of Shareholders and the Central Works Council of the proposed appointment.

### **Decision-making**

Certain resolutions of the Executive Board identified in the Articles of Association require the approval of the Supervisory Board. Furthermore, the Executive Board requires the approval of the General Meeting for resolutions regarding a significant change in the identity or nature of Delta Lloyd Group. Any such resolution may only be adopted by the General Meeting by a qualified majority. Certain resolutions can only be made at the proposal of the Executive Board.

The Executive Board has adopted by-laws governing its internal organisation. The by-laws are posted on [www.deltalloydgroep.com](http://www.deltalloydgroep.com).

Delta Lloyd Group is not aware of any potential conflicts between any duties of the Executive Board members and their private interests and/or other activities.

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## Governance

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### **Composition of the Executive Board**

N.W. (Niek) Hoek, chairman  
P.J.W.G. (Peter) Kok  
P.K. (Paul) Medendorp  
H.H. (Henk) Raué

### **Curricula vitae of the Executive Board members**

#### ***N.W. (Niek) Hoek***

##### **Current position**

Chairman of the Executive Board of Delta Lloyd NV

##### **Supervisory Board memberships**

NIBC NV  
Opvangregeling Leven I NV  
Stadsherstel Amsterdam NV, vice-chairman

##### **Other positions**

Member of the Executive Board of the Dutch Association of Insurers  
Member of the Advisory Council of RSM Erasmus University Rotterdam  
Vice-chairman of the Executive Committee of Stichting Klachteninstituut Financiële Dienstverlening  
Chairman of the Board of Overseers of the Zuiderzeemuseum  
Vice-chairman of the Board of Overseers of Stichting Nederlands Philharmonisch Orkest

##### **Year of appointment**

1997 Executive Board member, 2001 Chairman

##### **Year of birth**

1956

##### **Nationality**

Dutch

#### ***P.J.W.G. (Peter) Kok***

##### **Current position**

Member of the Executive Board and CFO of Delta Lloyd NV

##### **Supervisory Board memberships**

Delta Lloyd Beleggingsfondsen, chairman  
OHRA Beleggingsfondsen, chairman  
Triodos Beleggingsfondsen

##### **Other positions**

Board member of the Dutch Fund Association  
Board member of the Dutch Securities Institute  
Chairman of the Investment Policy Committee of the Dutch Association of Insurers  
Member of the Financial & Economic Affairs Committee of the Dutch Association of Insurers  
Member of the Insurance Statistics Committee of the Dutch Association of Insurers

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## Governance

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### **Year of appointment**

2001

### **Year of birth**

1954

### **Nationality**

Dutch

### ***P.K. (Paul) Medendorp***

#### **Current position**

Member of the Executive Board of Delta Lloyd NV

#### **Supervisory Board membership**

Andus Groep BV

#### **Other positions**

Member of the Advisory Council of Business School Netherlands

Member of the Advisory Council of SEO Economisch Onderzoek

Board member of Amsterdam Partners

### **Year of appointment**

2003

### **Year of birth**

1954

### **Nationality**

Dutch

### ***H.H. (Henk) Raué***

#### **Current position**

Member of the Executive Board of Delta Lloyd NV

#### **Supervisory Board membership**

NewPEL GROUP

#### **Other position**

Chairman of the Delta Lloyd Pension Fund

### **Year of appointment**

2007

### **Year of birth**

1951

### **Nationality**

Dutch

## 2.9 Delta Lloyd Group in control statement for 2009

### **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 2009 give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and its consolidated enterprises;
- the financial statements give a true and fair view of the position of the company and its group companies as at 31 December 2009 and their development during the year ended 31 December 2009, as included in the financial statements, as well as a description of the key risks to which the company is exposed.

### **In control statement**

The Executive Board is responsible for designing and maintaining an adequate system for internal control of financial reporting. Financial reporting is the product of a structured process carried out by the various divisions under the direction and supervision of the financial management of Delta Lloyd Group. Changes in the reporting rules are monitored and discussed in good time with the external auditor.

In 2009, Delta Lloyd Group continued the project aimed at enabling Aviva to satisfy the Sarbanes Oxley (SOx) legislation in connection with Aviva's listing on the New York Stock Exchange in October 2009. In this context, Aviva will issue its first SOx section 404 statement for the situation as at 31 December 2010.

In 2009, the business units evaluated the design and effectiveness of the relevant risk management and control systems and classified the outcomes by priority. The outcomes were reviewed at group level.

With reference to best practice provision II.1.5 of the Dutch corporate governance code on financial reporting risks, the Executive Board believes, to the best of its knowledge, that the internal risk management and control systems provide reasonable assurance that the financial reporting does not contain any errors of material importance and that the risk management and control systems worked properly during the reporting year.

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

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Signature

Executive Board chairman

N.W. Hoek



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## Governance

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Date

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Signature

Executive Board member

P.J.W.G. Kok

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Date

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Signature

Executive Board member

P.K. Medendorp

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Date

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Signature

Executive Board member

H.H. Raué

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Date

## 2.10 Management and Corporate staff

### **Management of Delta Lloyd Insurance**

O.W. (Onno) Verstegen, chairman

#### ***Delta Lloyd Life***

E.A.A. (Emiel) Roozen, chairman

H. (Henk) Otten

R. (Rob) van Mazijk

#### ***Delta Lloyd General***

H.H. (Herman Hein) Roozen, chairman

L. (Leo) van Herk

A.H.A.M. (Adèle) Jeuken

#### ***Income & Absenteeism***

N. (Nathalie) de Geus

#### ***Marketing & Sales***

H. (Harry) van der Zwan

#### ***Finance, Planning & Control***

A.J. (Aartjan) Paauw, CFO

#### ***Facility Management Services***

R.J. (Rob) Volman

#### **Management of OHRA**

R. (Robert) Otto, chairman

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## Governance

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### ***OHRA Insurance***

J.W. (Hanneke) Jukema

G.J. (Gerard) van Rooijen

M.C.M. (Marcel) Viester, Finance & Control

### ***National Savings Fund***

P.L.M. (Paul) van Weerdenburg

### ***Personal General Insurance***

A.R. (René) Kruijs

### **Management of ABN AMRO Insurance**

I.M.A. (Ingrid) de Graaf, CEO

K.J. (Klaas Johan) Roffel, CFO

P.I. (Philip) Venema

### **Management of Delta Lloyd Asset Management**

J.P. (Jaco) Aardoom, chairman

P.A. (Peter) Knoeff, CFO

A.H. (Alex) Otto

### ***Property***

E.A. (Egbert) Dijkstra

### ***Cyrte Investments***

F. (Frank) Botman

M. (Meinte) Dijkstra

### **Management of Delta Lloyd Bank**

J.L. (Joost) Melis, chairman

G.T. (Gilbert) Pluym, CFO

P.A.J.M. (Piet) Verbrugge

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## Governance

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### ***Delta Lloyd Bank Netherlands***

J.L. (Joost) Melis, chairman

E. (Erica) Blom-Groenink

H.R. (Hans) Cohen

G.T. (Gilbert) Pluym

### ***Delta Lloyd Bank Belgium***

P.A.J.M. (Piet) Verbrugge, chairman

F. (Filip) de Campenaere, CFO

G.K.H. (Geert) Ceuppens

A.J. (Aymon) Detroch

### **Management of Delta Lloyd Life (Belgium)**

F. (Frank) Blankers, chairman of Executive Committee

J. (Jan) van Autreve

P. (Peter) Brewee

H. (Hugo) De Cupere

B. (Bruno) Moors, CFO

### **Management of Delta Lloyd Germany**

C.W. (Christof) Göldi, CEO

W. (Wolfgang) Fuchs

A.M.P.J. (Martin) Heuvelmans, CFO

### **Corporate Staff**

T.A.P.M. (Theo) Berg, Group Actuarial & Risk Management

D.S. (David) Brilleslijper, Corporate Communications & Investor Relations

J.H.G. (Jan) Bruineman, Group Tax

E.W. (Liesbeth) Galesloot-Vaal, Group Legal

E. (Edwin) Grutterink, Group HRM

J.H. (Jos) Motzheim, Group Integrity

N. (Nita) Studen-Kiliaan, Corporate Development

M.A.C. (Marjo) Vissers, Group Business Change & Development

W.A. (Wim) Weima, Group Procurement

S. (Sven) Williamson, Group Finance & Control

B. (Boudewijn) van der Woerd, Group Audit

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## Governance

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### ***Executive Board secretary***

D.E. (Debbie) Bouguenon

### ***Corporate Relationships***

A.C. (Ad) Rijken

### ***Group IT***

L.M. (Leon) van Riet, Chief Information Officer

P.S. (Steven) Jonkman

R. (Richard) Sanders

## 2.11 Works Councils

Delta Lloyd Group has Works Councils at its three core locations (Amsterdam, Arnhem and Zwolle) and a Central Works Council. A temporary works council has been established at the Rotterdam office, which will cease to exist upon finalisation of the integration of Erasmus.

The composition of the Central Works Council is as follows:

C.M.J. (Kees) van Ophem, chairman

H. (Henk) Beerda, vice-chairman

R. (Robert) Heinsbroek

R.J. (Richarda) Hogeboom

R.M.J.F. (Ravi) Kuitens

P. (Peter) Losekoot

A. (Albert) Rozema

B.Y. (Bart) Sipma

B.E.J. (Bert) Schilperoord

M.A. (Marga) Spijker-Goederee

R.V. (Rachel) Struijk

R. (Roy) Suurbier

G.G.L. (Guus) Verheul

R.E. (Robert) Wonnink

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## Governance

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### **Central Works Council secretariat**

D.A.C.J. (Dominique) Fragu, secretary

R.C.G. (Ruud) de Groot, secretary

G. (Gerti) Moddermann-Koerts, secretariat

## 3 Report of the Executive Board

Delta Lloyd Group will remember 2009 as the year the company went public, at a time when the (financial) world was slowly starting to recover from the credit crisis. Delta Lloyd Group was also hit by the crisis, but managed to weather the storm entirely under its own steam and without any form of state aid or shareholder support thanks to its high-quality risk management and strong capital base. As a result, the Group earned a great deal of trust which, now more than ever, is the basis of commercial success, particularly in the financial services sector. That same trust was reflected in the success of the initial public offering and the fact that the share price held up well in the subsequent period.

The trust placed in Delta Lloyd Group also stems from the balanced attention the Group seeks to give all its stakeholders. The recent financial crisis has shown that the relentless pursuit of shareholder value to the exclusion of all other interests hit shareholders hardest. Delta Lloyd Group looks at the long-term corporate perspective and, for this reason, is keen to promote other aspects such as the engagement of its employees and the sustainability of its products.

Delta Lloyd Group virtually achieved its set operational and financial objectives.

### Business Management Objectives vs. Results

	Objective	Performance 2009
<b>Life Insurance</b>	<ul style="list-style-type: none"><li>• New business margin targets:<ul style="list-style-type: none"><li>- Individual Life: 2%</li><li>- Group Life: 1%</li></ul></li></ul>	-1.2%* 2.0%
<b>General Insurance</b>	<ul style="list-style-type: none"><li>• Combined ratio of 98% or better across the cycle</li></ul>	98.3%
<b>Efficiency</b>	<ul style="list-style-type: none"><li>• € 125 million cost savings target in 2009</li><li>• € 50 million cost savings target in 2010</li></ul>	2009: € 146 million delivered (€ 21 million above target)
<b>Shareholder Return</b>	<ul style="list-style-type: none"><li>• Operational RoE: mid point of 10% (range 8%-12%)</li><li>• Dividend pay out ratio of around 40%-45% of operational result after tax and minority</li></ul>	11.6% Proposed 41% pay-out ratio
<b>Capitalisation</b>	<ul style="list-style-type: none"><li>• Regulatory solvency at least 175% for main insurance divisions</li></ul>	201%

\* +0.8% excluding Germany

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## Report of the Executive Board

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### Development of results

The IFRS result after tax and non-controlling interests amounted to € -124 million. Shareholders' equity grew by € 738 million (including the conversion of two subordinated loans totalling € 231 million and the IFRS result of € -124 million). Due to the choices made under IFRS, the results are not all of them recognised in the income statement, whereas they are fully reflected in shareholders' equity. As a result, Delta Lloyd Group considers the operational result and the movement in shareholders' equity to be more relevant measures of its performance. This is also the reason underlying the decision to declare dividend on the basis of the operational result after tax and non-controlling interests. The operational result increased by 19% to € 366 million (2008: € 308 million).

### Operational result

In millions of euros	2009	2008
Life	344.1	264.1
General	152.3	178.0
Bank	22.4	-9.7
Fund Management	35.6	21.5
Other	-13.4	1.0
<b>Operational result before tax and non-controlling interests</b>	<b>541.0</b>	<b>454.7</b>
Tax expense	-125.1	-105.5
Non-controlling interests	-50.3	-41.2
<b>Operational result after tax and non-controlling interests</b>	<b>365.6</b>	<b>308.1</b>

Shareholders' equity was 23% higher (15% after conversion of the subordinated loans) to € 3.9 billion. Examination showed that part of the investment result related to the actuarial gains and losses on the Group's own pension contract had not been fully recognised in the years 2004 to 2006. The overall impact of the correction was an increase in equity of € 131.4 million, which has been recognised through opening equity. See Accounting policies for further details.

Delta Lloyd Group's regulatory solvency improved to 201% of the required capital (year-end 2008: 145%). IFRS solvency was 256% (year-end 2008 205%). Delta Lloyd Group further strengthened the BIS ratio of the banking operations to 12.3% (year-end 2008: 11.3%).



### **Liabilities valued at market interest rates**

Since 2005, Delta Lloyd Group has predominantly used market interest rates to measure its balance sheet. This ensures full transparency of both the Group's investments and its insurance liabilities. The yield curve that Delta Lloyd Group uses to measure its insurance liabilities is derived from AAA-rated collateralised eurozone bonds. In the opinion of Delta Lloyd Group, this curve reflects the nature of its liabilities and developments in the financial markets. Delta Lloyd Group adequately protects its customers and shareholders against economic risks. In 2009, the risk management measures functioned effectively. The risks of a strong depreciation in the value of equities and a sharp decrease in long-term interest rates are largely hedged, while maintaining maximum upward equity price potential.

### **Costs and efficiency**

Delta Lloyd Group had set itself the task of significantly reducing its costs. This is key to improving the Group's competitive position. And such improvement is absolutely essential given the changing market conditions, characterised by ever-greater transparency and ever-tighter margins. The targeted cost reduction of € 125 million was exceeded through a combination of initiatives, the most important of which were:

- vacancy freeze;
- strong reduction in the hiring of external staff and advisers;
- critical assessment of the necessity of projects;
- no performance-related remuneration for managers, directors and the Executive Board for 2008.

The aim for 2010 is to achieve further cost savings of € 50 million.

Alongside these measures with a direct impact, Delta Lloyd Group is also working hard on structural cost control. This chiefly concerns simplifying and optimising processes and organisational structures as well as accelerating the modernisation and standardisation of IT systems. With the creation of the new Group IT department, projects have also been brought under tight centralised financial control, permitting close monitoring of project costs and revenues.

## **3.1 The segments in outline**

From a commercial perspective, 2009 can be described as a satisfactory year considering the difficult market conditions. Gross written premiums were lower than in 2008 (€ 5.065 million versus € 5.911 million (this figure was adjusted compared to the previous report for the health operations sold with effect from 1 January 2009)), but Delta Lloyd Group's position in '*banksparen*' grew strongly. The Group also managed to boost its mortgage market share and origination volume, in both the Netherlands and Belgium. In its efforts to attract new assets for investment in 2009, Delta Lloyd Asset Management faced the effects of the credit crisis: investors remained cautious.

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## Report of the Executive Board

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### Segments total 2009

In millions of euros	Life	General	Bank	Fund Management	Other	Total
Gross written premiums	3,641.8	1,422.9	-	-	-	5,064.7
Operational result after tax and non-controlling interests	242.5	88.5	16.7	26.5	-8.6	365.6
Result after tax and non-controlling interests	-119.1	111.0	9.8	21.7	-147.0	-123.6

### Segments total 2008

In millions of euros	Life	General	Bank	Fund Management	Other	Total
Gross written premiums	4,533.1	1,377.9	-	-	0.2	5,911.2
Operational result after tax and non-controlling interests	187.2	112.3	-7.3	16.0	-0.1	308.1
Result after tax and non-controlling interests	25.4	13.4	-114.4	9.7	-94.9	-160.8

### Organisational changes

The direct division of Delta Lloyd Group was set up on a new footing in 2009. The central focus is now on the sale of simple and transparent products, mainly via the internet. In 2009, Erasmus Insurance was integrated into Delta Lloyd Insurance and the Personal General Insurance Business, in which the activities for most personal general insurance products were united in 2009. Meanwhile, the activities in the field of income and absenteeism insurance were combined into the Income & Absenteeism Business. Delta Lloyd Life Belgium made important steps towards its development into a second home market through the further integration of Swiss Life Belgium, combined with good results.

### Life Insurance

Gross written premiums decreased from € 4,533 million to € 3,642 million, mainly due to low market activity in the first half of 2009. Regulations limited the scope for underfunded Dutch pension funds to transfer their pension obligations to insurers. A slight market recovery was noted in the last six months of the year. Delta Lloyd Group continued to focus on profitable growth in new group pension contracts. This led to the conclusion of two large group contracts.

The negative life result after tax (€ -119.1 million) is principally attributable to impairments and losses on the derivatives portfolio used to hedge the equity risk. The segment's operational result after tax and non-controlling interests was higher at € 242.5 million (2008: € 187.2 million).

The new business margin was clearly above target for group contracts (2% instead of 1%), but undershot the target for individual contracts. An extra effort will be necessary to raise customer satisfaction in the Netherlands to a higher level, particularly in terms of quality of service. The first steps in this direction were taken in 2009.

### **General Insurance**

In 2009, the general insurance market was characterised by fierce price competition, switching customers and the emergence of cheap internet providers. Gross written premiums (€ 185 million) fell short of the 2008 result (€ 203 million), partly owing to switching customers (liability and home insurance). Contrary to the trend of falling car sales, motor insurance sales to personal customers were up on the 2008 level. Gross written premiums amounted to € 1,423 million (2008: € 1,378 million), an increase of 3%. The segment's operational result after tax and non-controlling interests fell to € 88 million (2008: € 112 million). The combined ratio for the segment as a whole was 98.3%, in line with the target of 98% across the cycle.

### **Bank**

Sales of bank annuities grew very strongly in the Netherlands while new bank mortgages also yielded excellent results. The mortgage origination market share almost doubled, jumping from 1.3% in 2008 to 2.5% in 2009. Mortgage origination in Belgium benefited from the fact that Delta Lloyd Bank Belgium continued to extend loans while several competitors withdrew from the market. Savings deposits surged from € 2.4 billion to € 5.7 billion as customers showed a distinct preference for saving over investing. The segment's operational result after tax and non-controlling interests of the banking operations amounted to € 16.7 million, after showing a result of € -7.3 million in 2008.

### **Fund Management**

The modest growth in assets under management in the first three quarters depressed fee income. Initially, the financial markets were expected to recover from the end of 2008, but the malaise continued until March 2009. It was only then that the financial markets resumed the upward trend. The second half of 2009 was clearly better than the first half. The Euro Credit Fund and the Delta Deelnemingenfonds proved popular among investors. The inflow of capital into Delta Lloyd retail investment funds through third-party distribution was € 320 million (2008: outflow of € 410 million). Delta Lloyd Group's largest funds outperformed the benchmark. The segment's operational result after tax and non-controlling interests was € 27 million (2008: € 16 million).

### **Other**

In the Other segment, Delta Lloyd Group reports the results of business operations that are not related to the specific segments. This comprises the Group's mortgage activities that do not fall within the Life Insurance or Bank segments (Amstelhuys), the label activities for Health, the run-off of the health operations, overhead costs (Group funding and Corporate Staff) and other non-core activities. The segment's operational result after tax and non-controlling interests was € -9 million (2008: nil).

*[1] The Dutch Bank Savings Act (Wet banksparen, 2008) allows banks to offer 'banksparen', including saving products that enjoy the same tax advantages as a life insurance policy. 'Banksparen' is used for pension accumulation, mortgage loan repayment and home mortgage savings accounts.*

### 3.1.1 Stock exchange listing

On 3 November 2009, Delta Lloyd Group was officially listed on NYSE Euronext Amsterdam. The initial public offering (IPO) was clearly the most important event for Delta Lloyd Group in 2009.

#### Rationale

The stock exchange listing underpins Delta Lloyd Group's growth strategy, enhances its strategic flexibility and reinforces its identity and brand. As a listed company Delta Lloyd Group has direct access to the capital market, giving it sufficient leeway to play a role in the anticipated market consolidation in the Netherlands and Belgium. The flotation will broaden its shareholder base and strengthen its ability to pursue its own strategy. The IPO roadmap is summarised below.

#### Milestones

- Early June: the Executive Board discusses the strategic alternatives with the Supervisory Board. It is decided to prepare a decision on the stock exchange introduction.
- 2 July: the Executive Board takes the formal decision to seek a stock exchange listing in 2009, provided market conditions are favourable. Preparations get under way, including the determination of the financial results for the first six months of the year.
- 6 August: during the presentation of the first-half figures it is announced that Delta Lloyd Group, together with Aviva, has started laying the groundwork to obtain an independent listing for Delta Lloyd Group on NYSE Euronext Amsterdam.
- 5 October: Delta Lloyd Group and Aviva confirm their intention to obtain the listing through an initial public offering ('IPO'). As part of the stock exchange introduction Aviva intends to sell a minority stake in Delta Lloyd Group.
- 19 October: announcement of the price range for the IPO offer price; prospectus is published. In total, 63.5 million shares are offered (excluding the over-allotment option).
- 19 October – 2 November: in an intensive two-week road show in six European countries and the US, more than one hundred presentations are given to prospective institutional investors.
- 3 November: Delta Lloyd Group and Aviva announce that the offer price has been set at € 16.00 per ordinary share. The IPO is comfortably oversubscribed at the offer price, notwithstanding the volatile market environment. After the stock exchange opens, the first quoted price is € 15.75. The stock exchange launch is successful and generates a lot of positive publicity.
- 24 November: the Joint Global Coordinators (Goldman Sachs International and Morgan Stanley) partially exercise their over-allotment option, thus increasing the free float of Delta Lloyd Group shares (68.05 million) from 38.3% to 41.1%.
- 31 December 2009: at € 16.93, the closing price in 2009 was 6% higher than the offer price on 3 November.

### Facts and figures

- The sale of 63.5 million ordinary shares yielded slightly over € 1 billion for the selling shareholder Aviva. Because the Joint Global Coordinators partially exercised their over-allotment option, the IPO yielded a total of € 1.09 billion for Aviva.
- About 10% of the offered shares were allotted to private investors in the Netherlands, the other shares went to Dutch and international institutional investors.
- The stock market launch of Delta Lloyd Group was the largest initial public offering in Western Europe in 2009, the third-largest worldwide and the biggest in the global financial services sector.
- Goldman Sachs International and Morgan Stanley were the joint global coordinators. Goldman Sachs International, Morgan Stanley, BofA Merrill Lynch, JP Morgan and RBS were joint book runners. ABN AMRO and Rabobank were co-lead managers.

### Donation to Stichting Ubuntu

To mark the occasion of its stock exchange launch, Delta Lloyd Group made a donation of € 60,000 to Stichting Ubuntu during the gong ceremony on 3 November. This donation will enable three primary schools in Amsterdam to take part in the 'Wat is Waarde' (what is value) project, which introduces the participating children to the world of their peers in Namibia. They also learn all about saving, spending, assessing risks and making choices. At the end of the week, the children collect money for their Namibian peers, inspired by the motto: 'A chance for me, a chance for you'.

The donation is a perfect reflection of Delta Lloyd Group Foundation's commitment to making people more financially aware and self-reliant.

## 3.2 Markets

In 2009, the financial markets climbed step by step from the depths of the credit crisis, though the recovery is fragile and the sector remains vulnerable.

Delta Lloyd Group stood out in the insurance market with the initial public offering in November 2009, underlining the Group's financial health and strong potential.

The securitisation that Delta Lloyd Group carried out at the end of 2009 provided further confirmation of the Group's strength of initiative and powerful position. Through the first successful mortgage securitisation in continental Europe since the autumn of 2007, Delta Lloyd Bank sold Dutch mortgages worth € 900 million to institutional investors, such as insurers and pension funds, mainly from the Netherlands, France, Spain and the United Kingdom. Securitisation is an important source of finance for banks and the global market for new securitisations had practically ground to a halt since the outbreak of the credit crisis.

### 3.2.1 Credit crisis

In the first months of 2009, various financial service providers reported heavy losses for 2008 and announced major reorganisations. In a number of cases the Dutch and Belgian governments were compelled to provide capital injections, while one Dutch bank actually went bankrupt. Particularly in the first quarter of 2009, the sector continued to make ample use of a € 200 billion guarantee fund that the Ministry of Finance had set up to get credit flows moving again among financial institutions. Delta Lloyd Group did not need to make use of this fund. Within the European Union, savings at banks are guaranteed under the deposit guarantee system. In the past two years, the corporate failures of Icesave and DSB Bank cost Delta Lloyd Bank € 5.4 million, including a provision of € 2.5 million for payments to DSB savers in 2009.

After hitting their lowest point in March, equity prices started to climb again. The AEX index, which had lost 52.3% in 2008, gained 36.35% in 2009, ending the year at 335.33 points. The Midkap index surged by no less than 63.6%. The enormous losses of 2008 were thus partly recouped.

The credit crisis severely dented confidence in the financial community. Delta Lloyd Group identified four causes for that mistrust:

- 1 the financial world has been too focused on the short term, to the detriment of stakeholder interests;
- 2 the lack of transparency in financial products;
- 3 the failure of financial institutions to maintain realistic debt/equity ratios;
- 4 inadequate risk management among financial service providers.

There is an essential difference between banks and (pension) insurers. Banks manage customer funds that are payable in the short term and therefore require high immediate liquidity. Life insurance companies are institutions that invest policyholders' money over very long periods of time. Financial solidity is therefore of great importance to these institutions. Risk management at Delta Lloyd Group is a collective responsibility of the full Executive Board.

#### **Where Delta Lloyd Group stands**

Delta Lloyd Group works with its customers' money, and is therefore duty-bound to carry out its operations with due prudence, care and consideration. In financial terms this is reflected by, for instance, a strong capital base, a realistic dividend policy and a transparent valuation of almost the entire balance sheet at fair value.

Delta Lloyd Group has come through the credit crisis entirely under its own steam, without any state aid or shareholder support. It owes this largely to its high-quality and rigorous risk management and strong capital base. The Group boasts many years of experience in conducting advanced (financial) risk management, based on a consistent strategy to keep risks for all stakeholders within manageable bounds. At the end of 2009, external recognition for this outstanding track record came from Nyenrode Business University which, together with the accountancy organisation NIVRA and the

University of Groningen, carried out a study into risk management at 900 organisations with turnover exceeding € 10 million. Delta Lloyd Group emerged from the study as 'best practice' in risk management.

Delta Lloyd Group acted early to contain the impacts of the credit crisis. Downward equity risks were largely hedged thanks to the careful derivatives policy Delta Lloyd Group has pursued since the late nineties. The Group mainly employs derivatives as a defensive instrument to hedge risks and not to generate higher returns. In addition, protective measures were taken to mitigate the interest rate risk.

### 3.2.2 The Netherlands: restoration of trust

Delta Lloyd Group believes that the financial service providers themselves must take the lead in restoring the damaged trust. The sector should focus on long-term trust and continuity rather than short-term profit. The reinstatement of the Rhineland stakeholder model, as excellently enshrined in the statutory two-tier regime, can provide a good basis for this.

#### **'Verzekeraars Vernieuwen'**

In a bid to restore confidence, the insurance sector has launched a fundamental industry-wide change process entitled 'Verzekeraars Vernieuwen' (*Insurers Innovate*). The aim is to put insurers in place who deserve to be trusted, with products that offer security, in a sector that creates opportunities for people, business and wider society to grow and progress. Various initiatives have been developed to ensure customers receive the security they expect. Amongst other things, a special quality label will be introduced for customer-focused insurance products, while the Association of Insurers will promote sustainable distribution and increased cost transparency.

#### **Unit-linked insurance**

In September 2008, Delta Lloyd Group became the first insurer to reach an agreement on compensation for customers with individual unit-linked policies. The initiative broke the deadlock in the negotiations between activist consumer groups, the Ombudsman and the insurers. The agreement set the tone for other insurers seeking a settlement with their customers. In 2009, Delta Lloyd Group forged ahead with the implementation of the agreement. Policyholders with an active unit-linked insurance were informed of the level of compensation, if any. The same applied to some of the policyholders whose unit-linked insurance had already expired; the other policyholders will follow in early 2010.

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## Report of the Executive Board

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### **Bonuses and commissions to financial advisers**

Following implementation of the Decree on Conduct of Business Supervision of Financial Undertakings (*Besluit gedragstoezicht financiële ondernemingen / BGFO*) on 1 January 2009, the financial product sales commissions continue to attract considerable attention. The BGFO's most important consequence is the ban on bonuses for selling financial products. One of the aims of the new rules is to end 'perverse incentives' which may tempt the intermediary to put his financial interests before the customer's interests when selling policies.

In addition, recurring and up-front commissions must be properly balanced, the advisory fees may not be higher than necessary, and advisers must inform clients of the level of remuneration they receive. Delta Lloyd Group concurs with the Association of Insurers that a system based on Customer Agreed Remuneration (CAR) for all products is the most sustainable and transparent form of reward. Commissions remain a legitimate method of remuneration, but only if they are fully transparent and are charged with the customer's consent.

The changes are likely to put pressure on the income of advisers. In light of this pressure, combined with the effects of the economic crisis, the IG&H consultancy expects a reduction of between 2,700 and 3,000 in the number of intermediaries in the coming period. IG&H predicts that the life and mortgage segments will be particularly hard hit. The large professional insurance agencies in particular are increasingly switching over to an hourly fee instead of commission-based income, thus ensuring that the customer pays a clear price for their services and advice. This creates a direct and recognisable relationship between the costs and the services rendered.

Delta Lloyd Insurance adjusted its revenue model for intermediaries. The abolition of the bonus commission led to lower prices for many individual products. After the abolition, the 'Eerstejaarsbudget' (*First-Year Budget*) was launched for the group pensions market. The employer can apply this budget to a discount on the pension plan costs (in the form of lower pension contributions, for example) or to the payment of a pension professional for the extra advisory work to be performed when arranging pension insurance.

### **Product portfolio review**

In line with the conclusions of the report issued by Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten / AFM*), Delta Lloyd Group has been working since as early as 2006 to review the transparency and cost structure of its own products. This is being done based on internal criteria as well as the recommendations of the Pensions Ombudsman.

Policies whose costs exceed the agreed standard can no longer be sold. Products that failed to meet Delta Lloyd Group's internal requirements for transparency and costs were withdrawn from the market. In other cases, product costs were lowered to the market-consistent standard.



### **3.2.3 Market developments in Belgium**

In Belgium, as elsewhere, the government had to step in and rescue the large Belgian financial services providers in 2008 and 2009, triggering dramatic changes in the banking and insurance landscape. Belgium opted for a model casting the Nationale Bank in the dual role of central bank and prudential supervisor. The Banking, Finance and Insurance Commission (*Commissie voor het Bank-, Financie- en Assurantiewezen / CBFA*) is to be substantially strengthened, notably in order to provide consumers with better protection in the financial sector. The related draft legislation will be submitted to parliament in the near future.

Another drastic measure concerns the new guarantee system for savers, which is being largely organised by the government. From 1 January 2011, the Special Protection Fund for Deposits (*Bijzonder Beschermingsfonds voor Deposito's*) will protect deposits and class 21 insurance contracts (fixed-interest life insurance) up to € 100,000. To finance this fund, Belgium-based financial institutions will be requested to make a contribution rising from € 220 million in 2010 to € 670 million in 2011. Delta Lloyd Group takes the view that financial institutions that did not need state aid (such as Delta Lloyd Group) should not foot the bill twice.

#### **Insurance sector**

New legislation is being prepared in Belgium to strengthen the position of insurance customers. The main improvements concern the obligation to provide good information and the customer's rights if this information obligation is not fulfilled. A reform of the Insurance Ombudsman Bureau will provide for consumer representation.

The Minister of Finance has requested that the Insurance Committee come up with proposals for debt clearance insurance. Mortgage customers are traditionally required to take out this type of insurance in Belgium.

The insurance market is contracting due to the crisis and declining trust. A protracted period of growth has come to an end and the distribution of premium income in that shrinking market is shifting. As a result, the intermediaries – brokers and agents – have recaptured the absolute majority of total income realised in the domestic market. This is evident from the overview of 2008 published by industry organisation Assuralia in 2009. One factor that enabled intermediaries to regain the leading position was the strong decline in the market share of bank insurance due to significantly lower demand for individual life insurance in the second half of that crisis year.

Studies show that the crisis has undermined the confidence of consumers. In Belgium more than 30% of insurance customers are considering switching to a different provider, or have already done so. The consumer's first concern is not how the product works, but whether he can trust it.

### **Record savings**

According to figures from Belgium's central bank (Nationale Bank), Belgium currently has the highest savings ratio (20%) since 1995. A survey of *De Tijd* magazine confirms that savings records are being broken, with the current level already reported to be € 188 billion. Consumers are opting for savings or investments with a guaranteed basic return. Many investment products have been hard hit by this trend.

The demand for new group pensions is being severely dented by the low job creation rate. Competition in group insurance products is intensifying and intermediaries are facing higher requirements. This translates into an increase in mergers between intermediaries and a decrease in new entrants into the sector.

### **3.2.4 Post-balance sheet events: the future of Delta Lloyd Germany**

As outlined in the prospectus for the initial public offering, Delta Lloyd Group has decided that the German life insurance operations no longer form part of its core business. On 4 March 2010, Delta Lloyd Germany will announce the intention to discontinue the writing of new business.

The German market was, and remains, large and has great potential. However, the main impediment to progress relates to the structure of the German life insurance market. These place the risk of low investment returns virtually entirely with the insurer, while the benefit of higher investment returns accrues almost entirely to the policyholders. The general expectation was, and is, that the structure will eventually be changed. However, in view of the results, the outlook and the modest market position, Delta Lloyd Group has decided now to take action.

## **3.3 Key figures**

## Report of the Executive Board

### Performance indicators

In millions of euros	2009	2008	Difference
Gross premium income	5,064.7	5,911.2	-14,3%
Operational expenses	975.8	1,122.1	-13,0%
Result after tax and non-controlling interests	-123.6	-160.8	23,2%
Operational result after tax and non-controlling interests	365.6	308.1	18,6%
New business margin Life (excluding Germany)	1,6%	-0,4%	2.0 pp
Combined operating ratio	98,3%	96,5%	1.8 pp
Market Consistent Embedded Value (MCEV)	4,224.3	3,445.4	22,6%
Capital and reserves	3,887.6	3,149.7	23,4%
Present Value of New Business Premiums (PVNBP)	4,050.0	5,120.9	-20,9%
New business General insurance	184.6	203.4	-9,3%
Operating return on equity	11,6%	6,2%	5.4 pp
IFRS Solvency	256%	205%	51 pp
Regulatory solvency (IGD)	201%	145%	56 pp

### Income and result in the financial year

In millions of euros	Life	General	Bank	Fund Management	Other	Total 2009
<b>Income</b>						
Gross written premiums	3,641.8	1,422.9	-	-	-	5,064.7
<b>Net premiums earned</b>	<b>3,591.5</b>	<b>1,321.4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,912.9</b>
Interest income	1,084.5	79.9	403.9	0.2	245.5	1,814.0
Fee and commission income	-10.7	18.9	57.6	110.2	15.6	191.6
Total investment and other income (excl. interest income)	1,089.6	47.5	13.2	-0.1	45.0	1,195.2
<b>Total income</b>	<b>5,754.9</b>	<b>1,467.6</b>	<b>474.7</b>	<b>110.4</b>	<b>306.1</b>	<b>8,113.6</b>
Result after tax and non-controlling interests	-119.1	111.0	9.8	21.7	-147.0	-123.6
Operational result after tax and non-controlling interests	242.5	88.5	16.7	26.5	-8.6	365.6

### Income and result in the prior financial year

In millions of euros	Life	General	Bank	Fund Management	Other	Total 2008
<b>Income</b>						
Gross written premiums	4,533.1	1,377.9	-	-	0.2	5,911.2
<b>Net premiums earned</b>	<b>4,506.5</b>	<b>1,260.0</b>	<b>-</b>	<b>-</b>	<b>0.2</b>	<b>5,766.7</b>
Interest income	1,062.6	77.0	437.8	-2.5	293.9	1,868.8
Fee and commission income	168.5	19.6	61.9	107.8	8.4	366.2
Total investment and other income (excl. interest income)	-749.8	-91.9	-127.8	0.2	95.3	-866.1
<b>Total income</b>	<b>4,987.8</b>	<b>1,264.8</b>	<b>371.9</b>	<b>105.5</b>	<b>405.7</b>	<b>7,135.6</b>
Result after tax and non-controlling interests	25.4	13.4	-114.4	9.7	-94.9	-160.8
Operational result after tax and non-controlling interests	187.2	112.3	-7.3	16.0	-0.1	308.1

## Report of the Executive Board

### Ten year summary

In millions of euros	2009 IFRS	2008 IFRS	2007 IFRS	2006 IFRS	2005 IFRS	2004 IFRS	2004 Dutch GAAP	2003 Dutch GAAP	2002 Dutch GAAP	2001 Dutch GAAP	2000 Dutch GAAP
<b>Income</b>											
Gross premium income, Life	3,642	4,533	4,054	3,146	3,772	3,437	3,648	3,153	2,744	2,686	2,283
Gross premium income, General	1,423	1,378	1,251	1,167	1,164	1,133	1,133	978	810	752	774
Gross premium income, Health	-	1,563	1,357	1,503	781	834	834	851	787	708	685
Total premium income	5,065	7,474	6,661	5,815	5,717	5,405	5,615	4,982	4,341	4,146	3,742
Net investment income	3,198	481	1,905	2,131	3,348	2,407	2,255	2,210	1,021	1,400	1,796
Other operations	-61	833	444	436	417	364	165	177	124	76	130
<b>Total</b>	<b>8,202</b>	<b>8,788</b>	<b>9,010</b>	<b>8,381</b>	<b>9,481</b>	<b>8,176</b>	<b>8,035</b>	<b>7,369</b>	<b>5,486</b>	<b>5,622</b>	<b>5,668</b>
<b>Result before tax and exceptional income and expenses</b>											
Life	-133	150	631	795	236	286	249	238	152	291	313
General	137	25	247	189	228	141	135	92	13	19	-9
Health	-	-11	-31	-2	31	17	16	5	12	23	12
Bank	7	-163	7	26	35	13					
Fund Management	29	13	34	54	46	34					
Other	-163	-190	-80	-151	-25	-52	-15	-44	-21	31	12
<b>Total</b>	<b>-123</b>	<b>-177</b>	<b>809</b>	<b>912</b>	<b>552</b>	<b>439</b>	<b>385</b>	<b>291</b>	<b>156</b>	<b>364</b>	<b>328</b>
Extraordinary result	-	-	-	-	-	-	-	-28	-	-	-
Result before tax	-123	-177	809	912	552	439	385	263	156	364	328
Current tax	43	24	-22	-152	120	-98	-98	-27	-20	-68	-65
<b>Result after tax</b>	<b>-80</b>	<b>-153</b>	<b>787</b>	<b>759</b>	<b>432</b>	<b>340</b>	<b>287</b>	<b>236</b>	<b>136</b>	<b>296</b>	<b>263</b>
<b>Attributable to:</b>											
Delta Lloyd NV shareholders	-124	-161	745	725	409	327	278	227	136	296	263
Non-controlling interests	43	8	42	34	23	13	9	9	-	-	-
<b>Net result</b>	<b>-80</b>	<b>-153</b>	<b>787</b>	<b>759</b>	<b>432</b>	<b>340</b>	<b>287</b>	<b>236</b>	<b>136</b>	<b>296</b>	<b>263</b>
<b>Total capital and reserves attributable to parent</b>	<b>3,888</b>	<b>3,150</b>	<b>4,967</b>	<b>4,523</b>	<b>3,774</b>	<b>2,796</b>	<b>2,649</b>	<b>2,244</b>	<b>1,713</b>	<b>2,354</b>	<b>2,878</b>
<b>Total assets</b>	<b>65,955</b>	<b>63,244</b>	<b>62,370</b>	<b>59,598</b>	<b>57,084</b>	<b>49,275</b>	<b>40,730</b>	<b>38,077</b>	<b>32,781</b>	<b>34,239</b>	<b>30,992</b>
Amounts in Euro											
Dividend (ordinary shares)	0.50	-	67.68	51.77	31.73	24.01	24.01	-	-	23.71	27.04
Dividend (preference B shares)	-	-	18.02	18.02	18.02	18.02	18.02	-	-	20.79	20.79
Dividend (preference A shares)	0.01	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.23	0.23	0.23
<b>Permanent staff at year-end in FTEs</b>	<b>6,297</b>	<b>6,674</b>	<b>6,407</b>	<b>6,446</b>	<b>6,184</b>	<b>6,459</b>	<b>6,459</b>	<b>6,514</b>	<b>6,464</b>	<b>6,506</b>	<b>5,639</b>

With effect from the IPO the shares have been restructured as follows. The ordinary shares and the preference shares A both have a nominal value of € 0.20. The preference shares B were redeemed. Before the IPO the nominal values were € 1.00 per ordinary share, € 50.00 per preference share B and € 1.00 per preference share A. Before 2008 the nominal value of ordinary shares and preference share A was € 9.08. The nominal value preference shares B before 2008 was € 453.78.

## **3.4 Strategy**

Delta Lloyd Group's goal is to be recognised as the most reliable and highly regarded insurer and financial services provider in its targeted markets, offering customers security through risk insurance, income protection and wealth creation. In the medium term, the Group aims to become one of the three largest players in the Dutch life and general insurance markets and one of the top five in the Belgian insurance market.

Delta Lloyd Group is committed to:

- creating sustainable value for shareholders through a long-term focus;
- growth through a strong customer focus;
- operational profitability through cost discipline;
- strict capital and risk management;
- leading market positions, well-positioned for consolidation.

The Group's strategy has been developed using 'scenario-based' planning exercises, in which the Group tests its segments (Life Insurance, General Insurance, Bank, Fund Management and Other) against extreme scenarios at five-year intervals. The Group believes its strategy will be successful in enhancing shareholder value and enabling the Group to deliver long-term benefits to all of its stakeholders: customers, shareholders, distribution partners, employees, suppliers and the community at large.

Delta Lloyd Group prides itself on its responsible corporate behaviour. It believes that this enhances the Group's reputation, promotes the trust of customers and ultimately translates into increased business and profitability. The Group's commitment to corporate social responsibility is evident in, among other things, the leading role that Delta Lloyd Group played in the unit-linked insurance affair. In addition, Delta Lloyd Group – which was the first asset manager in the Netherlands to offer sustainable investment back in 1988 – complies with the United Nations Global Compact guidelines. In 2009, the Delta Lloyd Group Foundation undertook a great many projects centring on the theme of financial self-reliance.

### 3.4.1 Operational and financial objectives

The table summarising Delta Lloyd Group's objectives has changed compared to 2008. In light of the stock exchange listing, new operational and financial objectives have been set, and the operational focus of the Life Insurance, General Insurance, Bank, Fund Management and Other segments has been sharpened on the Dutch and Belgian markets. The survey for 2009 is limited to the business management objectives, as defined at the time of the initial public offering.

Business Management Objectives vs. Results		
	Objective	Performance 2009
<b>Life Insurance</b>	<ul style="list-style-type: none"><li>• New business margin targets:<ul style="list-style-type: none"><li>- Individual Life: 2%</li><li>- Group Life: 1%</li></ul></li></ul>	-1.2%* 2.0%
<b>General Insurance</b>	<ul style="list-style-type: none"><li>• Combined ratio of 98% or better across the cycle</li></ul>	98.3%
<b>Efficiency</b>	<ul style="list-style-type: none"><li>• € 125 million cost savings target in 2009</li><li>• € 50 million cost savings target in 2010</li></ul>	2009: € 146 million delivered (€ 21 million above target)
<b>Shareholder Return</b>	<ul style="list-style-type: none"><li>• Operational RoE: mid point of 10% (range 8%-12%)</li><li>• Dividend pay out ratio of around 40%-45% of operational result after tax and minority</li></ul>	11.6% Proposed 41% pay-out ratio
<b>Capitalisation</b>	<ul style="list-style-type: none"><li>• Regulatory solvency at least 175% for main insurance divisions</li></ul>	201%
* +0.8% excluding Germany		

### 3.4.2 'The Future Secured' strategy

The Group's overall strategy is built around 'The Future Secured' strategy. This strategy is proving its value with undiminished vigour and was largely instrumental in bringing the Group to where it is today: a solid and successful financial services provider, which enjoys considerable trust among stakeholders and has a proven track record on corporate social responsibility and transparency in products, reporting, remuneration and governance.

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## Report of the Executive Board

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### Core values

The seven core values of Delta Lloyd Group continued to serve as a guide for all its activities in 2009. The values give direction to the company's policy and determine its corporate culture and identity. They clearly communicate what the Group stands for and serve as the touchstone for all its actions. The core values are supported by all employees and are now firmly embedded within the organisation. The seven core values of Delta Lloyd Group are:

- integrity
- customer focus
- responsibility and commitment
- team spirit
- open communication
- flexibility
- entrepreneurship

More information about the core values can be found in the Corporate Social Responsibility Report.

### 3.4.3 Strategic objectives

Building on its strategic pillars, Delta Lloyd Group has formulated the following strategic objectives.

#### ***1. Leveraging Delta Lloyd Group's strong reputation to develop long-term relationships with customers, as their insurance and financial services needs evolve***

The Group intends to capitalise on its strong brand awareness and reputation, by developing long-term customer relationships. Delta Lloyd is one of the best-known insurance brands in the Netherlands and customers associate the brand with professionalism and reliability. Likewise, the ABN AMRO Insurance and OHRA brands also enjoy an excellent reputation. The name recognition rating in Belgium is already 86%.

#### **Development in 2009**

Delta Lloyd Group did not require state aid and, partly for this reason, emerged from the crisis all the stronger. So strong, in fact, that the Group was able to pull off a successful stock exchange launch in November 2009: the biggest in Western Europe, the second-biggest in the world and the biggest in the global financial services sector. The flotation marked a breakthrough in the crisis and confirmed Delta Lloyd Group's image as a solid and successful company.

By securitising part of its mortgage portfolio for about € 900 million at the end of 2009, Delta Lloyd Group also led the sector in the area of securitisation.

Delta Lloyd Group fully realises that corporate social responsibility is part and parcel of its position within society. This is reflected in various ways. One notable example is the work of the Delta Lloyd

Group Foundation. Another is Delta Lloyd Group's highly visible presence as a sponsor of water sports events, with the Volvo Ocean Race (finished in June 2009) as the highlight. This prominent social role reflects the Group's ambitions, and clearly also generates considerable publicity.

### ***2. Expanding the customer base by further developing the distribution power of Delta Lloyd Group and pursuing targeted acquisition and merger opportunities while continuing to focus on profitable products***

Delta Lloyd Group intends to focus on expanding its customer base in the mature markets in the Netherlands and Belgium by further developing its multi-brand, multi-channel distribution network. This network offers access to seven million (prospective) customers: six million in the Netherlands and one million in Belgium. In the past ten years, the Group realised a series of strategic acquisitions and alliances in order to reinforce or complement its existing activities. This too has helped put Delta Lloyd Group in a strong position for future consolidation.

Between 1999 and 2009, the Group's gross written premiums (excluding health) showed a compound annual growth rate (CAGR) of 6.4%. This is considerably higher than the CAGR of 3.1% for the overall Dutch insurance market (sources: Assurantie Magazine (AM) Jaarboek 2001 and Dutch Association of Insurers 2009). In Belgium, the Group achieved substantial growth in recent years, doubling its life insurance market share through the takeover of Swiss Life Belgium.

### **Development in 2009**

Further chain integration, enabled and facilitated by reliable IT systems, creates scope for delivering a high-quality service at lower costs. The planned integration of ABN AMRO Bank and Fortis Bank Nederland will create a more extensive and finely-meshed distribution network of bank branches. The year 2009 saw the kick-off for the major renewal of the direct division, which is centred around the OHRA brand. The key features are a stronger focus on online sales and services, simple products and high cost efficiency. Preparations were also made for the direct sale of insurance products via Delta Lloyd Bank. The cross-sell agreement with CZ, as part of the transfer of Delta Lloyd Health to CZ, provided an extra impulse to the Group's distribution power. The focus on the three brands – Delta Lloyd, OHRA and ABN AMRO Insurance – translated into targeted investments in these brands and led to the sale of the Lancyr formula to FDC, with effect from 1 April 2009.

### ***3. Drawing on expertise to offer products and services that capitalise on market trends***

Because of its wide coverage of the Dutch and Belgian insurance markets through varied distribution channels, Delta Lloyd Group is well-placed to gauge customer preferences and market trends and to introduce new products and services in a timely manner. It became one of the first to offer bank annuities and mortgage products adapted to recent changes in tax laws. In addition, the Group plans to expand its focus on premium and innovative products, such as group pensions for large enterprises, as well as to increase the number of simple commodity products offered through the general insurance segment. The Group will also continue to promote bank annuities and similar products as alternatives



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to individual life insurance products that are less in demand.

Thanks to the diversity of this product offering and the accumulated expertise, the Group is able to adapt and respond to changing customer preferences. To realise its ambitions, Delta Lloyd Group also places its trust in well-qualified and motivated employees. The Group aims to offer an inspiring working environment, in which employees receive every opportunity to grow and further their career.

### **Development in 2009**

Delta Lloyd Group spent a total of € 10.7 million on employee training and development in 2009, compared to € 12.7 million in 2008. The per FTE figures were € 1,694 and € 1,986, respectively.

In 2009, Delta Lloyd Group made a detailed analysis of how the Group can achieve a rationalised portfolio of profitable, socially responsible products that meet the needs of the markets it serves. In the first months of 2010, all divisions will present plans for rationalisation.

One extremely important market trend is the continued growth of the internet as a distribution channel for simple, transparent and competitively priced products. In view of this development, the direct division of Delta Lloyd Group was restructured in 2009 to achieve a simpler and more customer-driven organisation, with a much stronger focus on online sales and services.

On the other side of the spectrum, Delta Lloyd Group is proving its strength with the Xclusief line for personal customers. The Xclusief customer base has doubled in two years. Delta Lloyd is the unchallenged market leader in pleasure craft insurance.

### ***4. Streamlining operations to reduce costs and improve efficiency***

The aim is to reduce per-product costs, create economies of scale and enhance efficiency, resulting in a stronger basis for working the markets with even more success. Lower costs will go hand-in-hand with a further improvement of the customer service. In addition, the Group is looking to promote the direct online entry of policy data.

### **Development in 2009**

The implementation of a group-wide sharing programme resulted in the creation of two segment-wide back offices for all brands and distribution channels falling within their scope. Delta Lloyd's Personal General Insurance Business (legal name: Delta Lloyd Groep Particuliere Schadeverzekeringen NV) is the Group's central risk carrier for its personal general insurance operations. The income and absenteeism business of the Group's brands was also centralised. The Group is also reviewing its organisational structure in order to further enhance its efficiency.

### 3.4.4 Changing environment

Delta Lloyd Group operates in, and seeks to respond optimally to, an environment that is undergoing continuous change and development on numerous fronts: demographic, political, social, ecological, economic and technological. The scheme below provides a brief analysis of Delta Lloyd Group and its operating environment.

Demographic	Ecological
- Higher state pension age, but not retirement age	- Investment in sustainability, energy security and innovation by government (such as cash-for-clunker programmes and home insulation)
- Advent of new customer target groups (incl. ethnic minorities)	- Stakeholders paying greater attention to corporate social responsibility
- More and more small households	- More attention to sustainability and green issues
- Financial planning becoming more important to young people	- Subsidies for green products
- Ageing population and falling number of people in job market	
- Rising healthcare costs	
Political	Economic
- Government has more holdings in bank-insurers which may lead to unfair competition	- Recession not yet over, economy continuing to contract into 2010
- Introduction of various bank-insurance products	- Inflation remains low; volatile interest rates; lower investment activity
- Government is seeking direction in range of areas (for example, mortgage interest relief)	- Fall in number of investors, uncertainty in investors' market
- Increasing demand for transparency (duty of care by intermediaries, fees guidelines)	- Rising unemployment, so labour market less tight, fewer sole traders
- Increasing supervision and regulation	- Sharp fall in consumer confidence since 2008
- Increasing influence of EU (energy market, capital adequacy directives)	- Number of transactions in housing market declining, uncertainty rising
- Healthcare costs must fall	- Higher government deficit
- Rise of single-issue parties	- More and more Dutch companies in foreign hands
	- Wage restraint
Social	Technological
- Poorer image of financial institutions as a result of the credit crisis	- Far-reaching digitalization and automation
- Customers want comprehensible products that offer certainty	- Insight into complex products through IT
- Consumers' growing focus on price	- Ongoing standardization of products
- Consumers are better informed and with more	- The power of us (consumer power)
- Advent of new social networks (via internet)	- Modernisation and innovation (e.g. straight-through processing)
- Greater demand for receiving information quickly	- Multifunctional use of mobile telephony
- Shift of focus from economic welfare to well-being (basis for far-reaching social and economic innovation)	

### 3.4.5 SWOT analysis

The opportunities for and threats to the Group stem from the prevailing market conditions, the Group's current position in the market environment and the strategic developments. These are briefly described below:

Strengths	Weaknesses
- Multi-channel distribution, three highly complementary brands	- Complex organisation
- Full-service insurance company	- Operating result too low, expenses too high, difficulty in winning profitable new business
- Dominant position in the Netherlands and mature presence in second home market in Belgium	- Long time-to-market
- Reliable image for all three labels	- Too little premium and risk differentiation
- High profile (strongly integrated brand campaigns)	- Current positioning of labels does not cover whole market
- Sole large NL financial service provider without state aid	- Ageing and complex ICT infrastructure, inadequate chain integration
- Interest rate and equity risks are well hedged	- Low leveraging of customer base (SOW/cross-selling)
- Structure available for cross-selling and deep-selling	- Limited knowledge/image of end customer in non-direct channel
- Good claims handling	
- Much customer information available	
Opportunities	Threats
- Demand for products with a guaranteed return	- Rise of internet insurance companies and foreign funds
- Demand for savings products (bank savings mortgage, bank annuity and separate savings accounts)	- Price pressure puts margins under pressure: Consumers putting increasing focus on price in absence of distinctive features among insurance companies
- Opportunities for acquisitions in the Belgium market	- May not be level playing field because of financial institutions with state aid
- Increasing switching behaviour by consumers	- New legislation for Life market (bank annuity)
- As a result of the financial crisis, parts of insurance companies for sale	- Effect of unit-linked policies affair (claims, further tightening of legislation and ongoing adverse media attention)
- Mortgage market: foreign competitors withdrawing	- Poorer image of financial institutions
- Fewer company pension funds	- More focus on pension providers
- Trend towards packaged products	- Less interest in investing
- Size of sole-trader/director-shareholder market very attractive	- Competition from top brands from outside the industry
- Less distinction between brokers, direct writers and banks	
- New parties/functions in the distribution chain	
- Sustainability theme	
- Demand for security and assurance	
- Consumer fears as a result of the crisis (unemployment, falling income)	

### **3.4.6 Tightening of the strategy: scenarios for the future**

The current economic and social developments demand a new vision for the future. No one can second-guess what lies ahead, but it is possible to form an imaginary picture of what the world might look like fifteen years hence, given the trends and developments of today. Delta Lloyd Group does this type of planning exercise using scenarios. The Group sees scenario-based thinking as an indispensable instrument for coping with the uncertainties of the future. By thoroughly considering the consequences of entirely different scenarios, it gains a deeper understanding of the forces that will shape the dynamics of its prospective environment. Scenarios sketch alternative futures by extrapolating current trends to extreme outcomes, thus providing insight into the context in which Delta Lloyd Group will be doing business in 2025.

In 2009, we updated the scenarios. More than one hundred people inside and outside the company contributed to this process. The main focus was on the future social, ecological and economic context in which the financial sector, as well as all other sectors, must operate. During a series of scenario workshops, diverse combinations of external forces were explored and two future scenarios were worked out into fully-formed pictures of the future. Each of these scenarios provides an essentially different perspective of the world, and casts light on an entirely different roadmap to the future. Each of these scenarios provides an essentially different perspective of the world, and casts light on an entirely different roadmap to the future.

#### **Scenario 1: New Balances**

Sustainability and respect set the tone around the world, offering new parties and initiatives the scope and freedom to blossom and thrive. Governments and businesses invest heavily in renewable energy and ambitious environmental goals, while Asia confidently seizes the leadership of the global economy. In the West, welfare takes precedence over prosperity, thus triggering a radical process of social and economic renewal.

#### **Scenario 2: Fragmentation**

Economic problems escalate, ushering in protracted periods of global stagnation. As social contrasts widen and political coalitions disintegrate, vibrant virtual communities spring up. As internet use grows explosively, a flourishing virtual economy comes to the fore, irreversibly altering the complexion of markets and organisations.

Retracing these developments to our present times, the new scenarios will provide tangible pointers for tightening up 'The Future Secured' strategy. This tightening is expected to take place in the first half of 2010. Meanwhile, we have already formed a broad picture of the strategic implications the scenarios will have for Delta Lloyd Group. Four key factors, which already receive a great deal of attention, are involved:

- *Radical simplification.* Simple products and processes are crucial to realise substantial cost reductions

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and achieve success in the rapidly changing market. The ongoing elimination of legacy IT systems and the centralisation of asset management activities in Amsterdam are contributing to this effort.

- *Customer knowledge.* An absolute precondition for achieving responsible and distinctive risk differentiation whilst responding actively to the customer's changing needs. We are already doing this by linking an appropriate price to every risk. We give customers what they need and without bothering them unnecessarily. We use our product knowledge of, for example, complex pension products and technical insurance to this end. We are improving the quality and application of our customer knowledge with data warehousing.
- *Positioning in the chain.* Delta Lloyd Group must make strategic choices to determine its role in each part of the chain. Only then can the Group retain its leadership in a market where new providers rapidly emerge. We are responding to the emergence and popularity of flexible 'organisers' and, for example, price comparison sites and ensure a good position with underwriting agents. We will increasingly enter into strategic partnerships with such providers.
- *Innovation for growth.* A strong lasting position cannot be secured without the capability of rapid business innovation. The market is demanding lower costs, more differentiation and customisation. With our bank annuity and mortgage products, we have been able to respond extremely well to new opportunities and build up a good position. Concepts such as Virtes and iZio meet the demand for simple, low-cost products. Our pension strategy has created the basis for success in this segment.

A full description of the Scenario Thinking exercise can be found on the website of Delta Lloyd Group.

### 3.4.7 Towards a new organisational model

To strengthen our competitiveness and continue growing, we need an organisation that is better, simpler and cheaper. The transition to a renewed organisational model for the insurance activities marks a strategic milestone. Simplification is the key concept underlying the organisational changes within Delta Lloyd Group. Activities being carried out in three locations can best be organised in one central location.

### **Combined strengths**

Growth must be mainly driven by two important markets: the market for complex advisory products and the market for commodities.

Complex, advisory-sensitive products for both personal and commercial customers demand a continuous sharp focus on customised marketing and sales. This is conditional on the ability to combine knowledge and expertise and set up integrated chains wherever possible. In practice, this ambition has already led to the creation of the Pensions Knowledge Centre, which brings together diverse forms of expertise from Delta Lloyd Life and ABN AMRO Insurance in such areas as insurance, risk management, pricing, functional management and knowledge management.

Commodities (standard products for the personal and small business markets) constitute an important second pillar. Here, too, it is essential to combine our strengths. In this market, the competitive struggle is mainly being fought on price and (fast) availability, requiring scale increases and cost reductions as well as a high level of quality and service. Customers are demanding an extensive range of products that suit their personal circumstances and are simple and transparent. To actually leverage market opportunities, a faster time-to-market and increased agility are crucially important.

On 1 January 2009, the back offices for certain private general insurance commodity products were integrated with the product development, pricing and risk-bearing activities into the Personal General Insurance Business. The income and absenteeism business of the Group's brands has also been centralised. OHRA and Delta Lloyd procure their general insurance products from these centralised units. In 2009, Erasmus General was integrated into Delta Lloyd General; the personal business will be migrated to the Personal General Insurance Business in 2010.

Since the Executive Board took the decision in principle in July 2009, preparations for sharing in the field of pensions between Delta Lloyd and ABN AMRO Insurance have been proceeding apace. A study is currently being carried out into the desirability of sharing in the field of individual life insurance. The focus will be on term life insurance and immediate annuities.

Group IT was set up as early as 2008, thus paving the way for simplification of the applications landscape and group-wide systems sharing. Modernisation went hand-in-hand with a reduction in complexity, aimed at saving costs. In 2009, legacy removal and improving the quality of systems were high on the agenda. After disposing of over 250 systems in 2008, Delta Lloyd Group retired a further 485 systems in 2009.

### **Renewed direct division**

The direct division of Delta Lloyd Group was put on a new footing in 2009. OHRA is dedicated to serving customers seeking the reassurance of a reliable brand. Customers who want the lowest available price can opt for the Group's price-cutters: National Savings Fund, iZio and the Virtes white label. Virtes offers products that are sold under the brand names of the Kruidvat chemist chain and the Neckermann travel agency chain, among others.

The direct division is being made simpler and more customer-focused. Another crucial change is the much stronger focus on online sales and services. This calls for investment in the internet and IT, but also in the quality of the Contact Center. Customers must not be referred from one operator to another, but should be helped as far as possible by the first person they speak to.

National Savings Fund was integrated into the OHRA organisation in 2009.

### **Smart product range**

In 2009, a detailed analysis was made in preparation for the product rationalisation of the divisions in the coming years. In addition, rules have been drawn up to guide the product development and rationalisation process. The envisaged end result is a portfolio of products that are profitable and meet the needs of the markets served by the Group's labels, while also being socially responsible. A smartly assembled suite of products leads to less administration, less pressure on training and systems, more reliable services and lower costs. In 2010, all divisions will present their plans for rationalisation.

### **Embedding innovation**

Delta Lloyd Group is aspiring to a situation where large change projects are predominantly carried out by internal staff and is seeking to build and retain the required knowledge. Cross-division change processes are initiated, supported and implemented at central level. Where necessary and useful, programmes stemming from the sharing process will be taken in hand. One good example is the degree to which sharing is possible and desirable for ABN AMRO Insurance. All business cases have been reassessed. A sharing agreement has already been reached with Group IT, while preparation programmes have been launched for sharing in the fields of personal general insurance and pensions.

## **3.5 Risk management**

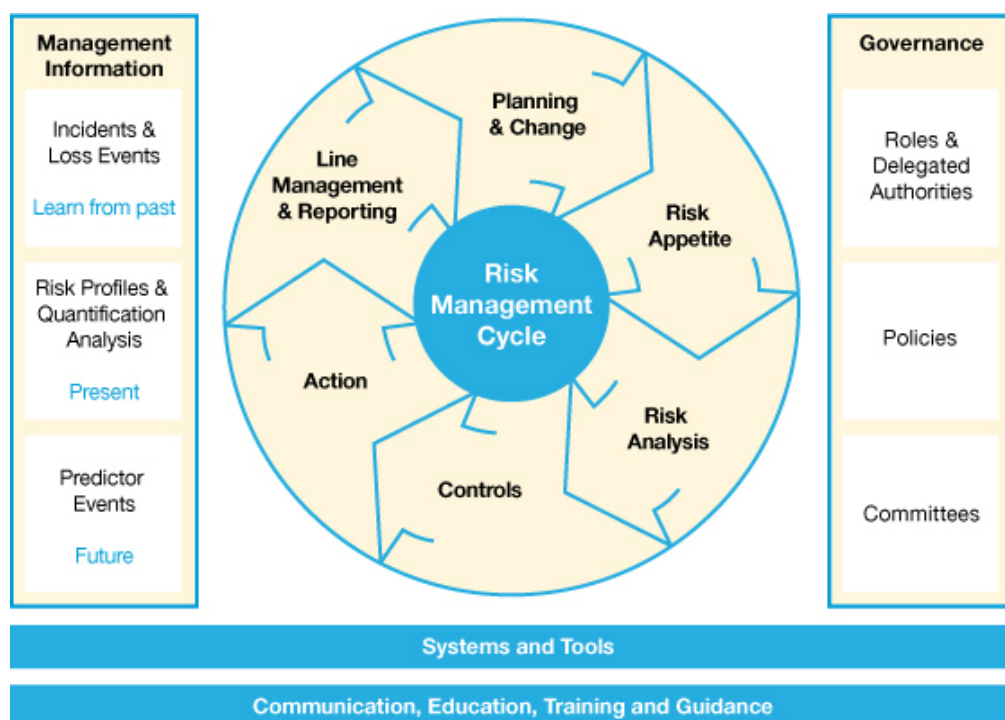
Delta Lloyd Group has implemented a risk management structure to protect it against events that undermine sustainable performance, solvency or the achievement of strategic objectives. The risk management system is fully embedded in the Group's daily operations. Risk management enables the Group to identify, analyse, measure, control, manage and audit risks that may arise in the course of its operations in a timely manner. This allows Delta Lloyd Group to maintain its ratings, meet its obligations towards its creditors (including customers) and comply with legislative and regulatory requirements.

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An extensive description of risk management at Delta Lloyd Group and the development of risks is given in paragraph 5.1.7.37 to the consolidated financial statements in this report. Section 6.1 provides a summary of the risk factors.



The Group organises workshops on specific risk management subjects. These workshops are aimed at enhancing the understanding of risk control and current developments, such as the preparations for Solvency II. A special web-based portal brings together all information on Solvency II and summarises the developments for the Group.

### 3.5.1 Five elements

The Group's approach to risk management is based on the following elements:

**1 The Group's risk management framework**

This framework takes into account all relevant elements of risk management, including a risk management cycle and the interrelationship between governance and management information. The Group's framework is based on the Enterprise Risk Management model of the Committee of Sponsoring Organisations of the Treadway Commission (COSO). The framework assists the Group in understanding, quantifying and managing the risks to which it is exposed.

**2 The Group's risk management structure**



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This structure is designed to include a “three lines of defence” governance framework outlining the responsibilities and guidelines for the Group's management structure.

### 3 The Group's internal governance system

Each division has a dedicated audit committee supervising the effectiveness of the business control systems within the responsibility of the respective business units.

### 4 The Group's policy set

This contains a number of mandatory policies that are used to establish, define and evaluate risk tolerance levels and risk control.

### 5 The Group's commitment to compliance with the Dutch corporate governance code

see '[Corporate governance](#)'.

## 3.5.2 Three lines of defence

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

#### 1 First line – Risk management strategy at each business unit

This includes implementing policies, day-to-day responsibilities and reporting and managing information. This line of defence is executed by the Executive Board and the management teams of each business unit.

#### 2 Second line – Risk management and compliance organisation

This line focuses on the coordination and development of policies, the reporting structures and the monitoring of compliance with statutory and internal rules. This line of defence is executed by the risk management and compliance departments/officers in each division, Group Integrity, Group Actuarial & Risk Management, Group Finance & Control and the Group's risk management committees.

#### 3 Third line – Internal audit function

The Group performs regular internal auditing of key controls and is supervised by external supervisory authorities such as the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten / AFM*), Dutch Central Bank (*De Nederlandsche Bank / DNB*), the Netherlands Competition Authority (*Nederlandse Mededingingsautoriteit / NMa*) and the Dutch Data Protection Authority (*College bescherming persoonsgegevens*) in the Netherlands, CBFA and NBB in Belgium, and BaFin in Germany.

## 3.5.3 Risk management and control systems

The Executive Board carries overall responsibility for the internal risk management and control system of Delta Lloyd Group. This system was developed to control the risks that may impede achievement of the business objectives, but provides no absolute guarantee that the objectives will be achieved or that material variances, fraud and violations of laws and regulations can be avoided.

Specific risk management and control systems have been set up for key areas of risk. The management of each of the Group's business units assesses and manages that business unit's risk and controls on a

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regular basis and updates its risk profile on a quarterly basis. This process is controlled by Group Integrity and serves as the basis for determining the risk profile for Delta Lloyd Group as a whole. In addition, all actions and mitigating controls as well as the level of effectiveness are documented and discussed. Policy-based progress and the development of the specific risks are outlined in note 5.1.7.37 of the financial statements. In view of the importance of financial risk management to the Group, each quarter a financial risk report is prepared by Group Actuarial & Risk Management and discussed in the Group Risk Committee. This report covers financial factors such as recent developments in the financial markets and their impact on the Group's capital position.

Delta Lloyd Group's approach to financial reporting risk management is based on section 404 of the Sarbanes-Oxley Act 2002 (SOx). Delta Lloyd Group launched the SOx Project in 2007 in order to enable Aviva to comply with the SOx legislation in connection with Aviva's listing on the New York Stock Exchange in October 2009. Aviva will issue its first SOx section 404 statement for the situation as at 31 December 2010. The guidance used for this purpose was based both on the SEC guidance (dated May 2007) and the principles of Auditing Standard 5 of the Public Companies Accounting Oversight Board (PCAOB). This means that a top-down risk-based approach was applied.

Business units with large corporate customers apply a risk analysis and a risk control method that is subject to verification by external auditors. Such units issue a statement regarding their internal controls (i.e. SAS 70 type II statements by the American Institute of Certified Public Accountants, the standard for auditing service organisations).

Group Legal and Group Integrity guide legal and regulatory risk management. Group Integrity is also responsible for the compliance network of the Group.

As part of the year-end closing procedures, the Executive Board and the Audit Committee of the Supervisory Board review and evaluate the effectiveness of the internal risk management and control system during the preceding financial year. The Executive Board is of the opinion that:

- the internal risk management and control systems provide reasonable assurance that the financial reporting does not contain any errors of material importance; and
- the risk management and control systems worked properly in 2009.

This opinion was put at group level to the Audit Committee and the Supervisory Board and discussed with the Group's external auditors.

### **3.5.4 Risk taxonomy**

To support internal and external communication with respect to risk management, the Group uses the following five main conceptual categories of risks:

**1 Financial risk**

This category includes market and credit risks, underwriting risks, claims management risks and product risks. Within market and credit risk, the Group recognises typical financial risks such as default risks, credit spread risks, concentration risks, equity risks, interest rate risks, inflation risks and property risks.

**2 Strategic risk**

This involves the risk of not meeting targets as a result of the business units' failure to (adequately) respond to changes in the business environment and risks related to matters such as mergers and acquisitions, brand and reputation, risk management, audit, corporate social responsibility, environment, customers and communication.

**3 Legal and regulatory risk**

This is the risk of non-compliance with laws, regulations and the Group's policies and procedures, e.g. risks related to legal (litigation), compliance and tax.

**4 Operational risk**

This involves the risk that losses may occur from the inadequacy or malfunctioning of internal processes or systems, human error, criminal behaviour or external events and risks related to matters such as fraud and crime prevention, personnel, IT/infrastructure, business protection, projects and programmes, business processes, third parties and distribution.

**5 Financial reporting risk**

This category includes risks that inherently have a 'reasonably possible' likelihood of causing a material error in Delta Lloyd Group's financial reporting. The SOx term 'reasonably possible' means more than remote.

### **3.5.5 Delta Lloyd Group risk profile management**

The Group's insurance operations use the economic capital method, under which a stress test analysis is performed to determine the impact of an extreme scenario on the market value of the Group's equity for each type of financial and insurance risk. Since it is unlikely that multiple extreme scenarios would occur simultaneously, the test results are consolidated using correlations, to determine Group exposures after accounting for the mitigating effects of diversification. The sum of the total diversified test result is the economic capital requirement. Calculations are performed with a confidence level of 99.5% on a one-year horizon (the probability within one year of not meeting the capital requirements is once every 200 years).

The most important risks, or clusters of risks, are addressed in the quarterly risk reports. Delta Lloyd Group's top 5 risks are given below, indicating in broad outline the impact and level of control.

### 1 **Instability financial markets risk**

This is the risk of a major downturn of the equity markets, credit spread widening, downward appraisals of the property holdings and strong interest rate movements resulting in an insufficient solvency or capital position of Delta Lloyd Group.

Possible impact: very severe (financial and operational). The risk that the financial markets have not yet reached their bottom is still possible (and critical). Close monitoring and implementing instant hedge strategies, where necessary, are very important.

Implied volatilities are still not at pre-crisis levels, so hedging equity and other risk with options is difficult at acceptable costs. Delta Lloyd Group is managing the risk on a bi-weekly basis. In addition to the Group Risk Committee (GRC) meetings, a GRC 'light' is operational.

Delta Lloyd Group – unlike its competitors – values the majority of both its assets and liabilities under IFRS at fair value. In the current markets, this puts additional pressure on the Group's IFRS-based income statement, as losses on both equity and bond investments, as well as on insurance liabilities, must generally be taken directly to the income statement. For IFRS purposes Delta Lloyd Group decided, after consultation with Ernst & Young Accountants and Towers Watson Actuarissen, to use the maximum of the collateralised AAA curve and the swap curve for the valuation of its insurance liabilities. This curve is currently at a higher level than the DNB swap curve, due to the significant liquidity premiums in the collateralised AAA bond curve. Delta Lloyd Group takes the view that this curve reflects the nature of its liabilities. The effect of this choice on IFRS solvency is material. The regulatory solvency, based on the DNB swap curve and the ECB AAA curve, is substantially lower.

The pressure on financial results gives rise for caution on typical IFRS appraisals of property and investments. Extra attention to this risk is given through the SOx fraud risk scenarios and controls.

### 2 **Asset and Liability Management (ALM) risk**

This risk is closely connected to instability of financial markets. The financial crisis makes it difficult to classify the current residual risk situation.

Possible impact: critical (financial and operational). Residual risk relating to inadequate ALM could have a critical financial impact on the income statement and the balance sheet. This mainly results from the large exposures involved. For the equity risk, an allowed exposure has been defined. Hedging strategies are to be implemented once equity exposures drop to predefined levels.

A project team is working on (further) analysis of credit risk and will formalise the findings in a policy paper (identification of risks, proposals for credit risk).

### 3 **Strategic programmes and projects risk**

There is a risk of delay or inadequate delivery of strategic programmes and projects. This could mean that the underlying strategic goals are not achieved and business performance deteriorates. Causes include complexity of projects, involvement in too many projects and poor project management (methodologies, skills, etc).

Possible impact: critical (financial and operational, but also strategic and reputational). In January 2009, Group Business Change & Development (GBC&D) became operational. This department adopted the group-wide sharing programme, which consists of several subprogrammes that change the Group's organisational structure. The sharing programme is monitored closely by GBC&D. Its objective is to create commercial growth with a healthy and fit organisation. GBC&D will focus on the organisational structure, create efficiency gains and reduce costs if cross-segment operations are involved. Other focus

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areas are consultancy assignments, integration assignments, programme management, change management and strategic information management.

### 4 IT Infrastructure / legacy risk

Delta Lloyd Group regards tight control over its IT systems as a strategic necessity. Factors making IT an increasingly critical success factor include: the strengthening of the central IT organisation in the Netherlands and the strategic information management function; the increase in effectiveness of the general IT controls; the reduction of costs through the rationalisation of legacy systems and the many adjustments necessitated by legislative changes and chain integration. Delta Lloyd Life Belgium is in the process of reorganising the IT infrastructure, as an operational follow-up to the integration with Swiss Life.

Possible Impact: critical (operational, financial and reputational). Specifically as regards ICT Services, a low performance may lead to lower client volumes, losses on transactions, increased costs and regulatory non-compliance. The Bank and Fund Management segments are particularly vulnerable to ICT continuity.

Strict cost management and cost-saving measures implemented in the Netherlands in 2009 led to a structural reduction in the IT cost level of 18.5%. Delta Lloyd Group has a large number of IT systems and accompanying IT infrastructure. Reducing the complexity and scale of these systems is a key priority for IT. A legacy management programme carried out in the Netherlands enabled Delta Lloyd Group to phase out 27% of its systems in 2009. This programme is being continued in 2010. The IT infrastructure has also been reduced in scale, renewed and, wherever possible, simplified and virtualised. The infrastructure in the Netherlands is being concentrated in a single central computer centre under the company's own management. Meanwhile, a contract for an external computer centre will be cancelled. As part of the business continuity programme, Delta Lloyd Group has set up an external IT contingency facility, which is tested on a regular basis. In 2009, Delta Lloyd Group terminated the outsourcing agreements for the management of its IT infrastructure and many applications of the Personal General Insurance Business and ABN AMRO Insurance in the Netherlands. These are being successfully continued under its own management. The required SOx controls within Group IT were tested and received a Third Party Memorandum from the external auditor.

### 5 Delta Lloyd Life Belgium integration risk

In July 2008, Delta Lloyd Life Belgium and Swiss Life Belgium were merged. The goal of Delta Lloyd Life in acquiring Swiss Life Belgium is to increase the critical mass of the insurance activities in Belgium in order to benefit from economies of scale. Key risks in the integration process are:

- the retention of key personnel;
- ICT integration and migration;
- internal control system; and
- acquisition capability not yet fully activated.

Possible impact: strategic, financial and reputational. Several measures have been taken to reduce the integration risk, but these are not yet fully effective.

The integration process spans a period of several months. At various management levels a great deal of attention is being devoted to the process, and many decisions and activities have already been made (product choice, re-branding, establishment of a new culture, definition of synergy effects, strategic

review). The integration process is therefore on track.

## **3.6 Capital management**

### **3.6.1 Enterprise Risk Management & Solvency II in 2009**

Enterprise Risk Management (ERM) is the strategic basis for the operations of the Delta Lloyd Group Risk Committee. The ERM framework, based on what is known as the 1-0-1 scheme, is leading for the further development of financial, insurance and operational risk management.

As part of ERM, policy papers are drawn up, financial and operational risks are prepared each quarter and the financial reporting complies with the SOx 404 framework.

ERM also involves calculating, monitoring and managing solvency on an economic basis (see risk management section). Risk management at Delta Lloyd Group is aimed at maintaining the capital at a minimum of 110% of the required diversified economic capital. Section 3.6.2 discusses the calculation of the capital requirement in greater detail.

The European Commission is carrying out a wide-ranging review of solvency margins and provisions (the project known as Solvency II). The intention is that the new regime for insurers and reinsurers will apply more risk-sensitive standards to capital requirements and bring insurance regulation more closely in line with banking and securities regulation with a view to preventing regulatory arbitrage. Solvency II also aims to align regulatory capital with economic capital and bring about an enhanced degree of internal and public disclosure. The European Parliament and the European Commission approved the directive containing the framework principles of Solvency II on 22 April and 5 May 2009 respectively. There is still uncertainty on whether the Solvency II rules will be finalised by the EU's target deadline of October 2012, and on the final form of those rules. Consequently, the Group cannot predict the precise impact they will have on the Group, its business, capital requirements, financial position, key risk management resources or results of operations.

Delta Lloyd Group prepared an overview of all improvements already in place and a road map for further developments in early 2010. The foreseen improvements should enable Delta Lloyd Group to bring ERM to the desired level 4 ('managed'). Follow-up is now also being embedded in the Solvency II project, which started with a gap analysis that was completed in mid-2009. In addition, the project group studied and responded to the consultation papers of the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS). Delta Lloyd Group took part in QIS4 in 2008 and the update of QIS4 in 2009 and will take part in QIS5 in 2010.

Delta Lloyd Group has set up a project group to ensure compliance with the new regulations. The project group, which is made up of representatives of the actuarial, compliance and finance

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departments, is leading the further preparations for Solvency II and handling external and internal communications on the consequences of Solvency II for Delta Lloyd Group.

Delta Lloyd Group participated in the impact studies sent out by the insurance regulators and will also participate in future studies. The recent wave of parameters provided in the CEIOPS consultation papers led to significant questioning within Delta Lloyd Group of whether the initial intentions of Solvency II are still being met. There are significant differences of opinion amongst regulators and market participants, particularly on non-life parameters, credit spread parameters, stress testing and the valuation of insurance liabilities.

Delta Lloyd Group will employ an internal model alongside the standard Solvency II model to determine its regulatory capital under Solvency II. The Group's own methodology (ICA) will be used to calculate capital required on an economic basis (see next subsection).

### 3.6.2 Economic capital (ICA)

Delta Lloyd Group uses its own methodology to calculate the capital required on an economic basis during a period of one year. This methodology, the Individual Capital Assessment (ICA), is based on the reporting framework of the UK Financial Services Authority. The ICA is used as a basis for internal risk management and capital management. The ICA percentage (available capital over required capital) increased from 129% in 2008 to 146% in 2009 as a result of the increase in the IFRS equity and a decrease in the required capital for property risk, credit exposures and expenses.

The risk categories mentioned below have been identified and calculated using the ICA method, which also tests and actively monitors each risk separately.

#### Market risks

##### Equity risk

For equities, the effect of an extreme fall in market prices on investments and related liabilities is examined. This test is based on a decline of all equity prices by 40%, which reduces the value of the equity portfolio and the available capital and may increase the value of put options in the portfolio. In addition, such a decline affects the value of equities held in investment funds. The effects of the volatility of equity prices are analysed separately and reported in equity risk.

##### Property risk

This test is based on an extreme fall of 17% in property prices, based on the long-term volatility of the Dutch property sector. This reduces the value of the real estate portfolio and available capital. It also affects the property held in investment funds. There is no impact on liabilities with respect to investment property.

##### Credit risk

In this stress test, the risk of a rating downgrade or a default is calculated for corporate bonds, as well as sovereign bonds and bonds issued by semi-government agencies. The calculation is made using a transition matrix that determines the probability of a rating change or default. The risk of a credit spread widening is also calculated in this test and partly depends on the actual rating of the bond. Part of the widening of credit spreads is attributed to an increase in the underlying liquidity premium, which will push up the discount rate on liabilities where a liquidity premium is assumed. The default risk of reinsurers is tested in the credit risk and calculates the risk of reinsurers actually defaulting within one year, taking account of the rating of the reinsurer.

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Interest rate risk	This test assumes a shift of 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 value of fixed-income securities and mortgages, and to a changed value of the technical provisions. Interest rate swaps and swaptions are also taken into account in the calculation of the overall effect. The shift actually leading to the highest capital requirement at group level is determined, and this is then taken into account in the overall capital requirement calculation. The volatility in interest rates is also taken into account.
Loss of liquidity premium	This involves the risk that the liquidity premium used in the reference curve for liabilities, disappears or cannot be matched. This test determines the capital required in the event of a one-sided fall in the liquidity premium in the reference curve that is not offset by effects on the assets side of the balance sheet.
Other risks	
Expense risk	This test is based on an extreme increase in expenses. For short-term general insurance business, the test consists of a one-year expense increase of 20%. For the long-term life business, all expenses related to run-off of the policies are stressed with a 25% increase. These future expenses are discounted to a net present value.
Longevity 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 insurance.
Mortality risk	The opposite effect to longevity risk. The mortality figure may undergo an extreme increase as a result of external factors (e.g. a worldwide pandemic). The test assumes an extreme increase in mortality. 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.
Lapse risk	The risk that policyholders terminate their insurance contracts earlier or more often before the expiry date. The test assumes an increase in the lapse rate, meaning a decline in future profits and earlier 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).
Operational risk	Scenario analyses/events based on the Group's risk profile: three points estimates of possible impact. These address all other risks the Group faces that are not already taken into account in other tests. Each risk is assessed to determine whether the risk is extremely remote/remote/possible/likely to occur. An assessment is also made to determine whether the impact when the risk actually occurs is catastrophic/critical/significant/important. These assumptions are translated into probabilities and losses. Together, they combine to indicate an overall operational risk capital
Net reserves deterioration	This test calculates the risk that the best estimate claims provision will increase and is only applicable for the general insurance business. This test involves creating a loss development table per line of business using a development factor method, which gives an expected ultimate loss. Using a simulation technique, a stress percentage is calculated which is multiplied by the best estimate claims provision to determine the stress result. Since this stress at one line of business is not likely to occur simultaneously at another line of business, the test results are combined using correlations.
Closure to new business	This test assumes the Group will be closed to new business at the end of the year and all liabilities fall in run-off. All additional expenses related to this closure are taken into account in this test. Such expenses include contracting external staff, communicating the closure to customers and other contacts, breach of contracts, an additional increase in lapses, etc. These expenses can be offset by possible earnings from selling customer lists.
Claims ratio volatility	Claims volatility (greater claims costs than expected, lower premium rate than planned, detrimental change in business mix, change in business volume).  This involves calculating the risk of lower-than-expected premiums and higher-than-expected claims over the next year, per line of business, using a stochastic simulation model. Since this stress on one line of business is not likely to occur simultaneously on another, the test results of the lines of businesses are combined using correlations.
Catastrophe risk	Catastrophe scenarios are simulated and take into account reinsurance but also possible default of reinsurers and reinstatement premiums. This test calculates the risk of a catastrophic event using a stochastic simulation model as well as the event's impact on the general insurance portfolio. Coverage by reinsurers and retention are taken into account.



### 3.6.3 Solvency ratios

In 2009, total capital employed rose as a result of an increase in shareholders' equity, the revaluation of the IAS 19 pensions and the increase in the surplus value of the technical provisions. Under the current mandatory requirements of Solvency I, a change in risk positions has little effect on capital requirements. However, the economic capital fell as a result of a decline in the capital requirement caused by a reduction in risks on property, credit exposures and expenses, but increased as a result of a higher net equity risk due to the rise in equity prices.

#### Solvency Ratio

	2009	2008
ICA ratio	146%	129%
IFRS Solvency	256%	205%
Regulatory solvency (IGD)	201%	145%
Bank-Bis Ratio	12,3%	11,3%
Tier-1 ratio	10,0%	10,5%

### 3.6.4 Rating

On 16 October 2009, Standard & Poor's announced that the ratings for the creditworthiness and financial strength of Delta Lloyd Levensverzekering NV and Delta Lloyd Schadeverzekering NV had been lowered to A+, negative outlook. This downgrading of these Delta Lloyd entities is related to Delta Lloyd Group's changed status within its parent group Aviva, which has moved from 'core' to 'strategically important'. The 'negative outlook' corresponds with the negative outlook for Aviva's operational core activities.

## 3.7 Relationship with stakeholders

Delta Lloyd Group is working on a secure future for and with all its stakeholders: customers, employees, suppliers, trading partners, shareholders and society as a whole. The basis is a sound financial policy that ensures long-term, balanced volume growth and continuity-driven performance, on the strength of a consistent strategy.

The core activities of Delta Lloyd Group touch the lives of millions of people. The Group's products consequently have a high social relevance. A strong sense of responsibility is therefore indispensable to

fulfil this role.

Clearly, the stock exchange launch in November led to a dramatic increase in the number of shareholders. Prior to the flotation there were only two shareholders: Aviva and Fonds NutsOhra. Delta Lloyd Group remains committed to ensuring that all stakeholders continue to receive balanced attention. Amongst other things, this is reflected in the fact that, starting in 2010, management appraisal criteria include employee engagement and customer satisfaction, alongside financial performance. The possibility of adding the CSR policy as a measurable element to the appraisal process is currently being explored.

### 3.7.1 Relationship with society

The main theme of Delta Lloyd Group's sponsoring, charity and donation policy is financial awareness. This theme links up directly with the core activity of Delta Lloyd Group: assuring a secure financial future for customers. Delta Lloyd Group seeks to raise financial awareness among customers through information and education, as well as by helping them find solutions to their financial problems. The emphasis is not on taking over problems, but on self-reliance: stimulating solutions by making knowledge available and creating opportunities.

#### **Delta Lloyd Group Foundation**

A key driver of this process is the Delta Lloyd Group Foundation, which was launched on 1 January 2008. The Foundation supports 'knowledge and opportunity' initiatives aimed at preventing or resolving financial problems. In 2009, 38 projects were supported with a total out-of-pocket budget of € 1 million. There was and is a strong intention to encourage employees of the Group to make an active contribution to community projects. These efforts were successful: 690 colleagues of Delta Lloyd Group were active for the Foundation in 2009 (2008: 450).

#### **Fonds NutsOhra**

Fonds NutsOhra, shareholder of Delta Lloyd Group, finances health care projects. The focus is on such areas as research, information, new treatment methods, residential and recreational facilities and prevention. In 2009, to mark its tenth anniversary, Fonds NutsOhra made a gift of € 1 million for clinical psychiatric care of children and young people.

More information about the Foundation and Fonds NutsOhra can be found in the Corporate Social Responsibility report.

## 3.8 Employees

To attain its ambitions, Delta Lloyd Group needs highly qualified and motivated staff. The Group seeks to offer an inspiring working environment where employees enjoy every opportunity to grow and advance their careers.

On 31 December 2009, Delta Lloyd Group employed a total of 6,920 permanent and temporary staff.

### Number of employees at year end

Number in FTEs	2009	2008
Permanent staff	6,296.7	6,403.7
Temporary staff	623.7	913.6
Permanent staff deployed at operations held for sale	-	270.4
Temporary staff deployed at operations held for sale	-	165.6
<b>Total</b>	<b>6,920.4</b>	<b>7,753.3</b>

The decrease in temporary staff is a result of a cost reduction programme.

### Number of employees by segment at year end

Number in FTEs	Life	General	Bank	Fund Management	Other	Total
Permanent staff	1,999.8	1,240.2	1,183.5	176.7	1,696.5	6,296.7
Temporary staff	129.1	143.0	15.9	19.8	315.9	623.7
	<b>2,128.9</b>	<b>1,383.1</b>	<b>1,199.4</b>	<b>196.5</b>	<b>2,012.5</b>	<b>6,920.4</b>

### Number of employees by segment at prior year end

Number in FTEs	Life	General	Bank	Fund Management	Other	Total
Permanent staff	2,058.2	1,262.9	1,244.7	164.8	1,673.1	6,403.7
Temporary staff	313.8	187.6	51.3	15.3	345.7	913.6
	<b>2,372.0</b>	<b>1,450.5</b>	<b>1,295.9</b>	<b>180.1</b>	<b>2,018.7</b>	<b>7,317.3</b>

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### Number of employees by country at year end

Number in FTEs	The Netherlands	Belgium	Germany	Total
Permanent staff	4,165.0	1,466.3	665.4	6,296.7
Temporary staff	597.0	24.1	2.6	623.7
	<b>4,762.0</b>	<b>1,490.4</b>	<b>668.0</b>	<b>6,920.4</b>

### Number of employees by country at prior year end

Number in FTEs	The Netherlands	Belgium	Germany	Total
Permanent staff	4,176.0	1,489.6	738.1	6,403.7
Temporary staff	841.9	63.1	8.6	913.6
	<b>5,017.9</b>	<b>1,552.7</b>	<b>746.7</b>	<b>7,317.3</b>

### Organisation

In 2009, a reorganisation was carried out within Group HRM in the Netherlands. The aim was to streamline the HR organisation and switch to more standardised work processes and services. Many work processes have been realigned and are being increasingly supported with digital information and forms.

In 2009, the entire 'job structure' of Delta Lloyd Group was rationalised. The total number of 1,450 jobs has been compressed into 70 job families, within which only 250 job descriptions remain in use.

### Employer of choice

In 2009, Delta Lloyd Group did not conduct an employee satisfaction survey. The Group did emerge as the best financial services provider (and fourth in the overall rankings) in the annual Incompany200 employee satisfaction survey held among the largest corporations, public authorities and organisations in the Netherlands. With an overall rating of 7.45, achieving this top position follows four years of successive rises in the rankings.

Employees gave their jobs a high rating (7.58) and the Group also earned high scores on culture and career. Only 'compensation & benefits' saw a disappointing result (6.88), but that is exclusively attributable to Delta Lloyd Group's decision not to pay out any bonuses in 2009 (for 2008). Meanwhile, when it came to salary, employee satisfaction (7.97) was the highest in the survey.

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### Personal development and training

The 'Personal Development' project, which was started in the autumn of 2007, gives Delta Lloyd Group employees substantive support in their personal and career development. The majority of all employees of Delta Lloyd Insurance took part in the personal development project. The employees of OHRA and ABN AMRO Insurance will follow in early 2010.

Delta Lloyd Group has a broad range of training offerings. Its collective labour agreement provides for an annual training budget of 4% of the gross wage/total wage sum. Delta Lloyd Group spent a total of € 10.7 million on the training and development of employees in 2009, compared to € 12.7 million in 2008. The per-FTE figures were € 1,694 and € 1,986, respectively. On top of this, once every three years employees are entitled to a freely disposable personal development budget equal to 1% of three gross annual salaries, with a minimum of € 1,200.

### Diversity

Delta Lloyd Group's diversity policy is aimed at creating a corporate culture that promotes diversity, pleasant working conditions and the freedom to share and pursue different points of view. The diversity policy has three components:

- recruitment, progression and development of female talent;
- development and progression of diverse cultural talent;
- support for and facilitation of line management in identifying and capitalising on talent.

The aspiration is to achieve a balanced distribution of men and women in managerial positions, provide equal development opportunities for ethnic minorities and stimulate the deployment of older employees.

The percentage of women working at Delta Lloyd Group in the Netherlands was 43.2% in 2009. Women accounted for 39.8% of team leaders, 21.8% of managers and 17% of directors.

### The New Leadership

The 'New Leadership' programme focuses on such themes as cooperation, entrepreneurship, communication and openness in a changing organisation and environment. Many directors and managers and all the members of the Executive Board completed the programme in the past years. The intensive programme is structurally embedded in the executive development activities. The New Leadership is reflected in three guiding themes: customer first, results achieved and individual responsibility. It is less a training course than a challenge to adopt a new way of thinking and acting with a view to achieving results together. Linking the programme to the performance appraisal keeps the New Leadership philosophy alive and relevant and ensures it can prove its value in practice. The New Leadership programme, which lasts three and a half days, will be expanded to include 300 team leaders.

### **Belgium**

As part of the integration of Swiss Life Belgium within Delta Lloyd Life, all employees were allotted a position in the new organisational structure in 2009, taking account of their competences and expectations as well as the new organisation's requirements. More than forty employees (about 7% of the total staff) found new jobs within the organisation. The number of external staff was drastically reduced in 2009, making it possible to fulfil the job security pledge for permanent staff.

A majority of the employees were brought together at a single location in 2009. This operation will be completed in the course of 2010. The employee representation bodies were merged and the first steps were taken towards harmonising compensation & benefits.

To promote a smooth integration, a great deal of attention was also devoted to corporate culture. An initial meeting and greeting phase was followed by 'DLL Tomorrow', a practical three-day development programme that was attended by all managers and team leaders. The scope of the programme is to be widened to all employees in 2010.

## **3.9 Corporate social responsibility**

A company can demonstrate its commitment to corporate social responsibility by incorporating social and environmental issues in its decision-making processes. Delta Lloyd Group has expressed the wish to play a 'leading and distinctive' role in the field of corporate social responsibility in 2010. This means that the Group aims to display transparent and ethical behaviour, take account of all dimensions of sustainable development and make responsible choices that weigh up the interests of all stakeholders. Delta Lloyd Group is committed to making corporate social responsibility a natural and integral part of its business processes throughout the organisation. This calls for a strategic policy for which five priorities have been defined: good employment practices, the environment, customer interest, product integrity and community engagement.

Delta Lloyd Group aims to embed responsible investing as a structural principle in its investment policy and intends to avoid investing in companies that fail to operate as good corporate citizens. To this end, Delta Lloyd Group has adhered to the ten principles of the United Nation's Global Compact since 2009. These principles concern human rights, labour standards, the environment and corruption. In the specific field of investing, Delta Lloyd Group also subscribes to the United Nations Principles for Responsible Investment.

### **Reporting and assurance**

With the publication of a CSR report, Delta Lloyd Group aims to provide a structural insight into its policy and activities undertaken in the CSR field. The CSR report relates to all national and international activities of Delta Lloyd Group and contains both quantitative and qualitative data. The guidelines of the Global Reporting Initiative (GRI-3) provide the basis for CSR reporting, while Delta Lloyd Group selects the issues that are particularly relevant from its perspective. The report is assessed by Ernst & Young Accountants LLP at B+, based on the GRI-3 guidelines (see assurance report of CSR report 2008).

## **3.10 Outlook for 2010**

The tentative recovery of the financial markets may be sustained in 2010, but the revival is fragile and the sector remains vulnerable. The improved funding ratios of pension funds create fresh scope for growth in the group pensions market. Bank products, notably mortgages and individual pensions, will become increasingly important. The same undoubtedly applies to online insurance, in particular straightforward commodity products. At the same time, Delta Lloyd Group will maintain its focus on cost savings and efficiency gains. Margin improvement and volume growth take priority in a market characterised by increasing transparency and tightening margins.

Partly thanks to the stock market launch, Delta Lloyd Group is well-positioned in the Netherlands and Belgium for consolidation. The Group will give serious consideration to any opportunities that can strengthen its position and contribute towards attaining the return targets.

Amsterdam, 3 March 2010

Niek Hoek  
Peter Kok  
Paul Medendorp  
Henk Raué

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## 4 Segments

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Delta Lloyd Group has been organised in the following segments: Life Insurance, General Insurance, Fund Management, Bank and Other. The results for 2009 are presented based on this segmentation. The countries, products and brands for each segment are discussed individually.

### 4.1 Life Insurance

#### Segment Life per country 2009

In millions of euros	The Netherlands	Belgium	Germany	Total
Gross written premiums	2,448.0	614.9	578.9	3,641.8
Operational result after tax and non-controlling interests	184.1	44.0	14.4	242.5
Result after tax and non-controlling interests	-266.2	215.2	-68.2	-119.1

#### Segment Life per country 2008

In millions of euros	The Netherlands	Belgium	Germany	Total
Gross written premiums	3,585.5	500.2	447.3	4,533.1
Operational result after tax and non-controlling interests	169.9	-10.5	27.8	187.2
Result after tax and non-controlling interests	229.7	-89.3	-114.9	25.4

#### Result

Gross written premiums were 20% lower at € 3.6 billion (2008: € 4.5 billion) due to low market activity in the first half of 2009, but a slight market recovery was noted in the last six months of the year. Regulations limited the scope for underfunded Dutch pension funds to transfer their pension obligations to insurers. Delta Lloyd Group continued to focus on profitable growth in new group pension contracts. This led to the conclusion of two large group contracts. There were also several major contract cancellations, some of which were bankruptcy-related. In Belgium, gross written premiums advanced 23% compared to 2008, due to the strong commercial performance and the full-year consolidation of Swiss Life Belgium, which was only consolidated for six months in 2008. Gross written premiums jumped 29% in Germany thanks to the popularity of the Renditepark product, which unfortunately yielded a negative margin and was therefore discontinued.

New life business, expressed in NAPI (100% of the regular premiums and 10% of the single premiums), showed a decrease of 21% due to the previously sketched market conditions and the absence of major contracts. There is a visible shift in the life market to more traditional forms of life insurance and bank annuities, away from unit-linked insurance. Delta Lloyd Group occupies a strong position in this evolving market, with a new inflow of € 248 million in 2009.



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## Segments

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The new business contribution (NBC), a barometer of new business profitability, rose to € 31 million (2008: € -20 million) thanks to the focus on margin and cost reductions. The new business margin (on a PVNBP basis) was 2.0% for group life and -1.2% for individual life. The German life activities had a negative effect, both on NBC and new business margin. The new business margin for individual life insurance, excluding Germany, was 0.8%.

The result after tax of the Life Insurance segment fell to € -119.1 million (2008: € 25.4 million). This loss was mainly caused by impairments of € -350 million, which partly arose in 2008 but were only recognised in 2009. The derivatives portfolio declined in value (€ -877 million) due to the rising equity markets and higher interest rates (swap curve). This loss was partly compensated by the € 185 million increase in value of the fixed income portfolio due to narrowing credit spreads. The disposal of available-for-sale shares yielded € 308 million. The collateralised AAA curve used to measure liabilities on the balance sheet rose compared to year-end 2008, resulting in a release of € 187 million from provisions.

The operational result after tax and non-controlling interests rose to € 243 million (2008: € 187 million), partly due to the successful cost-saving programme, and accounted for 64.8% of the Group's operational result after tax and non-controlling interests for 2009 (2008: 60.7%), excluding the negative contribution of the 'Other' segment to the operational result.

### 4.1.1 Market Consistent Embedded Value

From 2004, the European Embedded Value (EEV) is included in the external reporting of Delta Lloyd Group. The embedded value provides a good insight into the value development of the life insurance business, the principal activity of Delta Lloyd Group. Starting from the full-year report for 2008, reporting takes place according to the MCEV principles, as laid down by the CFO Forum. A detailed explanation and overview of the results will be posted on the website of Delta Lloyd Group in the document entitled 'Embedded Value Delta Lloyd Group 2009.pdf' once it is available for publication.

Market-consistent valuation is a refinement of the approach, which takes account of risks inherent in the insurance business. The use of market-consistent economic assumptions leads to a consistent valuation of assets and liabilities. The MCEV valuation also takes account of the differences in the economic risk profiles of the various portfolios, as well as an explicit premium for non-financial risks, such as insurance and operational risks and unhedgeable financial risks.

The MCEV consists of the market value of shareholders' equity (net worth) and of the present value of expected future cash flows on life policies already in force (value in force). The value of the insurance portfolio is determined by computing the present value of the future results to be generated by the portfolio. This involves a detailed estimation of both the expected (future) results from the insurance and investment portfolios, and the operating and economic circumstances under which these results are to be achieved. Amongst other things, Delta Lloyd Group makes assumptions about specific

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## Segments

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investment returns from e.g. bonds, equities and property, but also about specific economic factors such as interest rates and inflation. These assumptions are made on the basis of observable market prices for (comparable) financial instruments. Sensitivity analyses provide insight into the impact of fluctuations in the economic and operational environment.

The MCEV is determined for the existing portfolios but also – separately – for the new business contribution (NBC). The MCEV thus not only relates to premium volumes, but also gives a good indication of the (expected) profitability of the total life portfolio and new life business in a given year. It therefore offers a more pure and reliable disclosure of long-term performance. Added to this, the MCEV development provides a good insight into the various components affecting the annual result, including investment and economic circumstances.

### 4.1.1.1 Analysis of movement in embedded value

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

#### Development of MCEV

In millions of euros	2009	2008
<b>MCEV on 1 January</b>	<b>3,445.4</b>	<b>5,253.3</b>
Value new business	31.0	-19.9
Value existing portfolio	486.2	220.2
<b>Operating MCEV earnings</b>	<b>517.3</b>	<b>200.2</b>
Exceptional items	0.0	-306.7
Asset outperformance	162.9	-1,834.0
Capital relocation	98.8	132.6
<b>MCEV on 31 December</b>	<b>4,224.3</b>	<b>3,445.4</b>

The cost reductions within the Life Insurance segment had a positive effect on the level of the Market Consistent Embedded Value (MCEV) and the MCEV-based operational result (LEOR). The adjustment for new mortality tables had a limited impact. In addition, the (future) profit-sharing for policyholders in Germany has been changed by linking it to the actual investment return. This is in contrast with previous years in which a 4% fixed interest rate financed with capital injections was assumed until 2011. The total embedded value increased 22.6% to € 4.2 billion.

The table below shows the MCEV per country.

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## Segments

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### MCEV per country

In millions of euros	Life MCEV	Free capital	Required capital	Portfolio value
The Netherlands	3,438.1	957.6	1,343.0	1,137.5
Belgium	651.6	-32.2	468.2	215.7
Germany	134.7	-209.0	441.1	-97.4
<b>Total</b>	<b>4,224.4</b>	<b>716.4</b>	<b>2,252.3</b>	<b>1,255.7</b>

### 4.1.1.2 Value of new business

The following table sets out the premium volumes and the contribution from new business written by the life operations. The contribution generated by new business written during the period is the present value of the projected stream of after-tax distributable profit from that business. NBC is calculated using economic assumptions as at the start of the relevant quarter (sometimes month) and operating (demographic) assumptions as at the end of the period, and is rolled forward to the end of the reporting period.

### Value of new business overview

#### Value new business

In millions of euros	Single Premium	Annual premium	PVNB	Value new business	Margin
The Netherlands	1,310.8	174.2	2,835.8	40.0	1,4%
Belgium	397.3	39.5	828.9	19.0	2,3%
Germany	246.3	19.8	385.3	-27.9	-7,2%
<b>Total</b>	<b>1,954.5</b>	<b>233.5</b>	<b>4,050.0</b>	<b>31.1</b>	<b>0,8%</b>

The PVNB is equal to the single premiums received plus the discounted value of new regular premiums, based on the same principles as used to calculate the value of new business according to MCEV.

Since 2005, Delta Lloyd Group has used market interest rates to measure its balance sheet. This ensures full transparency of both the Group's investments and its insurance liabilities. The yield curve that Delta Lloyd Group uses to measure its insurance liabilities is derived from collateralised AAA eurozone bonds. In the opinion of Delta Lloyd Group, this curve is representative of the nature of its liabilities and developments in the financial markets. The effect of using this curve is significant. For further information, please refer to the file 'Embedded Value Delta Lloyd Group 2009.pdf'. This file can be downloaded from [www.deltalloydgroep.com](http://www.deltalloydgroep.com), once it is available for publication.

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## Segments

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### 4.1.2 The Netherlands

In the Netherlands, the Group employs a multi-brand, multi-channel strategy in order to position itself advantageously in different distribution channels and customer and pricing segments in the life insurance market. The Group offers individual and group life insurance in the Netherlands principally under the Delta Lloyd, ABN AMRO Insurance and OHRA brands, using different customer and pricing strategies through intermediaries (Delta Lloyd), bancassurance (ABN AMRO Insurance) and direct distribution channels (OHRA).

The table below shows the breakdown by product category of life insurance gross written premiums in the Netherlands for the years ended 31 December 2009 and 2008.

#### Gross written premiums Life

In millions of euros	2009	2008
<b>Group policies</b>		
<b>Traditional</b>		
Single Premium	153.7	120.0
Annual premium	360.7	1,274.4
Reinsurance premium	0.9	7.5
	<b>515.3</b>	<b>1,401.8</b>
<b>Unit Linked</b>		
Single Premium	209.0	191.9
Annual premium	356.3	475.6
Reinsurance premium	-	-
	<b>565.3</b>	<b>667.5</b>
<b>Individual policies</b>		
<b>Traditional</b>		
Single Premium	218.5	203.1
Annual premium	521.7	606.3
Reinsurance premium	4.6	19.2
	<b>744.8</b>	<b>828.6</b>
<b>Unit Linked</b>		
Single Premium	536.2	558.2
Annual premium	86.4	109.9
Reinsurance premium	-	19.6
	<b>622.6</b>	<b>687.6</b>
<b>Total</b>	<b>2,448.0</b>	<b>3,585.5</b>

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## Segments

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### Market developments

Demand for unit-linked insurance is waning, as customer preference is shifting to more traditional forms of life insurance and bank annuities. Following changes in Dutch legislation in 2008, bank annuities offer similar tax benefits as life insurance policies, while costs are lower. The market for bank annuities underwent exponential growth in 2009. In response to this changing trend, the marketing approach has been adapted by placing more emphasis on bank annuities and less on individual life insurance. The total size of the Dutch mortgage and annuity insurance market declined by an average of 29% compared to 2008 (source: Centre for Insurance Statistics (*Centrum voor Verzekeringsstatistiek* / CVS)). One positive exception is the market for independent term life insurance, which shrank only 6% (source: CVS).

### The Dutch pension system

To absorb the consequences of the ageing population and the falling number of young people in the job market, the Dutch government introduced a series of measures in recent years to get more people into work. The central political issue in the public debate in 2009 was the step-by-step increase of the retirement age from 65 to 67. The Lower House of Dutch Parliament has now decided on this matter. The main outstanding point of contention is how physically demanding jobs are to be treated. Raising the retirement age makes the pension accrual period two years longer and the pension pay-out period two years shorter – assuming, of course, that people actually work an extra two years. Another important factor in this connection is the increased life expectancy, which involves a higher risk for pension insurers.

### General Pension Institution

In mid-2008, the Ministry of Social Affairs and Employment presented an outline memorandum on the introduction of a new form of pension provider called the General Pension Institution (GPI). The GPI is designed to respond to the expected growth in the European pensions market and to make the Dutch pension system sustainable for the future. This process has been divided into three phases: the creation of a contributory pension institution, the option of a multi-company pension fund (Multi-Opf) and a GPI for defined benefit plans.

On 17 March 2009, Minister Bos of Finance, also acting on behalf of Minister Donner of Social Affairs and Employment, submitted a bill to the Lower House proposing the introduction of the contributory pension institution. On 10 December 2009, the Lower House issued a further report, containing additional questions for the government. Once these have been answered, the bill will be submitted for plenary debate in parliament.

On 23 September 2009, Minister Donner sent the ‘Multi-Opf’ bill to the Lower House, in which he proposes to permit cooperation among company pension funds. The report on the Multi-Opf bill has meanwhile led to a Memorandum and a Memorandum of Amendment. The bill is expected to be considered by parliament in early 2010.

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### Delta Lloyd Group's pension strategy

Delta Lloyd Group pursues a group-wide pension strategy. The priority in the strategy is to reinforce the proposition for pension funds, which will fulfil a different role in the new market environment. The changed reporting standards (IFRS) make it much less attractive for companies to run their own pension funds, due to the impact on their balance sheet and income statement. Furthermore, the Pension Act (*Pensioenwet*) imposes new professional management and internal control requirements. As a result, the potential market is substantial and many company pension funds (as well as the associated companies) are currently reviewing their course for the future.

However, the sharply decreased funding ratios of many pension funds severely limited the scope for concluding new large contracts in 2009, particularly in the first half of the year. The financial health of the pension funds improved in the second half, leading to more movement in the market.

#### 4.1.2.1 Brands in the Netherlands

##### Segment Life per brand (NL) 2009

In millions of euros	Delta Lloyd	ABN AMRO Insurance	OHRA	Other	Total
Gross written premiums	1,658.3	535.6	380.4	-126.4	2,448.0
Operational result after tax and non-controlling interests	117.1	28.4	27.1	11.5	184.1
Result after tax and non-controlling interests	-325.9	46.0	26.1	-12.4	-266.2

##### Segment Life per brand (NL) 2008

In millions of euros	Delta Lloyd	ABN AMRO Insurance	OHRA	Other	Total
Gross written premiums	2,771.9	574.9	386.4	-147.7	3,585.5
Operational result after tax and non-controlling interests	106.6	9.9	38.3	15.0	169.9
Result after tax and non-controlling interests	260.6	-7.9	-54.1	31.1	229.7

### Delta Lloyd

Under the Delta Lloyd brand, the Group is particularly focused on group pensions but also offers a wide range of group and individual life insurance products. Erasmus is a niche brand, offering 'white label' term life insurance products and mortgage-related life insurance products tailored for certain large distributors. Several larger group contracts were concluded in 2009, and some large contracts were renewed.

Delta Lloyd Life developed and launched various new products, notably a personal pension plan for the large corporate market which invests in index-tracking funds. Delta Lloyd also invested in knowledge transfer to customers and prospects under the over-arching theme of Pension Vision (e.g.

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## Segments

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via a customer magazine, conference and website) and presented itself as the 'official partner of the pension professional'.

Delta Lloyd Group's S&P rating was downgraded from AA- to A+ on 16 October 2009. This might have consequences for a specific customer group of Delta Lloyd: the reinsured pension funds. The reduced rating entails that they are required to maintain minimum regulatory own funds. The reduced rating has nothing to do with a change in Delta Lloyd Group's financial position, which remains equally strong. It is due to Delta Lloyd Group's changed status within its parent group Aviva. This status has been changed from 'core' to 'strategically important'. One consideration that has now been given added weight is the fact that Delta Lloyd Group is only active in Belgium, the Netherlands and Germany. Aviva operates in considerably more countries.

### **ABN AMRO Insurance**

The Group sells life insurance under the ABN AMRO Insurance brand through its joint venture with ABN AMRO Bank in the Netherlands. Through ABN AMRO Insurance, Delta Lloyd Group also sells individual term life insurance under the Florius and MoneYou brands.

Once Fortis Bank Nederland is integrated into ABN AMRO Bank, the ABN AMRO Insurance brand is expected to benefit from the extended distribution network provided by Fortis Bank Nederland.

The annual Finance List of MT Finance magazine puts ABN AMRO Insurance second on the list of best insurers. The survey was carried out by the TNS NIPO market research agency.

### **OHRA**

The Group sells OHRA brand life insurance, including pension products, directly to individual and group customers in the Netherlands, with a particular focus on individuals. OHRA draws on in-depth consumer know-how to tailor products to customer needs. Transparency and clarity are paramount. Building on a strong and sympathetic brand, OHRA is pursuing an operational excellence strategy with regard to customer services through the offering of standardised products for the consumer market and the promotion of conversion to online sales. In 2009, the first steps were taken to adjust the organisation and market approach with a view to strengthening the focus on the online sales channel with clear and simple products, backed up by a high-quality call centre.

Despite the sharply contracting market, immediate annuities realised high sales volumes thanks to effective marketing and competitive pricing during promotion periods. In addition, the OHRA label was successful with the sale of bank annuities.

### **4.1.3 Delta Lloyd Life in Belgium**

In Belgium, the Group sells individual and group life insurance primarily under the Delta Lloyd Life brand, distributed through intermediaries and the Group's own network of bank branches and tied agents. The current business volume was achieved through both organic and acquisition-driven growth. The integration of Swiss Life Belgium into Delta Lloyd Life is on schedule. The Swiss Life Belgium group life insurance business is complementary to the Group's pre-existing life insurance business in Belgium, reinforcing its competitive commercial position by expanding the Group's product offerings and distribution channels in Belgium – particularly in the group pensions area. The Group was the fourth-largest provider of group life insurance in Belgium in 2008 in terms of gross written premiums (source: Assuralia 2009). In addition, by acquiring Swiss Life Belgium, the Group has gained access to the international Swiss Life network, giving the Group exclusive access in the Belgian group pension plans market to large multi-national corporations with employees in Belgium.

#### **Belgian pension situation**

The pensions problem in Belgium is far more pressing than in the Netherlands. The proportion of the workforce over age 55 has fallen to 34% (Netherlands: 67%). This, combined with the apportionment method whereby the current working population finances the state pensions of current pensioners, means that pensions will eventually become unaffordable.

Pension expenditures currently amount to 9.1% of Belgium's gross domestic product, and are expected to rise steadily, to 10.3% in 2014 and more than 14% in 2060. Life expectancy is set to increase from 83 to 91 for women and from 77 to 89 for men in 2060. The ratio between pensioners and the actively employed (aged 15 to 64) will rise sharply between now and 2060: from 25-75% to 50-50%. By no means can every employee in Belgium count on a supplementary pension: the percentage is between 40% and 60%. Forecasts show that employees in Belgium will suffer a severe drop in income after retirement. The National Pensions Conference, set up to raise awareness and accelerate the introduction of measures, has been converted into a task force. The results to date remain unclear.

Delta Lloyd Life took an active part in the pensions debate in Belgium, both through the funding of research by the Pension Policy Chair at the Catholic University of Leuven and by expressing its own viewpoint and concerns about the Belgian pension situation in publications and public forums.



## Segments

### Gross written premiums Life Belgium

In millions of euros	2009	2008
<b>Group policies</b>		
<b>Traditional</b>		
Single Premium	199.0	137.1
Annual premium	90.6	70.9
Reinsurance premium	-	-
	<b>289.6</b>	<b>208.0</b>
<b>Unit Linked</b>		
Single Premium	0.6	0.7
Annual premium	0.1	0.1
Reinsurance premium	-	-
	<b>0.7</b>	<b>0.8</b>
<b>Individual policies</b>		
<b>Traditional</b>		
Single Premium	92.5	64.8
Annual premium	186.7	181.7
Reinsurance premium	36.1	37.4
	<b>315.2</b>	<b>283.9</b>
<b>Unit Linked</b>		
Single Premium	1.0	0.4
Annual premium	8.3	7.2
Reinsurance premium	-	-
	<b>9.4</b>	<b>7.5</b>
<b>Total</b>	<b>614.9</b>	<b>500.2</b>

‘Lach voor een goed leven’ (Smile for a good life) was the rallying slogan under which Delta Lloyd Life launched a contest centring on the most beautiful smile of Belgium. The prize was € 10,000 and the competition was accompanied by an image campaign and press offensive with a smile contest, which was picked up far beyond the national borders. The competition site welcomed more than 60,000 unique visitors. In addition, thanks to Kim Clijsters’ comeback and Yanina Wickmayer’s breakthrough, the professional tennis circuit – and, hence, the Delta Lloyd TV billboards – received more attention in Flanders.

In 2009, Delta Lloyd Life won one of the prestigious Decavi awards for Life Insurance for its ‘Scala Free Pension’ product in the category free supplementary pension for self-employed persons. This achievement also attracted significant media attention.

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## Segments

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### 4.1.4 Germany

A reorganisation was launched in 2009 aimed at cost reductions and an increased focus on life, pension and disability insurance products. The reorganisation led to the loss of over two hundred jobs.

In November 2009, the decision was taken to effect a squeeze-out of the one remaining external shareholding in Delta Lloyd Lebensversicherung. The free float consisted of only 345 of the 418,000 shares (0.08%). The costs of the listing on the Düsseldorf stock exchange were totally disproportionate to the benefits. The shareholders' meeting took place in December and the shares were transferred to Delta Lloyd Deutschland AG for a set price.

#### Gross written premiums Life Germany

In millions of euros	2009	2008
<b>Group policies</b>		
<b>Traditional</b>		
Single Premium	92.5	104.2
Annual premium	65.3	61.5
Reinsurance premium	0.1	0.1
	<b>157.9</b>	<b>165.8</b>
<b>Unit Linked</b>		
Single Premium	-	-
Annual premium	-	-
Reinsurance premium	-	-
	-	-
<b>Individual policies</b>		
<b>Traditional</b>		
Single Premium	200.8	211.6
Annual premium	179.7	28.3
Reinsurance premium	-	-
	<b>380.5</b>	<b>239.9</b>
<b>Unit Linked</b>		
Single Premium	39.3	40.0
Annual premium	1.2	1.5
Reinsurance premium	-	-
	<b>40.5</b>	<b>41.6</b>
<b>Total</b>	<b>578.9</b>	<b>447.3</b>

In Germany, the Group offers individual and group life insurance, principally under the Delta Lloyd brand. The life insurance products are distributed through intermediaries, in particular a nationwide network of independent financial advisers, and through its own tied-agent channel.

The result of Delta Lloyd Germany was negative (€ -68 million), but better than in 2008 (€ -115 million). The credit crunch boosted demand for products offering certainty. As a result, sales of single premium policies with a guaranteed return exceeded 2008 levels in Germany in general and also at Delta Lloyd. Gross written premiums also worked out higher than in the previous year, € 579 million

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## Segments

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versus € 447 million. The crisis depressed sales of unit-linked policies. Against this, occupational disability and term life insurance developed positively.

## 4.2 General Insurance

Gross written premiums in the General Insurance segment rose by 3% compared to 2008. This was attributable to small portfolio growth, some price increases and the fact that the 2008 figures included only the last six months of the general insurance activities in Belgium. The fierce competition and consequences of the financial crisis (e.g. a slump in car sales) were reflected in the price levels and in a 9% decrease in new business (€ 185 million compared to € 203 million in 2008).

### Segment General per country 2009

In millions of euros	The Netherlands	Belgium	Total
Gross written premiums	1,364.3	58.6	1,422.9
Operational result after tax and non-controlling interests	90.5	-2.0	88.5
Result after tax and non-controlling interests	105.6	5.4	111.0

### Segment General per country 2008

In millions of euros	The Netherlands	Belgium	Total
Gross written premiums	1,349.2	28.7	1,377.9
Operational result after tax and non-controlling interests	115.0	-2.8	112.3
Result after tax and non-controlling interests	18.9	-5.5	13.4

The result after tax of the General Insurance segment increased to € 111.0 million (2008: € 13.4 million). This was mainly due to the stabilisation of the financial markets. The combined ratio ended the year at 98.3%, which was close to the set target and higher than in 2008 (96.5%). The segment's investment result was € 130 million (2008: € -27 million). The recovery of the financial markets led to a higher investment result and lower impairments. The operational result after tax and non-controlling interests fell to € 88.5 million (2008: € 112.3 million) and accounted for 23.7% of Delta Lloyd Group's operational result after tax and non-controlling interests for 2009 (2008: 36.4%), excluding the negative contribution of the 'Other' segment to the operational result. The decline was mainly due to the increased cost of claims. The claims ratio increased due to lower premium rates, some major fires and the growing cost of claims in motor insurance. The expense ratio fell sharply, owing to the successful cost savings.

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## Segments

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### Organisation

Delta Lloyd Group offers a broad range of general insurance products, principally in the Netherlands, to both personal and commercial customers. The products are distributed using different customer and pricing strategies through intermediaries, brokers, pools and underwriting agents (Delta Lloyd), bancassurance (ABN AMRO Insurance) and direct distribution channels (OHRA). Following the sale of the Group's Dutch health insurance business to CZ (with effect from 1 January 2009), the Group distributes certain health insurance products underwritten by CZ that are sold under the Delta Lloyd and OHRA brands and for which the Group receives fees and commissions. For more information on the health insurance operations, see further.

In Belgium, following the integration of Swiss Life Belgium into Delta Lloyd, certain general insurance products are offered under the Zelia brand. And in Germany, the Group does not sell its own general insurance products but distributes insurance underwritten by third parties.

With effect from 1 January 2009, the back offices for certain personal general insurance commodity products, which had previously been combined into the General Insurance Product Group, were integrated with the product development, pricing and risk-bearing activities into the Personal General Insurance Business. The back offices for income and absenteeism activities of the Group's various brands were merged into the Income & Absenteeism Business with effect from 1 January 2009. Erasmus Insurance's commercial general insurance portfolio was integrated into Delta Lloyd General in 2009; the personal general insurance portfolio will be migrated to the Personal General Insurance Business in 2010.

### 4.2.1 The Netherlands

In the Netherlands, the general insurance segment employs a multi-brand, multi-channel strategy similar to the life insurance segment, using several distribution channels and customer and pricing segments in the general insurance market. Through the Delta Lloyd brand, the Group offers general insurance products distributed primarily through intermediaries (including underwriting agents and brokers). Under the ABN AMRO Insurance brand, it offers general insurance products distributed through the bancassurance network of ABN AMRO Bank. The Group offers OHRA brand general insurance products using the direct distribution channel. In addition, through the Virtes niche brand, the Group underwrites 'white label' products offered by third parties. The iZio and NSF brands focus exclusively on online general insurance sales.

The segment's gross written premiums in the Netherlands amounted to € 1,364 million, up from € 1,349 million in 2008. The table below shows the breakdown by brand of general insurance gross written premiums, operational result after tax and non-controlling interests and result after tax and non-controlling interests for the years ended 31 December 2009 and 2008.

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## Segments

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### Segment General per brand (NL) 2009

In millions of euros	Delta Lloyd	ABN AMRO Insurance	OHRA	Other	Total
Gross written premiums	876.7	264.3	223.3	-	1,364.3
Operational result after tax and non-controlling interests	70.8	51.0	-14.9	-16.4	90.5
Result after tax and non-controlling interests	79.7	47.8	-17.5	-4.5	105.6

### Segment General per brand (NL) 2008

In millions of euros	Delta Lloyd	ABN AMRO Insurance	OHRA	Other	Total
Gross written premiums	907.9	264.3	177.0	-	1,349.2
Operational result after tax and non-controlling interests	92.7	21.1	2.5	-1.3	115.0
Result after tax and non-controlling interests	9.1	26.4	-1.4	-15.2	18.9

### Delta Lloyd

Delta Lloyd sells its general insurance products primarily through intermediaries. The main products are motor, fire, income and absenteeism insurance, insurance packages for specific target groups (farmers, SME, self-employed persons), engineering insurance and pleasure craft insurance for both personal and commercial customers. SMEs constitute the majority of its customer base. In 2009, preparations were made to start up the direct sale of several general insurance products via Delta Lloyd Bank.

The end of October 2009 saw the successful launch of the new online Entrepreneur Package, enabling the intermediary to request direct online quotes that can then be immediately processed in the policy administration. This marks an important step in the commodity positioning of Delta Lloyd General. A second successful launch in autumn 2009 concerned a new occupational disability insurance proposition.

Delta Lloyd Engineering Insurance provided cover for the construction of the Belwind offshore wind farm off the Belgian coast, thus strengthening Delta Lloyd General's presence in renewable energy.

The Xclusief line for personal customers achieved excellent results in 2009. The premium database doubled in less than two years, and Xclusief now has more than 4,000 customers. The residential portfolio is showing steady growth, and Delta Lloyd is the undisputed leader in pleasure craft. Xclusief is also making its international mark with the insurance of yachts and super yachts. With the Xclusief line, Delta Lloyd aims to be market leader in exclusive general insurance by 2014.

In 2009, the commercial general insurance portfolio of Erasmus Insurance was integrated into Delta Lloyd General. Further progress was made with the integration and merger of NOWM Insurance into Delta Lloyd General. In addition, the Group acquired the fraud and money portfolio of Nationale Borg (provider and reinsurer of guarantees), making Delta Lloyd General market leader in this field.

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## Segments

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### **ABN AMRO Insurance**

The focus of ABN AMRO Insurance is on the sale of commodity general insurance products through the distribution network of ABN AMRO Bank (bank branches, the internet and call centres). The majority of the customer base is SMEs and personal customers, who often purchase fire and liability insurance policies in combination with mortgage and term life insurance. In the personal market, internet sales are expected to be the primary driver for growth. For the commercial market, the focus is on packaged bundles of products for SMEs and on income and absenteeism insurance.

Once Fortis Bank Nederland is integrated with ABN AMRO Bank, the ABN AMRO Insurance brand is expected to benefit from an enlarged distribution network.

The introduction of a special package for the self-employed was successful: 75% of all start-ups and self-employed persons who became bank customers took out an insurance package. Another success was the launch of a lowest price guarantee for commercial insurance products in the fourth quarter. ABN AMRO Insurance was among the Top 3 providers of occupational disability insurance, partly thanks to more competitive pricing.

Lower mortgage origination had an adverse impact on home insurance sales. By contrast, home contents and liability insurance showed a strong rise. The sale of home- and liability insurance however has increased.

The financial crisis prompted consumers to seek more certainty in their ability to continue paying their monthly mortgage costs in the event of occupational disability or unemployment. This led to a doubling of sales of the mortgage disability insurance product 'Woonzeker Arbeidsongeschiktheidsverzekering'.

### **OHRA**

Through the OHRA brand, the Group offers commodity general insurance products, including motor, fire, liability, travel and legal assistance insurance. Distribution is through the direct channel, including the internet and call centres. The cooperation with Monuta took further shape in 2009 through the joint development of an in-kind funeral insurance product. The Group's general insurance business within the OHRA organisation also includes the brands iZio, NSF and Virtes.

The iZio brand is a discount internet distributor of value-priced commodity general insurance products. NSF is used primarily as a brand for online insurance activities, with a focus on personal general insurance and pet insurance. Virtes distributes 'white label' general insurance products through brand names such as Kruidvat and Neckermann. The Group also distributes certain health insurance products underwritten by CZ but sold under the OHRA brand.

Notwithstanding difficult market conditions, the commercial activities for our key products in the personal general insurance market (mainly motor insurance) were successful. Customer retention improved strongly compared to previous years thanks to targeted activities. Profitability has strengthened across the entire general insurance chain.

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## Segments

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Price competition in the income and absenteeism market is fierce. In addition, there is a noticeable decline in the number of self-employed people insuring the risk of occupational disability. This has created challenging market conditions. OHRA has opted to concentrate on profitable growth in this market and therefore does not always follow aggressive price-cutting by competitors. Growth was realised despite this, partly thanks to several large contracts.

### 4.2.2 Belgium

In Belgium, the Group offers general insurance products (principally motor, as well as fire and liability) under the Zelia brand. These products are distributed through intermediaries, Delta Lloyd Bank Belgium's bank branches and tied agents. Gross written premiums totalled € 58.6 million, which was 10% higher than in 2008; in that year only the last six months were included in the income (€ 28.7 million).

## 4.3 Bank

All of Delta Lloyd Group's banking and mortgage activities in the Netherlands and Belgium have been brought together in Delta Lloyd Bank, which serves personal and commercial customers. Delta Lloyd Bank is active via Delta Lloyd Bank Belgium and under the names of OHRA Bank and Delta Lloyd Bank in the Netherlands. Delta Lloyd Bank Belgium offers a comprehensive range of services and products through its own bank branches and independent agents. In the Netherlands, Delta Lloyd Bank offers savings, mortgage and investment products, both via independent intermediaries and through direct channels. OHRA Bank sells these products both directly and via third parties.

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

### Bank

In millions of euros	2009	2008
New mortgages	2,401.9	1,848.0
Savings	5,671.4	2,361.1
Operational result after tax and non-controlling interests	16.7	-7.3
Result after tax and non-controlling interests	9.8	-114.4

The bank activities recovered financially from the credit crisis. Income increased due to a better interest margin resulting from lower EURIBOR rates, as well as slightly higher fee and commission

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## Segments

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income. Financing costs diminished and the loan portfolio grew. On balance, the banking activities showed a result of € 10 million (2008: € -114 million). Delta Lloyd Bank's operational result after tax and non-controlling interests for 2009 was € 17 million and accounted for 4.6% of the Group's operational result after tax and non-controlling interests (excluding the negative contribution of the 'Other' segment to the operational result after tax and non-controlling interests).

Bank solvency came under increased scrutiny from various stakeholders. Delta Lloyd Bank's solvency strengthened to a BIS ratio of 12.3 (2008: 11.3) and a Tier 1 ratio of 10.0 (2008: 10.5), due to an additional capital contribution from Delta Lloyd Group.

### **Growth in savings deposits and loan portfolio**

The growth in savings deposits that started in 2008 continued in 2009: up 140% to € 5,671 million. The total loan portfolio of the Bank segment as at 31 December 2009 amounted to € 7,447 million, with mortgage loans accounting for € 5,219.5, of which € 1,557.7 million in the Netherlands and € 3,661.9 million in Belgium.

## **4.3.1 The Netherlands**

In 2009, the banking activities in the Netherlands thrived across a broad spectrum of products. All product lines advanced on the strength of quality services, good pricing and proper attention for distribution. Amongst other things, this led to the consolidation of the leadership in the Dutch bank annuities market. In addition, income improved slightly compared to 2008 while costs were sharply reduced. This, combined with the recovery of the trading portfolio, resulted in a sharply higher result compared to 2008.

In December, Delta Lloyd Bank carried out the first successful mortgage securitisation in continental Europe since the outbreak of the credit crisis. The confidence in Delta Lloyd and its mortgages was evident from the strong investor interest and the deal, which was widely publicised in both the domestic and international press, heralded the recovery of the securitisation market.

The measures taken to achieve cost reductions and margin improvement delivered the desired effect. These will be continued in 2010, thus creating scope for investment in both key products (mortgages and bank retirement savings) and online distribution.

On 1 January 2009, Delta Lloyd Bank Netherlands stopped accepting applications for new consumer credit and credit increases. This was partly because of our choice to focus on products that entail a long-term relationship with customers and partly because of the limited size of the consumer credit operations at Delta Lloyd Bank Netherlands as well as the adverse economic conditions.

The rate of arrears on mortgage loans is low (0.2% are more than three months overdue) due to strict acceptance policies and arrears management, combined with favourable regulations and a generally prudent attitude towards mortgage lending in the Netherlands.



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## Segments

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### **Bank annuities on the rise**

Due to legislative changes in the Netherlands in 2008, the bank annuity product is now as tax-efficient as life insurance products. Thanks to their transparent nature and low costs, these bank products are a good alternative for customers, which led to exponential growth in the market for bank annuities in 2009. Delta Lloyd Bank responded rapidly to the changed tax regime by introducing new products, and with success. Delta Lloyd Bank saw its new bank annuities business soar from € 63 million to € 297 million. The market leadership the bank managed to secure as an early adopter of the product was consolidated in 2009.

### **Growing mortgage market share**

Delta Lloyd Bank realised growth in a sharply contracting mortgage market. Mortgage origination amounted to over € 1.5 billion in 2009 and Delta Lloyd thus saw its market share advance from 1.33% to 2.48%. Mortgage chains are important distribution partners for Delta Lloyd Bank and the cooperation was further intensified in 2009. In mid-2009, Delta Lloyd Bank teamed up with De Hypotheekshop to launch a commission-free net mortgage label. Delta Lloyd Bank saw its income at this mortgage chain rise by 50% in 2009 compared to 2008.

### **Savings**

In 2009, savings increased by 65% to € 2.1 billion. Both of the two strong brands, OHRA and Delta Lloyd, were able to benefit from the surge in confidence among consumers, who prefer to save rather than invest in the current market. The launch of a deposit savings account made a substantial contribution to this success.

## **4.3.2 Belgium**

In Belgium, Delta Lloyd Bank offers retail, private and commercial banking services through its own network of 93 branches as well as through 157 tied agents and direct channels, in particular the internet. Delta Lloyd Bank Belgium targets retail, private banking and commercial customers, with the focus on the retail and SME markets. In 2009, the number of customers grew to 255,000. The bank is one of the largest insurance brokers operating in Belgium.

The lending business of Delta Lloyd Bank comprises mortgage loans and consumer credit for the personal market and commercial loans, chiefly for small and medium-sized businesses and institutional customers. As at 31 December 2009, the loan portfolio consisted of € 3.55 billion in mortgage loans, € 1.48 billion in commercial loans, € 171 million in consumer credit and € 95 million in other loans. In the areas of savings and mortgage loans, Delta Lloyd Bank Belgium had market volume shares of 1.6% and 3.1%, respectively, in 2009.

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## Segments

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### **Payment services**

Delta Lloyd Bank Belgium provides national, international, internet, debit card and credit card payment services. Approximately 18 million outgoing national payment transactions and 255,000 international payments were processed in 2009. A substantial proportion of these transactions were carried out on behalf of institutional partners.

### **Fee income**

Alongside the sale of (on-balance sheet) deposits, the bank also acts as an important distribution network of 'off-balance sheet products'. The generated fees account for a substantial slice of the income. In 2009, this activity suffered from adverse market conditions. The distribution of Delta Lloyd Life's unit-linked policies is a particularly important part of this business. Private Banking also generates significant income via its open architecture offerings, while the retail banking activities generate fee income as well.

## 4.4 Fund Management

The Fund Management segment comprises the activities of Delta Lloyd Asset Management (including Cyrté Investments) and the asset management activities of various lines of business. The segment accounted for 7% of the Group's operational result after tax and non-controlling interests for 2009 (excluding the negative contribution of the 'Other' segment to the operational result after tax and non-controlling interests). Delta Lloyd Asset Management's product offering includes a range of third-party investor funds for institutional and retail customers and discretionary mandates for institutional customers. The remaining investments involved third party-institutional and retail assets. In addition, certain other business lines of the Group also manage assets.

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

The Group managed assets valued at € 67.8 billion as at 31 December 2009, of which € 48.3 billion related to the Group's own risk assets.

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## Segments

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### Stable portfolio and income

In 2009, the portfolio managed by Delta Lloyd Asset Management and the related income grew. The fee income depends entirely on the development of the net asset value of the investments under management. This income was € 110 million in 2009 (2008: € 108 million). The recovery of the equity markets only gathered momentum late in the year, so that commission expenses were lower than in 2008. In addition, savings were achieved thanks to tight cost discipline. As a consequence, the net result and the operational result after tax and non-controlling interests were higher than in 2008. Less premium income from large pension contracts ultimately led to lower net inflow into the Delta Lloyd investment funds: € 449 million compared to € 581 million in 2008.

### Fund Management

In millions of euros	2009	2008
Assets under management	67,799.1	61,211.8
Net new assets	449.5	581.0
Operational result after tax and non-controlling interests	26.5	16.0
Result after tax and non-controlling interests	21.7	9.7

The market for investment funds picked up in 2009. Investors are showing a greater willingness to accept risk in return for a higher performance. Investment funds offer the benefits of easy market access, asset diversification and risk spread. Meanwhile, banks are increasingly making use of advisory concepts, based on model portfolios consisting of third-party funds.

In 2009, the Delta Lloyd investment funds regained a large part of their value. The rally of the equity markets provided the basis for a strong performance. The positive effect of shrinking credit spreads is reflected in the buoyant performance of the bond funds.

Delta Lloyd Asset Management clearly manifested itself in the business-to-business and business-to-consumer markets. Third-party distributors (primarily ABN AMRO, ING and Rabobank) and Cyrte made significant contributions to net new assets. The star performer was the Delta Lloyd Euro Credit Fund, which combined a high inflow of funds with a strong performance. The net inflow of capital into Delta Lloyd retail investment funds through third-party distribution was € 320 million (2008: outflow of € 410 million).

Project Holland Fonds was launched halfway through 2009. This is a joint initiative of Delta Lloyd Group and Rabobank, aimed at helping Dutch listed companies that are in great need of substantial amounts of capital due to the current economic climate. Project Holland Fonds aims to provide these funds and generate a good return in the process.

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## Segments

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### Real estate

The Group maintains an own risk real estate portfolio valued at € 2.7 billion as at 31 December 2009. The portfolio comprises both directly-owned residential, commercial and retail assets (with the focus on the Netherlands) and indirect exposure to real estate through other investments, namely non-listed Dutch real estate funds (€ 200 million).

The direct return (rental income) of the Dutch real estate portfolio was satisfactory at 5.1%, despite the poorer market conditions compared to the previous year. The occupancy rates of the portfolio were good: residential premises 98%, office buildings 96% and shopping centres 97%. However, due to these market conditions, the indirect return (realised and unrealised revaluations) came under pressure. On balance the Dutch real estate portfolio generated a positive total return of 1.5%.

### Cyrte Investments

The Group owns 85% of Cyrte, a fund management boutique with specialised objectives and investment strategies. Cyrte focuses on media, telecommunications and new technologies, which it believes are likely to lead the consumer markets in the near future. It targets bigger institutions and maintains its own customer base, actively seeking additional institutional discretionary mandates.

In light of the weak market conditions prevailing in 2009 investors were reluctant to commit themselves to new investments. Nonetheless, the Cyrte funds achieved good performances. Cyrte Fund IV (Africa Online) was launched towards the end of 2009.

## 4.5 Other

In the Other segment, Delta Lloyd Group reports the results of business operations that are not related to the specific segments. This comprises the Group's mortgage activities that do not fall within the Life Insurance or Bank segments (Amstelhuys), the label activities for Health, overhead costs (Group funding and Corporate Staff) and other non-core activities, principally the Health run-off.

### Other

In millions of euros	2009	2008
Operational result after tax and non-controlling interests	-8.6	-0.1
Result after tax and non-controlling interests	-147.0	-94.9

### 4.5.1 Amstelhuys

In the Netherlands, the Group uses Amstelhuys (a wholly-owned subsidiary of Delta Lloyd Group, which is not included in the Bank segment) as originator of most of its residential mortgage portfolio and as a funding vehicle. All activities relating to mortgages have been outsourced to Delta Lloyd Bank in the Netherlands. The Amstelhuys mortgage portfolio amounted to € 7.3 billion in 2009 (2008: € 5.9 billion). Amstelhuys raises finance for mortgages by arranging securitisations, making use of the balance sheet of Delta Lloyd Bank and tapping other entities within Delta Lloyd Group. The resulting flexible funding mix makes it possible to respond to the prospects and opportunities that arise in the various market segments.

One of the main lines of business of Amstelhuys consists of securitisation, i.e. the sale of mortgages to institutional investors, for example. Securitisation is an important form of funding for banks and the global market for new securitisations had practically come to a halt since the autumn of 2007.

The securitisation that Delta Lloyd Group effected at the end of 2009 provided further confirmation of the Group's strength of initiative and powerful position as well as the quality of its mortgage portfolio. Via Amstelhuys, Delta Lloyd Bank sold Dutch mortgages worth about € 900 million to institutional investors, such as insurers and pension funds, mainly from the Netherlands, France, Spain and the United Kingdom.

### 4.5.2 Health insurance

On 1 January 2009, the health insurers of Delta Lloyd Group were transferred to CZ. Since that date, Delta Lloyd Group markets health insurance products under the Delta Lloyd and OHRA brands; CZ acts as the underwriter for these policies. CZ is a strategic partner of the Delta Lloyd Group and distributes loss-of-income insurance products supplied by the Group. In addition, a cross-sell agreement allows the Group to offer insurance, investment and bank products to CZ customers.

It was agreed as part of the sale on 1 January 2009 to CZ that all pre-existing risks and activities as at said date would remain for the account and risk of Delta Lloyd Group but would actually be handled by CZ. These run-off activities cover all current income and expenses relating to risks of the former health operations that already existed on 1 January 2009. Including the initial sales proceeds, this generated a net positive result of € 72.3 million in the Other segment in 2009.

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## 5 Financial statements 2009

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This chapter includes the consolidated financial statements, the company financial statements and other information. These financial statements have been authorised for issue by the Executive Board, following their approval by the Supervisory Board on 3 March 2010. The General Meeting of Shareholders will be asked to adopt these financial statements at the Annual Meeting on 27 May 2010.

### 5.1 Consolidated financial statements

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

The reporting segments in use within Delta Lloyd Group have been structured on the basis of the above activities. These segments are life insurance, general insurance, banking, fund management and other activities. Further details are given in section 5.1.7.4.

Until 3 November 2009, CGU International Holdings BV of Amsterdam, a wholly-owned subsidiary of Aviva plc, with its head office in London, was the ultimate holder of Delta Lloyd NV's entire ordinary share capital. On 3 November 2009, 38.1% of the share capital was issued to third parties in a public offering. In addition, Fonds NutsOhra holds an interest in the form of ordinary shares and preference shares A of 7.9%.

#### 5.1.1 Accounting policies

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

##### Changes in accounting policies

An amendment to International Accounting Standard (IAS) 40 Investment Property took effect on 1 January 2009. From that date, property under development for future use as investment property comes under IAS 40 instead of IAS 16. Consequently, property and equipment (accounting policy P and section 5.1.7.12) of € 17.8 million has been reclassified as investment property (accounting policy Q and section 5.1.7.13), and the basis for measurement has changed from historical cost less impairment to fair value. This change of accounting policy has no effect on equity and result.

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### Balance sheet 2008 restated figures

In millions of euros	Before adjustments	Restatements for the takeover of Swiss Life Belgium	Restated for pension obligations	Reclassifications	After adjustments
<b>Balance sheet</b>					
Goodwill	260.9	72.0	-		332.9
Acquired Value In Force (AVIF)	189.1	-22.1	-		167.0
Deferred acquisition costs	232.1	-25.1	-		207.0
Loans at fair value through profit or loss (FVTPL)	6,102.6			-80.7	6,021.9
Loans and receivables at amortised cost	12,490.2			80.7	12,570.8
Plan assets	31.4	-	14.9		46.3
Retained earnings	2,966.4	-	131.4		3,097.8
Insurance liabilities	33,811.5	8.9	15.6	-89.4	33,746.7
Liabilities for investment contracts	3,326.7	15.9	-	89.4	3,432.0
Deferred tax liabilities	179.6	-	44.5		224.1
Borrowings	8,540.2	-		361.0	8,901.2
Financial liabilities	7,163.0			-361.0	6,802.0
Other liabilities	3,304.5	-	-176.6		3,127.9

The 2008 comparative balance sheet figures have been restated as follows:

- the completion of the takeover of Swiss Life Belgium, which was made within one year as required under IFRS 3, involved a reallocation of certain balance sheet items.
- examination showed that part of the investment result related to the actuarial gains and losses on the group's own pension contract had not been fully recognised in the years 2004 to 2006. The overall impact of the correction was an increase in equity of € 131.4 million, which has been recognised through opening equity.
- certain hedged loans were incorrectly classified in 2008 as loans at fair value through profit or loss. They have been reclassified as loans and receivables at amortised cost.
- certain liabilities for investment contracts were incorrectly recognised as insurance liabilities in 2008 and have been restated accordingly.
- debt securities borrowed were incorrectly classified in previous years as financial liabilities and have been reclassified as borrowings.

#### **5.1.1.1 (A) Basis of presentation**

Delta Lloyd Group prepares its consolidated financial statements using International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union.

Delta Lloyd Group has applied the following new and amended IFRS standards and IFRIC interpretations from 1 January 2009. Their application did not affect the financial results.

#### **Revised IAS 1 Presentation of financial statements**

Revised IAS 1 changes certain requirements for the presentation of financial statements and requires additional disclosures in some cases; it also amends certain other IAS standards. For Delta Lloyd Group, the revision principally means additional disclosures in the statement of comprehensive income and an additional column in the balance sheet and relevant notes to present the restated 2008 figures.

#### **Amendments to IFRS 1 and IAS 27**

These amendments relate to first-time adoption of IFRS and deal with the cost of investments in subsidiaries, jointly-controlled entities and associates in the separate financial statements of a parent company. These amendments do not affect Delta Lloyd Group's financial statements as it is not a first-time adopter.

#### **Restructured IFRS 1 First-time adoption of IFRS (early adoption)**

The restructured IFRS 1 replaces the existing IFRS 1, making the standard easier to use and amend in the future. The restructured IFRS 1 also removes some outdated transitional guidance and contains some minor changes in wording. As the current requirements have not changed, the restructuring of IFRS 1 does not have an impact on Delta Lloyd Group's equity and result.

#### **Amendment to IFRS 2 Share-based payment**

The changes to IFRS 2 only address the definition of vesting conditions (terms for eligibility for share-based payment) and the accounting treatment of cancellations by parties other than the entity itself. These amendments do not have an impact on Delta Lloyd Group's equity and result.

#### **Amendments to IFRS 7 Financial instruments and IFRS 4 Insurance contracts**

The amendments relate to disclosures on fair value measurement and liquidity risk relating to financial instruments. An insurer does not need to present the maturity analysis required under sections 39(a) and (b) of IFRS 7 if instead it provides information on the estimated timing of the net cash outflows on recognised insurance liabilities. These amendments have not affected the notes to Delta Lloyd Group's financial statements as the maturity analysis is presented on the basis of sections 39(a) and 39(b) of IFRS 7.

#### **IFRS 8 Operating segments**

This standard replaces IAS 14 Segment reporting with respect to the disclosure of information relating



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## Financial statements 2009

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to an entity's business units (segments), income from its products and services, the geographical areas in which it operates and its major customers. This standard means that a number of additional line-items have been added to the notes to Delta Lloyd Group's financial statements. There have been no changes in the identified operating segments (services) and geographical segments compared with 2008. Although the segment information for the Executive Board is based on the IFRS figures as presented in the financial statements, there are certain differences which are disclosed in section 5.1.7.4 'Segmental information'.

### **Revision of IAS 23 Borrowing costs**

The objective of IAS 23 is to prescribe the accounting treatment of borrowing costs, as part of an asset to be capitalised or as a charge. The main change is to eliminate the option to expense borrowing costs relating to assets that take a substantial period of time to get ready for use or sale immediately when such costs are incurred. This revision has no effect on Delta Lloyd Group as it had not used the option to expense such borrowing costs.

### **Amendments to IAS 32 and IAS 1 on puttable financial instruments and obligations arising on liquidation**

The amendments relate to the classification of puttable financial instruments as equity rather than debt and to the related supplementary disclosures. These amendments have no effect on Delta Lloyd Group's financial statements as it does not use such financial instruments.

### **Amendments to IFRIC 9 Reassessment of embedded derivatives and IAS 39 Financial instruments: recognition and measurement**

The amendments to IFRIC 9 and IAS 39 clarify the accounting treatment of financial instruments embedded in other contracts if a hybrid financial asset in this category is measured at fair value through profit or loss. Delta Lloyd Group has not made such reclassifications. As a result, this amendment does not affect Delta Lloyd Group's financial statements.

### **Amendment to IAS 39 Financial instruments: recognition and measurement – qualifying hedged items (early adoption)**

This amendment clarifies how hedge accounting has to be applied to inflation in financial instruments and option contracts used as (one-sided risk) hedging instruments. Delta Lloyd Group does not have such hedging instruments.

### **IFRIC 13 Customer loyalty programmes**

This interpretation addresses the accounting treatment of products or services provided for free or at a discount under customer loyalty programmes. Delta Lloyd Group does not have such saving schemes and so this interpretation does not affect the financial statements.

### **IFRIC 15 Agreements for the construction of real estate**

This interpretation clarifies when an agreement for the construction of real estate is within the scope of IAS 11 or IAS 18. This is relevant for determining the time of recognition of results. This interpretation has not affected Delta Lloyd Group's result or equity.

**IFRIC 16 Hedges of a net investment in a foreign operation (early adoption)**

This interpretation clarifies how the requirements of IAS 21 and IAS 39 are to be applied in cases where an entity hedges the foreign currency risk in its net investment in foreign operations. Delta Lloyd Group only has operations in the euro area. Consequently, this interpretation does not affect the financial statements.

**IFRIC 18 Transfers of assets from customers (early adoption)**

This interpretation clarifies the IFRS treatment of contracts in which the entity receives from a customer an item of property, plant and equipment (or payments therefor) which is deployed for connecting the customer to a network of the entity or in which the customer acquires an ongoing supply of goods or services, such as gas, electricity or water. This interpretation has no effect for Delta Lloyd Group as it does not have such contracts.

**2008 Annual Improvements to IFRS**

These are minor adjustments to various IFRS/IAS standards, relating mainly to changes in presentation, recognition or measurement, and terminology and editorial changes. One of the improvements is an amendment to IAS 40 Investment Property. With effect from 1 January 2009, this amendment brings property under development for future use as investment property within the scope of IAS 40 and not IAS 16, as previously. Consequently, property and equipment (accounting policy P and section 5.1.7.12) of € 17.8 million has been reclassified as investment property (accounting policy Q and section 5.1.7.13) and the basis for measurement has changed from historical cost less impairment to fair value. This and the other adjustments have no material effect on the financial statements of Delta Lloyd Group.

The following reporting standards apply to Delta Lloyd Group with effect from 1 January 2010. They have not been adopted early by Delta Lloyd Group:

**Revised IFRS 3 Business combinations**

The revision of IFRS 3 has resulted in changes to the related parts of IAS 27 Consolidated and separate financial statements. Revised IFRS 3 establishes principles and rules on the way in which an acquiree recognises and measures the various elements in a business combination relating to the method of accounting for the acquisition transaction. It also prescribes the disclosures on such transactions. This revised standard has to be applied prospectively. Significant changes are:

- transaction costs not directly attributable to the acquisition of a business combination no longer form part of the cost of acquisition;
- the acquisition method is the only method that may be applied;
- seven exceptions have been made to the general rule that all acquired assets and liabilities are measured at fair value at the acquisition date;
- the acquiree may opt to measure a non-controlling interest separately at fair value at the acquisition date instead of at the proportionate share of the fair values of the acquired assets and liabilities.

Delta Lloyd Group already uses the acquisition method but there will be an impact on the result and

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## Financial statements 2009

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equity since transaction costs directly attributable to the acquisition of a business combination no longer form part of the cost of acquisition but have to be recognised immediately in the result. Delta Lloyd Group still has to decide on how it wishes to measure non-controlling interests.

The IASB has published new standards, amendments and interpretations that had not been endorsed by the European Union at 31 December 2009. Delta Lloyd Group will decide after endorsement by the European Union on whether it wishes to adopt these new standards, amendments and interpretations early for the 2010 financial statements.

### **IFRS 9 Financial instruments**

IFRS 9 will replace some of the existing rules for the classification and measurement of financial assets (IAS 39). The new IFRS allows a transitional period of three years until 2012 during which entities may opt to continue applying the existing rules. The heart of the changes is that the 'available for sale' category will be eliminated for financial assets and so from now on there are only two categories (market value and amortised cost) and measurement of financial assets is based on the business model and the financial asset's contractual terms. If the European Union endorses this standard as proposed, it could have a material effect on Delta Lloyd Group's result and equity depending on the market conditions at the time of transition.

### **2009 Annual Improvements to IFRS (issued on 16 April 2009)**

These are minor adjustments to various IFRS/IAS standards. Delta Lloyd Group is investigating whether they affect the result and equity.

### **Amendment to IAS 24 Related party disclosures (mandatory from 1 January 2011)**

This amendment relaxes the disclosures required for government-related entities and clarifies the related-party definition. This amendment does not have an impact on Delta Lloyd Group.

### **Amendment to IAS 32 Financial instruments – Presentation (mandatory for financial years beginning on or after 1 February 2010)**

This amendment addresses the accounting treatment of rights issues (rights, options and warrants) denominated in a currency other than the entity's functional currency. Previously, such rights were treated as derivatives but, as a result of the amendment of IAS 32, they must be classified as equity if certain conditions are met. Delta Lloyd Group only issues rights in its functional currency and so this amendment has no effect.

### **Amendment to IFRIC 14 (mandatory from 1 January 2011)**

IFRIC 14 is an interpretation of IAS 19 Employee benefits. The amendment only affects an entity's pension provision if it is below the minimum funding requirement and a voluntary prepayment is made to recover the situation. The amendment allows the entity to recognise the benefit of such a payment as an asset.

### **IFRIC 17 Distributions of non-cash assets to owners (mandatory for financial years beginning on or after 1 July 2009)**

This interpretation applies to the accounting treatment of dividends paid in full or in part in non-cash assets at the discretion of the shareholder and does not apply to common control transactions. The dividend obligation in non-cash assets must be measured at the fair value of the assets to be distributed and any difference with the carrying value must be recognised through profit or loss.

**IFRIC 19 (mandatory for financial years beginning on or after 1 July 2010)**

This interpretation clarifies the IFRS requirements if an entity renegotiates the conditions of a financial liability with its creditor and the creditor agrees to full or partial repayment of the financial obligation in shares of the entity or other equity instruments.

**Insurance Contracts**

In accordance with IFRS 4 Insurance Contracts, Delta Lloyd Group has applied existing practices under Dutch accounting guidelines for insurance and discretionary and non-discretionary participating investment contracts, modified as appropriate to comply with the IFRS framework and applicable standards. See accounting policy E for further details. One exception to this is the designated insurance liabilities, which are measured on the basis of current market interest rates, as allowed for under IFRS 4. See accounting policy L for further details.

**Other**

Unless stated otherwise, assets and liabilities are carried at historical cost. Where necessary, assets are shown net of impairment charges. Income and expenses are allocated in accordance with the matching principle. Expenses are accounted for in the expense category to which they relate. As far as related to the acquisition of new business, expenses are classified as acquisition costs for insurance and investment contracts. Further information on the recognition of acquisition costs is given in accounting policy J. Financial assets and liabilities that are of a current nature (i.e. recoverable/payable within one year) are also recognised at cost. The difference between cost and fair value is insignificant. Derivative financial instruments, which are measured at fair value irrespective of their term, are an exception.

Items included in the financial statements of each of Delta Lloyd Group's entities are measured in the currency of the primary economic environment in which that entity operates ('the functional currency'). The consolidated financial statements are stated in euros, which is Delta Lloyd Group's key functional currency and also the presentation currency. Unless otherwise stated, the amounts shown in these financial statements are in millions of euros. Calculations in the tables are made using unrounded figures; as a result, rounding differences can occur.

IAS 1 Presentation of Financial Statements, requires a distinction between current and non-current assets and liabilities in the consolidated balance sheet, unless a liquidity-based presentation provides better insight. For an insurance group, close control over liquidity, asset and liability matching, and highly-regulated capital and solvency positions is considered more relevant. The current/non-current distinction is therefore not given for insurance-related items. Further details of their risk management are provided in section 5.1.7.37.

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## Financial statements 2009

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As the income statement of Delta Lloyd NV for 2009 is incorporated in the consolidated financial statements, an abridged company income statement is presented in the company financial statements, in accordance with section 2:402 of the Netherlands Civil Code.

The consolidated cash flow statement is prepared in accordance with the indirect method. A distinction is drawn between cash flows from operating, investing and financing activities. Cash flows arising from dividends, investment income and the purchase and sale of investments are classified as operating activities since they relate to the core activities of Delta Lloyd Group.

### 5.1.1.2 (B) Use of assumptions and estimates

The preparation of financial statements requires Delta Lloyd Group to make estimates and assumptions that affect items reported in the consolidated balance sheet and income statement and the disclosure of contingent assets and liabilities at the date of the financial statements. The insurance liabilities are subject to estimates and assumptions. These estimates and assumptions are based on managements best knowledge of current facts, circumstances and, to some extent, future events and actions. Important assumptions made by management are explained in the relevant note. Actual results may ultimately differ, possibly significantly, from those estimates. As far as such estimates or assessments have a significant impact on the financial statements, an explanation is provided in section 5.1.7.28.

### 5.1.1.3 (C) Consolidation principles

#### Subsidiaries

Subsidiaries are those entities (including Special Purpose Entities) in which Delta Lloyd Group has power to exercise control over financial and operating policies in order to gain economic benefits. Subsidiaries are consolidated from the date on which effective control is transferred to Delta Lloyd Group and are excluded from consolidation from the date effective control is lost. To ensure consistency, the accounting policies used by the subsidiaries have been aligned with those applied by Delta Lloyd Group. All intercompany transactions, balances and unrealised gains and losses on transactions between subsidiaries are eliminated.

Delta Lloyd Group recognises subsidiaries acquired in a business combination using the acquisition method. The acquisition price is determined as the sum of the fair value of assets given up, equity instruments issued and any acquisition-related liabilities and direct costs. 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 taken to the income statement.

Investment funds in which Delta Lloyd Group has power to exercise control, either directly or indirectly, are consolidated. As Delta Lloyd Group is obliged to acquire non-controlling interests in such funds in the event that these are offered, they are classified as liabilities and appear as 'financial liabilities' in the consolidated balance sheet (see section 5.1.7.33). These liabilities are recognised at fair value through profit or loss. For further details refer to accounting policy I and accounting policy U.

### **Associates**

Associates are entities over which Delta Lloyd Group has significant influence, but which it does not control. Generally, it is presumed that Delta Lloyd Group has significant influence where it has between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method of accounting. This method takes account of any goodwill calculated on acquisition net of impairment charges since the acquisition date. Under this method, the cost of the investment in the associate, together with Delta Lloyd Group's share of that associate's post-acquisition changes to equity, is included as an asset in the consolidated balance sheet. Where necessary, the accounting policies adopted by the associates were changed to ensure they are consistent with the policies adopted by 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 the investment is consolidated. All intercompany transactions, balances and unrealised gains and losses on transactions with associates have been 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 undertaking, Delta Lloyd Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the entity.

### **Securitisations**

Delta Lloyd Group has securitised part of its residential mortgage portfolio in 'special purpose vehicles' (SPVs). Under these transactions, beneficial ownership of these mortgage receivables was transferred to the SPVs. Delta Lloyd Group does not directly or indirectly hold shares in these SPVs or their parent companies (see also section 5.1.7.17). The SPVs are included in the consolidated financial statements of Delta Lloyd Group if the economic reality of the relationship between Delta Lloyd Group and the SPV means it has control of the SPV, or if Delta Lloyd Group retains part of the risks and economic benefits.

#### **5.1.1.4 (D) Foreign currency translation**

Foreign currency transactions are accounted for at the exchange rates against the functional currencies prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

Translation differences on debt securities and other monetary financial assets measured at fair value through profit or loss are included in foreign exchange gains and losses in the income statement. Monetary available-for-sale financial assets are treated as if they are carried at amortised cost in the foreign currency. For such financial assets, exchange differences resulting from changes in amortised cost are recognised in profit or loss. Other changes in fair value are included in the investment revaluation reserve within equity.

Translation differences on non-monetary items, such as equities which are held at fair value through profit or loss (see accounting policy U), are reported as part of fair value changes through profit or loss, while such differences on available-for-sale equities are included in the revaluation reserve within equity. Translation takes place at exchange rates prevailing when the fair value is determined.

#### **5.1.1.5 (E) Product classification**

Insurance contracts are defined as those transferring significant insurance risk but only if, at the inception of the contract, an insured event could cause an insurer to pay substantial additional benefits in a possible scenario, excluding scenarios that lack commercial substance. Insurance risk is considered significant if the payment on occurrence of an insured event differs at least 10% from the payment if the event does not occur. These contracts are considered insurance contracts throughout the remaining term to maturity, irrespective of when the insured event occurs. Any contracts not qualifying as insurance contracts under the IFRS definitions are classified as investment contracts. These contracts are treated in accordance with IAS 39. Contracts can be reclassified to insurance contracts after inception if insurance risk becomes significant.

Some insurance and investment contracts contain a participating feature, the value and timing of which depend on decisions taken by management. The participating feature is a discretionary right to receive additional benefits as a supplement to guaranteed benefits. These contracts are referred to as discretionary participating (DPF) contracts if the additional benefits are likely to be a significant portion of the total contractual benefits, and if the amount of the benefit or the date of grant is at the discretion of Delta Lloyd Group. Furthermore, 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.

#### **5.1.1.6 (F) Income and expenses relating to insurance contracts**

##### **Premiums**

Premiums on life insurance contracts and participating investment contracts are recognised as income when receivable. For single-premium business, this is the date from which the policy is effective. For regular-premium contracts and additional contributions, receivables are recognised at the moment payments are due. Premiums on unit-linked insurance contracts are recognised when the corresponding liabilities are recognised. Premiums are shown gross of commission and before any sales-based taxes and duties. When policies lapse due to non-receipt of premiums, all accrued premium income is debited to premium income from the date on which the policies are deemed to have lapsed.

General insurance premiums written reflect business incepted during the year, and exclude any sales-based taxes or duties. Unearned premiums are those proportions of the premiums written in a year that relate to periods of risk after the reporting period. Unearned premiums are computed principally on a daily, monthly or quarterly pro rata basis. Premiums relating to underwritten policies are recognised with a three-month delay.

No premium income is recognised in the income statement for investment contracts without discretionary participating features (non-DPF). Recognition of fee income on such contracts is explained in accounting policy G.

##### **Claims and benefits**

Life insurance benefits reflect the cost of all claims arising during the year, including handling costs, as well as policyholder bonuses accrued in anticipation of bonus declarations.

General insurance claims incurred include all losses occurring during the year, whether reported or not, related claims handling costs, a reduction for the value of salvage and subrogation, and adjustments to claims outstanding from previous years.

Claims handling costs relate to internal costs incurred in connection with the settlement of claims. Internal claims handling costs include the direct expenses of the claims department and attributed general expenses.



#### **5.1.1.7 (G) Income and expenses relating to investment contracts**

##### **Income**

Investment contract policyholders are charged fees for policy administration, investment management, surrenders and other contract services. These fees are recognised as revenue in the period in which they arise unless they relate to services to be provided in future periods. If the fees are for services to be provided in future periods, they are deferred and recognised when the service is provided.

Policyholders are charged an initial fee on certain non-participating investment and investment management contracts. If the fee relates to an investment management services component, the fee is deferred and amortised as the services are rendered. If there is no contract for investment management services, the upfront fee is recognised as revenue on receipt. However the fee forms part of the amortised cost for investment contracts that are measured at amortised cost in the balance sheet.

##### **Expenses**

Expenses for investment contracts without discretionary participating features are recognised in so far as payments or recalculated obligations exceed the carrying value of the obligations.

#### **5.1.1.8 (H) Fee and commission income and expenses**

Fee and commission income consists primarily of investment fund management fees, distribution fees from investment funds, commission revenue from the sale of investment fund shares, and intermediary fees. These fees are recognised in the period when the services to which they relate are provided. Reinsurance commissions receivable and other commission income are recognised on the trade date.

Other fee expenses represent any uncapitalised commission expense paid during the reporting period to agents, advisers, brokers, and dealers (e.g. renewal commission).

#### **5.1.1.9 (I) Net investment income**

Investment income consists of cash and stock dividends, interest and rental income receivable for the year, fair value changes in investments through profit or loss (as defined in accounting policy U), impairment charges on available-for-sale investments, impairment charges on loans and receivables at amortised cost and book gains and losses on the sale of investments. Dividends on investments in equity securities are recorded as revenue on the ex-dividend date. Interest income is recognised as it accrues, taking into account the effective interest rate of the investment. It includes interest income as a result of interest rate differentials on forward foreign exchange contracts. Rental income is recognised on the basis of the elapsed rental period.

The realised gain or loss on disposal of an investment is the difference between the proceeds received, net of transaction costs, and its original cost or amortised cost as appropriate. Unrealised gains and losses represent the difference between the carrying value at the year end and the carrying value at the previous year end or purchase price during the year, less the reversal of previously recognised unrealised gains and losses in respect of disposals made during the year.

Income from securities lending is recognised and settled with the relevant counterparty on a quarterly basis. Income and expenses under repurchase agreements are included in the contractual transaction amount when the contract expires.

#### **5.1.1.10 (J) Acquisition costs**

Acquisition costs are fixed and variable costs arising from writing insurance contracts including direct costs and indirect costs.

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 capitalised during the financial year, plus amortisation.

Transaction costs for non-participating investment contracts and non-discretionary participating investment contracts only include costs that are taken to the income statement during the term of these contracts. Transaction costs are incremental costs that are directly attributable to the acquisition of a financial asset or financial liability, and include fees, for example for commissions paid to advisers and brokers.

Acquisition costs relating to life insurance contracts and investment contracts are amortised over a period of eight to ten years, while those relating to general insurance contracts are amortised over the period that premiums are earned.

**5.1.1.11 (K) Contracts with discretionary participation features (DPF contracts)**

Under DPF contracts, policyholders are assigned, in addition to their entitlement to a guaranteed element, an entitlement to a profit share whose timing and/or level is at the insurer's discretion. Delta Lloyd Group is entitled to decide whether this additional return is distributed to the policyholders or the shareholders, subject to the contract terms and conditions.

**The Netherlands**

Delta Lloyd Group offers one DPF product in the Netherlands, through OHRA.

**Belgium**

In the Belgian market all profit-sharing products have discretionary participating features. The discretionary participating features are defined in regulations that set out the DPF products, conditions and calculations. The actuarial service department and the Management Board define this plan, which is approved by the shareholders' meeting and must be authorised by the Belgian insurance regulator (CBFA).

DPF contracts are insurance contracts and investment contracts.

**Germany**

Profit sharing for traditional insurance policies and single-premium investment bonds 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 technical results is added to a provision for future distribution to policyholders. This percentage is based on management's assessment of the expected profit distribution and includes the expected tax amounts. The timing of the release of this provision is at the discretion of the board of Delta Lloyd Germany.

**Unallocated divisible surplus**

In Germany the difference between the assets and the liabilities relating to discretionary participating contracts is classified as a liability in a provision for unallocated divisible surplus.

**5.1.1.12 (L) Insurance and DPF investment contract provisions**

### **Life insurance business provisions**

Since 2005, Delta Lloyd Group has used market interest rates to measure the insurance liabilities for many of its products. To date, the DNB swap curve was applied for this purpose. In view of the developments in the financial markets, the DNB swap curve is no longer representative of the market rate. Consequently, Delta Lloyd Group decided to define the discount curve for its insurance liabilities from 1 January 2008 as the higher of the DNB swap curve and a yield curve derived from collateralised AAA euro-area bonds. This curve is known as the 'DLG curve'. Delta Lloyd Group believes that the DLG curve is a good representation of the market interest rate.

### **Notes**

The market interest rate is derived from financial instruments with characteristics that are as closely in line with the insurance liabilities as possible. The instruments chosen for this are almost free of credit risk and their liquidity matches that of the insurance liabilities.

Until 2008, various instruments or combinations of them led to almost the same market interest rate:

- Cash plus swaps
- Government bonds
- Corporate bonds plus credit default swaps

The illiquidity premium was negligible for most financial instruments until 2008 but has risen strongly in the current market. The yield based on swaps is much lower than the yields based on other credit risk-free instruments.

Insurance liabilities are relatively illiquid and form long-term financing with predictable development. Delta Lloyd Group believes that in view of their illiquid nature, the higher illiquidity premium has to be reflected in the market interest rate used to measure the liabilities.

Collateralised corporate AAA bonds are less liquid than swaps but are also almost free of credit risk. In outline, the structure is a secured loan, also comparable with the collateral on insurance liabilities. Consequently, Delta Lloyd Group regards these instruments as the most suitable approach to establishing the market interest rate and valuing insurance liabilities.

In accordance with IFRS 4, Insurance Contracts, all insurance and DPF investment contract liabilities are recognised on the basis of the accounting policies that applied prior to the introduction of IFRS. As an exception, the provision for life insurance and participating investment contract liabilities is calculated at the DLG curve (i.e. market interest rates instead of fixed interest) in the Netherlands and Belgium. This is the first adjustment towards the fair value measurement of the insurance liabilities in IFRS 4 Phase II.

Life insurance business provisions are calculated separately for each life operation, based on local accounting standards and general actuarial principles. The provisions are calculated on the basis of assumptions and generally include a margin for prudence. The assumptions used in the calculations

and any estimated margin for error depend on the specific situation of the entities. The principal assumptions used are set out in note 25. Explicit allowance is made within the life insurance business provisions for vested bonuses, including those arising contractually from linked investments. Movements in provisions are taken to the income statement.

The provision for guaranteed benefits for participating insurance contracts is, like all other insurance contracts, calculated in accordance with prevailing actuarial principles using a deterministic approach and a prudent set of valuation assumptions.

### ***Liability adequacy test***

IFRS 4 requires a liability adequacy test for life insurance business provisions to be incorporated at each reporting date, so that losses do not remain unrecognised.

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. This 'best estimate' provision is then increased by a risk margin for unhedgeable insurance risks.

The test is performed for each portfolio component at company level. Examples of portfolio components are 'group' and 'individual' which are then broken down into 'traditional' and 'unit-linked'. An additional test is conducted at Delta Lloyd Group level that also takes into account the unhedgeable financial insurance risks. This is done because Delta Lloyd Group has a group-wide policy for managing financial risks. Financial risks are risks to which Delta Lloyd Group is exposed to as a whole.

If the tests performed on company level as well as Delta Lloyd Group level show that the provision is inadequate, the entire deficiency is charged to the income statement.

## **General insurance**

### ***(i) Outstanding claims provisions***

Outstanding claims provisions for general insurance are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years. Movements in provisions are taken to the income statement.

Significant delays are experienced in the notification and settlement of certain types of general insurance claims, particularly in respect of liability business, including the insurance of asbestos and environmental exposures. The ultimate cost cannot be known with certainty at the reporting date.

Anticipated benefit payments as a result of disability claims are discounted, using either a fixed rate of three or four percent or the current DLG curve. Any estimate is determined within a range of possible outcomes. Further details of estimation techniques used are given in note 25.

Outstanding claims provisions are valued net of an allowance for expected future recoveries. Recoveries include assets that have been acquired by exercising rights to salvage and subrogation under the terms of insurance contracts.

Outstanding claims provisions include 'claims incurred but not reported' (IBNR) and claims handling costs. Claims handling costs include all costs incurred internally in connection with the settlement or payment of claims, and are recognised in the income statement when the claims to which the costs relate are recognised in the income statement. Related costs also include costs that cannot be associated with specific claims, but are related to claims paid or in the process of settlement, such as internal costs of the claims functions and a proportion of overheads. Legal fees, doctors' fees, loss adjusters' fees, and external costs are recognised in incurred losses.

Outstanding claims provisions include a margin for prudence. According to the guidelines of Delta Lloyd Group, each business unit's margin for prudence must ensure that the adequacy level of the general insurance business provisions (excluding disability contracts) is within a set range. To this end, the provision is set over the course of the year at a level aiming for 92.5% confidence. If the liability adequacy test shows that confidence is higher than 90% or lower than 92.5%, no addition or release is made.

***(ii) Provision for unearned premiums***

The proportion of written premiums, gross of commission payable to intermediaries, attributable to subsequent periods is deferred in a provision for unearned premiums. The change in this provision is taken to the income statement during the risk period in question to ensure that the premium reflects the insured risk throughout the policy period.

***(iii) Provision for unexpired risks***

A provision for unexpired risks is included for the items of the WGA-Own risk portfolio which were sold in the current financial year but are not expired at year end. WGA (Werkhervatting Gedeeltelijk Arbeidsgeschikten) is a Dutch government scheme related to the employment reinstatement of partially capable employees. This provision is based on the difference between the commercial premium and the premium required actuarially.

***(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).

For disclosure purposes these reimbursements have been estimated. This estimated reimbursement is reflected in note 25 'Change in 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. Related provisions are established when there is a present obligation (legal or constructive) resulting from a past event. Such amounts are not included within insurance liabilities but are disclosed under note 30 'Other provisions' in the balance sheet except for provisions for the Dutch Motor Insurers' Guarantee Fund (*Waarborgfonds der Motorrijtuigenverzekeraars* – part of the IBNR).

**5.1.1.13 (M) 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 unit fund value, plus additional non-unit-linked provisions, if required on a fair value basis. The costs to be attributed to these contracts arising from the addition of interest to the liability were deducted from investment returns.

Amortised cost is calculated as the fair value of the consideration received at the date of initial recognition, less the net effect of initial payments such as transaction costs and front-end fees. During subsequent periods, the cumulative amortisation (using the effective interest rate method) of any difference between that initial amount and the maturity value is either added or deducted, less any write-down for surrender payments. The effective interest rate is the rate at which the discounted cash payments are equal to the initial amount. At each reporting date, the amortised cost provision is determined as the estimated value of future cash flows discounted at the effective interest rate.

**5.1.1.14 (N) Reinsurance**

Delta Lloyd Group assumes and cedes reinsurance in the normal course of business, with retention limits varying by type of insurance contract. Reinsurance assets assumed are recognised in the same way as direct business, reflecting the product classification of the reinsured business. The cost of reinsurance related to insurance contracts is accounted for over the life of the underlying reinsured policies, using assumptions consistent with those used to account for the original policies.

Reinsurance assets primarily include balances due from reinsurance companies on ceded reinsurance. In the case of life insurance, this is mainly proportional reinsurance relating to group contracts. Amounts recoverable from reinsurers are estimated in a manner consistent with the insurance provisions or settled claims associated with the reinsured policies and in accordance with the relevant reinsurance contract.

If a reinsurance asset is impaired, Delta Lloyd Group reduces the carrying amount accordingly and recognises that impairment loss in the income statement. A reinsurance asset is impaired if there is objective evidence, resulting from an event that occurred after initial recognition of the reinsurance asset, that indicates that Delta Lloyd Group may not receive all amounts receivable under the terms of the contract, and if the impairment can be measured reliably.

Delta Lloyd Group only reinsures its contracts with reinsurance companies that are rated and/or whose creditworthiness is approved by the Group Reinsurance Credit Committee. For contracts with a long duration, such as life, disability or liability reinsurance, an A rating is required as a minimum. A lower rating may be acceptable for short-term reinsurance.

Premium ceded to reinsurers and income from reinsurance premiums are shown separately in the income statement.

#### **5.1.1.15 (O) Intangible assets**

##### **Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of Delta Lloyd Group's share of net assets, including the (contingent) liabilities, of the acquired subsidiary at the date of acquisition. The carrying amount of goodwill for each cash generating unit, or combination of cash generating units, is reviewed annually, or more often when circumstances or events indicate possible impairment. Goodwill is written down for impairment where the recoverable amount is insufficient to support its carrying value. The impairment is charged as expense to the income statement (other operating expenses). Further details on impairment testing and goodwill allocation and impairment testing are given in accounting policy S and section 5.1.7.10.

##### **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 equals the development of the portfolio to which it is linked. The carrying amount of AVIF is reviewed annually. The amortisation charge is part of other operating expenses. The value of the acquired in-force insurance business is reviewed annually for any impairment in value and any reductions are charged as expenses to the income statement. If the estimated values deviate from previous estimates, the amortisation periods are adjusted.



**Other intangible assets**

Other intangibles include software and customer relationships and distribution channels recognised in relation to an acquisition. Initial recognition on acquisition is at fair value (cost). During subsequent periods they are recognised at cost net of amortisation and impairment. Both purchased software and internally developed software are recognised, but the latter only qualifies for recognition if it is identifiable, if Delta Lloyd Group has power to exercise control over such software and if such software will generate positive future cash flows. Purchased and proprietary software are amortised using a straight-line method over their useful lives, with a maximum of three years. The amortisation charge is included in the income statement under 'Other operating expenses'.

Customer relationships and access to distribution channels, when acquired in a business combination, are capitalised when the definition of an intangible asset is met and the fair value can be measured reliably. Customer relationships gained through the acquisition of Bank Nagelmackers in Belgium (up to the end of 2005) have been capitalised and are amortised over five years.

On the acquisition of ABN AMRO Insurance the access to the ABN AMRO distribution channel was separately identified as an intangible asset which is amortised over 30 years. This represents the duration of the agreement with ABN AMRO Bank. Access to the distribution channels recognised on the acquisition of Erasmus Insurance and Eurolloyd is amortised over 20 years.

Amortisation periods for other intangible assets are reviewed once a year. If the estimated values deviate from previous estimates, the amortisation periods are adjusted. Circumstances can lead to impairment.

**5.1.1.16 (P) Property and equipment**

Owner-occupied properties (under construction) are carried at historical cost less accumulated depreciation and impairment. The historical cost of assets that take a long time to develop, and owner-occupied properties in particular, also includes capitalised borrowing costs. All other items classified as equipment in the balance sheet are carried at historical cost less accumulated depreciation and impairments.

Depreciation of the other items of property and equipment to their residual values is calculated on a straightline basis over their estimated useful lives as follows:

Land	No depreciation
Properties (own use)	40 years
Properties under construction (own use)	No depreciation
Computer equipment	4 years
Furniture, fixtures	5 years

If an asset consists of different 'components' with different useful lives and/or different residual values, the asset is broken down into those components, which are then depreciated separately.

The useful life and residual value are reviewed once a year. If the estimated values deviate from previous estimates, adjustments are made.

Where the carrying amount of an asset is greater than its estimated recoverable amount, the impairment is taken to the income statement. Gains and losses on disposal of property and equipment, representing the difference between the sales price and the carrying value, are taken to the income statement in the period in which the property or equipment is sold.

Repairs and maintenance are charged to the income statement during 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.

#### **5.1.1.17 (Q) Investment property**

Investment property (under construction) is held for long-term rental yields and is not occupied by Delta Lloyd Group. Investment property (under construction) is measured at its fair value, which is supported by market evidence, as assessed by qualified external valuers. Changes in fair value are recognised in the income statement within net investment income.

#### **5.1.1.18 (R) Inventories of real estate projects**

Inventory of real estate projects comprises real estate that is offered for sale as part of normal business operations or is being built or developed for that purpose. It is, therefore, real estate acquired with the sole intention of being sold in the near future or for development and resale and is not held for long-term rental yields (see note 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 capitalised financing charges if the real estate takes a substantial period of time to develop. Net realisable value is the estimated selling price to be realised as part of normal business operations less the estimated costs of completion and the estimated costs required to bring about the sale.

If a real estate project is sold, the carrying value is recognised as an expense in the period in which the related revenues are accounted for. The amount of impairment to net realisable value and all losses on inventory are recognised in the period in which the write-down or loss takes place (see note S 'Impairment of non-financial assets').

#### **5.1.1.19 (S) Impairment of non-financial assets**

Property and equipment and other non-financial assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

##### **Goodwill**

The carrying amount of goodwill for each cash generating unit, or combination of cash generating units, is reviewed annually, or more often when circumstances or events indicate possible impairment. Goodwill is written down for impairment where the recoverable amount is insufficient to support its carrying value.

The recoverable amount relating to life activities is determined using the market consistent embedded value (MCEV). The MCEV calculation is based on expected future cash flows and shows an estimate of fair value.

The recoverable amount relating to non-life activities is defined as the higher of the present value of the expected future profit flows generated by the cash generating unit (value in use) and the fair value, less selling expenses.

To test for possible goodwill impairment, the recoverable amount of the relevant cash generating units is determined on the basis of a discounted cash flow calculation. This calculation is an appraisal value and is based on the discounted expected future cash flows from the operations over a 25-year period. Goodwill relating to the ABN AMRO Insurance division has also been tested using the discounted cash flow method. This method also applied to the value of the distribution channels. Cash flows are discounted over the remaining life of the contract with ABN AMRO Bank (24 years).

Expected cash flows for future periods have been obtained from the plan figures for the 2010 – 2012 period. Expected cash flows for later periods have been extrapolated, taking into account the growth rate.

Key assumptions used for the calculation are:

- Growth rate represents the rate applied to extrapolate new business contributions beyond the business plan period and is based on management's best estimate of future growth. The rate is in line with industry expectations and varies between 0.0% and 3.0%.
- Risk-adjusted discount rate represents the rate used to discount expected profits from future new business. The discount rate is a combination of a risk-free rate and a risk margin to make prudent allowance for the risk that actual events in future years may differ from those assumed. The rate varies between 3.5% and 5.0% (2008: 6.7% and 7.5%).
- The applied risk premium is between 5.5% and 7.0%, depending on the risk level of the activities involved.

**Other non-financial assets**

An impairment loss is recognised on other non-financial assets for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. The selling price is the fair value less selling expenses. The value in use is the discounted value of the expected future cash flows generated by the asset in question. The assessment as to whether an impairment has occurred takes place at the level of the separate asset or the smallest identifiable cash flow-generating entity.

**5.1.1.20 (T) Derecognition and offset of financial assets and financial liabilities**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the company 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
- the company has transferred its rights to receive cash flows from the asset and either
  - (a) has transferred substantially all the risks and rewards of the asset, or
  - (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

**5.1.1.21 (U) Financial investments**

Delta Lloyd Group classifies its investments as either financial assets at fair value through profit or loss (FV), available-for-sale financial assets (AFS), or loans and receivables (see accounting policy W). The classification depends on the purpose for which the investments were acquired, and is determined by Delta Lloyd Group at initial recognition. In general, the FV category is used where this eliminates an accounting mismatch. An accounting mismatch can exist for insurance contracts where the insurance liability is measured using market-based interest rates. Furthermore several securitised mortgages, the 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 relevant assets are equally classified in this category. The fair value is determined on the basis of the current swap curve, while the probability of early repayment is set at 7%. Details of securitised mortgages are given

in note 17.

The category 'at fair value through profit or loss' has two sub-categories – those that meet the definition as being held for trading and those Delta Lloyd Group chooses to designate as FV on initial recognition (referred to in this accounting policy as 'other than trading'). A number of investments held by the entities in Delta Lloyd Banking are classified in the held for trading category, in addition to derivatives.

Purchases and sales of investments are recognised at fair value plus transaction costs when the trade occurs; i.e., on the date on which Delta Lloyd Group commits to purchase or sell the assets. In case of purchases, the fair value includes transaction costs. In the case of sales, transaction costs are deducted. Debt securities and other fixed income investments are initially measured at fair value including transaction costs. The amortised cost is set annually for the purpose of the appropriation of the interest amounts in the income statement. With this the difference between the initial value and future repayment is charged or credited to the income statement as amortisation, using the effective interest rate method. The initial amortised cost is calculated as the fair value including transaction costs.

Investments classified as trading, other than trading and AFS are subsequently carried at fair value. Changes in the fair value of trading and other than trading investments are included in the income statement in the period in which they arise. Changes in the fair value of securities classified as AFS, except for impairment losses and relevant foreign exchange gains and losses, are recorded in a specific investment revaluation reserve within equity.

Investments carried at fair value are measured using a fair value hierarchy as described in note 39. The fair values of investments are based on quoted bid prices or amounts derived from cash flow models. Fair values for unlisted equity securities are estimated using applicable price/earnings or price/cash flow ratios defined to reflect the specific circumstances of the issuer. Preference shares are measured using the discounted cash flow method. The discount rate applied is the market interest rate based on the 10-year government bond yield; where necessary, this rate is increased by a bad debt risk margin. When securities classified as AFS are sold or impaired, the accumulated fair value adjustments are transferred out of the revaluation reserve to the income statement.

### **Impairment**

Delta Lloyd Group reviews the carrying value of its investments on a regular basis. If the carrying value of an investment is greater than the recoverable amount for a prolonged period, the carrying value is reduced through a charge to the income statement in the period of decline. The following policies are used to determine the level of any impairment:

***(a) Financial assets carried at amortised cost***

A financial asset or a group of financial assets carried at amortised cost is considered to be impaired when there is objective evidence of impairment as a result of events occurring after the date of the initial recognition (a 'loss event'), and when that event has an impact on the estimated future cash flows. Objective evidence that a financial asset or a group of assets is impaired includes observable data that comes to the attention of Delta Lloyd Group about the following loss events:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or repeated delinquency in payment of interest or principal;
- the lender entering bankruptcy or a financial reorganisation;
- the disappearance of an active market for that specific asset because of financial difficulties;
- observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Delta Lloyd Group, including:
  - adverse changes in the payment status of borrowers in the Delta Lloyd Group;
  - national or economic conditions that correlate with defaults on the assets in the Delta Lloyd Group.

Delta Lloyd Group first assesses whether objective evidence of impairments exists for financial assets that are individually significant. If Delta Lloyd Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and assesses them collectively for impairment. Assets that are individually assessed for impairment and for which an impairment loss is recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has occurred on loans and receivables carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the future estimated cash flows discounted at the financial asset's original effective interest rate. Future credit losses that have been incurred are not taken into account. The impairment is recognised in the income statement. If a financial investment has a variable interest rate, the discount rate for measuring the impairment loss is the current effective interest rate determined in the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related to an event occurring after the impairment was recognised, the previously recognised impairment is reversed and added to the income statement.

***(b) Financial assets carried at fair value***

Delta Lloyd Group assesses at each reporting date whether objective evidence exists that an AFS financial asset is impaired. In the case of equity instruments classified as AFS this means a significant or prolonged decline in the fair value of the security below its cost. Significant is defined as:

- at least 20% over an uninterrupted period of six months; or
- more than 40% on the reporting date.

Prolonged is defined as measured below cost for more than a year. Delta Lloyd Group uses a graduated scale for the period between six months and one year and for a decline in value up to 20%, to determine whether a financial asset available for sale is impaired.

If the impairment proves to be structural, Delta Lloyd Group may decide to recognise impairment despite the period being less than six months. Impairment losses on equity securities cannot subsequently be reversed through the income statement.

The following rules for impairment apply to debt securities available for sale. Government bonds are only written down if it is certain that they will not be redeemed. This also applies to corporate bonds, but they are also written down if it is known that the issuer is in financial difficulties.

If such evidence exists, the cumulative loss, measured as the difference between the acquisition cost and the current fair value (excluding previously recognised impairment losses) is removed from equity and recognised in the income statement. If, in a subsequent period, the fair value of a debt instrument classified as AFS 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.

**5.1.1.22 (V) Derivative financial instruments**

Derivative financial instruments include foreign exchange contracts, interest rate futures, currency and interest rate swaps, currency and interest rate options (both written and purchased), swaptions, and other financial instruments that derive their value mainly from underlying interest rates, foreign exchange rates, commodity values or equity instruments. All derivatives are initially recognised in the balance sheet at their fair value, which usually represents their cost. They are subsequently measured at their fair value through profit or loss. Fair values are obtained from quoted market prices or, if these are not available, by using valuation techniques such as discounted cash flow models or option pricing models. All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative. Premiums paid for derivatives are recorded as an asset on the balance sheet at the date of purchase, representing their fair value at that date.

Derivative contracts may be traded on an exchange or over-the-counter (OTC). Exchange-traded derivatives are standardised and include certain futures and option contracts. OTC derivative contracts are individually negotiated between contracting parties and include forwards, swaps, caps and floors. Derivatives are subject to various risks including market, liquidity and credit risk, similar to those related to the underlying financial instruments.

The notional or contractual amounts associated with derivative financial instruments are not recorded as assets or liabilities on the balance sheet as they do not represent the potential gain or loss associated with such transactions. These amounts are disclosed in note 38.

**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 these derivatives have been designated for this and the following conditions have been met.

Before hedge accounting can be used, Delta Lloyd Group documents the hedging objective and strategy, the relationship between the hedged position and the derivative used as the hedging instrument, and the method used to assess the effectiveness of the hedge relationship. Before hedge accounting is applied, it has been established that the hedge is likely to be highly effective. During the hedging period, the effectiveness is tested and documented for each reporting period. A hedge is considered to be effective if the change in the fair value of the hedged position is offset almost fully by a change in the fair value of the hedging instrument. A bandwidth of 80 – 125% applies for this.

Changes in the fair value of derivatives designated as 'fair value hedges' which meet the set conditions are recognised in the income statement under Result from derivatives. Changes in the fair value of the hedged assets are disclosed under the same heading, to the extent that those changes relate to the hedged risk. The net effect of this is that only the ineffective part of the hedge influences the result.

An adjustment in the carrying value of a hedged financial instrument is amortised and credited or charged to the income statement under Result from derivatives from the moment at which the carrying value was first adjusted and during the anticipated remaining life of the hedged instrument.

**Derivatives not included in a hedge relationship**

Changes in the value of derivatives that are not included in a hedge relationship are taken direct to income statement and presented separately in Result from derivatives.



**5.1.1.23 (W) Loans and receivables**

Loans and receivables with fixed maturities, including policyholder loans, issued loans, mortgage loans, securitised mortgages and loans, are recognised when cash is advanced to borrowers. Valuation of these loans and receivables, excluding loans which are initially recognised as 'at fair value through profit and loss', is based on amortised cost, using the effective interest rate method taking impairments into account as necessary. To the extent that loans and receivables are not collectible, they are written off as impaired. Subsequent recoveries are credited to the income statement.

The recognition of impairment losses on loans is explained under (a) of accounting policy U.

**5.1.1.24 (X) Capitalised acquisition costs**

Costs directly attributable to the acquisition of new business for insurance and participating investment contracts are capitalised provided they are covered by future margins on these contracts. For non-participating investment contracts and investment fund management contracts, incremental acquisition costs and sales enhancements that are directly attributable to securing investment management services are also capitalised.

Life insurance business capitalised acquisition costs are amortised systematically over a period no longer than the period in which they are expected to be recovered out of these margins. Deferrable acquisition costs for investment management services in relation to non-participating investment contracts are amortised over the period in which the service is provided. Capitalised acquisition costs relating to general insurance are amortised over the period in which the related revenues are earned.

Capitalised acquisition costs are reviewed by category of business at the end of each reporting period and are written off where they are no longer considered to be recoverable.

**5.1.1.25 (Y) Cash and cash equivalents**

Cash and cash equivalents consist of cash at banks and in hand, deposits held at call with banks, treasury bills and other short-term highly liquid investments with less than 90 days maturity from the date of acquisition. For the purposes of the cash flow statement, cash and cash equivalents also include bank overdrafts, which are included within payables and other financial liabilities on the balance sheet.

#### **5.1.1.26 (Z) Borrowings**

Borrowings are recognised initially at their issue proceeds less transaction costs incurred. Subsequently, borrowings are stated at amortised cost, and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Notes issued by Delta Lloyd Levensverzekering and Delta Lloyd Bank Belgium in relation to securitised mortgage loans are recognised at amortised cost. The majority of the borrowings of Amstelhuys are recognised at fair value through profit or loss in the income statement under 'other operating income', even though they were initially recognised as loans and receivables under IAS 39. 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. This means that the Fair Value Option under IAS 39 is applied. These notes are restated to fair value through profit or loss at each period end, using the current three-month EURIBOR rates. Differences between the fair values and market values thus calculated are negligible. Details of the notes are given in note 32.

As explained in note 32, the fair value of borrowings is calculated on the basis of future cash flows discounted at a market interest rate.

#### **5.1.1.27 (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.

##### **Reserves**

Reserves consist of the share premium account, the revaluation reserve and other reserves. The share premium account includes calls paid on shares in excess of the nominal value. The revaluation reserve only comprises the revaluation of AFS investments including value changes taken to equity less deferred tax liabilities and less any part of the revaluation allocated to the DPF provision.

**Dividend available for distribution**

Dividend available for distribution on ordinary shares are recognised in equity in the period in which they are declared and, for the final dividend, approved by shareholders. Dividend available for distribution on preference shares are recognised in the income statement as interest cost or taken to equity in the period in which they are declared and approved, dependent on the classification of the financial instruments.

Delta Lloyd Group may only pay a dividend if the sum of the share capital and reserves so permits by law. The profit remaining after additions to reserves have been made shall first be used to pay a dividend on the preference shares. The profit remaining after distribution of the preference share dividend is at the disposal of the shareholders' meeting.

**5.1.1.28 (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 purchased 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.

**5.1.1.29 (AC) Leases**

Leases where a significant portion of the risks and rewards of ownership is retained by the lessor are recognised as operating leases. Payments made as lessee under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

There are no material finance leases affecting Delta Lloyd Group as either lessor or lessee.

#### **5.1.1.30 (AD) Provisions and contingent liabilities**

Provisions are recognised when Delta Lloyd Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the scope of the obligation can be made. If Delta Lloyd Group deems it virtually certain that a provision will be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset.

The restructuring provisions include redundancy payments to employees and the cost of non-cancellable rental commitments.

Delta Lloyd Group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the reporting date.

Liabilities that do not meet the criteria for recognition as outlined above are disclosed as contingent liabilities in the notes, unless the possibility of an outflow of economic benefits is deemed to be remote.

#### **5.1.1.31 (AE) Employee benefits**

Employee entitlements to annual leave and long-term leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service bonuses accumulated up to the reporting date.

##### **Pension obligations**

Delta Lloyd Group operates a number of defined benefit and defined contribution plans in all countries in which it operates, the assets of which are generally held in separate investment funds. The pension plans are generally funded by payments from employees and by the relevant subsidiaries, reflecting the recommendations of qualified actuaries.

For defined benefit plans, the pension expenses and obligations are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the income statement so as to spread the regular cost over the service lives of employees, in accordance with actuarial calculations. Additionally, the interest cost and the expected return on plan assets are included in the pension cost. The pension obligation is measured as the present value of the estimated future outflows using a discount rate based on market yields for high-quality corporate bonds. Plan assets at fair value are deducted from pension obligations. The resulting pension plan surplus or deficit appears as an

asset or liability in the consolidated balance sheet, reflecting the extent to which repayments can be expected. Plan assets are assets held by a fund that is legally separated from Delta Lloyd Group, with the exception of non-transferable financial instruments issued by the Group. These plan assets may only be used to pay employee benefits; they may not be used to meet any other obligations of the Group. Delta Lloyd Group has opted to recognise actuarial gains and losses directly in the income statement.

For defined contribution plans, Delta Lloyd Group pays contributions to collectively or individually administered pension plans. Once the contributions have been paid, Delta Lloyd Group, as employer, has no further payment obligations. Delta Lloyd Group's contributions are charged to the income statement.

In the Netherlands the Delta Lloyd pension fund has reinsured its pension obligations with Delta Lloyd Levensverzekering, a subsidiary, and as a result the related investments do not qualify as plan assets. To avoid double statement of the assets and the liabilities, the insurance liabilities and the associated cash flows are eliminated. See note 31 for details.

### **Other employee benefits**

Some subsidiaries offer retirees or their surviving dependants certain benefits on reaching retirement age. The entitlement is usually paid in the form of compensation for social security contributions. Delta Lloyd Group additionally offers long-service bonuses, leave schemes for senior employees and early retirement schemes.

### **Share-based and performance-related compensation plans**

Until 3 November 2009, Delta Lloyd Group operated a Phantom Option Plan. Under this plan phantom options were granted annually to certain members of staff and the management of Delta Lloyd Group. An initial payment was not required. A phantom option 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. Subject to the fulfilment of the set performance criteria, the phantom options vest at the end of the performance period. The vesting date is exactly three years after the date of grant of the options. The exercise period is five years from the vesting date. Until 3 November 2009, the Phantom Option Plan was recognised as other long-term employee benefits. Until that date, Delta Lloyd Group recognised a liability and an expense based on the intrinsic value of these options at the reporting date.

On 3 November 2009, the terms and conditions of the Phantom Option Plan were modified and since that date the 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 over each vesting period is determined by reference to the fair value of the liability incurred for the options granted. The fair value of the options granted is measured using a binomial tree model, taking into account the terms and conditions under which the options were granted. The vesting conditions are included in the assumptions with respect to the number of the options that are expected to become exercisable. At each reporting date, the company

revises the estimates of the number of options that are expected to become exercisable. Furthermore, Delta Lloyd Group re-measures the fair value at each reporting date and at the settlement date of the options and recognises all changes immediately in the income statement and applies a corresponding adjustment to the liability.

The new performance-related incentive plan, applying from 1 November 2009, comprises short-term and long-term plans. The short-term incentive plan consists of a cash amount that will be paid out on the basis of the achievement of predefined qualitative and quantitative performance measures. Payment of part of the incentive may be deferred for a period up to three years. The long-term incentive plan consists of a grant of Delta Lloyd Group shares that becomes unconditional depending on performance and continued employment at Delta Lloyd Group. Performance is measured related to shareholder value, return on equity, continuation of employment and customer satisfaction. The value of the share award at the moment of vesting is capped at the basic salary. For members of the Executive Board, there is an additional holding period of two years before options can be exercised. A reasonableness test will be applied before payment is made. Both plans apply to the Executive Board and to a selected group of (senior) managers.

#### **5.1.1.32 (AF) Income taxes**

The tax expense is based on the taxable profits for the year, after any adjustments in respect of prior years and changes in deferred tax assets and liabilities. Tax is allocated to the result before taxation and amounts charged or credited to reserves, as appropriate.

Provision is made for deferred tax liabilities and deferred tax assets on all material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

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 substantially enacted at the reporting date are used to determine the deferred tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be compensated.

Deferred taxes are not provided in respect of temporary differences arising from the initial recognition of goodwill, or from goodwill for which amortisation is not deductible for tax purposes, or from the initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting profit nor taxable profit or loss at the time of the transaction.

Deferred tax related to fair value re-measurement of AFS investments and other amounts taken directly to equity is recognised in the balance sheet as a deferred tax asset or liability.

#### **5.1.1.33 (AG) Discontinued operations and assets held for sale**

Assets held for disposal as part of operations which are discontinued or held for sale are recorded at the lower of their carrying amount and their fair value, less the expected cost to sell the assets.

#### **5.1.1.34 (AH) Segment Reporting**

Organisationally, reports to the Executive Board at Delta Lloyd Group are based on both operations and divisions. Delta Lloyd Group bases its operating segments on the nature of the products and services provided, i.e. the nature of operations. This choice was made as operations will be taking a more prominent role in the decision-making and management process for allocating resources and measuring and evaluating financial performance. The following operating segments have been identified: Life insurance, General insurance, Bank, Fund Management and Other.

All transactions between the segments are at arm's length.

Although the segment information for the Board of Directors is based on the IFRS figures, as shown in the financial statements, there are some exceptions which are explained in note 4 'Segmental information'.

### **5.1.2 Consolidated balance sheet**

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### Consolidated balance sheet

In millions of euros	31 December 2009	31 December 2008	1 January 2008
<b>Assets</b>			
Goodwill (O, 10)	331.3	332.9	205.4
AVIF and other intangible fixed assets (O, 11)	147.7	167.0	195.6
Deferred acquisition costs (X, 19)	222.9	207.0	207.9
Property and equipment (P, 12)	202.7	262.6	225.2
Investment property (Q, 13)	2,457.1	2,366.5	2,168.1
Associates (C, 14)	427.0	193.6	340.3
Deferred tax assets (AF, 29)	27.3	24.3	11.7
Debt securities (U, 15)	20,265.1	18,512.1	18,601.3
Equity securities (U, 15)	14,766.2	13,725.4	14,276.6
Derivatives (V, 15, 38)	582.0	1,363.9	305.7
Loans at fair value through profit or loss (FVTPL) (W, 15)	6,696.9	6,021.9	5,898.3
Loans and receivables at amortised cost (W, 15, 16)	14,517.9	12,570.8	11,979.8
Reinsurance assets (H, N, 26)	632.9	722.0	1,282.4
Plan assets (AC, 31)	21.2	46.3	34.7
Inventory of real estate projects (A, 20)	75.8	98.8	83.7
Receivables and other financial assets (A, 18)	2,222.2	2,038.3	3,021.0
Current tax assets	43.8	54.4	74.1
Capitalised interest and prepayments (A)	635.1	585.2	503.7
Cash and cash equivalents (Y)	1,500.8	2,551.4	957.9
Assets held for sale (AG, 3)	204.1	1,358.2	1,957.5
<b>Total assets</b>	<b>65,980.0</b>	<b>63,202.8</b>	<b>62,331.1</b>
<b>Capital and reserves (AA, 21)</b>			
Share capital	33.1	107.1	107.1
Ordinary share premium	357.4	91.8	91.8
Revaluation reserves (23)	466.0	-143.3	1,278.1
Revaluation reserves of assets held for sale (3)	-	-3.7	5.4
Other reserves	39.8	-	-
Retained earnings (24)	2,991.3	3,097.8	3,485.0
<b>Total capital and reserves attributable to parent</b>	<b>3,887.6</b>	<b>3,149.7</b>	<b>4,967.4</b>
Non-controlling interests	320.1	267.5	237.4
<b>Shareholders funds</b>	<b>4,207.7</b>	<b>3,417.2</b>	<b>5,204.9</b>
<b>Liabilities</b>			
Insurance liabilities (L, 25)	35,316.8	33,746.7	31,307.7
Liabilities for investment contracts (K, L, M, 27)	3,754.0	3,432.0	2,209.7
Pension obligations (AE, 31)	1,647.2	1,572.0	1,499.9
Provisions for other liabilities (AD, 30)	192.1	134.3	107.7
Deferred tax liabilities (AF, 29)	187.6	224.1	271.9
Borrowings (Z, 32)	8,346.6	8,901.2	9,472.2
Derivatives (V, 38)	891.1	620.1	86.1
Financial liabilities (C, 33)	8,485.9	6,802.0	6,353.9
Current tax liabilities	-	-	45.4
Other liabilities (A, 34)	2,951.0	3,127.9	4,014.7
Liabilities relating to assets held for sale (AG, 3)	-	1,225.3	1,756.9
<b>Total liabilities</b>	<b>61,772.2</b>	<b>59,785.6</b>	<b>57,126.2</b>
<b>Total equity and liabilities</b>	<b>65,980.0</b>	<b>63,202.8</b>	<b>62,331.1</b>



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

### 5.1.3 Consolidated income statement

#### Consolidated income statement for the year ending 31 December

In millions of euros	2009	2008
<b>Income (5)</b>		
Gross written premiums (F, 5)	5,064.7	5,911.2
Outward reinsurance premiums (5)	-159.3	-119.6
<b>Net written premiums</b>	<b>4,905.4</b>	<b>5,791.6</b>
Change in unearned premiums provision	7.5	-24.9
<b>Net premiums earned (F, 4, 5)</b>	<b>4,912.9</b>	<b>5,766.7</b>
Investment income (5)	3,245.6	489.3
Share of profit or loss after tax of associates (C, 5)	-47.1	-27.8
<b>Net investment income (I, 5)</b>	<b>3,198.4</b>	<b>461.5</b>
Fee and commission income (G, H, 5)	191.6	366.2
Result on disposal of subsidiaries (2)	-	13.1
Other operating income (Y, 5)	-252.9	501.1
<b>Total investment and other income (4, 5)</b>	<b>3,137.1</b>	<b>1,342.0</b>
<b>Total income (4, 5)</b>	<b>8,050.0</b>	<b>7,108.6</b>
<b>Expenses (6)</b>		
Net claims and benefits paid (6)	3,972.0	3,557.3
Change in insurance liabilities (6)	1,906.8	1,013.4
Profit sharing and discounts	47.3	84.4
Expenses relating to the acquisition of insurance and investment contracts	625.1	714.7
Expenses relating to the acquisition of other contracts	28.3	41.2
Finance costs (6)	777.3	873.5
Other operating expenses	901.2	1,028.5
<b>Total expenses</b>	<b>8,258.0</b>	<b>7,313.0</b>
<b>Result before tax from continuing operations (4, 5)</b>	<b>-208.0</b>	<b>-204.3</b>
Current tax (AF, 9)	-55.5	-32.1
Result after tax from discontinued operations (AG, 3)	72.3	19.0
<b>Net result</b>	<b>-80.2</b>	<b>-153.2</b>
<b>Attributable to:</b>		
Delta Lloyd NV shareholders	-123.6	-160.8
Non-controlling interests	43.3	7.6
<b>Net result</b>	<b>-80.2</b>	<b>-153.2</b>

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## Financial statements 2009

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### Earnings per share

In euro	2009	2008 1)
Basic earnings per share	-1.28	-1.20
Basic earnings per share discontinued operations	0.47	0.13
<b>Basic earnings per share including discontinued operations</b>	<b>-0.81</b>	<b>-1.07</b>
Diluted earnings per ordinary share continuing operations (AB, 22)	-1.18	-1.20
Diluted earnings per ordinary share discontinued operations (AB, 22)	0.44	0.10
<b>Diluted earnings per ordinary share including discontinued operations</b>	<b>-0.74</b>	<b>-1.10</b>

1) The weighted average number of shares issued for 2008 were adjusted for share split of nominal value € 1.00 to € 0.20.

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

## 5.1.4 Consolidated statement of comprehensive income

### Consolidated statement of comprehensive income

In millions of euros	2009	2008
<b>Net result</b>	<b>-80.2</b>	<b>-153.2</b>
<b>Other comprehensive income</b>		
Changes in value of financial instruments available for sale	481.4	-2,110.0
Transfer of available-for-sale equity relating to DPF contracts to provisions	6.5	-8.5
Impairment losses transferred to income statement	493.3	928.8
Realised gains/losses on revaluations of financial instruments available for sale transferred to income statement	-418.2	-160.2
Foreign exchange differences	-2.4	2.8
Fair value adjustments associates	137.0	-182.7
Disposal of subsidiaries	3.2	0.7
Aggregate tax effect	-61.3	121.1
<b>Total other comprehensive income</b>	<b>639.4</b>	<b>-1,408.1</b>
<b>Total comprehensive income</b>	<b>559.2</b>	<b>-1,561.3</b>
<b>Attributable to:</b>		
Delta Lloyd NV shareholders	506.5	-1,591.3
Non-controlling interests	52.7	30.0
<b>Total comprehensive income</b>	<b>559.2</b>	<b>-1,561.3</b>

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

## 5.1.5 Consolidated statement of changes in equity

### Consolidated statement of changes in equity

In millions of euros	Ordinary share capital	Preference shares	Ordinary share premium	Revaluation reserves	Other reserves	Retained earnings	Total capital and reserves attributable to parent 1)	Non-controlling interests	Total equity
At 1 January 2008	29.9	77.1	91.8	1,283.5	-	3,353.6	4,836.0	237.4	5,073.4
Effect of pension adjustment	-	-	-	-	-	131.4	131.4	-	131.4
<b>Restated opening balance</b>	<b>29.9</b>	<b>77.1</b>	<b>91.8</b>	<b>1,283.5</b>	<b>-</b>	<b>3,485.0</b>	<b>4,967.4</b>	<b>237.4</b>	<b>5,204.9</b>
Total other comprehensive income	-	-	-	-1,430.5	-	-	-1,430.5	22.4	-1,408.1
Result for the period	-	-	-	-	-	-160.8	-160.8	7.6	-153.2
Dividends	-	-	-	-	-	-226.4	-226.4	-	-226.4
<b>At 31 December 2008</b>	<b>29.9</b>	<b>77.1</b>	<b>91.8</b>	<b>-147.0</b>	<b>-</b>	<b>3,097.8</b>	<b>3,149.7</b>	<b>267.5</b>	<b>3,417.2</b>
<b>At 1 January 2009</b>	<b>29.9</b>	<b>77.1</b>	<b>91.8</b>	<b>-147.0</b>	<b>-</b>	<b>3,097.8</b>	<b>3,149.7</b>	<b>267.5</b>	<b>3,417.2</b>
Total other comprehensive income	-	-	-	613.0	-	17.0	629.9	9.3	639.3
Result for the period	-	-	-	-	-	-123.6	-123.6	43.3	-80.2
Repurchase and cancellation of Preference B shares	-	-77.1	-	-	37.1	-	-40.0	-	-40.0
Funding of repurchase of preference B shares by ordinary shares	0.5	-	39.5	-	-	-	40.0	-	40.0
Warrant exercised by Fonds NutsOhra	0.2	-	21.5	-	2.7	-	24.4	-	24.4
Warrant exercised by Aviva	2.5	-	204.5	-	-	-	207.0	-	207.0
<b>At 31 December 2009</b>	<b>33.1</b>	<b>-</b>	<b>357.4</b>	<b>466.0</b>	<b>39.8</b>	<b>2,991.3</b>	<b>3,887.6</b>	<b>320.1</b>	<b>4,207.7</b>

1) Attributable to shareholders of Delta Lloyd NV

The impact of pension adjustments and changes in accounting policies on equity and profit after tax is explained in section 5.1.1. Profit and losses not recognised in net income concerns the equity allocation of the items specified in section 5.1.4. The movement in other reserves in 2009 is a tax adjustment on the acquisition of Swiss Life Belgium.

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## Financial statements 2009

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The changes in ordinary share capital, preference shares and ordinary share premium in 2009 arose from the restructuring in the context of the public offering of Delta Lloyd NV and are explained in section 5.1.7.21. During the restructuring, the preference shares B (nominal value € 77.1 million) held by Aviva were repurchased for € 40.0 million and this led to a movement of € 37.1 million in other reserves. Aviva's exercise of the warrant on the subordinated loan also led to a movement in other reserves (€ 2.7 million). The dividend payments and dividend policy are explained in sections 5.1.7.24 and 5.3.1.

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

### 5.1.6 Consolidated cash flow statement

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### Consolidated cash flow statement for the year ending 31 December

In millions of euros	2009	2008
Net result	-80.2	-153.2
Net result from discontinued operations	72.3	19.0
<b>Net result from continuing operations</b>	<b>-152.5</b>	<b>-172.2</b>
<b>Adjustments for:</b>		
- Tax	-55.5	-32.1
- Depreciation	21.3	31.9
- Amortisation	242.5	335.1
<b>Impairments of:</b>		
- Intangible assets	1.5	12.1
- Property and equipment	0.4	-
- Financial investments	493.3	928.8
- Associates	-	6.5
- Loans and receivables including insurance receivables	9.1	33.7
Result on sale of investment property	-2.2	-0.3
Net unrealised fair value loss on financial assets and investment property	-287.1	1,147.4
Share of profit or loss from associates	47.1	27.8
<b>Cash generating profit of the year</b>	<b>317.8</b>	<b>2,318.7</b>
Net (increase)/decrease in intangible assets related to insurance and investment contracts	3.2	3.5
Net (increase)/decrease in other intangible assets	-258.2	-82.3
Net (increase)/decrease in investment property	53.5	-55.5
Net (increase)/decrease in investment property	-167.0	-236.2
Net (increase)/decrease in plan assets	25.1	-11.6
Net (increase)/decrease in associates	-134.9	101.3
Net (increase)/decrease in debt securities	-1,522.2	388.5
Net (increase)/decrease in equity securities	721.1	-3,876.3
Net (increase)/decrease in other investments	115.0	261.9
Net (increase)/decrease in equity securities	-310.3	-133.4
Net (increase)/decrease in loans and receivables	-1,955.2	-621.2
Net (increase)/decrease in reinsurance assets	89.1	560.4
Net (increase)/decrease in other assets	906.3	378.5
Net (increase)/decrease in receivables and other financial fixed assets	-299.9	717.4
Net (increase)/decrease in prepayments and accrued income	-49.9	-81.6
Net (decrease)/increase in insurance contract liabilities	1,570.1	2,439.0
Net (decrease)/increase in investment contract liabilities	322.0	1,222.3
Net (decrease)/increase in pension obligations	133.0	98.6
Net (decrease)/increase in tax assets / liabilities	62.5	-99.7
Net (decrease)/increase in borrowings (revaluation)	80.6	-535.7
Net (decrease)/increase in other liabilities	-1,402.2	-1,418.4
Net (decrease)/increase in financial liabilities	1,683.9	778.0
Net movement in derivative financial instruments	-450.1	86.8
<b>Subtotal</b>	<b>-466.7</b>	<b>2,203.1</b>

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### Consolidated cash flow statement for the year ending 31 December

In millions of euros	2009	2008
<b>Subtotal</b>	<b>-466.7</b>	<b>2,203.1</b>
Corporation tax paid	-35.9	45.8
<b>Net cash flow from operating activities</b>	<b>-502.5</b>	<b>2,248.8</b>
Net cash flow from operating activities of discontinued operations	-499.3	371.6
	<b>-1,001.8</b>	<b>2,620.4</b>
<b>Cash flow from investing activities</b>		
New equity capital	-	-4.2
Acquisition of associates	-145.8	-
Disposal of associates	-	15.3
Acquisition of subsidiaries, including cash and cash equivalents acquired	-	-65.6
Disposal of subsidiaries, including cash and cash equivalents sold	245.6	4.4
Purchases of property and equipment	-16.8	-26.3
Proceeds from sale of PPE	3.9	12.7
<b>Net cash flow from investing activities</b>	<b>86.9</b>	<b>-63.7</b>
Net cash flow from investing activities of discontinued operations	-	0.1
<b>Total</b>	<b>86.9</b>	<b>-63.6</b>
<b>Cash flow from financing activities</b>		
Proceeds from borrowings	1,359.4	520.3
Repayments of borrowings	-1,994.3	-885.6
Dividends paid to shareholders	-	-226.4
Dividends paid to non-controlling interests	-	-
<b>Net cash flow from financing activities</b>	<b>-635.0</b>	<b>-591.6</b>
Net cash flow from financing activities of discontinued operations	-	-16.6
<b>Total</b>	<b>-635.0</b>	<b>-608.2</b>
Net (decrease)/increase in cash and cash equivalents	-1,050.6	1,593.5
Net (decrease)/increase in cash and cash equivalents of discontinued operations	-499.3	355.1
Cash and cash equivalents at beginning of year	2,551.4	957.9
Net (decrease)/increase in cash and cash equivalents	-1,050.6	1,593.5
<b>Cash and cash equivalents at year end</b>	<b>1,500.8</b>	<b>2,551.4</b>
Cash and cash equivalents of discontinued operations at beginning of year	499.3	144.2
Net (decrease)/increase in cash and cash equivalents of discontinued operations	-499.3	355.1
<b>Cash and cash equivalents of discontinued operations at year end</b>	<b>-</b>	<b>499.3</b>
<b>Total cash and cash equivalents at 31 december</b>	<b>1,500.8</b>	<b>3,050.7</b>
Cash and cash equivalents Delta Lloyd Group Health (3)	-	499.3
Cash and cash equivalents consolidated balance sheet	1,500.8	2,551.4
<b>Further details on cash flow from operating activities</b>		
Interest paid	791.9	855.0
Interest received	1,763.5	1,841.9
Dividends received	363.3	486.4

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

## **5.1.7 Notes to the consolidated financial statements**

### **5.1.7.1 (1) Exchange rates**

Almost all Delta Lloyd Group's operations are carried out in the euro area. There are no significant operations outside the euro area.

The overall currency result was a gain of € 3.0 million in 2009 (2008: loss of € 1.5 million).

### **5.1.7.2 (2) Subsidiaries**

Information on the principal associates as at 31 December 2009 is included in section 5.2.1.3 of the Company financial statements.

Delta Lloyd Group completed the acquisition of Swiss Life Belgium on 30 June 2008 and at that time it provisionally allocated the purchase price to the assets acquired and liabilities assumed. The net asset value of € 82.0 million and the purchase price of € 141.9 million (including € 0.2 million transaction costs) resulted in a preliminary goodwill figure of € 59.8 million at 31 December 2008. As stated in the 2008 financial statements: "the goodwill figure may be adjusted once the value measurements have been finalised". After completing a full purchase price allocation within the twelve month timeframe, the net asset value was calculated to be € 10.0 million and so the goodwill was raised by € 72.0 million to € 131.9 million.

On 1 January 2009, Zorgverzekeringen Delta Lloyd NV, OHRA Zorgverzekeringen and OHRA Ziekttekostenverzekeringen NV were sold to Onderlinge Waarborgmaatschappij Centrale Zorgverzekeraars Groep ("CZ"). Further details of this transaction are given in section 5.1.7.3 'Discontinued Operations'.

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### The acquired assets and liabilities as per 30 June 2009 are:

In millions of euros

	30 June 2009	30 June 2008 IFRS Delta Lloyd	30 June 2008 IFRS Swiss Life Belgium
<b>Assets</b>			
Intangible fixed assets	-	22.1	-
Property and equipment	23.6	23.6	23.6
Investment property	101.9	101.9	92.9
Debt securities	2,198.6	2,198.6	2,198.6
Equity securities	588.0	588.0	588.0
Loans	141.2	141.2	141.2
Reinsurance assets	35.1	35.1	35.1
Receivables and other financial assets	82.1	125.9	125.9
Other assets	46.2	25.0	25.0
Cash and cash equivalents	76.3	76.3	76.3
<b>Total assets</b>	<b>3,293.0</b>	<b>3,337.6</b>	<b>3,306.5</b>
<b>Liabilities</b>			
Insurance liabilities	1,964.0	1,955.1	2,071.8
Liabilities for investment contracts	986.8	970.9	1,036.9
Other provisions	51.7	51.7	51.7
Borrowings	176.9	176.9	176.9
Financial liabilities	28.2	25.6	25.6
Other liabilities	75.4	75.4	75.4
<b>Total liabilities</b>	<b>3,283.0</b>	<b>3,255.6</b>	<b>3,438.3</b>
Net asset acquired	10.0	82.0	
Acquisition price	141.9	141.9	
<b>Goodwill</b>	<b>131.9</b>	<b>59.8</b>	

### 5.1.7.3 (3) Discontinued operations and assets held for sale

The composition of the assets and liabilities classified as held for sale and of discontinued operations as at 31 December are:



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In millions of euros	2009	2008
<b>Assets held for sale</b>		
Delta Lloyd Group Health	-	1,355.3
Delta Lloyd Banking Division property	-	2.9
Beratungsgesellschaft für Versorgungseinrichtungen GmbH	0.2	-
Portfolio of consumer loans (Netherlands)	203.9	-
<b>Total</b>	<b>204.1</b>	<b>1,358.2</b>
<b>Liabilities relating to assets held for sale</b>		
Delta Lloyd Group Health	-	1,225.3
<b>Total</b>	<b>-</b>	<b>1,225.3</b>

### Transfer of health insurance

Delta Lloyd Zorgverzekeringen NV, OHRA Zorgverzekeringen NV and OHRA Ziektekostenverzekeringen NV were sold to Onderlinge Waarborgmaatschappij Centrale Zorgverzekeraars Group ('CZ') on 1 January 2009. These legal entities are now managed by CZ. The result of this transaction was € 34.7 million before tax on 1 January 2009.

Since 1 January 2009, CZ has performed the following activities: healthcare procurement, policy processing and settlement of healthcare claims. Delta Lloyd Group remains responsible for marketing and distribution of health insurance policies under the 'Delta Lloyd' and 'OHRA' brand names.

Until 1 January 2009, Delta Lloyd Group bore the insurance risk on the health care activities. The health-care run-off for years up to and including 2008 remains for the account and risk of Delta Lloyd Group.

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### The disposed assets and liabilities as per 1 January 2009

In millions of euros	1 January 2009
<b>Assets</b>	
Debt securities	347.0
Equity securities	62.4
Cash and cash equivalents	499.3
Other assets	566.5
<b>Total assets</b>	<b>1,475.2</b>
<b>Liabilities</b>	
Insurance liabilities	733.2
Provisions for other liabilities	7.6
Financial liabilities	32.4
Other liabilities	484.0
<b>Total liabilities</b>	<b>1,257.2</b>
<b>Disposed assets</b>	<b>218.0</b>
Cash consideration	245.6
Final settlement closing balance Delta Lloyd Group Health	7.1
<b>Result on disposal</b>	<b>34.7</b>
<b>Result after tax from discontinued operations in 2009</b>	
Income from run-off Delta Lloyd Group Health	60.9
Expenses from run-off Delta Lloyd Group Health	-10.5
Tax expenses Delta Lloyd Group Health	-12.8
<b>Result Delta Lloyd Group Health in 2009</b>	<b>37.5</b>
<b>Total result after taxation from discontinued operations in 2009</b>	<b>72.3</b>

### Summarised income statement of Delta Lloyd Group Health as at 30 June

In millions of euros	2009	2008
Total income	-	1,585.7
Total expenses	-	1,558.6
<b>Result before tax</b>	-	<b>27.0</b>
Current tax	-	8.0
<b>Net result</b>	-	<b>19.0</b>

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## Financial statements 2009

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### **Assets held for sale**

The German legal entity, Beratungsgesellschaft für Versorgungseinrichtungen GmbH, valued at € 0.2 million, was classified as held for sale in 2009. Delta Lloyd Group also decided to sell the consumer loans granted by Delta Lloyd Bank Nederland. These loans had a total value of € 203.9 million.

The sale of Delta Lloyd Bank's building in Antwerp, valued at € 2.9 million, was completed in 2009. The result of the sale was a gain of € 1.7 million.

### **5.1.7.4 (4) Segment information**

#### **(a) Operating segments**

The operating segments have been determined from the reports used by the Executive Board for strategic decision-making. The principal activity of Delta Lloyd Group is financial services, which is managed using the following reporting segments: life, general, banking, fund management and other. No operating segments have been aggregated to form these reportable operating segments.

#### **Life**

Life business comprises life insurance, savings, pensions and annuity business written by the life insurance subsidiaries, including managed pension fund business and the share of the other life and related business written by associates. Premium and investment income are the main sources of revenues for this operating segment.

#### **General**

The general insurance business provides insurance cover to individuals and businesses for risks associated with motor vehicles, property, disability and liability, such as employers' liability and professional indemnity liability. Premium and investment income are the main sources of revenues for this operating segment.

#### **Banking**

The banking division incorporates Delta Lloyd Group's retail banking and mortgage banking activities in the Netherlands, Belgium and Germany. The main sources of revenues for this operating segment are interest income and fees.

**Fund management**

The fund management business invests shareholders' and policyholders' funds, provides investment management services for institutional pension fund mandates and manages a range of retail investment products, including investment funds and unit trusts.

**Other**

Any business activities that are not reportable segments are reflected in this category. It includes Delta Lloyd Group's mortgage business as far as it not relates to the segments Life and Bank. The mortgages shown in the Life are part of the investment portfolios of life insurance companies. Furthermore, health label activities are included in this category. Overheads, such as the financing of Delta Lloyd Group, expenses incurred by corporate staff departments and other activities not related to the core segments and the results on the run-off of the Health insurance business are also classified as 'Other'.

The Eliminations column relates to intercompany eliminations between operating segments and eliminations for group purposes.

**(b) Basis of accounting**

The accounting policies of the segments are the same as those described in the section on accounting policies, unless otherwise specifically stated. Any transactions between the operating segments are on normal commercial terms and market conditions.

Segment performance is evaluated based on a profit or loss measure which in certain respects is measured differently from profit or loss in the consolidated financial statements. The Executive Board assesses the performance of the operating segments based on a measure of "Operational result after tax and non-controlling interests".

Operational result after tax and non-controlling interests as presented by Delta Lloyd Group is a non-GAAP financial measure and thus is not a measure of financial performance under IFRS. The Delta Lloyd Group presents operational result after tax and non-controlling interests because it is less affected than IFRS measures of performance by short-term external market impacts, and thus in management's view provides a better basis for assessing trends in the operational performance of Delta Lloyd Group over time. A key aspect of the calculation of operational result after tax and non-controlling interests is that it represents the normalised long-term performance of Delta Lloyd Group's investment portfolio by substituting long-term investment return for the actual IFRS investment result which is subject to short term volatility.

Operational result after tax and non-controlling interests should not be considered in isolation as an alternative to result before tax from continuing operations or other data presented in Delta Lloyd Group's financial statements as indicators of financial performance. Because it is not determined in accordance with IFRS, operational result after tax and non-controlling interests as presented by Delta Lloyd Group may not be comparable to other similarly titled measures of performance of other

companies.

The Group's operational result after tax and non-controlling interests comprises the following elements:

- the *actual technical result of the life insurance business line*, which consists of the margins earned on mortality, disability, lapses and expenses;
- the *actual technical result of the general insurance business line*, which is the summation of all the line items represented in the combined ratio;
- the *actual technical result of the banking business line*, which consists of interest income, fee income and other income less operational expenses;
- the *results from the fund management and other business lines*, adjusted for economic variances on the value of invested assets;
- the *long-term investment returns*, which are given by the reference rate (10-year collateralised AAA bond curve) on average shareholders' equity plus the risk margins earned on equities and real estate at own risk (3.5% for equity, 2.0% for property);
- the *long-term excess investment return on life policyholder assets*, which consists of a 20-basis point margin on average assets backing non-linked life insurance liabilities;
- the *long-term investment return on general insurance policyholder assets*, which is given by the reference rate (10-year collateralised AAA bond curve) on average assets backing technical liabilities; and
- *adjustments to exclude non-operational items* which reflect one-off circumstances or are otherwise, in the judgment of management, not attributable to the ongoing business operations of the Delta Lloyd Group.

The figures for operational result after tax and non-controlling interests presented have been calculated by deducting from operational result after tax and non-controlling interests (i) the actual amount of non-controlling interests for the relevant period and (ii) illustrative tax at a rate of 25.5%. The tax rate employed for this purpose is the statutory corporate tax rate in the Netherlands.

As explained under section 5.1.7.3, the health insurance business, with the exception of the Delta Lloyd and OHRA sales channels, were sold to CZ effective 1 January 2009. As a result, the health insurance business no longer represents a reportable operating segment for Delta Lloyd Group as from this date. In the segment information for 2009 the comparative figures for 2008 have been restated to reflect the business sold as of 1 January 2009. Segment information is presented for continuing operations. In contrast to IFRS, the run-off results have been recognised in determining the operational result after tax and non-controlling interests.

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### (c) Segment information provided to the Executive Board

The segment information for the reportable segments, which were reported separately to the Executive Board, for the year ended 31 December 2009 is as follows:

#### Income and result in the financial year

In millions of euros	Life	General	Bank	Fund Management	Other	Eliminations	Total 2009
<b>Income</b>							
Gross written premiums	3,641.8	1,422.9	-	-	-	-	5,064.7
<b>Net premiums earned</b>	<b>3,591.5</b>	<b>1,321.4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,912.9</b>
Interest income	1,084.5	79.9	403.9	0.2	392.5	-147.0	1,814.0
Fee and commission income	-10.7	18.9	57.6	110.2	63.2	-47.6	191.6
Total investment and other income (excl. interest income)	1,089.6	47.5	13.2	-0.1	71.1	-26.1	1,195.2
<b>Total income</b>	<b>5,754.9</b>	<b>1,467.6</b>	<b>474.7</b>	<b>110.4</b>	<b>526.9</b>	<b>-220.8</b>	<b>8,113.6</b>
Total intercompany income	125.1	61.0	210.9	16.8	488.4	-	902.2
<b>Revenue from external customers</b>	<b>5,629.7</b>	<b>1,406.5</b>	<b>263.9</b>	<b>93.6</b>	<b>38.5</b>	<b>-220.8</b>	<b>7,211.4</b>
Result after tax and non-controlling interests	-119.1	111.0	9.8	21.7	-122.8	-24.2	-123.6
<b>Operational result after tax and non-controlling interests</b>	<b>242.5</b>	<b>88.5</b>	<b>16.7</b>	<b>26.5</b>	<b>-8.6</b>	<b>-</b>	<b>365.6</b>

#### Other items included in the segmental income statement in the financial year

In millions of euros	Life	General	Bank	Fund Management	Other	Eliminations	Total 2009
Amortisation of intangible fixed assets	9.1	11.8	2.4	-	5.6	-	28.9
Depreciation on property and equipment	5.8	0.0	6.5	0.7	8.3	-	21.3
Impairment of goodwill, AVIF and other intangible fixed assets	-	-	-	-	1.5	-	1.5
Impairments of receivables	4.1	8.8	-	-	0.3	-	13.2
Reversal of impairment on receivables	-3.2	-7.3	-	-	-2.2	-	-12.7
Share of profit or loss after tax of associates	-77.5	-9.3	-	-0.0	-7.6	47.2	-47.1
Finance costs	161.0	13.2	281.2	0.0	469.2	-147.3	777.3
Current tax	-13.7	25.8	-3.0	7.7	-72.4	-	-55.5

See sections 5.1.7.10 and 11 for details of the impairment of intangible assets of € 1.5 million in the Other operating segment in 2009, relating to goodwill (€ 1.2 million) and software (€ 0.3 million).

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### Segmental balance sheet at year end

In millions of euros	Life	General	Bank	Fund Management	Other	Eliminations	Total 2009
<b>Assets</b>							
Intangible assets	95.4	49.1	5.1	-	329.4	-	479.0
Investments in associates	782.4	81.9	3.1	0.1	56.4	-496.8	427.0
Financial investments	40,113.1	2,351.7	8,821.2	-	8,080.1	-2,538.0	56,828.2
Reinsurance assets	424.7	208.3	-	-	-	-	632.9
Other assets	5,548.2	464.7	567.3	61.5	1,889.4	-918.4	7,612.9
<b>Total assets</b>	<b>46,963.9</b>	<b>3,155.7</b>	<b>9,396.7</b>	<b>61.6</b>	<b>10,355.3</b>	<b>-3,953.3</b>	<b>65,980.0</b>
<b>Total equity</b>	<b>3,731.9</b>	<b>718.3</b>	<b>355.9</b>	<b>42.4</b>	<b>-143.9</b>	<b>-496.8</b>	<b>4,207.7</b>
<b>Liabilities</b>							
Insurance liabilities	33,278.5	2,038.3	-	-	-	-	35,316.8
Borrowings	1,250.8	100.0	1,613.8	-	5,986.7	-604.8	8,346.6
Other liabilities	8,702.7	299.1	7,427.0	19.2	4,512.5	-2,851.7	18,108.9
<b>Total liabilities</b>	<b>43,232.0</b>	<b>2,437.3</b>	<b>9,040.8</b>	<b>19.2</b>	<b>10,499.2</b>	<b>-3,456.5</b>	<b>61,772.2</b>
<b>Total equity and liabilities</b>	<b>46,963.9</b>	<b>3,155.7</b>	<b>9,396.7</b>	<b>61.6</b>	<b>10,355.3</b>	<b>-3,953.3</b>	<b>65,980.0</b>
<b>Capital expenditure</b>							
Property and equipment	1.6	-	3.4	0.3	11.5	-	16.8
Intangible assets	6.0	1.9	1.5	-	0.4	-	9.8
<b>Total investments</b>	<b>7.6</b>	<b>1.9</b>	<b>5.0</b>	<b>0.3</b>	<b>11.9</b>	<b>-</b>	<b>26.7</b>

The segment information for the reportable segments, which were reported separately to the Executive Board, for the year ended 31 December 2008 is as follows:

### Income and result in the prior financial year

In millions of euros	Life	General	Bank	Fund Management	Other	Eliminations	Total 2008
<b>Income</b>							
Gross written premiums	4,533.1	1,377.9	-	-	-	0.2	5,911.2
<b>Net premiums earned</b>	<b>4,506.5</b>	<b>1,260.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.2</b>	<b>5,766.7</b>
Interest income	1,062.6	77.0	437.8	-2.5	448.4	-154.4	1,868.8
Fee and commission income	168.5	19.6	61.9	107.8	68.9	-60.5	366.2
Total investment and other income (excl. interest income)	-749.8	-91.9	-127.8	0.2	37.0	66.2	-866.1
<b>Total income</b>	<b>4,987.8</b>	<b>1,264.8</b>	<b>371.9</b>	<b>105.5</b>	<b>554.3</b>	<b>-148.5</b>	<b>7,135.6</b>
Total intercompany income	255.4	46.1	262.3	20.1	453.6	-	1,037.4
<b>Revenue from external customers</b>	<b>4,732.5</b>	<b>1,218.6</b>	<b>109.6</b>	<b>85.3</b>	<b>100.7</b>	<b>-148.5</b>	<b>6,098.2</b>
Result after tax and non-controlling interests	25.4	13.4	-114.4	9.7	-162.4	67.5	-160.8
<b>Operational result after tax and non-controlling interests</b>	<b>187.2</b>	<b>112.3</b>	<b>-7.3</b>	<b>16.0</b>	<b>-0.1</b>	<b>-</b>	<b>308.1</b>

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### Other items included in the segmental income statement in the prior financial year

In millions of euros	Life	General	Bank	Fund Management	Other	Eliminations	Total 2008
Amortisation of intangible fixed assets	13.9	11.4	2.6	-	1.1	-	29.0
Depreciation on property and equipment	16.3	0.4	6.9	0.7	7.6	-	31.9
Impairment of goodwill, AVIF and other intangible fixed assets	7.9	-	-	-	4.1	-	12.1
Impairments of receivables	1.9	5.8	-	-	5.7	-	13.4
Reversal of impairment on receivables	-4.1	-3.7	-	-	-2.5	-	-10.3
Share of profit or loss after tax of associates	-9.0	5.7	-	-	4.3	-28.8	-27.8
Finance costs	183.6	3.6	337.5	0.0	500.6	-151.9	873.5
Current tax	124.1	11.0	-48.3	2.9	-121.7	0.0	-32.1

See sections 5.1.7.10 and 11 for details of the impairment of intangible assets of € 12.1 million in 2008 in the Life and Other operating segment, relating to goodwill (€ 4.1 million), AVIF (€ 2.1 million) and software (€ 5.8 million).

### Segmental balance sheet at prior year end

In millions of euros	Life	General	Bank	Fund Management	Other	Eliminations	Total 2008
<b>Assets</b>							
Intangible assets	98.1	59.0	6.0	-	336.9	-	500.0
Investments in associates	483.4	75.0	0.7	0.1	34.2	-399.9	193.6
Financial investments	37,627.1	2,231.7	7,912.0	-	7,031.8	-2,608.5	52,194.1
Reinsurance assets	481.8	240.3	-	-	-	-	722.0
Other assets	6,802.8	571.4	470.6	67.4	1,554.8	-1,229.2	8,237.8
<b>Total assets</b>	<b>45,493.2</b>	<b>3,177.3</b>	<b>8,389.3</b>	<b>67.5</b>	<b>8,957.7</b>	<b>-4,237.6</b>	<b>61,847.5</b>
<b>Total equity</b>	<b>3,173.1</b>	<b>628.6</b>	<b>254.6</b>	<b>50.1</b>	<b>-507.2</b>	<b>-399.9</b>	<b>3,199.3</b>
<b>Liabilities</b>							
Insurance liabilities	31,676.4	2,070.3	-	-	-	-	33,746.7
Borrowings	1,526.6	90.0	2,596.0	-	7,468.1	-2,779.6	8,901.2
Other liabilities	9,117.2	388.4	5,538.7	17.4	1,996.8	-1,058.2	16,000.3
<b>Total liabilities</b>	<b>42,320.2</b>	<b>2,548.7</b>	<b>8,134.8</b>	<b>17.4</b>	<b>9,464.9</b>	<b>-3,837.7</b>	<b>58,648.2</b>
<b>Total equity and liabilities</b>	<b>45,493.2</b>	<b>3,177.3</b>	<b>8,389.3</b>	<b>67.5</b>	<b>8,957.7</b>	<b>-4,237.6</b>	<b>61,847.5</b>
<b>Capital expenditure</b>							
Property and equipment	9.9	0.3	6.5	0.1	9.4	-	26.3
Intangible assets	9.9	-	2.8	-	1.5	-	14.2
<b>Total investments</b>	<b>19.8</b>	<b>0.3</b>	<b>9.3</b>	<b>0.1</b>	<b>10.9</b>	<b>-</b>	<b>40.4</b>



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### (d) Reconciliations to the primary statements

A reconciliation of operational result after tax and non-controlling interests to result before tax from continuing operations is provided as follows:

In millions of euros	2009	2008
<b>Operational result after tax and non-controlling interests</b>	<b>365.6</b>	<b>308.1</b>
Current tax	-125.1	-116.0
Non-controlling interests	-50.3	-30.7
<b>Operational result before tax and non-controlling interests</b>	<b>541.0</b>	<b>454.7</b>
Long-term investment return	-483.1	-551.7
Actual return after profit sharing / interest accrual	-255.4	475.3
Fair value gains and losses	187.4	-367.5
Non-operational items	-159.9	-215.1
Operational result before tax and non-controlling interests from discontinued operations	-38.0	-
<b>Result before tax from continuing operations</b>	<b>-208.0</b>	<b>-204.3</b>

Reportable segments' are reconciled to total assets as follows:

### Reconciliation total assets

In millions of euros	2009	2008
Total assets operating segments	65,980.0	61,847.5
Assets held for sale	-	1,355.3
<b>Total assets</b>	<b>65,980.0</b>	<b>63,202.8</b>

Reportable segments' are reconciled to total equity and liabilities as follows:

### Reconciliation of total equity and liabilities

In millions of euros	2009	2008
Total equity and liabilities operating segments	65,980.0	61,847.5
Liabilities relating to assets held for sale	-	1,225.3
Equity of assets held for sale	-	218.0
Adjustment for group eliminations from discontinued operations	-	-88.0
<b>Total equity and liabilities</b>	<b>65,980.0</b>	<b>63,202.8</b>

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## Financial statements 2009

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### (e) Entity-wide disclosures

#### Geographical areas

Delta Lloyd Group operates in three main geographical areas. These are the Netherlands, Belgium and Germany. Revenue by area does not differ materially from revenue by geographical origin, as most risks are located in the countries where the contracts were written.

#### Gross written premiums in the financial year

In millions of euros	2009	2008
The Netherlands	3,812.2	4,934.9
Belgium	673.5	529.0
Germany	578.9	447.3
<b>Total</b>	<b>5,064.7</b>	<b>5,911.2</b>

#### Provision income and fees in the financial year

In millions of euros	2009	2008
The Netherlands	160.0	227.4
Belgium	-2.5	96.2
Germany	34.1	42.6
<b>Total</b>	<b>191.6</b>	<b>366.2</b>

#### Interest income in the financial year

In millions of euros	2009	2008
The Netherlands	1,239.6	1,397.0
Belgium	430.8	313.0
Germany	143.5	158.8
<b>Total</b>	<b>1,814.0</b>	<b>1,868.8</b>

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### Assets per geographical area at year end

In millions of euros	The Netherlands 2009	The Netherlands 2008	Belgium 2009	Belgium 2008	Germany 2009	Germany 2008
Goodwill	331.3	332.9	-	-	-	-
AVIF and other intangible fixed assets	141.4	160.3	5.1	4.9	1.2	1.9
Deferred acquisition costs	178.8	180.6	25.6	13.3	18.5	13.2
Property and equipment	101.8	155.0	60.5	64.2	40.4	43.5
Investment property	1,731.4	1,699.9	107.3	120.3	618.4	546.3
Associates	424.7	193.6	-	-	2.3	-

### Major customers

Revenues of approximately € 211.0 million (2008: € 565.0 million) are derived from a single external customer. These revenues are attributable to the Life segment.

#### 5.1.7.5 (5) Details of income

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### Details of income in the financial year

In millions of euros	2009	2008
<b>Premiums earned</b>		
Life	3,641.8	4,533.1
General	1,422.9	1,378.1
<b>Gross written premiums</b>	<b>5,064.7</b>	<b>5,911.2</b>
<b>Premiums ceded to reinsurers</b>		
Life	-50.3	-26.6
General	-109.0	-93.0
<b>Net written premiums</b>	<b>4,905.4</b>	<b>5,791.6</b>
Gross movement in provision for unearned premiums	5.9	-11.7
Reinsurers' share of movement in provision for unearned premiums	1.6	-13.2
<b>Net movement in provision for unearned premiums</b>	<b>7.5</b>	<b>-24.9</b>
<b>Net premiums earned</b>	<b>4,912.9</b>	<b>5,766.7</b>
<b>Net investment income</b>		
Interest income	1,814.0	1,868.8
Net rental income	129.8	124.0
Dividends	363.3	487.0
Movements in the fair value of investments classified as held for trading	43.3	-39.9
Movements in the fair value of investments classified as other than trading (FVTPL)	1,877.0	-2,018.9
Realised gains and losses on investments available for sale	-75.1	-768.7
Result from loans and receivables	13.3	-25.2
Result from derivatives	-848.2	895.5
Other investment income	-71.9	-33.5
Share of profit or loss after tax of associates	-47.1	-27.8
<b>Total investment income</b>	<b>3,198.4</b>	<b>461.5</b>
<b>Fee and commission income</b>		
Fee income from investment contract business	1.4	9.6
Fund management fee income	110.3	104.5
Other fee income	10.8	193.2
Total income from reinsurance premiums	18.8	14.7
Other commission income	50.3	44.2
<b>Total fee and commission income</b>	<b>191.6</b>	<b>366.2</b>
Result on disposal of subsidiaries	-	13.1
Other operating income	-252.9	501.1
<b>Total income</b>	<b>8,050.0</b>	<b>7,108.6</b>

€ 161.4 million of Other derivatives has been reclassified for the year 2008 between 'movements in the fair value of investments classified as other than trading' and 'result for derivatives' for comparative purposes.

The result from derivatives for the year 2009 compared to 2008 is strongly influenced by the unrealised fair value changes (2009: € -1,328.6 million and 2008: € 599.5 million).

Other operating income mainly consists of the revaluation of the loan notes issued by the Arena and DARTS companies in relation to the securitised mortgage loans.

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### Gross written premiums Life in the financial year

In millions of euros	Individual insurance	Group insurance	Individual investment	Group investment	Total
Single Premium	639.5	833.6	344.5	39.4	1,857.1
Annual premium	1,050.0	612.3	38.3	42.5	1,743.1
Reinsurance	40.7	0.9	-	-	41.6
<b>Total</b>	<b>1,730.2</b>	<b>1,446.8</b>	<b>382.8</b>	<b>82.0</b>	<b>3,641.8</b>

### Gross written premiums Life in the prior financial year

In millions of euros	Individual insurance	Group insurance	Individual investment	Group investment	Total
Single Premium	743.8	1,852.4	191.1	29.9	2,817.3
Annual premium	1,055.8	517.1	22.2	36.8	1,631.9
Reinsurance	76.4	7.5	-	-	83.9
<b>Total</b>	<b>1,876.1</b>	<b>2,377.0</b>	<b>213.3</b>	<b>66.7</b>	<b>4,533.1</b>

### Result on outward reinsurance in the financial year

In millions of euros	2009	2008
Life	11.7	11.0
General	104.7	58.5
<b>Total</b>	<b>116.4</b>	<b>69.4</b>

Front-end fees for reinsurance contracts are recognised as income from reinsurance premiums and is therefore not included in the above statements.

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### Interest income in the financial year

In millions of euros	2009	2008
Debt securities available for sale	108.6	117.1
Debt securities held for trading	4.2	8.7
Debt securities other than trading (FVTPL)	631.5	572.6
<b>Total debt securities</b>	<b>744.3</b>	<b>698.4</b>
<b>Total mortgage loans</b>	<b>585.6</b>	<b>596.2</b>
Deposits	17.3	10.5
Issued loans	164.5	139.2
Loans to banks	28.4	70.3
Loans and advances to clients	101.2	99.9
Cash and cash equivalents	37.6	65.2
Other	135.0	189.1
<b>Other interest income</b>	<b>484.1</b>	<b>574.2</b>
<b>Total interest income</b>	<b>1,814.0</b>	<b>1,868.8</b>

Financial assets not designated at fair value through profit or loss includes interest income of € 768.3 million (2008: € 883.4 million), calculated using the effective interest rate method.

The interest income also include the current, but not yet received, interest on loans which are impaired for € 0.3 million (2008: € 0.5 million).

### Result from derivatives in the financial year

In millions of euros	2009	2008
Movement in fair value of the hedging instrument	-	-82.6
Movement in fair value of the hedged positions	2.9	81.4
Amortisation of the fair value of the hedged positions	-10.3	-0.7
<b>Movements in fair value of derivatives held for fair value hedge accounting</b>	<b>-7.4</b>	<b>-1.9</b>
Other derivatives	-840.8	897.4
<b>Total result from derivatives</b>	<b>-848.2</b>	<b>895.5</b>

#### 5.1.7.6 (6) Details of expenses

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### Details of expenses in the financial year

In millions of euros	2009	2008
<b>Claims and benefits paid</b>		
Life	3,236.4	3,434.7
General	860.8	764.6
<b>Total claims and benefits paid</b>	<b>4,097.2</b>	<b>4,199.3</b>
<b>Claim recoveries from reinsurers</b>		
Life	-88.9	-606.0
General	-36.3	-36.0
<b>Total claim recoveries from reinsurers</b>	<b>-125.2</b>	<b>-642.1</b>
<b>Net claims and benefits paid</b>	<b>3,972.0</b>	<b>3,557.3</b>
<b>Change in insurance liabilities, net of reinsurance</b>		
Change in insurance liabilities	1,822.9	434.6
Change in reinsurance assets for insurance provisions	83.9	578.7
<b>Total change in insurance liabilities, net of reinsurance</b>	<b>1,906.8</b>	<b>1,013.4</b>
Profit sharing and discounts	47.3	84.4
Expenses relating to the acquisition of insurance and investment contracts	625.1	714.7
Expenses relating to the acquisition of other contracts	28.3	41.2
<b>Finance costs</b>		
Amounts owed to credit institutions	486.8	723.5
Debenture loans	26.0	19.0
Subordinated debt	69.6	28.4
Securitised mortgage loan notes	194.9	102.6
<b>Total finance costs</b>	<b>777.3</b>	<b>873.5</b>
<b>Other operating expenses</b>		
Staff costs and other employee-related expenditures	739.4	715.0
Amortisation of intangible fixed assets	28.9	29.0
Depreciation on property and equipment	21.3	31.9
Operating expenses	350.7	557.9
Gains and losses on disposals	-2.2	-0.3
Impairment of goodwill, AVIF and other intangible fixed assets	1.5	12.1
Impairments of property and equipment	0.4	-
Impairments of receivables	13.2	13.4
Reversal of impairment on receivables	-12.7	-10.3
Other expenses	10.6	16.8
Foreign exchange differences	-0.1	-0.4
Allocated to expenses relating to the acquisition of insurance and investment contracts	-249.7	-336.5
<b>Total other operating expenses</b>	<b>901.2</b>	<b>1,028.5</b>
<b>Total expenses</b>	<b>8,258.0</b>	<b>7,313.0</b>

Expenses under operating leases (included in expenses) were € 39.8 million (2008: € 30.6 million). No contingent rents or sublease payments are included in this amount.

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### 5.1.7.7 (7) Employee information

#### Number of employees at year end

Number in FTEs	2009	2008
Permanent staff	6,296.7	6,403.7
Temporary staff	623.7	913.6
Permanent staff deployed at operations held for sale	-	270.4
Temporary staff deployed at operations held for sale	-	165.6
<b>Total</b>	<b>6,920.4</b>	<b>7,753.3</b>

The decrease in temporary staff is a result of a cost reduction programme.

#### Staff costs in the financial year

In millions of euros	2009	2008
Salaries	328.0	314.1
External staff	89.4	136.7
Social security contributions	57.7	52.5
Pension expenses 1)	146.0	75.1
Profit sharing and incentive plans	41.6	-11.8
Termination benefits	9.5	6.5
Other staff costs	67.2	141.9
<b>Total</b>	<b>739.4</b>	<b>715.0</b>

1) please refer to note 31

#### Staff costs charged to:

In millions of euros	2009	2008
Expenses relating to the acquisition of insurance and investment contracts	120.4	94.6
Other operating expenses	619.0	620.3
<b>Total</b>	<b>739.4</b>	<b>715.0</b>

Other staff costs include € 40.6 million in travel expenses, holiday allowances and training costs (2008: € 39.3 million).

€ 28.8 million was charged to the income statement (2008: credited € 17.0 million) in profit sharing and incentive plans for the Phantom Option Plan as described below.



**Share-based and performance related compensation arrangements**

Under the terms and conditions of the Delta Lloyd Phantom Option Plan (the 'Plan'), Delta Lloyd Group has granted options to members of the Executive Board and certain senior managers each year. The options granted have a life of eight years from the date of grant and become exercisable and vest three years after the grant date. The vesting of the options is subject to performance terms and conditions under which the options only vest if the participant is employed with Delta Lloyd Group at the vesting date. If the employment of the employee is terminated, the options will be forfeit and lapse immediately, except in situations where the employee is regarded as a 'good leaver' (for example, 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). If the individual is regarded as a good leaver, the options remain outstanding and will become exercisable at the original vesting date and remain exercisable for a period of one year.

The performance conditions attached to the options at the date of grant are linked to the Delta Lloyd Group's performance compared with a peer group of comparable companies on the basis of the improvement in embedded value over a three-year performance period coinciding with the applicable vesting period.

The underlying value of the options that can be obtained by the employee on exercise of the options is based on the increase of the embedded value of Delta Lloyd Group as determined at the date of grant. Following the exercise of the options, the employees will be entitled to receive the increase in embedded value realised following the grant date. Upon exercise of the options the value increase is settled in cash.

The actual benefit that can be realised at the date of exercise is capped at a percentage of the annual salary of the employee concerned. This upper limit is based on a percentage of the annual salary of the employee. The actual percentage is based on the position of the employee as set out below:

**Upper limit payments**

Position	Upper limit payments (as % of the annual salary)
Chairman of the Executive Board	200%
Other members of the Executive Board	160%
Other senior managers	70-110%

As a result of the public offering on 3 November 2009, the Supervisory Board decided to modify the terms and conditions of the plan. As a result, the performance conditions attached to the outstanding options have been waived and the vesting percentages of the outstanding option grants made in 2007, 2008 and 2009 have been fixed on 75%. The vesting percentage for options granted in 2006 that

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vested on 1 January 2009, was set at 62.5% based on the actual embedded value performance of the Delta Lloyd Group with respect to the peer group. The underlying value per the date of the Initial Public Offering of all outstanding options was converted from embedded value of Delta Lloyd Group to the share price of the Delta Lloyd NV shares on a value-neutral basis. Consequently, the underlying value of the options immediately prior to and after the public offering was unchanged and is the share price of Delta Lloyd NV the exercise value of the options.

All other terms and conditions attached to the options have remained in place and so the options can only be exercised three years after the original grant date and employees are only entitled to receive a cash amount for each option exercised.

Until 3 November 2009, the plan was recognised under IAS 19 as other long-term employee benefits. Since the effective date of the modification, 3 November 2009, the options granted under the plan are recognised under IFRS 2 as a cash-settled share-based payment transactions.

The fair value of the liability and the amount to be expensed at 31 December 2009 is determined based on a binomial tree model that incorporates the individual cap applicable for each outstanding option. It is assumed that the employees will exercise the options when the share price of the Delta Lloyd Group NV shares reaches a level equal to the individual upper limit applicable during the predetermined periods in which the options can be exercised. The details of the options and the parameters applied when determining the fair value at 31 December 2009, based on the closing share price of the Delta Lloyd NV shares on 31 December 2009 of € 16.93, are described below.

### Options and parameters

	2006 options	2007 options	2008 options	2009 options
Date of grant	1-1-2006	1-1-2007	1-1-2008	1-1-2009
Vesting date	1-1-2009	1-1-2010	1-1-2011	1-1-2012
Expiry date	31-12-2013	31-12-2014	31-12-2015	31-12-2016
Share price volatility	49,00%	45,00%	42,00%	43,00%
Exercise price (euros)	17.08	20.64	22.10	13.63
Dividend yield	4,36%	4,36%	4,36%	4,36%
Risk-free interest rate	2,28%	2,64%	2,94%	3,20%
Remaining term (years)	4	5	6	7
Percentage lapsed	0%	0%	0%	0%
Salary increase (%)	0%	1%	1%	1%

As Delta Lloyd shares have only been listed since 3 November 2009 on NYSE Euronext Amsterdam, insufficient historical data of share prices was available to determine the expected volatility based on historical figures. Consequently, the expected volatility of the underlying Delta Lloyd NV shares was estimated by using the historical volatilities based on the daily share price movements of comparable listed entities in the financial sector. Expected dividends have been applied in accordance with the dividend policy of Delta Lloyd Group as set out in the public offering prospectus.

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The movements in the number of options granted after applying the adjustment ratio for the modifications made to the plan as a result of the public offering are described below:

### Statement of changes in granted options

	Number of options
Outstanding at 31 December 2008	14,911,562
Granted in 2009	4,017,412
Expiration by termination of employment	-1,534,210
Expiration by performance criteria	-5,313,531
<b>Outstanding at 3 November before conversion</b>	<b>12,081,233</b>
Adjustment by value neutral conversion due to IPO	-773,199
<b>Outstanding at 3 November 2009 after conversion</b>	<b>11,308,034</b>
Expiration after conversion	-
<b>Outstanding at 31 December 2009</b>	<b>11,308,034</b>

The options granted in 2006 were vested at 31 December 2009 and the rights arising from the options granted in 2007, 2008 and 2009 were fully unvested at 31 December 2009. The total intrinsic value of these options was € 9,3 million at 31 December 2009 relating entirely to the unvested 2009 option grant. Since the Delta Lloyd NV share price on 31 December 2009 of € 16.93 was below the exercise prices of the 2006, 2007 and 2008 options, the intrinsic value of these options is nil at 31 December 2009. The intrinsic value applicable to each of the outstanding grants can be summarised as follows:

### Intrinsic value of granted options

	Number of unconditional options outstanding at 31 December 2009	Number of conditional options outstanding at 31 December 2009	Vesting date	Intrinsic value per option (euros)	Total intrinsic value (in millions of euros)
2006	2,168,024	-	1-1-2009	-	-
2007	-	3,404,408	1-1-2010	-	-
2008	-	2,931,780	1-1-2011	-	-
2009	-	2,803,822	1-1-2012	3.30	9.3

#### **5.1.7.8 (8) Remuneration of directors and the Supervisory Board**

##### **Remuneration of directors**

The remuneration of directors refers to the members of the Executive Board. The costs involved are not allocated and, therefore, form part of the result of Delta Lloyd Group.

The Executive Board's remuneration package consists of four components: basic salary, short-term variable incentive, long-term variable incentive and pension plan. The remuneration policy as proposed by the Supervisory Board is approved by the General Meeting of Shareholders. The Supervisory Board on the recommendation of the Remuneration Committee and within the policy framework sets the remuneration of the individual members of the Executive Board.

The General Meeting of Shareholders held on 12 October 2009 adopted the new remuneration policy which took effect on 1 November 2009. The policy takes account of recent relevant recommendations and guidelines (such as the Dutch corporate governance code, guidelines of the Maas Committee and the recommendations of the Dutch central bank and the Netherlands Authority for the Financial Markets) but is based on a review of the external market. Two benchmark groups were established with the assistance of an external remuneration consultant (Towers Watson): a peer group of financial institutions and a cross-industry group of companies that are similar to Delta Lloyd Group on a number of criteria. The selection of the remuneration levels to be applied at Delta Lloyd Group is guided by the median of the two peer groups. The new fixed basic salary of the chairman of the Executive Board has been set at € 650,000 and for the other members of the Executive Board at € 480,000, including holiday pay and a '13th month'.

##### **Short-term variable incentive**

No short-term variable incentive is granted to the Board of Directors in 2009. For 2010 and subsequent years, there is a new policy regarding the grant of short-term variable incentives (cash bonus) to the Board of Directors. In both the old system and the new system the amount of the variable incentive awarded is based on achieving the objectives set out at the beginning of the year. These objectives are directly traceable to the operational and strategic goals of Delta Lloyd Group and have both financial and non-financial characteristics.

The financial indicators (60%) are:

- new business margin and combined ratio;
- operating expenses;
- new business (Life insurance, General insurance and bank saving);
- operating result after tax and non-controlling interests; and
- development of shareholders' equity.

The non-financial indicators (40%) are:

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- customer satisfaction;
- a number of organisational matters, such as simplification of the organisation's structure; and
- reliability of Delta Lloyd Group as a listed company.

In the applicable system over 2009, the variable incentive granted could be up to 70% of twelve times the monthly salary depending on the fixed achievement of the objectives fixed. The variable incentive could be up to 105% of twelve times the monthly salary if the targets were exceeded to an exceptional degree.

In the new system the basic salary is the basis for the determination of the short-term variable incentive. In achieving objectives at target level, the variable part has been reduced to 50% of the basic salary. Furthermore, the Supervisory Board can decide to pay (a part of) the short-term variable incentive in installments.

### Long-term variable incentive (Delta Lloyd Phantom option plan)

The long-term incentive plan before 1 November 2009 consisted of the options granted in 2006, 2007, 2008 and 2009 under the Delta Lloyd Group Phantom option plan and is explained in greater detail in accounting policy AE 'Employee Benefits' and section 5.1.7.7 'Employee information'. This option plan is closed due to the application of the new share scheme.

The new long-term Incentive Plan consists of an annual conditional grant of common stock, which vest after three years if set objectives are met and employment still exists. The targets are based on Total Shareholder Return, Return on Equity, employee involvement and reputation. For members of the Board of Directors an additional "holding period" of two years is applicable after vesting.

The Supervisory Board will apply a reasonableness test in determining the payment of variable remuneration. Claw-back rules apply to both variable remuneration components of the new remuneration policy.

### Salaries and incentives as per 1 November 2009

In thousands of euros

	Basic salary	Variable incentive short-term (as % of basic salary) ambition 1)	Variable incentive long-term (as % of basic salary) ambition 1)
N.W. (Niek) Hoek, chairman	650.0	50,0%	50,0%
P.J.W.G. (Peter) Kok	480.0	50,0%	50,0%
P.K. (Paul) Medendorp	480.0	50,0%	50,0%
H.H. (Henk) Raué	480.0	50,0%	50,0%

1) For exceptional performance the value can increase to 75% of the basic salary

**Transaction bonus – initial public offering**

On nomination of Aviva the Supervisory Board decided, in view of the successful completion of the initial public offering, to award the members of the Executive Board a transaction bonus consisting of ordinary shares with a value equal to 100% of their basic salary. The members of the Executive Board must retain these shares for three years, with the exception of part of the shares that has to be sold to meet tax obligations.

The members of the Executive Board have also purchased shares using their own funds.

**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:

- the retirement, dependants' and orphans' pensions are based on maximum pensionable earnings of € 588,434. Per 1 November 2009 it was agreed that the Chairman of the Board has a higher coverage;
- 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. Also here it is agreed that the Chairman of the Board has a higher coverage.

**Mortgages and loans**

Delta Lloyd Group has granted mortgages on market-consistent terms and conditions to two members of the Executive Board.

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### Executive Board members' salaries and incentives

In thousands of euros	2009	2008
<b>N.W. (Niek) Hoek, chairman</b>		
Salary	553.2	533.9
Variable reward prior year	-	262.2
Payment of Phantom options	-	917.8
Transaction bonus	650.0	-
	<b>1,203.2</b>	<b>1,713.9</b>
<b>P.J.W.G. (Peter) Kok</b>		
Salary	431.3	421.5
Variable reward prior year	-	207.0
Payment of Phantom options	-	579.7
Transaction bonus	480.0	-
	<b>911.3</b>	<b>1,208.2</b>
<b>P.K. (Paul) Medendorp</b>		
Salary	431.3	421.5
Variable reward prior year	-	207.0
Payment of Phantom options	-	579.7
Transaction bonus	480.0	-
	<b>911.3</b>	<b>1,208.2</b>
<b>H.H. (Henk) Raué</b>		
Salary	431.3	421.5
Variable reward prior year	-	207.0
Payment of Phantom options	-	671.9
Transaction bonus	480.0	-
	<b>911.3</b>	<b>1,300.4</b>
<b>Total</b>	<b>3,937.1</b>	<b>5,430.7</b>

### Ordinary shares Delta Lloyd Group owned by the members of the Executive Board at year end

In number of shares	2009
N.W. (Niek) Hoek, chairman	32,790
P.J.W.G. (Peter) Kok	21,234
P.K. (Paul) Medendorp	21,234
H.H. (Henk) Raué	21,234
<b>Total</b>	<b>96,492</b>

### Short-term variable incentive

In thousands of euros	2009	2008
N.W. (Niek) Hoek, chairman	-	262.2
P.J.W.G. (Peter) Kok	-	207.0
P.K. (Paul) Medendorp	-	207.0
H.H. (Henk) Raué	-	207.0
<b>Total</b>	<b>-</b>	<b>883.2</b>

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The table below presents the remuneration of the members of the Executive Board in the form of outstanding options granted in 2006, 2007, 2008 and 2009 under the Delta Lloyd Phantom option plan.

### Fair value of the options related to long-term variable incentive

In thousands of euros	2009
N.W. (Niek) Hoek, chairman	1,514.5
P.J.W.G. (Peter) Kok	967.9
P.K. (Paul) Medendorp	967.9
H.H. (Henk) Raué	807.2
<b>Total</b>	<b>4,257.5</b>

The long-term incentive expense in 2009 was nil.

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 2009 and does not represent the value that could be achieved on that date by the members of the Executive Board as part of the options were still conditional at that date. The number of outstanding options and their intrinsic value as at 31 December 2009 is set out below.



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### Long-term variable incentive (Delta Lloyd Phantom Option Plan).

	Number of unconditional options outstanding at 31 December 2009	Number of conditional options outstanding at 31 December 2009 2)	Vesting date	Intrinsic value per option as at 31 December 2009 (in euros) 2)	Total intrinsic value as at 31 December 2009 (in euros)
<b>N.W. (Niek) Hoek, chairman</b>					
2006	136,574	-	01-01-09	-	-
2007	-	191,762	01-01-10	-	-
2008	-	153,412	01-01-11	-	-
2009	-	131,254	01-01-12	3.30	433,138
<b>P.J.W.G. (Peter) Kok</b>					
2006	88,219	-	01-01-09	-	-
2007	-	123,869	01-01-10	-	-
2008	-	99,092	01-01-11	-	-
2009	-	84,787	01-01-12	3.30	279,797
<b>P.K. (Paul) Medendorp</b>					
2006	88,219	-	01-01-09	-	-
2007	-	123,869	01-01-10	-	-
2008	-	99,092	01-01-11	-	-
2009	-	84,787	01-01-12	3.30	279,797
<b>H.H. (Henk) Raué</b>					
2006 1)	40,132	-	01-01-09	-	-
2007	-	89,600	01-01-10	-	-
2008	-	99,092	01-01-11	-	-
2009	-	84,787	01-01-12	3.30	279,797

1) Options granted in the period when Mr Raué was not a member of the Executive Board. Consequently, the upper limit has been set at 110% of the annual basic salary.

2) The number of options are adjusted based on the vesting percentages determined and on the conversion with regard to the change in the exercise price before and after the public offering

The movements in the number of options granted is as follows:

### Statement of changes Phantom options in the financial year

In numbers of options	At 1 January 2009	Granted	Exercised	Expired	At 31 December 2009
N.W. (Niek) Hoek, chairman	725,161	186,972	-	299,131	613,002
P.J.W.G. (Peter) Kok	468,410	120,779	-	193,222	395,967
P.K. (Paul) Medendorp	468,610	120,779	-	193,422	395,967
H.H. (Henk) Raué	337,395	120,779	-	144,563	313,611
<b>Total</b>	<b>1,999,576</b>	<b>549,309</b>	<b>-</b>	<b>830,338</b>	<b>1,718,547</b>

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### Statement of changes in Phantom options in the prior financial year

In numbers of options	At 1 January 2008	Granted	Exercised	Expired	At 31 December 2008
N.W. (Niek) Hoek, chairman	706,223	218,535	149,698	49,899	725,161
P.J.W.G. (Peter) Kok	456,184	141,157	96,698	32,233	468,410
P.K. (Paul) Medendorp	456,384	141,157	96,698	32,233	468,610
H.H. (Henk) Raué	293,327	141,157	81,878	15,211	337,395
<b>Total</b>	<b>1,912,118</b>	<b>642,006</b>	<b>424,972</b>	<b>129,576</b>	<b>1,999,576</b>

### Pension expenses in relation to members of the Executive Board

In thousands of euros	2009	2008
N.W. (Niek) Hoek, chairman	92.9	78.8
P.J.W.G. (Peter) Kok	73.5	62.3
P.K. (Paul) Medendorp	73.5	62.3
H.H. (Henk) Raué	73.5	62.3
<b>Total</b>	<b>313.4</b>	<b>265.7</b>

### Mortgages and loans

In thousands of euros	Outstanding at 31 December 2009	Average interest rate	Repaid in 2009	Outstanding at 31 December 2008	Average interest rate	Repaid in 2008
N.W. (Niek) Hoek, chairman	797.8	5,2%	-	797.8	5,2%	-
H.H. (Henk) Raué	459.2	4,9%	70.0	529.2	4,9%	-

### Remuneration of the Supervisory Board

The members of the Supervisory Board receive different amounts of remuneration according to their position on the Board. The remuneration also includes payment for membership of Supervisory Board committees and expenses incurred.

No bonuses, loans or mortgages have been granted to current or former Supervisory Board members. There are no pension entitlements or option plans for the benefit of current or former members of the Supervisory Board.

The members of the Supervisory Board are not entitled to a contractual severance payment on termination of service.

As of 1 November 2009, the remuneration has been adjusted as a result of the change in the job weight. Advice has been given by an independent remuneration expert (Towers Watson). The basis for the composition lies within a peer group benchmark.

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As of 1 November 2009, the annual remuneration of the members of the Supervisory Board has been as follows (in euros):

- Chairman of the Supervisory Board: € 75,000;
- Vice-chairman of the Supervisory Board: € 60,000;
- Members of the Supervisory Board: € 50,000.

The payments for membership of the Supervisory Board committees applicable from 1 November 2009 are as follows (in euros):

- Chairman of the Audit Committee: € 9,000;
- Members of the Audit 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.

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### Remuneration of the Supervisory Board

In thousands of euros	2009	2008
<b>R.H.P.W. (René) Kottman, chairman 1)</b>		
Remuneration	58.3	55.0
Committees	4.0	5.7
Expenses	-	-
	<b>62.3</b>	<b>60.7</b>
<b>E.J. (Eric) Fischer, vice chairman</b>		
Remuneration 2)	48.3	40.0
Committees	5.4	1.5
Expenses	-	-
	<b>53.7</b>	<b>41.5</b>
<b>P.G. (Pamela) Boumeester</b>		
Remuneration	41.7	40.0
Committees	4.0	3.0
Expenses	-	-
	<b>45.7</b>	<b>43.0</b>
<b>J.G. (Jan) Haars</b>		
Remuneration	41.7	40.0
Committees	4.0	3.2
Expenses	-	-
	<b>45.7</b>	<b>43.2</b>
<b>J.H. (Jan) Holsboer</b>		
Remuneration	41.7	25.0
Committees	3.1	-
Expenses	-	-
	<b>44.8</b>	<b>25.0</b>
<b>A.J. (Andrew) Moss 3)</b>		
Remuneration	-	-
Committees	-	-
Expenses	-	-
	-	-
<b>Ph.G. (Philip) Scott 3)</b>		
Remuneration	-	-
Committees	-	-
Expenses	-	-
	-	-
<b>M.H.M. (Marcel) Smits</b>		
Remuneration	41.7	40.0
Committees	3.1	2.7
Expenses	-	-
	<b>44.8</b>	<b>42.7</b>
<b>Mr. dr. V.A.M. (Vincent) van der Burg 4)</b>		
Remuneration	-	22.5
Committees	-	3.2
Expenses	-	-
	-	<b>25.7</b>
<b>Total</b>	<b>297.0</b>	<b>281.8</b>

1) Exclusive of remuneration of the Supervisory Board of the Delta Lloyd Banking operations

2) Included payment regarding 2008

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3) Unpaid Supervisory Board member

4) Resigned on 14 May 2008

### 5.1.7.9 (9) Tax expense

#### Tax charged to the income statement in the financial year

In millions of euros	2009	2008
Current tax liabilities	51.7	-68.4
Adjustment for prior-year final assessments	-5.2	-3.0
<b>Tax due for immediate payment</b>	<b>46.5</b>	<b>-71.4</b>
<b>Deferred taxation:</b>		
Originating from timing differences	-103.1	33.6
Measurement of deferred tax assets	1.1	5.7
<b>Total deferred tax</b>	<b>-102.1</b>	<b>39.3</b>
<b>Total tax charged to income statement</b>	<b>-55.5</b>	<b>-32.1</b>

If a taxable entity has a net deferred tax liability and, initially, there are unrecognised tax loss carry forwards, that liability is used to increase the deferred tax asset by the amount of tax relating to those losses.

#### Tax charged to equity at year end

In millions of euros	2009	2008
Deferred tax	61.3	-121.1
<b>Total tax charged to equity</b>	<b>61.3</b>	<b>-121.1</b>

Deferred tax taken to equity pertains to tax on gains and losses on investments recognised in equity. The nominal tax rate was 25.5% in the Netherlands, 33.99% in Belgium and 30.0% in Germany for both 2009 and 2008.

The discrepancy between the effective tax rates and the nominal tax rates is explained below:

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### Tax charged to the income statement in the financial year

In millions of euros	2009	2008
<b>Result before tax from continuing operations</b>	<b>-208.0</b>	<b>-204.3</b>
<b>Tax calculated at standard Netherlands corporation tax rate of 25.5%</b>	<b>-53.0</b>	<b>-52.1</b>
Non-assessable dividends	-26.1	-42.7
Impairment of 5% interests in investments	98.8	120.9
Untaxed un(realised) gains and losses	-82.5	-44.5
Transfers to non-activated losses in Germany	21.3	26.8
Transfers to activated losses in Belgium	-23.5	31.2
Tax rate difference with Germany	-3.4	-4.8
Tax rate difference with Belgium	22.3	-12.1
Releases of tax provision	-14.0	-69.5
Other	4.6	14.7
<b>Total tax charged to income statement</b>	<b>-55.5</b>	<b>-32.1</b>

### 5.1.7.10 (10) Goodwill

#### Goodwill carrying value at year end

In millions of euros	2009	2008
<b>Gross carrying value of goodwill</b>		
<b>At 1 January</b>	<b>344.7</b>	<b>213.1</b>
Additions	-	131.9
Disposals	-3.4	-
Other adjustments	-1.1	-0.3
<b>At 31 December</b>	<b>340.2</b>	<b>344.7</b>
<b>Accumulated impairment</b>		
<b>At 1 January</b>	<b>-11.8</b>	<b>-7.7</b>
Impairment losses	-1.2	-4.1
Disposals	3.4	-
<b>At 31 December</b>	<b>-8.9</b>	<b>-11.8</b>
<b>Net carrying value of goodwill at 31 December</b>	<b>331.3</b>	<b>332.9</b>

#### Goodwill allocation and impairment testing

For impairment testing purposes, goodwill is allocated to cash-generating units by division and operating segment.

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### Goodwill allocated to cash generating units

In millions of euros	Delta Lloyd ABN AMRO Verzekeringen Holding BV	Delta Lloyd Bankengroep NV	Delta Lloyd Schadeverzekering NV	Swiss Life Belgium NV	Cyrte Investments BV	Eurolloyd Verzekeringen NV	Total
Carrying value of goodwill	127.3	13.7	2.4	131.8	55.4	0.7	331.3

Delta Lloyd Group has completed the acquisition of Swiss Life Belgium on 30 June 2008. At year-end 2008, Delta Lloyd Group determined a preliminary goodwill of € 59.8 million. The goodwill is the difference between the provisionised net asset value of € 82.0 million and the purchase price paid of € 141.9 million. As stated in the 2008 annual report, the goodwill figure may be adjusted once the value measurements have been finalised. After completing the Purchase Price Allocation process within the twelve month timeframe, the net asset value was calculated to be € 10.0 million. The goodwill, therefore, was raised by € 72.0 million to € 131.9 million.

As explained in accounting policies O and S, the carrying value of goodwill is reviewed at least annually or when circumstances or events indicate possible impairment. For the purposes of the impairment test, assets are grouped at the lowest level for which there are separately identifiable cash flows. The outcome of the test led to an impairment of goodwill of € 1.2 million (2008: € 4.1 million). This amount relates entirely to Delta Lloyd Bankengroep.

In 2008, the definitive goodwill figure for Cyrte investments led to a downward adjustment of € 0.3 million. This is recognised in the segment Other.

Delta Lloyd Group has not recognised goodwill on discontinued operations.

#### 5.1.7.11 (11) AVIF and other intangible assets

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### Statement of changes in AVIF and other intangible assets

In millions of euros	AVIF	Software	Other	Total
<b>Cost price</b>				
<b>At 1 January 2008</b>	<b>81.0</b>	<b>120.1</b>	<b>166.0</b>	<b>367.1</b>
Additions	4.2	8.9	1.0	14.2
Disposals	-	-10.4	-0.2	-10.7
Other adjustments	-	-4.1	-	-4.1
<b>At 31 December 2008</b>	<b>85.2</b>	<b>114.4</b>	<b>166.8</b>	<b>366.5</b>
Additions	-	6.8	3.0	9.8
Disposals	-	-3.9	-0.2	-4.2
Other adjustments	-	-	-16.8	-16.8
<b>At 31 December 2009</b>	<b>85.2</b>	<b>117.3</b>	<b>152.8</b>	<b>355.3</b>
<b>Accumulated amortisation</b>				
<b>At 1 January 2008</b>	<b>-37.5</b>	<b>-84.0</b>	<b>-44.4</b>	<b>-166.0</b>
Amortisation for the year	-5.6	-8.7	-14.4	-28.8
Disposals	-	4.8	0.2	5.0
Other adjustments	-	3.2	-	3.2
<b>At 31 December 2008</b>	<b>-43.2</b>	<b>-84.7</b>	<b>-58.6</b>	<b>-186.5</b>
Amortisation for the year	-3.2	-10.7	-15.0	-28.9
Disposals	-	3.6	0.2	3.9
Other adjustments	0.0	-	16.8	16.8
<b>At 31 December 2009</b>	<b>-46.4</b>	<b>-91.9</b>	<b>-56.5</b>	<b>-194.8</b>
<b>Accumulated impairment</b>				
<b>At 1 January 2008</b>	<b>-</b>	<b>-5.3</b>	<b>-0.2</b>	<b>-5.4</b>
Impairment losses recognised	-2.1	-5.8	-	-7.9
Disposals	-	0.5	-	0.5
<b>At 31 December 2008</b>	<b>-2.1</b>	<b>-10.6</b>	<b>-0.2</b>	<b>-12.9</b>
Impairment losses recognised	-	-0.3	-	-0.3
Disposals	-	0.3	-	0.3
<b>At 31 December 2009</b>	<b>-2.1</b>	<b>-10.6</b>	<b>-0.2</b>	<b>-12.9</b>
<b>Carrying value</b>				
<b>At 1 January 2008</b>	<b>43.4</b>	<b>30.8</b>	<b>121.4</b>	<b>195.6</b>
<b>At 31 December 2008</b>	<b>39.9</b>	<b>19.1</b>	<b>108.0</b>	<b>167.0</b>
<b>At 31 December 2009</b>	<b>36.7</b>	<b>14.9</b>	<b>96.1</b>	<b>147.7</b>

Software purchases include € 5.9 million (2008: € 4.6 million) for internally developed software. Purchased software was € 0.9 million (2008: € 4.3 million).

The category 'Other' consists mainly of € 91.5 million (2008: € 105.5 million) for distribution channels acquired in respect to the takeover of ABN AMRO Insurance, Erasmus Verzekeringen en Euroloyd Verzekeringen, which will be amortised over 20 to 30 years.

The AVIF (acquired value of in-force business) refers to the acquired portfolio value of ABN AMRO Insurance and Erasmus Verzekeringen. This value is amortised on a straight-line basis over a period of 10 to 15 years. The amortisation periods remaining at the end of 2009 for the acquired value in-force portfolios of ABN AMRO Insurance and Erasmus Verzekeringen were 8 and 13 years respectively. The purchase price allocation process for Swiss Life Belgium was completed by 30 June 2009 and led to an



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adjustment of € 22.1 million in AVIF. The 2008 comparative figure has been restated accordingly.

### 5.1.7.12 (12) Property and equipment

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### Statement of changes in property and equipment

In millions of euros	Property under construction	Owner-occupied property	Total property	Motor vehicles	Computer equipment	Other equipment	Total
<b>Carrying value</b>							
<b>At 1 January 2008</b>	<b>23.7</b>	<b>138.9</b>	<b>162.6</b>	<b>0.8</b>	<b>12.9</b>	<b>49.0</b>	<b>225.2</b>
Additions	4.4	6.5	10.9	-	3.9	11.5	26.3
Changes within Group	-	22.0	22.0	-	-	1.3	23.3
Disposals	-10.3	-0.5	-10.9	-0.7	-0.1	-1.1	-12.7
Depreciation	-	-18.3	-18.3	-0.1	-4.7	-8.8	-31.8
Other adjustments	-	-	-	-	-1.8	-2.6	-4.3
Reclassified as assets held for sale	-	36.7	36.7	-	-	-	36.7
<b>At 31 December 2008</b>	<b>17.8</b>	<b>185.3</b>	<b>203.0</b>	<b>-</b>	<b>10.3</b>	<b>49.3</b>	<b>262.6</b>
Additions	-	0.2	0.2	-	10.8	5.8	16.8
Changes within Group	-	-	-	-	0.2	-0.1	0.1
Change in accounting policy	-17.8	-	-17.8	-	-	-	-17.8
Disposals	-	-3.6	-3.6	-	-0.1	-0.2	-3.9
Transfers to / from investment property	-	-47.5	-47.5	-	-	-	-47.5
Depreciation	-	-6.1	-6.1	-	-7.9	-7.3	-21.3
Impairment	-	-	-	-	-0.3	-0.1	-0.4
Other adjustments	-	13.9	13.9	-	-	-	13.9
<b>At 31 December 2009</b>	<b>-</b>	<b>142.2</b>	<b>142.2</b>	<b>-</b>	<b>13.0</b>	<b>47.5</b>	<b>202.7</b>
<b>At 1 January 2008</b>							
Cost price	23.7	178.4	202.1	2.0	50.3	157.1	411.6
Depreciation	-	-38.4	-38.4	-1.3	-37.4	-108.1	-185.2
Impairment losses	-	-1.2	-1.2	-	-	-	-1.2
<b>Carrying value</b>	<b>23.7</b>	<b>138.9</b>	<b>162.6</b>	<b>0.8</b>	<b>12.9</b>	<b>49.0</b>	<b>225.2</b>
<b>At 31 December 2008</b>							
Cost price	17.8	265.2	283.0	1.0	53.0	163.7	500.7
Depreciation	-	-65.1	-65.1	-1.0	-42.8	-114.4	-223.3
Impairment losses	-	-14.8	-14.8	-	-	-	-14.8
<b>Carrying value</b>	<b>17.8</b>	<b>185.3</b>	<b>203.0</b>	<b>-</b>	<b>10.3</b>	<b>49.3</b>	<b>262.6</b>
<b>At 31 December 2009</b>							
Cost price	-	233.9	233.9	-	62.8	168.5	465.2
Depreciation	-	-77.0	-77.0	-	-49.8	-121.0	-247.7
Impairment losses	-	-14.8	-14.8	-	-	-	-14.8
<b>Carrying value</b>	<b>-</b>	<b>142.2</b>	<b>142.2</b>	<b>-</b>	<b>13.0</b>	<b>47.5</b>	<b>202.7</b>
<b>Fair value</b>							
<b>At 1 January 2008</b>	<b>23.7</b>	<b>272.6</b>	<b>296.3</b>	<b>0.8</b>	<b>12.9</b>	<b>49.0</b>	<b>358.9</b>
<b>At 31 December 2008</b>	<b>17.8</b>	<b>287.2</b>	<b>305.0</b>	<b>-</b>	<b>10.3</b>	<b>49.3</b>	<b>364.6</b>
<b>At 31 December 2009</b>	<b>-</b>	<b>237.0</b>	<b>237.0</b>	<b>-</b>	<b>13.0</b>	<b>47.5</b>	<b>297.4</b>

Delta Lloyd Group has no material finance 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. Furthermore, no

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borrowing costs were capitalised in the reporting period.

The fair value of property and property under construction, motor vehicles, computer equipment, and other equipment is not materially different from the carrying value.

The change in accounting policy relates to an amendment of IAS 40 (see section 5.1.1). In the reporting period, property under construction (section 5.1.7.12) was transferred to investment property under construction (section 5.1.7.13).

### **5.1.7.13 (13) Investment property**

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### Statement of changes in investment property

In millions of euros	Investment property under construction	Freeholds	Investment property – short-term leaseholds	Investment property – long-term leaseholds	Total
<b>Cost price</b>					
<b>At 1 January 2008</b>	-	<b>1,444.1</b>	<b>49.5</b>	<b>56.4</b>	<b>1,550.0</b>
Additions	-	171.2	0.8	0.7	172.8
Changes within Group	-	96.0	-	-	96.0
Disposals	-	-27.8	-0.9	-	-28.8
<b>At 31 December 2008</b>		<b>1,683.4</b>	<b>49.5</b>	<b>57.1</b>	<b>1,790.0</b>
<b>At 1 January 2009</b>	-	<b>1,683.4</b>	<b>49.5</b>	<b>57.1</b>	<b>1,790.0</b>
Additions	12.7	102.6	1.3	-0.2	116.4
Changes within Group	-	-16.7	-	-	-16.7
Change in accounting policy	17.8	-	-	-	17.8
Disposals	-	-19.0	-	-	-19.0
Transfers to / from investment property	-	4.0	39.4	-	43.4
<b>At 31 December 2009</b>	<b>30.5</b>	<b>1,754.4</b>	<b>90.1</b>	<b>56.9</b>	<b>1,931.9</b>
<b>Revaluation</b>					
<b>At 1 January 2008</b>	-	<b>611.3</b>	<b>5.7</b>	<b>1.1</b>	<b>618.1</b>
Fair value gains and losses	-	-32.4	-4.1	-1.3	-37.8
Changes within Group	-	5.9	-	-	5.9
Disposals	-	-9.7	-	-	-9.7
<b>At 31 December 2008</b>	-	<b>575.2</b>	<b>1.6</b>	<b>-0.2</b>	<b>576.6</b>
<b>At 1 January 2009</b>	-	<b>575.2</b>	<b>1.6</b>	<b>-0.2</b>	<b>576.6</b>
Fair value gains and losses	3.5	-66.5	-8.6	-1.8	-73.4
Changes within Group	-	16.7	-	-	16.7
Disposals	-	1.2	-	-	1.2
Transfers to / from investment property	-	4.1	-	-	4.1
<b>At 31 December 2009</b>	<b>3.5</b>	<b>530.7</b>	<b>-7.0</b>	<b>-2.0</b>	<b>525.2</b>
<b>Carrying value</b>					
<b>At 1 January 2008</b>	-	<b>2,055.4</b>	<b>55.2</b>	<b>57.5</b>	<b>2,168.1</b>
<b>At 31 December 2008</b>	-	<b>2,258.6</b>	<b>51.0</b>	<b>56.9</b>	<b>2,366.5</b>
<b>At 31 December 2009</b>	<b>34.0</b>	<b>2,285.1</b>	<b>83.1</b>	<b>54.9</b>	<b>2,457.1</b>

Investment properties are stated at their fair value as assessed by qualified external valuers as described in accounting policy Q. Appraisals take place on a semi-annual basis. In the reporting period, € 0.6 million of borrowing costs were capitalised. The change in accounting policy relates to an amendment of IAS 40 (see section 5.1.1). In the reporting period, property under construction (section 5.1.7.12) was transferred to investment property under construction (section 5.1.7.13).

See section 5.1.7.37 for the breakdown of the own risk property portfolio in residential, commercial and offices.

Rental income totalled € 163.6 million (2008: € 154.8 million). Direct operating expenses (including repairs and maintenance) amounted to € 33.9 million (2008: € 30.8 million). As there were no

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significant vacancies in 2009 and 2008, the amount of the direct operating expenses only reflect the expenditure on investment properties that generated rental income during the reporting period. Net rental income was € 129.8 million (2008: € 124.0 million), as reported in section 5.1.7.5.

Lease agreements are at arm's length.

### Future rental income

In millions of euros	2009	2008
Less than one year	46.7	46.7
Between one and five years	141.0	148.1
Later than five years	37.2	42.5
<b>Total</b>	<b>224.9</b>	<b>237.3</b>

## 5.1.7.14 (14) Associates

### Associates at year end

In millions of euros	2009	2008
<b>Carrying value</b>		
<b>At 1 January</b>	<b>193.6</b>	<b>340.3</b>
Additions	145.8	-
Disposals	-	-15.3
New equity capital	1.2	4.2
Share of result after tax	-47.1	-27.8
Dividends received	-0.1	-
Fair value changes in equity	131.1	-101.4
Impairment losses	-	-6.5
Transfer from subsidiaries	2.3	-
Other adjustments	0.3	0.1
<b>At 31 December</b>	<b>427.0</b>	<b>193.6</b>

The interest in Lancyr Groep BV was sold to FDC on 1 April 2009. The carrying amount and the sales result are zero. Delta Lloyd Group set up Holland Fund and Dasym IV in 2009. Holland Fund is an initiative of Delta Lloyd Group and Rabobank Nederland with the object of supporting Dutch listed companies by providing capital while at the same time making an attractive return. The main activity of Dasym IV is managing Bol.com which is the largest media webshop in the Netherlands. On 1 October 2009 and 1 December 2009, Delta Lloyd Group acquired a holding in Cyrte Fund I from Talpa Beheer BV, leading to an addition of € 100.0 million. As a result of this addition, the interest in Cyrte Fund I has increased to 22.31%. The fair value adjustments related chiefly to investments in the Cyrte Fund I, II and III. At 31 December 2009, Delta Lloyd Group held a 30.8% interest in Van Lanschot NV.

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It is generally assumed that significant influence is exercised on the financial and operating policy of the entity when holding an interest exceeding 20%, but Delta Lloyd Group is unable to exercise its influence at Van Lanschot and has recognised its interest as an equity security available for sale and not as an associate.

The results of Delta Lloyd Group's principal associates and their total assets (excluding goodwill), total liabilities, total income and net result are as follows:

### The Group's interests in its principal associates

In millions of euros (unless indicated otherwise)	Assets	Liabilities	Income	Result	Proportion held (in %)
Cyrte Fund I CV	915.9	0.4	170.8	162.0	22,31%
Cyrte Fund II BV	256.1	-	-61.1	-61.3	10,48%
Cyrte Fund III CV	962.1	0.1	494.0	486.1	13,93%
Dasym IV BV	139.5	71.0	2.2	0.3	42,05%
Project Holland Beheer BV	38.1	33.3	5.3	4.8	50,00%
<b>At 31 December 2009</b>	<b>2,311.7</b>	<b>104.8</b>	<b>611.2</b>	<b>591.9</b>	
Cyrte Fund I CV	754.8	1.2	645.2	-653.1	10,82%
Cyrte Fund II BV	317.4	-	149.9	-150.0	10,48%
Cyrte Fund III CV	476.0	0.2	260.5	-268.8	13,99%
<b>At 31 December 2008</b>	<b>1,548.2</b>	<b>1.4</b>	<b>1,055.6</b>	<b>1,071.9-</b>	

The figures are based on the most recent IFRS financial information of the associates made available to Delta Lloyd Group. Accordingly, this financial information is not based on the IFRS carrying values (including goodwill) notionally recognised by Delta Lloyd Group as a result of the notional purchase price allocation performed at the date that significant influence commenced. Individual investments in other associates are not considered material and are therefore not included in the statement of Delta Lloyd Group's principal associates.

Delta Lloyd Group recognises its investments in the Cyrte Funds as associates. Despite generally holding less than 20% of the issued share capital, Delta Lloyd Group has the ability to exercise significant influence over the investments through its voting power (both through its representation on key decision-making committees and its equity holding) and the nature of the commercial relationships with the Cyrte funds and the other investors. Delta Lloyd Group owns 85% of the shares in Cyrte Investments BV. This subsidiary of the Group is the investment manager for the Cyrte Funds. If a Cyrte fund is set up as a limited partnership ("Commanditaire Vennootschap" or "CV"), a subsidiary of Cyrte Investments BV becomes the general partner of the Cyrte fund. Irrespective of whether a Cyrte fund is structured as a BV or a CV, the other investors' rights in aggregate provide them with the right to effectively participate in significant decisions that are expected to be made in the ordinary course of the business. As a result, Delta Lloyd Group is unable to control the Cyrte Funds' financial and operating policies in its role as the investment manager or, for the CVs, as the general partner. However, as Delta Lloyd Group has a direct ownership interest in the Cyrte Funds and can exert significant influence over the funds through its role as investment manager or general

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partner, it classifies all the individual investments in the Cyrte Funds as associates.

### 5.1.7.15 (15) Financial investments

#### Financial investments at year end

In millions of euros	2009	2008
Debt securities	20,265.1	18,512.1
Equity securities	14,766.2	13,725.4
Derivatives 1)	582.0	1,363.9
Loans at fair value through profit or loss (FVTPL)	6,696.9	6,021.9
Loans and receivables at amortised cost 2)	14,517.9	12,570.8
<b>Total financial investments</b>	<b>56,828.2</b>	<b>52,194.1</b>

1) For a specification of the derivatives, please refer to section 5.1.7.38 "Derivative financial instruments".

2) The loans and receivables at amortized cost are itemized in section 5.1.7.16 "Loans and receivables".

An amount of € 2,430.6 million (2008: € 1,502.4 million) of the interest-bearing investments have a variable interest rate.

#### Financial investments in debt securities at year end

In millions of euros	2009	2008
<b>Debt securities</b>		
Available for sale	2,938.6	2,585.9
Other than trading (FVTPL)	17,266.9	15,868.5
Trading	59.5	57.6
<b>Total debt securities</b>	<b>20,265.1</b>	<b>18,512.1</b>

#### Financial investments in equity securities at year end

In millions of euros	2009	2008
<b>Equity securities</b>		
Available for sale	4,389.7	3,978.9
Other than trading (FVTPL)	10,367.6	9,737.5
Trading	8.9	8.9
<b>Total equity securities</b>	<b>14,766.2</b>	<b>13,725.4</b>

Per 31 December 2008 annual accounts, equity securities for risk and rewards of policy holders were accidentally presented as Available for sale securities. A presentation reclassification of € 1,873.0 million between equity securities Other than Trading (FVTPL) and equity securities Available for sale has been made, with no impact on measurement and income recognition.

The Delta Lloyd investment funds have invested € 33.7 million in Delta Lloyd NV.

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### Fair value of investments by category at year end

In millions of euros	Included in the balance sheet at amortised cost	Recognised at fair value through profit and loss trading	Recognised at fair value through profit and loss other than trading	Available for sale	Total 2009
Debt securities	-	59.5	17,266.9	2,938.6	20,265.1
Equity securities	-	8.9	10,367.6	4,389.7	14,766.2
Derivatives	-	582.0	-	-	582.0
Loans at fair value through profit or loss (FVTPL)	-	-	6,696.9	-	6,696.9
Loans and receivables at amortised cost	14,829.6	-	-	-	14,829.6
<b>Total</b>	<b>14,829.6</b>	<b>650.4</b>	<b>34,331.5</b>	<b>7,328.4</b>	<b>57,139.8</b>

### Fair value of investments by category at prior year end

In millions of euros	Included in the balance sheet at amortised cost	Recognised at fair value through profit and loss trading	Recognised at fair value through profit and loss other than trading	Available for sale	Total 2008
Debt securities	-	57.6	15,868.5	2,585.9	18,512.1
Equity securities	-	8.9	9,737.5	3,978.9	13,725.4
Derivatives	-	1,363.9	-	-	1,363.9
Loans at fair value through profit or loss (FVTPL)	-	-	6,021.9	-	6,021.9
Loans and receivables at amortised cost	12,852.0	-	-	-	12,852.0
<b>Total</b>	<b>12,852.0</b>	<b>1,430.4</b>	<b>31,628.0</b>	<b>6,564.9</b>	<b>52,475.4</b>

Loans at fair value through profit or loss include € 6,452.6 million (2008: € 5,764.6 million) mortgage loans. Of the fair value gains and losses on loans at fair value through profit or loss, € -17.0 million (cumulative € -25.0 million) is attributable to changes in credit risk.

A significant proportion of financial instruments are accounted for at fair value. The valuation methods are explained in section 5.1.7.39 'Fair value of financial assets and financial liabilities'.

Mortgage loans recognised at fair value through profit or loss consist mainly of first mortgages. Second mortgages are only granted where the first mortgage has been granted by Delta Lloyd Group. Almost all mortgages are on residential properties. Of the mortgages granted, 54.1% (2008: 60.8%) have a loan-to-value ratio that is less than 90% or have been guaranteed through the National Mortgage Guarantee scheme. No mortgages have been granted with a loan-to-value ratio exceeding 125% without additional collateral being pledged by the applicant. No derivative instruments were contracted to mitigate any credit risk; it is felt that hedging is not required given the relatively small credit risk exposure. Certain unit-linked products have been classified as investment contracts, while some are included within the definition of an insurance contract. The assets backing these unit-linked



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liabilities are recognised in the appropriate items in the consolidated balance sheet, and form part of the liability for investment contracts disclosed in section 5.1.7.27.

Delta Lloyd Group uses derivatives as part of its asset and liability management to hedge the fair value risk of financial assets owing to market interest rate movements. Fair value hedge accounting is applied to part of the hedged financial assets, provided these assets have been designated as such and the conditions for hedge accounting as referred to in section 5.1.1.22 Derivative Financial Instruments have been met. These derivatives are recognised in the 'assets at fair value through profit or loss not held for trading' investment category. Derivatives that do not meet these conditions are recognised as 'Derivatives not held for fair value hedge accounting' and classified in the 'Assets at fair value through profit or loss held for trading' investment category.

The result for derivatives held for fair value hedge accounting in 2009 was nil (2008: € -82.6 million). The result on the hedged mortgages that arose, from the hedged interest rate risk, was € -7.4 million in 2009 (2008: € 80.7 million).

Fair value hedge accounting is applied in the banking and other segment.

### Carrying value of financial investments in relation to unit-linked liabilities at year end

In millions of euros	31 December 2009	31 December 2008
Debt securities	2,302.4	2,095.5
Equity securities	9,844.3	8,737.8
Derivatives not held for fair value hedge accounting	24.9	-
Loans	115.5	108.5
Cash and cash equivalents	-4.7	1.2
Reinsurance assets	-	26.5
<b>Total</b>	<b>12,282.4</b>	<b>10,969.5</b>
<b>The associated liabilities are:</b>		
Unit-linked contracts classified as insurance contracts	11,264.3	9,925.3
Unit-linked contracts classified as investment contracts	413.9	189.7
Third-party interests in investment funds	679.3	522.2
<b>Total</b>	<b>12,357.5</b>	<b>10,637.1</b>

The table above presents further details of the nature of the various financial investments. The liabilities relating to unit-linked investments have been adjusted to the elimination of pension obligations as explained in section 5.1.7.31. Without this elimination, the liabilities would be higher than prescribed.

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### Accumulated impairment of debt instruments available for sale in the financial year

In millions of euros	2009	2008
<b>At 1 January</b>	<b>16.4</b>	<b>0.7</b>
Impairment charges during the period	18.3	15.7
Reversal of impairment charges during the year	-0.3	-
Disposals	-0.7	-
<b>At 31 December</b>	<b>33.7</b>	<b>16.4</b>

### Cumulative impairment charges on AFS equity securities in the financial year

In millions of euros	2009	2008
<b>At 1 January</b>	<b>1,167.7</b>	<b>336.3</b>
Impairment charges during the period	475.3	913.1
Disposals	-474.0	-81.8
<b>Total at 31 December</b>	<b>1,169.0</b>	<b>1,167.7</b>

### Cumulative impairment charges on loans and receivables at amortised cost in the financial year

In millions of euros	2009	2008
<b>At 1 January</b>	<b>95.6</b>	<b>70.1</b>
Impairment charges during the period	14.6	40.0
Reversal of impairment charges during the period	-8.4	-9.8
Irrecoverable	-6.8	-
Disposals	-8.8	-4.5
Other	-	-0.2
<b>Total at 31 December</b>	<b>86.3</b>	<b>95.6</b>

The impairment charge recognised on loans held by the banking division was € 11.8 million (2008: € 12.1 million). Reversed impairment charges of € 5.4 million (2008: € 7.4 million) related to loans held by the banking division which had a gross value before this impairment of € 76.9 million (2008: € 69.9 million). The impairment recognised on these loans was € 46.6 million (2008: € 45.4 million). The value of the collateral relating to these loans was € 30.8 million (2008: € 24.4 million) and consists mainly of mortgaged properties.

Accrued interest of € 0.3 million (2008: € 0.5 million) is recognised on financial assets subject to individual impairment.

The conditions governing financial assets that would otherwise have been matured or impaired, were not renegotiated.

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### Securities lending

Delta Lloyd Group entered into agreements on lending securities from the Group's various investment portfolios. Securities lending agreements were entered into with Natixis SA, KBC Bank NV, BNP Paribas Fortis and Royal Bank of Scotland.

The repurchase agreement includes € 747.8 million (2008: € 396.2 million) of debt securities and other fixed-income securities. The obligations under these agreements are recognised as 'Other liabilities' (see section 5.1.7.34).

### 5.1.7.16 (16) Other loans and receivables

#### Loans and receivables at amortised cost at year end

In millions of euros	2009	2008
Loans to policy holders	188.3	177.5
Loans to banks	333.9	233.8
Loans and advances to clients and intermediaries	127.6	77.2
Issued loans	5,301.4	4,592.0
<b>Total loans and advances</b>	<b>5,951.2</b>	<b>5,080.5</b>
Securitised mortgage loans	1,902.1	2,339.8
Non-securitised mortgage loans	6,664.6	5,150.5
<b>Total mortgage loans</b>	<b>8,566.7</b>	<b>7,490.3</b>
<b>Total loans and receivables</b>	<b>14,517.9</b>	<b>12,570.8</b>
<b>Terms of loans and receivables</b>		
Less than one year	3,442.5	3,719.4
More than one year	11,075.4	8,851.4
<b>Total</b>	<b>14,517.9</b>	<b>12,570.8</b>

The increase in issued loans relates for the main part to a loan issued by Delta Lloyd Group to Rabobank Nederland for an amount of € 500.0 million, against an interest rate of 9.94%.

The reduction in securitised mortgages (€ 437.7 million) compared with 2008 is partly related to the repayment of Arena 2002-I (€ 393.1 million).

In 2009, mortgages of € 2,189.2 million were granted and € 1,032.2 million were redeemed. The movement in the balance sheet value as a result of hedge accounting after amortisation in 2009 was € -7.2 million for ordinary mortgages, € -2.5 million for securitised mortgages and € 11.4 million for other loans, making a total of € 1.7 million. Delta Lloyd Bankengroep has used hedge accounting since October 2008. Since April 2009, Amstelhuys has applied hedge accounting for new mortgages from 1 January 2009. The resulting change in value was € 9.1 million.

There was a reclassification from loans at fair value to loans and receivables at amortised cost. Consequently, the comparative figure 2008 for 'non-securitised mortgage loans' increased by € 80.7 million. Please refer to section 5.1.1 'Accounting policies' for further information.

#### **5.1.7.17 (17) Securitised mortgages and related assets**

The benefits from eleven portfolios of residential mortgage-backed securities (RMBS) of three subsidiaries in the Netherlands and Belgium, Delta Lloyd Levensverzekering, Amstelhuys and Delta Lloyd Bank Belgium, have been transferred to ten special purpose vehicles ('SPVs'), Arena 2000-I BV, Arena 2003-I BV, Arena 2004-I BV, Arena 2004-II BV, Arena 2005-I BV, Arena 2006-I BV, B-Arena NV/SA, Arena 2007-I BV, Arena 2009-I BV and DARTS Finance BV ('securitisation companies' or 'SPVs'), which were funded primarily by the issue of notes. The positions in Arena 2002-I BV were settled during 2009.

All the shares in the securitisation companies are held by independent entities: Stichting Security Trustee Arena 2000-I, Stichting Security Trustee Arena 2003-I, Stichting Security Trustee Arena 2004-I, Stichting Security Trustee Arena 2004-II, Stichting Security Trustee Arena 2005-I, Stichting Security Trustee Arena 2006-I, B-Arena NV/SA, Stichting Security Trustee Arena 2007-I, Security Trustee Arena 2009-I and Stichting Trustee DARTS Finance respectively. Delta Lloyd Levensverzekering, Amstelhuys and Delta Lloyd Bank Belgium do not directly or indirectly hold shares in the securitisation companies or their parent companies. Delta Lloyd Levensverzekering, Amstelhuys and Delta Lloyd Bank Belgium have no right or obligation to repurchase the benefit of any of the securitised mortgage loans before the optional call-date, except in certain circumstances where they are in breach of warranty.

At 31 December 2009, Delta Lloyd Levensverzekering, Amstelhuys and Delta Lloyd Bank Nederland held notes in the securitisation companies, which are repayable at various dates between 2037 and 2064. The fair value of these notes amounts to € 1,342.2 million (2008: € 1,011.8 million). The notes were eliminated in the consolidated balance sheet. Amstelhuys and Delta Lloyd Bank Belgium received interest from the securitisation companies regarding issued subordinated debt.

Delta Lloyd Levensverzekering, Amstelhuys and Delta Lloyd Bank Belgium have entered into interest rate swaps with third parties to hedge the interest payment flows for the SPVs. The effect of the swaps is that the securitisation companies convert all or part of the interest flows receivable from customers in respect of the securitised mortgage loans into interest flows, which are designed substantially to match the interest payable to the note holders.

In all of the above transactions, Delta Lloyd Group and its subsidiaries are not obliged to support any losses that may be suffered by the note holders, other than those arising from the structure. Additionally, the notes were issued on the basis that note holders are only entitled to receive payment of both principal and interest to the extent that the available resources of the special purpose securitisation companies concerned, including funds due from customers in respect of the securitised loans, are sufficient and that note holders have no recourse whatsoever to other Delta Lloyd Group companies.

Total mortgage assets in the above securitisation companies were € 8,160.4 million as at 31 December

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2009 (2008: € 7,445.2 million). Apart from the administration fees payable to other Group undertakings, described above, there are no other material gains or losses in these companies.

### 5.1.7.18 (18) Receivables and other financial assets

#### Receivables and other financial assets at year end

In millions of euros	2009	2008
Receivables from policy holders	821.4	502.1
Receivables from intermediaries	90.9	84.7
Deposits with ceding undertakings	147.0	168.4
Other receivables	443.4	510.6
Other financial assets	719.4	772.5
<b>Total</b>	<b>2,222.2</b>	<b>2,038.3</b>
Expected to be settled within one year	2,171.5	1,997.7
Expected to be settled in more than one year	50.6	40.6
<b>Total</b>	<b>2,222.2</b>	<b>2,038.3</b>

For receivables and other financial assets at amortised cost, the carrying value is a good approximation for the fair value considering the short terms involved.

Concentrations of credit risk with respect to receivables are limited due to the size and spread of Delta Lloyd Group's operations. Impairment is recognised when it is expected that the full amount of the receivables cannot be realised.

Delta Lloyd Levensverzekering has amounts owed by policy holders for an amount of € 717.5 million in 2009 (2008: € 400.1 million). The increase is attributable to new insurance contracts closed at the end of 2009 for which the single premiums to be paid are still outstanding.

'Other receivables' include: receivables from reinsurance companies, receivables from Aviva, taxes receivable, short term receivables, amounts received but yet to be processed, prepaid benefits and receivable dividend payments.

'Other financial assets' include short-term deposits held in the Life segment (€ 319.5 million) and by Amstelhuys (€ 93.3 million). In addition, non-transferable deposits, or so-called margin accounts, are held by Amstelhuys for the financing of the securitised mortgage portfolio.

Please refer to section 5.1.7.37 'Risk management policies' for both an analysis of receivables and other financial assets adjusted for impairments, as an analysis of payment arrears with regard to receivables and other financial assets.

### 5.1.7.19 (19) Deferred acquisition costs

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### Deferred acquisition costs at year end

In millions of euros	Life	General	Total 2009	Life	General	Total 2008
Participating insurance contracts	31.1	-	31.1	17.7	-	17.7
Non-participating insurance contracts	98.7	82.0	180.7	103.1	80.6	183.8
Investment contracts	11.0	-	11.0	5.5	-	5.5
<b>Deferred acquisition costs</b>	<b>140.8</b>	<b>82.0</b>	<b>222.9</b>	<b>126.4</b>	<b>80.6</b>	<b>207.0</b>

In 2009, the Purchase Price Allocation (PPA) process for Swiss Life Belgium was finalised. Connection with the MCEV calculation resulted in an adjustment of the comparable 2008 figure of deferred acquisition costs (€ 25.1 million), composing of participating insurance contracts (€ 9.0 million) and investment contracts (€ 16.1 million). Please refer to section 5.1.1 'Accounting policies' for further information.

### Statement of changes in deferred acquisition costs of Life insurance contracts in the financial year

In millions of euros	2009	2008
<b>At 1 January</b>	<b>126.4</b>	<b>124.9</b>
Deferred acquisition costs	55.0	57.6
Amortisation	-40.6	-56.2
Impairment losses	-	-
Changes in group	-	-
<b>At 31 December</b>	<b>140.8</b>	<b>126.4</b>

### Statement of changes in deferred acquisition costs of General insurance contracts in the financial year

In millions of euros	2009	2008
<b>At 1 January</b>	<b>80.6</b>	<b>83.0</b>
Deferred acquisition costs	216.3	228.8
Amortisation	-214.2	-231.4
Impairment losses	-0.7	-
Changes in group	-	0.3
<b>At 31 December</b>	<b>82.0</b>	<b>80.6</b>

## 5.1.7.20 (20) Inventory of real estate projects

### Inventory of real estate projects at year end

In millions of euros	2009	2008
<b>Inventory of real estate projects</b>	<b>75.8</b>	<b>98.8</b>

Inventory of real estate projects includes property under construction held for sale of € 74.3 million (2008: € 97.2 million).

It is expected that € 15.4 million of the assets will be sold within one year after the balance sheet date (2008: € 20.7 million).

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### 5.1.7.21 (21) Share capital

The company's ordinary and preference share capital is as follows:

#### Share capital at year end

In millions of euros	2009	2008
<b>The authorised share capital of the company at 31 December was:</b>		
360.000.000 ordinary shares with a nominal value of € 0,20 (2008: 50.000.000 à € 1,00).	72.0	50.0
15.000.000 convertible preferent shares A with a nominal value of € 0,20 (2008: 15.000.000 à € 1,00).	3.0	15.0
375.000.000 preferent shares B with a nominal value of € 0,20 (2008: 1.700.000 à € 50,00).	75.0	85.0
	<b>150.0</b>	<b>150.0</b>
<b>The issued share capital of the company at 31 December was:</b>		
165.607.585 ordinary shares with a nominal value of € 0,20 (2008: 29.949.531 aandelen à € 1,00).	33.1	29.9
0 preferent shares B with a nominal value of € 0,20 (2008: 1.542.853 aandelen à € 50,00).	-	77.1
	<b>33.1</b>	<b>107.1</b>
The 13.021.495 outstanding convertible preferent shares A (2008: 9.312.360 aandelen à € 1,00) with a nominal value of € 0,20 are reported as a convertible loan.	2.6	9.3

Ordinary shares in issue in the Company rank equally. All the ordinary shares in issue carry the same right to receive all dividends and other distributions declared, made or paid by the Company.

The shares in issue as at 31 December 2009 were fully paid-up and each gives the right to cast one vote.

Movements in the authorised and issued capital during 2009 related to the public offering of Delta Lloyd NV in November 2009. The associated external costs have been charged to Aviva. The restructuring of the issued capital took place before the first trading date and was as follows:

#### Ordinary shares

The number of ordinary shares in issue (31 December 2008: 29,949,531 with a nominal value of € 1.00 each) increased as a result of Aviva and Fonds NutsOhra exercising warrants on the subordinated debt granted by them. This raised the number of ordinary shares by 2,458,228 (Aviva) and 213,758 (Fonds NutsOhra). The financial settlement of the repurchase of the preference shares B (see below) increased the number of ordinary shares in issue by a further 500,000. The 33,121,517 ordinary shares in issue following these transactions were split by reducing their nominal value from € 1.00 to € 0.20 each, bringing the number of shares in issue to 165,607,585.

#### Convertible preference shares A

Delta Lloyd Group repurchased 6,708,061 convertible preference shares A from Fonds NutsOhra at their nominal value (€ 1.00) and then cancelled them. The remaining 2,604,299 convertible preference shares A held by Fonds NutsOhra were split by reducing their nominal value from € 1.00 to € 0.20 each. Consequently, the number of convertible preference shares A in issue became 13,021,495. The

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convertible preference shares A carry a fixed dividend of 2.76%. Fonds NutsOhra is entitled to convert these cumulative preference shares A one for one into ordinary shares, but not in the first three years from the first trading date, unless any of the following events occurs:

- a public bid for Delta Lloyd Group;
- a legal merger or legal demerger involving Delta Lloyd Group;
- the sale by Delta Lloyd Group of the majority of its assets;
- a resolution by the Executive Board subject to the approval of the General Meeting of Shareholders.

The conversion price is € 38.33 per ordinary share less € 0.20 (the nominal value of the convertible preference shares A).

### Preference shares B

Delta Lloyd Group repurchased from Aviva all 1,542,853 preference shares B in issue with a nominal value of € 50.00 each for the amount of € 40.0 million. The preference shares B with a nominal value of € 50.00 were converted into ordinary shares with a nominal value of € 1.00, resulting in 77,142,650 ordinary shares. Of these shares, 500,000 were delivered to Aviva as payment for the purchase of the preference shares B for € 40.0 million. The remaining 76,642,650 ordinary shares held by Delta Lloyd NV after this transaction were cancelled. The articles of association were subsequently amended in respect of the rights of the preference shares B. Following this amendment, the preference shares B became 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 2.4 Corporate governance), which is legally and administratively independent of Delta Lloyd Group. Stichting Continuïteit Delta Lloyd, therefore, has a call option for an indefinite period to acquire protective preference shares B in Delta Lloyd NV, up to a maximum that is equal to 100% of the share capital in issue in the form of ordinary shares and preference shares A immediately prior to the exercise of the call option, minus one share.

On acquisition, at least one quarter of the nominal value must be paid up on each preference share B. Further payment on preference shares B shall be made pursuant to a resolution of the Executive Board of Delta Lloyd NV. Such resolution shall be subject to the approval of the Supervisory Board. Delta Lloyd Group believes that the call option is not material as meant by IAS 1.31 since there is a very small probability of the call option being exercised. In the highly exceptional circumstances in which the call option were exercised, these preference shares B would in all probability be cancelled within a very short time. The option is, therefore, not recognised in the financial statements nor is any additional information presented pursuant to IAS 32 and IAS 39.



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### 5.1.7.22 (22) 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. Conversion of share options granted to employees will not lead to a change in the number of shares in issue as they are settled in cash.

#### Earnings per share

In millions of euros (unless indicated otherwise)	2009	2008 1)
Net profit from continuing operations	-195.8	-179.9
Net profit from discontinued operations	72.3	19.0
<b>Net profit (loss) attributable to holders of ordinary shares for calculating the earnings per ordinary share</b>	<b>-123.6</b>	<b>-160.8</b>
Weighted average number of ordinary shares in issue	152,390,977	149,747,655
Basic earnings per share continuing operations (in euros)	-1.28	-1.20
Basic earnings per share discontinued operations (in euros)	0.47	0.13
<b>Basic earnings per share (in euros)</b>	<b>-0.81</b>	<b>-1.07</b>

1) The weighted average number of shares is changed in 2008 due to the stock split from nominal € 1.00 to € 0.20.

#### Diluted earnings per share

In millions of euros (unless indicated otherwise)	2009	2008 1)
Net profit (loss) attributable to holders of ordinary shares for calculating the earnings per ordinary share	-123.6	-160.8
Adjustment to result in connection with conversion rights (decrease of interest expenses)	-	10.1
<b>Net profit (loss) attributable to holders of ordinary shares for calculating the diluted earnings per ordinary share</b>	<b>-123.6</b>	<b>-150.7</b>
Net profit from continuing operations	-195.8	-179.9
Net profit from discontinued operations	72.3	19.0
<b>Net profit (loss) attributable to holders of ordinary shares for calculating the earnings per ordinary share</b>	<b>-123.6</b>	<b>-160.8</b>
Weighted average number of ordinary shares in issue	152,390,977	149,747,655
Effect of conversion of subordinated debt 2)	-	13,359,930
Effect of conversion of preference A shares before a public offering	-	33,540,305
Effect of conversion of preference A shares after a public offering (2012)	13,021,495	-
<b>Diluted weighted average number of ordinary shares</b>	<b>165,412,472</b>	<b>196,647,890</b>
Diluted earnings per ordinary share from discontinued operations (in euros)	-1.18	-1.20
Diluted earnings per ordinary share from continuing operations (in euros)	0.44	0.10
<b>Diluted earnings per ordinary share (in euros)</b>	<b>-0.74</b>	<b>-1.10</b>

1) The weighted average number of shares in issue in 2008 has been adjusted for the share split which reduced their nominal value from €1.00 to €0.20.

2) With a IPO of Delta Lloyd NV, NutsOhra Fund and Aviva have the right to exercise the warrant related to their subordinated loans.

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.

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No other transactions in ordinary or potential ordinary shares occurred between the reporting date and the signing date of these financial statements.

### 5.1.7.23 (23) Revaluation reserves

#### Statement of changes in revaluation reserves

In millions of euros	
Revaluation reserve of continuing operations at 1 January 2008	1,278.1
Revaluation reserve of assets held for sale at 1 January 2008	5.4
<b>Total revaluation reserves at 31 December 2008</b>	<b>1,283.5</b>
Gross fair value gains and losses arising in period	-2,132.9
Transfer of available-for-sale equity relating to DPF contracts to provisions	-8.5
Impairment losses transferred to income statement	928.8
Realised gains/losses on revaluations of financial instruments available for sale transferred to income statement	-160.2
Foreign exchange differences	2.8
Fair value adjustments associates	-182.7
Disposal of associates	1.1
Aggregate tax effect	121.1
<b>Total revaluation reserve at 31 December 2008</b>	<b>-147.0</b>
Revaluation reserves from continuing operations at 31 December 2008	-143.3
Revaluation reserves from operations held for sale at 31 December 2008	-3.7
<b>Total revaluation reserves at 1 January 2009</b>	<b>-147.0</b>
Gross fair value gains and losses arising in period	454.4
Transfer of available-for-sale equity relating to DPF contracts to provisions	6.5
Impairment losses transferred to income statement	493.3
Realised gains/losses on revaluations of financial instruments available for sale transferred to income statement	-418.2
Foreign exchange differences	-2.4
Fair value adjustments associates	137.0
Disposal of subsidiaries	3.7
Aggregate tax effect	-61.3
<b>Total revaluation reserves at 31 December 2009</b>	<b>466.0</b>

### 5.1.7.24 (24) Retained earnings

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### Retained earnings at year end

In millions of euros	2009	2008
<b>At 1 January</b>	<b>3,097.8</b>	<b>3,485.0</b>
Result after tax and non-controlling interests	-123.6	-160.8
Dividends	-	-226.4
Other adjustments	17.0	-
<b>At 31 December</b>	<b>2,991.3</b>	<b>3,097.8</b>

Restatement of the 2008 balance sheet figures is explained in section 5.1.1. 'Accounting policies'.

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Of the shareholders' equity, € 1,644.1 million is available for distribution (2008: € 1,240.9 million).

No dividend was paid in 2009.

In accordance with Article 44 of the Statute, a dividend of € 82.8 million (2008: € 0.0 million) is proposed. In 2009, the distribution amounts to € 0.50 per ordinary share of € 0.20 nominal.

Other movements are related to an adjustment to the deferred tax liabilities. In accordance with IAS12, this is processed as direct movements in equity.

### 5.1.7.25 (25) Insurance provisions

#### Insurance liabilities at year end

In millions of euros	Life	General	Total 2009
Participating contracts	11,194.2	-	11,194.2
Unit-linked non-participating contracts	11,264.3	-	11,264.3
Other non-participating contracts	10,820.1	-	10,820.1
Outstanding claims provisions	-	1,161.4	1,161.4
Provision for claims handling expenses	-	66.6	66.6
Provision for claims incurred but not reported	-	411.0	411.0
Provision for unearned premiums	-	390.5	390.5
Provision for unexpired risks	-	3.1	3.1
Other technical provisions	-	5.6	5.6
<b>Total</b>	<b>33,278.5</b>	<b>2,038.3</b>	<b>35,316.8</b>

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### Insurance liabilities at prior year end

In millions of euros	Life	General	Total 2008
Participating contracts	12,388.2	-	12,388.2
Unit-linked non-participating contracts	9,925.3	-	9,925.3
Other non-participating contracts	9,362.9	-	9,362.9
Outstanding claims provisions	-	1,111.8	1,111.8
Provision for claims handling expenses	-	78.4	78.4
Provision for claims incurred but not reported	-	480.6	480.6
Provision for unearned premiums	-	396.4	396.4
Provision for unexpired risks	-	3.0	3.0
Other technical provisions	-	-	-
<b>Total</b>	<b>31,676.4</b>	<b>2,070.3</b>	<b>33,746.7</b>

Restatement of the 2008 balance sheet figures is explained in section 5.1.1. See section 5.1.7.26 for information on reinsurance assets.

### 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 applied generally in the Netherlands. In the Netherlands, unlike in Belgium and Germany, profit sharing is non-discretionary and based on an external standard (such as the 'u-return'). Consequently, the timing and/or level of profit-sharing by policyholders do not depend on a management decision.

#### *Methodology*

There are two main methods of actuarial valuation of liabilities arising under life insurance contracts – the net premium method and the gross premium method – both of which involve the discounting of expected premiums and benefit payments.

Under the net premium method, the premium taken into account in calculating the provision is determined actuarially using policies on discount rates, mortality and disability. The difference between this net premium and the actual premium received provides a margin for expenses. This method does not allow for voluntary early termination of the contract by the policyholder. Explicit provision is made for vested bonuses, including those vesting contractually following the most recent investment valuation. No such explicit provision is made for the majority of future regular or 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 morbidity, 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. For certain types of products an additional provision is formed 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. For the majority of traditional life insurance contracts in the Netherlands the provisions are calculated using the DLG curve. Life insurance business provisions are calculated separately for each life operation of Delta Lloyd Group.

The valuation principles used within Delta Lloyd Group to calculate provisions vary by type of products and division because of differences in the insured population. Provisions are most sensitive to assumptions on discount rates and mortality rates. For participating contracts, bonuses paid during the year are reflected in claims paid, whilst those allocated as part of the bonus declaration are included in the movements in the life insurance business provision. Provision is also made for unearned premiums, outstanding payments and other technical provisions. These principles are described in detail below.

In general, Delta Lloyd Group's insurance companies carry out a traditional deterministic liability adequacy test, using current estimates of future cash flows under insurance contracts (For the Netherlands and Belgium, the time value of options and guarantees is determined in a more advanced, stochastic manner). 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 bi-annual, at the year-end and half-year reporting dates. The test meets IFRS requirements.

### ***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, based on the valuation assumptions regarding discount rates and mortality, taking into account the premiums to be received in the future and all the future liabilities under the conditions of each current insurance contract.

Provision is also made for future maintenance expenses. Provisions are held for administrative costs for the following types of business:

- Individual contracts – all single premium and paid-up policies;
- Regular premium savings mortgage ('Spaarhypotheek') contracts;
- All group contracts.

Provisions are also made for the longevity risk associated with certain types of individual and group life insurance as the original life expectancy assumptions are no longer valid.

For the Dutch life insurance operations of Delta Lloyd Group, liabilities under self-administered non-linked life insurance contracts are valued on the basis of the DLG curve (market interest rates). In general, the portfolios administered externally and the additional provisions for non-unit-linked liabilities are not calculated using market rates. This means that more than 95% of the provision for the total non-linked insurance liabilities is calculated using market rates.

### ***Life insurance business provisions where the policyholder carries the investment risk***

Unit-linked contracts and segregated funds, which are classified as insurance contracts, are valued on the basis of the same principles as those used for the valuation of the investments on behalf of policyholders in relation to which they are held. Any additional provisions that are needed to cover mortality risks, minimum guarantee return or guaranteed surrender values are included in the insurance provisions, where the insurer carries the investment risk.

### ***Transparency around unit-linked insurance contracts***

The lack of transparency concerning unit-linked insurance has become the subject of a public debate that started in 2007. Criticism has centred on the costs and commission structure associated with these products. The immediate cause of this debate was the publication of the conclusions of an exploratory survey of the unit-linked insurance market conducted by the Dutch Authority for the Financial Markets (*Autoriteit Financiële Markten / AFM*). Customers joined activist consumer groups (such as *Stichting Verliespolis*) and informed Delta Lloyd Group that in their view the products it offered no longer met the transparency requirements they had formulated.

In 2008, Delta Lloyd Group and the activist consumer groups reached an outline agreement on standardised charges for unit-linked insurance products. Policyholders are entitled to compensation, based on these standardised charges, either on the policy expiry date or at the time the policy is ended early.

In the first half of 2009, talks were held with the aforementioned foundations, in which the calculation formulas and assumptions that are used for the calculation of the standardised charges have been further defined. These calculation formulas and assumptions are implemented in the administrative systems of the Business Units (labels). The Business Units have ensured that the formulas and assumptions, which are used for the calculation of the standardised charges, as well as the implementation in the administrative systems, meet the requirements.

Subsequently, the compensation letters are sent to the policyholders. Most of the policyholders, who bought such a unit-linked insurance product in the past, have been informed about this compensation before the end of 2009.

A supplementary provision was formed for part of this compensation in the 2008 and 2009 financial

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statements. The cost was measured at the present value of the estimated compensation that will be paid on each eligible policy on its expiry date. Part of the cost (related to surrender payments) was charged directly to the income statement as at 31 December 2008 by the formation of a separate surrender provision. The remainder is within the adequacy margin of the provisions. Changes in the separate surrender provisions are recognised each year through the result.

A prudent estimate of the full cost was made at 31 December 2008 using information available at that time. In 2009, it was possible to determine the cost by applying the correct formulas implemented in the administrative systems to an accurate (reconstructed) policy history of the eligible policyholders.

### ***Provision for outstanding payments***

This provision includes outstanding payments in respect of both linked and non-linked business. It is determined from an estimate of payments still to be settled at the end of the financial year.

### ***Provision for unearned premiums***

This provision equals the proportion of premiums written that relate to the period of risk after the reporting date and is included in the actuarial provisions.

### ***Provision bonuses and rebates***

The provision relates to the bonus declarations for the current book year and arises mainly on group life contracts in Germany. Bonus amounts are determined on the basis of estimated interest returns based on underlying policy terms and conditions.

## **Assumptions**

### ***(i) Netherlands***

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### Valuation discount rates and mortality tables in the financial year

In millions of euros	Valuation discount rates in 2009 and 2008	Mortality tables used in 2009 and 2008
Short-life risk insurance	DLG curve, or 3.0% - 4.0%	GBM 61-65. GBM 71-75. GBM/V 76-80. GBM 80-85. GBM/V 85-90. GBM/V 90-95 and CRS
Longevity-life risk insurance	DLG curve, 3.0% - 4.0% or policy related rates	GBM/V 76-80. GBM/V 85-90. GBM/V 95-00 Coll 1993/2003 and DIL 98. plus further allowance for future mortality improvement

The provisions for life insurance contracts are calculated primarily using the mortality rates in the tariff bases. Savings products (other than unit-linked) are insurance contracts that will payout during life and within the Dutch life insurance operations are discounted at market rates based on the DLG curve.

For group life contracts, with the exception of group contracts surrendered on the closing date and which mortality bases are not equal to the Coll. 93 mortality table, the provisions for life insurance contracts are increased by multiplying them by the ratio between the actuarial benefit factor based on the mortality table GBM/V 1990-1995 and the actuarial factor based on the tariff base.

An additional provision for longevity risk is formed at the portfolio level for group life contracts. This additional provision presents the amount required if provisioning were to be performed on the basis of the most recent mortality rates taking into account historical figures rather than the GBM/V 1990-1995 table.

For contracts with an interest guarantee, a provision has been established for these guarantees. For the majority of the portfolio, this provision is determined on an advanced, stochastic basis consistent with the valuation of option contracts. A provision is formed for traditional policies with a profit sharing guarantee in accordance with the Dutch regulatory requirements.



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### **(ii) Belgium**

Delta Lloyd Belgium uses local generally accepted interest rates and published standard mortality tables for different categories of business as appropriate. The tables are based on relevant experience and show mortality rates, by age, for specific groups of people. The table below presents the initial tariff base. Current provisions are calculated using market interest rates (DLG curve).

#### **Valuation discount rates and mortality tables in the financial year**

In millions of euros	Valuation discount rates in 2009 and 2008	Mortality tables used in 2009 and 2008
Short-life risk insurance	DLG curve or 0% - 4,85%	MR. FR. MK. FK. FK' mortality tables
Longevity-life risk insurance	DLG curve or 3,25% - 4,75%	MR. FR mortality tables

In most cases the provisions for life insurance contracts are calculated using the tariff bases.

An additional provision is formed for policies with a guaranteed base rate, using an actuarial interest rate that is higher than the actuarial rate used for the regulatory reference rate. This provision is determined on a policy-by-policy basis using the reference interest rate and formed on a straight-line basis over 10 years. An exemption from adding to this provision for part of the portfolio of the former Swiss Life Belgium was requested and obtained from the Banking, Finance and Insurance Commission (*Commissie voor het Bank-, Financie- en Assurantiewezen/CBFA*).

For contracts with discretionary participating features a profit sharing provision is formed based on the guaranteed amounts insured. The surplus is distributed to policyholders at the discretion of the shareholders' meeting. Profit sharing is effective for contracts with a guaranteed base rate lower than 3.75% in the first month after the decision of the shareholders' meeting. For contracts with a guaranteed base rate higher than 3.75%, the surplus will be distributed to the policyholder at maturity or on death.

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### **(iii) Germany**

Delta Lloyd Germany 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 2009 and 2008	Mortality tables used in 2009 and 2008
Short-life risk insurance	2.25%, 2.75%, 3%, 3.25%, 3.50% or 4.00%	Sterbetafel 60/62. Sterbetafel 1986 or Sterbetafel DAV 199T
Longevity-life risk insurance	2.25%, 2.75%, 3%, 3.25%, 3.50% or 4.00%	Sterbetafel 49/51. Sterbetafel 1987R. Sterbetafel 1994R. Sterbetafel DAV 2004R or Sterbetafel DAV 2004R

In most cases the provisions for life insurance contracts are calculated using the tariff bases.

An additional provision is set up to take longevity risk into account for life contingent annuity contracts with an old provision basis (e.g., Sterbetafel 1987R or Sterbetafel 1994R). This provision amounts to the difference between the provisions determined on the tariff bases and the provisions recalculated on a more modern mortality basis (Sterbetafel 2004R-Bestand). At 31 December 2009, this provision was € 84.4 million (2008: € 80.8 million).

Profit sharing for traditional policies is based on the technical results plus the excess of interest-earnings over the base rate. At least 93% of the excess interest-earnings and technical results is added to a provision for future allocation to policyholders. This percentage is based on management's assessment of the expected profit distribution and includes the expected tax amounts. The allocation of this provision is at the discretion of the board. The same procedure is used for investment contracts.

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### Movements

#### Statement of changes in life provisions

In millions of euros	2009	2008
<b>At 1 January</b>	<b>31,676.4</b>	<b>29,406.9</b>
Provisions in respect of new business	1,485.5	2,643.2
Expected change in existing business provisions	-160.8	-761.3
Variance between actual and expected experience	425.5	-1,796.2
Impact of operating assumption changes	-14.8	49.5
Impact of economic assumption changes	-80.3	308.2
Other movements recognised as expense	-	143.0
<b>Change in liability recognised as expense</b>	<b>1,655.2</b>	<b>586.5</b>
Changes in group	-	1,809.3
Other movements not recognised as expense	-53.0	-126.4
<b>At 31 December</b>	<b>33,278.5</b>	<b>31,676.4</b>

The "other movements not recognised as expense" in 2009 of € -53.0 million (2008: € -37.0 million) relate to profit sharing in Germany. The "other movements not recognised as expense" in 2008 of € -89.4 million relate to the reclassification as explained in section 5.1.1. Other restatement of the 2008 balance sheet figures are explained in section 5.1.1.

The 'impact of economic assumption changes' is mainly interest-related (see section 5.1.7.28) and includes the effect of interest rate movements on insurance provisions. The movement in provisions for interest guarantees on unit-linked and separate accounts and the movement in provisions for deferred profit sharing are also included in the economic assumption changes. The provision for deferred profit sharing includes the future profit sharing on deposits with ceding undertakings which is not yet included in the basic provision. Movements in the value of assets backing unit-linked policies are recognised under expected changes and variance between expected and actual movements. The movements in the provision for the unit-linked portfolio due to changes in the underlying investments are recognised as expected changes and variance between expected and actual movements.

#### Participating insurance contracts

**The following amounts have been included in the income statement in respect of policyholder bonuses during the year**

In millions of euros	2009	2008
Bonuses allocated in anticipation of a bonus declaration, included in claims paid	82.3	90.2
Reversionary and similar policyholder bonuses, included in life provisions	42.5	37.9
<b>Total</b>	<b>124.9</b>	<b>128.1</b>

**Process used to decide on assumptions for Life insurance**

Mortality assumptions have been derived from industry expertise and are based on national mortality tables. However, the mortality assumption underlying the provisions rarely changes and often reflects the pricing assumptions. Pricing assumptions for mortality are generally based on the most recent national mortality tables. The disability insurance provisions that are part of Delta Lloyd Group's life portfolio do not make specific allowance for recovery assumptions. This builds an element of prudence into the provision for these products. Provisions for traditional saving-products have been measured on the basis of either the DLG curve or a fixed interest rate. Savings-based mortgages, however, have policy-related interest rates.

**General insurance business**

Significant delays occur in the notification and settlement of claims and a substantial measure of experience and judgement is involved in assessing outstanding liabilities, the ultimate cost of which 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 written that the ultimate liabilities may vary as a result of subsequent developments or if catastrophic events occur.

Provisions for outstanding claims are established to cover the outstanding expected ultimate liability for losses and loss adjustment expenses (LAE) in respect of all claims that have already occurred. The provisions established cover reported claims and associated LAE, as well as claims incurred but not yet reported (IBNR) and estimated LAE.

Outstanding claims provisions are based on undiscounted estimates of future claim payments, except for disability business for which discounted provisions are held.

	Discount rate 2009	Mean term of liabilities (in years) 2009	Discount rate 2008	Mean term of liabilities (in years) 2008
<b>The Netherlands and Belgium</b>				
Disability insurance contracts	3,48%	7.53	3,82%	7.31

No equalisation or catastrophe provisions have been recognised as this is not permitted under IFRS. The general reserves (included in equity) will be used to absorb the impact of any catastrophes and in addition part of the catastrophe-related risk is reinsured.

Outstanding claims provisions are determined using facts known at the date of assessment, including statistics on the development of claim payments, incurred losses, average costs per claim and number of similar claims. Historical claims development is mainly analysed by accident period, although underwriting or notification period is also used where this is considered appropriate. Certain lines of business are also further analysed by claim type or type of coverage. In addition, large claims for each

line of business are usually separately assessed, either by being provided for at the face value of loss adjuster estimates, or separately projected in order to reflect the development of large claims. 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.

IBNR provisions for disability insurance are based chiefly on a percentage of the risk premium. Provisions for benefits in payment are estimated on models and assumptions that are used industry wide. The benefit provision is the discounted value of expected future cash flows including recovery and mortality probabilities. The recovery and mortality probabilities have been derived from industry expertise. The discount rates used are either a fixed discount rate or the DLG curve.

### **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 permanent health and injury insurance (disability insurance). A benefit is paid out if a policyholder becomes disabled. The provision required for benefit payments is based on the assumptions as described below. The provision of € 170.0 million is based on a fixed discount rate that equals the tariff rate. The discount rate for certain portfolios (provision of € 121.0 million) in the Netherlands is based on the current DLG curve.

The assumptions on which the disability insurance business provisions are based are not the same for each division of Delta Lloyd Group. Discrepancies are partly attributable to different portfolios and historical rates. This paragraph summarises the assumptions used under the previous accounting policies that used Dutch GAAP, as allowed by IFRS 4, by product type.

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	Premium calculation	Outstanding claims provisions
<b>Assumptions</b>		
Individual	KAZO 90 (4%), KAZO 90 (3%), AOV 2009 (3%), Verbond 97 (4%), Verbond 97 (3%), Verbond 99 (3%) WIA 2006 (3%)	KAZO 90 (4%), KAZO 90 (3%), AOV 2009 (3%), Verbond 97 (4%), Verbond 97 (3%), Verbond 99 (3%), Verbond 99 (4%), actuele DLG curve WIA 2006 (3%)
Group	WAO 93 (4%), WAO 96 (4%), PEMBA 99 (4%), WIA 2006 (3%)	WAO 93 (4%), WAO 93 (3%), actuele DLG curve, WIA 2006 (3%)
	Premium calculation	Outstanding claims provisions
<b>Assumptions</b>		
Belgium	Levie (3%) Schrijvers (3%) MFRK (4,75%)	Levie (3%) Schrijvers (3%) MFRK (4,75%)

### Provision for unexpired risk

A provision for unexpired risk is included for part of the WGA Deductible Risk Bearer portfolio. The provision, which relates to items that were recognised in 2008 but continue after 31 December 2008, is based on the difference between the commercial premium and the premium required actuarially.

**Adequacy test General insurance provisions**

For general insurance risks, Delta Lloyd Group uses a range of statistical methods to incorporate the various assumptions for estimating the ultimate cost of claims. The two most-commonly methods are the chain-ladder and the Bornhuetter-Ferguson methods.

The chain-ladder method may be applied to paid claims or incurred claims (i.e., paid claims plus case estimates). The basic technique involves the analysis of historical claims development factors and the selection of development factors based upon this historical pattern. The selected development factors are then applied to cumulative claims data for each underwriting year, which is not yet fully developed, to produce an estimated ultimate claims cost for each underwriting year.

Chain-ladder techniques are most appropriate for mature classes of business which have a relatively stable development pattern. Chain-ladder techniques are less suitable in cases where the insurer does not have a developed claims history for a particular class of business.

The Bornhuetter-Ferguson method uses a combination of a benchmark or market-based estimate and an estimate based upon actual claims experience. The former is based on a measure of exposure such as premiums; the latter is based on the paid or incurred claims 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 was not available for the projection (recent accident years or new classes of business). Delta Lloyd Group also uses the method under which a proportion of the premium income is retained and amortised on a straight-line basis.

The choice of estimate for each underwriting year of each class of business depends on an assessment of the technique that has been most appropriate to observed historical developments. In certain instances, this has meant that different techniques or combinations of techniques have been selected for individual underwriting years or groups of underwriting years within the same class of business.

Delta Lloyd Group's exposure to claims associated with asbestos-related diseases is material. The provisions have been estimated per case by claims handlers. A provision has also been formed for future asbestos-related claims. Claims development is monitored periodically. Please see the section on Loss Development Tables for information on claims developments for this business.

Upper and lower limits for the surplus set using the boot-strap technique have been applied to test the level of the provision for the Property & Casualty portfolio against Delta Lloyd Group's provisioning policy (confidence level of 90%-92.5%). As part of the tests of the provisions, there is a quarterly analysis of whether the provisioning policy has been met and the provision is adjusted as necessary.

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### Process used to decide on assumptions for general insurance provisions

Claims history is a significant input for forming and testing a large part of the provision. Claims triangles, showing trends in claims and loss development over several years, are available for this. Assumptions may have to be made on trends after the final loss development year for certain products with a long run-off period. These assumptions are made by the actuarial teams, using existing information. The claims history may also be affected by large claims and the actuarial teams also make assumptions on this. All these assumptions are discussed and reviewed regularly by the external actuary.

General insurance provisions are regularly recalibrated using the most recent information. This leads to an adjustment of the provision and often also to a change of the provision recognised through profit or loss. To recalibrate the provisions, the actuarial teams make a proposal to change the provision and this leads to a recommendation to local management. The recommendation is agreed with the external actuary. Local management takes the final decision on whether or not to change the provision.

If the regular testing of the provision does not meet the upper and lower confidence limits for the margin in the general insurance provision, there will also be a change to the provision, including an recognition through profit or loss. In this case too, the actuarial teams make a proposal that leads to a recommendation to local management, which in the end takes the formal decision on whether the recommendation is followed.

### Movements

The following movements in the general insurance and health technical provisions occurred during the year:

#### Statement of changes in general provisions

In millions of euros	2009	2008
<b>At 1 January</b>	<b>1,673.9</b>	<b>1,529.3</b>
Impact of changes in assumptions	-2.1	-4.4
Claim losses and expenses incurred in the current year	925.4	904.1
Movement in anticipated claim losses and expenses incurred in prior years	-84.9	-118.7
<b>Incurred claims losses and expenses</b>	<b>838.4</b>	<b>781.0</b>
Payments made on claims incurred in the current year	-456.2	-422.6
Payments made on claims incurred in prior years	-421.2	-329.1
Recoveries on claim payments	12.9	9.5
<b>Claims payments made in the year, net of recoveries</b>	<b>-864.5</b>	<b>-742.2</b>
Other movements in the claims provisions	-	-33.2
<b>Change in claims provision recognised as expense</b>	<b>-26.1</b>	<b>5.6</b>
Changes in group	-	139.0
<b>At 31 December</b>	<b>1,647.8</b>	<b>1,673.9</b>



***Loss development table***

The following table presents the development of cumulative claim payments and the estimated ultimate cost of claims for the accident years 2001 to 2009. The upper half of the table shows the cumulative amounts paid during successive years related to each accident year. For example, by the end of 2009, € 1,135.4 million had been paid in settlement of claims (excluding the impact of acquisitions) relating to the accident year 2001. In addition, as reflected in the lower section of the table, the original estimated ultimate cost of claims of € 1,238.4 million was re-estimated as € 1,206.8 million as at 31 December 2009. The difference from the original estimate is generally a combination of a number of factors, including claims being settled for larger or smaller amounts than originally estimated. The original estimates will also be increased or decreased as more information becomes known about the individual claims, overall claim frequency and severity patterns.

In the fifth year following the adoption of IFRS, only nine years have to be disclosed. This will be increased in each succeeding year, until ten years of information is presented.

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### Loss development gross of reinsurance

In millions of euros	All prior years	2001	2002	2003	2004	2005	2006	2007	2008	2009	Total
<b>Gross cumulative claims payments</b>											
At end of accident year		688.4	756.9	789.0	833.0	753.6	1,125.3	1,224.2	1,403.5	449.3	
One year later		1,038.2	1,103.0	1,091.5	1,138.7	1,177.2	1,752.7	1,977.1	2,299.4	-	
Two years later		1,073.3	1,134.6	1,116.1	1,177.1	1,227.2	1,815.9	2,062.3	-	-	
Three years later		1,092.4	1,149.1	1,130.2	1,190.8	1,257.8	1,840.5	-	-	-	
Four years later		1,098.3	1,161.9	1,140.5	1,202.1	1,270.3	-	-	-	-	
Five years later		1,110.3	1,171.3	1,150.1	1,210.2	-	-	-	-	-	
Six years later		1,119.6	1,179.4	1,159.0	-	-	-	-	-	-	
Seven years later		1,127.3	1,185.7	-	-	-	-	-	-	-	
Eight years later		1,135.4	-	-	-	-	-	-	-	-	
<b>Estimate of gross cumulative claims</b>											
At end of accident year		1,238.4	1,333.1	1,360.5	1,493.3	1,533.2	2,191.3	2,397.8	2,556.2	954.3	
One year later		1,280.2	1,356.4	1,333.4	1,412.7	1,474.7	2,012.7	2,233.5	2,559.4	-	
Two years later		1,225.3	1,292.4	1,253.6	1,326.5	1,389.0	1,970.7	2,203.7	-	-	
Three years later		1,209.4	1,259.6	1,235.2	1,292.9	1,373.1	1,942.7	-	-	-	
Four years later		1,193.7	1,250.2	1,225.0	1,281.4	1,350.2	-	-	-	-	
Five years later		1,194.9	1,239.2	1,210.1	1,269.2	-	-	-	-	-	
Six years later		1,185.4	1,235.0	1,207.6	-	-	-	-	-	-	
Seven years later		1,178.3	1,230.9	-	-	-	-	-	-	-	
Eight years later		1,206.8	-	-	-	-	-	-	-	-	
<b>Estimate of cumulative claims</b>		<b>1,206.8</b>	<b>1,230.9</b>	<b>1,207.6</b>	<b>1,269.2</b>	<b>1,350.2</b>	<b>1,942.7</b>	<b>2,203.7</b>	<b>2,559.4</b>	<b>954.3</b>	
<b>Cumulative payments</b>		<b>1,135.4</b>	<b>1,185.7</b>	<b>1,159.0</b>	<b>1,210.2</b>	<b>1,270.3</b>	<b>1,840.5</b>	<b>2,062.3</b>	<b>2,299.4</b>	<b>449.3</b>	
Total	199.5	71.5	45.2	48.5	59.0	79.9	102.2	141.4	259.9	505.0	1,512.0
Effect of discounting	16.5	4.2	4.6	4.8	2.1	3.2	5.7	10.6	11.0	14.3	76.9
<b>Current value</b>	<b>183.0</b>	<b>67.3</b>	<b>40.6</b>	<b>43.8</b>	<b>56.9</b>	<b>76.7</b>	<b>96.5</b>	<b>130.8</b>	<b>248.9</b>	<b>490.7</b>	<b>1,435.2</b>
<b>Effect of acquisitions</b>											
Reserves at acquisition date	-	40.2	14.4	108.1	37.7	405.6	53.4	47.0	15.5	-	721.8
Cumulative payments since acquisition	-	1.1	1.3	22.4	7.6	314.3	20.8	13.3	6.0	-	386.8
Reserves at balance sheet date	-	10.4	12.3	84.1	12.5	25.5	22.4	26.4	10.3	-	203.8
<b>Value recognised in balance sheet</b>	<b>183.0</b>	<b>77.7</b>	<b>52.9</b>	<b>127.9</b>	<b>69.4</b>	<b>102.2</b>	<b>118.9</b>	<b>157.2</b>	<b>259.1</b>	<b>490.7</b>	<b>1,639.0</b>
General technical provisions											1,647.8
Provision for premium shortfall											-3.1
Other technical provisions											-5.6
<b>Value recognised in balance sheet</b>											<b>1,639.0</b>

The loss development table after the effect of reinsurance is shown below:

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### Loss development net of reinsurance

In millions of euros	All prior years	2001	2002	2003	2004	2005	2006	2007	2008	2009	Total
<b>Gross cumulative claims payments</b>											
At end of accident year		683.8	752.0	778.4	823.2	743.0	1,112.7	1,216.9	1,386.7	441.9	
One year later		1,027.9	1,091.0	1,076.1	1,129.9	1,157.8	1,734.6	1,959.0	2,264.9	-	
Two years later		1,062.0	1,120.5	1,099.7	1,160.9	1,206.2	1,794.1	2,044.1	-	-	
Three years later		1,080.6	1,135.9	1,110.9	1,173.1	1,227.3	1,817.4	-	-	-	
Four years later		1,088.4	1,144.9	1,119.7	1,175.5	1,239.7	-	-	-	-	
Five years later		1,095.4	1,150.0	1,121.5	1,183.3	-	-	-	-	-	
Six years later		1,102.2	1,147.5	1,130.1	-	-	-	-	-	-	
Seven years later		1,097.7	1,153.7	-	-	-	-	-	-	-	
Eight years later		1,105.8	-	-	-	-	-	-	-	-	
<b>Estimate of gross cumulative claims</b>											
At end of accident year		1,222.8	1,311.1	1,327.1	1,454.2	1,497.6	2,149.0	2,344.7	2,498.4	907.3	
One year later		1,260.3	1,327.5	1,304.1	1,387.9	1,438.6	1,963.3	2,194.5	2,550.3	-	
Two years later		1,205.2	1,261.6	1,228.8	1,303.6	1,352.3	1,919.8	2,170.7	-	-	
Three years later		1,190.3	1,236.2	1,207.6	1,264.4	1,326.1	1,897.6	-	-	-	
Four years later		1,174.0	1,222.5	1,201.1	1,243.8	1,309.9	-	-	-	-	
Five years later		1,169.0	1,211.5	1,175.5	1,231.7	-	-	-	-	-	
Six years later		1,163.1	1,196.7	1,172.7	-	-	-	-	-	-	
Seven years later		1,144.9	1,194.1	-	-	-	-	-	-	-	
Eight years later		1,172.7	-	-	-	-	-	-	-	-	
<b>Estimate of cumulative claims</b>		<b>1,172.7</b>	<b>1,194.1</b>	<b>1,172.7</b>	<b>1,231.7</b>	<b>1,309.9</b>	<b>1,897.6</b>	<b>2,170.7</b>	<b>2,550.3</b>	<b>907.3</b>	
<b>Cumulative payments</b>		<b>1,105.8</b>	<b>1,153.7</b>	<b>1,130.1</b>	<b>1,183.3</b>	<b>1,239.7</b>	<b>1,817.4</b>	<b>2,044.1</b>	<b>2,264.9</b>	<b>441.9</b>	
Total	150.0	66.9	40.3	42.6	48.4	70.2	80.2	126.6	285.4	465.4	1,375.9
Effect of discounting	15.4	3.5	4.6	4.8	2.1	3.2	5.7	10.5	11.0	14.2	74.8
<b>Current value</b>	<b>134.6</b>	<b>63.4</b>	<b>35.8</b>	<b>37.8</b>	<b>46.3</b>	<b>67.0</b>	<b>74.5</b>	<b>116.1</b>	<b>274.3</b>	<b>451.2</b>	<b>1,301.1</b>
<b>Effect of acquisitions</b>											
Reserves at acquisition date	-	30.1	11.9	76.8	32.6	396.9	45.0	33.6	15.5	-	642.4
Cumulative payments since acquisition	-	0.7	0.8	24.6	7.8	316.2	21.5	5.4	5.7	-	382.6
Reserves at balance sheet date	-	7.9	9.6	50.4	8.7	18.0	15.0	22.1	9.0	-	140.7
<b>Value recognised in balance sheet</b>	<b>134.6</b>	<b>71.3</b>	<b>45.4</b>	<b>88.2</b>	<b>55.0</b>	<b>85.0</b>	<b>89.5</b>	<b>138.2</b>	<b>283.4</b>	<b>451.2</b>	<b>1,441.7</b>
General technical provisions											1,450.5
Provision for premium shortfall											-3.1
Other technical provisions											-5.6
<b>General technical provisions</b>											<b>1,441.7</b>

A prudent provisioning policy regarding cumulative claims (anticipated claims payments) will lead to a downward adjustment to the cost of claims in the future. The table shows that this adjustment applies to all accident years. A substantial portion of the payments are recorded during the second financial year. The movements in cumulative claims payments presented above indicate that approximately 85% of overall claims have been paid after two financial years.

The tables above include information on asbestos and environmental pollution (A&E) claims provisions from business written before 2001. The uncertainty inherent in A&E claims provisions is largely due to the extremely long latency period, uncertainties in the cover and claims costs, limited availability of data and uncertainty in the completeness/accuracy of the data. The A&E cumulative

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payments and claim reserves are shown separately in the following table.

### Asbestos and environmental pollution loss development table - gross of reinsurance

In millions of euros	Cumulative payments	Claims reserves	Estimate of cumulative claims
31 December 2001	11.9	26.7	38.6
31 December 2002	10.1	30.8	40.9
31 December 2003	10.0	32.5	42.5
31 December 2004	9.6	45.0	54.6
31 December 2005	10.7	49.6	60.3
31 December 2006	16.1	57.8	74.0
31 December 2007	20.3	53.2	73.5
31 December 2008	21.1	56.8	77.9
31 December 2009	22.6	55.8	78.4

### Asbestos and environmental pollution loss development table - net of reinsurance

In millions of euros	Cumulative payments	Claims reserves	Estimate of cumulative claims
31 December 2001	11.9	26.7	38.6
31 December 2002	10.1	30.8	40.9
31 December 2003	10.0	32.5	42.5
31 December 2004	9.6	45.0	54.6
31 December 2005	10.7	49.6	60.3
31 December 2006	16.1	57.8	74.0
31 December 2007	20.3	53.0	73.3
31 December 2008	21.1	56.8	77.9
31 December 2009	22.6	55.8	78.4

## Provision for unearned premiums

### *Movements*

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### Statement of changes in unearned premium reserve

In millions of euros	2009	2008
<b>At 1 January</b>	<b>396.4</b>	<b>371.4</b>
Premiums written during the year	1,437.9	1,359.6
Premiums earned during the year	-1,443.8	-1,382.3
<b>Movements in unearned premiums provision recognised as an expense</b>	<b>-5.9</b>	<b>-22.7</b>
Changes in group	-	15.7
Other adjustments	-	32.0
<b>At 31 December</b>	<b>390.5</b>	<b>396.4</b>

### 5.1.7.26 (26) Reinsurance assets

#### Carrying value

The following is a summary of reinsured business included in insurance provisions. This relates primarily to pro rata reinsurance for life insurance business. For general business, it relates to risk reinsurance (primarily excess of loss).

#### Reinsured provisions

In millions of euros	2009	2008
Life	424.7	481.8
General	208.3	240.3
<b>Total</b>	<b>632.9</b>	<b>722.0</b>

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 provision, the reinsurance assets and the net provision.

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### Gross provisions, premiums ceded to reinsurers and net provisions at year end

In millions of euros	Gross insurance provisions 2009	Reinsurance assets 2009	Net 2009	Gross insurance provisions 2008	Reinsurance assets 2008	Net 2008
Discretionary participating	6,662.1	22.2	6,639.9	6,614.3	4.6	6,609.7
Non-discretionary participating	4,532.1	15.7	4,516.4	5,773.9	404.3	5,369.6
Unit-linked non-participating	11,264.3	-	11,264.3	9,925.3	26.5	9,898.8
Other non-participating	10,820.1	386.8	10,433.3	9,362.9	46.4	9,316.6
<b>Life provisions</b>	<b>33,278.5</b>	<b>424.7</b>	<b>32,853.9</b>	<b>31,676.4</b>	<b>481.8</b>	<b>31,194.6</b>
Discretionary participating policies	2,763.5	-	2,763.5	2,565.4	-	2,565.4
Non-participating policies	576.6	-	576.6	588.1	-	588.1
Unit-linked policies	413.9	-	413.9	278.4	-	278.4
<b>Investment contracts</b>	<b>3,754.0</b>	<b>-</b>	<b>3,754.0</b>	<b>3,432.0</b>	<b>-</b>	<b>3,432.0</b>
Outstanding claims provisions	1,161.4	160.9	1,000.5	1,111.8	181.8	930.0
Provision for claims incurred but not reported	411.0	33.9	377.1	480.6	42.2	438.4
AB provision	-	-	-	-	-	-
Provision for unearned premiums	390.5	11.0	379.5	396.4	9.4	387.0
Additional provision for unexpired risk	3.1	-	3.1	3.0	-	3.0
Other technical provisions	5.6	-	5.6	-	1.3	-1.3
Provision for claims handling expenses	66.6	2.4	64.2	78.4	5.5	72.9
<b>General provisions</b>	<b>2,038.3</b>	<b>208.3</b>	<b>1,830.0</b>	<b>2,070.3</b>	<b>240.3</b>	<b>1,830.0</b>
<b>Total</b>	<b>39,070.8</b>	<b>632.9</b>	<b>38,437.9</b>	<b>37,178.7</b>	<b>722.0</b>	<b>36,456.7</b>

Restatement of the 2008 balance sheet figures is explained in section 5.1.1.

### Assumptions

The assumptions used for reinsurance contracts typically follow those applied to insurance contracts. Reinsurance assets included in life insurance business provisions have not yet been measured on the basis of market interest rates.

### Movements

The following movements occurred in reinsurance assets during the year:

#### (i) Life insurance

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### Statement of changes in reinsurance assets

In millions of euros	2009	2008
<b>At 1 January</b>	<b>481.8</b>	<b>1,065.8</b>
Assets in respect of new business	2.6	2.6
Expected movement in existing business assets	0.6	-1.6
Variance between actual and expected experience	-53.5	-591.5
Impact of operating assumption changes	-	0.1
Other adjustments	-6.8	-
<b>Change in asset recognised as income</b>	<b>-57.1</b>	<b>-590.4</b>
Changes in group	-	9.9
Other adjustments	-	-3.6
<b>At 31 December</b>	<b>424.7</b>	<b>481.8</b>

### (ii) General insurance

#### Statement of changes in reinsurance assets

In millions of euros	2009	2008
<b>At 1 January</b>	<b>230.8</b>	<b>194.4</b>
Impact of changes in assumptions	-	-0.5
Reinsurers' share of claim losses and expenses incurred in current year	46.9	52.4
Reinsurers' share of claim losses and expenses incurred in prior years	-36.8	-0.4
<b>Reinsurers' share of incurred claim losses and expenses</b>	<b>10.2</b>	<b>51.6</b>
Reinsurance recoveries received on claims incurred in current year	-7.2	-13.1
Reinsurance recoveries received on claims incurred in prior years	-35.6	-26.9
<b>Reinsurance recoveries received in the year</b>	<b>-42.9</b>	<b>-40.0</b>
<b>Change in reinsurance asset recognised as income</b>	<b>-32.7</b>	<b>11.6</b>
Changes in group	-	24.8
Other adjustments	-0.9	0.1
<b>At 31 December</b>	<b>197.3</b>	<b>230.8</b>

### (iii) Reinsurers' share of the provision for unearned premium

#### Statement of changes in unearned premium reserve

In millions of euros	2009	2008
<b>At 1 January</b>	<b>9.4</b>	<b>22.2</b>
Premiums ceded to reinsurers in the year	122.9	109.2
Reinsurers' share of premiums earned during the year	-121.3	-122.4
Other movements in reinsurers' share of unearned premiums provision	-	0.5
<b>Change in unearned premiums provision assets recognised as income</b>	<b>1.6</b>	<b>-12.7</b>
<b>At 31 December</b>	<b>11.0</b>	<b>9.4</b>

**5.1.7.27 (27) Liability for investment contracts****Carrying value****Investment contract liabilities at year end**

In millions of euros	2009	2008
Discretionary participating policies	2,763.5	2,565.4
Non-participating policies	576.6	588.1
Unit-linked policies	413.9	278.4
<b>Total investment contracts</b>	<b>3,754.0</b>	<b>3,432.0</b>

Restatement of the 2008 balance sheet figures is explained in section 5.1.1.

**Life business investment liabilities**

Investment contracts included under life business are those that do not transfer significant insurance risk from the contract holder to the issuer and are therefore treated as financial instruments under IFRS.

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 according to the methodology and group practice for life insurance liabilities as described in section 5.1.7.25.

For participating business concluded by Delta Lloyd Life (Belgium), the discretionary participation feature is recognised separately from the guaranteed element and is classified as a liability, referred to as unallocated divisible surplus. Investment contracts that do not contain a discretionary participation feature are referred to as non-participating contracts and the liability is measured at either fair value or amortised cost, depending on the valuation of the investments corresponding to the liability.

Most non-participating investment contracts measured at fair value are unit-linked contracts and the fair value provision is equal to the unit-linked investment value plus additional non-unit provisions on a fair value basis, if required. For this business, capitalised acquisition costs and a deferred income reserve liability are recognised for transaction costs and front-end fees respectively. They relate to the management of investments and are amortised on a systematic basis over the contract term. The amounts of the related capitalised acquisition costs are shown in section 5.1.7.19. The number of group pension contracts without insurance risk for which the liability is measured at amortised cost using the effective interest method and the related volume is limited.

Guarantees on investment products are disclosed in section 5.1.7.35.

The carrying value of contract liabilities measured at amortised cost is not materially different from the fair value. In view of their discretionary nature, the fair value of investment contracts with



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discretionary participating features is difficult to estimate reliably. The level of the discretionary payment is decided by Delta Lloyd Group, subject to the terms and conditions stipulated in the investment contract.

### Movements during the year

#### Statement of changes in investment contract liabilities

In millions of euros	2009	2008
<b>At 1 January</b>	<b>3,432.0</b>	<b>2,209.7</b>
Provisions in respect of new business	383.3	200.8
Expected change in existing business provisions	147.9	37.0
Variance between actual and expected experience	-162.6	-169.4
Impact of changes in assumptions	-82.0	77.7
Other adjustments	35.5	89.4
<b>Change in liability</b>	<b>322.0</b>	<b>235.5</b>
Changes in group	-	986.8
<b>At 31 December</b>	<b>3,754.0</b>	<b>3,432.0</b>

Restatement of the 2008 balance sheet figures is explained in section 5.1.1.

The other adjustments of € 35.5 million relate an adjustment of the LAT provision of Swiss Life Belgium.

#### 5.1.7.28 (28) Effect of changes in assumptions and estimates on provisions for insurance and investment contracts

The technical provision for life and general insurance contracts is determined on the basis of prevailing accounting policies and assumptions. Changes in the accounting policies and assumptions will directly affect the technical provision and have an indirect impact on the result as follows:

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In millions of euros	Effect on result 2009	Effect on result 2008
<b>Assumptions</b>		
<b>Life insurance contracts</b>		
Interest rate *	51.0	-266.1
Expenses	26.5	-40.2
Mortality for insurance contracts	11.1	-
Mortality for annuity contracts	-2.3	-5.5
Other	8.8	-132.4
<b>Investment contracts - participating</b>		
Interest rate	28.6	-77.5
Expenses	45.7	-44.5
Persistency rates	-	3.4
Mortality risk for investment contracts	7.7	-
Other	-	40.9
<b>General insurance</b>		
Change in discount rate assumptions	-1.0	-1.2
Change in expenses ratio assumptions	3.1	0.6
<b>Total</b>	<b>179.1</b>	<b>-522.7</b>

\* including the transition effect to the DLG curve in 2008.

Note 5.1.7.25 'Insurance provisions' addresses the effect of economic assumption changes on insurance provisions. This differs from the effect of interest rate changes. The interest rate related impact on the result involves the consequences of movements in market interest rates during the year.

The above effects, and the impact of interest rate changes in particular, are partly offset by movements in the investment portfolio as a result of changes in market interest rates. The result will primarily be affected by differences in volumes and maturities.

The € 8.8 million gain (2008: € 132.4 million loss) on 'other' insurance contracts related mainly to inclusion of part of the costs of the compensation scheme for insurance contracts.

### 5.1.7.29 (29) Tax assets and liabilities

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**The deferred tax assets and liabilities caused by temporary differences in tax base can be split into the following categories:**

In millions of euros	2009	2008
Insurance liabilities	-32.5	55.7
Investments	-444.5	-643.9
Equalisation reserve	-12.0	-12.0
Unused tax losses	358.9	408.4
Intangible fixed assets	-25.1	-24.6
Pension plans	-20.6	-16.9
Other	15.6	33.4
<b>Total deferred tax</b>	<b>-160.3</b>	<b>-199.8</b>

Restatement of the 2008 balance sheet figures is explained in section 5.1.1.

The total amount of tax assets and liabilities is expected to be recoverable or payable.

### Statement of changes in deferred tax assets

In millions of euros	2009	2008
<b>At 1 January</b>	<b>24.3</b>	<b>11.7</b>
Charged to income statement	6.1	17.2
Movement to deferred tax liabilities	-	-3.9
Movement in revaluation reserve	-3.0	-0.7
<b>At 31 December</b>	<b>27.3</b>	<b>24.3</b>

Delta Lloyd Group has recognised tax losses of € 1,316.6 million (2008: € 1,513.7 million). Tax loss carry forwards are recognised to the extent that realisation of the related tax benefit through future taxable profits is probable.

Delta Lloyd Group has unrecognised tax losses of € 290.9 million (2008: € 281.4 million) to carry forward against future taxable profits; these tax losses may be carried forward indefinitely.

The deferred tax assets and liabilities of companies that form part of the same tax entity as Delta Lloyd NV are netted off. The same approach is used for the Delta Lloyd ABN AMRO Verzekeringen Holding BV corporate income tax entity.

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### Statement of changes in deferred tax liabilities

In millions of euros	2009	2008
<b>At 1 January</b>	<b>224.1</b>	<b>271.9</b>
Changes in group	-	7.4
Recognised through the income statement	-96.0	72.4
Movement in revaluation reserve	67.7	-121.9
Changes in deferred tax assets	-	-3.9
Other adjustments	-8.2	-1.8
<b>At 31 December</b>	<b>187.7</b>	<b>224.1</b>

Restatement of the 2008 balance sheet figures is explained in section 5.1.1.

### 5.1.7.30 (30) Provisions for other liabilities

#### Provisions for other liabilities at year end

In millions of euros	2009	2008
Restructuring provisions	63.4	76.8
Other provisions	128.7	57.5
<b>Total</b>	<b>192.1</b>	<b>134.3</b>

#### Statement of changes in other provisions

In millions of euros	Restructuring provisions	Other provisions	Total
<b>At 1 January 2008</b>	<b>44.7</b>	<b>63.0</b>	<b>107.7</b>
Changes in group	-0.1	3.7	3.7
Additional provision made in the year	47.0	54.5	101.5
Unused amounts released	-0.2	-27.5	-27.6
Withdrawal from provision during the year	-14.7	-36.2	-50.9
<b>At 31 December 2008</b>	<b>76.8</b>	<b>57.5</b>	<b>134.3</b>
Changes in group	0.1	0.2	0.3
Additional provision made in the year	18.4	114.7	133.1
Unused amounts released	-14.8	-30.9	-45.7
Withdrawal from provision during the year	-17.1	-14.9	-32.0
Other adjustments	-	2.1	2.1
<b>At 31 December 2009</b>	<b>63.4</b>	<b>128.7</b>	<b>192.1</b>

In 2009, Delta Lloyd Group formed restructuring provisions of € 6.7 million for the reorganisation of Erasmus Insurance. During the financial year, € 17.1 million of the restructuring provision was used. € 9.3 million of the restructuring provision was used for a reorganisation at OHRA Verzekeringen. The increase in the other provisions of € 69.4 million was for the formation of a health run-off provision

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for settlement of claims on policies concluded before 2009 by the health business, which was sold to CZ Group on 1 January 2009; € 16.0 million of this run-off provision was used during 2009.

Delta Lloyd NV also formed a provision of € 17.2 million for performance related compensation plans.

### 5.1.7.31 (31) Pension obligations

#### Introduction

Delta Lloyd Group has a number of pension plans in the countries in which it operates, whose members receive benefits on a defined benefit basis. The main defined benefit plan is in the Netherlands, other defined benefit plans exist in Belgium and Germany. The main plan in the Netherlands is held in a separate foundation which has reinsured its pension obligations with Delta Lloyd Levensverzekering NV, a subsidiary.

Total pension expenses for the plans have been calculated under IAS 19. The figures include arrangements to meet other post-retirement obligations to staff. Delta Lloyd Group also operates a variety of smaller pension plans both in the Netherlands and in other countries, in which defined contribution plans are included.

There were no significant contributions outstanding or prepaid during the past two years.

#### Details of the significant defined benefit plans

The valuation used for accounting under IAS 19 has been based on the most recent actuarial valuations, updated to take account of that standard's requirements for assessing the liabilities of the material plans at 31 December 2009. The updates were made by actuaries in each country, either by the actuarial departments of the divisions or by external actuaries, within the specified rules by Delta Lloyd Group. Plan assets are stated at their market values at 31 December 2009.

The principal features of the current plan in the Netherlands are summarised below.

- The main pension plan in the Netherlands is based on average pay with a retirement age of 65 years. Pension contributions are determined at 1 January of each year and are based on the hourly salary of the employee (including holiday allowance and year-end bonus) multiplied by the number of contract hours. The pension entitlements are 2.15% per service year of the employee's pension base.
- The actuarial rate used to determine the pension contribution by Delta Lloyd has been set at 3%.
- Indexation of pension and post-retirement benefit payments (by the employer) until 1 January 2011. The employer pays a separate single premium. The indexation of the active employees will be based on the wage index. The indexation of the retired employees will be based on the price index.
- Delta Lloyd is not obliged to make additional future contributions in relation to the indexation of pension and post-retirement benefit payments after 1 January 2011. Indexation by the pension fund will only be applied on the basis of investment returns made by the fund, subject to the actuarial interest rate of 3%

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per annum.

Delta Lloyd Group has a deferred right to a contribution refund at the moment of transition per 1 January 2011. Should the pension plan have a surplus on that date, 50% will be refunded to Delta Lloyd Group. A surplus is defined as the real market funding ratio exceeding 100%. The real market funding ratio is the quotient of the market value of investments and the gross defined benefit obligations, calculated on the basis of current market interest rates and adjusted for forecast inflation. Any refund will not exceed the sum of the single-premium policies underlying the additional contribution. This potential refund will be increased by an adjustment for interest at a rate of 3% per annum which is payable as of the date on which the additional contribution is made.

As a result of the agreements made on changes to the pension plan with effect from 1 January 2011, any surplus (based on IAS 19 policies) will accrue to members. For this reason, the pension obligations ensuing from committed pension rights will be increased to the net balance of the investments if there is a surplus. The surplus (based on IAS 19 policies) accrues to members after a possible one-off refund to the employer. This premium refund to the employer would take place if the fair market value cover ratio of the pension fund is greater than 100%. Any one-off premium refund will be equal to 50% of the surplus over and above the fair market value cover ratio of 100%.

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 € 161.4 million.

The details for the material 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 Netherlands pension plan is the generation table CR8B.

### The main financial assumptions used to calculate defined benefit obligations under IAS 19 are:

In percentages	The Netherlands 2009	The Netherlands 2008	Other countries 2009	Other countries 2008
<b>Data of most recent actuarial valuation</b>				
Inflation rate	2,10%	2,00%	2,00%	2,00%
General salary increases	3,10%+merit	3,00%+merit	2,00%-4,00%	2,00%-4,00%
Pension increases	2,10%/1,90% (start 2011)	2,00%/1,30% (start 2011)	0,00%-2,00%	1,00%-2,00%
Deferred pension increases	2,10%/1,90% (start 2011)	2,00%/1,30% (start 2011)	0,00%-1,00%	0,00%
Discount rate	5,20%	5,70%	2,6%-5,37%	4,75%-6,25%

Pension increases and deferred pension increases in the Netherlands for periods after 31 December 2009 amount to 1.9%.

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### The expected rates of return on the plan assets are:

In percentages	The Netherlands 2009	The Netherlands 2008	Other countries 2009	Other countries 2008
Equity securities	6,80%	6,00%	7,20%	7,25%
Bonds	4,30%	3,80%	5,10%	5,75%
Property	5,20%	5,70%	6,00%	6,25%
Other	4,30%	3,80%	4,00%	4,75%

The overall rates of return are based on the expected returns within each asset class and with the current asset mix. The expected returns are set in conjunction with external advisors and take into account both current market expectations of future returns, where available, and historical returns. These rates of return have been developed specifically for pension calculations under IAS 19 and therefore differ from those used in the Market-Consistent Embedded Value (MCEV) calculations.

### The pension expenses for these plans comprises:

In millions of euros	2009	2008
Current service costs	32.0	45.2
Interest charge on pension obligations	88.2	82.5
Amortisation of past service cost	-0.9	0.3
Actuarial gains and losses	44.1	-35.2
Curtailment and settlements	-23.3	0.9
Other	9.7	-
Minus amortisation pension obligation	-	-14.1
Minus expected return on reimbursement rights	-3.8	-4.5
<b>Total charge to income</b>	<b>146.0</b>	<b>75.1</b>

The expenses include defined contribution plan costs of € 3.5 million (2008: € 3.8 million).

The pension expense shown above do not include the investment income on pensions of € 68.5 million (2008: € 7.1 million). These are recognised within the investment income. The total pension result, corrected for investment income, is € 77.5 million (2008: € 68.0 million).

The 'contraction' of 2009 relates mainly to the transfer of members in the Delta Lloyd pensionfund from Delta Lloyd Group to CZ.

The employees' contribution to the pension expenses amounts to € 9.2 million (2008: € 8.6 million).

The expected employer's contribution to the pension assets for the year 2010 is € 36,9 million.

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The defined benefit obligation recognised in the balance sheet can be reconciled to the actual defined benefit obligation as follows:

In millions of euros	2009	2008 restated	2008
Present value of gross obligation	1,667.2	1,564.9	1,609.5
Plan assets	-62.6	-62.1	-62.1
Reimbursement rights	-1,570.1	-1,471.9	-1,471.9
Asset ceiling	0.4	0.5	0.5
Unrecognised past service costs	7.9	9.3	9.3
Other post-retirement benefits	13.1	13.1	13.1
Elimination of plan assets	1,570.1	1,471.9	1,471.9
<b>Total pension obligations</b>	<b>1,626.0</b>	<b>1,525.7</b>	<b>1,570.3</b>
Recognised pension asset	21.2	46.3	1.7
Recognised pension obligation	1,647.2	1,572.0	1,572.0
<b>Total pension obligations</b>	<b>1,626.0</b>	<b>1,525.7</b>	<b>1,570.3</b>

The defined benefit obligation for 2008 has been restated to present the pension assets in Belgium correctly. The restatement has no impact on the pension liability.

Pension obligations of € 70.3 million relate to plans that are completely unfunded (2008: € 66.0 million).

Unrecognised past service income was € 7.9 million (2008: € 9.3 million). This amount has been capitalised and will be recognised in the income statement over 13 years starting in 2006.

### Statement of changes in plan assets

In millions of euros	2009	2008
<b>At 1 January</b>	<b>62.1</b>	<b>69.6</b>
Return	2.2	-6.4
Contributions	4.1	4.0
Benefits paid	-5.8	-5.0
<b>At 31 December</b>	<b>62.6</b>	<b>62.1</b>



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### Statement of changes in value of gross provisions

In millions of euros	2009	2008
<b>At 1 January</b>	<b>1,564.9</b>	<b>1,522.8</b>
Pension and post-retirement expenses	32.0	45.2
Interest cost	88.2	82.5
Actuarial gains and losses	44.1	-35.2
Payments and acquisitions	-48.4	-61.2
Curtailment and settlements	-22.8	0.9
Contributions by plan participants	9.2	8.6
Past service cost	-	1.3
<b>At 31 December</b>	<b>1,667.2</b>	<b>1,564.9</b>

### Pension deficit (without elimination of plan assets)

In millions of euros	2009	2008 restated	2008	2007	2006	2005	2004
Fair value of plan assets and reimbursement rights at year end	1,639.5	1,564.9	1,534.0	1,465.8	1,450.6	1,271.4	1,120.9
Present value of defined benefit obligations at year end	1,667.2	1,564.9	1,575.9	1,500.1	1,493.6	1,358.6	1,274.0
<b>Net pension deficit</b>	<b>-27.7</b>	<b>-</b>	<b>-41.9</b>	<b>-34.3</b>	<b>-43.0</b>	<b>-87.2</b>	<b>-153.1</b>

Amounts recognised under actuarial gains and losses arising from experience adjustments to the pension obligations were a gain of € 12.2 million (2008: loss of € 24.0 million).

### The assets of the pension schemes, attributable to participants under the defined benefit plans at year end

In millions of euros	The Netherlands 2009	Other countries 2009	Total 2009	The Netherlands 2008 restated	Other countries 2008	Other countries 2008	Total 2008
Equity securities	290.6	20.0	310.6	266.7	16.3	16.3	283.0
Bonds	1,116.8	27.7	1,144.5	880.5	26.8	26.8	907.3
Property	103.9	1.8	105.7	79.1	1.6	1.6	80.7
Other	17.7	61.0	78.7	230.9	63.0	32.2	293.9
<b>Total fair value of assets</b>	<b>1,529.0</b>	<b>110.5</b>	<b>1,639.5</b>	<b>1,457.2</b>	<b>107.7</b>	<b>76.8</b>	<b>1,564.9</b>

As the Delta Lloyd Pension Fund has insured its pension obligations with Delta Lloyd Life in the Netherlands, this entity recognises the related investments and a related insurance liability. To avoid double recognition, both as actual investments and plan assets/reimbursement rights on the asset side and defined benefit obligations and insurance liabilities on the liability side, the plan assets and the insurance liabilities have been eliminated from the Delta Lloyd Group's balance sheet.

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The actual return on the assets backing the insurance liabilities in the Netherlands in 2009 was € 66.7 million (2008: € 10.2 million) and has been recognised in the investment income of the life segment, as this segment holds the actual investments. The actual return on plan assets in the Belgian defined benefit plan for 2009 was € 1.9 million (2008: € -9.6 million) and is recognised in other operating expenses in the income statement.

### 5.1.7.32 (32) Borrowings

#### Description and features of the loans as at 31 December

In millions of euros	2009	2008
<b>Subordinated debt</b>		
Fonds NutsOhra perpetual loan	176.8	172.4
Fonds NutsOhra	-	21.7
Aviva plc	-	206.4
Rabobank Nederland	500.0	-
	<b>676.8</b>	<b>400.5</b>
<b>Securitised mortgage loans</b>		
Delta Lloyd Levensverzekering	585.8	1,294.5
Amstelhuys	5,100.2	4,133.8
Delta Lloyd Bank Belgium	937.5	979.0
	<b>6,623.5</b>	<b>6,407.3</b>
Amounts owed to credit institutions	618.9	1,625.9
Convertible loan	2.6	9.3
Other	424.8	458.1
<b>Total</b>	<b>8,346.6</b>	<b>8,901.2</b>

From 2009, saving bonds of € 359.8 million are recognised as borrowings. They had previously been recognised as financial liabilities (see section 5.1.7.33). The 2008 comparative figures (€ 361.0 million) have been restated accordingly.

#### Fonds NutsOhra

The perpetual subordinated loan notes with an initial interest rate of 2.5% were used to finance the acquisition of NutsOhra in 1999. Following the conversion of preference shares A at the beginning of November 2009 as part of the public offering, the notional amount of the loan was increased to € 496.9 million and carrying amount to € 176.8 million (2008: € 489.9 million against a carrying amount of € 172.4 million). The interest rate on the notes was 2.76% at 31 December 2009 and the fair value of the subordinated loan was € 295.8 million (2008: € 272.2 million). The fair value of the long-term loans is based on the interest rates on long-term government bonds and a premium.

The subordinated loan with a nominal value of € 21.7 million was converted into ordinary shares as part of the public offering on the exercise of the warrants attaching to it.

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### Aviva plc

The subordinated loan with a nominal value of € 250.0 million and a carrying amount of € 206.4 million (including the valuation of the warrant) was converted into ordinary shares as part of the public offering subject to the exercise of the related loan warrant.

### Rabobank Netherlands

On 26 February 2009 a subordinated loan of € 500.0 million was granted by Rabobank Netherlands at an interest rate of 10.44%. The fair value of the subordinated loans was € 689.2 million. € 400.0 million of the loan was granted to Delta Lloyd Levensverzekering and € 100.0 million to Delta Lloyd Schadeverzekering. At the same time Delta Lloyd Group issued a loan of € 500.0 to Rabobank Netherlands at an interest rate of 9.94%. This loan is explained in section 5.1.7.16.

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.

### Securitised mortgage loans

These loans (known as ARENA and DART notes) were entered into against a part of the mortgage portfolio. See section 5.1.7.17 'Securitised mortgage loans and related assets' for further information.

### Delta Lloyd Life

In millions of euros	Amortised cost	Contract maturity date	Anticipated maturity date	Interest rate	Fair value
Arena 2000-I	553.0	11/2062	11/2010	EBed, range 6.1% - 10.5%	565.2
Arena 2003-I	370.4	05/2055	05/2011	EBed, range 4.3% - 5.2%	379.0
Eliminations	-337.6				-339.7
<b>Total</b>	<b>585.8</b>				<b>604.5</b>

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### Amstelhuys

In millions of euros	Fair value	Contract maturity date	Anticipated maturity date	Interest rate
Arena 2004-I	436.9	02/2037	02/2012	partly floating (0,9% - 1,7%) and Ebed 4,3%
Arena 2004-II	547.1	10/2051	10/2012	floating, range 0,9% - 1,5%
Arena 2005-I	967.6	02/2063	02/2011	floating, range 0,8% - 1,3%
Arena 2006-I	843.1	12/2064	03/2013	floating, range 0,8% - 1,2%
Arena 2007-I	1,018.0	10/2049	10/2014	floating, range 0,8% - 3,3%
DARTS 2004-I	403.3	10/2066	10/2014	floating, range 0,8%
DARTS 2005-I	926.3	11/2064	11/2014	floating, range 0,7%
Eliminations	-874.5			
<b>Total</b>	<b>4,267.8</b>			

### Amstelhuys (Arena 2009-I)

In millions of euros	Amortised cost	Contract maturity date	Anticipated maturity date	Interest rate	Fair value
Arena 2009-I	904.5	11/2041	11/2014	floating (1,6% - 5,9%)	902.3
Eliminations	-72.0				-69.8
<b>Total</b>	<b>832.5</b>				<b>832.5</b>

### Delta Lloyd Bank Belgium

In millions of euros	Amortised cost	Contract maturity date	Anticipated maturity date	Interest rate	Fair value
Arena B	1,010.0	04/2044	10/2011	floating 0,74%	949.2
Eliminations	-72.5				-58.2
<b>Total</b>	<b>937.5</b>				<b>891.0</b>

The positions of the notes in 2009 are shown net of elimination positions, which relate to the Arenas' own investments within Delta Lloyd Group (see section 5.1.7.17 'Securitised mortgages and related

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assets'). These have been classified separately for clarity.

There were no changes in fair value of the securitised mortgage loans due to changes in credit ratings of Delta Lloyd Group, Amstelhuys or Delta Lloyd Bank Belgium. The notional amount of the loans measured at fair value through profit or loss at 31 December 2009 was € 4,343.9 million (2008: € 4,539.4 million).

### Statement of changes in borrowings

In millions of euros	2009	2008
<b>At 1 January</b>	<b>8,901.2</b>	<b>9,802.1</b>
New borrowings drawn down, net of expenses	1,359.4	505.7
Repayments of borrowings	-2,222.4	-902.1
<b>Net cash inflow / outflow</b>	<b>-863.1</b>	<b>-396.4</b>
Revaluation	328.8	-532.4
Other adjustments	-20.4	27.9
<b>At 31 December</b>	<b>8,346.6</b>	<b>8,901.2</b>

### 5.1.7.33 (33) Financial liabilities

#### Financial liabilities at year end

In millions of euros	2009	2008
Savings	3,787.6	2,361.1
Demand deposits	1,115.0	1,029.1
Deposits	1,905.5	2,537.4
<b>Total overdrafts</b>	<b>6,808.1</b>	<b>5,927.5</b>
Third-party interests in investment funds	811.6	611.2
Other financial liabilities	866.2	263.2
<b>Financial liabilities</b>	<b>8,485.9</b>	<b>6,802.0</b>
Expected to be settled within one year	8,097.5	5,876.1
Expected to be settled in more than one year	388.4	926.0
<b>Total</b>	<b>8,485.9</b>	<b>6,802.0</b>

Savings, demand deposits and deposits are liabilities which are primarily held by Delta Lloyd Bankengroep. As of December 2009 the total of savings was € 3,787.6 million (2008: € 2,361.1 million).

Since 2009 debt securities are reported under borrowings (section 5.1.7.32). The comparable figure for savings (€ 361.0 million) was therefore adjusted. Please refer to section 5.1.1 'Accounting policies' for further information.

Bank deposits with a fair value of € 543.4 million per year-end 2009, are part of the other financial liabilities and are held by Amstelhuys for the financing of the mortgage portfolio. This financing need is, compared to the prior year, enhanced with the establishment of Arena 2009-1 BV (2008: € 142.0 million).

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### 5.1.7.34 (34) Other liabilities

#### Other liabilities at year end

In millions of euros	2009	2008
Payables arising out of direct insurance	604.1	526.1
Payables arising out of reinsurance	79.2	84.7
Deposits received from reinsurers	394.7	415.6
Accruals and deferred income	345.3	462.7
Short-term creditors	1,527.8	1,638.8
<b>Total</b>	<b>2,951.0</b>	<b>3,127.9</b>
Expected to be settled within one year	2,034.8	3,005.1
Expected to be settled in more than one year	916.2	122.8
<b>Total</b>	<b>2,951.0</b>	<b>3,127.9</b>

The comparable figure (2008) for other liabilities, part of short-term creditors, was adjusted for an amount of € 176.6 million as a result of the pension scheme correction. Please refer to section 5.1.1 'Accounting policies' for further information.

### 5.1.7.35 (35) Contingent liabilities and other risk factors

#### Uncertainty over claims provisions

Section 5.1.7.25 gives details of the estimation techniques and assumptions used in determining the general business outstanding claims provisions and the life insurance business provisions. The assumptions are designed to ensure that the provisions and the appropriate build-up of surpluses to pay future bonuses are prudent. Both provisions are estimated to give an estimated result. Due to the nature of the estimation process, there is uncertainty in respect of this liability, for example where the actual outcome is worse than that assumed for life insurance business, or where assumptions on general business claims inflation may alter in the future.

#### Asbestos, pollution and other environmental hazards

As part of their insurance business, companies in Delta Lloyd Group receive general insurance liability claims and, as a result, become involved in actual or threatened litigation, including on claims in respect of pollution and other environmental hazards, among which are claims in respect of asbestos production and handling in the United States of America. Given the significant delays experienced in the notification of these claims, the number of potential claims involved and the uncertainties associated with establishing liability and the availability of reinsurance, the ultimate cost cannot be determined with certainty. Delta Lloyd Group's net exposure to such liabilities is further explained in section 5.1.7.25 and, on the basis of current information and having regard to the level of provisions made for general insurance claims, Delta Lloyd Group considers that any additional costs arising are not likely to have a material impact on its financial position.

**Guarantees on life savings products**

Section 5.1.7.36 gives details of guarantees and options given by various subsidiaries as a normal part of their operating activities, in respect of certain life insurance and fund management products.

**Other**

The company and several of its subsidiaries have guaranteed the overdrafts and borrowings of certain subsidiaries and associates. In the opinion of Delta Lloyd Group, no material loss will arise in respect of these guarantees and indemnities.

In addition, in line with standard industry practice, various subsidiaries have in recent years given guarantees, indemnities and warranties in connection with disposals of subsidiaries and associates to third parties. In the opinion of Delta Lloyd Group, no material loss will arise 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.

Several claims have been submitted, all of which are being contested. On the grounds of legal advice and information obtained, it has been assumed that these claims will not have a significant adverse effect on Delta Lloyd Group's financial position. Accordingly, no provision has been made.

**5.1.7.36 (36) Commitments**

Contractual commitments for acquisitions or capital expenditures of investment property, property and equipment and intangible assets not recognised in the balance sheet, as well as guarantees and collateral not recognised in the balance sheet, were as follows:

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In millions of euros	2009	2008
Investment property	42.2	20.6
Property and equipment	26.5	18.0
Intangible assets	4.8	4.3
Repairs and maintenance	2.5	1.5
Investments	126.3	51.6
Outsourcing	17.1	0.1
Contingent liabilities	805.9	706.4
<b>Operational lease commitments rental</b>		
Within one year	12.6	9.9
Between one and five years	30.2	32.0
More than five years	17.5	13.1
<b>Operational lease commitments non-rental</b>		
Within one year	9.2	12.9
Between one and five years	52.2	64.7
More than five years	5.2	0.2
<b>Total</b>	<b>1,152.3</b>	<b>935.4</b>

There are no subleases to third parties.

Contingent liabilities include irrevocable facilities of an amount of € 637.0 million (2008: € 529.3 million).

Delta Lloyd NV committed to provide Delta Lloyd Lebensversicherung with additional capital of € 36.0 million. Also a capital maintenance guarantee for 2010 was issued, should Delta Lloyd Lebensversicherung's capital position deteriorate due to profit sharing.

Property under construction in the 2008 consolidated financial statements (€ 20.6 million) related only to inventory of real estate projects and was recognised accordingly. The 2008 financial statements also incorrectly presented part of the obligations on property and equipment as contingent liabilities and, consequently, a reclassification of € 17.8 million has been made (see section 5.1.1 'Accounting policies').

### 5.1.7.37 (37) Risk management

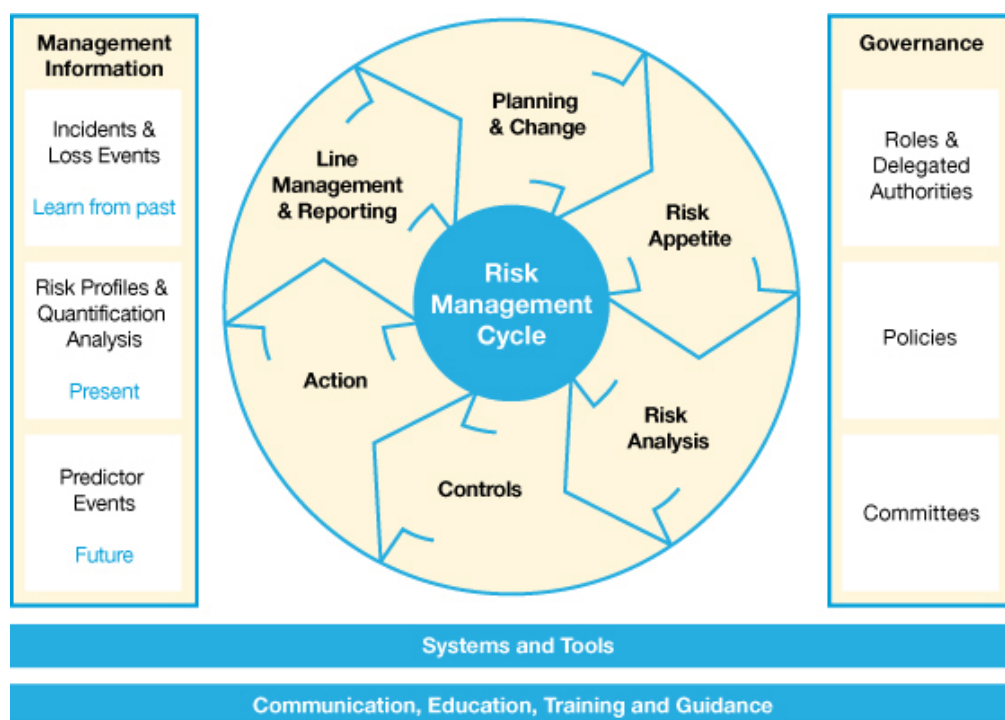
Delta Lloyd Group has developed and implemented a risk management structure to protect it against events that undermine sustainable performance, solvency or the achievement of strategic objectives. The risk management system is fully embedded in the Delta Lloyd Group's daily operations. By identifying, analysing, measuring, controlling, managing and auditing risks that may arise in the course of its operations in a timely manner, Delta Lloyd Group intends to maintain its ratings, meet its obligations towards its creditors (including customers) and comply with applicable legislative and regulatory requirements. The Delta Lloyd Group's approach to risk management is based on the following elements:



- *Delta Lloyd Group's risk management framework*: this framework takes into account all relevant elements of risk management, including a risk management cycle and the interrelationship between governance and management information.
- *Delta Lloyd Group's risk management structure*: this structure is designed to include a 'three lines of defence' governance framework outlining the responsibilities and guidelines for the Group's management structure.
- *Delta Lloyd Group's internal governance system*: each division has a dedicated Audit Committee supervising the effectiveness of the business control systems within the responsibility of the respective business units.
- *Delta Lloyd Group's policy set*: this set contains a number of mandatory policies that are used to establish, define and evaluate risk tolerance levels and risk control.
- *Delta Lloyd Group's commitment to compliance with the Dutch corporate governance code*: see '[Corporate Governance](#)'.

### Risk management framework

Delta Lloyd Group's risk management framework is based on the Enterprise Risk Management model of the Committee of Sponsoring Organisations of the Treadway Commission (COSO). The framework assists the Group in understanding, quantifying and managing the risks to which it is exposed. Management information and governance are related to each other through the cycle shown in the diagram below.



***Risk Management Cycle***

An effective risk management process is a cycle in which each step is used as a stepping stone for the next step. Delta Lloyd Group performs risk assessments to decide what level of risk it is prepared to accept (risk appetite), to assess the risks in terms of probability and impact, and, finally, to decide on the measures to be taken. During the Line Management & Reporting stage of the cycle, management reports are delivered and used for decision-making and are followed up in the Planning & Change stage. The changed business then requires a new risk appetite assessment and the cycle starts again.

***Management Information***

\* *Incidents & Loss Events:* Identification of the cause of events or of a near incident or loss event helps identify operational weaknesses and the triggers that cause them. Information on operational incidents ('losses') and internal incidents (such as fraud, accounting near misses, or frequent problems with IT systems) and external events supports more informed and accurate decision-making and provides information for capital modelling purposes.

\* *Risk Profiles & Quantification Analysis:* Delta Lloyd Group compiles risk profiles to show the residual risk and the design and operating effectiveness of the key risk controls. These are the most important tools used to control the indicated risks and include:

- segregation of duties
- no simple individual decision-making
- day-to-day monitoring of assets
- assigned ownership
- clearly defined roles
- codes of conduct
- budgeting
- confirmations
- reconciliation of information from various sources
- service level agreements
- written policies.

Quantitative analyses are supported and arise from the actuarial and economical models used by Delta Lloyd Group.

\* *Predictor Events:* These events are identified based on information in regular management reports and provide a way of monitoring changes in Delta Lloyd Group's risk exposure and preventing a breakdown of control.

### **Governance**

- *Roles & Delegated Authorities:* key to Delta Lloyd Group's governance framework is a selected group of individuals who have set roles and responsibilities within that framework. Those with delegated authority make decisions within defined limits. Decisions outside a given authority are made by a higher body.
- *Policies:* Delta Lloyd Group has a number of policies governing the management and control of both financial and non-financial risks. The set policy includes policies on all main risk categories as described in section 'Risk Management Taxonomy'.
- *Committees:* a number of relevant committees have been established; see section 'Risk Management Committees and Responsibilities'.

### **Systems and Tools**

Delta Lloyd Group uses a number of systems and tools to support its risk management cycle, such as interfaces to systems in the business units that generate management information and data for specific risk management systems.

### **Communication, Education, Training and Guidance**

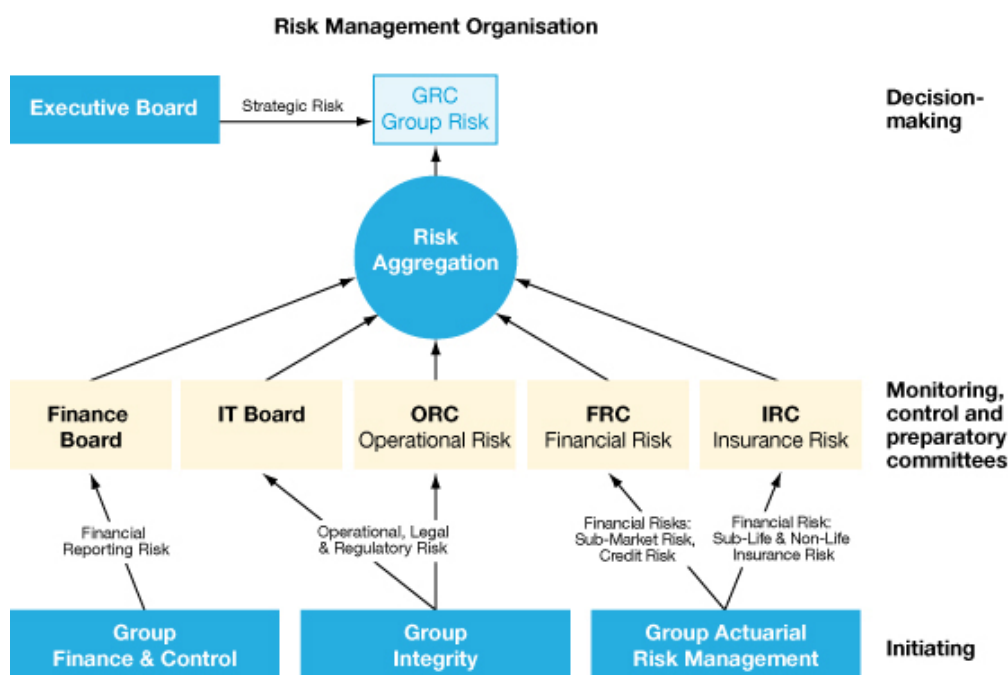
Communication includes a consistent and regular flow of information, and understanding and awareness of risk management by management, the Executive Board and the Supervisory Board. Delta Lloyd Group organises workshops for the Supervisory Board and Executive Board on risk management, reporting changes and embedded values to improve understanding of risk management and current developments such as preparation for Solvency II. Regular workshops are organised for all levels of management and specialists on risk management and reporting and, especially on Solvency II. A special web-based portal brings together information on Solvency II and summarises developments affecting the Group.

### **Risk management committees and responsibilities**

Delta Lloyd Group's risk management is designed to have 'three lines of defence':

- *First line – Risk management strategy at each business unit:* this includes implementing policies, day-to-day responsibilities and reporting and managing information. This line of defence is executed by the Executive Board and the management teams of each division.
- *Second line – Risk management and compliance organisation:* this line focuses on the coordination and development of policies, the reporting structures and monitoring compliance with statutory and internal rules. This line of defence is executed by the risk management and compliance departments/officers in each division, Group Finance & Control, Group Actuarial & Risk Management, Group Tax and Group Integrity as well as Delta Lloyd Group's risk management committees.
- *Third line – Internal audit function:* the Group Audit department performs regular internal auditing of key controls. Delta Lloyd Group is supervised by external supervisory authorities such as the AFM, DNB, NMa and the Dutch Data Protection Authority (College bescherming persoonsgegevens) in the Netherlands, CBFA and NBB in Belgium, and BaFin in Germany.

## Risk Management Organisation



Delta Lloyd Group's risk management is organised as follows:

The Executive Board is responsible for decision-making on the overall risk profile of Delta Lloyd Group on a consolidated group level. The Group Risk Committee prepares these decisions by regularly analysing the overall risk profile of Delta Lloyd Group and making specific policy proposals. The Group Risk Committee involves key executives of Delta Lloyd Group, including the chairman of the Executive Board, the Chief Financial Officer of Delta Lloyd Group, and directors of Group Actuarial & Risk Management (GARM), Group Integrity, Delta Lloyd Asset Management and the CEO of Delta Lloyd Life. Experts in specific areas are invited to attend as required. The risk analysis of the Group Risk Committee is focused on Delta Lloyd Group's consolidated position taking local restrictions into account. At least once a year, the Executive Board establishes Delta Lloyd Group's risk appetite which leads to the limits within which the business units operate. Delta Lloyd Group's risk appetite leads to separate limits being set for the principal risks for each business unit.

The management of each business unit within Delta Lloyd Group is responsible for identifying, assessing and controlling the risks within the scope of its business unit. Group Integrity is responsible for the policy on operational, legal and regulatory risks (including security) and oversees the consistency of the risk management framework throughout Delta Lloyd Group. The integrity framework comprises control, monitoring and reporting activities and aims to prevent, among other things, serious frauds, bypassing of rules and employee and management misconduct.

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GARM is responsible for the policy on financial risks, and monitors and oversees the effectiveness of financial risk management. Group Finance & Control is responsible for financial management and reporting and provides guidance and instructions to the business units.

Group Tax is responsible for management, monitoring and reporting of Delta Lloyd Group's tax position. In addition, this department is responsible for compliance with fiscal laws and regulations.

Group Audit reports to the Executive Board and the Audit Committee of the Supervisory Board and is responsible for internal audit of the effectiveness of the internal control systems within Delta Lloyd Group.

### **Risk management and control systems for key areas of risk**

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

- The management of each of Delta Lloyd Group's business units assesses and manages that business unit's risk and controls on a regular basis and updates its risk profile on a quarterly basis. These updates cover control of inherent risks and effectiveness of existing controls as well as providing an estimate of the impact and probability of residual risks. An important objective is to limit any residual risk to ensure that it is within risk tolerance levels.
- In view of the importance of financial risk management to Delta Lloyd Group, a quarterly financial risk report is prepared by GARM and discussed in the Group Risk Committee. This report covers financial factors such as recent developments in the financial markets and their impact on Delta Lloyd Group's capital position. In order to assess financial risk when compiling its report, Delta Lloyd Group makes use of an economic capital model based on stress test and stochastic scenario analyses. Additional risk reports prepared by GARM on a quarterly basis cover interest rates, inflation, equity, property and credit risk. Risk exposures (including hedges) are reviewed to assess if they are still in line with Delta Lloyd Group's risk appetite. Collateral management takes place on a daily basis. GARM prepares a monthly report on the capital position of each legal entity and for the Group as a whole, under local reporting requirements (Solvency I). Quarterly economic balance sheets and economic capital reports are also prepared using the ICA method. Delta Lloyd Group's banking operations prepare their own annual risk assessment, known as the Internal Capital Adequacy Assessment Process (ICAAP). This assessment is prepared in conformity with Basel II, the revised capital adequacy framework developed for the banking sector by the Basel Committee on Banking Supervision of the Bank for International Settlements (the Basel Committee). ICAAP tests whether current capital positions are adequate for the financial risks Delta Lloyd Group bears.
- Delta Lloyd Group's risk management approach to financial reporting risks is based on Section 404 of the US Sarbanes-Oxley Act of 2002 (SOx). In 2007, Delta Lloyd Group started a SOx project with the aim of allowing Aviva to comply with the SOx legislation in line with its flotation on the New York Stock Exchange in October 2009. In this context, Aviva will issue its first SOx Section 404 statement on the situation at 31 December 2010. The guidance used for this is based on the SEC guidance (May 2007) and the principles in Audit Standard 5 issued by the Public Companies Accounting Oversight Board (PCAOB), meaning a top-down approach is being applied.
- Delta Lloyd Group's banking, asset management and insurance divisions use a set of key risk indicators based on the Basel II framework to assess the Group's operational risk. In addition, Delta Lloyd Group

has set up an operational loss data registration system, which records all losses above € 10,000.

- Business units with large corporate customers apply a risk analysis and a risk control method that is subject to verification by external auditors. Such units issue an SAS 70 type II statement on their internal controls (SAS 70 is the American Institute of Certified Public Accountants' statement on auditing standards: Reports on the Processing of Transactions by Service Organisations).
- Group Legal and Group Integrity guide legal and regulatory risk management. Group Integrity is also responsible for the compliance network of Delta Lloyd Group.

### **Risk management taxonomy**

To support internal and external communication with respect to risk management, Delta Lloyd Group uses the following main conceptual categories of risks:

- *Financial risk*: market and credit risks, underwriting risks, claims management risks and product risks. Within market and credit risk, Delta Lloyd Group recognises typical financial risks such as default risks, credit spread risks, equity risks, interest rate risks, inflation risks, property risks.
- *Strategic risk*: the risk of not meeting targets as a result of Delta Lloyd Group's business units' failure to respond or to respond adequately to changes in the business environment and risks related to matters such as mergers and acquisitions, brand and reputation, risk management, audit, corporate social responsibility, environment, customers and communication.
- *Legal and regulatory risk*: the risk of not complying with laws, regulations and Delta Lloyd Group's policies and procedures, e.g. risks related to legal (litigation), compliance and tax.
- *Operational risk*: the risk that losses may occur from the inadequacy or malfunctioning of internal processes or systems, human error, criminal behaviour or external events and risks related to matters such as fraud and crime prevention, personnel, IT/infrastructure, business protection, projects and programmes, business processes, third parties and distribution.
- *Financial reporting risks*: risks that inherently have a 'reasonably possible' likelihood of causing a material error in Delta Lloyd Group's financial statements.

### **Delta Lloyd Group's risk profile management**

Delta Lloyd Group's insurance operations use the economic capital method, under which a stress test analysis is performed to determine the impact of an extreme scenario on the market value of Delta Lloyd Group's equity for each type of financial and insurance risk. Since it is unlikely that multiple extreme scenarios would occur simultaneously, the test results are consolidated using correlations, to determine Delta Lloyd Group's exposure after accounting for the mitigating effects of diversification. The sum of the total diversified test result is the economic capital requirement. Calculations are performed with a confidence level of 99.5% on a one-year horizon (the probability within one year of not meeting the capital requirements is once every 200 years).

The economic capital model is a method used internally to quantify all significant risks on a consistent and realistic basis. Delta Lloyd Group performs its economic capital analysis on a quarterly basis. Delta Lloyd Group's risk management seeks to maintain capital of at least 110% of the diversified total economic capital requirement. The table in section 3.6.2 shows the stress test per risk category. Delta Lloyd Group's assessment of the economic capital required is based on the DLG curve.

In addition to section 3.5.5, the five principal risk categories – financial risk, strategic risk, legal and regulatory risk, operational risk and financial reporting risk – are discussed below.

### ***Financial Risk***

#### **Credit Risk**

Credit risk consists of default risk, credit spread risk and concentration risk. Default risk is the risk that counterparties will be unable to meet some or all of their payment obligations. Spread risk is the risk that a fear of default arises, or the perceived risk of default increases, so that the value of the obligation (bond, mortgage or otherwise) drops. Concentration risk is the concentration of default risk by large counterparties. Defaults may occur in the bond portfolio, in the mortgage, consumer and corporate loans portfolios or with counterparties including reinsurers, insurance intermediaries, policyholders, banks, derivative counterparties and other debtors. Delta Lloyd Group's principal concentration risks at 31 December 2009 were investments in Italian debt securities (€ 2.4 billion), Greek debt securities (€ 1.3 billion) and Van Lanschot NV (€ 0.4 billion).

Delta Lloyd Group maintains a diversified fixed-income investment portfolio that is structured to match its insurance liabilities. Delta Lloyd Group's credit risk is primarily related to government bonds, corporate bonds, mortgage loans and other loans. Delta Lloyd Group's bond portfolio managers and specialist staff are primarily responsible for managing default risk. At Delta Lloyd Group's business unit level, credit spread and default risk are limited by Delta Lloyd Group's specific guidelines laid down in its investment mandates. Default rates of Delta Lloyd Group's mortgage loans are monitored and reported on a monthly basis. A large part of the mortgage portfolio is securitised and, with respect to the securitised mortgages, the default risk is partly passed on to third parties (the buyers of the mortgage-backed securities). Default risk management also involves avoiding losses arising from credit downgrades.

All assets exposed to credit defaults are monitored at Group level. A list of the 25 largest counterparties and investments at Group level is prepared each quarter to monitor concentration risks and prevent large default losses. The list includes all exposures to counterparties, such as bond, equity, cash reinsurance and derivatives exposures.

As at 31 December 2009, Delta Lloyd Group had an IFRS fixed-income portfolio for own risk of € 18.0 billion with 43% invested in government bonds, 40% in corporate bonds. The remainder was invested in sub-sovereign bonds (17%).

Cash position limits have been set for the maximum exposure to counterparties based on their credit ratings, which Delta Lloyd Group monitors frequently. Counterparty default risk in derivative contracts is mitigated by collateralisation and by maintaining a diversified portfolio of derivative counterparties.

Delta Lloyd Group also faces a concentration risk with respect to its reinsurers. There are only a few reinsurers with high credit quality. The concentration risk in the reinsurance sector is controlled by setting limits per reinsurer. The maximum loss incurred in the event of a default of any single

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reinsurer is not likely to exceed 2% of Delta Lloyd Group's equity on any given date.

### Credit risk at year end

In millions of euros	AAA	AA	A	BBB	Speculative rating	Not rated by Standard & Poor's	Total 2009
Debt securities	8,690.3	1,730.1	4,160.0	2,413.6	37.3	931.3	17,962.7
Loans and receivables	1,915.6	708.9	418.1	136.0	-	18,036.3	21,214.9
Reinsurance assets	22.0	460.2	98.8	0.5	-	51.5	632.9
<b>Total</b>	<b>10,627.9</b>	<b>2,899.2</b>	<b>4,676.9</b>	<b>2,550.1</b>	<b>37.3</b>	<b>19,019.1</b>	<b>39,810.5</b>

### Credit risk at prior year end

In millions of euros	AAA	AA	A	BBB	Speculative rating	Not rated by Standard & Poor's	Total 2008
Debt securities	7,492.2	2,341.5	4,278.9	504.3	9.4	1,790.2	16,416.6
Loans and receivables	1,609.0	416.3	407.7	36.9	-	16,122.8	18,592.7
Reinsurance assets	18.9	524.6	73.4	5.5	-	99.5	722.0
<b>Total</b>	<b>9,120.2</b>	<b>3,282.5</b>	<b>4,760.0</b>	<b>546.8</b>	<b>9.4</b>	<b>18,012.5</b>	<b>35,731.3</b>

The debt securities are only those for own risk as the credit risk for debt securities that serve as collateral for unit-linked contracts is for the account of the policyholder (see section 5.1.7.15).

Loans and receivables without a Standard & Poor's rating are mainly mortgages.

The table below gives information on the carrying amount of financial assets that have been impaired and the ageing of financial assets due but which have not been impaired.

### Financial assets adjusted for 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 2009
Debt securities	20,201.8	-	63.3	20,265.1
Loans	20,835.3	315.9	63.7	21,214.9
Receivables and other financial assets	1,512.4	698.7	11.1	2,222.2



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### Financial assets adjusted for 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 2008
Debt securities	18,498.7	-	13.4	18,512.1
Loans	18,081.0	266.3	245.4	18,592.7
Receivables and other financial assets	1,596.7	430.4	11.2	2,038.3

### 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 2009
Loans	256.1	34.7	18.8	6.3	315.9
Receivables and other financial assets	636.8	46.7	14.1	1.2	698.7
<b>Total</b>	<b>892.9</b>	<b>81.4</b>	<b>32.9</b>	<b>7.5</b>	<b>1,014.6</b>

### 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 2008
Loans	223.1	22.1	13.8	7.3	266.3
Receivables and other financial assets	398.8	10.9	16.5	4.1	430.4
<b>Total</b>	<b>621.9</b>	<b>33.0</b>	<b>30.3</b>	<b>11.4</b>	<b>696.7</b>

The fair value of collateral under loans that are due but which have not yet been impaired was € 292.1 million as at 31 December 2009 (2008: € 249.9 million).

### Equity risk and property risk

As at 31 December 2009, Delta Lloyd Group's IFRS portfolio of equities for own risk was € 4.9 billion. About 19% of its equity investments consisted of ordinary shares, 30% equity in the 5% stakes and 18 % Equity investment funds and Derivatives. The remaining 33% of equity is related to funds investing in real estate and bonds. A substantial part of the equity portfolio is invested in large, mid- and small-cap Dutch equities.

Delta Lloyd Group's policy is to hedge the exposure on the majority of its equity portfolio. A notional amount of approximately € 3.0 billion of the equity portfolio was hedged in full or in part at 31 December 2009. Delta Lloyd Group's hedging strategy aims to protect against downside risk of the equity portfolio while maintaining upward potential. Delta Lloyd Group has used this hedging strategy

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since 2006. Delta Lloyd Group regularly tests whether the equity hedges ensure that a drop of the AEX Index does not lead to a breach of the minimum economic capital ratio of 110%.

Delta Lloyd Group uses put options and put spread collar options with various strike prices, underlying indices, maturity dates and counterparties to optimise its hedging strategy. The hedging programme is reviewed periodically to determine whether it needs to be adjusted. Listed assets are generally valued on a daily basis. Collateral management takes place on a daily basis as well.

Delta Lloyd Group's risk management strategy for property risk is focused on retaining a high-quality self-managed portfolio. As at 31 December 2009, Delta Lloyd Group's IFRS portfolio of real estate for own risk was valued at € 2.7 billion, divided into residential (47%), offices (32%), retail (13%), car parks (4%) and other (4%). The portfolio consists largely of property in the Netherlands. Residential property, which has remained steady in the Netherlands throughout the recent credit crisis, accounts for the largest share of the portfolio. Delta Lloyd Group's vacancy rates are low: residential at 2%, retail at 3% and offices at 4%. Purchases and sales take place exclusively via a tender process and the value is objectively determined on the basis of external appraisals. Delta Lloyd Group's overall property exposure is managed through volume limits. Delta Lloyd Group's stress test examines the consequences of a 17% price drop. In addition, Delta Lloyd Group monitors its maximum property exposure such that a 38% price decline would, in and of itself, not result in a breach of the minimum economic capital ratio of 110% (the 38% decline is in line with the largest observed price fall in the Dutch market, which occurred in 1979-1982). In addition, the rental income from the portfolio offers protection from the long-term inflation risk incurred in Delta Lloyd Group's life insurance business.

The section on sensitivity analysis explains the effect of changes in equities and real estate.

### Interest rate risk

Delta Lloyd Group incurs interest rate risk as the value of its assets and of its liabilities depends on the interest rate. Within Delta Lloyd Group, the interest rate risk is monitored and analysed by assessing various scenarios. Delta Lloyd Group's insurance operations aim to eliminate the risk of an interest rate movement exceeding 5% of the market value of group equity. All fixed income assets and instruments bear an additional risk, as the yields of these assets may develop differently from the yields used for discounting the liabilities.

Interest rate risk is managed by matching the duration of assets and liabilities and also through derivatives, including swaps and swaptions, but the Group Risk Committee can decide that Delta Lloyd Group will keep an open position for strategic reasons. This interest rate management strategy has significantly reduced realistic net asset value sensitivity to interest rate risk. Delta Lloyd Group hedges the minimum interest guarantees in certain types of life insurance contracts through receiver swaptions. These instruments offer protection if interest rates decrease.

The section on sensitivity analysis explains the effect of changes in interest rates.

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### Inflation risk

Delta Lloyd Group has written, and continues to write, a number of collective pension contracts under which pension payments are indexed to increase with an increase in the Dutch inflation rate. This inflation risk is hedged by inflation-linked derivative instruments.

### Currency risk

Delta Lloyd Group operates within the euro area and is thus not materially exposed to foreign currency exchange risk arising from fluctuations in exchange rates of various currencies. Delta Lloyd Group's investments and investment income are affected by currency movements, in particular by movements in the pound sterling and the US dollar. In managing its foreign currency exposures, Delta Lloyd Group occasionally hedges investment positions in foreign currencies to limit the impact of fluctuations in exchange rates on profit and loss. Delta Lloyd Group does not apply hedge accounting under IAS 39 to offset foreign currency exchange risk. The majority of foreign currency exchange risk relates to unit-linked portfolios where the policyholder carries the investment risk. This means that Delta Lloyd Group is exposed to limited risk. As a consequence, no sensitivity analysis of foreign currency exchange risk is provided.

### Net assets by principal currency at year end

In millions of euros	2009	2008
Euro	3,734.8	3,162.8
Pound Sterling	145.4	23.9
United States dollar	179.6	118.1
Other	148.0	112.4
<b>Total</b>	<b>4,207.7</b>	<b>3,417.2</b>

Restatement of the 2008 balance sheet figures is explained in section 5.1.1 'Accounting policies'.

### Insurance risk

Insurance risks arise from the possibility that insurance premiums and/or provisions will not be sufficient to meet future payment obligations under written policies. This will occur if the actuarial assumptions used in forming the provisions (such as those on mortality) are adjusted to an unfavourable level.

### ***Life insurance***

Longevity risk (the risk that people will live longer) is the key insurance risk for life insurance products. If people live longer, the guaranteed payments to policyholders on annuities and pension contracts will last longer, and therefore be costlier.

Delta Lloyd Group manages longevity risk through detailed analysis of mortality data and the latest external industry data and industry trends so as to keep adequate provisioning. The expected future mortality improvements for the next 50 years are included in the provisioning and the pricing of the policies. Delta Lloyd Group uses the most recent mortality expectations in forming its insurance liabilities provisions. Some of Delta Lloyd Group's business units also establish additional longevity provisions for some insurance products. The additional provisions for longevity was € 506.9 million as at 31 December 2009. Mortality risk (the risk that people will die earlier) also plays a role in the life insurance business of Delta Lloyd Group. Like the longevity risk this risk is managed by extensive analysis of mortality numbers by cause. Although the mortality and longevity risk are opposite risks, because of the different age-structure and exposure it is not possible to cancel out the risks against each other. Reinsurance helps to control the mortality risk, especially the catastrophe risk.

The life insurance business is also exposed to lapse risk. Whether policyholders terminate or renew (tacitly or explicitly) their insurance policies depends on consumer expectations and developments in the financial markets. Managing the attractiveness of the life insurance products for customers, agents, advisers and banks as well as close monitoring of developments in the portfolio are key to mitigating this risk.

### ***General insurance***

Risk management of the general insurance portfolios focuses on risk mitigation through strict underwriting policies, established claims handling procedures and risk-based reinsurance contracts. The risk profile of the general insurance portfolio is measured using the economic capital method. The frequency and severity of claims is simulated on a stochastic basis.

An underwriting policy is developed for each of Delta Lloyd Group's product lines, and is renewed annually. Periodically, random checks are carried out for each product line to establish that underwriters follow the rules and regulations. Delta Lloyd Group's reinsurance service centre develops customised reinsurance programmes for the various business units.

Catastrophic events are an important risk for Delta Lloyd Group's general insurance business. In the Netherlands, the main catastrophic threat is the combination of high winds and a hailstorm with a severe impact. Delta Lloyd Group has largely reinsured its catastrophe risk. The possible maximum loss as a result of a catastrophe is € 430.0 million, assuming one occurrence every 200 years. The catastrophe risk reinsurance programme purchased by Delta Lloyd Group for 2009 provides for cover of € 400 million above Delta Lloyd Group's retention limit of € 30.0 million. In addition, Delta Lloyd Group's general insurance business faces risks regarding the frequency and size of claims, unexpected claims, inaccurate pricing of the general insurance risks and inadequate reinsurance protection.

Delta Lloyd Group takes the “premium rating cycle” characteristic of the general insurance industry into account when pricing general insurance policies. Positive market results generate downward pressure on premiums (due to higher capital supply), which leads to weaker financial performance, thereby necessitating an increase in premiums. Delta Lloyd Group has set up product teams and specific knowledge centres which are responsible for managing this risk and for the correct timing of premium pricing or adjustments.

The provisioning for general insurance liabilities is based on estimates that use standard actuarial projection techniques. Delta Lloyd Group’s past claims development is used to project future claims development. 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 on which the projections are based.

Claims handling is organised in separate specialised departments. Delta Lloyd Group’s entities in the Netherlands share one department for individual policy products (e.g. motor, third party and property insurance) claims, and one for bodily injury claims. There are several departments for claims under corporate policies. The settlement and assessment of incurred claims are guided by claims handling policies of Delta Lloyd Group’s divisions. These policies describe the processes, governance, limits of authorisation and provisioning system. Delta Lloyd ABN AMRO Insurance and Delta Lloyd Group’s operations in Belgium have their own departments for handling claims. Claims handling is performed by dedicated educated staff with the support of IT systems.

The section on sensitivity analysis provides the quantitative effect of general insurance risks.

### **Liquidity risk**

Delta Lloyd Group’s insurance operations face a very limited liquidity risk. Delta Lloyd Group’s banking operations face liquidity risk, which is the risk that short-term assets are insufficient to meet short-term obligations. Delta Lloyd Group’s mortgage business requires liquidity to fund extended mortgage loans. Historically, Delta Lloyd Group relied on securitisation as a source of funds. As a result of the severe decline of the securitisation market, the mortgage business has been funded by more expensive alternative funding sources, such as intercompany loans, traditional bank financing and repo transactions. Besides this Delta Lloyd Group has issued a successful securitisation in December 2009 (€ 0.9 billion). If necessary, Delta Lloyd Group can partially limit its funding needs by increasing the margins on mortgage loans and thereby limit new mortgage lending. The potential liquidity risk caused by an outflow of savings and deposits of clients (liabilities) in Delta Lloyd Group’s banking division is partially mitigated by matching assets of the banking division in investment portfolios with relatively high liquidity and quality. These assets can be sold quickly, or used as collateral to borrow from the ECB. However, in extreme market conditions even high-quality portfolios that may have been highly liquid can suffer losses. In those cases it is possible to enter into repotransactions with the insurance entities. The liquidity risk is closely monitored by risk management functions and asset liability committees within Delta Lloyd Group’s banking operations and by the asset management division.

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Delta Lloyd Group has a strong liquidity position and aims to have sufficient liquidity available to meet its liabilities when they fall due by using active cash management. Delta Lloyd Group also has significant credit facilities with several reputable financial institutions. The liquidity risk is deemed to be limited.

### Contract maturity date assets at year end

In millions of euros	Within one year	Between one and three years	Between three and five years	Longer than five years	Not stated	Total 2009
Goodwill	-	-	-	-	331.3	331.3
AVIF and other intangible fixed assets	-	-	-	-	147.7	147.7
Deferred acquisition costs	-	-	-	-	222.9	222.9
Property and equipment	-	-	-	-	202.7	202.7
Investment property	-	-	-	-	2,457.1	2,457.1
Associates	-	-	-	-	427.0	427.0
Debt securities	542.5	2,354.3	3,479.7	13,888.6	-	20,265.1
Equity securities	-	-	-	-	14,766.2	14,766.2
Loans	3,442.5	1,130.4	1,756.6	14,885.4	-	21,214.9
Reinsurance assets	125.9	111.2	64.4	331.4	-	632.9
Inventory of real estate projects	75.8	-	-	-	-	75.8
Capitalised interest and prepayments	635.1	-	-	-	-	635.1
Cash and cash equivalents	1,500.8	-	-	-	-	1,500.8
Assets held for sale	204.1	-	-	-	-	204.1
<b>Total</b>	<b>6,526.7</b>	<b>3,595.9</b>	<b>5,300.7</b>	<b>29,105.4</b>	<b>18,554.9</b>	<b>63,083.6</b>

### Contract maturity date assets at prior year end

In millions of euros	Within one year	Between one and three years	Between three and five years	Longer than five years	Not stated	Total 2008
Goodwill	-	-	-	-	332.9	332.9
AVIF and other intangible fixed assets	-	-	-	-	167.0	167.0
Deferred acquisition costs	-	-	-	-	207.0	207.0
Property and equipment	-	-	-	-	262.6	262.6
Investment property	-	-	-	-	2,366.5	2,366.5
Associates	-	-	-	-	193.6	193.6
Debt securities	536.2	1,853.5	2,520.6	13,601.8	-	18,512.1
Equity securities	-	-	-	-	13,725.4	13,725.4
Loans	3,719.4	1,261.8	1,729.6	11,881.9	-	18,592.7
Reinsurance assets	111.6	140.0	79.4	391.0	-	722.0
Inventory of real estate projects	98.8	-	-	-	-	98.8
Capitalised interest and prepayments	585.2	-	-	-	-	585.2
Cash and cash equivalents	2,551.4	-	-	-	-	2,551.4
Assets held for sale	1,358.2	-	-	-	-	1,358.2
<b>Total</b>	<b>8,960.9</b>	<b>3,255.3</b>	<b>4,329.6</b>	<b>25,874.7</b>	<b>17,255.1</b>	<b>59,675.5</b>

Restatement of the 2008 balance sheet figures is explained in section 5.1.1 'Accounting policies'.

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### Contract maturity date derivatives at year end

In millions of euros	Within one year	Between one and three years	Between three and five years	Longer than five years	Total 2009
Fair value asset	551.2	0.1	-	30.8	582.0
Fair value liability	856.1	0.6	-	34.4	891.1

### Contract maturity date derivatives at prior year end

	Within one year	Between one and three years	Between three and five years	Longer than five years	Total 2008
Fair value asset	1,295.1	62.7	6.1	-	1,363.9
Fair value liability	570.2	-	0.5	49.4	620.1

### Expected maturity date insurance and investment 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 2009
Non-linked insurance	1,663.5	5,684.8	8,246.2	6,419.8	22,014.2
Non-linked investment	451.9	1,037.8	1,191.2	659.2	3,340.1
Unit-linked	588.2	2,309.7	4,115.9	4,664.4	11,678.2
<b>Total life insurance and investment contract liabilities</b>	<b>2,703.7</b>	<b>9,032.2</b>	<b>13,553.2</b>	<b>11,743.4</b>	<b>37,032.5</b>
General insurance liabilities	790.7	702.8	481.3	63.5	2,038.3
<b>Total</b>	<b>3,494.3</b>	<b>9,735.0</b>	<b>14,034.6</b>	<b>11,806.9</b>	<b>39,070.8</b>

### Expected maturity date insurance and investment 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 2008
Non-linked insurance	1,371.2	5,937.8	8,651.7	5,790.4	21,751.1
Non-linked investment	257.8	1,087.1	1,108.1	700.5	3,153.6
Unit-linked	580.1	2,065.6	3,764.5	3,793.4	10,203.7
<b>Total life insurance and investment contract liabilities</b>	<b>2,209.2</b>	<b>9,090.5</b>	<b>13,524.4</b>	<b>10,284.3</b>	<b>35,108.4</b>
General insurance liabilities	883.6	725.7	396.1	65.0	2,070.3
Health insurance liabilities	636.5	96.8	0.0	-	733.2
<b>Total</b>	<b>3,729.2</b>	<b>9,912.9</b>	<b>13,920.4</b>	<b>10,349.3</b>	<b>37,911.9</b>

Restatement of the 2008 balance sheet figures is explained in section 5.1.1 'Accounting policies'.

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### Contract maturity date at year end

In millions of euros	Less than 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 2009
Subordinated debt	-	-	-	-	-	676.8	676.8
Amounts owed to credit institutions	608.5	1.6	1.6	1.6	1.6	4.0	618.9
Securitised mortgage loan notes	242.3	242.3	231.6	123.7	-	5,783.6	6,623.5
Convertible loan	-	-	-	-	-	2.6	2.6
Other	24.0	50.0	116.7	20.9	86.4	126.8	424.8
<b>Total borrowings</b>	<b>874.9</b>	<b>293.9</b>	<b>349.9</b>	<b>146.1</b>	<b>88.0</b>	<b>6,593.7</b>	<b>8,346.6</b>
Contractual future interest payments	137.4	145.4	145.4	145.4	145.4	3,840.6	4,559.4
<b>Total</b>	<b>1,012.3</b>	<b>439.3</b>	<b>495.3</b>	<b>291.5</b>	<b>233.4</b>	<b>10,434.2</b>	<b>12,906.0</b>

### Contract maturity date at prior year end

In millions of euros	Less than 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 2008
Subordinated debt	-	-	-	-	-	400.5	400.5
Amounts owed to credit institutions	1,614.0	1.6	1.6	1.6	1.6	5.6	1,625.9
Securitised mortgage loan notes	-	-	-	-	-	6,407.3	6,407.3
Convertible loan	-	-	-	-	-	9.3	9.3
Other	153.2	53.6	93.8	13.6	64.4	79.6	458.1
<b>Total borrowings</b>	<b>1,767.2</b>	<b>55.1</b>	<b>95.4</b>	<b>15.2</b>	<b>65.9</b>	<b>6,902.3</b>	<b>8,901.2</b>
Contractual future interest payments	459.5	459.5	459.0	457.7	457.2	18,137.0	20,429.9
<b>Total</b>	<b>2,226.7</b>	<b>514.7</b>	<b>554.4</b>	<b>472.8</b>	<b>523.2</b>	<b>25,039.2</b>	<b>29,331.1</b>

Interest payments on borrowings are recognised until the contract maturity date unless it is expected that certain loans will be redeemed on their expected final dates. The lower position of future contractual interest payments is explained mainly by lower average interest rates on the borrowings during 2009.

At the Delta Lloyd Life Arenas, interest payments for 2009 have been computed to the expected final date. The contract maturity date was assumed in 2008.

Restatement of the 2008 balance sheet figures is explained in section 5.1.1 'Accounting policies'. Health insurance liabilities were classified in the 2008 consolidated financial statements as Liabilities relating to assets held for sale.



### Sensitivity analysis

The nature of Delta Lloyd Group's business is such that a number of assumptions have been made in compiling the financial statements. These include assumptions concerning lapse rates, mortality rates and expenses in connection with in-force policies. 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. In practice this is unlikely to occur and changes in some of the assumptions may be correlated, for instance a change in interest rate with a change in market values or a change in lapses with future mortality. These sensitivities can be described as follows:

Sensitivity factor	Description of sensitivity factor used.
Interest rate	The effect of a 1% increase or decrease in interest rates (e.g. revision at 4% and 6% if the interest rate for valuations is 5%). This test allows comparable effects to be examined in the same way on assumptions on growth rate, profit-sharing and price inflation.
Equities/property	The effect of a change of 10% in equities and property.
Credit risk	The effect of a 0.5% change in credit spread (applicable to corporate bonds, collateralised bonds with a rating below AAA and mortgages).
Expenses	The effect of a 10% increase in the assumptions for rises in expenses.
Mortality and disability risk in life insurance contracts	The effect of an increase of 5% in the assumptions for mortality and disability risk in life insurance contracts.
Mortality risk on annuities	The effect of a reduction of 5% in the mortality risk in annuities.
Claims ratio	The effect of an increase of 5% in the gross claims ratio for general and health insurance.

The above sensitivity factors, which are determined using actuarial and statistical models, have the following impact on the financial statements:

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### Sensitivity analysis 2009

In millions of euros	Credit risk +50 bps	Credit risk -50 bps	Interest rate risk +100 bps	Interest rate risk -100 bps	Equity risk +10%	Equity risk -10%	Property risk +10%	Property risk -10%	Expense risk +10%	Longevity risk -5%	Insured lives +5%	Loss ratio +5%
<b>Life</b>												
Impact on result before tax	-150.0	150.0	-124.2	70.1	-22.9	27.7	191.3	-204.0	-39.2	0.0	-6.6	n.a.
Impact on equity	-151.0	151.0	-132.9	91.8	267.4	-262.6	193.4	-206.1	-39.2	0.0	-6.6	n.a.
<b>General</b>												
Impact on result before tax	-0.6	0.6	-1.8	0.5	1.9	-2.0	0.0	0.0	-29.0	n.a.	n.a.	-39.4
Impact on equity	-12.7	12.7	-90.8	99.1	53.9	-53.9	0.0	0.0	-6.4	n.a.	n.a.	-39.4
<b>Bank and other</b>												
Impact on result before tax	-1.3	1.3	-3.4	7.9	0.9	-0.9	31.3	-31.3	n.a.	n.a.	n.a.	n.a.
Impact on equity	-6.9	6.9	-24.7	37.8	18.2	-18.2	31.3	-31.3	n.a.	n.a.	n.a.	n.a.

### Sensitivity analysis 2008

In millions of euros	Credit risk +50 bps	Credit risk -50 bps	Interest rate risk +100 bps	Interest rate risk -100 bps	Equity risk +10%	Equity risk -10%	Property risk +10%	Property risk -10%	Expense risk +10%	Longevity risk -5%	Insured lives +5%	Loss ratio +5%
<b>Life</b>												
Impact on result before tax	-345.8	345.8	-15.6	171.1	38.1	-18.9	186.7	-186.7	-42.8	-7.5	-7.0	n.a.
Impact on equity	-352.6	352.6	-35.9	197.1	274.0	-254.5	190.5	-190.5	-42.8	-7.5	-7.0	n.a.
<b>General and Health</b>												
Impact on result before tax	0.0	0.0	-0.2	-0.5	2.8	-2.8	0.0	0.0	-18.3	n.a.	n.a.	-115.3
Impact on equity	-35.1	35.1	-94.8	105.8	48.4	-48.4	0.1	-0.1	-8.0	n.a.	n.a.	-115.3
<b>Bank and other</b>												
Impact on result before tax	-2.0	2.0	-13.6	18.0	0.9	-0.9	38.6	-38.6	n.a.	n.a.	n.a.	n.a.
Impact on equity	-10.5	10.5	3.4	5.0	38.2	-38.2	38.6	-38.6	n.a.	n.a.	n.a.	n.a.

Provisions are set using market interest rates and the policies set in the tariffs. Changes in life expectancy trends develop over a long period and will not lead directly to an adjustment of the provision in a year. Consequently, changes in mortality do not generally lead directly to an adjustment of the provision, and the effect of changes in these risks in the above tables is relatively modest.

The comparative figures 2008 include the health insurance activities.

**Limitations of sensitivity analysis**

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. Such an occurrence in reality is very unlikely, due to correlation between the factors. Furthermore, these sensitivities are non-linear, and larger or smaller impacts cannot easily be gleaned from these results. The sensitivity analyses do not take into consideration that Delta Lloyd Group's assets and liabilities are actively managed and may vary at the time that any actual market movement occurs. The financial risk management strategy aims to minimise the exposure to market fluctuations, including selling investments, changing investment portfolio allocation and using derivative financial instruments. Another limitation in the above sensitivity analyses is the use of hypothetical market movements to demonstrate potential risk that only represent Delta Lloyd Group's view of reasonably possible near-term market changes that cannot be predicted with any certainty. A final limitation is the assumption that all interest rates move in an identical fashion. A number of the business units use passive assumptions to calculate their liabilities. Consequently, the actual impact of a change in the assumptions for mortality or interest does not affect the insurance liabilities directly. Changes of experience assumptions can lead to inadequate provisions and, as a consequence, to their adjustment.

**Strategic Risk**

The current economic and social developments demand a new vision for the future. No one can second-guess what lies ahead, but it is possible to form an imaginary picture of what the world might look like fifteen years hence, given the trends and developments of today. Delta Lloyd Group does this type of planning exercise using scenarios. The Group sees scenario-based thinking as an indispensable instrument for coping with the uncertainties of the future. By thinking through the consequences of entirely different scenarios, it gains a deeper understanding of the forces that will determine the dynamics of its prospective environment. Scenarios sketch alternative futures by extrapolating current trends to extreme outcomes, thus providing insight into the context in which Delta Lloyd Group will be doing business in 2025.

In 2009, we updated the scenarios. More than one hundred people inside and outside the company contributed to this process. The main focus was on the future social, ecological and economic context in which the financial sector, as well as all other sectors, must operate. During a series of scenario workshops, diverse combinations of external forces were explored and two future scenarios were worked out into fully-formed pictures of the future. Each of these scenarios provides an essentially different perspective of the world, and casts light on an entirely different roadmap to the future.

### ***Legal and Regulatory Risk***

Integrity is an important core value for Delta Lloyd Group. Compliance with laws and regulations is seen as a key part of Delta Lloyd Group's commitment to integrity. In 2008, Delta Lloyd Group completed a compliance assessment. The eight compliance categories with the highest inherent risks were assessed for existing risks, controls and evidence of the operational effectiveness of these controls. The eight categories were internal values and awareness, market forces, alliance partners, personal data protection, consumer protection, product development and management, 'know your customer' and incident reporting. In 2009, all business units started working on improvement programmes based on the outcome of the assessment.

Delta Lloyd Group's compliance with the more stringent duty-of-care requirements laid down in the Dutch Financial Supervision Act was assessed in relation to the consumer protection and product development compliance categories. Delta Lloyd Group also monitors the compliance of its insurance intermediaries with these requirements. This aspect was addressed in the alliance partners and incident reporting compliance categories.

The Dutch Prevention of Money Laundering and Financing of Terrorism Act (*Wet ter voorkoming van witwassen en financieren van terrorisme*) is important for the 'customer due diligence' compliance category. The compliance officers of all business units supervise the implementation of and compliance with all relevant regulations. Delta Lloyd Group's compliance network and the tax department proactively anticipate developments with a view to managing risks of mis-selling claims and changes to tax laws.

### ***Operational Risk***

Operational risks are assessed according to their possible financial, operational or reputational impact. Projects and programmes are aimed at increasing operational effectiveness. In the current highly competitive market, the operating expenses of Delta Lloyd Group are critical to its competitiveness. One important method to reduce costs is to structure processes as effectively and efficiently as possible. Delta Lloyd Group has implemented several major cost improvement plans for the short term, including a hiring freeze and a sharp reduction in external staff.

Delta Lloyd Group recognises the risk of the simultaneous implementation of several major change processes, such as sharing services via chain integration and profit improvement programmes, since these initiatives require close monitoring and control. A Group Business Change & Development (GBC&D) department was set up in 2009 to co-ordinate the inception, management and implementation of change processes.

GBC&D has several objectives and will address the organisational structure, development of efficiency improvements, cross-business-unit cost reductions, consultancy engagements, integration projects, programme management for change projects and strategic information management.

### **IT and infrastructure**

Delta Lloyd Group believes that its ICT systems must be properly structured and used if it is to achieve its strategic and operational aims, look after customers' interests and meet statutory and regulatory requirements. Delta Lloyd Group has an effective IT risk management and control system to ensure this. The IT Risk Manager supervises compliance with the risk management system and continuous development in a changing environment and market conditions. The ICT Board, consisting of divisional chairmen and the CEO and CIO of Delta Lloyd Group, acts as the audit committee of IT matters. Internal and external reports are regularly considered by the IT Board.

Delta Lloyd Group has no risk appetite for:

- 1 ICT systems which are not in line with strategy and the priorities of its business units;
- 2 ICT systems whose continuity is not guaranteed;
- 3 ICT systems that do not meet legal and regulatory requirements.

### **Outsourcing**

Companies increasingly request that their suppliers provide them with an independent opinion (statement) on the effectiveness of the supplier's internal controls. This statement must be certified by an external auditor. Delta Lloyd Group asks its business partners to provide a SAS 70 type II statement. Internationally recognised, it enables an independent auditor to review a service provider's controls for safeguarding Delta Lloyd Group's data. This statement is a standard element in Delta Lloyd Group's contracts with suppliers. Delta Lloyd Group also negotiates the right to perform audits of its business partners, or to arrange for such audits to be performed. SAS 70 type II statements have been received from all major outsourcing 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 addresses this risk by closely monitoring and overseeing the processes and stability of its business partners. Delta Lloyd Group has implemented a new IT system known as eSize to monitor the information on its third party suppliers' contracts.

### **Business protection**

Delta Lloyd Group has set up ICT and business contingency arrangements to avoid losses in the event of business interruption. A contingency test plan has been prepared, involving all critical business applications, alternative workplaces in case a building is damaged, and the impact of a pandemic disease. In the meantime, the various systems have been tested and approved for the Dutch, Belgian and German business units. An infrastructure system was delivered in 2008 which largely supports the contingency arrangements and is regularly tested by the business units.

In 2009, Delta Lloyd Group tightened system access controls in the business and strengthened its IT governance. Further work is planned in the area of identity access management and self-assessment of

compliance with strategic security policy.

### **Human resources**

Recruiting, developing and retaining qualified staff is vital to Delta Lloyd Group's business. Trainee programmes have been developed in order to attract young talent for professional departments such as actuary, ICT and finance. Leadership capabilities of senior management are being strengthened by a customised leadership programme and by 'Executive Development Groups'. Professional and personal development of employees is monitored on a yearly basis by management and facilitated with development programmes and employability checks. This enhances retention of qualified staff and preserves vital knowledge and expertise for Delta Lloyd Group.

### **Fraud and crime**

In 2006, the Dutch Association of Insurers launched a fraud prevention plan for the general insurance industry, which aims to double the fraud detection rate. Delta Lloyd Group is working on fraud prevention, detection and repression. The 2009 self-assessment showed that Delta Lloyd Group had almost reached the 'best practice' level achieved by the top 20% in the market. As part of its plan, all Delta Lloyd Group's fraud and crime prevention departments (with the exception of Delta Lloyd ABN AMRO Insurance) were brought under the central management of the Fraud & Crime Prevention Department of Group Integrity in 2008. The integration of Delta Lloyd ABN AMRO Insurance is currently being considered.

A training and awareness programme covering risks of internal and external fraud and criminal activities has been implemented in all business units in Delta Lloyd Group. To this end, the Delta Lloyd Group has created a professionally managed knowledge centre for combating fraud and criminal activity. In addition, certain important processes and businesses, such as motor insurance and real estate management, were assessed and recommendations for improvement were or are in the process of being implemented. A fraud risk assessment was conducted and potential fraud scenarios were identified. The assessment also identified control measures which have been implemented. A central database has been set up to store all information about proven and potential fraudulent loss incidents. The possibility of implementing software detection systems is being explored. Investigation methods and procedures are being improved and standardised. The new structured and centralised approach has led to a number of additional prevention measures and a significant increase in both the number of investigations as well as savings in damages and losses.

***Financial Reporting Risk***

As part of its SOx project, in 2007 Delta Lloyd Group made a start on a structured risk analysis using a top-down approach. The principal control measures on financial reporting risks were identified in 2008. An ICT application has been implemented for the systematic registration of all control measures and the results of the test programmes. In 2009, the design and operation of the controls was tested and a number of areas for improvement were identified and tackled during the year. Improvements have been made in the actuarial control environment and processes, asset management data processes, spreadsheet management and IT access and authorisation controls.

Although Delta Lloyd Group does not have ‘material weaknesses’ in the risk management and control system, we will address the following areas in 2010:

- further strengthening and documentation of actuarial analyses and controls;
- further strengthening of the structuring of processes within and between business units, supported by more effective communication;
- further improvement of the IT control environment at a number of divisions.

All business units signed a year-end “Status Quo Confirmation”, confirming that all steps in the risk management and control system had been reviewed. The effective operation of the key controls was confirmed several times during 2009.

Changes in accounting policies are monitored by Group Finance & Control and discussed in a timely manner with the external auditor.

**5.1.7.38 (38) Derivative financial instruments****Derivatives held by Delta Lloyd Group**

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In millions of euros	Contract / notional amount 2009	Fair value asset 2009	Fair value liability 2009	Contract / notional amount 2008	Fair value asset 2008	Fair value liability 2008
<b>Foreign exchange contracts</b>						
<b>OTC</b>						
Forwards	874.9	9.5	9.4	789.9	33.1	34.2
Interest rate and currency swaps	1.9	0.1	-	3.4	0.0	0.0
<b>Total foreign exchange contracts</b>	<b>876.8</b>	<b>9.5</b>	<b>9.4</b>	<b>793.3</b>	<b>33.1</b>	<b>34.2</b>
<b>Interest rate contracts</b>						
<b>OTC</b>						
Forwards	-	-	-	45.0	0.7	0.9
Interest rate and currency swaps held for fair value hedge accounting	1,330.9	-	189.8	1,125.0	-	87.5
Interest rate and currency swaps not held for fair value hedge accounting	14,094.4	257.6	490.4	10,518.7	306.8	485.8
Options	10,100.0	219.1	-	8,525.0	618.8	-
<b>Exchange traded</b>						
Futures	229.0	0.5	1.3	167.0	1.7	0.1
Options	1,200.0	30.8	-	-	-	-
<b>Total interest rate contracts</b>	<b>26,954.3</b>	<b>508.0</b>	<b>681.5</b>	<b>20,380.7</b>	<b>928.1</b>	<b>574.3</b>
<b>Equity/index contracts</b>						
<b>OTC</b>						
Options	3,659.5	50.3	187.1	2,092.9	373.6	-
<b>Exchange traded</b>						
Futures	662.1	2.5	-	242.0	-	-
Options	1,371.1	3.6	-	3.5	6.2	-
<b>Total equity/index contracts</b>	<b>5,692.6</b>	<b>56.4</b>	<b>187.1</b>	<b>2,338.4</b>	<b>379.8</b>	<b>-</b>
<b>Credit default swaps</b>	<b>389.5</b>	<b>8.1</b>	<b>13.1</b>	<b>505.0</b>	<b>22.8</b>	<b>11.6</b>
<b>Total</b>	<b>33,913.2</b>	<b>582.0</b>	<b>891.1</b>	<b>24,017.5</b>	<b>1,363.9</b>	<b>620.1</b>

Fair value hedge accounting is only applied in the Bank and Other segment.

Delta Lloyd Group uses derivatives as part of its asset and liability management to hedge the fair value risk of financial assets arising from market interest rate movements. Hedge accounting is applied to part of the hedged financial assets, provided these assets have been designated as such and the conditions for hedge accounting stated in accounting policy V have been met. Derivatives that do not meet these conditions are recognised as other derivatives.

The notional amounts of derivatives are not recognised in the balance sheet as there are rights and obligations in one and the same contract in which the notional amounts merely act as units of account. Derivatives include financial instruments embedded in contracts whose value depends on one or more underlying securities, reference prices or indices. Delta Lloyd Group segment mainly uses interest-rate and currency contracts.



**Interest rate and currency swaps**

Interest rate swaps are contractual agreements between two parties to exchange interest payments in the same currency at a given time. The payments are calculated on the contractual principal sum, based on different terms to maturity. In most cases, interest rate swaps involve the exchange of fixed interest rates for variable interest rates. In their simplest form, currency swaps are contractual agreements to exchange two different currencies at regular intervals or at the final date. Gains or losses on interest-rate or currency swap contracts will rise or fall during the period to maturity depending on the expiry date, interest rates, exchange rates and payment dates.

**Interest rate futures, forward contracts and options**

Interest rate futures are exchange-traded instruments representing the obligation to buy or sell a given security or money market instrument at a set price on a set future date. Interest rate forward contracts are OTC contracts in which two parties agree an interest rate and other terms and conditions that, together with the contracted principal sum, determine the net amount that one party will pay the other based on the interest rate on a given date in the future. Interest rate options, such as caps and floors, are instruments that offer protection against changes in interest rates. The seller of an interest rate option commits, in exchange for payment of a premium, to pay the purchaser the difference between the current and the agreed interest on the contractual principal sum. Gains and losses on all interest rate contracts will rise or fall during the period to maturity depending on movements in interest rates.

**Currency contracts**

In currency contracts, including currency spot contracts, currency forward contracts and currency futures, it is agreed to exchange one currency for another at a set exchange rate on the settlement date. Currency option contracts are similar to interest rate options, except that they are based on currencies rather than interest rates. Gains and losses on these contracts will rise or fall during the period to maturity depending on movements in exchange rates and interest rates.

**5.1.7.39 (39) Fair value of financial assets and liabilities**

The tables below present the products measured at fair value and also at amortised cost in order to be in line with the relevant balance sheet items.

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### Financial assets at year end

In millions of euros	Fair value 2009	Carrying value 2009	Fair value 2008	Carrying value 2008
Debt securities	20,265.1	20,265.1	18,512.1	18,512.1
Equity securities	14,766.2	14,766.2	13,725.4	13,725.4
Derivatives not held for fair value hedge accounting	582.0	582.0	1,363.9	1,363.9
Loans at fair value through profit or loss (FVTPL)	6,696.9	6,696.9	6,021.9	6,021.9
Loans and receivables at amortised cost	14,829.6	14,517.9	12,932.7	12,570.8
Receivables and other financial assets	2,222.2	2,222.2	2,038.3	2,038.3
Cash and cash equivalents	1,500.8	1,500.8	2,551.4	2,551.4
<b>Total</b>	<b>60,862.8</b>	<b>60,551.2</b>	<b>57,145.8</b>	<b>56,783.9</b>

Restatement of the 2008 balance sheet figures is explained in section 5.1.1. Accounting policies.

### Financial liabilities at year end

In millions of euros	Fair value 2009	Carrying value 2009	Fair value 2008	Carrying value 2008
Liabilities for investment contracts	3,754.0	3,754.0	3,432.0	3,432.0
Subordinated debt	985.0	676.8	547.2	400.5
Amounts owed to credit institutions	618.9	618.9	1,625.9	1,625.9
Securitised mortgage loan notes	6,595.8	6,623.5	6,268.8	6,407.3
Convertible loan	1.6	2.6	5.2	9.3
Other borrowings	424.8	424.8	458.1	458.1
Derivatives	891.1	891.1	620.1	620.1
Financial liabilities	8,485.9	8,485.9	6,802.0	6,802.0
<b>Total</b>	<b>21,757.1</b>	<b>21,477.6</b>	<b>19,759.3</b>	<b>19,755.2</b>

Restatement of the 2008 balance sheet figures is explained in section 5.1.1. Accounting policies.

A major part of the financial assets are measured at fair value, these are categorised according to the following fair value hierarchy:

#### ***Published prices in active markets – (“Level 1”)***

Fair value measured at level 1 only uses quoted prices (unadjusted) in active markets for identical assets and liabilities. An active market is one in which transactions take place with sufficient frequency and volume so that prices are regularly available. Examples are equities, bonds and investment funds listed on active markets.

#### ***Measurement method based on (significant) observable market inputs – (“Level 2”)***

Fair value measured at level 2 uses inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. If an asset or liability has a given (contractual) term, a level 2 input variable must be observable for practically the full term of that asset or liability. Level 2 involves the following input variables:

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- Quoted prices for similar (i.e. not identical) assets/liabilities in active markets;
- Input variables other than quoted prices observable for the asset (for example, interest rates and yield curves observable at customary intervals, volatility, early redemption spreads, loss ratio, credit risks and default percentages);
- Input variables arising mainly from or confirmed by observable market data by correlation or other means (market-confirmed inputs).

Examples of assets or liabilities at level 2 are financial instruments measured using discounted cash flow models. These are based on observable market swap yields (such as securitised mortgages or private interest rate derivatives) on investment property measured using observable market data and quoted debt instruments or equities in a non-active market.

### ***Measurement method not based on (significant) observable market inputs – (“Level 3”)***

Fair value measured at level 3 uses inputs for the asset or liability that are not based on observable market data. Unobservable inputs can be used if observable inputs are not available and so fair value can still be measured at the reporting date in situations in which there is no or almost no active market for the asset or liability. Measurement is then based on the best management estimate that the market would use to measure the financial instrument. Examples are certain private equity investments and private placements.

The majority of Delta Lloyd Group’s investments are measured using quoted market prices or observable market inputs. A small percentage of the total assets are measured at fair value based on estimates and recorded as level 3. Where estimates are used, they are based on a combination of evidence from independent third parties and models developed in-house, calibrated where possible against observable market input. Although such measurements can be sensitive to estimates, it is presumed that changing one or more assumptions for another reasonable alternative assumption will not significantly change the fair value.

### **Carrying value of financial assets by measurement method at year end**

In millions of euros	Measurement based on published prices	Measurement based on observable market variables	Measurement not based on observable market variables	Amortised cost	Total 2009
Debt securities	19,921.9	343.2	-	-	20,265.1
Equity securities	8,413.4	5,987.9	365.0	-	14,766.2
Derivatives not held for fair value hedge accounting	37.8	544.2	-	-	582.0
Loans	-	6,696.9	-	14,517.9	21,214.9
Receivables and other financial assets	-	-	-	2,222.2	2,222.2
Cash and cash equivalents	1,500.8	-	-	-	1,500.8
<b>Total</b>	<b>29,873.8</b>	<b>13,572.3</b>	<b>365.0</b>	<b>16,740.1</b>	<b>60,551.2</b>

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### Carrying value of financial assets by measurement method at prior year end

In millions of euros	Measurement based on published prices	Measurement based on observable market variables	Measurement not based on observable market variables	Amortised cost	Total 2008
Debt securities	17,972.6	539.5	-	-	18,512.1
Equity securities	7,878.4	5,511.0	336.0	-	13,725.3
Derivatives not held for fair value hedge accounting	25.5	1,338.4	-	-	1,363.9
Loans	-	6,021.9	-	12,570.8	18,592.7
Receivables and other financial assets	-	-	-	2,038.3	2,038.3
Cash and cash equivalents	2,551.4	-	-	-	2,551.4
<b>Total</b>	<b>28,427.9</b>	<b>13,410.8</b>	<b>336.0</b>	<b>14,609.1</b>	<b>56,783.8</b>

The tables below present the fair value hierarchy of the financial assets for own risk.

### Carrying value of financial assets own risk by measurement method at year end

In millions of euros	Measurement based on published prices	Measurement based on observable market variables	Measurement not based on observable market variables	Amortised cost	Total 2009
Debt securities	17,676.8	285.8	-	-	17,962.7
Equity securities	2,956.0	1,601.0	365.0	-	4,921.9
Derivatives not held for fair value hedge accounting	37.8	519.3	-	-	557.1
Loans	-	6,696.9	-	14,402.5	21,099.4
Receivables and other financial assets	-	-	-	2,222.2	2,222.2
Cash and cash equivalents	1,505.5	-	-	-	1,505.5
<b>Total</b>	<b>22,176.1</b>	<b>9,103.1</b>	<b>365.0</b>	<b>16,624.7</b>	<b>48,268.8</b>

### Carrying value of financial assets own risk by measurement method at prior year end

In millions of euros	Measurement based on published prices	Measurement based on observable market variables	Measurement not based on observable market variables	Amortised cost	Total 2008
Debt securities	15,888.8	527.7	-	-	16,416.6
Equity securities	3,062.1	1,589.5	336.0	-	4,987.6
Derivatives not held for fair value hedge accounting	25.5	1,338.4	-	-	1,363.9
Loans	-	6,021.9	-	12,462.3	18,484.2
Receivables and other financial assets	-	-	-	2,038.3	2,038.3
Cash and cash equivalents	2,550.2	-	-	-	2,550.2
<b>Total</b>	<b>21,526.7</b>	<b>9,477.5</b>	<b>336.0</b>	<b>14,500.6</b>	<b>45,840.8</b>

With effect from 2009, financial assets with discretionary participation (DPF contracts) are recognised

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as financial assets for own risk. The 2008 comparative figures have been restated accordingly .

The tables below present the fair value hierarchy of the unit-linked financial assets.

### Carrying value of financial assets unit-linked by measurement method at year end

In millions of euros	Measurement based on published prices	Measurement based on observable market variables	Measurement not based on observable market variables	Amortised cost	Total 2009
Debt securities	2,245.1	57.3	-	-	2,302.4
Equity securities	5,457.4	4,386.9	-	-	9,844.3
Derivatives not held for fair value hedge accounting	-	24.9	-	-	24.9
Loans	-	-	-	115.5	115.5
Receivables and other financial assets	-	-	-	-	-
Cash and cash equivalents	-4.7	-	-	-	-4.7
<b>Total</b>	<b>7,697.8</b>	<b>4,469.2</b>	<b>-</b>	<b>115.5</b>	<b>12,282.4</b>

### Carrying value of financial assets unit-linked by measurement method at prior year end

In millions of euros	Measurement based on published prices	Measurement based on observable market variables	Measurement not based on observable market variables	Amortised cost	Total 2008
Debt securities	2,083.8	11.7	-	-	2,095.5
Equity securities	4,816.3	3,921.5	-	-	8,737.8
Derivatives not held for fair value hedge accounting	-	-	-	-	-
Loans	-	-	-	108.5	108.5
Receivables and other financial assets	-	-	-	-	-
Cash and cash equivalents	1.2	-	-	-	1.2
<b>Total</b>	<b>6,901.2</b>	<b>3,933.3</b>	<b>-</b>	<b>108.5</b>	<b>10,943.0</b>

The tables below present the fair value hierarchy of the financial liabilities.

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### Carrying value of financial liabilities by measurement method at year end

In millions of euros	Measurement based on published prices	Measurement based on observable market variables	Measurement not based on observable market variables	Amortised cost	Total 2009
Liabilities for investment contracts	3,754.0	-	-	-	3,754.0
Subordinated debt	-	-	-	676.8	676.8
Amounts owed to credit institutions	-	-	-	618.9	618.9
Securitised mortgage loan notes	-	4,267.8	-	2,355.7	6,623.5
Convertible loan	-	-	-	2.6	2.6
Other borrowings	-	-	-	424.8	424.8
Derivatives	-	891.1	-	-	891.1
Financial liabilities	-	-	-	8,485.9	8,485.9
<b>Total</b>	<b>3,754.0</b>	<b>5,158.9</b>	<b>-</b>	<b>12,564.6</b>	<b>21,477.6</b>

### Carrying value of financial liabilities by measurement method at prior year end

In millions of euros	Measurement based on published prices	Measurement based on observable market variables	Measurement not based on observable market variables	Amortised cost	Total 2008
Liabilities for investment contracts	3,432.0	-	-	-	3,432.0
Subordinated debt	-	-	-	400.5	400.5
Amounts owed to credit institutions	-	-	-	1,625.9	1,625.9
Securitised mortgage loan notes	-	4,133.8	-	2,273.5	6,407.3
Convertible loan	-	-	-	9.3	9.3
Other borrowings	-	-	-	458.1	458.1
Derivatives	-	620.1	-	-	620.1
Financial liabilities	-	-	-	6,802.0	6,802.0
<b>Total</b>	<b>3,432.0</b>	<b>4,753.9</b>	<b>-</b>	<b>11,569.3</b>	<b>19,755.2</b>

### Statement of changes in financial instruments valued using a measurement method without observable market variables

	2009	2008
<b>At 1 January</b>	<b>336.0</b>	<b>322.6</b>
Additions	46.2	157.4
Changes in fair value recognised through equity	7.3	-89.2
Impairment recognised through profit and loss	-53.1	-54.7
Transfer from measurement with observable market variables	28.5	-
<b>At 31 December</b>	<b>365.0</b>	<b>336.0</b>

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### 5.1.7.40 (40) Assets under management

Third-party funds under management include funds managed by Delta Lloyd Group that have not yet been recognised in the consolidated financial statements.

#### Assets under management at year end

In millions of euros	2009	2008
Total funds under management in the consolidated balance sheet	60,123.4	55,286.0
Third-party funds under management	7,675.7	5,925.8
<b>Total assets under management</b>	<b>67,799.1</b>	<b>61,211.8</b>

The comparable figure (2008) for third party funds under management is adjusted as a result of double counts for a total amount of € 7,014.9 million. The double counts were caused in the segment Fund Management (€ 3,674.5 million), segment Bank (€ 3,288.1 million) and segment Life (€ 52.2 million) which had to be reported off balance funds under management, while these were reported elsewhere on the balance sheet.

### 5.1.7.41 (41) Related party transactions

#### Services provided to related parties

In millions of euros	Income earned in year 2009	Receivable at year end 2009	Income earned in year 2008	Receivable at year end 2008
Aviva group companies	20.0	100.4	56.6	123.2
<b>Total</b>	<b>20.0</b>	<b>100.4</b>	<b>56.6</b>	<b>123.2</b>

#### Services provided by related parties

In millions of euros	Expenses incurred in year 2009	Payable at year end 2009	Expenses incurred in year 2008	Payable at year end 2008
Aviva group companies	6.7	3.7	43.9	1.1
Employee pension plans	146.0	1,639.5	75.1	1,564.9
<b>Total</b>	<b>152.7</b>	<b>1,643.2</b>	<b>119.0</b>	<b>1,566.0</b>

The related party transactions mainly involve transactions with the pension fund. Furthermore, there is a loan with an Aviva group company.

The related parties payables are not secured and no guarantees were received in respect thereof. The payables will be settled in accordance with normal credit terms.

For the maturity of the pension obligations, please refer to note 31 of the consolidated financial statements. The obligations to Aviva group companies all have a long-term nature.

#### Information on remuneration, interests and transactions of the members of the Executive Board and

the Supervisory Board is included in section 5.1.7.8. 'Remuneration of directors and the Supervisory Board'. Within Delta Lloyd group, only the Executive Board and the Supervisory Board are considered as key management, as they respectively determine and monitor the operational and financial policy.

In addition to the positions included presented in the above tables, Delta Lloyd Group has received a long-term loan from Fonds NutsOhra. Further information on this loan is presented in section 5.1.7.32 'Borrowings' in the consolidated financial statements and section 5.2.1.8 'Subordinated debt in the company financial statements'.

#### **5.1.7.42 (42) Capital Management**

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

#### **Capital Management**

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 growth and satisfy the requirements of its policyholders, regulators and rating agencies;
- retain financial flexibility by maintaining strong liquidity, including significant unutilised credit lines, and access to a range of capital markets;
- allocate capital efficiently to support growth.

An important aspect of Delta Lloyd Group's capital management process is the setting of after-tax profitability targets for the individual divisions. These targets are aligned to the performance objectives and ensure that Delta Lloyd Group is fully focused on the creation of value for shareholders. Delta Lloyd Group has a number of sources of capital available to it and seeks to optimise its equity ratio compared to debt in order to ensure that it can consistently maximise returns to shareholders.



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### Total capital employed

Total capital employed is defined as equity including other capital items (subordinated loans received from Fonds NutsOhra and Rabobank Nederland, goodwill, prudential margin and other elements such as conditional profit sharing (Rückstellung für Beitragsrückerstattungen ('RFB'))).

The composition was as follows:

### Total capital employed

In millions of euros	2009	2008
Total capital and reserves attributable to parent	3,887.6	3,149.7
Subordinated debt	425.8	409.8
Goodwill	-331.3	-332.9
Prudency margin	668.6	377.0
Other unconditional elements	261.3	48.0
<b>Total capital employed</b>	<b>4,912.0</b>	<b>3,651.6</b>

Restatement of the 2008 balance sheet figures is explained in section 5.1.1. 'Accounting policies'.

The subordinated loan which can be accounted for as capital employed is maximized to 25 percent of the total of the present solvency margin or to the minimum amount of the solvency margin.

At 31 December 2009, Delta Lloyd Group's total capital employed was € 4,912.0 million (2008: € 3,651.6 million), which was financed by equity shareholders' funds, reserves, retained earnings, subordinated debt, goodwill, prudential margin and other equity components. In 2009, the total capital employed increased by € 1,260.4 million, driven by the operating results, the increase in the surplus of technical provisions and developments in capital and equity markets during the year.

### Capital requirements

To provide high assurance that the demands of shareholders and policyholders are met, management has defined a minimum capital requirement. Delta Lloyd Group aims to have a capital ratio of at least 160% to 175% of the statutory solvency. Delta Lloyd Group tests the total capital employed and the required capital at regular intervals. The Group fully complied with the regulatory requirements, on both a local and consolidated basis, during the year.

The following table provides information on the development of the solvency ratio (Solvency I) under IFRS and the statutory requirements of insurance and all non-banking activities. The capital relating to the banking activities is reviewed using the Basel II system.

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	2009	2008
IFRS Solvency	256%	205%
Regulatory solvency (IGD)	201%	145%
Bank-Bis Ratio	12,3%	11,3%

Delta Lloyd Group uses its own methodology to compute economic capital which is determined by ICA capital in which the adequacy of the capital is determined by extreme scenarios. Delta Lloyd Group's risk management seeks to maintain capital of at least 110% of the diversified total economic capital requirement.

### 5.1.7.43 (43) Subsequent events

As outlined in the prospectus for the initial public offering, Delta Lloyd Group has decided that the German life insurance operations no longer form part of its core business. On 4 March 2010, Delta Lloyd Germany announced the intention to discontinue the writing of new business.

The German market was and is indeed very large and has considerable potential. Major stumbling block for a positive development of the business in Germany is the structure of the German market for life insurance. This means that the risk of low investment returns almost entirely lies with the insurer and the advantage of higher investment returns almost entirely goes to the policyholders concerned. The general expectation was that the structure eventually would change. But considering the results, the prospects and modest market position, Delta Lloyd Group decided to take action now.

Amsterdam, 3 March 2010

#### **Executive Board**

N.W. Hoek, chairman

P.J.W.G. Kok

P.K. Medendorp

H.H. Raué

#### **Supervisory Board**

R.H.P.W. Kottman, chairman

P.G. Boumeester

E.J. Fischer

J.G. Haars

J.H. Holsboer

A.J. Moss

## 5.2 Company financial statements

### Company income statement in the financial year

In millions of euros	2009	2008
Result from participating interests after tax	2.0	-80.3
Other result after taxation	-125.6	-80.5
<b>Total result after tax</b>	<b>-123.6</b>	<b>-160.8</b>

From the result from participating interests, an amount of € 6.7 million (2008: € -86.1 million) relates to group companies and € -4.7 million (2008: € 5.8 million) relates to other participating interests.

### Company balance sheet at year end before appropriation of profit

In millions of euros	2009	2008
Goodwill (I)	182.6	182.6
<b>Total intangible fixed assets (I)</b>	<b>182.6</b>	<b>182.6</b>
Participating interests in group companies (II)	4,627.5	4,033.2
Participating interests with significant influence (II)	4.3	77.3
Long-term loans (III)	125.4	84.2
<b>Total financial fixed assets</b>	<b>4,757.2</b>	<b>4,194.7</b>
<b>Total fixed assets</b>	<b>4,939.8</b>	<b>4,377.3</b>
Equity securities (III)	173.0	372.7
Short-term loans (III)	27.1	19.8
Receivables (IV)	252.8	593.4
Cash and cash equivalents	0.7	3.6
<b>Total current assets</b>	<b>453.7</b>	<b>989.6</b>
<b>Total assets</b>	<b>5,393.5</b>	<b>5,366.9</b>
Share capital (V)	33.1	107.1
Ordinary share premium (V)	357.4	91.8
Other statutory reserves (V)	1,359.4	1,710.0
Revaluation reserve (V)	493.5	-136.4
Other reserves (V)	1,767.7	1,538.1
Unallocated profit (V)	-123.6	-160.8
<b>Total equity</b>	<b>3,887.6</b>	<b>3,149.7</b>
Provisions (VI)	41.4	29.2
Subordinated debt (VII)	179.4	409.8
Long-term borrowings (VIII)	669.5	617.0
<b>Total long-term liabilities</b>	<b>890.3</b>	<b>1,055.9</b>
Other liabilities (IX)	615.6	1,161.1
<b>Total liabilities</b>	<b>1,505.9</b>	<b>2,217.1</b>
<b>Total equity and liabilities</b>	<b>5,393.5</b>	<b>5,366.8</b>

As noted in section 5.1.1, the 2008 consolidated balance sheet has been restated. The following items in the company financial statements have also been restated: subsidiaries and associates increased by € 131.4 million (was € 3,901.8 million) and other reserves also increased by € 131.4 (was € 1,406.7

million).

## **5.2.1 Notes to the company financial statements**

### **5.2.1.1 Accounting policies**

The company financial statements of Delta Lloyd NV are prepared in accordance with the legal requirements of Title 9 of Book 2 of the Netherlands Civil Code. As the income statement of Delta Lloyd NV for 2009 is incorporated in the consolidated financial statements, only an abridged company income statement is presented in accordance with section 2:402 of the Netherlands Civil Code.

The option to use the same accounting policies in the company financial statements as in the consolidated financial statements, as described in section 2:362 of the Netherlands Civil Code, has been exercised. Consequently, the accounting policies in the company financial statements are the same as those presented in notes A to AH to the consolidated financial statements, except for the following:

#### **Subsidiaries and associates**

Subsidiaries and associates in which Delta Lloyd Group has a controlling interest are measured at the net asset value. The net asset value is determined by measuring the assets, provisions and liabilities and calculating the net result using the same accounting policies as applied in the consolidated financial statements.

### **5.2.1.2 (I) Goodwill**

#### **Statement of changes in carrying value of goodwill**

In millions of euros	2009	2008
<b>At 1 January</b>	<b>182.6</b>	<b>182.9</b>
Other adjustments	-	-0.3
<b>At 31 December</b>	<b>182.6</b>	<b>182.6</b>

Goodwill on Delta Lloyd Group investments in associates is included in the carrying amount of the associates.

In 2008, the definite goodwill figure for Cyrte Investments BV led to a downward adjustment of € -0.3 million.

There has been no impairment.

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### 5.2.1.3 (II) Participating interests

Movements in investments in subsidiaries and associates were as follows:

#### Statement of changes in participating interests

In millions of euros	Participating interests in group companies	Participating interests with significant influence	Total
<b>At 1 January 2008</b>	<b>5,056.5</b>	<b>93.7</b>	<b>5,150.2</b>
Effect of pension adjustment	131.4	-	131.4
<b>Restated opening balance</b>	<b>5,187.9</b>	<b>93.7</b>	<b>5,281.6</b>
Disposals	-	-18.6	-18.6
Result for the year	-86.1	5.8	-80.3
Withdrawn dividend	-482.7	-0.2	-482.9
New equity capital	779.2	16.4	795.6
Fair value gains and losses through equity	-1,365.1	-21.1	-1,386.3
Other	-	1.3	1.3
<b>At 31 December 2008</b>	<b>4,033.2</b>	<b>77.3</b>	<b>4,110.5</b>
Result for the year	6.7	-4.7	2.0
Withdrawn dividend	-270.3	-0.1	-270.4
New equity capital	223.1	-68.6	154.5
Fair value gains and losses through equity	645.9	0.4	646.4
Other	-11.1	-	-11.1
<b>At 31 December 2009</b>	<b>4,627.5</b>	<b>4.3</b>	<b>4,631.7</b>

#### Outline of major companies at year end

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The major group companies in which Delta Lloyd NV has an interest are (100% unless otherwise stated):

#### Holding

Delta Lloyd Verzekeringen NV (Amsterdam)

Delta Lloyd Bankengroep NV (Amsterdam)

Delta Lloyd Deutschland AG (Wiesbaden, Germany)

Delta Lloyd Houdstermaatschappij België BV (Arnhem)

Delta Lloyd Antillen NV (Curacao, Netherlands Antilles)

Delta Lloyd ABN AMRO Verzekeringen Holding BV (51%) (Zwolle)

Delta Lloyd Services BV (Amsterdam)

Amstelhuys NV (Amsterdam)

OHRA NV (Arnhem)

Cyrte Investments BV (85%) (Naarden)

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Delta Lloyd Asset Management B.V. (Amsterdam)

### Life

Delta Lloyd Levensverzekering NV (Amsterdam)

OHRA Levensverzekeringen NV (Arnhem)

Delta Lloyd Lebensversicherung AG (99,92%) (Wiesbaden, Germany)

Delta Lloyd Herverzekeringsmaatschappij NV (Amsterdam)

Delta Lloyd Vastgoed Fonds NV (Amsterdam)

Delta Lloyd Life NV (Brussels, Belgium)

ABN AMRO Levensverzekering NV (51%) (Zwolle)

### Investment funds

Delta Lloyd Rente Fonds NV (78,8%) (Amsterdam)

Delta Lloyd Investment Fund NV (95,6%) (Amsterdam)

Daedalus plc (93,5%) (Dublin, Ireland)

### General

Delta Lloyd Schadeverzekering NV (Amsterdam)

OHRA Schadeverzekeringen NV (Arnhem)

Delta Lloyd Schadeverzekering Volmachtbedrijf BV (Amsterdam)

ABN AMRO Schadeverzekering NV (51%) (Zwolle)

ABN AMRO Assuradeuren BV (51%) (Zwolle)

### Bank

Delta Lloyd Bank NV (Amsterdam)

Delta Lloyd Bank NV (Brussels, Belgium)

Gries & Heissel Bankiers AG (Berlin, Germany)

The list pursuant to Sections 379 and 414 of Book 2 of the Netherlands Civil Code has been filed with the Chamber of Commerce in Amsterdam.

On 1 January 2009, Swiss Life Belgium merged with Delta Lloyd Life (the acquirer).

On 7 December 2009, Levensverzekering Maatschappij Erasmus NV merged with Delta Lloyd Levensverzekeringen (the acquirer).

On 15 December 2009, B. Franco Mendes BV, O.W.J. Schlenker Assuradeuren BV, 'Pravenio' Technische Verzekeringen BV, NOWM Verzekeringen NV and Schadeverzekering Maatschappij Erasmus NV merged with Delta Lloyd Schadeverzekeringen (the acquirer).

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### 5.2.1.4 (III) Investments

#### Statement of movements in investments in equity securities

In millions of euros	2009	2008
<b>At 1 January</b>	<b>372.7</b>	<b>265.8</b>
Additions	37.4	275.0
Disposals	-178.2	-66.9
Fair value gains and losses	-26.8	-54.8
Impairment losses	-32.1	-46.4
<b>At 31 December</b>	<b>173.0</b>	<b>372.7</b>
Cumulative fair value gains and losses	7.2	34.0
Cumulative impairment losses	-79.9	-90.5

### Long-term and short-term loans

#### Statement of changes in loans

In millions of euros	Long-term loans	Short-term loans	
<b>At 1 January 2008</b>	<b>212.1</b>	<b>12.3</b>	<b>224.4</b>
Additions	0.6	15.0	15.6
Disposals	-104.1	-7.5	-111.6
Impairment losses	-24.4	-	-24.4
<b>At 31 December 2008</b>	<b>84.2</b>	<b>19.8</b>	<b>104.0</b>
At 1 January 2009	84.2	19.8	104.0
Additions	0.6	7.3	7.9
Disposals	-75.8	-	-75.8
Impairment losses	-	-	-
Other adjustments	116.4	-	116.4
<b>At 31 December 2009</b>	<b>125.4</b>	<b>27.1</b>	<b>152.5</b>

The fair value of the total loan portfolio with an amortised cost of € 152.5 million (2008: € 104.0 million) was € 150.2 million (2008: € 104.0 million).

Long-term loans of € 15.4 million (2008: € 34.8 million) will fall due within one year. As in 2008, all short-term loans are due within one year.

€ 110.0 million (2008: € 51.4 million) of the long-term loans and € 27.1 million (2008: € 19.8 million) of the short-term loans were held by subsidiaries and associates. Of the long-term loans held by subsidiaries and associates € 95.0 million is subordinated.

As in 2008, there were no arrears on interest or repayments.

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Accumulated impairment was € 24.4 million (2008: € 24.4 million).

### 5.2.1.5 (IV) Receivables

#### Receivables at year end

In millions of euros	2009	2008
Receivables from group companies	48.4	241.5
Receivables and other financial assets	3.8	2.9
Capitalised interest and prepayments	2.2	0.7
Tax assets (refer to section IX)	198.5	348.3
<b>Total</b>	<b>252.8</b>	<b>593.4</b>

As in the previous reporting period, all receivables are due within one year.

Capitalised interest and prepayments includes € 1.6 million (2008: € 0.7 million) of group companies.

### 5.2.1.6 (V) Equity



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### Statement of changes in equity

In millions of euros	2009	2008
<b>Share capital</b>		
<b>At 1 January</b>	<b>107.1</b>	<b>107.1</b>
Repurchase and cancellation of Preference B shares	-77.1	-
Funding of repurchase of preference B shares by ordinary shares	0.5	-
Warrant exercised by Fonds NutsOhra	0.2	-
Warrant exercised by Aviva	2.5	-
<b>At 31 December</b>	<b>33.1</b>	<b>107.1</b>
<b>Ordinary share premium</b>		
<b>At 1 January</b>	<b>91.8</b>	<b>91.8</b>
Funding of repurchase of preference B shares by ordinary shares	39.5	-
Warrant exercised by Fonds NutsOhra	21.5	-
Warrant exercised by Aviva	204.5	-
<b>At 31 December</b>	<b>357.4</b>	<b>91.8</b>
<b>Revaluation reserves</b>		
<b>At 1 January</b>	<b>-136.4</b>	<b>1,294.1</b>
Movements in the value of investments	-21.1	-75.9
Movements in the value of associates	645.9	-1,364.0
Taxes on the above movements	5.1	9.3
<b>At 31 December</b>	<b>493.5</b>	<b>-136.4</b>
<b>Other statutory reserves</b>		
<b>At 1 January</b>	<b>1,710.0</b>	<b>1,433.1</b>
Result on associates in prior year	-80.3	759.6
Dividends received from associates	-270.3	-482.7
<b>At 31 December</b>	<b>1,359.4</b>	<b>1,710.0</b>
<b>Other reserves</b>		
<b>At 1 January</b>	<b>1,538.1</b>	<b>1,165.0</b>
Effect of pension adjustment	-	131.4
<b>Restated opening balance</b>	<b>1,538.1</b>	<b>1,296.4</b>
Dividends received from associates	270.3	482.7
Result of the holding company excluding prior year result on associates	-80.5	-14.7
Dividend paid	-	-226.4
Funding of repurchase of preference B shares by ordinary shares	37.1	-
Warrant exercised by Aviva	2.7	-
<b>At 31 December</b>	<b>1,767.7</b>	<b>1,538.1</b>
Result for the year	-123.6	-160.8
<b>Total equity</b>	<b>3,887.6</b>	<b>3,149.7</b>

### Share capital

The shares issued as at 31 December 2009 were fully paid-up and each gives the right to cast one vote.

Movements in the authorised capital, issued capital and share premium reserve during 2009 related to the public offering of Delta Lloyd NV in November 2009. The related external costs were recharged to Aviva. The restructuring of the issued capital took place before the first trading date and was as follows:

***Ordinary shares***

The number of ordinary shares in issue (31 December 2008: 29,949,531 with a nominal value of € 1.00 each) increased as a result of Aviva and Fonds NutsOhra exercising warrants on the subordinated debt granted by them. This raised the number of ordinary shares by 2,458,228 (Aviva) and 213,758 (Fonds NutsOhra). The financial settlement of the repurchase of the preference shares B (see below) increased the number of ordinary shares in issue by a further 500,000. The 33,121,517 ordinary shares in issue following these transactions were split by reducing their nominal value from € 1.00 to € 0.20 each, bringing the number of shares in issue to 165,607,585.

***Convertible preference shares A***

Delta Lloyd Group repurchased 6,708,061 convertible preference shares A from Fonds NutsOhra at their nominal value (€ 1.00) and then cancelled them. The remaining 2,604,299 convertible preference shares A held by Fonds NutsOhra were split by reducing their nominal value from € 1.00 to € 0.20 each. Consequently, the number of convertible preference shares A in issue became 13,021,495. The convertible preference shares A carry a fixed dividend of 2.76%. Fonds NutsOhra is entitled to convert these cumulative preference shares A one for one into ordinary shares, but not in the first three years from the first trading date, unless any of the following events occurs:

- a public bid for Delta Lloyd Group;
- a legal merger or legal demerger involving Delta Lloyd Group;
- the sale by Delta Lloyd Group of the majority of its assets;
- a resolution by the Executive Board subject to the approval of the General Meeting of Shareholders.

The conversion price is € 38.33 per ordinary share less € 0.20 (the nominal value of the convertible preference shares A). The convertible preference shares A are recognised in subordinated loans (section 5.2.1.8).

***Preference shares B***

Delta Lloyd Group repurchased from Aviva all 1,542,853 preference shares B in issue with a nominal value of € 50.00 each for the amount of € 40.0 million. Each preference shares B was then converted into 50 ordinary shares resulting in 77,142,650 ordinary shares with a nominal value of € 1.00 each. Of these shares, 500,000 were delivered to Aviva as payment for the purchase of the preference shares B for € 40.0 million. The remaining 76,642,650 ordinary shares held by Delta Lloyd NV after this transaction were cancelled.

The articles of association were subsequently amended in respect of the rights of the preference shares B. Following this amendment, the preference shares B became 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 2.4 Corporate governance), which is legally and administratively independent of Delta Lloyd Group. Stichting Continuïteit Delta Lloyd, therefore, has a call option for an indefinite period to acquire protective preference shares B in Delta Lloyd NV, up to a maximum that is equal to 100% of the share capital in issue in the form of ordinary shares and

preference shares A immediately prior to the exercise of the call option, minus one share.

On acquisition, at least one quarter of the nominal value must be paid up on each preference share B. Further payment on preference shares B shall be made pursuant to a resolution of the Executive Board of Delta Lloyd NV. Such resolution shall be subject to the approval of the Supervisory Board. Delta Lloyd Group believes that the call option is not material as meant by IAS 1.31 since there is a very small probability of the call option being exercised. In the highly exceptional circumstances in which the call option were exercised, these preference shares B would in all probability be cancelled within a very short time. The option is, therefore, not recognised in the financial statements nor is any additional information presented pursuant to IAS 32 and IAS 39.

#### **Share premium reserve**

This reserve includes amounts received from the issuance of shares in excess of their nominal value. The movement in 2009 is entirely attributable to the restructuring related to the public offering of the company. The share premium is freely distributable to the relevant class of shareholders (holders of preference shares A and ordinary shareholders) to the amount they have paid in.

#### **Revaluation reserve**

The revaluation reserve recognises unrealised value changes in investments available for sale, less the related deferred tax liability. It also includes direct movements in the equity of associates that cannot be distributed without restrictions.

#### **Other statutory reserve**

This reserve includes the associates' reserve, being the profits from subsidiaries and associates, and may not be freely distributed, in part due to solvency requirements on the subsidiaries and associates. The other statutory reserve also includes a statutory reserve of € 401.4 million (2008: € 434.0 million) for internal developed software and the revaluation of investment properties pursuant to section 2:365 and 389 of the Netherlands Civil Code.

#### **Other reserves**

The category 'Other reserves' includes dividends received from subsidiaries and the result of the company. These reserves are freely distributable.

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### 5.2.1.7 (VI) Provisions

#### Statement of changes in provisions

In millions of euros	Restructuring provisions	Other provisions	Total
<b>At 1 January 2008</b>	<b>29.2</b>	<b>32.2</b>	<b>61.4</b>
Additional provision made in the year	-	9.2	9.2
Unused amounts released	-	-26.2	-26.2
Withdrawal provision during the year	-	-15.2	-15.2
<b>At 31 December 2008</b>	<b>29.2</b>	<b>-</b>	<b>29.2</b>
Additional provision made in the year	-	17.2	17.2
Unused amounts released	-	-	-
Withdrawal provision during the year	-5.0	-	-5.0
<b>At 31 December 2009</b>	<b>24.2</b>	<b>17.2</b>	<b>41.4</b>

The restructuring provision of € 24.2 million relates to the discontinuation of the activities of OHRA Belgium NV, a general insurer operating in the Belgian market. This entity will be wound up as soon as the remaining claim files have been closed.

The addition to other provisions in 2009 was for the Delta Lloyd Phantom option scheme.

### 5.2.1.8 (VII) Subordinated debt

#### Carrying value

The following table provides information on the maturity periods and effective interest rates of the company's subordinated debt and preference shares.

#### Contractual repricing or maturity dates 2009

In millions of euros	More than five years	Total 2009
Subordinated debt	176.8	176.8
Preference shares	2.6	2.6
<b>Total subordinated debt</b>	<b>179.4</b>	<b>179.4</b>

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### Contractual repricing or maturity dates 2008

In millions of euros	More than five years	Total 2008
Subordinated debt	400.5	400.5
Preference shares	9.3	9.3
<b>Total subordinated debt</b>	<b>409.8</b>	<b>409.8</b>

### Fonds NutsOhra

The perpetual subordinated loan notes with an initial interest rate of 2.5% were used to finance the acquisition of NUTS OHRA Beheer BV in 1999. Following the conversion of preference shares A, at the beginning of November 2009 as part of the public offering, the loan was increased to € 496.9 million and its carrying value to € 176.8 million (2008: €489.9 million and carrying value € 172.4 million). The interest rate on the notes was 2.76% at year-end 2009. The fair value of the subordinated loan was € 295.8 million (2008: € 272.2 million). The fair value of the long-term loans is based on the interest rate on long-term government bonds.

The subordinated debt with a nominal value of € 21.7 million was converted into ordinary shares as part of the public offering on the exercise of the warrants attaching to it.

At the time of the public offering, Delta Lloyd NV repurchased € 6.7 million convertible preference shares A resulting in an outstanding debt of € 2.6 million (2008: € 9.3 million). The convertible preference shares A are entitled to a fixed dividend of 2.76%. The terms and conditions for conversion are set out in section 5.2.1.6.

### Aviva plc

The subordinated debt with a nominal value of € 250.0 million and a carrying value of € 206.4 million (including the valuation of the warrant) was converted into ordinary shares as part of the public offering subject to the exercise of the related loan warrant.

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.

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### 5.2.1.9 (VIII) Long-term borrowings

All the long-term borrowings are payable to group companies. Delta Lloyd NV has pledged shares of about € 159.0 million to a subsidiary.

€ 52.6 million of the long term borrowings (2008: nil) fall due within one year and € 617.0 million (2008: € 86.3 million) within five years. The average interest rate on these loans is 5.0% (2008: 5.2%)

### 5.2.1.10 (IX) Other liabilities

#### Other liabilities at year end

In millions of euros	2009	2008
Accrued interest	10.2	18.7
Debts to group companies	252.8	545.9
Credit on demand	344.5	473.0
Other	7.9	123.6
<b>Total</b>	<b>615.6</b>	<b>1,161.1</b>

As in 2008, all other liabilities are payable within one year.

#### Current tax assets and liabilities at year end

In millions of euros	2009	2008
Current tax assets	45.5	26.4
Deferred tax assets	153.0	321.9
<b>Total tax assets</b>	<b>198.5</b>	<b>348.3</b>
Current tax liabilities	-	-
Deferred tax liabilities	-	-
<b>Total tax liabilities</b>	<b>-</b>	<b>-</b>
<b>Net tax asset / liability</b>	<b>-198.5</b>	<b>-348.3</b>

Delta Lloyd NV is the parent company of the fiscal unit Delta Lloyd. An amount of € 155.3 million (2008: € 325.8 million) of the deferred tax assets relates to tax losses of the fiscal unit Delta Lloyd. The realisation of this tax asset through future taxable profits is probable.

#### Deferred tax assets and liabilities at 31 December

In millions of euros	2009	2008
Unrealised gains and losses on investments	11.7	19.6
Other temporary differences	-164.8	-341.5
<b>Net deferred tax asset / liability</b>	<b>-153.0</b>	<b>-321.9</b>

## Financial statements 2009

### Statement of changes in deferred tax assets / liabilities

In millions of euros	2009	2008
<b>At 1 January</b>	-321.9	19.0
Amounts charged / credited to result	69.0	-331.6
Transfer tax assets within fiscal unit	105.0	-
Amounts charged / credited to equity	-5.1	-9.3
<b>At 31 December</b>	<b>-153.0</b>	<b>-321.9</b>

The company has no unrecognised tax losses.

### 5.2.1.11 (X) Related party transactions

#### Services provided to related parties

In millions of euros	Income earned in year 2009	Receivable at year end 2009	Income earned in year 2008	Receivable at year end 2008
Subsidiaries	206.1	187.1	204.7	313.4
Aviva group companies	-	-	-	34.3
<b>Total</b>	<b>206.1</b>	<b>187.1</b>	<b>204.7</b>	<b>347.8</b>

#### Services provided by related parties

In millions of euros	Expenses incurred in year 2009	Payable at year end 2009	Expenses incurred in year 2008	Payable at year end 2008
Subsidiaries	85.4	1,266.8	86.1	1,635.9
Aviva group companies	-	2.6	-	-
<b>Total</b>	<b>85.4</b>	<b>1,269.4</b>	<b>86.1</b>	<b>1,635.9</b>

The related party transactions are concerned with intercompany loans between the holding and group companies, and the related interest. All related party transactions are at arm's length.

Further information regarding receivables from group companies is provided in note IV of the company financial statements.

Information on directors' remuneration is included in section 5.1.7.8, Remuneration of directors and the Supervisory Board, of the consolidated financial statements.

Within Delta Lloyd Group, only the Executive Board and the Supervisory Board are considered as key management, as the respectively determine and monitor the operational and financial policy.

Related party payables are unsecured and no guarantees were received in respect thereof. The payables will be settled on normal credit terms. There are no arrears of interest or repayments.

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## Financial statements 2009

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### 5.2.1.12 (XI) Contingent liabilities

In millions of euros	2009	2008
Investments in associates, subsidiaries and joint ventures	-	1.0
Contingent liabilities	4.8	5.2
<b>Total</b>	<b>4.8</b>	<b>6.2</b>

The contingent liabilities relate to two guarantees, neither of which (2008: € 0.4 million) will expire within one year.

### 5.2.1.13 (XII) Employee information

#### Employee information for the year ending 31 December

Number in FTEs	2009	2008
Permanent staff	733.8	620.6
Temporary staff	213.9	200.2
<b>Total</b>	<b>947.7</b>	<b>820.8</b>

#### Staff costs in the financial year

In millions of euros	2009	2008
Salaries	56.1	50.6
External staff	47.9	64.2
Social security contributions	6.2	5.5
Pension and post-retirement expenses	12.0	68.9
Profit sharing and incentive plans	24.0	-16.9
Termination benefits	2.8	0.7
Other staff costs	10.1	16.0
<b>Total</b>	<b>159.1</b>	<b>189.0</b>

Details on the remuneration of directors and the supervisory board are given in section 5.1.7.8 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 and include all related expenditures.

Section 5.1.7.7, Employees, of the consolidated financial statements provides information on share-based and performance-related pay schemes.



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## Financial statements 2009

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### 5.2.1.14 (XIII) Audit fees

Delta Lloyd Group recognised the following fees paid to audit organisation Ernst & Young during the financial year.

#### Audit fees in the financial year

In millions of euros	2009	2008
Audit of the financial statements	4.1	3.6
Other audit services	1.1	0.2
Tax advisory services	-	-
Other non-audit services	0.1	-
<b>Total</b>	<b>5.3</b>	<b>3.8</b>

Amsterdam, 3 March 2010

#### Executive Board

N.W. Hoek, chairman

P.J.W.G. Kok

P.K. Medendorp

H.H. Raué

#### Supervisory Board

R.H.P.W. Kottman, chairman

P.G. Boumeester

E.J. Fischer

J.G. Haars

J.H. Holsboer

A.J. Moss

## 5.3 Other information

**Events after the balance sheet date**

As outlined in the prospectus for the initial public offering, Delta Lloyd Group has decided that the German life insurance operations no longer form part of its core business. On 4 March 2010, Delta Lloyd Germany announced the intention to discontinue the writing of new business.

The German market was and is indeed very large and has considerable potential. Major stumbling block for a positive development of the business in Germany is the structure of the German market for life insurance. This means that the risk of low investment returns almost entirely lies with the insurer and the advantage of higher investment returns almost entirely goes to the policyholders concerned. The general expectation was that the structure eventually would change. But considering the results, the prospects and modest market position, Delta Lloyd Group decided to take action now.

**5.3.1 Dividends and appropriation of profits****Profit appropriation provisions in the articles of association**

Article 44, relating to the appropriation of result, if appropriate here, specifies that firstly a percentage dividend shall be paid on the preference shares B equal to the average 1-month Euribor plus a premium set by the Executive Board and approved by the Supervisory Board of at least one percentage point but no more than four percentage points, depending on market conditions. The dividend shall be computed on the paid up part of the nominal amount. If the profit is insufficient to pay this dividend in full, the shortfall shall be distributed from the reserves except the dividend reserve A and the share premium A (article 44(1)).

From the profit remaining after the dividend paid on the preference B shares, a dividend of 2.76% on the paid-up amount of the issued preference shares A shall be added to the dividend reserve A (and if applicable, on the dividend reserve A and the share premium A). If the profit in the year under review is insufficient to make the addition to the dividend reserve A, the provisions below shall not be implemented until the shortfall has been extinguished (article 44(2)).

From the profit not distributed and added to the dividend reserve A pursuant to articles 44(1) and 44(2), such additions shall be made to reserves as determined by the Executive Board, subject to the approval of the Supervisory Board (article 44(3)).

The profit remaining after the above (articles 44(1), 44(2) and 44(3)) shall be at the disposal of the General Meeting of shareholders.

The General Meeting of shareholders may, on a proposal of the Executive Board approved by the Supervisory Board, resolve that a dividend be paid in full or in part in ordinary shares of the company and not in cash (article 44(9)).

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## Financial statements 2009

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### Dividend policy

Delta Lloyd Group will aim for a dividend pay-out ratio of around 40-45% of net operational result (that is, operational result after tax and non-controlling interests) on the ordinary shares. In setting the annual dividend within the targeted pay-out ratio, Delta Lloyd Group will take into consideration the anticipated profitability over its three-year management planning period. Delta Lloyd Group aims to deliver a stable and progressive dividend and have a solvency ratio in the range of 160% to 175% of the minimum regulatory requirement, in order to maintain the dividend policy.

Delta Lloyd Group intends to pay an annual interim dividend and final dividend on ordinary shares, with a split of approximately 45% at the interim and 55% at the final dividend. The dividend on ordinary shares following the public offering will be a dividend for 2009 and will be paid after the Annual General Meeting of Shareholders to be held on 27 May 2010. In respect of 2010 and thereafter, Delta Lloyd Group intends to pay an interim dividend and a final dividend on ordinary shares.

### Proposed dividend

Delta Lloyd Group proposes on the basis of the net operational result to distribute a final dividend of € 82.8 or € 0.50 per ordinary share charged to the freely distributable reserves.

The dividend may be paid entirely in cash or entirely in shares at the shareholder's option. The value of the stock dividend (dividend in shares) will be approximately the same as the value of the cash dividend and will be charged to the share premium reserve.

To set the value of the stock dividend, Delta Lloyd Group will use a fraction of a share based on the weighted average share price over a period of five consecutive trading days (to take account of the ruling market price). Shareholders may opt until 16 June 2010 whether they wish to receive the dividend in cash or shares.

The number of shares that entitles to a new ordinary share (with a nominal value of € 0.20) will be decided 16 June 2010 after 17.30 hours, based on the weighted average closing price quoted at NYSE Euronext Amsterdam in the five trading days from 10 June 2010 to 16 June 2010.

### Appropriation of profit

On the approval of the proposed dividend by the General Meeting of Shareholders, the appropriation of profit shall be:

In millions of euros	2009	2008
Addition / withdrawal (-) other reserves	-208.4	-80.5
Addition/withdrawal (-) other statutory reserves	2.0	-80.3
Dividend on ordinary shares	82.8	-
<b>Total</b>	<b>-123.6</b>	<b>-160.7</b>

## **5.3.2 Auditor's report**

### **Report on the financial statements**

We have audited the accompanying financial statements 2009 of Delta Lloyd NV, Amsterdam as set out in section 5.1 and 5.2. The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2009, the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The company financial statements comprise the company balance sheet as at 31 December 2009, the company profit and loss account for the year then ended and the notes.

### **The director's responsibility**

The directors of the company are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditor's responsibility**

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 the directors, 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.

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## Financial statements 2009

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### **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 2009, 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 Netherlands Civil Code.

### **Opinion with respect to the company financial statements**

In our opinion, the company financial statements give a true and fair view of the financial position of Delta Lloyd NV as at 31 December 2009, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

### **Report on other legal and regulatory requirements**

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amsterdam, 3 March 2010

Ernst & Young Accountants LLP

signed by N.G. de Jager

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## 6 Additional information

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### 6.1 Risk factors

The following is a summary of what Delta Lloyd Group believes are the essential risks associated with investing in Delta Lloyd ordinary shares.

#### Financial risks

- Changes in the financial markets and general economic conditions could have a material adverse effect on the Groups business, revenues, results and financial condition.
- The Group is exposed to credit risks, and defaults or increased fear of default of the Group's debtors or entities in which the Group has invested could have a material adverse effect on the value of the Group's assets.
- The Group is exposed to counterparty risk in relation to other financial institutions. Deteriorations in the financial soundness of other financial institutions may have a material adverse effect on the Group's business, revenues, results and financial condition.
- The Group's exposure to fluctuations in the equity, fixed income and real estate markets could result in a material adverse effect on its returns on invested assets and the value of its investment portfolio or its solvency position.
- Interest rate volatility and sustained low interest rate levels could have a material adverse effect on the Group's revenues, results and financial condition.
- The Group's Market Consistent Embedded Value (MCEV) and liabilities as reported under IFRS will decrease and increase respectively if the yield curve used in valuing such MCEV and liabilities results in too high a risk-free interest rate. This could have a material adverse effect on the Group's MCEV, IFRS results and financial condition.
- Prolonged investment underperformance of the Group's funds under management may cause existing customers to withdraw funds and potential customers not to grant investment mandates, which could have a material adverse effect on the Group's business, revenues, results and financial condition.
- Illiquidity of certain investment assets could prevent the Group from selling investments at fair prices in a timely manner.
- Adverse experience compared with the assumptions used in pricing products, establishing provisions and reporting business results could have a material adverse effect on the Group's business, revenues, results and financial condition.
- Changes in longevity, mortality and morbidity experience may materially adversely affect the results of the Group.
- The Group is exposed to the risks of a downgrade or a potential downgrade in its financial strength or credit ratings.
- Reinsurance may not be available, affordable or adequate to protect the Group against losses, and reinsurers may default on their reinsurance obligations.
- The funding for the Group's mortgage business traditionally relied on securitisations. However, this market has generally been unavailable since late 2007. As a result, the Group's cost of funds has increased and in certain circumstances, the Group may be unable to find alternative sources of funding, or such

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## Additional information

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funding may be available only on unfavourable terms.

- If the Group's use of derivatives to protect itself against certain risks is inadequate or ineffective in limiting the Group's exposure, the Group's business, revenues, results and financial condition may be materially adversely affected.
- The Group's liabilities under collective pension contracts could increase if there is a mismatch between the Dutch inflation rate and the European inflation rate.
- The Group's future pension expenses are based on actuarial assumptions that may differ from the actual outcome and the market value of the Group's pension assets could decline, either or both of which could have a material adverse effect on its results or cash flow and divert resources that could be used elsewhere in its business.
- Catastrophic events could result in material financial losses in the Group's insurance business.

### Strategic risks

- The Group relies heavily on its network of intermediaries in the Netherlands to sell and distribute its products and may not be able to maintain a competitive distribution network.
- The Group faces significant competition from other insurers and non-insurance financial services companies such as banks, broker-dealers and asset managers which offer the same or similar products and services in each of its markets.
- The Group is exposed to further changes in the competitive landscape in which it operates.
- The Group is exposed to the risk of damage to its brands, the brands of its partners and its reputation.
- The Group business has strategic alliances with ABN AMRO Bank and CZ. The termination, of or any change to, these alliances could have a material adverse effect on the Group's business, revenues, results and financial condition.
- The Group's business is concentrated in the Netherlands.
- The Group could fail to effectively identify or execute strategic acquisitions, joint ventures, alliances or investments, and if such transactions are pursued, it could fail to implement and exploit them successfully or realise anticipated benefits in a timely manner.

### Regulatory risks

- The Group is required to maintain significant levels of capital and to comply with a number of regulatory requirements relating to its operations, solvency and reporting bases. If the Group were in danger of failing, or fails, to meet its minimum capital requirements or to maintain sufficient assets to satisfy certain regulatory requirements, the supervisory authorities have broad authority to require it to take steps to protect policyholders and other clients and to compensate for capital shortfalls.
- The European Commission is currently in the process of introducing a new regime governing solvency margins and provisions for insurance companies, the effect of which is unclear.
- Changes in government regulations in the countries in which the Group operates may have a material adverse effect on its business, revenues, results and financial condition.
- Litigation and regulatory investigations and sanctions may have a material adverse effect on the Group's business, revenues, results and financial condition.
- The Group is exposed to the risk of mis-selling claims from customers who feel misled or treated unfairly.
- Changes in tax law may render the Group's products less attractive, or affect its own tax position.

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## Additional information

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### Operational risks

- The Group's operations support complex transactions and are highly dependent on the proper functioning of information technology and communication systems. Any failure of its information technology or communications systems could have a material adverse effect on its results and reputation.
- The Group may not be able to implement its cost reduction and efficiency programmes, which it considers of strategic importance to achieve growth and protect or increase profitability.
- The Group may be exposed to failures in its risk management systems resulting in inadequate or failed processes or systems and human errors and fraud that could materially adversely affect its business, revenues, results or financial condition.
- The Group may not be able to retain or attract personnel who are key to the business.
- Catastrophic events could threaten the Group's business continuity.

### Financial reporting risks

- Changes in accounting standards or policies could materially adversely affect the Group's reported results and shareholders' equity.
- Defects and errors in the Group's processes, systems and reporting may cause internal and external miscommunication, wrong decisions and/or erroneous reporting to clients.

## 6.2 Acknowledgements

This annual report is a publication of Delta Lloyd Group's Corporate Communications & Investor Relations department. It is available online at [jaarverslag.deltalloydgroep.com](http://jaarverslag.deltalloydgroep.com). Printed copies can be ordered from [IR@deltalloyd.nl](mailto:IR@deltalloyd.nl). The annual report was prepared in Dutch and translated into English. On 6 May 2010, Delta Lloyd Group will issue its Corporate Social Responsibility Report for 2009 at [www.deltalloydgroep.com](http://www.deltalloydgroep.com).

## 6.3 Contact

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Do you have any questions for Delta Lloyd Group? Ask them here.