Annual Report 2014

23 March 2015

delta lloyd

CONTENTS

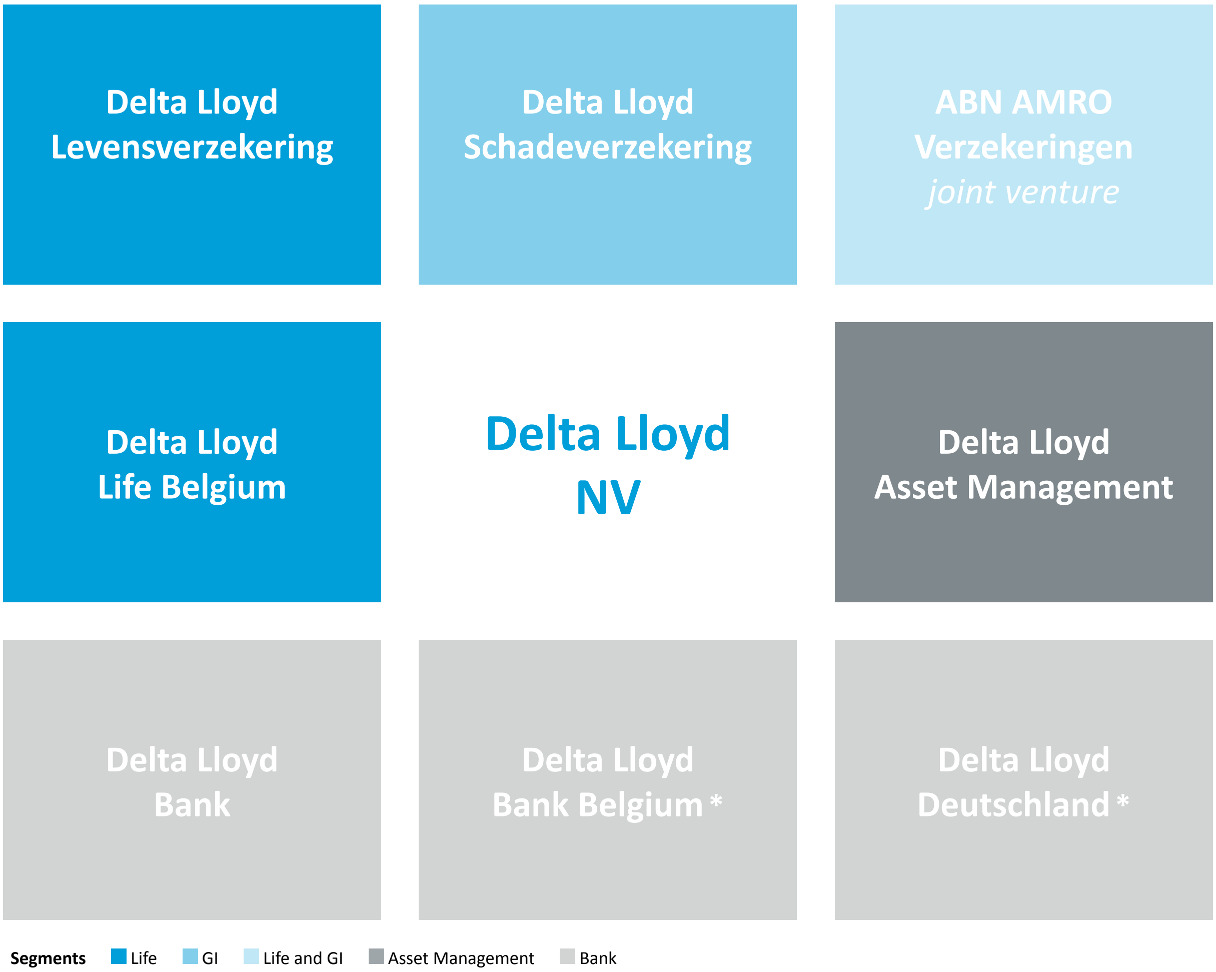
1. OVERVIEW

1.1. Profile Delta Lloyd

Delta Lloyd has been a trusted partner for insurance, pensions, investing and banking since 1807. It is our goal to offer financial security, now and in the future. We deliver clear, reliable and contemporary products and services that meet our customers' needs and create value for them, our shareholders and our employees.

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

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



**Sold, subject to regulatory approval*

Life Insurance

Delta Lloyd provides group pensions in the Netherlands as well as a range of life insurance products through independent financial advisors. We also sell life insurance under the ABN AMRO Verzekeringen brand through the advisors and direct channels of our joint venture partner ABN AMRO Bank, and the OHRA brand, which is sold directly to retail customers. In Belgium, we distribute Delta Lloyd individual and group life insurance through independent advisors and a network of bank branches and tied agents. BeFrank, our premium pension institution (PPI), is a modern online pension provider that is committed to keep pensions as simple as possible. Delta Lloyd's German operations are in run off and will be divested (subject to regulatory approval).

General Insurance

We offer a broad range of general insurance products for retail and corporate customers, mainly in the Netherlands. These are distributed through various partners, including independent advisors, authorised agents, ABN AMRO bank branches and brokers. We are placing more emphasis on online sales and services, in cooperation with our distribution partners. Delta Lloyd insures several niche markets such as pleasure craft, offshore wind parks, installations and production facilities, and the transportation of commodities.

Bank

Our Dutch banking activities centre around mortgages and so-called 'banksparen' products – tax efficient savings. These are distributed through our sales channels. Our bank in Belgium is a non-core activity which has been sold (subject to regulatory approval) in December 2014.

Asset Management

Delta Lloyd Asset Management is an independent asset manager that manages the assets of our various business lines. It also offers a range of investment funds for institutional and retail customers and discretionary mandates for institutional customers. We offer specialised products within different asset classes such as fixed income, equity and real estate as well as balanced solutions.

1.2. Highlights

183 %

IGD group solvency
(incl 10pp Delta Lloyd Bank)
-1 pp ↓

NAPI
418 m
-3 % ↓

COR
94.5 %
-3.2 pp ↓

Net operational result
377 m
-12 % ↓

Net IFRS result
361 m
97 % ↑

DJSI
included

IFA satisfaction (pensions)
7.6
6 % ↑

Employee engagement
74 %
-1 pp ↓

Key figures

Key figures			
(in millions of euros, unless otherwise stated)	2014	2013	Change
Gross written premiums*	3,946	4,709	-16%
NAPI	418	431	-3%
Operating expenses*	714	776	-8%
Operational result after tax and non-controlling interests*	377	426	-12%
Result (IFRS) after tax and non-controlling interests	361	183	97%
COR*	94.5%	97.7%	-3.2pp
Internal rate of return of new life sales	10%	10%	-
Shareholders' funds after non-controlling interests	2,468	2,621	-6%
Regulatory (IGD) solvency insurance entities	213%	213%	-
Regulatory (IGD) group solvency**	183%	184%	-1pp
Group European Embedded Value	4,346	4,447	-2%

* Excluding terminated and run-off activities

** Including positive effect (10pp) of the sale of Delta Lloyd Bank Belgium

1.3. Chairman's letter

Since taking over as the Chairman of the Executive Board on 1 January 2015, my priority has been to get to know Delta Lloyd, the customers we serve, the markets we operate in, our people and our shareholders. It has been interesting and inspiring to meet so many stakeholders and hear their views on how we perform and how we can improve.

In 2014, Delta Lloyd delivered a solid performance and made good progress in adapting to new customer preferences, sustained low interest rates and a rapidly changing regulatory framework. All of our businesses contributed to this. In Life we successfully accelerated the shift to less capital-intensive pensions schemes, with a clear focus on new annual premiums. We restructured our General insurance portfolio, which performed well, thanks to strict underwriting and lower costs. The volume of new mortgages at our Dutch bank remained at a comfortable level while tariffs improved, and in asset management our fixed income portfolio performed particularly well, which was recognised with two Morningstar nominations.

Customers

Our customers are central in everything we do. This is reflected in our brands outperforming the Dutch Financial Markets Authority's benchmark customer centric dashboard. We are also still the number one pension insurer among independent financial advisors. Customer satisfaction scores for corporate customers at Life and General insurance continued to increase. However, feedback from customer surveys shows there is still room to improve. Customer satisfaction scores for retail customers at Life and Bank were lower in 2014 and we will pay more attention to raising this to the high standards we aim for.

That said, it is essential that we remain relevant to our customers and are able to respond to their changing needs. For example, we are meeting the rising demand for defined contribution pension schemes with new solutions such as hybrid products and premium pension institutions (PPI) like BeFrank. We are continuously working to improve our processes to benefit our customers. This includes ongoing digitalisation and better mobile and online communication and services, as is expected in a modern business environment

Shareholders

We are grateful to our shareholders for their loyalty in a year marked by many challenges. We posted a total return of nearly 7%, which is just below the AEX performance in 2014. Delta Lloyd was included in that AEX index in March. We were also included in the Dow Jones Sustainability index, which had been a long-term objective of our sustainability policy.

Society

Delta Lloyd strives to be a valued member of the communities we operate in and we take our social responsibility seriously, not only through the activities of the Delta Lloyd Foundation, but also in our everyday business activities. To ensure this, we started a Sustainable Impact programme, which aims to integrate sustainability in our daily business operations We identify strongly with the principles of the United Nations Global Compact and the Principles of Sustainable Insurance to encourage sustainable business practices, which blend seamlessly with our own vision of sustainable business.

Solvency II

Strengthening the capital base is a key priority for Delta Lloyd in the run-up to Solvency II, which comes into force in 2016. Although the preparations for this new capital regime are complex, we endorse its underlying principles. It enforces uniformity and creates a level playing field for insurers in Europe.

Ahead of Solvency II we have taken steps to scale back on certain investments and products, which trigger high capital charges under the new rules, and have reduced our longevity exposure by transferring a part to the reinsurance market. We plan to use an internal model to calculate economic capital and have submitted this to the regulator for approval for future regulatory reporting.

Although we are involved in a dispute with the Dutch central bank, we maintain a good relationship with our regulators and continue to work closely with them in a constructive and professional way. After all, we ultimately share the same commitment to protecting the interests of our customers and restoring trust in the financial sector.

Employees

We could not function without our dedicated and committed people. They are the guardians of our brands and drive our customers' experience. Engaged employees lead to satisfied customers. I am encouraged by how motivated our people are and want to thank them for their hard work. Our employee engagement survey shows our employees are very positive on the way we put our customers central. At the same time, there is still work to be done. We are taking steps to address the issues raised in the survey, starting with becoming more accessible as senior management and involving our people more in setting the direction of our company.

There were also several changes at the top of our organisation, not least the retirement of former chairman Niek Hoek at the end of 2014. Niek made a significant contribution to shaping Delta Lloyd into the company it is today. The Executive Board also welcomed Ingrid de Graaf, who was previously managing director of the Commercial Division. She succeeds Paul Medendorp, whose dedication and results-driven approach will be missed. And, in line with best practice in the industry, Annemarie Mijer will join the Board as our new chief risk officer after the General Meeting in May.

Next steps

Looking ahead, we remain focused on serving customers in the best possible way. Prudent capital management will continue to steer our business decisions and we will further improve efficiency in our operations. The planned sale of non-core activities in Belgium and Germany enables us to concentrate on growing our core businesses. We look forward to updating you on our strategy in the second half of 2015.

I would like to thank our customers, our employees, our shareholders as well as our many business partners for their ongoing commitment.

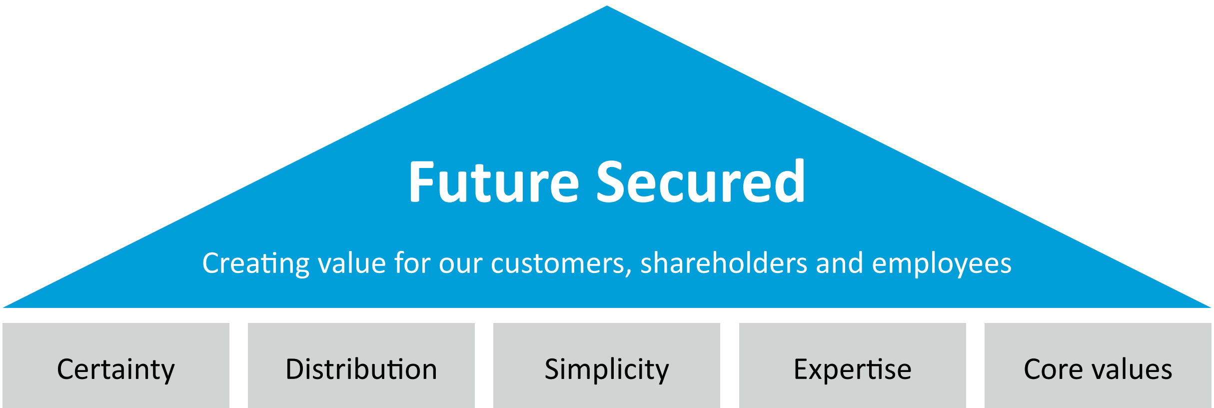
Hans van der Noordaa
Chairman of the Executive Board

1.4. Our strategy

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

Our strategy rests on five pillars:

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



Delta Lloyd has three strong brands, which we use in multiple channels to distribute our products and to target our customers. The table below shows our three primary brands and their positioning.

Brand positioning

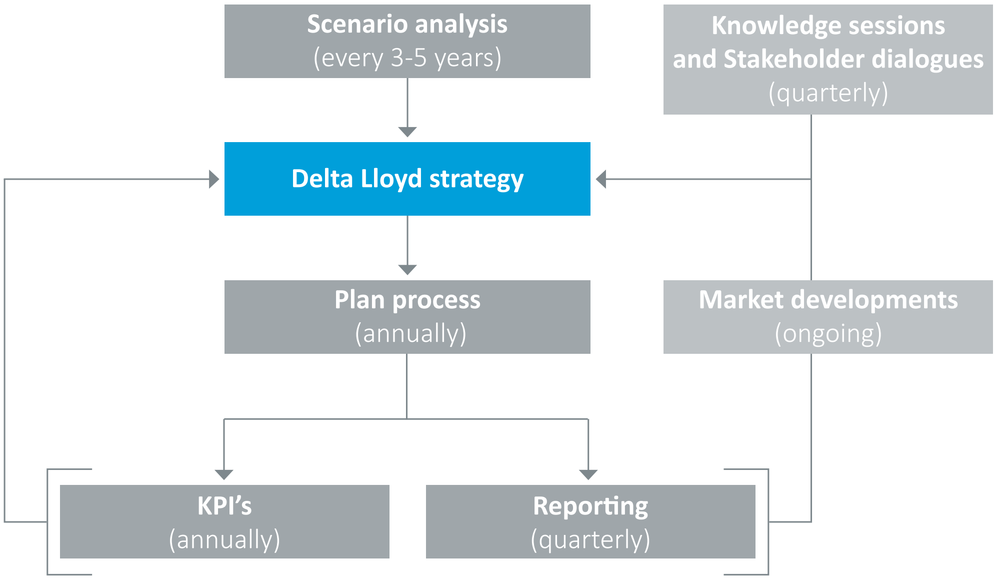
Brand	Focus	Target groups	Channel
Delta Lloyd	Life, general and health insurance, pensions, mortgages and asset accumulation	Large companies, small and medium enterprises, the self-employed and retail customers	Primarily advice-based via IFA
OHRA	General insurance, health insurance	Retail customers	Direct,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

1.4.1. SWOT analysis

SWOT Analysis

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

1.4.2. Focus for 2015-2017



In our annual plan process, we update our business objectives for the medium term, in the perspective of our strategy. In 2014, we identified three objectives for 2015-2017. These are:

- Focus on capital;
- Improve our market position in Life insurance in Belgium and the Netherlands; and
- Focus on ways to grow General insurance in the Netherlands.

The low interest rate environment in 2014 meant that capital became a primary focus and, along with the introduction of Solvency II in 2016, this will have the most impact on our business decisions in the future. Nonetheless, we made strategic progress in 2014, with the planned divestment from the non-core German business and the Belgian bank, and increasing our investment in core activities such as BeFrank. We are now well-positioned to pursue our objectives in these three areas and focus on mid-term business success.

1.4.3. Scenario thinking

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

Every three to five years we update the scenarios that guide our strategic direction and reassess our core competences based on the new findings. Early in 2014, we formulated new scenarios to map out the world in 2030-2035. These identified three possibilities:

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

In the first quarter, we tested these new scenarios in nine workshops attended by nearly 200 managers and specialists from across Delta Lloyd to examine how each scenario could affect our business in the future. In April we repeated this process with some 200 employees in open sessions that all staff could enrol for.

The outcome of the scenario workshops show that trends such as big data, IT and ethical behaviour will shape the insurance industry of tomorrow. Longevity will also be a major challenge, forcing not only insurers, but all of society to rethink how to address the growing numbers of older people who will require an income for a much longer time after they retire. This is already changing the life insurance market, as people seek ways to fund their retirement themselves.

We see the rapid acceleration of technology dominating all aspects of life and business, and huge changes in social cohesion as the gap between rich and poor widens and the middle class is put under pressure in Western society, but growing strongly in new economies. Money becomes scarcer and possessions less important, replaced by communal sharing and bartering.

Scenario studies

Smart technology will require new skills and competences, not least to interpret big data, and open up the sector to new players, such as IT companies. These trends will change the business model of insurers. Traditional one-stop shops could fragment into specialist entities in the value chain, each providing a different service such as sales, administration, underwriting risk management and asset management. Automated services drive down costs – and margins. Non-financial risks dominate, such as cyber crime, systems failure and reputational risk.

Social responsibility will matter. The availability of so much personal data raises questions about privacy and the way insurers respond to ethical dilemmas could become a differentiating factor, for example whether to limit pensions to a certain time period, or how to use raw materials in a more efficient and sustainable way.

These scenarios are input for our strategic planning process and we will update our strategy in the course of 2015.

1.5 Executive Board and Supervisory Board

1.5.1. Executive board


Hans van der Noordaa (1961, Dutch)


Ingrid de Graaf (1969, Dutch)


Emiel Roozen (1968, Dutch)


Onno Verstegen (1963, Dutch)

Hans van der Noordaa (1961, Dutch) was appointed to the Executive Board and became the chairman in 2015. Prior to this he was a member of the board of ING Bank and ING Group.

Ingrid de Graaf (1969, Dutch) joined Delta Lloyd in 1999 and was appointed to the Executive Board in 2014. Before that she was managing director of Delta Lloyd's commercial division and ABN AMRO Verzekeringen.

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

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

1.5.2. Supervisory Board


Jean Frijns (1947, Dutch)


André Bergen (1950, Belgian)


Eric Fischer (1946, Dutch)


Jan Haars (1951, Dutch)


Fieke van der Lecq (1966, Dutch)


Rob Ruijter (1951, Dutch)


Clara Streit (1968, German and American)

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

André Bergen (1950, Belgian) is a former CEO of KBC Group. He was appointed to the Supervisory Board in 2014.

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

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

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

Rob Ruijter (1951, Dutch) was interim CFO of ASMI and interim CEO of VION. He was appointed to the Supervisory Board in 2014.

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

1.5.3. Supervisory Board committees

Nomination committee

Clara Streit, chairman
André Bergen
Jean Frijns
Eric Fischer

Remuneration committee

Rob Ruijter, chairman
Jan Haars
Clara Streit

Audit committee

Jan Haars, chairman
Fieke van der Lecq
Rob Ruijter
André Bergen

Risk committee

André Bergen, chairman
Jean Frijns
Eric Fischer
Fieke van der Lecq
Rob Ruijter

1.6. Corporate Governance

Delta Lloyd is a public company based and registered in the Netherlands. It is governed by the General Meeting of Shareholders (the General Meeting), the Executive Board and the Supervisory Board. This chapter provides information on these corporate bodies and their powers and duties. In addition, it describes the way Delta Lloyd applies the relevant codes of conduct. More details can be found on our corporate website.

1.6.1. Executive Board

The Executive Board is responsible for the day-to-day management of Delta Lloyd. It formulates the company strategy and policies and takes responsibility for the internal control systems. At least once a year it submits a written report to the Supervisory Board outlining the strategy, general and financial risks facing the company and the risk management and control systems. Further information about the Executive Board and its members is set out in section 1.5.1. 'Executive Board'.

Appointment and dismissal of Executive Board members

The members of the Executive Board are appointed by the Supervisory Board, which notifies the General Meeting of the proposed appointment. The Executive Board can nominate candidates for appointment. The Supervisory Board will not dismiss an Executive Board member until the General Meeting and the Works Council have been informed of the proposed dismissal. The Supervisory Board can suspend a member of the Executive Board at any time.

Issuance of shares

On 22 May 2014, the General Meeting resolved to designate the Executive Board as the competent body to issue ordinary shares and to grant rights to subscribe to ordinary shares for a period of 18 months, from 22 May 2014 to 22 November 2015, subject to approval by the Supervisory Board. In its resolution, the General Meeting restricted the competency of the Executive Board as regards the issue of ordinary shares to a maximum of 10% of the outstanding share capital at the time of issue, plus a further issue up to 10% of the outstanding share capital if it occurs in the context of (financing for) a merger, acquisition or joint venture. After this 18-month period, the Executive Board may propose to the General Meeting to extend its designation as the competent body to issue shares.

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

A resolution to issue preference shares A requires the approval of the meeting of holders of preference shares A, regardless of the body that is competent to issue preference shares A. In the event of an issue of protective preference shares by a body other than the General Meeting, a General Meeting shall be convened, to be held no later than 20 months after the date on which the protective preference shares were first issued. See section 1.6.5 'Protective measures'.

Pre-emptive rights

On 22 May 2014, the General Meeting designated the Executive Board as the competent body to limit the pre-emptive rights of holders of ordinary shares. This designation was given for a period of 18 months, from 22 May 2014 to 22 November 2015. In its resolution, the General Meeting restricted the competency of the Executive Board as regards the limitation of pre-emptive rights of holders of ordinary shares to the authorisation it gave to the Executive Board to issue ordinary shares.

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

Repurchase of shares

On 22 May 2014, the General Meeting resolved to designate the Executive Board as the competent body to acquire ordinary shares or depositary receipts through a purchase on a stock exchange or otherwise for a term of 18 months ending on 22 November 2015. The designation relates to 10% of the issued capital, for which purpose the acquisition price must be between the nominal value of an ordinary share and the quoted price of an ordinary share, plus 10%. The quoted price is defined as the average closing price of an ordinary share as reported in the official price list of NYSE Euronext Amsterdam over the five trading days prior to the acquisition date.

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

Delta Lloyd cannot derive the right to any distribution from shares it acquires in its own capital. Furthermore, it may not exercise voting rights for any such treasury shares, unless the shares are subject to the right of usufruct or to a pledge in favour of a company other than Delta Lloyd. In that case, the other company may be entitled to the voting rights on the shares. Delta Lloyd may not exercise voting rights for shares in respect of which Delta Lloyd itself has a right of usufruct or a pledge.

1.6.2. Supervisory Board

The Supervisory Board advises and supervises the Executive Board in the execution of its duties and monitors the policies and affairs of Delta Lloyd. Its members must serve the interests of Delta Lloyd and are collectively responsible for carrying out the Supervisory Board's duties. To be eligible for appointment to the Supervisory Board, nominees must satisfy the profile as set out in its by-laws. The profile contains guidelines on the composition and size of the Supervisory Board to ensure it represents the interests of all stakeholders as far as possible.
To help it in its decision making, the Supervisory Board has several committees focused on specific issues. These are the Audit Committee, Remuneration Committee, Nomination Committee and Risk Committee.

Further information about the Supervisory Board and its members is set out in section 1.5.2 'Supervisory Board' and in the Supervisory Board report in section 3.

Appointment and dismissal of Supervisory Board members

Members of the Supervisory Board are nominated by the Supervisory Board and appointed by the General Meeting. Each nomination is supported by arguments. The General Meeting and the Works Council can recommend nominees for the Supervisory Board. In addition, the Works Council is entitled to include its motivation for a nominee in the notice convening the General Meeting where the nomination is to be decided, and can address the meeting to set out its reasons.

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

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

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

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

1.6.3. Capital and shares

The authorised capital of Delta Lloyd NV is divided into ordinary shares, preference shares A and preference shares B. Details about the authorised and outstanding share capital of Delta Lloyd and the shareholders are given in section 2.7.2 'Capital structure'. Each shareholder is entitled to cast one vote per share held.

Delta Lloyd has granted a call option on protective preference shares B to Stichting Continuïteit Delta Lloyd. See section 1.6.5 'Protective measures' for further details.

Dividend

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

For further details about dividend payments on preference shares A and preference shares B (if issued), refer to Article 44 of the Articles of Association of Delta Lloyd NV. The dividend policy is set out in section 2.7.3. 'Dividend policy'.

Depositary receipts

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

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

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

Amendments to the Articles of Association, legal merger or demerger

A resolution to amend the Articles of Association, to merge or to demerge may only be taken by the General Meeting with a qualified majority, pursuant to a proposal of the Executive Board that has been approved by the Supervisory Board.

General Meeting of Shareholders

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

Notice, agenda items

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

Admission to the General Meeting

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

Resolutions

Unless Dutch law or the Articles of Association require a larger majority, resolutions of the General Meeting are passed by an absolute majority of votes cast. Certain resolutions, such as those to increase or reduce Delta Lloyd's share capital or limit pre-emptive rights, require a larger, qualified majority. A qualified majority means at least two-thirds of the votes cast at a meeting regardless of the capital present or represented at the meeting.

Powers of the General Meeting

The most important powers of the General Meeting are to:

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

Fonds NutsOhra

Fonds NutsOhra is the holder of all outstanding preference shares A in Delta Lloyd NV. The purpose of Fonds NutsOhra is to initiate, manage and support projects relating to healthcare.

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

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

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

The conversion price for the preference shares A amounts to € 30.942 per ordinary share received upon conversion, minus € 0.20 (the nominal value of the preference share A). In specific circumstances as defined in the agreement, Fonds NutsOhra will be compensated for the dilutive effect of certain Delta Lloyd actions through an adjustment of the conversion price. Conversion of the preference shares A into newly-issued ordinary shares will result in a dilution of the issued ordinary shares at that time.

Details of the agreement between Fonds NutsOhra and Delta Lloyd can be viewed on Delta Lloyd's corporate website.

1.6.4. Codes

Dutch Corporate Governance Code

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

Delta Lloyd applies the Code with the exception of the following best practice provisions, which were not applied in full in 2014 for the reasons given below:

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

Best practice provision II.2.8: 'The maximum remuneration in the event of dismissal may not exceed one year's salary (the 'fixed' remuneration component). If the maximum of one year's salary would be manifestly unreasonable for a management board member who is dismissed during his first term of office, such board member shall be eligible for severance pay not exceeding twice the annual salary.' Delta Lloyd applies this best practice provision to all Executive Board members appointed since 2004. Executive Board members appointed before 2004 had different terms in their employment agreements, which we continue to honour. We subscribe to the principle that failure by members of the Executive Board should not be rewarded.

As from 1 January 2015, Delta Lloyd applies the Code in full and these exceptions no longer apply.

Governance Principles and Banking Code

The Dutch Association of Insurers (Verbond van Verzekeraars) and Dutch Bankers' Association (Nederlandse Vereniging van Banken/NVB) drew up two self-regulation codes. These are respectively the Governance Principles and the Banking Code.

The Governance Principles apply to all Delta Lloyd's insurance activities. The only exception is principle 6.3.2, to which we partially comply. Based on this principle, if a member of the Executive Board is dismissed, severance pay may not exceed one year's annual salary. We refer here to Delta Lloyd's application of best practice provision II.2.8. As from 1 January 2015, Delta Lloyd applies the Governance Principles in full and the abovementioned exception is no longer applicable.

The Banking Code applies to all Delta Lloyd's banking activities.

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

We explain our approach to compliance with the Codes in the context of four subjects: lifelong learning, the moral and ethical conduct declaration, customer focus and remuneration policy. Our approach to risk management is discussed in section 1.7 of this annual report and on our website there is an up-to-date overview of the way our businesses apply the Codes.

Lifelong learning

Knowledge is core to our business, and this requires high levels of professionalism within our organisation. We believe it is hugely important that knowledge is kept up-to-date. The lifelong learning programme for Executive Board members and directors addresses a variety of topics, including risk management, Solvency II, management controls, financial reporting, upcoming regulatory developments and digital transformation. In 2014, the Dutch members of the Supervisory Board continued with the second year of a programme by Nyenrode Business University to improve insurers' expertise. Among the subjects it addressed were ethics, behaviour and culture, governance and risk management.

Moral and ethical conduct declaration

Since 2013, it is a legal duty for all members of executive boards, supervisory boards and policymakers of financial institutions to sign a moral and ethical conduct declaration. The Delta Lloyd Executive Board members affirmed their moral and ethical declarations to the Chairman of the Supervisory Board on 6 January 2015. The members of the Supervisory Board affirmed their moral and ethical declarations to the Chairman of the Supervisory Board on 6 August 2013. The text of the declaration is posted on the Delta Lloyd corporate website.

The moral and ethical conduct declaration also guides the actions of all Delta Lloyd employees. The spirit of this declaration is reflected in our core values: honesty, approachability and working together.

Customer centricity

Customer centricity is a key focus area for Delta Lloyd. Underlining our commitment to putting our customers central in everything we do, our Customer Centricity programme is under the direct supervision of the Executive Board. Its four priorities are products, services, advice and organisational control. The Customer Centricity programme has made many improvements in the interests of customers, these results and additional details are outlined in section 2.3 'Non financial performance' and section 4.2 'Putting our customers first'.

Remuneration policy

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

about Delta Lloyd's remuneration policy is published in the Remuneration Disclosures on our website and in section 3.2. of this report.

1.6.5. Protective measures

The object of Stichting Continuïteit Delta Lloyd is to protect Delta Lloyd from influences that could jeopardise its continuity, independence or identity. The board of Stichting Continuïteit met three times in 2014. At these meetings, the chairman of Delta Lloyd's Executive Board, its chief financial officer and investor relations manager gave an account of the company's general affairs, financial reporting and relationship with its shareholders. In addition, attention was given to Stichting Continuïteit's financial housekeeping and the documentation of procedures and processes.

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

Stichting Continuïteit can exercise this call option to:

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

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

The board of Stichting Continuïteit Delta Lloyd comprises the following members:
Dick Bouma, chairman
Aart van Bochove, vice-chairman
Rijnhard van Tets
Rinze Veenenga Kingma

All board members of Stichting Continuïteit Delta Lloyd are independent from Delta Lloyd. Stichting Continuïteit meets the independence requirement of Section 5:71 (1)(c) of the Dutch Financial Supervision Act ('Wet op het financieel toezicht').

1.6.6. Corporate governance statement

This chapter – together with the report of the Supervisory Board in section 3, the description of the internal risk management and control systems in section 1.7 and the contents of Delta Lloyd's corporate website – constitutes the corporate governance statement within the meaning of the Royal Decree of 20 March 2009 on the annual reporting of listed companies. The corporate governance section on the website contains our Articles of Association, various by-laws, the agreement between Delta Lloyd and Fonds NutsOhra and an extensive description of the application of the Codes of Conduct by Delta Lloyd. The composition of the Supervisory Board and the Executive Board is also set out on the website, including CVs of the members, the by-laws and the rotation plans of both boards.

1.6.7. EU Directive on takeover bids

Pursuant to the EU directive on takeover bids (Decision of 5 April 2006 implementing Article 10 of Directive 2004/25/EC of the European Parliament and the European Council of 21 April 2004 on takeover bids), further requirements have been set regarding the contents of the annual report. This information is set out in this chapter (Corporate Governance). The information and reference below completes the required information on the basis of this EU directive on takeover bids.

The control mechanism for schemes that grant rights to employees to take or acquire shares in the capital of Delta Lloyd if the control is not exercised directly by the employees themselves, is described in the remuneration report for 2014.

The shareholders' agreement that Delta Lloyd NV and ABN AMRO Bank NV concluded regarding their Delta Lloyd ABN AMRO Verzekeringen Holding BV joint venture includes a change of control provision, which entitles ABN AMRO Bank to obtain the shares held by Delta Lloyd in ABN AMRO Verzekeringen at the set price in the event of a change of control at Delta Lloyd.

Delta Lloyd has concluded no agreements with directors and/or employees that provide for any payment upon termination of employment as a result of a takeover bid.

1.7. Risk management and top five risks

Delta Lloyd's mission is to offer financial security. Our risk management policy protects us against events that could jeopardise this certainty. Risk management is fully embedded in our daily operations. We continuously manage risk and closely monitor internal and external developments (our business, the market and regulatory environment). This helps us to maintain our credit ratings, meet our obligations to our customers and other creditors, and comply with legislative requirements and best practices.

In section 5.1.7.1 we describe and analyse our main risks, and the approach to managing these. For more information on our risk governance framework visit our corporate website.

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

- Insufficient solvency due to regulatory changes
- Internal model not approved
- Sustained low interest yield environment
- Depressed real estate markets and the default risk of mortgages
- Longevity

(1) Insufficient solvency due to regulatory changes

There is still uncertainty about the implications of Solvency II when it comes into force in 2016, which may affect Delta Lloyd negatively. There is the risk that regulators introduce strict, unexpected parameters for our models, or that a lack of proper management information due to uncertainty about the regulatory changes could lead to insufficient solvency levels.

Not knowing, for example, how much capital Delta Lloyd must set aside, holds a risk that we under or overestimate our capital position. Without clarity or guidance we could make incorrect investment and risk-return decisions.

One of the uncertainties around Solvency II regulation is about the definition of the reference portfolio that has to be used for the new volatility adjustment.

To mitigate the risk of lower solvency levels, Delta Lloyd has taken the following actions:

- Successful sale (subject to regulatory approval) of Delta Lloyd Deutschland and Delta Lloyd Bank Belgium to release the required capital;
- Issued a new € 750 million perpetual subordinated loan;
- Mitigated the longevity risk in August 2014 with a six-year longevity swap, relating to underlying longevity reserves of approximately € 12.6 billion
- More restrictive policy on capital-intensive products;
- Implemented contingency plans to increase standard formula ratios; and
- Restrictive cash dividend policy (scrip dividend favoured over cash dividend with a premium on scrip)

(2) Internal model not approved

The internal model developed by Delta Lloyd to calculate economic capital is a major cornerstone in our risk management framework. Delta Lloyd has to get approval from the Dutch central bank (DNB) to use the model as regulatory capital in the new Solvency II regime. There is a chance of our application not being approved, which would lead to the mandatory application of the higher capital requirements of the standard formula.

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

- Hired additional resources to solve remaining issues (model development and validation);
- Adjusted the scope and timing of the development and validation process as necessary; and
- Maintain close contact with the regulator.

(3) Sustained low interest yield environment

This is the risk of decreasing profitability, caused by the continuing low interest yield and inflation close to or below 0%, leading to a lower return on our asset portfolio. The current quantitative easing programme of the European Central Bank adds to this risk. Interest rates fell to all-time lows in 2014 and there are no indications they will rise in the immediate future. Delta Lloyd is protected against the current low interest rate risk ('matched') but over a longer period this poses several challenges:

- Significantly increases the price for long-term minimum guarantees;
- Life insurance products become less attractive for clients to buy;
- Lower yields put pressure on margins and thus on solvency levels;
- The running yield on the asset portfolio could decrease, or the inherited risk of investments to maintain yield could increase in a continued low interest rate environment;
- Due to the low interest rate environment fewer pension funds can transfer their pension obligations to Delta Lloyd because of regulatory restrictions on the coverage level;
- Pricing methodology assumes a long-term average spread for reinvestments. Potential returns could turn out to be overestimated; and
- Focus on defined contribution products.

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

- Lowering guarantees on the Belgium Life business;
- Writing more defined contribution business, with fewer long-term guarantees;
- More focus on Property & Casualty insurance business
- Diversifying to spread products such as private loans and mortgages, infrastructure and property;
- Regularly evaluating and optimising the risk/return balance;
- Focus on risk-based product design (non-life and term business);
- Restrict interest rate risk by setting strict limits and monitoring risk on a regular basis; and
- Acquired full ownership of BeFrank in 2014.

(4) Depressed real estate markets and default risk of mortgages

There is a risk of lower returns on real estate and mortgages, caused by the negative economic situation on the Dutch real estate market leading to increased vacancy and default rates. In the commercial real estate market vacancy rates were higher in 2014.

On 31 December 2014 the total real estate portfolio was valued at € 2.2 billion (2013: € 2.3 billion).

As a mortgage provider, we saw stable mortgage arrears in our portfolio and an increase in losses. In the longer term, house prices are expected to stabilise and become more affordable as the economy improves.

- The principal amount outstanding at group level is stable due to redemption (-) and low production (+);
- The principal amount outstanding at risk decreased from € 333 million at the end of 2013 to € 330 million at end-2014, of which € 183 million is not backed by the state's guarantee scheme (NHG);
- Despite the increase in house prices there were higher expected losses and a higher credit spread;
- Expected losses increased from € 21 million at end-2013 to € 23 million at end-2014; and
- Average credit spread for Delta Lloyd's portfolio increased from 17.0 at end-2013 to 18.4 bps at end-2014.

We have taken the following actions to mitigate this risk:
- Stricter lending conditions to attract lower-risk mortgages;
- We will not increase investments in office and retail space and, where possible, sell part of this portfolio or find alternative uses; and
- Periodic stress tests to determine the adequacy of our capital position in adverse scenarios.

(5) Longevity

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

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

To mitigate this risk, Delta Lloyd has taken the following actions:
- When pricing policies and assessing risk we take into account the expected decrease in mortality rates for the next 50 years;
- Mitigated the longevity risk in August 2014 with a six-year longevity swap, relating to underlying longevity reserves of approximately € 12.6 billion;
- We are currently working on additional longevity hedge possibilities; and
- We extensively analyse life expectancy within our portfolio using a wide range of external data, mortality forecast models and reports to determine stringent provisions for this risk. We investigated a new mortality table (AG 2014) published by the Dutch Society of Actuaries in September 2014. This new mortality table is now fully implemented in all valuations.

1.7.1. In control statement

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

In 2014, our business units evaluated the design and effectiveness of the relevant risk management and control systems for financial reporting and classified the outcomes by priority. These outcomes were reviewed at Group level. There are no indications that the risk management and control systems for financial reporting will not operate effectively in the current year. Group Audit and Group Finance Control & Tax have discussed the complete range of activities performed in connection with our internal risk management and internal control systems, and the resulting findings, recommendations and measures with the Audit Committee and the Supervisory Board.

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

Executive Board

Hans van der Noordaa, chairman
Ingrid de Graaf
Emiel Roozen
Onno Verstegen

1.8. Case stories

1.8.1. Cruising to a comfy retirement

How do you picture your retirement? As a chance to do the things you never had time for during your working life, like taking a cruise, pursuing a hobby or spending time on the golf course? The reality is likely to be very different.

People are living longer and the Dutch population in particular is rapidly greying. To accommodate the demands this will place on state coffers, the Dutch government has overhauled its pensions system and upped the retirement age to 67. Nevertheless, even if people have diligently contributed to a pension scheme all their working life – which only two-thirds do – it is unlikely this will be enough to maintain their standard of living for a retirement that could last more than 20 years. In addition, people are retiring with more debt and higher healthcare costs, while ongoing low interest rates are really shrinking the size of retirement nest eggs.

It’s not just Dutch pensioners who are facing a sobering retirement. It’s a universal problem. As one of the Netherlands’ largest pension insurers, Delta Lloyd has a duty of care to raise awareness of the need to prepare for life after work.

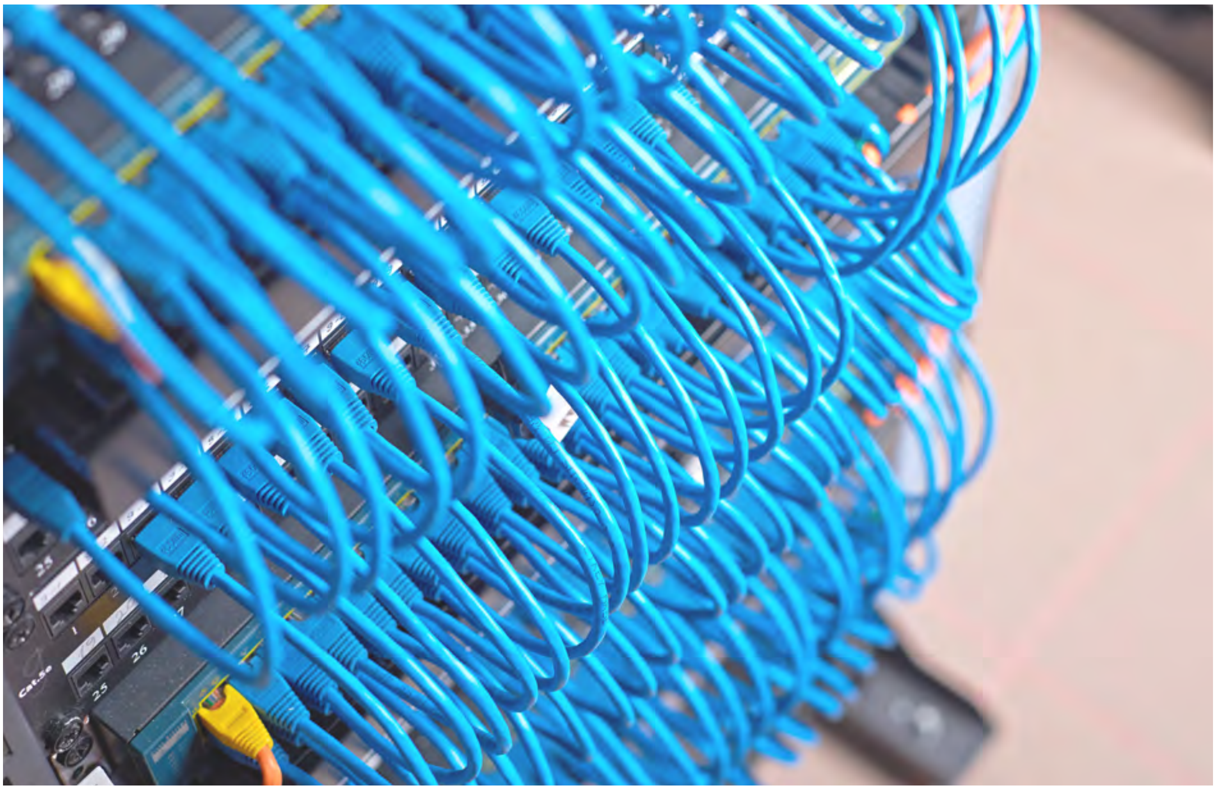
Each year, Delta Lloyd conducts research into various pension-related themes to gauge how employers and employees in the Netherlands and Belgium are preparing for retirement. Is it the employer’s responsibility or that of the employees themselves to ensure they are financially secure in their old age? The surveys are conducted for Delta Lloyd by GfK. In 2014, the Dutch survey, ‘Hoe gaat Nederland met Pensioen?’ (How does the Netherlands retire?), polled 1,000 employees and 303 employers.

It found that two-thirds of Dutch employees are unprepared for the reality of working well into their late-sixties, and that one in three employers is not ready for a greying workforce either. While most employees recognise the need to work for longer, few have considered measures to facilitate this, such as retraining for other roles, demoting to a less-demanding job or working for a lower salary. Forty-five percent would consider working fewer hours. At the same time, a third of Dutch employers have not yet made any provisions for workers who retire after the age of 65. Employers' measures do not match the needs of their employees. For example, employees (41%) want support to stay fit, but only few employers (14%) offer this facility.

The Belgian survey found that it is mainly self-employed people who are saving for their retirement – the vast majority of Belgians expect the government and their employers to provide for their old age. The self-employed are also more willing to continue working for longer. That's because they have the least faith that the state will provide for them in their old age. That said, the majority of Belgians (68%) are worried that the state pension will not be enough to live off. With an average career spanning 32.2 years in Belgium – among the shortest in Europe – Belgians have less time to save for an extended retirement that could last for as long as 26.6 years. Yet despite these concerns, only a minority are taking additional measures to secure their pension.

These surveys show there is a need for more awareness about pensions among all age groups. With more insight into their pension situation, people can take steps today to prevent financial disappointment in the future.

1.8.2. Insurer or IT company?



Technology is changing society. It is also transforming Delta Lloyd: our sales, customer service and internal processes are increasingly moving online. Customers can compare, buy and renew their car, health or life insurance, submit their claims, arrange their pension and contact us, all via the internet or a mobile app from the comfort of their own homes. Our employees can work from anywhere at anytime, facilitated by smart phones and tablets that can access digital information from a secure cloud.

To facilitate this transformation requires a new kind of infrastructure and new skills, not only to support the fast-developing technology and ensure that our systems are stable and secure, but also to innovate so we can use technology to our own and our customers' advantage.

For some years we have been working to consolidate legacy systems and reduce the number of software applications in use in our organisation, thereby cutting costs and making our processes simpler and more efficient. In 2014, we phased out a further 82 applications, bringing us to 602 from the more than 1400 we had in 2007. We also digitalised all our archives: around 8km of paper information can now be accessed online – no need for employees to physically trawl through filing cabinets. And we made good progress in digitalising our mail room in our pursuit of a paperless office. In 2014, around 70% of the correspondence received by Delta Lloyd was scanned and emailed to the relevant employee or department.

Big data and biometrics

When it comes to innovation, we appointed a chief technology officer in 2014 to lead our efforts here. We set up a testing ground to look at ways Delta Lloyd can use big data, for example to research price-risk differentiation or for fraud analysis. We also tested biometric authentication such as facial recognition or finger prints to log in to websites rather than easier-to-hack passwords. For our car insurance business, we tested an in-car sensor that monitors driving behaviour, so that safer drivers pay lower premiums. And in January 2015, we organised our first 'hackathon' with around 12 teams of internal and external software developers to work on developing specific business ideas.

Of course there is still more to do, for example to further build and improve our online sales, services and customer communications channels. While some of our labels, such as OHRA, are quite advanced in this, others are only starting their digital metamorphosis. We are also putting a lot of effort into creating a new reporting structure that provides the necessary financial and risk data required for Solvency II.

Does this mean Delta Lloyd is evolving into an IT company? There is no doubt that IT is a critical success factor: a good, stable IT system, efficient and automated processes and the right people to manage these are prerequisites for a modern insurer – or any modern company for that matter. What will really set us apart is our expertise and knowledge of insurance, knowing how to manage risk and offering the right products at the right price. These factors remain as crucial for our business now as in the future.

1.8.3. Marked-to-market valuation

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

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

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

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

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

1.8.4. Fighting poverty: our ambition for 2020

Like most Western European countries, the Netherlands enjoys a relatively high standard of living. Yet 10% of the population lives below the poverty line. For many of these 700,000-plus households, debt is a very real problem. The Delta Lloyd Foundation has been working to alleviate poverty since 2008, particularly by helping people who have fallen on hard times because of debt.

Debt is a growing problem. Twenty-eight percent of Dutch households are in arrears and a further 12% are in danger of defaulting on one or more payments, be it mortgage or household bills. Debt is not confined to lower income groups either. High-earners are also running up debts, often quite substantial ones, on such things as mortgages, luxury cars and trips abroad.

Our volunteering activities in the community to teach people about budgeting and how to manage their personal finances have given us a good understanding of some of the issues people face when they get into financial difficulty. We believe it is our corporate responsibility to use our financial know-how to help people free themselves from debt. More than that, we want to address some of the broader social issues that lead to debt in the first place and which are preventing people from getting out of debt.
Many of these issues are too big and wide-reaching for us to tackle on our own, so we work with other companies and organisations to combat poverty and find a new approach to debt. For example, we have set up a coalition of creditors to work together to find ways to address this social problem.. We also want schools to teach more numeracy skills and companies to reconsider the way they deal with debt arrears. How flexible are their contracts and are they easy for their customers to understand? Can their customers pay off their outstanding bills in instalments? We also want companies to think about ways to reward good spending behaviour rather than punishing bad practice by imposing large fines or eye-watering interest payments on outstanding balances.

Obtaining credit shouldn't be so easy in the first place and companies should be more transparent about the true cost of special offers so that their customers don't run into financial difficulty later.

In addition to the voluntary activities our employees do for the Delta Lloyd Foundation, as a company we are also involved in various local and national initiatives to fight poverty. In Amsterdam, our chairman participates in an initiative by the Amsterdam city council to directly involve a team of local business leaders in projects that uplift the city's underprivileged communities. We are also the founder of BASTA, a collective of Amsterdam businesses united against poverty, which supports projects in four areas: creating jobs and training for people living in Amsterdam; teaching work and life skills to young people; providing financial education; and empowering communities. In addition, we have joined forces with the research programme into poverty and participation at the Hogeschool van Amsterdam (Amsterdam University of Applied Sciences). Our second joint conference in 2014 addressed the effectiveness of debt counselling.

In January 2014, Delta Lloyd became the poverty ambassador for the sustainable business platform Ambition 2020. This platform is an initiative of business network MVO Nederland to bring Dutch companies together to build a more sustainable society in areas relevant to them. For us, that's fighting poverty. Because poverty isn't just a lack of money. It's also a lack of opportunity, a lack of network, training, good health or ability. More than ever, we are convinced that debt contributes to poverty and is a major challenge our society faces, now and in the future. As a financial services provider, we can contribute to creating a more sustainable credit environment and make a real difference to the millions of people living in poverty in the Netherlands.

1.8.5. The ethics of big data

The proliferation of data that is available to companies raises all sorts of ethical questions related to privacy, confidentiality and transparency. Who owns the information? Are there limits to how companies can use information about their customers, the inferences they make from analysing customer data and the business decisions that are based on this?

Delta Lloyd uses the data it gathers in many different ways, for example to spot fraudulent accident claims. We also use our data to gain insight into our customer portfolio. This helps us to better target our insurance products. Understanding the portfolio better helps us spread the geographic risk, so that we don't end up insuring all the homes on the same block, for example, as this would result in huge losses if there were a major fire.

Data privacy remains a contentious issue, however, and there is widespread concern among consumers about how and why companies use their personal information. This issue is an even more sensitive one when it comes to the types of information financial companies are privy to and from a reputational point of view it is vital that we take these concerns seriously. Delta Lloyd strives to be totally transparent, ethical and responsible, and to act with integrity. We are very careful about who analyses our data and why. What's more, when we analyse data, we only use information that customers themselves supply, and then only with their consent and when it is in the customer's interest. We don't mine social media for personal information, for example, or use our data for any other purposes than those that customers agree to. Customers can trust us to safeguard their privacy.

The ethics of data is complicated and there are differences of opinion about what defines privacy and how much privacy people are entitled to. The European Commission is currently working on new rules and regulations that will safeguard personal information when it is in the hands of businesses and government authorities. These laws will cover aspects such as whether companies will require consent to track consumers online and whether 'legitimate interest' is reason enough to process personal information.
From a business point of view, big data makes good business sense. Anyone in marketing knows the value of understanding what individual consumers want. Tailoring products to personal requirements is a sure-fire way of increasing sales.

Delta Lloyd uses scenarios to sketch out future trends that will influence our business. These scenarios show that technology is here to stay. In fact, it will penetrate even more facets of our daily lives. This raises all sorts of ethical dilemmas. If we can digitally track and monitor people and can analyse every aspect of their lives, learning more about their lifestyle, behaviour, medical outlook and life expectancy, can we then tailor our insurance policies according to their risk profile? But won't this be detrimental to certain categories of people? Would it be fair to penalise someone for being unable to afford good healthcare or for not regularly visiting the gym? That said, there are opportunities too, both for us as an insurer and for our customers: in-car technology monitoring safe driving behaviour could lead to lower insurance premiums.

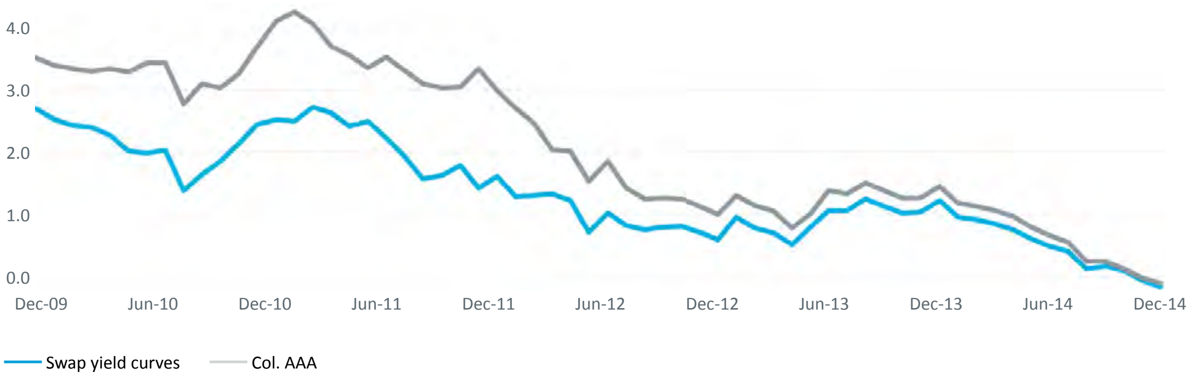
There is no one-size-fits-all solution to these ethical dilemmas. We have to let our morals guide us and stick to our core values, always striving to do the right thing and acting with integrity.

2. DELTA LLOYD IN 2014

2.1. Key developments

Delta Lloyd delivered a solid performance in a challenging operating environment characterised by a sharp decline in interest rates. This had – and continues to have – a profound impact on our capital position and on the provisions for our policyholders.

Interest rates (10 year point)



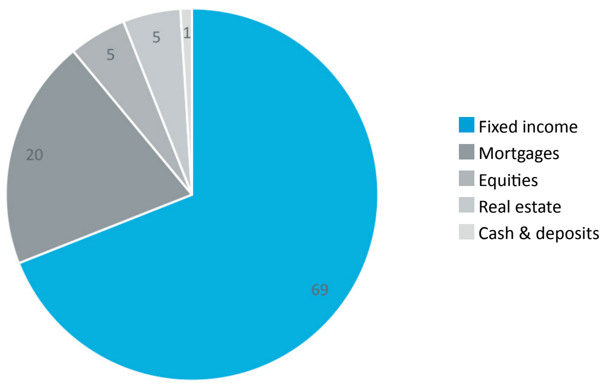
We adapted to these circumstances in 2014 by focusing on margins and improving our business mix with an increased share of defined contribution contracts and fewer single premium pension buy-outs. In General insurance, our efforts to improve the quality of our portfolio paid off, which along with strict underwriting and lower costs led to improved profitability.

An important focus area in the year was preparing for Solvency II (see section 2.6), the new regulatory framework for insurance companies operating in the European Union. It is due to be implemented on 1 January 2016. Our regulated Dutch subsidiaries have had to comply with its minimum capital requirements for their dividend policy since 1 January 2015 and we already include several risk-based elements in our daily operations.

We have opted to report our required solvency using an 'internal model'. In 2014, we made progress to meet the requirements for using the internal model and have officially submitted all sub-parts of the model to the Dutch central bank for review. We are committed to achieving its approval by the end of 2015.

Solvency II favours low-risk investment instruments, which means investors, also Delta Lloyd Asset Management, are changing the asset mix slightly in anticipation of the new capital rules, moving from equity securities that require higher capital provisions to mortgages. At the same time, a diverse portfolio remains important for optimum risk/return balance.

Diversified asset portfolio



Divestments

In December, we sold the Belgian bank to Chinese insurance group Anbang and in January 2015 we announced the sale of our run-off German activities to Bermuda-based Athene Holding, which provides retirement savings products in the US. Both transactions are subject to regulatory approvals and are expected to close in 2015. The divestments of these non-core activities will free up IGD capital and enhance our focus on the life and pensions markets in Belgium and the Netherlands, and General Insurance in the Netherlands.

To support the growth of our core business, we reached an agreement with joint venture partner BinckBank to take sole ownership of premium pension institution (PPI) BeFrank. Given the rising demand for defined contribution pension schemes, the acquisition of BinckBank's 50% holding strengthens Delta Lloyd's position in this growing market.

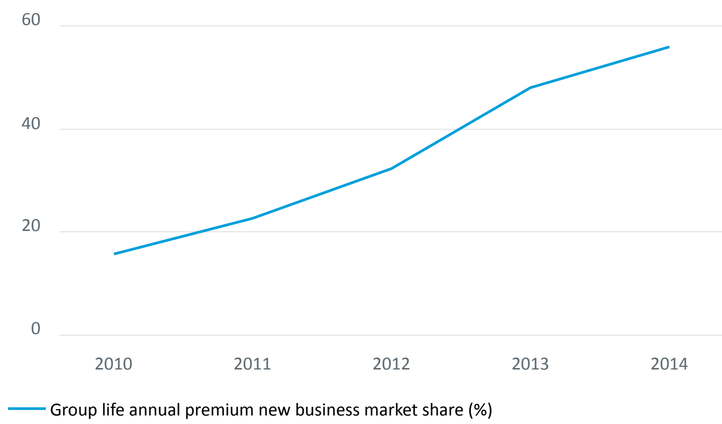
We also closed a transaction with run-off specialist Catalina Holdings to reinsure our run-off portfolio of International Marine Business liabilities with its subsidiary Glacier Reinsurance AG as from 1 January 2014.

2.2. Performance

NAPI	Net operational result	Operational expenses
418 m	377 m	714 m
-3 % ↓	-12 % ↓	-8 % ↓

Despite challenging market conditions, our businesses performed well in 2014. We maintained our prominent position in group Life, which is supported by successful new products such as the hybrid pension and a 23% increase in new business in annual premiums. We also improved our business mix, increasing defined contribution contracts and a smaller share of single premium pension buy-outs.

Pension new business market leader



NAPI, although slightly behind our record year in 2013, remained high at € 418 million. In General insurance, our efforts to improve the quality of our portfolio paid off. Efficiency increased, margins were higher and new business was stable at € 148 million (2013: € 146 million) in spite of strict underwriting. Consequently, General insurance GWP was down 4% to € 1.3 billion (2013: € 1.4 billion). We also enjoyed good results from our health care campaign in the Netherlands, gaining over 30,000 new customers for OHRA and Delta Lloyd.

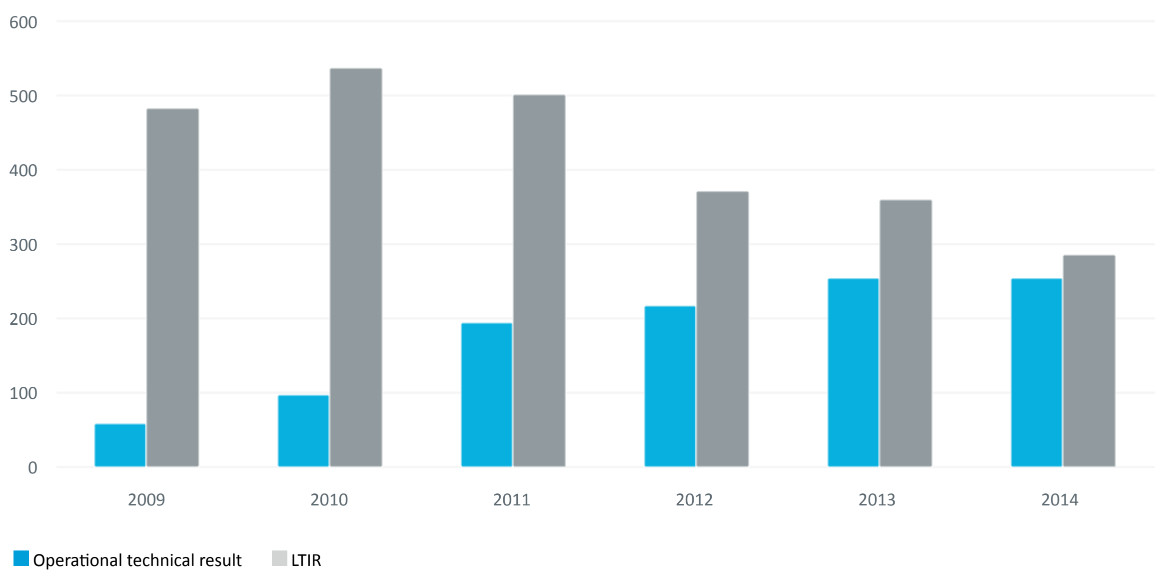
The production of new mortgages remained at a comfortable level (€ 1.2 billion), and was supported by our loan-to-value pricing for the Dutch market.

Operational result

In millions of euros	2014	2013
Life	251	318
General	77	67
Bank	27	24
Asset Management	26	45
Other	-3	-27
Operational result after tax and non-controlling interests	**377**	**426**
Tax	135	154
Non-controlling interests	29	34
Operational result before tax and non-controlling interests	**541**	**614**

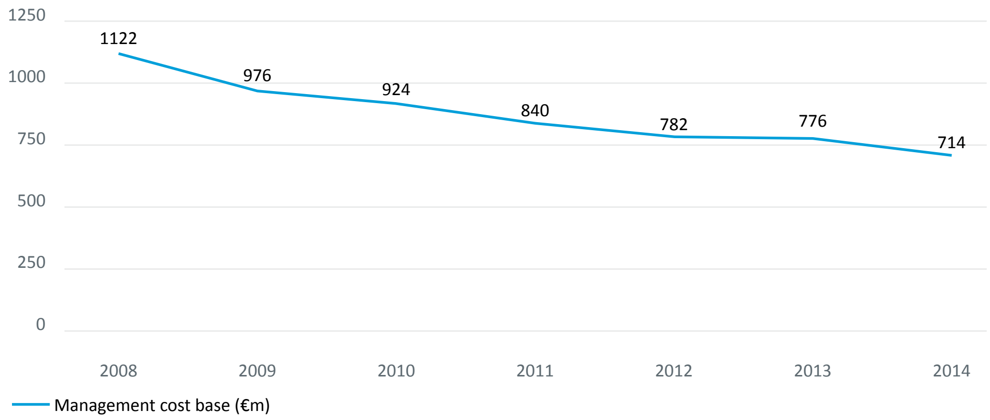
The operational result after tax and non-controlling interests was € 377 million (2013: € 426 million), with stable underlying technical results and lower operational expenses. The operational technical result was in line with last year, whereas the long term investment return (LTIR) had a negative impact on the operational result. LTIR was down € 74 million before tax, due to the sharp decline (-156 bps) in the Collateralised AAA curve in 2014.

Rising operational technical result vs. LTIR performance



As from 2015, Delta Lloyd will start using a new operational result definition, which takes into account the investment spread instead of the (assumed) long term investment return (LTIR).

Proven track record in cost reduction



Operational expenses declined by € 62 million to € 714 million (2013: € 776 million), thanks to increasingly efficient processes resulting from our efforts to digitalise, reduce legacy systems and straight through processing. In addition, pension costs fell in the Netherlands due to lower accrual rates in the Dutch pension scheme of 1.875% from 2.15%. We have updated our target for operational expenses to € 620 million, inclusive of the effects of the sale of Delta Lloyd Bank Belgium and Delta Lloyd Deutschland.

Tax contribution

In 2014, Delta Lloyd contributed € 1 billion (2013: € 970 million) in taxes as a result of our operations, excluding corporate income tax. The majority of this (€ 851 million) was paid to the Dutch Treasury, the remainder going to the Belgian and German treasuries. Taxes are collected on behalf of the company or on behalf of clients and employees. The contribution includes payroll taxes on insurance and banking products (€ 441 million); insurance premium taxes (€ 233 million); wage tax; social premiums and employment taxes as cost of employment (€ 194 million); and non-deductible VAT as part of the operating costs (€ 80 million). New taxes are expected to be introduced in the coming years, such as financial transaction tax, the single resolution fund- and the national deposit guarantee scheme contributions, which is expected to result in higher tax contributions by Delta Lloyd.

2.3. Non-financial performance

DJSI	Female directors	Employees
included	22 %	5,684 fte
	-2 pp ↓	-2 % ↓

In September, we achieved our long-standing ambition to be included in to the Dow Jones Sustainability Index (DJSI) World and Europe. In 2014, we started up the Sustainable Impact programme to promote the integration of sustainability into our everyday business. This should lead to a sharper focus and develop a clearer Delta Lloyd identity in this respect (see also section 4.1.1.).

The programme covers our investment policy – who and what we invest in – our products, behaviour and corporate responsibility to our employees, our customers, community and the environment. With regard to investments, we tightened up our environmental, social, governance policy in 2014 so that we can provide better quantitative reports for each asset class, which demonstrate our actual impact as an investor (see also section 4.3.1.).

As a provider of pensions, Delta Lloyd has a duty of care to help people prepare for their retirement in a society that is steadily ageing. The greying population is living longer and we want to use our pensions knowledge to raise awareness of the impact this will have, not only on their financial position, but also on their physical and mental well-being. Retired people are often lonelier and more isolated. We have a responsibility to stimulate people of all ages to start thinking about their future now and take steps to ensure a better quality of life later, see also our case story in section 1.8.1.

Customer centricity

Our focus on customer interest is encapsulated in our Customer Centricity programme, which achieved good results in 2014. For the third consecutive year we outperformed the benchmark in the Dutch Financial Markets Authority (AFM) customer centric dashboard, scoring 3.6 out of 5 (last year: 3.4 out of 5). All our labels - Delta Lloyd, OHRA, ABN AMRO Insurance and Erasmus Life – retained the KVV quality hallmark awarded by Stichting Toetsing Verzekeraars, an independent foundation that aims to restore consumer trust in insurers. The hallmark evaluates insurers on criteria such as whether customers can understand their products and the quality of service. Read more about customer centricity in section 4.2.

Delta Lloyd serves approximately three million customers and some 145,000 companies. Most of these do business with us via independent financial advisors, who once again ranked us as the number one pensions insurer in the Dutch group Life market in the annual survey conducted by IG&H, a specialised consulting firm. Overall, customer satisfaction in our business to business segments increased (Life and Income) or remained stable (GI and OHRA). Only mortgages scored below the benchmark, due to lagging digitalisation in the internal processes.

Customer satisfaction - Independent financial advisors			
Scale 1 to 10	**2014**	**2013***	**Change**
Life			
Delta Lloyd (Life)	7	7.1	-1%
Delta Lloyd (Pension)	7.6	7.2	6%
General insurance			
Delta Lloyd (Income)	7.1	7.1	-
Delta Lloyd (GI (Individual))	7.3	7.3	-
Delta Lloyd (GI (Commercial))	7.1	7.1	-
Delta Lloyd (Underwriters)	7.4	7.2	3%
Bank			
Delta Lloyd (Banksavings)	7.3	7.3	-
Delta Lloyd (Mortgages)	6.4	-	-

*The 2013 figures do not match with previous year's report due to a change in presentation format.

Feedback from customer satisfaction surveys is an important way to measure how well we are doing. In 2014, customer satisfaction scores for our individual Life and Bank lines were lower than in 2013 and we are taking additional action to implement changes in our organisation to improve our customer service. Better mobile and online communication with customers is another area we are paying close attention to.

Customer satisfaction - retail clients*			
Scale 1 to 10	**2014**	**2013****	**Change**
Life			
Delta Lloyd	6.2	7.2	-14%
OHRA	6.2	7.1	-13%
ABN AMRO Verzekeringen	7.4	7.4	-
General insurance			
Delta Lloyd	7.5	7.7	-3%
OHRA	7.6	7.8	-3%
ABN AMRO Verzekeringen	7.8	8	-3%
Bank			
Delta Lloyd	6.5	7.5	-13%
OHRA	6.9	7.3	-5%
Other			
Delta Lloyd	7.5	7.9	-5%
OHRA	7.5	7.8	-4%

* Excluding customer surveys from our Belgian business lines, as these were conducted by different research institutes and thus render non-comparable results.

**The 2013 figures do not match with previous year's report due to a change in presentation format.

Delta Lloyd Life in Belgium measured its customer performance index in 2014. Customer satisfaction, one of four aspects of the performance index, resulted in 59% (2013: 66%), below the Belgian benchmark average of 64% (median: 60%). The main area for improvement is our complaints handling process.

Customer satisfaction - commercial clients			
Scale 1 to 10	**2014**	**2013***	**Change**
Life			
Delta Lloyd	7	6.9	1%
General insurance			
Delta Lloyd (GI)	7.1	7.1	-
Delta Lloyd (Income)	6.9	6.7	3%
OHRA	7.1	7.1	-

*The 2013 figures do not match with previous year's report due to a change in presentation format.

We are also working to further digitalise and simplify our products and processes and enhance our online service. In 2014, we rewrote the terms and conditions for the majority of our products in simpler language that is easier for customers to understand and more transparent. To ensure that new and existing products truly meet customers' needs, we have a biannual product approval and review process (PARP) in place. The next PARP is planned for 2015.

Employees

Engaged employees lead to satisfied customers. Our annual employee survey showed staff remained engaged in 2014, scoring 74% (75% in 2013). The response rate was good, with 79% of employees in Belgium and Netherlands participating, the same as last year.

Outcome engagement survey 2014	
Positive	**To be developed**
Line manager	Senior management communication
Performance review and development opportunities	Clear vision of the future and feedback
Customer centricity	Work-life balance

The drivers for employee engagement in 2014 were customer centricity, work life balance and leadership, and these were also the main areas in which engagement was higher. Particularly positive was the perception of line managers (direct management) and development and training are motivating factors. However, the survey showed employees want more clarity about the future and want senior management to be more accessible. Getting the work-life balance right is another area to be addressed, for example by enabling flexible working through digitalization and company-wide programmes such as 'Sterk Werk' (new way of working). Read more in section 4.5.2.

In December 2014, we agreed a new collective labour agreement with the trade unions and our Works Council. The new employment conditions apply for three years from 1 January 2014 to 1 January 2017.

Our management trainee programme, which successfully attracts and develops young talent, was ranked 'Best of the Benelux' by the European online platform 'Become a trainee' in November 2014.

Our employee pension fund was named the best pension scheme by trade magazine IPN and financial newspaper 'Het Financieele Dagblad'. The award was made based on the plan's excellence considering its investment policy, with a 28% return and low costs, and thought leadership. In addition, its 132% coverage ratio (year-end 2014) is an excellent performer in the Dutch market.

Delta Lloyd employs 5,684 staff (FTE), down from 5,788 at year-end 2013. This includes 655 temporary employees. Of the total permanent staff (5,030 FTE), 3,802 are employed in the Netherlands, 535 at Delta Lloyd Life in Belgium, 510 at Delta Lloyd Bank in Belgium and 183 in Germany.

Number of employees

(in FTE, at year-end)	2014	2013
Permanent	5,030	5,182
Temporary	655	606
Total number of employees	**5,684**	**5,788**

Diversity

We greatly value diversity within our organisation and are committed to creating a work force that reflects the diverse character of society. This relates to gender diversity, as well as including people from different cultural backgrounds, different age groups and with different physical and/or mental abilities. Embedding diversity starts with our Executive Board, which pays close attention to this subject and steers our efforts to recognise and promote diversity.

We aim to have at least 30% female executives – this refers to the percentage of women in the Executive Board and the two management layers immediately below (directors and managers). We did not meet this target in 2014. The Executive Board now has one female member (25%), and will be 40% in 2015 now that a female CRO was nominated. Female directors fell to 22% (2013: 24%) while the proportion of female managers remained stable at 26%.

Diversity

% of female employees, by function	2014	2013	Change
Directors	22%	24%	-2pp
Managers	26%	26%	-
Teamleaders	39%	39%	-
Staff	42%	42%	-
Total	**42%**	**42%**	**-**

To promote cultural diversity and stimulate career opportunities for multicultural talents, our employee network, ‘Divers Talent’, joined forces with employees from six other large organisations to found the AGORA platform in 2013. ‘Divers Talent’ built on this cooperation in 2014 to initiate a cross-mentoring programme where people from the participating companies can learn about diversity from each other. The employee network also organised a cultural differences awareness meeting, with over 150 participants including two board members.

2.4. Capital

Delta Lloyd aims for an optimal capital structure and is continuously investigating ways to improve its capital structure and strengthen its balance sheet. During 2014, Delta Lloyd took several measures to do so. In June 2014, we further strengthened our capital base with a successful placing of subordinated perpetual notes that raised € 750 million. It was the first perpetual to be placed by a Dutch insurer in the institutional euro market since 2005 and the issue was more than seven times oversubscribed. The notes can be redeemed at Delta Lloyd’s option from 2024.

In August 2014, Delta Lloyd completed a transaction with Reinsurance Group of America (RGA) to partially mitigate the longevity risk related to its Dutch life insurance portfolio. This contract (entry date 1 January 2014) will reduce the financial effects of policyholders living longer than currently expected, which results in longer durations of annuities and pension payments. Delta Lloyd applied the latest (AG2014) mortality tables on its longevity provisions, which had negligible impact.

Mortgage valuation

As an outcome of prudent capital management and regulatory guidance on the market valuation of mortgages, we have altered the discount rate used to calculate the market value of the mortgage portfolio (see section 5.1.7.17 ‘Loans and receivables’). The adjusted market valuation had a negative impact of € -144 million on shareholders' funds and 13pp on IGD group solvency.

Capital

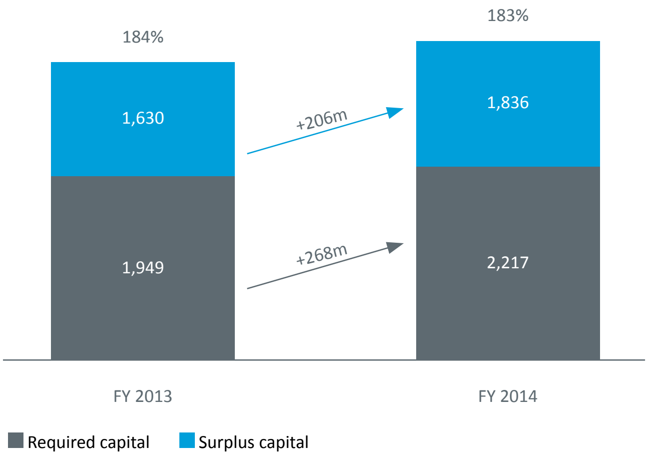
(in millions of euros, unless otherwise stated)	2014	2013	Change
Equity			
Shareholders' funds after non-controlling interests	2,468	2,621	-6%
- of which 'hard' capital (tangible assets)	2,109	2,276	-7%
Solvency			
Regulatory (IGD) solvency insurance entities	213%	213%	-
Regulatory (IGD) group solvency*	183%	184%	-1pp
Common Equity Tier Bank Netherlands	13.6%		
Common Equity Tier Bank Belgium	11.2%		

* Including positive effect (10pp) of the sale of Delta Lloyd Bank Belgium

IGD solvency

At year-end 2014, IGD group solvency was 183% (2013: 184%). The development of IGD group solvency was impacted by an increase in required capital, as a result of our marked-to-market valuation of insurance liabilities. The provisions for our policyholders were strengthened with € 6.4 billion. The development of IGD group solvency was supported by an increase in available capital due to the issue of a perpetual subordinated loan, operational capital generation and the positive effect (10pp) of the sale of Delta Lloyd Bank Belgium. This was offset by the adjustment of market valuation of mortgages, adverse curve movements and cash dividend payments.

IGD group solvency



Economic capital

At the end of 2014, the economic capital ratio based on our internal model was within appetite level (140-180%) and the capital ratio based on the standard formula exceeded regulatory requirements. Over the last months, EIOPA continued to make several changes to the framework and there are still some major areas of uncertainty within the methodology. Especially the recognition of the volatility adjuster in required capital and the credit risk adjustment are key elements of the framework which need to be further enhanced, as well as tax recognition and treatment

Shareholders' funds

Shareholders' funds on a marked-to-market basis decreased by 6% to € 2.5 billion (2013: € 2.6 billion), due to a provision for the sale of Bank Belgium of € 134 million, the net impact of the mortgage valuation adjustment of € 144 million and the fair value movement of assets and liabilities. The IFRS profit after tax was € 361 million (2013: € 183 million).

Standard & Poor's affirmed all Delta Lloyd ratings at end-January 2015 with a stable outlook and assessed our Enterprise Risk Management as 'adequate with strong risk controls' from 'adequate'.

S&P ratings: stable outlook

group company	**Rating**
Delta Lloyd Levensverzekering NV	A
Delta Lloyd Schadeverzekering NV	A
Delta Lloyd NV	BBB+
Delta Lloyd Treasury BV	A-

2.5. Segments

IRR	NBM	COR
10 %	3.0 %	94.5 %
	0.9 pp ↑	-3.2 pp ↓

Delta Lloyd is active in five segments: Life insurance, General insurance, Bank, Asset management and Other.

2.5.1. Life

Commercially our Life insurance business performed well in a challenging market characterised by ongoing low interest rates. This, along with longer life spans, is fundamentally changing the Dutch pension market. Low interest rates make it harder to guarantee fixed pension payments under defined benefit plans, leading to a significant shift to defined contribution schemes. At the same time, new Dutch legislation capping pensionable income at € 100,000 means high-income individuals are looking for new ways to build wealth for their retirement.

Life insurance

(in millions of euros)	**2014**	**2013**	**Change**
Gross written premiums (excluding Germany)			
- Netherlands	1,863	2,541	-27%
- Belgium	763	789	-3%
Total gross written premiums (excluding Germany)	**2,627**	**3,330**	**-21%**
NAPI	418	431	-3%
Operational result after tax and non-controlling interests	251	318	-21%
IFRS result after tax and non-controlling interests	482	164	194%

Delta Lloyd is making good progress in managing this shift through innovative new solutions such as hybrid pension products and less capital-intensive pensions schemes, such as those offered by PPI BeFrank. In 2014, we bought the outstanding shares in BeFrank from our joint venture partner BinckBank and are now the sole owners, strengthening our position in the fast-growing defined contribution market where BeFrank is a leading player in its specific segments, with assets under management of approximately € 400 million at year-end 2014.

Opting to protect margin rather than just increase volume, we targeted attractive annual premiums business over single buyouts. This improves our business and builds greater resilience into our model.

In 2014, we maintained the top position in group Life, with new annualised premium income (NAPI) of € 418 million, only slightly lower than 2013's record € 431 million. Several new group pension contracts raised the volume of new annual Life premiums by 23% to € 316 million (2013: € 257 million). This was offset by lower single premiums as we concentrate on profitable annual premium business. Consequently, gross written premiums (GWP) declined 21% to € 2.6 billion (2013: € 3.3 billion).

To mitigate the risk of our policyholders living longer than expected, we entered into a longevity derivative transaction for part of our Dutch life insurance portfolio with Reinsurance Group of America (RGA). The six-year longevity derivative is valid for six years, effective from 1 January 2014, and covers life insurance liabilities of about € 12.6 billion.

In Belgium, we increased our market share and are now among the top five Life insurers in this market. GWP decreased to € 763 million from € 789 million in 2013. NAPI was slightly higher. ZA Verzekeringen, which we acquired in 2013, contributed to the commercial growth in 'protection' (death and disability benefits), particularly in the business to business market. We will continue to focus on pension and protection in Belgium, taking a multi-channel approach with personal contact supported by online tools for excellent service.

The operational result after tax and non-controlling interests in the Life segment was satisfactory, in spite of decreasing to € 251 million (2013: € 318 million) due to a lower LTIR as a result of lower interest rates. The 2013 result had higher one-off technical profit-sharing results.

2.5.2. General insurance

General insurance (GI) performed well in 2014, following the restructuring of our portfolio, which led to lower costs and improved profitability.

General insurance

(in millions of euros)	2014	2013	Change
Total gross written premiums	1,319	1,380	-4%
COR	94.5%	97.7%	-3.2pp
Operational result after tax and non-controlling interests	77	67	16%
IFRS result after tax and non-controlling interests	56	40	41%

Gross written premiums were 4% lower than 2013, due to our gradual exit from the WGA ER market and to strict underwriting discipline, with a focus on margins rather than volume. New business was stable at € 148 million versus € 146 million in 2013. The combined ratio (COR) was 94.5%, which is well ahead of the target of 98%, reflecting our measures to improve our products and customer service.

In particular, we put a lot of effort into making our products simpler, more transparent and easier to understand. We rewrote more than 95% of our policies and special clauses in a more customer-friendly format, including all the GI retail policies sold by ABN AMRO Verzekeringen. ABN AMRO received a 'Gouden Veer' (Gold Feather) award for the clarity of its policy conditions, which the jury described as 'a revolution in the insurance community'.

In the fourth quarter, GI made it possible for retail customers to renew their insurances digitally, reducing the number of calls by 20%, while the number of customers logging in to MijnOHRA more than doubled. In 2014, we launched a new digital platform for the OHRA label, which allows customers to arrange all their insurance matters directly online, from comparing products to buying insurance to submitting a claim. Products such as car insurance are simpler and easier to

understand and customers can interact via a mobile app. The platform itself is responsive and adapts to the customer's device, for example a smartphone, tablet or desktop.
The operational result after tax and non-controlling interests was up 16% to € 77 million (2013: € 67 million), in spite of the yield curve decline, which impacted the LTIR. The technical result improved strongly, reflecting the successful claims management and efficiency measures.

2.5.3. Bank

Savings at Delta Lloyd Bank in Belgium and the Netherlands were stable in 2014. In the Netherlands, savers favour tax-efficient 'banksparen' products, leading to an 8% increase in these balances to € 2.1 billion (2013: 2.0 billion).

Bank			
(in millions of euros)	**2014**	**2013**	**Change**
Total savings (excluding banksparen)			
- Netherlands	1,320	1,317	0%
- Belgium	3,895	3,840	1%
Savings (excluding banksparen)	**5,216**	**5,157**	**1%**
Banksparen balances	**2,127**	**1,978**	**8%**
Total Mortgage portfolio			
- Netherlands	13,136	13,008	1%
- Belgium	3,368	3,415	-1%
Mortgage portfolio	**16,504**	**16,423**	**0%**
Total mortgage origination			
- Netherlands	825	952	-13%
- Belgium	328	343	-4%
Mortgage origination	**1,153**	**1,295**	**-11%**
Operational result after tax and non-controlling interests	27	24	13%
IFRS result after tax and non-controlling interests	43	-14	n.m.

New mortgages in the Netherlands declined by 13% compared to 2013, although the volume remained at a comfortable level (€ 1.2 billion). Prudent underwriting is supported by our loan-to-value pricing for the Dutch market. Delta Lloyd Bank was the first to introduce loan-to-value mortgages in the Netherlands, offering better interest rates for lower property debt, attracting low-risk mortgage customers. In Belgium new mortgages were 4% lower than 2013, due to the competitive banking market and the focus on margins.
Delta Lloyd continues to have appetite for controlled growth in mortgages.

In 2014, Delta Lloyd Bank Netherlands successfully placed two Arena securitisations of Dutch residential mortgages. These transactions lowered the funding costs for new mortgages and contributed to the net interest income. The operational result after tax and non-controlling interests in the bank segment was up 13% to € 27 million (2013: € 24 million), driven by higher interest margins and lower operational expenses.

In December 2014, we agreed to sell the Belgian bank to Chinese insurer Anbang Insurance Group for € 219 million so we can concentrate on growing our core Life business in Belgium. We will continue to distribute our insurance and pension products through the bank's network in Belgium.

2.5.4. Asset Management

The introduction of Solvency II, which favours low-risk investments, is changing the asset mix and we took steps in 2014 to scale back on certain investments and products that trigger high capital charges under the new rules.

Asset management		
In millions of euros	**2014**	**2013**
Assets under management	85,254	77,727
Inflow retail funds and institutional mandates	-200	757
Operational result after tax and non-controlling interests	26	45
Result after tax and non-controlling interests	23	40

The yield on our own risk asset portfolio was 17.3%, mainly due to the performance of the fixed income portfolio.

There was an outflow of € 200 million (inflow in 2013: € 757 million) in retail funds and institutional mandates, due to growing demand in the market for equity funds rather than our flagship fixed income funds and the termination of a large institutional mandate.

The operational result after tax and non-controlling interests of € 26 million (2013: € 45 million) was lower due to lower performance fees and a lower treasury result.

In 2014, we included the investment products of Delta Lloyd Asset Management in our product approval and review process (PARP) for the first time to ensure we fulfil our duty of care criteria. Delta Lloyd was nominated for two Morningstar Awards in 2014, in the categories ‘Best small Fixed Income House’ and ‘Global Fixed Income’.

2.5.5. Other

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

Other			
(in millions of euros)	**2014**	**2013**	**Change**
Operational result after tax and non-controlling interests	-3	-27	87%
IFRS result after tax and non-controlling interests	-243	-47	-422%

In 2014, the operational result of this segment improved, mainly due to lower operational expenses. The IFRS result after tax and non-controlling interest of € -243 million was primarily impacted by the provision for the sale of Delta Lloyd Bank Belgium (€ -134 million) and the negative valuation change of mortgages at Amstelhuys (€ -57 million).

2.5.6. Embedded value

Embedded value report 2014

Embedded value gives insight into the performance of the life insurance business, the main activity of Delta Lloyd. A detailed explanation and overview of the results can be found in the 'Embedded Value 2014' report on the Delta Lloyd corporate website.

insurance business that takes into account inherent insurance business risks. It considers differences in the economic risk of the various portfolios and makes allowances for non-financial risks, including insurance and operational risks, and non-hedgeable financial risks.

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

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

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

Analysis of the change in embedded value

The table below shows an analysis of developments in Life embedded value and Group embedded value.

Development of embedded value

(in millions of euros)	**2014**	**2013**
Life EEV at beginning of period	**4,403**	**4,210**
Operating earnings (LEOR)		
New business value	117	77
In-force business	403	203
Total operating earnings (LEOR)	**520**	**280**
Economic variance	-601	70
Capital (re)allocation	231	-158
Life EEV at end of period	**4,553**	**4,403**
Total non-covered business	154	451
Group EEV at end of period (gross of minorities)	4,707	4,853
Minorities	-362	-407
Group EEV at end of period (net of minorities)	**4,346**	**4,447**

Life EV increased by 3% (€ 151 million) to € 4.5 billion in 2014. The increase in Life EV is primarily attributed to positive operating assumption changes and a capital issuance, partly offset by negative economic variance (lower investment yield environment during 2014). Furthermore, there was a substantial increase in new business value to € 117 million.

Life EV increased in 2014, while Group EV decreased. Group EV decreased compared to 2013 mainly due to capital injections, partly offset by dividend upstream. The table below shows the Life EV by country for 2013 and 2014.

Life embedded value by country

(in millions of euros, unless otherwise stated)	**2014**	**2013**
Netherlands	3,873	3,671
Belgium	680	732
Total	**4,553**	**4,403**

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

New business value

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

Value of new business

(in millions of euros, unless otherwise stated)	**2014**	**2013**	**Change**
New business value	117	77	52%
Internal rate of return	10%	10%	-
New business margin*	3.0%	2.1%	0.9pp
Single premiums			
- Life insurance and savings	122	105	16%
- Pensions and annuities	897	1,637	-45%
Total single premiums	**1,019**	**1,742**	**-41%**
Regular premiums			
- Life insurance and savings	30	23	29%
- Pensions and annuities	287	234	22%
Total regular premiums	**316**	**257**	**23%**

* New business margin determined on market consistent basis, expressing NBV as a percentage of the Present Value of New Business Premiums

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

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

We use the internal rate of return (IRR) as a measure of profitability of new Life and pension business written. The IRR is the expected rate of return on new policies and contracts. The IRR remained stable at 10%, despite persistently low real world investment returns.

The new business margin (NBM) measures Life new business profitability on a market-consistent basis. Expressed as a percentage of the present value of new business premiums, the NBM increased by 0.9 percentage points from 2.1% in 2013 to 3.0% in 2014. The NBM improved for both individual and group business. In the Netherlands, margins improved due to strict price discipline and improved operational effectiveness. In Belgium, margins improved due to lower guarantees, improved operational effectiveness and more protection cover. The NBM was above target reflecting the improved profitability of new life production.

2.6. Solvency II

Solvency II is a new regulatory framework for insurance firms operating in the European Union. The framework will be implemented on 1 January 2016.

Solvency I used liability volumes to calculate capital requirements. Solvency II takes into account all balance sheet and operational risks. It measures balance sheet assets, liabilities and risk exposures based on economic principles and the capital requirements relate directly to these risk exposures. This means insurance companies will have to review their internal risk management and control environment, risk governance, test existing processes and implement improvements.

Although the preparations for Solvency II are far-reaching and wide-ranging, Delta Lloyd endorses the underlying principles. It enforces uniformity and creates a level playing field for insurers in Europe. This is in line with our strategy, which revolves around simplicity.

The valuation of technical liabilities under Solvency II is a key topic for insurers that provide long-term guarantees. In 2014, the European Parliament adopted Omnibus II, providing further clarity on what the long-term guarantees package entails. Early in 2015, the Delegated Acts were endorsed by the European Parliament and Council, effective immediately. Lower legislation and guidelines will be finalised in 2015.

The Solvency II framework consists of three main pillars:

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

Preparatory guidelines EIOPA

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

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

The Dutch central bank (DNB) complies with implementation in these areas, and intends to comply with the guidelines on reporting. DNB has monitored the gradual implementation by insurance companies in 2014 and will continue to do so in 2015.

Delta Lloyd's approach to Solvency II

European legislators set 1 January 2016 as the implementation date. Delta Lloyd set up a Solvency II programme and a Steering Committee to closely monitor all preparations for Solvency II. The committee consists of senior executives from the Executive Board, the business units and staff departments. The focus of the Solvency II programme, which reports to the committee, is on the requirements for Pillar 3.

Solvency II Pillar 1

Delta Lloyd has opted to report its required solvency using an internal model. In 2014, we made progress on meeting the requirements for using the internal model. All sub-parts of the internal model have been officially submitted to the DNB for review. Timely remediation of the shortcomings identified by the DNB before the final application in 2015 remains challenging, but we are committed to achieve approval by the end of 2015.

Solvency II Pillar 2

We continue to carry out annual own risk and solvency assessments (ORSA) and update Delta Lloyd's risk profile every quarter. In December 2014, we submitted our ORSA report to the DNB. In 2014 and 2015, the ORSA report serves as the Forward Looking Assessment of Own Risks, as required under the preparatory guidelines set out by EIOPA. We updated, approved and tested policies as part of the annual cycle.

Solvency II Pillar 3

The preparatory guidelines on reporting entail insurance companies submitting Quantitative Reporting Templates (QRTs) to the regulator based on the year-end 2014 balance sheet. In 2014, Delta Lloyd worked on the required governance, IT systems, processes and control framework. Dutch insurance companies must also submit quarterly QRTs to the DNB based on the second and third quarter of 2015. Delta Lloyd is preparing to generate the other required reports from 1 January 2016. These include the Regular Supervisory Report (RSR) and the Solvency and Financial Conditions Report (SFCR).

2.7. Investor relations and share performance

Dividend	Shareholders' return
1.03 euro	6.83 %

Delta Lloyd has an international shareholder base. It is our aim to give our investors clear, transparent, accurate and timely information so they can make well-considered investment decisions. This policy is integral to Delta Lloyd's investor relations programme, which ensures information is supplied to our investors through our website, roadshows and meetings with analysts and investors.

2.7.1. Dialogue with investors and analysts

Delta Lloyd regularly updates investors and analysts on our financial and operational performance, strategy and the opportunities and challenges we face. We organise roadshows to meet investors and potential investors, provide quarterly financial reports and accommodate bilateral meeting requests whenever feasible. Our investor relations policy endorses the standpoint of the Dutch Corporate Governance Code that a dialogue with shareholders, even outside the context of a formal shareholders meeting, can be useful for both investors and Delta Lloyd.

Twice a year, when we report our full year and half year results, our chairman and chief financial officer host a presentation for analysts giving more insight into our business performance. Analysts can attend in person, dial in to a conference call or watch a webcast on our website, the latter of which is also open to the public. A transcript of the calls is available on the news wires to subscribers. In addition, information about our first and third quarter results is published on our website. On these occasions, our investor relations team answers request for information and clarification by telephone and in person.

Every year we host an investor day in Amsterdam where we give an in-depth update on our strategy and business priorities for the medium and long term. We also organise an annual General Meeting for Shareholders (and, in 2014, an Extraordinary General Meeting). These events are also webcast and the minutes of the shareholders' meetings and investor day presentations can be found on the website.

As far as possible our Executive Board accommodates requests for bilateral meetings with investors, potential investors and analysts. No price-sensitive information may be disclosed during such meetings. Should this accidently happen we will publish the information as soon as possible. The recipient of the information is not allowed to trade in Delta Lloyd shares or derivatives until it has been made public. Our policy on bilateral meetings with shareholders is set out in the investor relations section on our corporate website.

Early 2015, we embarked on a roadshow to introduce our new Executive Board chairman to investors and analysts to instil confidence in our new leadership following several changes to the Executive Board in 2014.

2.7.2. Capital structure

Allocation of share capital and voting rights

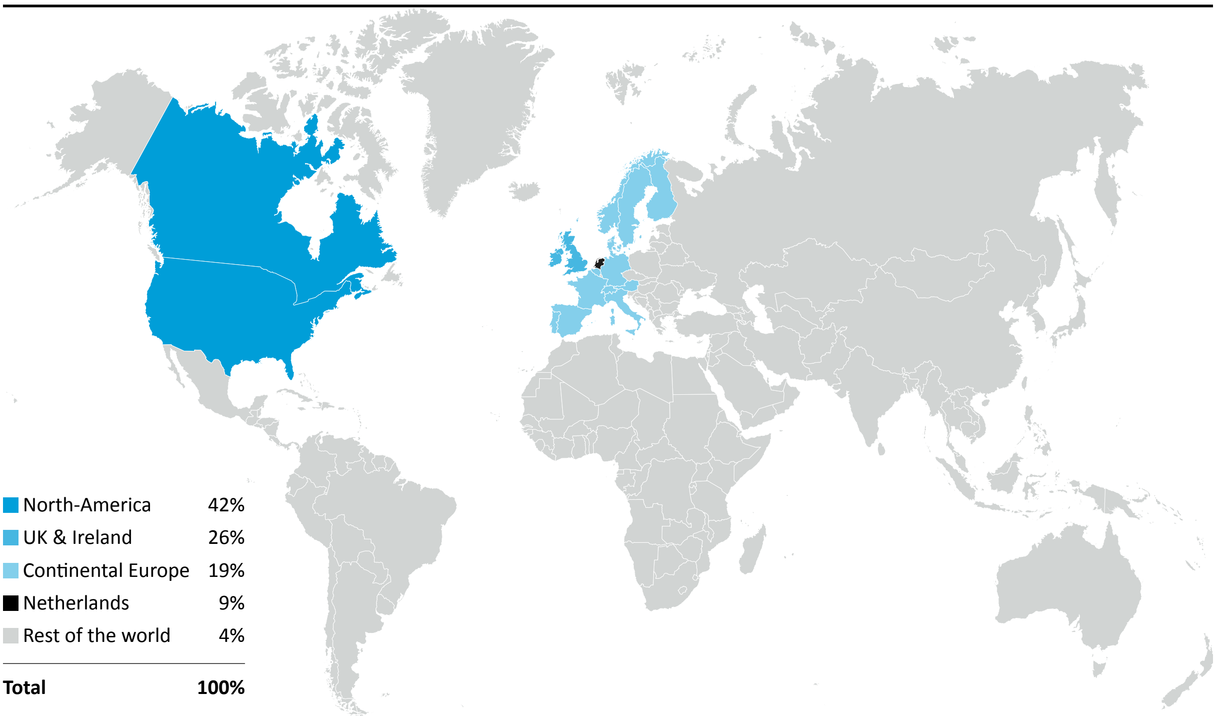
At 31 December 2014	Ordinary shares	%	Preferent shares A	%	Voting right	%
Fonds NutsOhra			10,021,495	100%	10,021,495	4.8%
Public shares	198,116,582	99.4%			198,116,582	95.2%
Own purchased shares	1,214,305	0.6%				
Total	199,330,887	100.0%	10,021,495	100%	208,138,077	100.0%

Debt

	Type	Issuer	ISIN	Issue date	Maturity	Coupon	Amount*
Senior Unsecured debt	Senior Debt	DLNV	XS0559434351	2010	2017	4.25%	575m
Subordinated 30nc10 loan	Dated subordinated	DLL	XS0821168423	2012	2042 call date 2022	9.00%	500m
Perpetual nc10	Undated subordinated	DLNV	XS1076781589	2014	Perpetual call date 2024	4.38%	750m
Perpetual subordinated convertible loan	Undated subordinated	DLNV		1999	Perpetual	2.76%	404m

* Nominal value at 31 December 2014

Geographical spread of ordinary shares



North-America	42%
UK & Ireland	26%
Continental Europe	19%
Netherlands	9%
Rest of the world	4%
Total	**100%**

Major shareholders at 31 December 2014

(more than 3% of ordinary shares)	**Percentage**
Schroders PLC	6.40%
BlackRock, Inc.	6.09%
Wellington Management Company, LLP	5.35%
Greenlight Capital, Inc.	4.80%
Highfields Capital Management, L.P.	3.11%
AQR Capital Management, LLC	3.03%
Old Mutual plc	2.96%

Analysts

Nineteen analysts follow the Delta Lloyd share (2013: 19). For the full list, see the Investor Relations section of our corporate website.

Listing and indices

Delta Lloyd is listed on NYSE Euronext Amsterdam, where we were included in the AEX index of the 25 shares with the largest market capitalisation (adjusted for free float) in March 2014; and in the benchmark BEL20 index of the NYSE Euronext Brussels. In September 2014, we were included in the Dow Jones Sustainability Index (DJSI) World and DJSI Europe.

Liquidity

Liquidity was 4% lower in 2014 compared to the previous year, mainly due to the large sell off by Aviva of its Delta Lloyd stake in early 2013. Corrected for that, we see a 17% increase as a result of higher liquidity following our inclusion in the AEX index in March 2014.

Liquidity			
Average, in shares	**2014**	**2013**	**Change**
Daily trading volume	877.920	913.893	-4%
Daily trading volume, corrected for Aviva sell off	877.920	752.182	17%

2.7.3. Dividend policy

Delta Lloyd aims to pay out a stable annual dividend, subject to internal solvency targets.

To the extent that the maintenance of the dividend policy may conflict with targeted solvency thresholds, management will consider various possible capital management alternatives. Such actions may include:

- Capital-raising activities, e.g. raising non-equity Tier 1 or Tier 2 capital instruments;
- Hedging or alternative strategies to reduce net exposure to key risks;
- Other measures to reduce capital requirement (such as reducing volumes of products with higher capital strain).

Such alternative measures would only be taken after due consideration of the impact of such actions on Delta Lloyd’s long-term profitability and business franchise.

Manner and time of dividend payments

Payment of any dividend on ordinary shares in cash will be made in euro. Dividends on the ordinary shares will be paid to shareholders through Euroclear Nederland and credited automatically to shareholders’ accounts.

At the proposal of the Executive Board and with the approval of the Supervisory Board the dividend on the ordinary shares may be paid in shares or in cash at the shareholders’ option. Delta Lloyd may alter the attractiveness of a cash versus a stock dividend.
The value of the stock dividend (dividend in shares) will be charged to the ordinary share premium.

Delta Lloyd intends to pay an interim dividend and a final dividend. Dividend payments are generally subject to withholding tax in the Netherlands.

Delta Lloyd will pay any final dividend within four weeks after adoption of the annual accounts, unless the General Meeting determines another date at the proposal of the Executive Board. Any interim dividend will be paid following the publication of the half-year results.

Different payment dates may be designated for the ordinary shares, the protective preference shares and the preference shares A. Claims for dividends shall lapse upon the expiry of five years after the date such dividends were released for payment.

2.7.4. Performance

Dividend paid out

Delta Lloyd proposes to declare a dividend of € 1.03 per ordinary share for 2014, unchanged from 2013. The total interim dividend paid for 2014 was € 0.42 per ordinary share. This means the final dividend for 2014 is € 0.61 per ordinary share. Shareholders can choose to receive the dividend entirely in cash or entirely in shares. The premium on stock dividend is reduced to 2% from 4%.

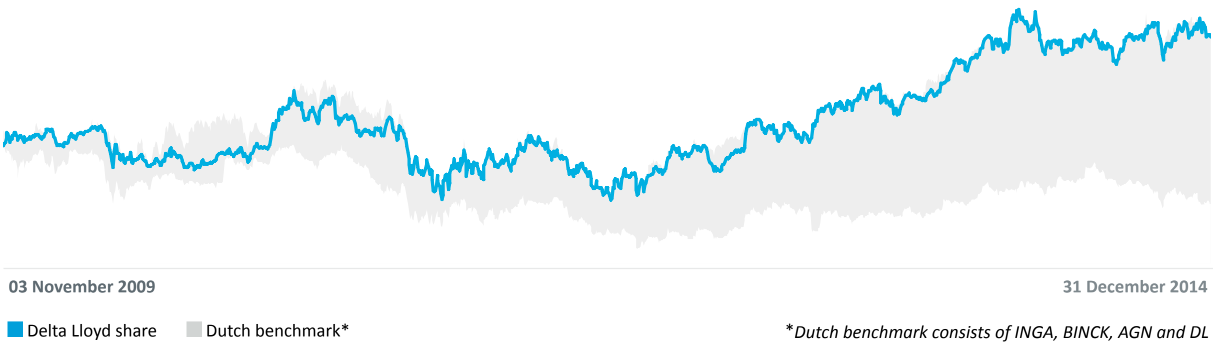
Total shareholder return

Our total shareholder return in 2014 is 6.83%.

Share price development

Delta Lloyd shares ended 2014 at € 18.19, an increase of 0.80% on the share price of € 18.04 at the end of 2013. Total shareholder return (TSR) was 6.83%. This is 1.84% below the Dutch AEX index return of 8.67%, which was boosted by non-financial sector heavyweight Royal Dutch Shell (+15%). Financial sector peers all underperformed the AEX index.

Closing price, normalised for Delta Lloyd at IPO



**Dutch benchmark consists of INGA, BINCK, AGN and DL*

Figures per share

Figures per share		
In euros, based on total number of shares outstanding at 31 December	**2014**	**2013**
Highest closing price	21.10	18,20
Lowest closing price	16.71	12,42
Closing price (31 December)	18.18	18,04
Market capitalisation Delta Lloyd (in millions of euros)	3.60	3,435
Result (IFRS) after tax and non-controlling interests	1.82	0,88
Operational result after tax and non-controlling interests	1.90	2,26
Shareholders' funds	12.46	13,76
Group european embedded value	21.94	23,35
Return on Equity	14.4%	18.6%
Closing price / operational result after tax and non-controlling interests (P/E ratio)	9.56	7,98

2.8. 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 2014 give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and its consolidated enterprises;
- The annual report gives a true and fair view of the position as at 31 December 2014 and developments during the year ended 31 December 2014 relating to the company and its consolidated enterprises for which data are included in the financial statements, as well as a description of material risks to which the company is exposed.

The Executive Board

Hans van der Noordaa, chairman
Ingrid de Graaf
Emiel Roozen
Onno Verstegen

3. SUPERVISORY BOARD REPORT

3.1. Supervisory Board report

3.1.1. Role of the Supervisory board

The Supervisory Board is in charge of supervising and advising the Delta Lloyd Executive Board in setting and achieving the company’s objectives, strategies and policies. Delta Lloyd has a two-tier structure, which requires a well-managed relationship between the Executive Board and the Supervisory Board. Each of the boards has specific responsibilities, but they share responsibility for the company’s strategy and risk profile.

This report will explain how the Supervisory Board fulfilled its duties and responsibilities in 2014 and describe its practices and procedures. The report should be read in conjunction with section 1.6 Governance, which outlines the company’s corporate governance structure and provides additional factual information on how Delta Lloyd is managed. The current members of the Supervisory Board are portrayed in section 1.5.2. ‘Supervisory Board’. A detailed account of the company’s strategy and results can be found in section 2, Delta Lloyd in 2014.

3.1.2. Stakeholders and strategy

Delta Lloyd offers financial security. Its mission is to meet the demands and needs of its customers and of society. Delta Lloyd delivers clear, reliable and contemporary solutions that create value for customers, shareholders and employees. Delta Lloyd maintains good access to capital markets in order to sustain its capital-intensive needs. Delta Lloyd also deals with the changing regulatory requirements being imposed on the insurance sector. The interests of policyholders are central in Delta Lloyd's policy and business decisions. That said, the Supervisory Board weighs the diverse interests of all stakeholders, including investors, employees, suppliers, regulators and society at large in its discussions. These interests form the basis for supervising Delta Lloyd's strategy and progress.

The continuity of Delta Lloyd is an important responsibility for the Supervisory Board. In the interests of our stakeholders we wish to maintain a prudent risk profile and pursue a profitable business, as well as fulfilling high standards of social behaviour and making a meaningful contribution to society.

In the short to medium term, Delta Lloyd is focusing on preparing for Solvency II, and on the effect the regulation will have on the company's risk profile and capital position. Delta Lloyd faces challenges such as the low interest rate environment, the implementation of Solvency II legislation and longevity risk. The company's strategic response to such challenges includes re-pricing products to align with the low-interest rate environment, strengthening the capital base, reducing costs through measures such as redesigning processes and IT, and developing products for pensions saving based on risk sharing between Delta Lloyd and the customer.

For the longer term, the new scenario analysis Delta Lloyd began conducting in 2013 is playing an ever more prominent role in helping the company address and mitigate uncertainties in the economic, social and business environment, and in guiding company strategy.

Scenario analysis allows Delta Lloyd to consider the full implications of different future scenarios from various perspectives over a period of 15 to 20 years. It provides greater understanding of the forces driving the dynamics of the future environment. In 2014, the company tested the scenarios in workshops with staff, to assess their future impact on the business. The Supervisory Board discussed the implications of the scenario analysis and the outcomes of the workshops in a Supervisory Board meeting dedicated entirely to company strategy.

Results and business in 2014

Delta Lloyd turned in a solid operational performance in 2014, although the sharp decrease in interest rates impacted the operational result. Commercial and customer activities fared well and there was focused organic growth. Market share in new business expanded and profitability of new business increased in Life insurance and General insurance.

The Supervisory Board discussed these topics extensively throughout the year. We also devoted significant attention to customer centricity, risk management policy, the challenges of a low interest rate environment, the relationship with the regulators and the Executive Board chairman succession process.

3.1.3. Key issues in 2014

The Supervisory Board devoted particular attention to the following subjects in 2014.

Customer centricity

Delta Lloyd attaches great importance to customer satisfaction and customer centricity. These topics were discussed extensively throughout the year. The Supervisory Board looked at Delta Lloyd's performance in the Customer Centric Dashboard assessed by the Netherlands Authority for the Financial Markets (AFM). The company continued to outperform the benchmark and improved its ranking in the dashboard for the third consecutive year. All labels – Delta Lloyd, OHRA, ABN AMRO Insurances and Erasmus Life – also retained the Customer-Focused Insurance Quality Hallmark (the Dutch 'KKV') awarded by Stichting Toetsing Verzekeraars.

The Supervisory Board frequently discussed customer confidence and satisfaction levels and emphasised the importance of continuous improvement in this area. It paid specific attention to customer contact management and the after-care for unit-linked products, closely following the efforts to contact customers to give them tailored advice.

Customer contact management is a challenge for a company that has around three million retail customers. The Supervisory Board discussed Delta Lloyd's aspiration to further improve its contact with customers by integrating distribution channels, as well as by using and gaining more customer insights. We noted the crucial importance of protecting customer privacy and ensuring the relevance of customer contact moments.

Executive Board succession

In April, the chairman of the Executive Board, Niek Hoek, announced his decision to retire no later than the AGM in 2015. The Supervisory Board respected his decision and we are grateful for everything he contributed to Delta Lloyd from 1997, first as CFO and from 2001 on as chairman of the Executive Board.

The search for a successor was a key item on the Supervisory Board's agenda in 2014. We drew up a detailed search profile in alignment with the Works Council, which guided the quest for the most suitable candidate. Supported by external experts, this comprehensive process resulted in the selection of former ING Bank board member Hans van der Noordaa. An Extraordinary General Meeting introduced Mr. Van der Noordaa to shareholders, after which he was appointed member of the Executive Board and subsequently its chairman. He was appointed for a four-year term which started on 1 January 2015 and ends on the date of the Annual General Meeting in 2019, in line with the Dutch Corporate Governance Code.

Last May saw the appointment of Ingrid de Graaf as member of the Executive Board, succeeding Paul Medendorp, who was scheduled to retire in December. The Supervisory Board informed shareholders of Ms. de Graaf's proposed appointment at the 2014 Annual General Meeting.

After careful consideration of industry best practices, we opted for a separate chief risk officer (CRO) position at board level. The search process began in 2014 and we are pleased to be able to nominate Annemarie Mijer-Nienhuis as chief risk officer. We will notify the Annual General Meeting of her appointment in May 2015.

Achieving business objectives

The low interest rate and low growth climate creates a challenging business environment for insurance companies. It affects the attractiveness of life insurance products and threatens profitability. In addition, the industry faces the further tightening of solvency requirements under Solvency II and the need to build its capital position further.

Throughout the year, the Supervisory Board continuously discussed operational progress and technical results with the Executive Board. Delta Lloyd's business model means it is well positioned to continue growing profitably and autonomously by further increasing market share, profitability and customer satisfaction, while reducing costs.

The Supervisory Board and Executive Board intensively discussed developments in the financial markets and how best to respond to them. Particular attention was paid to margin improvement, risk mitigation, strengthening the capital position and to the cost-saving programme.

Risk management, risk appetite setting and risk awareness

Risks are an inextricable part of doing business. They are intrinsic to the insurance industry and thus to Delta Lloyd. The company's revenue model is based on taking on, and managing, a broad spectrum of risks in relation to the targeted future return. Risk management is therefore an integral part of the core business. As such, it is embedded throughout the organisation and in operational processes. The Supervisory Board was regularly updated by the Executive Board and risk management staff on, among other topics, longevity risk, financial risks and IT risks during the course of the year.

The Supervisory Board discussed and approved the Group Risk Appetite Statement and the risk governance framework. We were also informed about the preparations for Solvency II.

We devoted special attention to the strengthening of risk and compliance management at Delta Lloyd Asset Management. As a result, existing practices were assessed, governance was improved and the 'second line of defence' was strengthened.

Capital position, dividend policy and access to capital markets

The effect of Solvency II on Delta Lloyd's capital position was a particular focus for the Supervisory Board. We discussed opportunities to strengthen the company's capital position. In June, we approved the placement of a € 750 million perpetual subordinated note with a coupon of 4.375%. In August, we approved a transaction with Reinsurance Group of America (RGA) to mitigate the longevity risk related to its Dutch life insurance portfolio. We recognise that a base of long-term shareholders and a stable and secure dividend policy are essential to retaining capital market access. This access is vital in order to fulfil Delta Lloyd's intensive capital needs as an insurer. With respect to dividend policy, shareholders should be able to count on a constant yearly dividend and a minimum level of dilution. In order to prevent stock dilution, Delta Lloyd will gradually progress to more cash dividend versus stock dividend.

Focus on core business

Last year the Executive Board presented to the Supervisory Board its plans to increase focus on its core business. Based on that, the following transactions were discussed and approved:

- In July, Delta Lloyd reached agreement with BinckBank on the acquisition of the remaining 50% of the shares that BinckBank held in the PPI BeFrank for € 19.5 million.

- In December, Delta Lloyd agreed to sell Delta Lloyd Bank Belgium to Anbang Insurance Group Co. Ltd. for € 219 million.

In January 2015, Delta Lloyd announced the sale of its German Life business to Athene Holding Ltd.

Sustainability and corporate social responsibility

The continuity of Delta Lloyd is an important responsibility for the Supervisory Board. We weigh the diverse interests of all stakeholders and thus aim to make a meaningful contribution to society. We are pleased to note that as a result of Delta Lloyd's commitment to improving its sustainability profile, the company was included in both the DJSI World and DJSI Europe in September 2014.

Good employer
Discussions on the new collective labour agreement (CAO) continued throughout 2014. The Supervisory Board examined the remuneration austerity that Delta Lloyd has announced. We are aware that this asks a lot of employees, but the agreement improves the cost position and is vital to maintaining and improving the company's competitive position. We were pleased that in December 2014 Delta Lloyd and the trade unions agreed on a new CAO lasting for the next three years.

Corporate social responsibility
The Supervisory Board devoted special attention to corporate social responsibility (CSR) and its status at Delta Lloyd during its discussions of the Delta Lloyd Foundation. The foundation has accomplished much in recent years and aims to continue doing so. Over the years, 4,000 Delta Lloyd employees have volunteered in 200 projects that address issues such as poverty and financial independence. Delta Lloyd aspires to play a role in reducing poverty in several Dutch municipalities.

The Supervisory Board noted with satisfaction the achievements made in terms of community involvement by Delta Lloyd Foundation, although we recognise that more can and will be done in order to increase Delta Lloyd's CSR efforts.

Other issues

Besides the key issues mentioned above, IT security and all customary subjects were addressed during the Supervisory Board's meetings in 2014. We devoted particular attention to the company's financial results.

In terms of process, discussions within the Supervisory Board were based mostly on documents and presentations prepared by the Executive Board, although we also drew on external sources of information.

Diversity
We are delighted at the appointment of Ingrid de Graaf. She proved to be the best candidate for the Executive Board. And as she is the first woman to join the Executive Board of Delta Lloyd, this is a landmark for the company. We continue to actively seek opportunities to enhance gender diversity at all management levels of Delta Lloyd. The Supervisory Board itself aims for a gender balance of at least 30% female members. This criterion was almost met in 2014.

Self-assessment
Every year, the Supervisory Board evaluates its own functioning, including the dynamics on the Board. An external consultant assists with the evaluation once every three years. In 2014, the Supervisory Board conducted a self-assessment on the functioning of the board and the individual

committees with the support of an external consultant. The main recommendations were to increase the effectiveness of board meetings; review the existing rules of engagement between the Supervisory Board and Executive Board; and review the role of committees versus the role of the full board.

Lifelong learning
As part of our commitment to lifelong learning, the Supervisory Board took part in various modules at Nyenrode University in conjunction with the Association of Insurers. We also participated in lifelong learning modules on IT security and Solvency II.

3.1.4. Measures by the Dutch central bank

On 22 and 23 December 2014 and 30 January 2015, Delta Lloyd issued press releases regarding measures by the Dutch central bank (DNB). We refer to these press releases for a more detailed description.

DNB investigation

On 2 July 2012, DNB introduced a fixed interest rate to be used when calculating insurance liabilities with terms exceeding 20 years (ultimate forward rate). In the week before this interest rate was introduced, Delta Lloyd decided to reduce its interest rate risk hedges. DNB performed an investigation of Delta Lloyd's decision-making process at that time. The DNB investigation was focused on sound and ethical operational management as contained in Sections 3:10 and 3:17 Dutch Financial Supervision Act (Wft).

On the basis of its investigation of Delta Lloyd Levensverzekering NV, DNB has imposed a fine of € 22.8 million.

DNB also reassessed the 'suitability'('geschiktheid') of our CFO, Emiel Roozen. According to DNB Mr. Roozen was insufficiently aware in terms of the competencies 'helicopter view' and judgment, independence and accountability (a total of 3 of 16 competencies), and concluded that Delta Lloyd should dismiss him by 1 January 2016 at the latest. DNB has concluded that Emiel Roozen's 'integrity' ('betrouwbaarheid') is beyond dispute.

Supervisory Board investigation

The Supervisory Board instituted its own investigation of the same facts and circumstances, assisted by external legal, audit and actuarial professionals. The outcome of the Supervisory Board's investigation differed little from DNB's regarding the facts and circumstances, however we felt the measures DNB proposed were disproportionate.

Legal proceedings

Delta Lloyd has decided to submit DNB's measures to the court and request it to rule on the interpretation of the facts and circumstances and the associated conclusions, including the "dismissal" of the CFO, as well as (the calculation of the total amount of) the fine.

On 29 January 2015, the Administrative Court (bestuursrechter) in Rotterdam established in summary proceedings that DNB is not allowed to pre-emptively publish its resolution to impose the aforementioned administrative fine on Delta Lloyd Levensverzekering NV.

Delta Lloyd measures

As a result of its own review, the Supervisory Board concluded improvement was needed in the area of risk awareness, compliance and internal governance. In line with best practice at financial corporations, the risk management function will be strengthened at all levels. On 24 February 2015, Delta Lloyd announced the nomination of a chief risk officer to the Executive Board. Furthermore, the Supervisory Board used its discretionary power to downwardly adjust the Executive Board's variable remuneration for 2012. So far, it opted to set the value of the first three (out of four) tranches of variable remuneration for 2012 to € 0. The first tranche was deducted from a later payment, for the second and third tranche there was no payout. The Supervisory Board considers the measures taken as a result of its review adequate and appropriate.

The Supervisory Board expressed its full confidence in Emiel Roozen, who was reappointed as CFO with DNB's approval on 22 May 2014 and will remain in office pending the legal proceedings.

3.1.5. Supervisory Board meetings

The Supervisory Board held 15 plenary meetings in 2014. The attendance rate of members at the plenary meetings was 98%. One of the meetings was devoted exclusively to a thorough discussion of company strategy, together with the Executive Board. In addition, there was much informal contact between and with individual Supervisory Board members outside the meetings.

Between meetings, the chairman of the Supervisory Board maintained intensive personal contact with the chairman of the Executive Board concerning general affairs. The Supervisory Board chairman acts as the first point of contact for the chairman of the Executive Board.

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

Supervisory Board members also paid individual visits to various business units within Delta Lloyd and spoke with employees. As a Supervisory Board, we take an active interest in developing talent in the management layer immediately beneath the Executive Board. To this end, we seek frequent contact with individual managers.

Members of the Supervisory Board take turns in attending meetings of the Works Council, with which the Board has frequent discussions and enjoys good relations. In April 2014, the annual joint meeting of the Supervisory Board, the Executive Board and the full Works Council took place.

The Works Council consulted the Supervisory Board in particular during the Executive Board chairman's succession process and helped us draw up the extensive search profile. There were also informal consultations between the chairman of the Supervisory Board, the chairman of the Executive Board and the executive committee of the Works Council. The Supervisory Board monitors the subjects raised in the consultative meetings and appreciates the contact with the Works Council.

3.1.6. Supervisory Board committees

The Supervisory Board is supported by four committees: the Audit Committee, Risk Committee, Remuneration Committee and Nomination Committee.

The committees prepare their specific subjects ahead of decision-making in the plenary meetings of the Supervisory Board. Each committee reports its findings to the plenary Supervisory Board through its chairman. The committees also provide written reports on the items discussed.

3.1.6.1. Audit Committee

The Audit Committee met five times in 2014. The meetings were attended by the CFO and the chairman of the Executive Board as well as various senior executives. The external auditor was either fully or partially present at three meetings; at one meeting, the Audit Committee discussed matters with the external auditor without management present.

André Bergen and Rob Ruijter joined the committee on 22 May 2014. The main topics discussed by the Audit Committee are outlined below.

Reporting

Each quarter, the Audit Committee discussed the company's financial reporting, focusing on operating income and IFRS results. Special topics discussed were the change in the operational result formula, the accounting of assets classified as 'held for sale', accounting relating to the BeFrank acquisition, the valuation of investment property, the mortgage portfolio of the various entities and derivatives, and hedge accounting.

Regarding business objectives, the committee discussed the profitability of the individual Life business, for Delta Lloyd Life in Belgium in particular, as well as the company's costs reduction programme, the development of operational and commercial results and Delta Lloyd's plans and budget.

Capital position

The committee discussed the IGD solvency ratio and the company's capital position more generally. It approved dividend proposals and extensively discussed the change to the dividend policy, including the impact of share dilution, as well as Delta Lloyd's € 750 million subordinated placement of perpetual notes.

Internal control framework, internal audit, integrity and compliance

The committee paid much attention to the internal control framework. The internal audit department reports quarterly to the Audit Committee and several issues were extensively discussed. The director of the Integrity department also reported quarterly to the Audit Committee. The Audit Committee took steps to gain more insight into Delta Lloyd's security roadmap, including the IT risks facing the company and measures taken to mitigate them. Other items on the agenda included the Compliance Incentive programme and the company's actuarial reports.

External auditor

The external auditors regularly attended Audit Committee meetings and gave their opinion, via the management letter, on several reporting and valuation issues. The discussion of the management letter with the external auditor revealed no issues that need to be mentioned in this Report of the Supervisory Board. A new format for the auditor's opinion letter will be presented to the AGM.

The Audit Committee thoroughly evaluated the performance of the external auditor in 2014, in line with the Dutch Corporate Governance Code. This included evaluating the quality of the audit process and the auditor's independence, the quality of reports and communication, and the quality of the team and the service provided. Input was gathered from business units that are in regular contact with the external auditor. The evaluation showed Delta Lloyd is satisfied with the external auditor. The quality of the audit team and the working relationship with management were ranked the highest.

The Audit Committee recommended the re-appointment of the external auditor for the financial year 2015 with an option to extend the engagement for the two subsequent financial years. The Supervisory Board will propose the reappointment to the General Meeting of Shareholders in May 2015.

3.1.6.2. Risk Committee

The Risk Committee met six times in 2014. André Bergen became its chairman on 22 May 2014, succeeding Jean Frijns. Rob Ruijter joined the committee on the same date.

Solvency, longevity risk and interest rate risk are the key risk themes for an insurance company. The Risk Committee last year discussed specific issues including the risk management framework, the quarterly risk profile updates, the Group risk appetite statement, the financial risk report, the Own Risk and Solvency Assessment (ORSA) report and the outcomes of internal controls and analyses made by the Dutch central bank.

The committee used the quarterly risk profile update as a basis to discuss the most important risks facing Delta Lloyd. The main topics discussed by the Risk Committee are outlined below.

Financial risks

The Risk Committee discussed Solvency II and its impact on Delta Lloyd's capital position, as well as the company's interest risk profile in relation to Solvency II. Also on the agenda were the recovery plan listing the actions Delta Lloyd can take if the regulatory ratio (IGD ratio) drops below 130% after a stress scenario, hedging longevity risk, pricing, equity risk exposure and other market risks.

Operational and IT risks

Today's companies face an extensive spectrum of operational, non-financial risks ranging from IT outages and cybercrime to fraud. The Risk Committee discussed topics such as Delta Lloyd's IT security and the company's integrity policy.

Risk governance

The committee discussed risk and compliance management throughout the company.

The Risk Committee holds preparatory discussions on risk management and the accompanying documents. The most important risk documents are placed on the agenda of plenary meetings of the Supervisory Board. Every quarter, the Supervisory Board discusses the risk profile update and the financial risk report. The Group risk appetite statement defines the overall risk appetite and gives a detailed indication of the acceptable levels for the identified risks. It is reviewed and approved yearly.

3.1.6.3. Remuneration Committee

The Remuneration Committee met six times in 2014. Rob Ruijter became its chairman on 22 May 2014, succeeding Eric Fischer.

This committee's standard duties include assessing the achievement of the Executive Board's performance targets and setting targets for short-term and long-term incentives. The Remuneration Committee discussed the variable remuneration of the Executive Board and of directors and managers in control positions.

The Remuneration Committee discussed the policy on the Phantom Option Scheme and variable remuneration rewarded in Delta Lloyd stock. Instructions to exercise phantom options and the instructions to sell stock as awarded under a variable remuneration scheme are always reviewed by Group Compliance. To avoid any semblance of insider trading or market abuse, employees exposed to Delta Lloyd stock price-sensitive information now have a waiting period of 120 days to cash options or sell Delta Lloyd shares.

Assisted by external advisors, the Remuneration Committee monitors remuneration policy trends and developments and regularly assesses whether the current remuneration policy corresponds with the latest market practices and corporate governance provisions.
The Remuneration Committee also looked at the disability pension of Executive Board members last year.

For more information on remuneration-related work by this committee and by the Supervisory Board as a whole, please see section 3.2 'Remuneration report'.

3.1.6.4. Nomination Committee

The Nomination Committee met eight times in 2014. Jean Frijns chaired the committee until 22 May 2014, when Clara Streit took over.

The committee's standard duties include the evaluation process of the Supervisory Board, the assessment of the Executive Board, the preparation of appointments, Supervisory Board and Executive Board succession planning, and corporate governance monitoring.

A key activity for the Nomination Committee in 2014 was the selection of members for the Supervisory Board and Executive Board, including the new chairman of the Executive Board and the new chief risk officer.

Detailed profiles for the two Supervisory Board members were developed and proposed to the Supervisory Board. The search process was supported by external experts. The Nomination Committee carried out detailed assessments of all candidates and monitored the overall selection process and appointment of the new members. The committee worked closely with the full Supervisory Board on this.

A similar approach was followed for the three new Executive Board members. Detailed profiles were developed for each role and proposed to the Supervisory Board. For Paul Medendorp's successor, an internal candidate was proposed to the Supervisory Board. The nomination was supported by the Works Council. The profile for the new chairman was developed in cooperation with the Works Council. The Committee worked closely with the full Supervisory Board to draw up the profile for the chief risk officer. External experts supported the search for both the new chairman and the chief risk officer. The Nomination Committee assessed all proposed candidates for the three roles and monitored the overall processes to select and appoint the new Executive Board members.

3.1.7. Governance and remuneration

Profile and vacancies

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

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

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

There were various changes in the Supervisory Board's composition in 2014. With the departure of chairman René Kottman on 1 January 2014 and that of Patrick Regan and Peter Hartman on 22 May 2014, the Board reviewed its composition compared to the desired profile. In the search for new members, we looked for management and HR experience at a listed company, especially in the financial services sector.

On 22 May 2014, André Bergen and Rob Ruijter were appointed to the Supervisory Board for four-year periods.
André Bergen is a highly experienced and accomplished executive and non-executive director of various large financial institutions, with extensive knowledge of the Belgian market. Mr. Bergen developed expertise in the fields of insurance and asset management and has a broad vision concerning risk management.
Rob Ruijter has extensive experience in executive positions, particularly in finance, at a diverse set of companies. Through his membership of Stichting Continuïteit Delta Lloyd, he was already familiar with the company prior to joining the Supervisory Board.

With effect from 1 January 2014, Jean Frijns succeeded René Kottman as chairman of the Supervisory Board. Mr. Frijns has been a member of the Supervisory Board since May 2012. Eric Fischer, Jan Haars and Fieke van der Lecq were reappointed during the Annual General Meeting of Shareholders in May 2014. All members of the Supervisory Board are independent of the company as defined by the Dutch Corporate Governance Code. One vacancy in the Supervisory Board remains to be filled.

The current membership of the Supervisory Board is set out in section 1.5.2. of the annual report. The relevant biographical details of the Supervisory Board members can be found on the Delta Lloyd corporate website.

Executive Board remuneration

In 2015, the Netherlands plans to introduce legislation that caps bonuses for financial sector employees at 20% of their annual salary. In view of this, the Supervisory Board decided to increase fixed remuneration and reduce variable remuneration to 20% from 50% for the new chairman.

Overall compensation of the chairman of the Executive Board is set below the peer group benchmark, since the Supervisory Board agrees on the need for moderation in financial sector remuneration. We believe the financial strength of a company is best served by a remuneration policy that can expand or contract with the company's long-term success.

Supervisory Board remuneration

Supervisory Board remuneration did not rise in 2014 and there are no plans to increase it in 2015.

3.1.8. Financial statements and profit appropriation

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

3.1.9. Acknowledgements

We are grateful for the dedicated service of members Patrick Regan and Peter Hartman, both of whom reached the end of their first term of office on 22 May 2014. The Supervisory Board benefited from the international orientation and highly developed financial expertise of Patrick Regan. His appointment as CFO of a large Australian insurance company made it impossible for him to continue to serve on Delta Lloyd's Supervisory Board. We are grateful to Peter Hartman, who contributed greatly to Delta Lloyd during his four-year term through his entrepreneurship and his insights on sustainability and leadership.

We wish to express our gratitude to Niek Hoek for his contribution during his 18 years on the Executive Board. He became a member of the Executive Board of Delta Lloyd NV in 1997 and chaired that Board from 2001 onwards. We are thankful for the expertise, positive attitude, commitment and clear vision that Niek brought to Delta Lloyd and for the excellent manner in which he fulfilled his role as chairman. He contributed greatly to making Delta Lloyd the success it is today. Under his leadership through mergers, joint ventures and organic growth, Delta Lloyd has become one of the leading financial services companies in the Benelux. His enthusiasm and pride in Delta Lloyd motivated stakeholders and his clear vision helped lead to the company's stock market launch in 2009, and AEX and BEL-20 inclusion in 2014.

We also want to thank Paul Medendorp, who had been on the Executive Board since 2003. With his direct management style, communication skills and innovative nature, he too showed great dedication and made significant contributions to Delta Lloyd's successes. In particular, the Supervisory Board recognises his contribution to the joint venture with ABN AMRO Verzekeringen, one of the most successful ventures in the history of Delta Lloyd. Paul was also one of the main contributors to the continuous improvement of customer centricity at Delta Lloyd.

The Supervisory Board wishes to thank shareholders for their continuing confidence in the company. We are grateful to the Executive Board for its robust leadership, and would like to thank all the company's employees, who once again displayed their professionalism and dedication in 2014.

The Supervisory Board

Jean Frijns
André Bergen
Eric Fischer
Jan Haars
Fieke van der Lecq
Rob Ruijter
Clara Streit

3.2. Remuneration report 2014

This paragraph sets out Delta Lloyd's remuneration policy for members of the Executive Board and Supervisory Board and the remuneration paid in 2014. In line with market practice this Remuneration report also contains information about the variable incentive plan (VIP) 2014 paid out in 2015 and the variable remuneration framework for 2015. It also provides a view of the policy the Supervisory Board envisages for the coming years.

3.2.1. Remuneration policy

The primary objective of the remuneration policy is to enable Delta Lloyd to recruit, retain and motivate employees and to stimulate excellent performance. The policy aligns with and strengthens the strategy and core values of Delta Lloyd (honesty, approachability and working together). It is prudent, moderate and sustainable and meets the requirements of Delta Lloyd's risk policy, the law and regulations. The policy dates from 2011 and was amended in May 2013.

3.2.2. Governance of the remuneration policy

The Executive Board is responsible for determining the company-wide remuneration policy, with the exception of its own remuneration, which is proposed by the Supervisory Board and approved by the shareholders in the General Meeting.

The Remuneration Committee prepares the Supervisory Board decisions on matters within its remit. It sends a report of its findings and recommendations to the Supervisory Board, which is collectively responsible for fulfilling the duties delegated to the Remuneration Committee, which consists of three members of the Supervisory Board: Rob Ruijter, who replaced Eric Fischer as chairman in May 2014, Jan Haars, who replaced Peter Hartman in May 2014, and Clara Streit. See section 2.5.3 for the committee's activities in 2014.

The Supervisory Board decides on the proposed remuneration and checks if it is consistent with risk management and complies with the principles of restrained remuneration. Scenario analyses are used when determining the amount and structure of remuneration for members of the Executive Board. The Supervisory Board determines the level of remuneration for individual members of the Executive Board as well as executive managers in control functions (Group HRM, Business Development and Legal, Group Integrity, Group Audit and Group Actuarial & Risk Management).

The Executive Board and the Remuneration Committee are advised by the Remuneration Policy Governance Committee (RPGC). Set up in 2011, it consists of representatives from Group HRM, Business Development and Legal (chairman), Group Integrity, Group Audit and Group Actuarial & Risk Management. The RPGC monitors, flags and supervises the risks in the remuneration policy as well as its execution. The RPGC provides information about the implementation of the remuneration policy to the Executive Board and the Remuneration Committee, for example, by preparing annual risk analyses and ex-ante and ex-post analyses.

3.2.3. Remuneration policy for the Executive Board

The remuneration package for Executive Board members has three components: the base salary, a variable incentive plan and a pension plan. The remuneration policy refers to both current and former members of the Executive Board. The remuneration costs are not allocated to the business units and are a part of Delta Lloyd's annual results.

The base salary and variable incentive plan together form the total direct compensation. To determine whether the total direct compensation is in reasonable proportion to the remuneration policy, an external party carries out a survey every two years. The benchmark survey compares the compensation of the Executive Board members ? both base and variable remuneration ? against relevant external markets: a peer group of financial institutions and one for comparable businesses (a cross-industry group). The composition of the reference groups also takes into account the international context. The cross-industry group includes both Dutch and international companies. Selection of the appropriate remuneration level for Delta Lloyd's Executive Board is guided by the median of the two peer groups.

Variable incentive plans

On 31 December 2014, there were two types of variable incentive plans in force at Delta Lloyd: The former long-term Delta Lloyd Phantom Option Plan and the Variable Incentive Plan (The Performance Share Plan 2010 is closed and fully paid).

Phantom options were granted to members of the Executive Board from 2006 to 2009. No grants have been made under this plan since 2009. The phantom options 2006 and 2007 have already expired. The phantom options 2008 and 2009 will expire respectively by the end of 2015 and 2016.

Variable Incentive Plans were introduced in 2011 and comprised 50% cash and 50% shares until 2012. No options were granted. In 2013, the General Meeting adopted a proposal to change the remuneration policy to bring it closer into line with the company's risk appetite and culture. Since 2013, the conditional grant on the Variable Incentive Plan is entirely in shares (deferred payments for performance years 2011 and 2012 are still made 50% in cash and 50% in shares). The variable incentive for the Executive Board as a percentage of the base salary was adjusted from 100% at ambition level to 50% (and from 150% to 75% at outperformance level) .

Half of the variable remuneration vests at the end of the performance period (immediate variable remuneration) and the rest is vested in three equal tranches, over a period of three years (deferred variable remuneration), subject to a negative adjustment based on the ex-post risk analysis. Immediate and deferred variable remuneration is conditional on continued employment with Delta Lloyd until the variable remuneration vests and is subject to certain risk management measures.

From grant date, a five-year retention period applies to all shares granted to Executive Board members. After the shares vest unconditionally, they must be kept for a lock-up period of no less than two years and no more than four years. The shares cannot be traded during this period. Upon vesting, the Executive Board member is entitled to sell only part of the shares as needed to satisfy tax or social security obligations resulting from the vesting.

No variable remuneration is paid to members of the Executive Board for performance below the threshold. If the threshold is cleared, 33.75% of the variable remuneration will be awarded. Variable remuneration awarded at the conclusion of a performance period is capped at 75% of the base salary (outperformance level).

Performance measures

The variable remuneration awarded is subject to the level of achievement of the set performance targets. At the end of the performance period a comparison is made between the performance targets set and the actual level of performance. On the basis of this comparison a variable remuneration percentage is fixed, subject to a negative adjustment based on the ex-ante risk analysis.

The performance targets are specific, measurable and are formulated and communicated at the beginning of each year. The financial and non-financial targets are broken down on a 50%-50% basis and are based on Delta Lloyd's strategy and long-term objectives. When the performance criteria are set, the various stakeholders are taken into account. The table displays the financial and non-financial targets in 2014 and 2013.

Financial targets

2014	2013
Business management objective (BMO) efficiency (operating expenses)	Business management objective (BMO) efficiency (operating expenses)
BMO life (IRR), BMO non-life (COR) and bank (result after tax and non-controlling interest)	BMO life (IRR), BMO non-life (COR) and bank (result after tax and non-controlling interest)
Equity (Solvency I score at end of 2014)	Equity (Solvency I score at end of 2013)
Total shareholder return	Total shareholder return
New business (NAPI-life, non-life and new money third party)	New business (NAPI-life, non-life and new money third party)
Operational result after tax and non-controlling interest	Operational result after tax and non-controlling interest

Non-financial targets

2014	2013
Putting the customer first	Putting the customer first
Sustainable employee engagement	Employee engagement
Stimulation of the compliance culture	Policy compliance

In principle, the performance criteria for the group-wide remuneration policy are a combination of criteria at group, business unit and individual level. As the Executive Board has collective responsibility for the management of Delta Lloyd, individual performance targets for the Executive Board members represent around 15% of the overall target base while the remaining 85% are group targets. Payment of variable remuneration is conditional on achieving the set performance targets during a performance period of one year.

The chief financial officer has certain targets different from those of the other Executive Board members. These are:

- Financial: BMO Life/non-life and Bank, new business and operational result after tax and non-controlling interest do not apply and an additional target is IGD after predefined stress test;
- Four additional non-financial targets: investor relations; rating outcome Delta Lloyd Levensverzekering and Delta Lloyd Schadeverzekering; compliance Group Risk Appetite Statement (GRAS); and relationship with Dutch regulator.

Supplementary risk management measure methods of the Supervisory Board

The Supervisory Board has the authority to adjust or reclaim variable remuneration.
The Supervisory Board may apply various supplementary risk management measures to the level of the remuneration. These measures are:

- The ex-ante analysis tests: Tests whether the economic capital ratio has been achieved. This is to award the variable remuneration at the end of the performance period.
- The ex-post analysis: A reassessment by Group Integrity conducted before the vesting date of the deferred variable remuneration. The results of this reassessment are submitted to the Supervisory Board and may result in a downward adjustment of deferred variable remuneration.
- Clawback: The Supervisory Board may recover all or part of any variable remuneration from the participant, even after vesting, if it proves to have been awarded on the basis of incorrect financial or other data or if, due to exceptional circumstances, the award cannot be justified as fair and equitable. This arrangement is in place for up to five years after the variable remuneration is granted.

Furthermore the Supervisory Board retains the right to adjust the variable incentive downwards if:

- There is evidence of misconduct or gross error by the eligible Executive Board member (for example, a breach of the code of conduct or other internal regulations);
- Delta Lloyd suffers a significant decline in its financial performance;
- Delta Lloyd suffers major failures of risk management;
- There are major changes in the economic or regulatory capital requirements; or
- It believes it would otherwise create an unfair or unintended result.

Pensions of the Executive Board

The members of the Executive Board participate in Delta Lloyd's pension plan. There is a dedicated scheme for senior management and members of the Executive Board. Annual accrual is equal to 2.15% from 1 January 2014. Based on legislation, the annual accrual will be decreased to 1.875% in 2015 and the contribution to the Delta Lloyd pension plan will be maximised at a salary level of € 100,000 (see section 3.2.6. 'Outlook for the remuneration policy'). There are no arrangements for early retirement.

The pension plan for the Executive Board members is a defined benefit plan. This plan differs in certain respects from that for the employees and is as follows (in euros):

- The retirement, dependants' and orphans' pensions are based on maximum pensionable earnings of € 588,434. If the endowment capital exceeds € 5.0 million, the pension base will be reduced to a level to which the capital sum payable on death is € 5.0 million, unless the insurer accepts the risk of death. Higher cover has been agreed for the pension base of the Executive Board chairman, which is € 786,785(2013: € 786,785). The endowment capital of an Executive Board member exceeds € 5.0 million and higher cover has been agreed with the insurer;
- The annual dependants' pension is 70% of the retirement pension;
- The maximum insurable occupational disability pension is € 265,552 per year. The chairman of the Board has a higher cover, € 468,115 (2013: € 468,115) compared to € 336,869 (2013: € 336,869) for the other Executive Board members.

Terms of employment and severance pay

The members of the Executive Board are employed on the basis of a permanent employment contract. Under the terms of employment:

- Members of the Executive Board – with the exception of Niek Hoek and Paul Medendorp – are appointed for a period of four years, in accordance with the Dutch Corporate Governance Code;
- Members of the Executive Board receive severance pay of no more than one year's salary in line with the Corporate Governance Code, with exception of Paul Medendorp and Niek Hoek, whose employment contracts were concluded before the Corporate Governance Code came into effect;
- Employment contracts may be terminated by the company with six months' notice.

Delta Lloyd's policy states that the company and its subsidiaries will not grant any personal loans, guarantees or similar arrangements to members of the Executive Board, except as required for the purposes of executing their normal duties, and subject to conditions applicable to all employees and the approval of the Supervisory Board. Loans will not be forgiven.

3.2.4. Remuneration received by the members of the Executive Board

Base salary and variable remuneration

The base salary was adjusted in 2013 on an average base/variable conversion of 37% to compensate for the 50% reduction in variable remuneration that was adopted by the General Meeting of Shareholders on 23 May 2013. The base salary of the chairman of the Executive Board was set at € 800,000 and that of the other members of the Executive Board at € 592,500, including holiday pay and a '13th month'. Given that the Netherlands plans to introduce new legislation governing variable remuneration for the financial sector in 2015, it was decided to amend the ratio of base to variable remuneration in the package of the new chairman of the Executive Board. His base salary is set at € 950,000 and his variable remuneration grant will be capped at 20% of the base salary.

In light of Niek Hoek's early retirement, it was agreed to terminate his open-ended employment contract (dating from 1997) on 30 June 2015. He will receive up to one year's base salary (€ 800,000) to partially compensate for a shortfall in his pension.

The next tables show the base salary, variable remuneration and pension costs of the individual members of the Executive Board.

Executive Board members' salaries and incentives

In thousands of euros	2014	2013	2012
Niek Hoek, chairman			
Salary	800.0	800.0	675.0
Paid variable remuneration in cash (VIP and Phantom options)	45.2	164.3	135.5
Paid variable remuneration in shares (VIP and PSP)	334.1	307.2	125.6
	1,179.3	**1,271.5**	**936.1**
Ingrid de Graaf (from 22 May 2014)			
Salary	352.7	-	-
Paid variable remuneration in cash (VIP and Phantom options)	-	-	-
Paid variable remuneration in shares (VIP and PSP)	-	-	-
	352.7	**-**	**-**
Paul Medendorp (until 1 December 2014)			-
Salary 1)	556.5	592.5	500.0
Paid variable remuneration in cash (VIP and Phantom options)	33.4	121.9	100.1
Paid variable remuneration in shares (VIP and PSP)	249.4	240.3	92.7
	839.3	**954.7**	**692.8**
Emiel Roozen			
Salary 2)	613.7	592.5	500.0
Paid variable remuneration in cash (VIP and Phantom options)	33.4	94.5	100.1
Paid variable remuneration in shares (VIP and PSP)	225.4	145.3	92.7
	872.5	**832.3**	**692.8**
Onno Verstegen			
Salary	592.5	592.5	500.0
Paid variable remuneration in cash (VIP and Phantom options)	33.4	98.7	100.1
Paid variable remuneration in shares (VIP and PSP)	248.0	155.5	92.7
	873.9	**846.7**	**692.8**
Total	**4,117.7**	**3,905.2**	**3,014.5**

1) including € 13.4 holiday settlement

2) including € 21.2 work anniversary (12.5 years)

Pension expenses relating to members of the Executive Board

In thousands of euros	2014	2013	2012
Niek Hoek, chairman	219.7	228.6	179.0
Ingrid de Graaf (from 22 May 2014)	44.7	-	-
Paul Medendorp (until 1 December 2014)	147.7	162.2	128.9
Emiel Roozen	161.2	162.2	128.9
Onno Verstegen	161.2	162.2	128.9
Total	**734.5**	**715.2**	**565.7**

Former Executive Board members' salaries, incentives and pension expenses

In thousands of euros	2014	2013	2012
Henk Raué (from 1 April 2011)			
Transitional payment (monthly until 1 March 2013)	-	57.1	357.8
Paid variable remuneration in shares	-	146.8	177.9
	-	**203.9**	**535.7**
Paul Medendorp (from 1 December 2014)			
Paid variable remuneration in cash (phantom options)	455.3	-	-
	455.3	**-**	
Total	**455.3**	**203.9**	**535.7**

Crisis levy of taxable income

In 2014 the measure of the Dutch Government to impose an additional levy of 16% on the incomes above € 150,000 of the employees who pay Dutch income tax has ceased. The crisis levy of the Executive Board in 2013 totalling € 600,000 is not included in the table above.

Conditional shares

The table below presents information about shares granted to Executive Board members under the Variable Incentive Plan but which they do not control. It presents information on conditional shares granted by year of remuneration, stating the number granted and the maximum number to be vested (this is the maximum number still attainable at 1 January 2015) as a result of achieving set targets or the discretionary decision of the Supervisory Board.

The Supervisory Board has decided to use its discretionary power to adjust downwards the second and third tranches of variable remuneration 2012 to 0%, and to lower the variable remuneration for 2013 with a percentage matching the value of the first tranche of variable remuneration for 2012 for Executive Board members.

Ingrid de Graaf was appointed as an Executive Board member on 22 May 2014. Conditional shares granted until that date (including 2014) relate to her previous functions.

As noted above, the performance of the members of the Executive Board in 2014 is based on whether they achieve the targets set at the start of the year. The Supervisory Board decided on 17 February 2015 to award 31.05% of the fixed annual salary as VIP to Niek Hoek, 18.48% of the fixed annual salary to Ingrid de Graaf (and 12.07% of her annual salary for her activities as chairman of the commercial department), 29.04% of the annual fixed salary as VIP to Paul Medendorp, 28.17 % to Emiel Roozen and 31.05% to Onno Verstegen, based on achieving set performance targets. The first tranche of 50% of the VIP 2014 will be paid in 2015.

Executive Board members' conditional shares and timing of payment (subject to performance conditions) **

In number of shares	Conditional granted	Maximum vesting	2012	2013	2014	2015	2016	2017	2018
Niek Hoek, chairman									
VIP 2014	24,385	15,143				7,572	2,524	2,524	2,523
VIP 2013	35,067	29,874			14,937	4,979	4,979	4,979	-
VIP 2012	31,104	8,966		6,724	-	-	2,242	-	-
VIP 2011	23,492	19,592	9,796	3,265	3,265	3,266	-	-	-
PSP 2010	24,017	14,456		14,456	-	-	-	-	-
Total number of shares	**138,065**	**88,031**	**9,796**	**24,445**	**18,202**	**15,817**	**9,745**	**7,503**	**2,523**
Ingrid de Graaf (from 22 May 2014)									
VIP 2014	13,365	8,860				4,430	1,477	1,477	1,476
VIP 2013*	-	4,744	-	-	-	1,581	1,581	1,581	-
VIP 2012*	-	1,378	-	-	-	690	688	-	-
VIP 2011*	-	919	-	-	-	919	-	-	-
Total	**13,365**	**15,901**	**-**	**-**	**-**	**7,620**	**3,746**	**3,058**	**1,476**
Paul Medendorp									
VIP 2014	18,060	10,488				5,244	1,748	1,748	1,748
VIP 2013	25,972	22,106			11,053	3,684	3,684	3,685	-
VIP 2012	23,040	7,217		5,413	-	-	1,804	-	-
VIP 2011	17,347	14,467	7,234	2,411	2,411	2,411	-	-	-
PSP 2010	17,735	10,675		10,675	-	-	-	-	-
Total	**102,154**	**64,953**	**7,234**	**18,499**	**13,464**	**11,339**	**7,236**	**5,433**	**1,748**
Emiel Roozen									
VIP 2014	18,060	10,175				5,088	1,696	1,696	1,695
VIP 2013	25,972	19,744			9,872	3,291	3,291	3,290	-
VIP 2012	23,040	6,641		4,981	-	-	1,660	-	-
VIP 2011	17,347	14,467	7,234	2,411	2,411	2,411	-	-	-
PSP 2010	6,424	3,866		3,866	-	-	-	-	-
Total	**90,843**	**54,893**	**7,234**	**11,258**	**12,283**	**10,790**	**6,647**	**4,986**	**1,695**
Onno Verstegen									
VIP 2014	18,060	11,215				5,608	1,869	1,869	1,869
VIP 2013	25,972	22,202			11,101	3,700	3,700	3,701	-
VIP 2012	23,040	7,217		5,413	-	-	1,804	-	-
VIP 2011	17,347	14,467	7,234	2,411	2,411	2,411	-	-	-
PSP 2010	7,019	4,226		4,226	-	-	-	-	-
Total	**91,438**	**59,327**	**7,234**	**12,050**	**13,512**	**11,719**	**7,373**	**5,570**	**1,869**
Total number of all members	**435,865**	**283,105**	**31,498**	**66,252**	**57,461**	**57,285**	**34,747**	**26,550**	**9,311**

* Grants made before Ingrid de Graaf became member of the Executive Board

** lock-up period of the shares ends on 1 January, five years after grant date (irrespective of the payment date)

Executive Board members' conditional share numbers and (expected) values

	Granted number of shares	Value of grants in €1,000*	Awarded number to vest	Value of vested paid in €1,000*	Value of vested unpaid in €1,000**	Total (expected) value vested in €1,000
Niek Hoek, chairman						
VIP 2014	24,385	400.0	15,143	-	275.5	275.5
VIP 2013	35,067	400.0	29,874	275.4	271.7	547.1
VIP 2012	31,104	337.5	8,966	78.1	40.8	118.9
VIP 2011	23,492	337.5	19,592	223.4	59.4	282.8
Total	**114,048**	**1,475.0**	**73,575**	**576.9**	**647.4**	**1,224.3**
Ingrid de Graaf (from 22 May 2014)						
VIP 2014	13,365	219.2	8,860	-	161.2	161.2
VIP 2013 ***	-	-	4,744	-	86.3	86.3
VIP 2012 ***	-	-	1,378	-	25.1	25.1
VIP 2011 ***	-	-	919	-	16.7	16.7
Total	**13,365**	**219.2**	**15,901**	**-**	**289.3**	**289.3**
Paul Medendorp						
VIP 2014	18,060	296.3	10,488	-	190.8	190.8
VIP 2013	25,972	296.3	22,106	203.8	201.1	404.9
VIP 2012	23,040	250.0	7,217	68.9	32.8	101.7
VIP 2011	17,347	250.0	14,467	169.5	43.9	213.4
Total	**84,419**	**1,092.5**	**54,278**	**442.2**	**468.6**	**910.8**
Emiel Roozen						
VIP 2014	18,060	296.3	10,175	-	185.1	185.1
VIP 2013	25,972	296.3	19,744	182.0	179.6	361.6
VIP 2012	23,040	250.0	6,641	63.4	30.2	93.6
VIP 2011	17,347	250.0	14,467	167.2	43.9	211.1
Total	**84,419**	**1,092.5**	**51,027**	**412.6**	**438.8**	**851.4**
Onno Verstegen						
VIP 2014	18,060	296.3	11,215	-	204.0	204.0
VIP 2013	25,972	296.3	22,202	204.7	201.9	406.6
VIP 2012	23,040	250.0	7,217	68.9	32.8	101.7
VIP 2011	17,347	250.0	14,467	167.2	43.9	211.1
Total	**84,419**	**1,092.5**	**55,101**	**440.8**	**482.6**	**923.4**
Total of all members	**380,670**	**4,971.7**	**249,882**	**1,872.5**	**2,326.7**	**4,199.2**

* based on the calculated share price at grant date

** based on the share price of € 18.19 at 31 December 2014

*** all grants were made before Ingrid de Graaf became a member of the Executive Board. Therefore only the outstanding conditional grants at 31 December 2014 are included

The next table presents the conditional cash grant to the members of the Executive Board under the Variable Incentive Plan. Cash was only granted in the incentive plans until 2013, since then the entire grant is in shares.

Executive Board members' conditional cash payments under the variable incentive plan and timing of payment (subject to performance conditions)

in thousands of euros	Granted	Maximum vesting	2012	2013	2014	2015	2016
Niek Hoek, chairman							
VIP 2012	337.5	97.3		73.0	-	-	24.3
VIP 2011	325.0	271.0	135.5	45.2	45.2	45.1	-
Total	**662.5**	**368.3**	**135.5**	**118.2**	**45.2**	**45.1**	**24.3**
Ingrid de Graaf (from 22 May 2014)							
VIP 2012		15.0				7.5	7.5
VIP 2011		12.7				12.7	-
Total		**27.7**				**20.2**	**7.5**
Paul Medendorp							
VIP 2012	250.0	78.3		58.7	-	-	19.6
VIP 2011	240.0	200.2	100.1	33.4	33.4	33.3	-
Total	**490.0**	**278.5**	**100.1**	**92.1**	**33.4**	**33.3**	**19.6**
Emiel Roozen							
VIP 2012	250.0	72.0		54.0	-	-	18.0
VIP 2011	240.0	200.2	100.1	33.4	33.4	33.3	-
Total	**490.0**	**272.2**	**100.1**	**87.4**	**33.4**	**33.3**	**18.0**
Onno Verstegen							
VIP 2012	250.0	78.3		58.7	-	-	19.6
VIP 2011	240.0	200.2	100.1	33.4	33.4	33.3	-
Total	**490.0**	**278.5**	**100.1**	**92.1**	**33.4**	**33.3**	**19.6**
Total of all members	**2,132.5**	**1,225.2**	**435.8**	**389.8**	**145.4**	**165.2**	**89.0**

Phantom options

The intrinsic value of outstanding phantom options on 31 December 2014 was € 4.56 for the 2009 options because the Delta Lloyd NV share price of € 18.19 was higher than the exercise prices of the options granted in 2009. For the phantom options 2008 the intrinsic value was nil as the share price was lower than the exercise prices of the options granted that year. The granted phantom options 2007 expired without value (exercise price of € 20.64). The characteristics and the number of outstanding phantom options on 31 December 2014 were as follows:

Delta Lloyd Phantom Option Plan

	Vesting date	Expiry date	Exercise price (in euros) 1)	Number of options outstanding at 31 December 2013 1)	Number of options outstanding at 31 December 2014 1)	Total intrinsic value as at 31 December 2014 (in euros)
Niek Hoek, chairman						
2009	01- Jan-2012	31- Dec-2016	13.63	131,254	131,254	598,518
2008	01- Jan-2011	31- Dec-2015	22.10	153,412	153,412	-
Ingrid de Graaf 2) (from 22 May 2014)						
2009	01- Jan-2012	31- Dec-2016	13.63	-	-	-
2008	01- Jan-2011	31- Dec-2015	22.10	-	16,467	-
Paul Medendorp						
2009	01- Jan-2012	31- Dec-2016	13.63	84,787	-	-
2008	01- Jan-2011	31- Dec-2015	22.10	99,092	99,092	-
Emiel Roozen 3)						
2009	01- Jan-2012	31- Dec-2016	13.63	25,735	25,735	117,352
2008	01- Jan-2011	31- Dec-2015	22.10	27,285	27,285	-
Onno Verstegen 4)						
2009	01- Jan-2012	31- Dec-2016	13.63	32,995	32,995	150,457
2008	01- Jan-2011	31- Dec-2015	22.10	28,239	28,239	-

1) The number of options was adjusted based on the vesting percentages and on the conversion with regard to the change in the exercise price before and after the public offering.

2) All options were granted in the period when Ingrid de Graaf was not a member of the Executive Board. As a consequence, the upper limit was set at 90% of the 12-month salary.

3) All options were granted in the period when Emiel Roozen was not a member of the Executive Board. As a consequence, the upper limit was set at 90% of the 12-month salary.

4) All options were granted in the period when Onno Verstegen was not a member of the Executive Board. As a consequence, the upper limit was set at 90% of the 12-month salary, except for the year 2009, for which the upper limit was set at 110%.

Paul Medendorp exercised his 84,787 phantom options 2009 in December 2014.

The conditional grants recognised in the financial statements differ from the amounts presented in the tables above because the liability in the financial statements is calculated on the basis of share-based payments (IFRS 2), it involves deferred employee benefits (see section 5.1.7.8. ‘Employee information’ for the methods and parameters used) and is calculated before the Supervisory Board decides on the target achievements of the Executive Board members over the current year and ex-post adjustments for previous years. The liability for VIP equity settled is part of the reported amount in equity line item Equity compensation plan (see section 5.1.4. ‘Consolidated statement of changes in equity’) and for the cash settled plans in the provision line item Employee equity compensation plan (see section 5.1.7.30. ‘Provisions for other liabilities’).

Financial statement liability at year end

In thousands of euros	VIP equity settled	VIP cash settled	Phantom options	2014	2013
Niek Hoek, chairman	532.0	87.7	581.8	1,201.5	1,551.7
Ingrid de Graaf (from 22 May 2014)	228.6	25.8	4.5	258.9	-
Paul Medendorp	397.0	67.6	27.5	492.1	1,054.0
Emiel Roozen	383.9	64.9	102.5	551.3	583.4
Onno Verstegen	397.4	67.6	130.3	595.3	629.1
Total	**1,938.9**	**313.6**	**846.6**	**3,099.1**	**3,818.2**

Delta Lloyd shares held by the Executive Board

The members of the Executive Board are permitted to hold Delta Lloyd shares as a long-term investment. The table below presents information on the total number of shares the Executive Board members own, the shares they do not yet fully control (lock up) and the number and value of shares released from lock up. All shares received by the Executive Board members as part of the Variable Incentive Plan from 2011 and onwards are still in lock up.

Shares owned by member of the Executive Board

In number of shares	Locked shares at 1 January 2014	Unlocked during 2014	Locked during 2014	Locked shares at 31 December 2014	Total unlocked shares at 31 December 2014	Total shares at 31 Decemb er 2014	Total shares at 31 December 2013
Niek Hoek, chairman	27,058	-	11,016	38,074	51,141	89,215	73,216
Ingrid de Graaf (from 22 May 2014)	-	-	8,257	8,257	485	8,742	-
Paul Medendorp	16,648	-	6,588	23,236	33,447	56,683	46,571
Emiel Roozen	12,999	-	7,533	20,532	3,062	23,594	14,750
Onno Verstegen	13,404	-	8,171	21,575	3,153	24,728	15,184
Total	**70,109**	**-**	**41,565**	**111,674**	**91,288**	**202,962**	**149,721**

Loans Executive Board

Subject to conditions applicable to all employees and clients, on 31 December 2014, the outstanding mortgage loans payable by three members of the Executive Board were:

Loans and advances relating to members of the Executive Board

In thousands of euros	Outstanding at 31 December 2014	Average interest rate	Redemption in 2014	Outstanding at 31 December 2013	Average interest rate	Redemption in 2013
Niek Hoek, chairman	797.8	4.7%	-	797.8	4.9%	-
Ingrid de Graaf	506.0	4.1%	-	-	-	-
Emiel Roozen	773.5	3.3%	-	773.5	3.1%	151.5

3.2.5. Remuneration of the Supervisory Board

The remuneration policy for the Supervisory Board was adopted by the General Meeting in October 2009. The policy is in line with a peer group benchmark carried out by an independent remuneration expert. The members of the Supervisory Board are remunerated in accordance with their positions on the Supervisory Board. They are also paid for the committees they serve on and expenses incurred. No attendance fees are paid

No bonuses, loans or mortgages are granted to current or former Supervisory Board members. They are not entitled to a pension or option plan, nor are they entitled to contractual severance payment on termination of service.

The table below presents the annual remuneration of the Supervisory Board members based on their function and the remuneration for committee members.

Remuneration of the Supervisory Board

Function	**Remuneration in €**
Chairman	75,000
Vice-chairman	60,000
Member	50,000
Committees	
Chairman of the Audit and/or Risk Committee	9,000
Member of the Audit and/or Risk Committee	6,000
Chairman of the Remuneration and/or Nomination Committee	9,000
Member of the Remuneration and/or Nomination Committee	5,000

In 2014, the members of the Supervisory Board received the following remuneration. The table below includes remuneration for former members until May 2014 (Peter Hartman and Patrick Regan). New members Rob Ruijter and André Bergen receive a pro rata remuneration for 2014.

Remuneration of the Supervisory Board current year

In thousands of euros	**Remuneration**	**Committees**	**Expenses**	**Total**
Jean Frijns, chairman (from 1 January 2014)	75.0	18.8	0.2	94.0
Eric Fischer, vice-chairman	60.0	14.0	0.2	74.2
André Bergen (from 22 May 2014)	37.5	13.0	0.2	50.7
Jan Haars	50.0	15.0	0.2	65.2
Peter Hartman (until 22 May 2014)	25.0	5.0	0.1	30.1
Fieke van der Lecq	50.0	12.0	0.2	62.2
Clara Streit	50.0	12.7	0.2	62.9
Patrick Regan (until 22 May 2014)	25.0	6.0	0.1	31.1
Rob Ruijter (from 22 May 2014)	37.5	13.5	0.2	51.2
Total	**410.0**	**110.0**	**1.6**	**521.6**

Remuneration of the Supervisory Board prior year				
In thousands of euros	**Remuneration**	**Committees**	**Expenses**	**Total**
René Kottman, chairman (until 31 December 2013) 1)	75.0	14.0	0.2	89.2
Eric Fischer, vice-chairman	60.0	12.0	0.2	72.2
Pamela Boumeester (until 1 April 2013)	12.5	3.5	0.1	16.1
Jean Frijns	50.0	15.0	0.2	65.2
Jan Haars	50.0	15.0	0.2	65.2
Peter Hartman	50.0	10.0	0.2	60.2
Fieke van der Lecq	50.0	12.0	0.2	62.2
Clara Streit (from 11 July 2013)	25.0	5.0	0.1	30.1
Patrick Regan	50.0	12.0	0.2	62.2
Total	**422.5**	**98.5**	**1.6**	**522.6**

1) Excluding € 20,000 (2012: € 20,000) remuneration of the Supervisory Board of the Delta Lloyd Bankengroep

3.2.6. An outlook for the remuneration policy in 2015 and beyond

In 2015, new legislation comes into force in the Netherlands that caps bonuses for financial sector employees at 20% of their annual salary.

Given the expected change in legislation, it was decided to change the ratio of base to variable remuneration in the package of new chairman Hans van der Noordaa. The variable portion of his remuneration will be capped at 20% of his base salary.

At the General Meeting on 23 May 2013, the shareholders decided that if legislative changes dictate a variable remuneration cap at 20% the same conversion ratio will be used as applied in halving the variable compensation in 2013. As a result of this conversion factor (of 37%), the total direct compensation will remain in line with the median market level. The conversion of variable pay into fixed compensation will be in shares with conditions similar to those under the variable incentive plan (such as a five-year lock up period). This to further strengthen shareholder preference of shareholder engagement within the Executive Board.

New legislation will also reduce the maximum pension accrued to 1.875% (from 2.15%) of the full pensionable salary. The part of the pensionable salary above € 100,000 will be built up based on a defined contribution scheme. Current pension for salaries above € 100,000 will be exchanged for new collective savings products within the guiding principles of the Supervisory Board.

4. SUSTAINABILITY

4.1. Sustainability strategy

Delta Lloyd seeks to fulfil its strategy through sustainable entrepreneurship. This means taking into account the long-term consequences of our commercial and financial decisions. We aim to minimise any negative impact our activities may have, while carefully considering the interests of our stakeholders.
We seek to positively contribute to the development of our employees, society, economic growth and the environment. In this way we do what we can to secure a sustainable future for our customers, shareholders, employees, suppliers and the planet.

Our sustainability policy concentrates on five priorities:

- **Customer centricity** - We aim to offer simple and clear products and services that our customers can understand, and to add sustainable value for our customers.
- **Integrity** - Compliance and the strict prevention of fraud are fundamental to our business. We aim to continuously improve and expand our responsibly invested assets.
- **Community involvement** - We participate in society through community activities and voluntary work.
- **Good employment practices** - We are committed to offering competitive remuneration and benefits, training and development and a diverse working environment.
- **Environment** - We aim to minimise the impact of our business on the environment.

Sustainability performance

Strategic pillars	Objective	2014	2013
Dow Jones Sustainability Index	**Be included in the DJSI**	**Included**	**Not included**
Customer centricity			
Customer hallmark	Retain Customer hallmark	Retained	Retained
Complaints registered	Register more complaints	14,591	12,603
Integrity			
Savings from fraud prevention	Preventing fraud as far as possible	€ 13.7 m	€ 15.6 m
Responsibly managed assets	Increase share of responsibly managed assets	63%	62%
Community involvement			
Number of volunteering activations	More than 500 activations annually	714	463
Investment in sponsorships	Maintain sponsorships at same level	€ 4.7 m	€ 4.5 m
Good employment practices			
Training and education	Focus on lifelong learning	€ 9.9 m	€ 7.9 m
Employee engagement	Increase score from last year	74%	75%
% Female directors	30% female directors	22%	24%
Environment			
Amount of CO2 emissions	Reduce CO2 emissions	6,398	6,906

4.1.1. Key developments

Delta Lloyd was included in the Dow Jones Sustainability Index (DJSI) World and the DJSI Europe in September 2014. This is an important acknowledgement of our efforts to combine sustainable business practices with commercial success.

The DJSI monitors businesses worldwide that have made sustainability a priority. This prestigious index represents the top 10% of the 2,500 largest companies in each sector of the Dow Jones Global Index. The annual ranking is preceded by a detailed in-depth analysis based on the company's economic, social and ecological performance. Relevant indicators include risk management, corporate governance, branding, measures to minimise greenhouse gases, service provision and HR policy.

Sustainable impact programme

Delta Lloyd contributes to sustainability in a number of areas, but to deliver real and measurable value we have been making efforts to sharpen our focus and bring all these initiatives together in a coherent whole. In 2014, we initiated the Sustainable Impact programme, which aims to integrate sustainability into our daily operations in a way that has a visible and measurable impact. The programme falls under the auspices of the Executive Board and consists of two stages. Firstly, it will help Delta Lloyd meet the requirements and benchmarks for sustainable investment, reporting and compliance with the Dow Jones Sustainability Index. In the second stage, we will define the areas in which we want to stand out as a sustainable insurer.

To support this, a series of dialogues was held with Delta Lloyd employees about sustainability and how to integrate it into our business. These internal discussions took place in the summer of 2014 and showed a real desire among managers and employees to move sustainability forward. We also engaged in a series of dialogues with external stakeholders (see below).

It will address three pillars, which are currently under consideration: integrity (responsible investment); environment & good employer and community involvement & customer centricity.

In 2015, we will define our goals and set measurable targets in these areas. This will be translated into a CSR scorecard with key performance indicators to monitor our progress.

We are tightening our investment policy to ensure the countries, sectors and companies we invest in meet environmental, social and governance (ESG) criteria and in 2015 we will carry out a materiality analysis and assess our investment portfolio based on ESG criteria.

We will also consider ways we can make our mark as a responsible insurer, for example by looking at new products to insure sustainable innovations such as renewable energy or cradle-to-cradle regenerative design. We will also work with our group pensions customers to help them prepare their employees for retirement. In this way we can combine our commercial impact with making a positive impact on society. The pension surveys we carried out in 2014 (see section 1.8.1) are also part of this.

Stakeholder dialogues

As we give our sustainability policy a sharper focus and use it to develop a clearer Delta Lloyd identity, we entered into a dialogue with our external stakeholders in late 2013, asking for their thoughts on Delta Lloyd and their expectations of us. We organised 12 stakeholder dialogues that centred around three themes we consider to be crucial for attaining our five sustainability priorities (see in the beginning of this chapter) and Delta Lloyd's overall strategy. These themes are: Water & Wind (two dialogues), Poverty & Debt (five dialogues) and Impact of Investments (two dialogues). In the course of the discussions, we spoke to some 45 external stakeholders. Participants were selected according to their expertise in each theme. We also invited people with whom we had not previously held any discussions and who we believed would find it interesting to exchange ideas, such as scientists, journalists, business professionals and civil society organisations. Most of the dialogues were attended by a member of the Executive Board.

Early in December, we organised a concluding meeting for each theme, where we gathered the findings from earlier dialogues and the internal sessions with employees. For each theme we were able to draw a number of conclusions. From the Water & Wind dialogues we learned that nobody can hold a claim over water and wind because they are natural resources that belong to everyone. But we also now understand that it's generally considered logical and desirable for us to invest in clean and safe water.

The dialogues about Poverty & Debt have reinforced our ambition to increase the financial self-reliance of vulnerable groups. The conclusion was that a sustainable and structural approach to poverty caused by long-term debt calls for essential changes to both the system and people's financial behaviour.

The dialogues about the Impact of Investments gave us insight into the two sides of this issue. On the one hand, there is a need to raise the sustainability bar for our entire investment portfolio. On the other hand, we must choose on one or more themes where we can best play a leading role as an investor. Drawing on the lessons learned in 2014, we will continue to refine and implement our sustainability policy in the business in 2015.

4.1.2. Governance

Sustainability is an integral part of our business strategy. For 2014, customer centricity, employee motivation and compliance culture were key performance indicators (KPIs) for the variable remuneration of the Executive Board. See also section 3.2.

In 2014, the chairman of the Executive Board was responsible for our sustainability policy, while the director of Corporate Communications was the sustainability policy owner. The Corporate Communications department is responsible for translating our sustainability objectives into concrete actions in the business divisions. This task is specifically assigned to the Corporate Social Responsibility (CSR) manager. Corporate Communications is also responsible for reporting on the sustainability policy.

In our businesses, the relevant directors monitor the implementation of our sustainability plans for customers, integrity and product integrity, community involvement, good employment practices and the environment. The director of Corporate Communications and the chairman of the Executive Board regularly discuss our progress on sustainability and it is included on the Executive Board agenda at least twice a year. The Supervisory Board is kept informed of progress on sustainability through quarterly information memorandums.

The Sustainable Impact programme is run by the Group Business Development department. The programme manager reports directly to a member of the Executive Board, who also chairs the ESG Board. The ESG Board was set up in 2015 to decide on environmental, social and governance issues and policy. It meets quarterly to assess sustainability risks and opportunities and monitor performance. There are five permanent members. These are the managing directors of Asset Management and the Commercial division, the director of Corporate Communications and the programme managers for Sustainable Impact and the Delta Lloyd Foundation. Delta Lloyd Asset Management has its own separate Responsible Investment Committee.

The ESG Board replaces the former ESG Committee.

4.2. Putting our customers first

We aim to deliver sustainable added value for our customers with our products and services. That is why we engage in an open dialogue with our customers and make improvements based on their input. We want to excel in customer care, and in providing clear information and communication.

Customer centricity is centrally embedded in our organisation within the Executive Board and the Supervisory Board. In each business unit, a board member carries ultimate responsibility for customer centricity. These directors jointly constitute a steering group in which they exchange information and experiences and disseminate this knowledge throughout Delta Lloyd.

In the coming year we will focus on embedding the programme and actions in the line organisation. From 2015, we will transform the programme into a staff department that falls directly under the Executive Board. This ensures customer centricity remains high on the agenda in our organisation.

4.2.1. Fair products and services

One key priority within our customer centricity policy is clear and transparent communication; we want our customers to understand our products.

'Plain language' training

In 2014, we continued with the 'plain language' training courses we initiated in 2013, and also organised refresher courses on this subject. Over 1,500 employees attended the training in 2014. In addition, about 170 text coaches support employees in their daily work. Clear customer communication forms part of our employees' performance assessment. Random samples, among other things, are assessed for this purpose. As a result of our efforts in the past years, our employees are more aware of how they communicate with customers. Employees share their experiences with each other and with managers and call each other to account for specific issues. For example, when communication falls short of the required standard, colleagues will step in before a manager needs to.

Rewriting policy conditions

As part of our commitment to clear customer communication, we are rewriting the conditions of policies. This initiative was launched in 2013 and our objective for 2014 was to simplify all our conditions. The majority of the conditions and supplementary product information have now been rewritten, but this is an ongoing process and there is still room for improvement. In 2015, we will continue to simplify further the rewritten conditions and rewrite those that have not yet been addressed.

Product approval and review

We want to offer products that our customers understand. This not only applies to new products, but also to existing and adapted products. Clearly, the needs of our customers evolve over time. That is why we review our products once every two years and make improvements wherever necessary. Our inactive products (those that we no longer sell, but still have in our books) are reviewed once every four years. This process is structured in the product approval and review process (PARP), in accordance with the requirements of the decree on the supervision of conduct of financial enterprises (Besluit Gedragstoezicht financiële ondernemingen / Bgfo) under the Financial Services Act (Wft). The key question of this review is 'does the product meet the needs of customers and does it do what it should'? Ensuring our customers can easily understand our information is an important PARP finding that all our business units are currently addressing.

In 2014, we continued our efforts to resolve the findings of our 2013 review and improve products.

A working group representing all business units meets eight times a year to discuss the outcomes of the reviews, the progress on improvements and share knowledge. Each business unit is responsible for taking its own improvement actions. In 2014, we updated the PARP template and the process description. In particular we paid close attention to defining the target audience. Who is the product suitable/not suitable for? The template also contains a more extensive scenario analysis, assessing whether the product does what it should do for customers in various situations, for instance, if someone becomes unfit for work.

Quality dashboard

It is important that the intermediaries who advise customers and offer our products do so in a way that meets our own customer care standards, from both a customer's and legislative points of view. To this end we have developed a quality dashboard that monitors the intermediary's efforts on customer centricity and compliance. It currently contains 50 parameters, divided over four main themes. Every parameter has been awarded a weighting. This adds up to a total score per theme and, in turn, an overall score. We update the data in the dashboard every three months. It uses a combination of several – already existing – internal and external reports to analyse efficiently the intermediary's integrity and quality of advice to our customers. The outcomes, combined with other legislative and commercial criteria, can therefore be used to manage our supply chain. For example, the Pensions business line in the Commercial Division used outcomes of the dashboard in 2014 to assess advisors. Any business ruling based on this will only take place after careful in-depth monitoring and consideration.

Unit-linked insurance

Delta Lloyd informs its customers about their unit-linked insurance policies through advisers and intermediaries, so they can make well-considered decisions about whether or not to adjust these policies. If customers want to change the policy, we will support them. Moreover, like all other insurers, we have committed to an activation ambition for non-accruing policies, in consultation with the AFM. We set ourselves an above-average target to activate 90% to 95% of our customers with a non-accruing policy by the end of 2014. We achieved this, activating well over 90%. Our personal activation approach is bearing fruit and a growing number of customers are taking action. Our next target is to activate 80% of our customers with a mortgage-linked policy by mid-2015. We also want to activate the last remaining customers with non-accruing policies. In addition, we will start activating customers with deferred annuity policies in 2015.

In 2014, we commissioned the National Institute for Family Finance Information (Nibud) to carry out a survey into the reasons why people fail to respond to the request to take action with regards to their unit-linked policies (read the complete survey in Dutch). Based on the findings and with Nibud's assistance, Delta Lloyd created a flyer calling on customers to take action and highlighting the advantages of doing so. Customers will then know where they stand financially and have a stronger grip on their financial situation. The flyer was distributed by Nibud.

A large proportion of our customers have a unit-linked insurance with a guarantee, that entitles them to a minimum capital sum on maturity or a guaranteed return. These customers, therefore, are always assured of receiving a minimum payment. We also have an exceptional hardship arrangement for customers whose special personal circumstances require it. In such cases, we do our best to find solutions tailored to their specific needs. We also adopt a personal approach to complaints. This approach has proved to be effective. The number of pending complaints Delta Lloyd has regarding unit-linked insurance policies is extremely limited at 0.02% of the overall unit-linked insurance portfolio in 2014 (unchanged from 2013).

Dilemma

Activating our customers sometimes requires a lot of effort. We write letters, make phone calls, send text messages and even pay home visits. Practice shows that despite these efforts, there are still some customers we are unable to reach. We are continuing to search for ways to make contact with this group. In 2014, for instance, we carried out a pilot in which we sent customers up to four weekly postcards, asking them to get in touch with us. The question is where does our responsibility end and when is it up to the customers to take the initiative for own affairs?

4.2.2. Learning from our customers

Customers are becoming more vocal and have access to more channels through which they can express themselves. We see this trend as an opportunity. Reactions from customers via social media, for instance, result in a more open and transparent dialogue. This input enables us to further improve our services by tailoring our processes and products to our customers' needs.

We also actively initiate a dialogue with our customers in an effort to further optimise our services. Examples include organised meetings and customer research. In 2014, we formalised the governance for carrying out customer research in our Customer Interaction policy.

Sessions with customers

In 2014, we organised an open dialogue session between our employees and customers. On the one hand, we wanted customers to get to know us and, on the other hand, we wanted to find out how they experience our products and services. The outcomes were fed back to all employees through the intranet. In 2015, we will be organising theme-based dialogue sessions.

Customer experience

The customer-facing business units work with customer experience measurements. These are carried out after every customer contact during our three most important customer processes and via our three most important channels. The three processes are: becoming a customer, renewing products and using products (submitting health/general insurance claims). The channels are: telephone, email and online (website). In 2014, we stepped up the frequency of measuring customer experience for the most important process steps to a weekly instead of a monthly basis, using questionnaires. In 2015, we will measure every step in the process and make improvements based on the outcomes.

Customer journey

In 2014, a multidisciplinary team took stock of the 'customer journey'. In 2013, we had focused on the 'I want to become a customer' component for all our OHRA products, and in 2015 we will measure the 'satisfaction' component for all our products. Our aim is to obtain an overall picture of the customer journey. What steps does a customer take - from searching for information about insurance, to buying the policy, submitting claims and cancelling the insurance - and what issues do they encounter along the way? The resulting insights will be used to improve the customer journey.

To help employees working for the OHRA brand put the customer journey at the centre of everything they do, an external marketing agency developed three expert modules in 2014 covering proposition development, digital marketing and customer experience. About 20 people from various departments – including marketing, online and contact centre staff – attended a basic course and one of the three specialised modules. The participants will be responsible for improving and assuring customer journeys within their department in 2015. We also intend to share knowledge across the company to help employees in other business units make the customer journey their central focus.

Also in 2014, we developed the 'First time right' programme for general insurance products in the fields of direct debits, changes and cancellations. We scrutinised these three processes to identify possible improvements to the customer journey. One thing we found was that many customers called to check whether the amount charged for making changes to their insurance policy was correct. Based on this finding, we adjusted the information in the letters we send after such changes are implemented. This resulted in a decrease in the number of related telephone calls.

All actions initiated under the 'First time right' programme are now bearing fruit. In the final months of 2014, we reduced the number of unnecessary customer contacts for general insurance claims by 20% as compared to our baseline year 2012. In 2015, we will look at all other aspects of the customer journey for general insurance products. This is a complex process as it touches on numerous parts of our organisation (online, back office, marketing and customer service).

Dilemma

Now that customers are increasingly arranging their finances online, Delta Lloyd is developing its online services. This means we must make choices and translate these into our everyday business. One of the consequences is that we discontinue certain activities. For instance, insurance policies will no longer be renewed by telephone but only online. So when do we encourage customers to use the internet and when do we force them? This is a tough question to answer. We are taking a trial and error approach. We try things out and reverse anything that does not work. Customers are often ready for change sooner than we think.

Insight into customer experience

Our measurement methods already provide insight into the customer experience. In 2015, we will take further steps forward in this respect – for instance, by making even better use of the information available in our databases. By integrating more of our systems, we can even further improve our analyses and more easily obtain an overall picture of ongoing developments and issues.

4.2.3. Complaints and customer satisfaction

Complaints management

Delta Lloyd sees every complaint as 'free feedback' and an opportunity to learn and improve. Since 2013, we have applied a broader definition of complaints, so that more are recorded. Our new focus is therefore to record as many complaints as possible, rather than to reduce the number. In 2014, we encouraged employees to report more signals they received from customers to gain more input. The information we receive in this way gives us the opportunity to further improve our services.

A company-wide working group meets several times a year to discuss and improve the way we manage complaints. In this way, we ensure a uniform approach to complaints management throughout Delta Lloyd. In 2015, we will continue to work along the same lines and record complaints even better and in a more detailed way. This will enhance our ability to learn and improve. We also want to further integrate complaints management into the organisation: every employee should adopt and apply the motto 'a complaint is an opportunity'.

Complaints

In numbers, unless otherwise stated	2014	2013	Change
Total standard complaints	14,591	12,603	16%
Handled within target time	14,066	11,671	21%
Handled within target time (%)	**96%**	**93%**	**4pp**

In accordance with our target of registering more complaints we had a total of 14,591 standard complaints in 2014, a significant increase compared to last year (2013: 12,603). The majority of these complaints was handled within the target time (2014: 96%, 2013: 93%).

4.3. Integrity

Delta Lloyd is committed to building long-term relationships. It is the nature of our business in which we enter into long-term insurance agreements. We want people and businesses to want to stay with us: not just our customers and employees, but also our suppliers and business partners. Doing business with decency and integrity is the first step.

Integrity involves adhering to strict laws and rules as well as upholding standards and core values. You must keep your promise, act with honesty and take responsibility. Accordingly, we have identified the following priorities for the integrity theme: responsible investing, fraud and compliance.

We are aware that the financial sector is still under scrutiny and customer trust remains low. Our integrity has a direct impact here, everything we do within this area should contribute to restoring this trust.

4.3.1. Responsible Investing

When deciding whether or not to invest in a company, Delta Lloyd looks at both financial and non-financial (ESG) criteria. This responsible investing policy is applicable to all our investments.

Consumers, companies, non-governmental organisations (NGOs), supervisors and the media are no longer satisfied merely knowing a company's vision on the environment and human rights. They also want concrete evidence substantiating its track record in these areas. In 2014 we put extra effort into integrating our sustainability vision into our investment vision and policy.

Responsibly managed assets

In millions of euros unless otherwise stated	2014	2013	Change
Sustainably managed assets	1,017.9	646.9	57%
Responsibly managed assets	52,740.1	47,692.5	11%
Total sustainably and responsibly managed assets	**53,757.9**	**48,339.3**	**11%**
Total assets under management	85,253.6	77,817.2	10%
Sustainably and responsibly managed assets (%)	**63%**	**62%**	**1pp**

ESG approach

Based on the overall developments, we embarked on further improving our ESG approach in 2014. We have expanded our policy with a country policy and a section on sovereign bond investments. For each type of investment, we want to determine the relevant ESG factors. We continuously assess the areas of expertise we already have in-house and the areas that still need to be supplemented. We look at which ESG risks a specific investment portfolio is exposed to, how portfolio managers can monitor and prevent or address these risks, and what the opportunities are. Based on the findings, we agree specific KPIs that will contribute to integrating ESG at portfolio level. An assessment based on these KPIs will start in 2015. Ultimately, our objective is to provide good quantitative reports for each asset class and to achieve maximum transparency. This will enable us to demonstrate our actual impact.

Responsible investing is also more strongly embedded within the Executive Board. Among other things, the Executive Board has set concrete objectives for implementing our responsible investment policy from 2016 and beyond. In addition, Asset Management is taking an increasingly active stance in its cooperation with the business divisions, Delta Lloyd Levensverzekeringen and Delta Lloyd Schadeverzekeringen. The result is an integrated approach across the company. For instance, acting in consultation, we can look at a prospective corporate client's ESG score and based on the outcome, we can engage in a dialogue to encourage the company to improve its performance where necessary. In the most extreme case, we can decide not to accept the company as a customer.

Exclusions

Delta Lloyd can decide not to invest in companies with poor ESG scores (exclusions) or monitor them for improvements (watch list). The Responsible Investment Committee within Delta Lloyd Asset Management advises the Executive Board, based on its own observations and on research by external agency Sustainalytics. This committee comprises investors from all our asset teams. In 2014, Delta Lloyd adjusted its systems in consultation with the Compliance department. These modifications automatically prevent us from investing in companies that are on the exclusion list.

Responsible investment policy: excluded companies

Number of excluded companies	2014	2013
ESG criteria		
Corruption	7	5
Environment	8	9
Human rights	17	11
Labour	3	7
Total ESG criteria	**35**	**32**
Weapons		
Nuclear weapons	12	8
Controversial weapons	16	16
Total weapons	**28**	**24**
Total number of exclusions	**63**	**56**

The cause mentioned is the principal cause. Some companies are excluded because of involvement with multiple sorts of controversial weapons. However, this list includes each company only once.

In addition, in 2014, between 35 and 40 private companies were consistently excluded from investments because of their involvement with controversial weapons and between 60 and 70 companies were on our watch list due to incidents contravening the UN Global Compact.

Country policy

We implemented a country policy in 2014 for our bond investments. This sets out how we address countries' approach to human rights, political and general stability, corruption and environmental problems when we make investment decisions. What risks are relevant and how could they affect the value of the investments in the country in question? The most important sources for this information are the investors themselves. They are our eyes and ears in the market.

Dialogues with external stakeholders

In 2014, Delta Lloyd organised various dialogues with external stakeholders. Two dialogues and a concluding meeting were devoted to 'Impact of Investments'. What do our stakeholders consider important in this area? How can we, as Delta Lloyd, make a sustainable difference? Based on the outcomes of these dialogues and our sharpened ESG policy, we will define priorities for our investment policy in 2015. We also hosted the Best Practices Seminar of CFA Netherlands, discussing with over 100 investors how they are addressing ESG factors in fundamental equity valuation.

Voting behaviour

In 2014, we reduced the threshold for voting at shareholder meetings from € 25 million or more to € 10 million or more. In addition, we vote at shareholder meetings of companies in which we hold stakes of 5% or more. The lower threshold means we will now vote at more shareholder meetings than before and exercise more influence. How we vote on corporate governance issues such as remuneration, appointments or reappointments, capital structure and board independence, is determined on the basis of European best practices in the respective areas. This year we voted at 705 annual or extraordinary shareholder meetings. The percentage of ballots (portfolios) that voted as a percentage of the total number of ballots was 71%.

Challenge

Delta Lloyd wants to exercise influence on the ESG performance of the companies we invest in. At the same time, we want to achieve the best possible investment return for our stakeholders. Currently, good returns can be realised on index-linked investments, however investors have much less influence over such index trackers. The challenge, therefore, is to determine how we can best meet the requirements of our responsible investment policy in such cases. Our answer is to define specific responsible investment KPIs together with each asset team. As a result, the KPIs for investments in indeces are different from the KPIs for participating interests.

4.3.2. Fraud prevention

When it comes to fraud Delta Lloyd focuses on preventing incidents of fraud and on the integrity of both our employees and our customers. Integrity awareness encourages honest behaviour and helps to strengthen the trust in our company and the sector as a whole. It also minimises the unnecessary payment of fraudulent claims that can lead to higher insurance premiums. In this way, we can continue to offer our customers honest products at competitive prices.

Due to ongoing digitalisation, the types of fraud and the ways in which we can monitor and counter it are changing. In addition, organised fraud is on the rise, such as vehicle theft and fraudulent sickness claims. It is imperative that we respond to and anticipate these and other developments.

Multidisciplinary approach

Data analysis uncovers trends and provides a fresh perspective that opens the way to new insights and solutions. In 2014, we extended the use of the data analysis tool we purchased the previous year. We collected data from different systems and scrutinised it for specific fraud patterns. We also checked the data for accuracy and consistency.

Timely identification of trends allows us to prevent fraud at an earlier stage. In this context, we took action in 2014 to curb the rising number of car thefts. We set up a multidisciplinary project team that allowed us to pool our knowledge and take a broader view on how best to respond to the trend and prevent fraud. We also worked with external parties, such as industry associations and the police. Everyone could analyse the relevant components from their own specific perspective. The project team has since been transformed into a permanent multidisciplinary vehicle crime core team. In the coming years, we will apply this multidisciplinary approach more often to combat fraud trends that can have a major impact on our business.

The Integrity department worked more closely with the business in 2014 to help us achieve our objective of preventing fraud as far as possible. Among other things, staff from Integrity took part in team meetings, presented workshops and spent hands-on time in the business. In this way, they created greater awareness of fraud prevention and made it easier for colleagues to ask questions. In addition, it gave the Integrity department employees more insight into the daily work of the business. The department is thus able to provide input at an early stage and help the business make the correct choices and decisions. Moreover, this closer cooperation improved Integrity's understanding of the processes and products of the various departments, which makes us even better able to take repressive or preventative measures against fraud. Integrity staff are now more involved as advisers in integrity tests, for example of customers, new products and processes.

From 2015, we want to expand our data analysis and extend the cooperation with the business while sharpening our focus on fraud prevention. We will roll out a training programme in 2015 to equip the Integrity employees for their new tasks. Our digital acceptance and claims handling processes will also be reviewed to establish what more we can do to prevent fraud at an early stage.

Best practice

The outcomes of the 2013 'Insurers and Crime Monitor' audit were released in 2014. Delta Lloyd achieved good scores, emerging as 'best practice' on fraud prevention and detection. The fact that Delta Lloyd has centralised its fraud prevention and integrity tasks within a separate and independent Integrity department contributed towards this accolade. We are delighted to regularly share our knowledge and developments with other parties in the sector through talks, seminars and company visits.

Fraud prevention

Delta Lloyd is committed to creating an open and integrity-based environment in which all employees can report instances of fraud or inappropriate risk-taking without fear of compromising their own position. We have a Whistleblower Policy for this purpose. Employees can report wrongdoing to the Integrity Disclosure Office. In 2014, the Integrity Disclosure Office received 40 notifications about behaviour that potentially breaches the integrity standards of Delta Lloyd (2013: 20). Furthermore, several other issues were reported e.g. spam, phishing emails, misuse of the Delta Lloyd brand name and incorrect/false invoices. This shows employees know where to report incidents and where to ask questions. A total of 31 internal incidents were investigated in 2014, including three whistleblower notifications. In 2013, we investigated 28 internal incidents.

In 2014 we saved a total of € 14 million by fraud investigations (2013: € 16 million). Due to the prevalence of major fire damage prior to 2012, the Integrity department invested heavily in fire investigations. This has led to significant savings in the cost of claims. A substantial saving on one major fire has a huge influence on the overall figure.

Reported frauds and incidents

In numbers	2014	2013
Fraud reports		
Internal fraud	31	28
External fraud	2,483	3,089
Total reported fraud	**2,514**	**3,117**
Reported incidents		
Whistle-blowers policy	3	1
Integrity desk	40	20
Dutch Association of Insurers	328	360
Total reported incidents	**371**	**381**
Total of integrity reports	**2,885**	**3,498**

4.3.3. Compliance

Our sector is confronted with ever-increasing laws and regulations. We are alert to the changes and ensure early compliance so that our organisation is ready when new or stricter regulations take effect. In 2014, for instance, we developed a policy for new European privacy legislation that is due to take effect in 2016. The business units and staff departments will implement this in 2015. The Compliance department has a coordinating role and formulates policy, while the divisions have their own responsibility to comply with laws and regulations.

Conscious commitment to sustainable entrepreneurship

Alongside regulatory compliance, Delta Lloyd considers it important that all employees have a clear focus on sustainability and customer interest. Compliance staff support and advise employees in applying internal and external codes of conduct and making the right choices. To make sure this is done effectively, we increased the number of Compliance staff.

Delta Lloyd makes every effort to raise employees' awareness of compliance in their daily activities. This reduces risks and increases our chances of achieving sustainable entrepreneurship and satisfied customers. Accordingly, we set up a Compliance Encouragement programme at the start of 2014. Risk awareness was identified as a key competence for all employees and from 2015, all managers will make concrete agreements about this with their employees. We also carried out a baseline measurement to determine the current risk culture within Delta Lloyd. Based on the findings, we will take targeted actions in 2015 to raise our risk awareness and commitment to compliance.

Alongside the Compliance Encouragement programme, a growth plan was drawn up in 2014 for organising Compliance and raising it to a higher level across the organisation.

In 2015, we will continue our activities to evolve towards a risk-aware and sustainable compliance organisation. One initiative involves implementing a compliance management cycle. This will enable us to put uniform reporting procedures in place, leading to more accurate risk assessment and management. In addition, Compliance officers will give further shape to their role as sparring partners for the business and staff departments at Delta Lloyd. This will promote company-wide collaboration, so that Compliance will make a better contribution to decision-making.

4.4. Taking community action

Delta Lloyd is aware of its corporate citizenship and responsibility. Using our financial skills and expertise, we seek to contribute to a stable society and equal opportunities for everyone. Our community activities and voluntary work are conducted through the Delta Lloyd Foundation. There were numerous developments in 2014 in the area of community involvement. As a result, we will reshuffle our policy in 2015 to encompass CSR in the full sense of the word.

Ambition 2020

In January 2014, Delta Lloyd joined the sustainable business platform called 'Ambition 2020', an initiative of the Dutch CSR organisation MVO Nederland. The aim of this platform is to stimulate businesses and organisations to raise their CSR ambitions to a higher level. In addition to joining the platform, Delta Lloyd underlined its commitment by promising to lead initiatives aimed at reducing poverty caused by long-term debt, acting hand in hand with other companies. The promise was made by our Executive Board chairman in the presence of King Willem-Alexander.

In our role as Poverty Ambition Ambassador 2020, Delta Lloyd will focus on promoting financial education and financial self-reliance, while also working with the Dutch business community to find ways to improve the approach to personal debt. How can we, as companies, make arrangements to help customers who are in debt, and work with the Inland Revenue department which is the preferential creditor? Read more in section 1.8.4.

4.4.1. Delta Lloyd Foundation

Founded in 2008, the Delta Lloyd Foundation is dedicated to promoting financial self-reliance in communities throughout the Netherlands. The projects are aligned with four themes: financial education, debt prevention, financial self-reliance for women and fighting poverty. All Delta Lloyd employees can put their financial knowledge and skills at society's disposal by volunteering through the foundation. Such voluntary work is done during working hours and can include helping people manage their financial records at home or providing financial education at schools.

In 2014, our employees did over 700 voluntary jobs through the foundation, which had a budget of € 1 million in 2014. About one third of the volunteers made a contribution by helping people at home to organise their financial affairs.

At the end of October, we also organised the 'I love pension' event in cooperation with Dutch women's network WOMEN. Inc. Seven colleagues used their pension expertise to give the roughly 300 participants more insight into their own pension situations. The event was filmed, so that hundreds of women could also participate online.

In 2014, we carried out the first impact analysis of our initiatives through the Delta Lloyd Foundation. This revealed, among other things, that our projects reach a large and varied target audience. Our volunteers are highly valued. They have specific knowledge about finances and the business world, work efficiently and are professional and enthusiastic. In addition, the foundation plays a key role in connecting organisations and pooling strengths within our extensive network. A further study into how our projects affect the individual participants showed that they help to raise their financial awareness and increase their financial self-reliance. In 2015, we will carry out another impact analysis to strengthen our insight and, in due course, make well-founded claims about the sustainable effects of our projects.

Based on our experience with debt problems, our stated Poverty 2020 ambition, the input gathered from external stakeholder dialogues about poverty and changes in central government policy, we have decided to adjust the policy of Delta Lloyd Foundation with effect from 2015. We are going to integrate the four themes and pool all acquired experience and knowledge to carry out targeted poverty-fighting initiatives in the five Dutch cities where Delta Lloyd has offices (Amsterdam, Arnhem, Helmond, Rotterdam and Zwolle). We are going to do this through alliances with other companies and civil society organisations in these cities, with the objective of achieving a 15% reduction in poverty caused by long-term debt in these cities within five years.

In 2015, we will also review our own payment arrears policy and examine how we can use the knowledge the foundation has gained in this area to help our customers solve their problems.

4.4.2. Our Belgian activities

In Belgium, too, we worked hard on the governance and professionalisation of our sustainability policy. The theme 'Protection' will be given an important role within the business strategy and was also incorporated into the sustainability policy. We organised our first stakeholder dialogue in Belgium in 2014. This revealed, among other things, that our stakeholders believe we should place more emphasis on the human side of sustainability (people) and less on the environmental and financial sides (planet and profit). Many actions are already being undertaken in these two areas.

In 2014, Delta Lloyd Life in Belgium contributed for the first time to Delta Lloyd's overall report on its activities in 2013. Consequently, Delta Lloyd Life adopted its first two CSR objectives that are relevant to the rest of the company. One of these objectives was to reduce our paper consumption. The other was aimed at promoting physical exercise (see below 'Donations to local good causes'). In 2015, we will again include CSR objectives in our corporate KPI's.

Finally, we tightened up our sponsorship and donation policy in 2014 and described and communicated the procedures for employees when applying for projects or support. The policy will be rolled out further in 2015.

Pensions

Delta Lloyd Life devotes a lot of attention to pensions. Because the state pension is under pressure, it is imperative for Belgians to make their own pension arrangements. We want to give people insight into the various ways they can build sufficient pension. To ascertain people's knowledge of, and attitude towards pension, we held a national pension survey in 2014, with a specific focus on the self-employed. This is where the biggest pension shortfalls are expected in the future. We also set up a campaign for self-employed people to get free pensions advice from an intermediary. Delta Lloyd Life covered the cost of these meetings up to a value of € 100 (this payment is free of tax). The underlying idea was to encourage the self-employed, whose time is often very limited, to find out how they can start building a good pension; 2,000 self-employed people took up this offer.

Exercise and fundraising

In Belgium, we combine physical exercise with fundraising through 'Energy@Delta Lloyd'. Employees can arrange for their runs to be monitored and Delta Lloyd Life converts the kilometres into euros. In 2014, we organised a specific event with the aim of getting our employees and intermediaries to run as many kilometres as possible to raise funds. The event was a success. Our target was 10,000 kilometres, which works out at € 10,000. By the end of 2014 we had more than doubled that and donated € 28,874 to KIYO, an organisation dedicated to giving children all over the world access to sports and exercise.

4.4.3. Donations and social sponsorships

Delta Lloyd supports a diverse range of cultural and social organisations in order to make the arts, culture and sports accessible to a wide audience. These include the national Philharmonic Orchestra, the National Maritime Museum, the Disabled Sports Fund (Fonds Gehandicaptensport), the World Press Photo Foundation and the Foam Photography Museum. In 2014, photography was particularly popular. The World Press Photo exhibition in Amsterdam drew a record attendance of more than 75,000 people. Foam was also very successful during the year, attracting 197,000 visitors, more than in 2013. Delta Lloyd endorses photography because it reaches a wide audience and inspires people to broaden their horizons.

Employee donation fund

Employees of Delta Lloyd who volunteer at a sports club or good cause can request a donation for a project or activity by the association or foundation in which they are involved. Clearly, certain conditions need to be met, including that the project or activity must be consistent with our core values.

Delta Lloyd sponsorships

In thousands of euros	**2014**	**2013**
Charity	715	1,022
Commercial sponsorship	2,185	2,860
Community-based activities	929	304
Corporate memberships and hospitality	855	271
Total sponsorship	**4,684**	**4,461**

The figures of 2013 differ slightly with the figures reported in previous report, due to 2013 invoices being paid in 2014.

In 2014, we brought more focus to our donations and sponsorships spending – group staff focused more on community sponsorships and less on charity, whereas our commercial division redistributed spent more on corporate memberships and hospitality. Delta Lloyd life in Belgium doubled its corporate membership/hospitality and charity spending in 2014.

4.5. Good employment practices

Delta Lloyd is committed to the lifelong employability. Accordingly, we invest in training, development and other initiatives so we can offer our employees a good and healthy working environment and work-life balance. Diversity, appropriate leadership and an open dialogue with our employees are significant in this context.

The year 2014 was one of consolidation for the Good Employment Practices theme. Our aim is to achieve gradual change, while preserving the things that work best. Lifelong employability is our focus here.

As an organisation, we are confronted with developments in society, including the prolonged economic recession and persistent negative image society has of financial services providers. In response to this, we have reduced our employee compensation and benefits. Another trend is that people - and that includes our employees - want to be heard and have their say. We therefore invited employees to make suggestions about our strategy and negotiated a new collective labour agreement with the involvement of the Works Council.

4.5.1. Lifelong employability

Delta Lloyd wants all employees to have and to embrace responsibility for their own development and employability. To encourage this, we set up the Resource Centre in 2013, which acts as a hub for coordinating the demand for and supply of temporary and permanent vacancies and labour mobility. In 2014, the Resource Centre was embedded in the organisation and the first results became visible. In addition to saving € 0.8 million in costs to hire external staff over the period July 2013 – June 2014, we have a better overview of the overall demand for temporary staff. To ensure the quality of hired staff, we are now working with a limited group of preferred suppliers. In addition, we now also make temporary vacancies available to our own employees. In this way, we can save costs and give our employees a chance to acquire new experience and develop their talents. In 2014, there were 12 successful temporary placements. Meanwhile, over 200 of the fixed vacancies have been filled with internal candidates. In 2015, we want to achieve comparable results.

Collective labour agreement and social plan

In December 2014, Delta Lloyd and the trade unions finalised a new three-year collective labour agreement (CAO) and social plan. This period of time is remarkably long in the current climate. It provides for a 2% wage increase and other employee benefits. For the first time, our Works Council and internal trade union representatives took part in the exploratory talks. Lifelong employability and leadership - both issues that attracted criticism from the trade unions - were discussed more openly and at great length. Drawing on the input from these talks, we defined further actions. After each consultation, we communicated the outcomes via our intranet, which resulted in a transparent process. The negotiations lasted about one year.

The new CAO also includes arrangements for employees aged over 60 who may be affected by a reorganisation. They may now choose whether they want to participate in a programme to find another suitable job or continue working on various assignments at Delta Lloyd until they reach the state retirement date (activity scheme). In 2015, we will set up an Activity Pool for this purpose. It is likely that this pool will be linked to the HR Resource Centre. In addition, we introduced a preventive mobility programme. Six months before officially announcing a reorganisation, we will notify employees of the probability so they can start considering their future sooner. Our managers will help them to take measures that boost their chances of finding an alternative job, such as attending courses, doing an internship, taking part in a project or learning on the job.

4.5.2. Employee engagement

In 2014, we conducted our eighth annual employee survey (Duurzaam Sterk Onderzoek / DSO). In addition to measuring employee engagement, we asked questions about our employees' work environment, their workload, and to what extent they experienced stress at work or feel inhibited to perform. We believe this has significantly widened the scope of our measurement of employee engagement and will provide deeper insights that we can use to further develop and fine-tune our human resources policies. We call this widened scope of engagement 'sustainable engagement'. The 2014 survey showed an overall engagement score for Delta Lloyd of 74%, which is below our 2013 score of 75%.

Employee motivation

% sustainably engaged employees	2014	2013	Change
Delta Lloyd group staff	79%	78%	1pp
Delta Lloyd Levensverzekeringen	69%	70%	-1pp
Delta Lloyd Schadeverzekeringen	73%	75%	-2pp
ABN AMRO Verzekeringen	80%	80%	-
Delta Lloyd Asset Management	68%	77%	-9pp
Delta Lloyd Commercial Division	75%	75%	-
Delta Lloyd IT & Services	80%	80%	-
Delta Lloyd Bank Netherlands	78%	78%	-
Delta Lloyd Life Belgium	68%	69%	-1pp
Delta Lloyd Total	**74%**	**75%**	**-**

Engagement at Delta Lloyd Asset Management fell nine percentage points to 68%. Employees indicated concerns relating to respect in the workplace, obstacles they experienced to doing their jobs to their best ability, and proper IT facilities. Our employees are our top asset, also in this business line. Restoring employee engagement is therefore a top priority for Delta Lloyd Asset Management. Our Life insurance divisions in the Netherlands and Belgium both underperformed the total engagement, scoring 69% and 68% respectively. These business lines will focus on the same areas as Asset Management. In addition, Life employees indicated a growing workload, which had a negative impact on their engagement. To follow up on the results, we devised a 'Six steps plan', with a special focus on understanding the root causes and taking measurable actions accordingly.

Participation

Our annual DSO showed that the trend within society towards greater participation is also apparent at Delta Lloyd. For the first time, therefore, we invited a broad cross-section of our employees to comment on and provide input for our strategy. Formerly, only a selected group had been invited to attend sessions outlining scenarios for the future and their potential impact on Delta Lloyd. People could sign up voluntarily via the intranet. The total number of participants in these scenario sessions was 400. In the divisions, too, we sought a more active dialogue with employees by organising theme-based sessions.

New way of working (Sterk Werk)

We want to give our employees sufficient freedom and opportunity to find a good work-life balance. Flexible working forms an important part of this. In 2014, we implemented the same flexible working conditions for everyone. This includes the introduction of the 'Bring your own device' policy. Formerly, employees received company equipment and/or an expense allowance for home working. Now we merely facilitate the data communications of our employees. In 2014, employees could receive a fiscally attractive allowance for a smartphone of their choice. With a bring your own device each employee can arrange flexible working according to their personal wishes. In addition, home workers can consult a physiotherapist for tips and advice to ensure safe and responsible working practices off-site.

Working conditions must be pleasant and safe at our offices as well. A physiotherapist and gym are on hand in our buildings for staff use. In addition, we are making improvements and conversions in the buildings to create a more stimulating working environment. One example is the Toorop building, which is undergoing a makeover in 2014 and 2015. Employees are very enthusiastic about the changes, which enhance their satisfaction in the workplace.

Leadership

Lifelong employability, Sterk Werk and employees wanting a greater say make different demands on leadership. For instance, trusting employees, supporting their development and managing at a distance have become more important aspects. In addition, the regulator is devoting more attention to conduct, culture and risk awareness. The upshot is that we must focus on different leadership competencies. In the coming years we will help our leaders to develop and apply the desired type of leadership.

4.5.3. Training & Development

We consequently attach great importance to the expertise of our employees. Here we go beyond the requirements laid down in the Wft. Ensuring our employees have all the required expertise and diplomas is not enough: they must also be able to reach their full potential and remain employable throughout their working lives. Working in close cooperation with the Works Council, we have therefore drawn up a new internal training and professional skills policy. This enables employees to work on their own employability, particularly by attending courses and training on the job. In 2014, we spent € 9.9 million on training and education, as compared to € 8.5 million in 2013.

In November 2014, our trainee programme was voted 'Best Traineeship Benelux 2014'. The professional jury concluded that Delta Lloyd was preparing the 'next generation of leaders' for the future, placing a strong focus on the trainee's development, both during their training period and throughout their career.

Finally, we digitised and enhanced our performance management process (HR Cycle) in 2014. Our objective is to improve the quality of discussions between managers and employees. And lifelong employability has been made a priority for assessing performance.

Promoting expertise, vitality and awareness of the importance of lifelong employability remain key issues in 2015. And, as indicated earlier, we will also focus on leadership. Among other things, we want to make our managers even more aware of the positive effect of correctly applying the HR cycle in 2015. This increases employee motivation and involvement, which positively impacts our service to our customers.

4.6. Environment

Being a financial services provider we have a limited negative impact on the environment, but we still consider it important to conduct our business in an environmentally-friendly manner. We are therefore aiming to reduce the CO2 footprint of our operations by 2% annually. Our Facility Services department is taking measures to help achieve this aim.

In 2014, the objectives and ambitions of our environmental policy remained unchanged compared to the preceding years and will also apply in 2015. The environment is and remains an important issue – not only for Delta Lloyd, but also for society at large.

Climate change

CO2 emissions in tonnes, unless otherwise stated	2014	2013	Change
Energy consumption	3,246	3,786	-540
Company cars	1,544	1,511	33
Paper consumption	724	733	-10
Business flights	212	184	28
Business rail traffic	78	80	-3
Waste generation	580	598	-18
Water consumption	13	14	-1
Total emissions	**6,398**	**6,906**	**-509**

Energy saving

Our objective is to make energy savings of at least 2% each year. One of the measures we implemented in 2014 to help us achieve this was to increase the basic temperature in our data centre by two to three degrees. This means less cooling is required and we save energy. We also carried out a pilot to centrally switch off the majority of our computers at night. 'Power off' was successful and will be implemented in all divisions of Delta Lloyd in the Netherlands in January 2015.

Another initiative involved installing solar panels on our Toorop building in Amsterdam. These solar panels power the refurbished energy-efficient illuminated advertising on the roof. In 2015, we will greatly expand the number of solar panels to generate even more renewable energy.

Energy-efficient transport

We encourage our employees to keep business trips to a minimum and to use public transport when travel cannot be avoided. There is also an electric car available for business use by employees at our Amsterdam locations. Moreover, those employees who are eligible for lease cars increasingly opted for energy-efficient vehicles in 2014. Our average CO2 emissions per kilometre fell from 135 in 2013 to 126 in 2014. In 2015, we intend to devote even more attention to transportation to further reduce our CO2 emissions.

Paper consumption

We are also aiming to minimise our paper consumption. In 2014, we made a further step in this process by placing 'follow-me printers' in all our buildings. Employees no longer print from their computers, but via an operation on the printer itself. This encourages economical printer use and prevents unnecessary printing. Partly thanks to the implementation of this measure, we printed 24% less on the 'follow-me printers' in 2014 compared to 2013.

Encouraging environmentally-aware behaviour

We stimulate environmentally-friendly behaviour among our employees in all sorts of ways. Examples are reports on our intranet and the Energy Challenge, which inspired 39 employees to reduce their energy consumption at home in 2014. Their total energy reduction was 8.7%, which was partly achieved thanks to our tips in a digital newsletter.

Large projects – including the digitalisation of work processes, setting up digital customer domains and redesigning the Toorop building in Amsterdam – continued in 2014. The redesigned Toorop building facilitates our new way of working and prepares us for the future. To limit the building's environmental impact among other things we opted for 100% recyclable floor coverings and awnings, cradle-to-cradle desk chairs and more bins for waste separation to promote recycling at the workplace.

The Facility Services department translated our environmental objectives into specific KPIs for employees in 2014, which included reducing energy and paper consumption. We want to reach even more people in our organisation and ensure everyone at Delta Lloyd contributes to achieving our energy objectives. The Sustainable Impact programme, which aims to integrate sustainability into the business, will define the next steps in 2015. Targets will be set for our offices, lease fleet and property portfolio.

Dilemma

Generally, a building's landlord and its tenants have different reasons for taking energy-saving measures. But when should the tenant invest and when should the landlord be expected to do so? As a tenant, Delta Lloyd is also confronted with this question. We currently have a good relationship with the owner of our largest building and we are in close consultation about every investment. Sometimes the owner contributes towards an additional investment in energy-efficient equipment, while other times we put up the money. For instance, we opted to make our own investment in solar panels, even though these will become a fixture of the building and their payback period is nearly as long as the remaining lease term.

4.7. Reporting process

GRI index G4

The annual sustainability report describes the national and international activities of Delta Lloyd. Excluded from the reporting process are the German operations (which are in run-off), suppliers, subcontractors and other entities on which our operations would typically only have an indirect impact. The sustainability report was verified by EY (see GRI G4 content index.). The sustainability report of Delta Lloyd was compiled in line with the Global Reporting Initiative (read the G4 content index).

The quantitative figures for this year's report, which were gathered by the Group Finance and Control & Tax department via the SAP system, came from the responsible divisions within Delta Lloyd. The qualitative information was gathered through interviews with the officers responsible for the specific subject.

4.7.1. Facts and figures

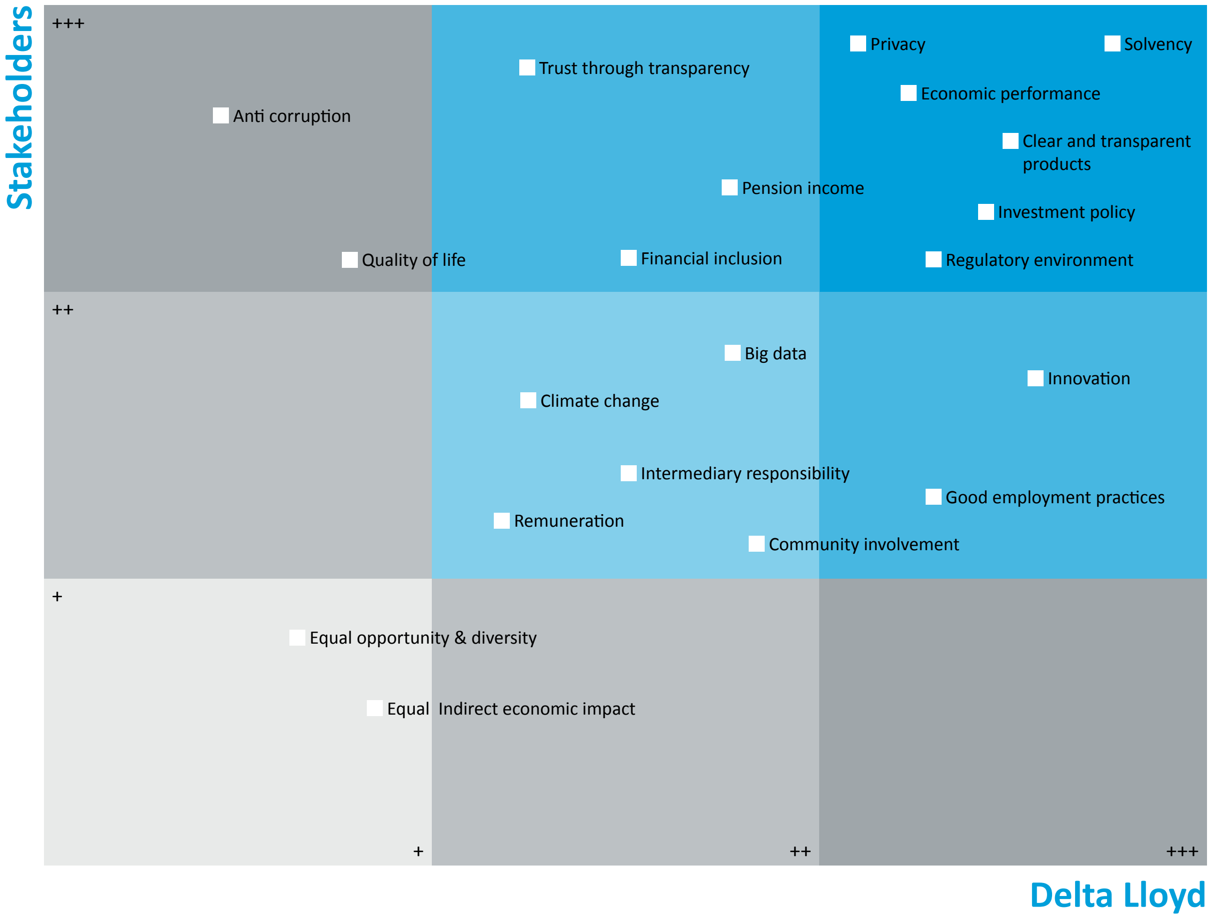
The materiality analysis was a phased process. Firstly, a longlist was determined on the basis of the aspects from GRI-4 and the sector supplement as well as reports of 12 external stakeholder dialogues and five internal stakeholder dialogues.

In 2013, external dialogues were organised for the first time concerning Poverty & Debt (people), Water & Wind (planet) and Impact of Investments (profit).The purpose of the sustainability dialogues is to gain more insight into current trends and developments in the field of sustainability and corporate social responsibility (CSR) as well as the role Delta Lloyd is expected to play in this respect.

The internal stakeholder dialogues were based on a longlist (made by an external agency) containing themes on which Delta Lloyd can make an enduring positive impact. During the dialogues, the most material themes were determined together with a cross-section of Delta Lloyd employees. This was done on the basis of the following criteria: impact on Delta Lloyd, fit with the strategic direction of Delta Lloyd, relevance for stakeholders and the extent to which Delta Lloyd can exert influence. The outcomes of these dialogues were used in determining the materiality matrix.

Next the priorities were set, drawing partly on the same sources as used for the determination of the longlist. Two people plotted the themes in an initial draft matrix. This matrix was reviewed by a member of the Executive Board. We prepared the definite materiality matrix in which we summarised a number of themes. We also retained certain themes that the stakeholders did not directly mention as relevant, because we still consider them important.

The location of the aspect on the axis indicates whether the theme is material for Delta Lloyd (horizontal axis) or relevant for the stakeholders (vertical axis). The aspects in the top right of the matrix are very important for both parties, and are considered material. These are the topics in the blue area. In the stakeholder overview we have indicated which themes are specifically material for which stakeholders.


Stakeholders
+++
Anti corruption
Quality of life
Trust through transparency
Pension income
Financial inclusion
Privacy
Solvency
Economic performance
Clear and transparent products
Investment policy
Regulatory environment
++
Big data
Climate change
Intermediary responsibility
Remuneration
Community involvement
Innovation
Good employment practices
+
Equal opportunity & diversity
Equal
Indirect economic impact
+
++
+++
Delta Lloyd

Material matters, by ESG criteria

Scale 1:3	Product*	Stakeholders	Delta Lloyd	Reference
Economic				
Solvency	**9**	3	3	Section 2.6.
Economic performance	**9**	3	3	Section 2.2.
Clear and transparant products	**9**	3	3	Section 4.2.1.
Investment policy	**9**	3	3	Section 4.3.1.
Pension income	**6**	3	2	Section 1.8.1.
Innovation	**6**	2	3	Section 1.8.2.
Big data	**4**	2	2	Section 1.8.5.
Subtotal Economic	**43**	**16**	**16**	
Governance				
Regulatory environment	**9**	3	3	Section 1.7.
Trust through transparency	**6**	3	2	Section 4.2.1.
Remuneration	**4**	2	2	Section 3.1.7.
Intermediary responsibility	**4**	2	2	Section 4.2.1.
Subtotal governance	**23**	**10**	**9**	
Social				
Privacy	**9**	3	3	Section 1.8.5.
Financial inclusion	**6**	3	2	Section 1.8.4.
Community involvement	**4**	2	2	Section 4.4.
Climate change	**4**	2	2	Section 4.6.
Subtotal social	**23**	**10**	**9**	

*Issues with a product equal or greater than 4 were considered material.

Stakeholder Engagement

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

Stakeholder engagement

Stakeholder	Engagement	Topics discussed
Customers	Delta Lloyd employees participate in several forms of customer research. We see this engagement with our customers as an opportunity to raise awareness of customer centricity among our employees. Our ambition is to further embed customer centricity in our company culture.	Employees speak to customers about how they experience our products and services. Topics discussed in the dialogue session were: whether our information is easy for clients to understand; how quickly and effectively we answer customer questions; and whether our insurance products meet their expectations.
Employees	Delta Lloyd organises an annual employee meeting where the Executive Board updates employees on the current status of the company's mission and strategy and engages in a dialogue. In 2014, this was facilitated by a mediator and real-time polling.	The annual employee meeting centred around the future scenarios and their potential impact on our business. Another important topic was risk awareness.
Shareholders and Investors	Delta Lloyd engages with shareholders, investors and analysts on a regular basis. Every year we organise a General Meeting for our shareholders and an Investor Day where we present the company, its mission, strategy and results to investors and analysts. In 2014, we hosted the Best Practices Seminar of CFA Netherlands on the topic of responsible investments which was attended by 120 analysts which take a particular interest in non-financial business criteria.	Topics discussed included corporate governance, strategy, results and dividend. Environmental, social and governance (ESG)-related questions were mainly posed during the AGM. The main topic of the Best Practices Seminar was the impact of sustainability on the risk and return of asset portfolios. In addition, a UNPRI paper was discussed on 'Integrated Analysis: How investors are addressing environmental, social and governance factors in fundamental equity valuation'.
Companies	Delta Lloyd aims to engage in constructive dialogue with companies we invest in and we do this on a regular basis. To implement this engagement, we attend general meetings, particularly of companies in which we hold a 5% participating interest.	The aim of this is to influence a company's behaviour, and to improve its financial and non-financial performance over the short and long term. If the dialogue fails to produce the desired result, the company in question may be excluded from our investment list or we may steadily reduce our equity interest.
Civil society	Delta Lloyd organised a series of sustainable dialogues on three major themes that are relevant to our business goals as well as the global economy. These dialogues with internal and external stakeholders explore ways to jointly resolve social or environmental issues.	Topics discussed in our sustainable dialogues were: Water & Wind, Poverty and Impact & Investing.
NGOs	Delta Lloyd entered into a dialogue with the Fair Banking and Insurance Guide, a civil society platform which aims to inform the public on Dutch financial institutions' sustainability performance and ethical business practices.	Delta Lloyd discussed which steps it must take to improve its responsible investing policy.

Reporting changes and developments

The customer satisfaction scores, which we reported in the sustainability report in last year's annual report, have been moved to section 2, Delta Lloyd in 2014. The reason for this change is that we aim to integrate our financial and non-financial results. The fact that the customer satisfaction scores are part of the non-financial targets for our Executive Board's remuneration, underscores this change. Furthermore, we report all figures from the customer satisfaction surveys that were conducted over 2014, as opposed to the aggregated figures that were disclosed previous year. The comparative figures have also been restated to the new format.

Last year, we reported on the code of conduct signed by our top 100 suppliers. Supply chain management was not considered material in our materiality analysis.

The amount spent on training and education has been adjusted due to the disinvestment of Delta Lloyd Deutschland.

The comparative figure of employee motivation differs from the figure disclosed in the previous annual report. The reason for this change is that in 2013, Delta Lloyd changed the methodology used to measure employee motivation. Whereas the focus had been on employee motivation, the new methodology focuses on employee engagement. The 2013 employee engagement survey included a comparative employee motivation score. This year's survey did not, as we can now compare our employee engagement score with last year's results.

Last year we reported on the absenteeism rate. Health and vitality were not considered material in our materiality analysis.

This year, we decided to restrict our environmental reporting to include just the main figures which are summarised in the Climate Change table. We have replaced the breakdown of the main figures, previously reported in subsequent paragraphs, including the tables, with a general description of relevant developments.

4.7.2. Assurance report of the independent auditor with respect to the Sustainability Report

To: the Shareholders and the Supervisory Board of Delta Lloyd N.V.

We have performed an assurance engagement on the sustainability information included in section 2.3. and chapter 4 (hereinafter: "the Sustainability Report") of the accompanying Annual Report for the year 2014 of Delta Lloyd N.V. (hereinafter: Delta Lloyd), Amsterdam. The Sustainability Report comprises a description of the policy, the activities, events and performance of Delta Lloyd relating to sustainability during the reporting year 2014.

Our assurance engagement relating to the Sustainability Report was carried out for the purpose of obtaining:

1) a reasonable level of assurance that the sustainability information in the following sections in the Sustainability Report (hereinafter: sections with reasonable assurance):

- 4.1.2 Governance;
- 4.3.2 Fraud prevention;
- 4.3.3 Compliance;
- 4.4.1 Delta Lloyd Foundation;
- 4.5.2 Employee engagement;
- Customer satisfaction tables in 2.3.

has been presented correctly, in all material respects, in accordance with the "Sustainability Reporting Guidelines" G4 of the Global Reporting Initiative (GRI) and the reporting policy developed by Delta Lloyd, as disclosed in section 4.7. of the annual report 2014.

2) a limited level of assurance that the other sustainability information reported in the Sustainability Report has been presented correctly, in all material respects, in accordance with the "Sustainability Reporting Guidelines" G4 of the Global Reporting Initiative (GRI), the Guidance Note on Sustainability Reporting of the Dutch Accounting Standards Board and the reporting policy developed by Delta Lloyd, as disclosed in section 4.7. of the annual report 2014.

Limitations in our scope

The Sustainability Report contains prospective information, such as ambitions, strategy, targets, expectations and projections. Inherent to this information is that actual future results may be different from the prospective information and therefore may be uncertain. We do not provide any assurance on the assumptions and feasibility of this prospective information.

The GRI index 2014 (GRI G4 content index) is an integral part of the Sustainability Report and is within our engagement scope. Other references in the Sustainability Report (to www.deltalloyd.com, external websites and other documents) are not part of our assurance engagement.

Management's responsibility

The Executive Board is responsible for the preparation of the Sustainability Report in accordance with the "Sustainability Reporting Guidelines" G4 (Core) of the Global Reporting Initiative (GRI), the Guidance Note on Sustainability Reporting of the Dutch Accounting Standards Board and the reporting criteria developed by Delta Lloyd as disclosed in section 4.7. of the annual report 2014, including the identification of the stakeholders and the determination of material issues. The disclosures made by the Executive Board with respect to the scope of the Sustainability report are included in section 4.7 "Reporting process" of the annual report 2014.

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

Auditor's responsibility

Our responsibility is to form a conclusion on the Sustainability Report and an opinion on the sections with reasonable assurance. We conducted our assurance-engagement in accordance with Dutch law, including the Dutch Standard 3810N, "Assurance Engagements relating to Sustainability Reports". This Standard is based on the International Standard on Assurance Engagements (ISAE) 3000 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information'. This requires that we comply with ethical requirements and plan and perform procedures to obtain sufficient and appropriate evidence to obtain assurance about whether the Sustainability Report is free from material misstatements.

A review is focused on obtaining limited assurance. The procedures performed in obtaining limited assurance are aimed at the plausibility of information which does not require exhaustive gathering of evidence as in engagements focused on reasonable assurance and therefore less assurance is provided. The performed procedures consisted primarily of making inquiries of management and others within the entity, as appropriate, applying analytical procedures and evaluating the evidence obtained.

The procedures selected to obtain reasonable assurance depend on the auditor's judgment, including the assessment of the risks of material misstatement of the sustainability information in the sections with reasonable assurance, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant for the preparation of the sections with reasonable assurances 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 assurance engagement aimed at providing reasonable assurance also includes evaluating the appropriateness of the reporting framework used for sections with reasonable assurance and the reasonableness of accounting estimates made by management.

Procedures performed

Our main procedures for obtaining a limited level of assurance included the following:

- Performing an external environment analysis and obtaining an understanding of the sector, relevant social issues, relevant laws and regulations and the characteristics of the organization;
- Evaluating the acceptability of the reporting policies and their consistent application, such as assessment of the outcomes of the stakeholder dialogue and the reasonableness of accounting estimates made by management;
- Evaluating the accordance option with the Sustainability Reporting Guidelines G4(Core) of GRI;
- Evaluating the design and implementation of the systems and processes for data gathering and processing of information as presented in the selected chapters of the Sustainability Report;

- Interviewing management (or relevant staff) at corporate and business division level responsible for the sustainability strategy and policies;
- Interviewing relevant staff responsible for providing the information for the Sustainability Report, carrying out internal control procedures on the data and the consolidation of the data in the Sustainability Report;
- Evaluating internal and external documentation, in addition to interviews, to determine whether the information in the Sustainability Report is reliable;
- Analytical review of the data and trend explanations submitted for consolidation at group level.

Additional procedures for obtaining a reasonable level of assurance included the following:
- Following the audit trail on a test basis, from the source data to the information contained in the sections with reasonable assurance;
- Performing tests of detail on a test basis aimed at reviewing the reliability of the primary information in the sections with reasonable assurance.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion and our conclusion.

Opinion on the sections with reasonable assurance

In our opinion, the sustainability information reported in the sections with reasonable assurance in the Sustainability Report is presented correctly, in all material respects, in accordance with the "Sustainability Reporting Guidelines" G4 of the Global Reporting Initiative (GRI) and the reporting policy developed by Delta Lloyd, as disclosed in section 4.7. of the annual report 2014.

Conclusion on the Sustainability Report

Based on our procedures performed, and with due consideration of the limitations described in the paragraph "Limitations in our scope", nothing has come to our attention that causes us to conclude that the other sustainability information in the Sustainability Report is not presented correctly, in all material respects, does not provide a reliable and appropriate presentation of the policy of Delta Lloyd for sustainable development, or of the activities, events and performance of the organization relating to sustainability during 2014, in accordance with the "Sustainability Reporting Guidelines" G4 of the Global Reporting Initiative (GRI), the Guidance Note on Sustainability Reporting of the Dutch Accounting Standards Board and the reporting policy developed by Delta Lloyd as disclosed in section 4.7. of the annual report 2014.

Amsterdam, 20 March 2015
Ernst & Young Accountants LLP

Signed by R.J. Bleijs

5. FINANCIAL STATEMENTS 2014

5.1. Consolidated financial statements

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

The reporting segments within Delta Lloyd are structured based on the above activities. These segments are Life insurance, General insurance, Bank, Asset Management and Other. Further details are provided in section 5.1.7.3. 'Segment information'.

The financial statements have been authorised for issue by the Executive Board, following the approval of the Supervisory Board on 20 March 2015. The General Meeting of Shareholders will be asked to adopt these financial statements at the Annual Meeting on 21 May 2015.

5.1.1. Consolidated statement of financial position

Consolidated statement of financial position				
In millions of euros		31 December 2014	31 December 2013 *	1 January 2013 *
Assets				
Goodwill	9	290.4	283.5	304.4
AVIF and other intangible assets	10	104.2	99.8	113.9
Deferred acquisition costs	11	117.0	137.8	180.7
Property and equipment	12	102.2	105.8	140.8
Investment property	13	1,525.6	2,181.2	2,197.7
Associates and joint ventures	14	338.3	296.9	193.6
Deferred tax assets	31	2,408.0	1,080.1	1,533.3
Debt securities	15	28,676.9	25,060.1	25,321.2
Equity securities	15	2,889.5	3,299.8	4,198.6
Derivatives	16	2,239.3	1,173.0	2,551.1
Loans at fair value through profit or loss	17	5,525.3	5,784.0	6,249.1
Loans and receivables at amortised cost	17	9,924.4	12,194.4	17,106.7
Investments at policyholders' risk	18	14,189.3	12,846.0	12,897.4
Third party interests in consolidated investment funds	19	3,964.6	4,649.7	3,976.0
Reinsurance assets	26	649.5	554.0	535.2
Receivables and other financial assets	20, 29	1,636.7	1,976.0	2,228.7
Current tax assets		43.7	71.2	80.7
Accrued interest and prepayments		561.1	639.4	640.3
Cash and cash equivalents		2,642.0	1,146.6	2,603.4
Assets held for sale	5	12,151.0	6,725.1	283.4
Total assets		**89,979.0**	**80,304.5**	**83,336.0**
Total capital and reserves		2,468.4	2,620.6	2,306.1
Non-controlling interests	24	277.9	309.4	306.7
Shareholders' funds		**2,746.2**	**2,930.0**	**2,612.8**
Liabilities				
Insurance liabilities	25, 28	45,662.4	44,340.7	44,722.7
Liabilities for investment contracts	27, 28	6,154.3	4,817.0	4,736.8
Pension obligations	29	2,616.1	2,030.4	2,370.7
Provisions for other liabilities	30	189.6	79.2	87.0
Deferred tax liabilities	31	2,097.9	704.7	1,220.2
Current tax liabilities		45.3	161.0	44.8
Subordinated debt	32	1,332.8	682.3	716.8
Securitised mortgages loan notes	32	3,104.0	3,914.2	4,897.2
Other borrowings	32	886.1	731.9	1,078.3
Derivatives	16	1,174.4	1,357.2	2,078.1
Investments at policyholders' risk	18	16.1	11.4	22.8
Third party interests in consolidated investment funds	19	3,964.6	4,649.7	3,975.9
Customer savings and deposits	33	5,812.1	4,730.4	10,532.7
Other financial liabilities	33	259.8	633.6	1,819.1
Other liabilities	34	2,300.5	2,094.8	2,285.1
Liabilities relating to assets held for sale	5	**11,616.8**	**6,435.9**	**135.2**
Total liabilities		**87,232.7**	**77,374.5**	**80,723.1**
Total shareholders' funds and liabilities		**89,979.0**	**80,304.5**	**83,336.0**

* Restated, see section 5.1.6.2. 'Financial impact of changes in accounting policies and reclassifications'.

The notes (in numerical order) include the accounting policies and are an integral part of these financial statements. The numbers refer to the relevant subsection in section 5.1.7. 'Notes to the consolidated financial statements'.

5.1.2. Consolidated income statement

Consolidated income statement			
In millions of euros		**2014**	**2013 ***
Income			
Gross written premiums	6	3,963.3	4,757.5
Outward reinsurance premiums	6	-335.9	-173.2
Net written premiums		**3,627.5**	**4,584.3**
Change in unearned premiums provision	6	59.8	71.9
Net premiums earned	**6**	**3,687.3**	**4,656.2**
Investment income	6	9,816.4	977.0
Share of profit or loss after tax of associates	6	73.4	-14.6
Net investment income	**6**	**9,889.9**	**962.4**
Fee and commission income	6	293.1	289.6
Other income	6	6.6	42.9
Total investment and other income	**6**	**10,189.6**	**1,294.9**
Total income	**6**	**13,876.9**	**5,951.0**
Expenses			
Net claims and benefits paid	7	3,945.1	3,813.6
Change in insurance liabilities	7	6,974.5	-244.2
Charge to financial liability on behalf of third party interest in consolidated investment funds	7	660.6	372.0
Expenses relating to the acquisition of insurance, investment and other contracts	7	618.8	680.3
Finance costs	7	493.7	425.6
Other operating expenses	7	716.0	658.9
Total expenses		**13,408.7**	**5,706.2**
Result before tax from continuing operations	**3, 6**	**468.2**	**244.8**
Income tax	30	87.8	36.5
Result after tax from discontinued operations	5	22.5	13.0
Net result		**402.8**	**221.4**
Attributable to:			
Delta Lloyd NV shareholders		361.1	183.3
Non-controlling interests		41.7	38.1
Net result		**402.8**	**221.4**

* Restated, see section 5.1.6.2. 'Financial impact of changes in accounting policies and reclassifications'.

Earnings per share			
In euros		**2014**	**2013***
Basic earnings per share from continuing operations	22	1.74	0.93
Basic earnings per share from discontinued operations	22	0.12	0.07
Basic earnings per share including discontinued operations		**1.85**	**1.00**
Diluted earnings per ordinary share from continuing operations	22	1.59	0.85
Diluted earnings per ordinary share from discontinued operations	22	0.11	0.06
Diluted earnings per ordinary share including discontinued operations		**1.70**	**0.91**

* Restated, see section 5.1.6.2. 'Financial impact of changes in accounting policies and reclassifications'.

The notes (in numerical order) include the accounting policies and are an integral part of these financial statements. The numbers refer to the relevant subsection in section 5.1.7. 'Notes to the consolidated financial statements'.

5.1.3. Consolidated statement of comprehensive income

Consolidated statement of comprehensive income		
In millions of euros	**2014**	**2013***
Net result	**402.8**	**221.4**
Actuarial gains and losses (pension obligations)	-580.4	117.2
Transfer of actuarial gains and losses relating to DPF contracts to provisions	5.8	-2.2
Income tax relating to items that will not be reclassified	143.8	-29.2
Total items that will not be reclassified to income statement	**-430.9**	**85.7**
Changes in value of financial instruments available for sale**	335.8	-116.7
Transfer of available for sale relating to DPF contracts to provisions	-144.2	8.2
Fair value adjustments associates***	-82.4	62.5
Fair value adjustments due to micro hedge debt securities available for sale	-40.5	16.0
Income tax relating to items that may be reclassified	-80.0	21.9
Total items that may be reclassified subsequently to income statement	**-11.3**	**-8.1**
Total amount recognised directly in equity	**-442.2**	**77.5**
Total comprehensive income	**-39.4**	**299.0**
Attributable to:		
Delta Lloyd NV shareholders	-88.7	262.2
Non-controlling interests	49.3	36.8
Total comprehensive income	**-39.4**	**299.0**

* Restated, the changes took place in line item Net result of € 15.1, Changes in value of financial instruments available for sale €-16.0 million and line item Income tax relating to items that may be reclassified € 1.0 million (see also section 5.1.6.2. 'Financial impact of changes in accounting policies and reclassifications').

** Realised gains/losses on revaluations of financial instruments available for sale, impairment losses and reversal of impairment losses transferred to income statement are part of changes in value of financial instruments available for sale. For disclosure on impairment losses and reversal of impairment see section 5.1.7.3. 'Segment information'.

*** Including the effect of realised gains and losses reported in the income statement.

The notes (in numerical order) include the accounting policies and are an integral part of these financial statements.

5.1.4. Consolidated statement of changes in equity

Consolidated statement of changes in equity

In millions of euros	Ordinary share capital	Share premium	Revaluation reserves	Other reserves	Equity compensation plan	Treasury shares	Retained earnings	Total capital and reserves*	Non-controlling interests	Share-holders' funds
At 1 January 2013	35.4	355.2	637.7	-277.5	5.8	-36.8	1,586.4	2,306.1	306.7	2,612.8
Change in accounting policy IFRS10	-	-	-70.2	-	-	-	70.2	-	-	-
Change in accounting policy for technical provision and related assets	-	-	-7.7	-	-	-	7.7	-	-	-
At 1 January 2013 restated**	**35.4**	**355.2**	**559.8**	**-277.5**	**5.8**	**-36.8**	**1,664.3**	**2,306.1**	**306.7**	**2,612.8**
Total other comprehensive income	-	-	-6.8	85.7	-	-	-	78.9	-1.3	77.5
Result for the period ***	-	-	-	-	-	-	183.3	183.3	38.1	221.4
Final dividend payment 2012	0.9	-0.9	-	-	-	-	-38.4	-38.4	-	-38.4
Interim dividend payment 2013	0.7	-0.7	-	-	-	-	-29.6	-29.6	-	-29.6
Non-controlling interests in dividend payment 2013	-	-	-	-	-	-	-	-	-34.0	-34.0
Conversion preference shares A	0.6	92.2	-	-	-	-	-51.5	41.3	-	41.3
Issue share capital	0.8	61.6	-	-	-	-	-	62.4	-	62.4
Change treasury shares	-	-	-	-	-	2.4	-	2.4	-	2.4
Change indirectly held shares in investment funds for own risk	-	-	-	-	-	1.2	-	1.2	-	1.2
Change indirectly held shares in investment funds at policyholders' risk	-	-	-	-	-	13.9	-	13.9	-	13.9
Conditional shares granted	-	-	-	-	-0.5	-	-0.2	-0.7	-	-0.7
At 31 December 2013**	**38.4**	**507.4**	**553.0**	**-191.9**	**5.3**	**-19.4**	**1,727.8**	**2,620.6**	**309.4**	**2,930.0**
Total other comprehensive income	-	-	-19.0	-430.9	-	-	-	-449.9	7.6	-442.2
Result for the period ***	-	-	-	-	-	-	361.1	361.1	41.7	402.8
Final dividend payment 2013	0.8	-0.8	-	-	-	-	-41.3	-41.3	-	-41.3
Interim dividend payment 2014	0.7	-0.7	-	-	-	-	-24.2	-24.2	-	-24.2
Non-controlling interests in dividend payment 2014	-	-	-	-	-	-	-	-	-80.9	-80.9
Change treasury shares	-	-	-	-	-	2.3	-	2.3	-	2.3
Conditional shares granted	-	-	-	-	1.1	-	-1.4	-0.3	-	-0.3
At 31 December 2014	**39.9**	**505.9**	**534.1**	**-622.8**	**6.4**	**-17.2**	**2,022.1**	**2,468.4**	**277.9**	**2,746.2**

*Attributable to Delta Lloyd NV shareholders

** Restated, see section 5.1.6.2. 'Financial impact of changes in accounting policies and reclassifications'

*** The distribution of the result will be determined by the General Meeting of Shareholders (see section 5.3.1.)

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

Of the shareholders' funds € 1,263.9 million is available for distribution (2013: € 1,405.1 million). By law, Delta Lloyd may only pay a dividend if the share capital and reserves permit it (see section 5.3.1. 'Dividends and appropriation of result').

The other reserves include the actuarial gains and losses for pensions.

Payment in cash and delivery of ordinary shares in respect of the 2013 final dividend of € 0.61 per ordinary share took place on 19 June 2014. Around 64.5% of the shareholders elected to receive the dividend in ordinary shares. Consequently, 4,246,430 new ordinary shares were issued as stock dividend and charged to the share premium (€ 0.8 million). The remaining 35.5% of the shareholders received the dividend in cash (€ 41.3 million).

On 4 September 2014, payment and delivery of shares took place regarding the 2014 interim dividend of € 0.42 per share in cash or with a 4% premium if stock dividend was chosen (€ 0.4368). Around 70.5% of shareholders opted for the stock dividend. There were 3,286,927 new ordinary shares issued as stock dividend and charged to the share premium account (€ 0.7 million). The remaining 29.5% of shareholders took the dividend in cash (€ 24.2 million). Section 5.3.1. 'Dividends and appropriation of result' gives further details on the dividend distributions and policy.

Treasury shares were acquired as part of a share repurchase programme with the sole purpose of meeting obligations under the equity compensation plans for management. 1,214,305 shares (2013: 1,375,568 shares) are held for this purpose and were bought for an average purchase price of € 14.13.

The equity compensation plan refers to the share-based and performance-related incentive plans as described in section 5.1.7.8. 'Employee information'. The movement consists of a settlement of € 2.9 million and € 4.0 million in grants of new options. Options settled at a different rate than initially granted resulted in a movement of € -1.4 million in retained earnings.

The notes (in numerical order) include the accounting policies and are an integral part of these financial statements. The numbers refer to the relevant subsection in section 5.1.7. 'Notes to the consolidated financial statements'.

5.1.5. Consolidated cash flow statement

Consolidated cashflow statement			
In millions of euros		**2014**	**2013**
Net result			
Net result		402.8	221.4
Of which is result from discontinued operations		22.5	13.0
Income tax expense		81.8	36.5
Depreciation, amortisation, impairments and revaluation of items not at fair value	7	313.6	451.4
Unrealised gains and losses		-6,580.1	2,286.6
Change in provisions for insurance and investment contracts net of reinsurance	25, 26, 27	7,379.4	-320.6
Change in liability for third party interests in consolidated investments funds		-649.9	313.0
Share of profit or loss and other non-cash items from associates and joint ventures	14	-198.5	-132.6
Cash generating profit for the year		**749.2**	**2,855.7**
Net (increase) / decrease in investment property	13	23.6	-95.9
Net (increase) / decrease in other financial liabilities	33	-103.0	-1,296.3
Net (increase) / decrease intangible assets	10	-28.5	-7.0
Income taxes (paid) / received		-15.0	-55.5
Net (increase) / decrease in other operating assets and liabilities		996.0	-160.5
Net cash flow from operating activities, including discontinued operations		**1,622.4**	**1,240.5**
Of which is cash flow from operating activities of discontinued operations		78.9	22.5
Cash flow from investing activities			
Net (increase) / decrease of debt securities	15	-1,265.3	-2,164.7
Net (increase) / decrease of equity securities	15	328.8	897.8
Net (increase) / decrease in derivatives	16	283.0	-13.6
Net (increase) / decrease in investments at policyholders' risk		-847.4	178.5
Net (increase) / decrease in third party interest in investment funds		873.6	-580.8
Net (increase) / decrease in loans and other financial assets	17	367.0	18.3
Purchases of property and equipment	12	-14.6	-8.8
Proceeds from sale of property and equipment	12	-	1.1
Dividends received from associates	14	-	68.8
Acquisition of and capital injection	14	-8.9	-109.0
Disposal of and capital withdrawal	14	166.0	31.3
Net cash flow from investing activities, including discontinued operations		**-117.7**	**-1,681.2**
Of which is cash flow from investing activities of discontinued operations		-110.2	-22.5
Cash flow from financing activities			
Proceeds from borrowings	32	2,918.5	790.8
Repayment of borrowings	32	-2,949.1	-1,785.8
Issue of share capital		-	62.4
Dividends paid to shareholders	5.1.4.	-65.4	-68.0
Dividends paid to non-controlling interests	5.1.4.	-80.9	-34.0
Net cash flow from financing activities, including discontinued operations		**-177.0**	**-1,034.6**
Of which is cash flow from financing activities of discontinued operations		-	-

Consolidated cashflow statement			
In millions of euros		**2014**	**2013**
Net (decrease) / increase in cash and cash equivalent, including discontinued operations		**1,327.7**	**-1,475.3**
Of which is net (increase / decrease) in cash and cash equivalent of discontinued operations		-31.3	-
Statement of changes in cash and cash equivalents			
Cash and cash equivalents at beginning of year		1,807.8	3,283.2
Net (decrease) / increase in cash and cash equivalents		1,327.7	-1,475.3
Total cash and cash equivalents at 31 December		**3,135.5**	**1,807.8**
Cash and cash equivalents			
Consolidated statement of financial position, own risk		2,642.0	1,146.6
Assets held for sale, own risk		337.8	129.1
Risk reward policyholder and third party investment funds		155.8	532.1
Total cash and cash equivalents at 31 December		**3,135.5**	**1,807.8**
Further details on cash flow from operating activities			
Interest paid		484.0	445.7
Interest received		1,862.1	1,629.4
Dividends received	6,14	250.4	347.2

Due to the application of the IFRS 10 standard, the change in accounting policy for longer duration technical provision and its related assets and due to the reclassification of discontinued operations, (see section 5.1.6.2.) prior year figures have been adjusted.
The cash flow statement is presented before Held for Sale. To present the financial effect of the discontinued operations, the cash flows from discontinued operations are separately disclosed.

Included in the cash position is an amount of € 2.2 million received as cash collateral. The related obligation is presented in the financial liabilities.

The notes (in numerical order) include the accounting policies and are an integral part of these financial statements. The numbers refer to the relevant subsection in section 5.1.7. 'Notes to the consolidated financial statements'.

5.1.6. Accounting policies

The notes to the consolidated financial statements and the remuneration report are an integral part of these financial statements.

This section describes Delta Lloyd's significant general accounting policies, changes in accounting policies and the use of assumptions and estimates relating to the consolidated financial statements and notes as a whole. If an accounting policy relates specifically to a note (balance or transaction) it is presented within the relevant note. Unless otherwise stated, these policies are consistently applied throughout Delta Lloyd, in all the years presented.

The presentation of certain balance sheet line items has changed compared to prior year to provide more relevant information. Among others, shareholders' funds are no longer presented in detail on the balance sheet (details are given in the statement of changes in equity) and some immaterial line items are included in other suitable line items. These changes have no impact on shareholders' funds, total assets and total liabilities or net profit. Prior year comparatives have been adjusted for these changes.

Changes in accounting policies

The discount rate of part of the income insurance portfolio of Delta Lloyd Schadeverzekering and ABN Amro Schadeverzekering has changed from a fixed interest rate to a market interest rate. As a result all general insurance portfolios in the Netherlands and Belgium with long-term claim liabilities are now measured at market interest rate. To mitigate the accounting mismatch that would occur as a result of this adjustment, some of the investment portfolios (debt securities) have been reclassified from the 'available for sale' category to the 'other than trading' category. For the restatement of the 2013 comparative figures see section 5.1.6.2. 'Financial impact of changes in accounting policies and reclassifications'.

The implementation of the new standard IFRS 10 Consolidated Financial Statements also leads to a change in accounting policy that affects Delta Lloyd's financial results. For more details see sections 5.1.6.1. 'Basis of presentation', 5.1.6.2. 'Financial impact of changes in accounting policies and reclassifications' and 5.1.6.4. 'Consolidation principles'.

5.1.6.1. Basis of presentation

Delta Lloyd prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union and with Part 9 of Book 2 of the Dutch Civil Code. Since 1 July 2012, Delta Lloyd uses the EU carve-out on hedge accounting for its banking activities in Belgium.

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

From 1 January 2014, Delta Lloyd applied the following mandatory new and amended IFRS standards and IFRIC interpretations.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces IAS 27, 'Consolidated and Separate Financial Statements', and SIC 12, 'Consolidation - Special Purpose Entities', although IAS 27 continues to apply to separate financial statements. The application of this new standard impacts the financial position of Delta Lloyd (see section 5.1.6.2. 'Financial impact of changes in accounting policies and reclassifications') because several investment funds have to be consolidated due to a change in the consolidation conclusion compared with previous years. For the corresponding accounting policy see section 5.1.6.4. 'Consolidation principles'.

IFRS 11 Joint Arrangements

This standard supersedes IAS 31, 'Interests in Joint Ventures', and SIC 13, 'Jointly Controlled Entities – Non-monetary Contributions by Venturers'. Joint arrangements are contractual agreements in which Delta Lloyd has joint control with one or more parties. Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Investments in joint arrangements are classified either as a joint operation or a joint venture with the focus being on economic reality, i.e. on rights and obligations, rather than on the legal form of the joint arrangement ('substance over form'). A joint operator recognises the assets and liabilities of the arrangement and the related revenues and expenses. A joint venturer recognises its interest in the arrangement using the equity method. Delta Lloyd assessed the nature of its joint arrangements and concluded all are joint ventures. Since joint ventures were already recognised using the equity method under IAS 31 there is no impact on Delta Lloyd's financial position.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 provides disclosure requirements on interests in subsidiaries, associates, joint ventures and structured entities. This standard will not affect Delta Lloyd's financial results but will expand the notes to the financial statements in the annual report.

Amendments to IFRS 10, IFRS 11 and IFRS 12 Transitional

The amendments clarify the transition guidance in IFRS 10, IFRS 11 and IFRS 12 and provide relief from presenting or adjusting comparative information for periods prior to the immediately preceding period. IFRS 12 was amended further to provide additional transition relief by eliminating the requirement to present comparatives for disclosures relating to unconsolidated structured entities for any period prior to the first annual period for which IFRS 12 is applied. Delta Lloyd uses the described transitional guidance.

The following revised standards and amendments had no effect on Delta Lloyd's financial result or equity:

- Revised IAS 27 Separate Financial Statements;
- Revised IAS 28 Investments in Associates and Joint Ventures;
- Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities;
- Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities;
- Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets;
- Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting.

In addition, the following IFRIC interpretations, amended and improved standards endorsed by the European Union in 2014 are applied immediately by Delta Lloyd but have no effect on the financial result or equity because they mainly concern clarifications or are not applicable or the permitted simplified approach will not be implemented:

- IFRIC Interpretation 21 Levies (mandatory 1 January 2014);
- Amendments to IAS 19 Employee Benefits (mandatory from 1 July 2014);
- Annual Improvements to IFRSs 2010-2012 Cycle (mandatory from 1 July 2014);
- Annual Improvements to IFRSs 2011-2013 Cycle (mandatory from 1 July 2014).

The IASB published new standards, amendments and improvements that were not yet endorsed by the European Union on 31 December 2014. Once they are endorsed, Delta Lloyd will not adopt these new standards, amendments and improvements early for its 2015 financial statements:

- IFRS 9 Financial Instruments (IASB effective date 1 January 2018);
- IFRS 14 Regulatory Deferral Accounts (IASB effective date 1 January 2016);
- IFRS 15 Revenue from Contracts with Customers (IASB effective date 1 January 2017);
- Amendments to IAS 16 and 38: Clarification of Acceptable Methods of Depreciation and Amortisation (IASB effective date 1 January 2016);
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations (IASB effective date 1 January 2016);

- Amendments to IAS 16 and 41: Bearer Plants (IASB effective date 1 January 2016);
- Amendments to IAS 27: Equity Method in Separate Financial Statements (IASB effective date 1 January 2016);
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its associate or Joint Venture (IASB effective date 1 January 2016);
- Annual improvements to IFRSs 2012-2014 Cycle (IASB effective date 1 January 2016).

Significant upcoming changes for Delta Lloyd after 2014 are explained below.

IFRS 9 Financial Instruments (IASB effective date 1 January 2018)

IFRS 9 replaces the existing standard (IAS 39) for the classification and measurement of financial assets, impairments of financial assets measured at amortised cost or at fair value through other comprehensive income and micro hedge accounting. How financial assets are measured depends on the business model and contractual characteristics of the financial assets for debt instruments including loans and receivables. Impairment rules are based on an expected loss model instead of the current incurred loss model. After the European Union endorses this standard, it may have a material effect on Delta Lloyd's result and shareholders' funds, depending on choices made regarding classification (if allowed) and market conditions at the time of transition.

Other

Items in the financial statements of each of the Delta Lloyd 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's key functional currency and also the presentation currency. Unless stated otherwise, the amounts shown in these financial statements are in millions of euros. Calculations in the tables are made based on unrounded figures; as a result, rounding differences can occur.

IAS 1 'Presentation of Financial Statements' requires a distinction between current and non-current assets and liabilities in the consolidated statement of financial position, unless a liquidity-based presentation provides better insight. For an insurance group, close control over liquidity, asset and liability matching, and highly regulated capital and solvency positions are considered to be more relevant. The distinction between current and non-current is therefore not made for insurance-related items. Further details of their risk management are provided in section 5.1.7.1. 'Risk management'.

As the income statement of Delta Lloyd NV for 2014 is incorporated in the consolidated financial statements, an abridged company income statement is presented in the separate financial statements, in accordance with section 2:402 of the Dutch Civil Code.

The consolidated cash flow statement is prepared according to the indirect method. It distinguishes between cash flows from operating, investing and financing activities. Cash and cash equivalents consist of cash at banks and cash in hand, deposits held at call with banks, treasury bills, other short-term highly liquid investments with less than 90 days maturity from the date of acquisition and bank overdrafts.

5.1.6.2. Financial impact of changes in accounting policies and reclassifications

The table below summarises the impact of the changes in accounting policies regarding IFRS 10 and the change in accounting policy for a part of the long term claim liabilities and its related assets.

Restatement of comparative figures in the statement of financial position

In millions of euros	Previously reported 31 December 2013	Change in accounting policy IFRS 10	Change in accounting policy for technical provision and related assets	Restated 31 December 2013
Statement of financial position				
Debt securities	24,959.9	100.1	-	25,060.1
Equity securities	3,458.0	-158.1	-	3,299.8
Derivatives	1,172.4	0.6	-	1,173.0
Investments at policyholders'risk	13,691.5	-845.5	-	12,846.0
Third party interests in consolidated investment funds	-	4,649.7	-	4,649.7
Receivables and other financial assets, including plan assets	1,975.5	0.5	-	1,976.0
Current tax assets	70.0	1.2	-	71.2
Accrued interest and prepayments	617.1	22.3	-	639.4
Cash and cash equivalents	1,127.5	19.1	-	1,146.6
Total assets		**3,790.0**	**-**	
Revaluation reserve	645.9	-89.7	-3.2	553.0
Retained earnings	1,634.9	89.7	3.2	1,727.8
Deferred tax liabilities	703.9	0.8	-	704.7
Derivatives	1,357.1	0.1	-	1,357.2
Third party interests in consolidated investment funds	-	4,649.7	-	4,649.7
Customer savings and deposits	4,730.3	0.1	-	4,730.4
Other financial liabilities	1,500.9	-867.3	-	633.6
Other liabilities	2,088.2	6.6	-	2,094.8
Total shareholders' fund and liabilities		**3,790.0**	**-**	

Restatement of comparative figures in the statement of financial position

In millions of euros	Previously reported 1 January 2013	Change in accounting policy IFRS 10	Change in accounting policy for technical provision and related assets	Restated 1 January 2013
Assets				
Debt securities	25,232.8	88.5	-	25,321.2
Equity securities	4,322.1	-123.6	-	4,198.6
Derivatives	2,550.3	0.8	-	2,551.1
Investments at policyholders' risk	13,535.2	-637.8	-	12,897.4
Third party interests in consolidated investment funds	-	3,976.0	-	3,976.0
Receivables and other financial assets, including plan assets	2,228.3	0.5	-	2,228.7
Current tax assets	79.7	0.9	-	80.7
Accrued interest and prepayments	637.9	2.4	-	640.3
Cash and cash equivalents	2,570.6	32.8	-	2,603.4
Total assets		**3,340.4**		
Revaluation reserve	637.7	-70.2	-7.7	559.8
Retained earnings	1,586.4	70.2	7.7	1,664.3
Third party interests in consolidated investment funds	-	3,976.0	-	3,976.0
Customer savings and deposits	10,532.7	-	-	10,532.7
Other financial liabilities	2,457.2	-638.1	-	1,819.1
Other liabilities	2,282.5	2.6	-	2,285.1
Total shareholders' funds and liabilities		**3,340.4**	**-**	

Restatement of comparative figures in the income statement of 2013

In millions of euros	Previously reported	Change in accounting policy IFRS 10	Change in accounting policy for technical provision and related assets	Reclass Discontinued Operations	Restated
Gross written premium	5,017.0			- 259.5	4,757.5
Outward reinsurance premium	-177.2			4.0	-173.2
Investment income	689.4	499.8	-5.9	- 206.3	977.0
Fee and commission income	297.8			- 8.2	289.6
Other income	43.5			- 0.6	42.9
Total income		**499.8**	**-5.9**	**- 470.6**	
Net claims and benefits paid	4,237.7			- 424.2	3,813.5
Change in insurance liability	-257.3			13.2	-244.2
Change in financial liability on behalf of third party in investment funds	-	372.0			372.0
Expenses relating to the acquisition of insurance, investment and other contracts	599.8	93.4		- 12.8	680.3
Finance costs	427.0	5.4		- 6.8	425.6
Other operating expenses	681.5	4.1		- 26.7	658.9
Total expenses		**474.8**	**-**	**- 457.3**	
Income tax	34.1	-5.4	1.5	1.6	36.5
Result after tax from discontinued operations	1.3			11.7	13.0
Net result		**19.5**	**-4.4**		

The restatement in 2013 relating to the other comprehensive income took place in the line item Net result of € 15.1, Changes in value of financial instruments available for sale € -16.0 million and line item Income tax relating to items that may be reclassified € 1.0 million.

Implementation IFRS 10

The consolidation of investment funds leads to an increase of the balance sheet total due to the third party interests amounting to € 3,790.0 million at year-end 2013 (1 January 2013: € 3,340.4 million). Before the implementation of IFRS 10, under IAS 27, a number of the Delta Lloyd investment funds were already consolidated; the third party interest in these consolidated funds of € 845.5 million was included in the line item investment at policyholders' risk. Given the fact that a broader range of funds is consolidated under IFRS 10, a separate line item is created to present the third party interests in consolidated investment funds and the amount of € 845.5 million is reclassified from investment at policyholders' risk to the new line item accordingly. The overall impact on the line item third party interests in consolidated investment funds under IFRS 10 is € 4,649.7 million at year-end 2013.

Due to the consolidation of investment funds, a look-through is applied to Delta Lloyd's own risk share in its investment funds. Instead of presenting equity securities in its investment funds, the underlying items of the investment funds, such as debt securities, accrued interest and cash are now presented as separate line items in the statement of financial position. As a result, the restated statement of financial position at year-end 2013 shows a decrease in equity securities of € 158.1 million being substituted by mainly debt securities for an amount of € 100.1 million, accrued interest for € 22.3 million and cash for € 19.1 million.

With the adoption of IFRS 10 the net operational result after tax decreased by € 4.0 million. This is due to the lower LTIR as the consolidation of Delta Lloyd has been adjusted and equity securities, related to Delta Lloyd's holdings in the investment funds, are replaced by assets held by these funds (e.g. debt securities). These assets are not included in the operational result definition of the LTIR. As a consequence, the impact for the LTIR is € 5.0 million for the year 2013.

Investment funds apply a fair value through profit or loss accounting policy. As some of the equity securities in these consolidated investment funds were accounted for as available for sale, from which the fair value movements are accounted through equity, Delta Lloyd decided to eliminate this accounting mismatch by also applying the fair value through profit or loss option to these investments upon adoption of IFRS 10. For year-end 2013, this results in a release of € 89.7 million of the revaluation reserve regarding the available for sale equity securities to retained earnings for € 70.2 million and to the income statement for € 19.5 million.

Change in accounting policy for long term claim liabilities and its related assets

The discount rate of part of the income insurance portfolio of Delta Lloyd Schadeverzekering and ABN AMRO Schadeverzekering has changed from fixed interest rates to market interest rate. As a result all general insurance portfolios in the Netherlands and Belgium with long term claim liabilities are now measured a market interest rate. To mitigate the accounting mismatch that would occur as a result of this adjustment, some of the investment portfolios (debt securities) have been reclassified from the 'available for sale' category to the 'other than trading' category. The restatement impact as of 1 January 2013 is limited to reclassification from revaluation reserve to other reserves of € 7.7 million, and nil effect of re-measuring the technical provisions since they have been recognised at current assumptions due to the fact that the book reserve in the last years had to be increased to the LAT reserve outcome.

5.1.6.3. Use of assumptions and estimates

Preparing financial statements requires Delta Lloyd to make estimates and assumptions that affect items reported in the consolidated statement of financial position and income statement and the disclosure of contingent assets and liabilities at the date of the financial statements. This particularly concerns estimates and assumptions used to establish insurance contract provisions (including longevity risk; see section 5.1.7.25. 'Insurance liabilities'), determine the fair value of assets and liabilities (see section 5.1.7.37. 'Fair value of assets and liabilities'), establish impairment (see sections 5.1.7.9. 'Goodwill', 5.1.7.15. 'Debt and equity securities' and section 5.1.7.17. 'Loans and receivables'), employee benefits (see section 5.1.7.8. 'Employee information') and deferred acquisition costs (see section 5.1.7.11. 'Deferred acquisition costs'). These estimates and assumptions are based on management's best knowledge of current facts, circumstances and, to some extent, future events and actions. Important assumptions made are set out in the relevant note. Actual results may ultimately differ, possibly significantly, from these estimates.

5.1.6.4. Consolidation principles

The accounting policy for consolidation has changed due to the new control definition under IFRS 10. Delta Lloyd applies the new policy for consolidated financial statements in accordance with the transitional provisions of IFRS 10.

Delta Lloyd has control of an (structured) entity if it (a) has power over the entity; (b) is exposed, or has rights, to variable returns due to its involvement in the relevant activities of the entity; and (c) has the ability to use its power to affect the level of return, reflecting a link between power and returns. The assessment of control is based on the substance of the relationship between Delta Lloyd and the entity and, among other things, considers existing and potential voting rights that are substantive. For a right to be substantive, the holder must have the practical ability to exercise that right.

Determining whether Delta Lloyd has control of an entity is generally straightforward, based on ownership of the majority of the voting capital. However, in certain instances this determination will involve judgement, particularly in the case of investment vehicles like investment funds and structured entities (see below).

Subsidiaries are consolidated from the date when effective control is transferred to Delta Lloyd and are excluded from consolidation from the date when effective control is lost.

Delta Lloyd uses the purchase method when a subsidiary is acquired. The acquisition price is the sum of the fair value of assets given, equity instruments issued and any acquisition-related liabilities. Separately identifiable assets, liabilities and contingent liabilities acquired, as well as net assets, are measured at fair value on the acquisition date. The difference between the acquisition price of a subsidiary and the share in net assets that is attributable to Delta Lloyd's equity interest is recognised as goodwill in the financial statements. If the acquisition price is lower than the fair value of the equity interest, the surplus is recognised in the income statement.

Investment funds

Investment funds are consolidated in the financial statements when Delta Lloyd has control. This is the case when Delta Lloyd has power over the investment fund, sufficient variable return, and when Delta Lloyd can use that power to affect these returns. The assessment of control is based on the substance of the relationship between Delta Lloyd and the investment fund and primarily considers voting rights (existing and substantive potential voting rights), but also, among other things, decision-making authority, removal rights and sufficiency of variability of return. In assessing control, all interests Delta Lloyd holds in the investment fund are considered, regardless of whether the financial risk related to the investment is borne by Delta Lloyd or by the policyholders (unless the investment fund meets the criteria of a silo).

Based on this assessment Delta Lloyd concluded that it controls almost all investment funds it manages and in which it holds an interest and thus consolidates these investment funds in the financial statements (see section 5.1.6.2. 'Financial impact of changes in accounting policies').

On consolidation of an investment fund Delta Lloyd recognises the assets of third parties as a separate line item on the face of the balance sheet and the non-controlling interest as a financial liability (Delta Lloyd is obliged to acquire non-controlling interests in such funds in the event that these are offered). These assets and liabilities are accounted for at fair value through profit or loss.

Equity instruments issued by Delta Lloyd NV that are held by investment funds are eliminated on consolidation in equity and not in the measurement of the related financial liabilities towards policyholders or other third parties.

Structured entities

A structured entity is an entity that has been designed so that voting rights are not the dominant factor in deciding who controls the entity, for example when any voting rights relate to administration tasks only and the relevant activities are directed by means of contractual agreements. Delta Lloyd assesses all facts and circumstances and analyses the purpose and design of the entity, including determining which party has power over the relevant activities that most affect its returns and whether there are any additional rights held that may confer such power.

Delta Lloyd has been involved in the design of certain mortgage-backed securitisations in which part of the mortgage portfolio of Delta Lloyd is pooled and transferred to special purpose entities. Delta Lloyd does not directly or indirectly hold shares in these entities. Amstelhuys and Delta Lloyd Bank Belgium have entered into interest rate swaps with third parties to hedge the interest payment flows for the special purpose entities. Delta Lloyd Bank Nederland entered into interest rate caps. Delta Lloyd also fully services the securitised mortgages. Delta Lloyd can therefore influence the returns (e.g. defaults of the mortgage portfolio). Part of the credit risk is transferred to the note holders, but the expected credit losses will be fully absorbed by the reserve built up in the special purpose entities of which the residual amount accrues to Delta Lloyd. Consequently, Delta Lloyd remains exposed to the majority of the residual risks.

Delta Lloyd concluded, based on the assessment, that it has control over these special purpose entities and needs to consolidate them in the financial statements. Since Delta Lloyd already included these special purpose entities in the consolidation in prior years no adjustments were necessary with the introduction of IFRS 10.

As part of its investment activities Delta Lloyd also invests in structured entities established by other parties, but none of these investments meet the requirement for Delta Lloyd to have control. See section 5.1.7.15. 'Debt and equity securities' for details regarding these securities in unconsolidated structured entities.

Foreign currency transactions are initially accounted for at the exchange rate of the functional currency prevailing on the date of the transaction. Gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

Translation differences on debt securities and other monetary financial assets measured at fair value through profit or loss are included in foreign exchange gains and losses in the income statement. Exchange differences resulting from changes in the amortised cost of monetary available-for-sale financial assets are accounted for in the income statement. Other changes in fair value are included in the investment revaluation reserve within equity.

Translation differences on non-monetary items held at fair value through profit or loss are accounted for as part of fair value changes through profit or loss. Translation differences on non-monetary items whose movements are accounted for through equity are accounted for in the revaluation reserve. Translation takes place at the exchange rates prevailing when fair value is determined.

5.1.6.6. Product classification

Financial assets and liabilities

Delta Lloyd classifies its investments as financial assets at fair value through profit or loss (FVTPL), available-for-sale financial assets (AFS), or loans and receivables. The classification depends on the purpose for which the investment was acquired and is determined when initially recognised. In general, the FVTPL category is used where this eliminates an accounting mismatch.

The category FVTPL has two sub categories - those that meet the definition as being ‘held for trading’ (HFT) and those Delta Lloyd chooses to designate as FVTPL (referred to as ‘other than trading’ or OTT). In addition to derivatives, certain investments held by Delta Lloyd Bank Nederland are classified in the HFT category.

Investments classified as HFT, OTT and AFS are measured at fair value. Changes in the fair value of investments HFT and OTT are accounted for in the income statement in the period in which the value change occurs. Changes in the fair value of investments classified as AFS, other than impairment losses and relevant foreign exchange gains and losses, are recorded in the revaluation reserve within equity.

Certain securitised mortgages and related liabilities are managed on the basis of fair value. Delta Lloyd also evaluates their performance on the basis of fair value, in line with its risk strategy. These securitised mortgages and related liabilities are recognised as 'financial assets or liabilities at fair value through profit or loss'.

All other loans and receivables and other liabilities are initially measured at fair value (including transaction costs) and subsequently measured at amortised cost.

Insurance and investment contracts

Insurance contracts are defined as those transferring significant insurance risk but only if, at the inception of the contract, an insured event could cause an insurer to pay substantial additional benefits in any scenario, excluding scenarios that lack commercial substance. Insurance risk is considered significant if the payment on the occurrence of an insured event differs by at least 10% from the payment if the event does not occur. These contracts are considered to be insurance contracts throughout the remaining term to maturity, irrespective of when the insured event occurs. Any contract not included in the scope of IFRS 4 is classified as an investment contract and treated as a financial instrument. Investment contracts can be reclassified as insurance contracts after inception if the insurance risk becomes significant.

Some insurance and investment contracts contain a participating feature, of which the value and timing depend on decisions taken by management. A participating feature is a discretionary right to receive additional benefits that make up a significant portion of the total contractual benefits. These contracts are referred to as discretionary participating feature (DPF) contracts. The additional benefits referred to are contractually based on the performance of a specified portfolio of contracts or a specified type of contract, realised and/or unrealised investment returns on a specified investment portfolio held by Delta Lloyd or the profit or loss of Delta Lloyd, the fund or the subsidiary entering into the contract. Delta Lloyd offers only one DPF product in the Netherlands. In Belgium, all profit-sharing products have discretionary participating features. The discretionary participating features are defined in the policy setting out the DPF products, conditions and calculations. The actuarial department and the management board determine the policy, which is approved by the shareholders' meeting and must be authorised by the Belgian insurance regulator. These Belgium DPF contracts can be either insurance contracts or investment contracts. In Germany, all traditional insurance contracts and single-premium investment contracts have discretionary participating features. Profit sharing in Germany is based on realised interest income and the underwriting result and is added to a provision for future distribution to policyholders. The timing of the release of this provision is at the discretion of the board of Delta Lloyd Deutschland.

Finally, Delta Lloyd has also non-DPF contracts based on an external benchmark (T or U yield). Movements in (non)-DPF contracts are recognised through profit or loss.

5.1.7. Notes to the consolidated financial statements

5.1.7.1. Risk management

In the risk management note Delta Lloyd describes and analyses its main risks, and the approach to managing these. It also provides a sensitivity analysis, based on the main economic and non-economic assumptions that may lead to volatility in results and in shareholders’ equity. Please note that the risks associated with Delta Lloyd Deutschland and Delta Lloyd Bank Belgium (which are classified as Held For Sale) are included in this paragraph.

Risk management philosophy

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

- **Risk governance**: The risk governance framework comprises 'three lines of defence' and risk committees. It outlines the responsibilities and guidelines of Delta Lloyd's management structure. Each division has a dedicated Audit Committee (AC) and Asset & Liability Committee (ALCO) to supervise the effectiveness of its business control systems.
- **Risk processes and systems:** The risk management framework takes into account all relevant elements of risk management, including an internal model for economic capital calculation, a solid risk management cycle and the interrelationship between governance and management information.
- **Risk culture:** Based on Delta Lloyd's core values, the Executive Board and the boards of the business units have a common framework to perform their risk/return considerations. What is good for Delta Lloyd's customers is good for all stakeholders.
- **Risk taxonomy and mitigation**: The risk management policy framework encompasses the 'risk universe' of all relevant risks for Delta Lloyd and contains a set of mandatory policies and the Group Risk Appetite Statement (GRAS) to control and manage risk according to specific guidelines. The annual GRAS defines the risk appetite for all risks within Delta Lloyd. Each division defines its Business Unit Risk Appetite Statement consistent with the GRAS.
- **Capital model:** Delta Lloyd uses the Insurance Group Directive (IGD) solvency model and has opted to report future regulatory solvency (Solvency II) on the basis of an internal model. Delta Lloyd already applies this model for internal purposes to calculate economic capital. The capital relating to the banking activities is assessed based on the Basel II system taking into account the migration path towards Basel III.

The risk management philosophy is described in section 1.7 'Risk management and top five risks'.

Risk taxonomy

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

Financial risk

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

Strategic risk

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

Operational risk

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

Regulatory risk

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

Financial reporting risk

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

In addition, Delta Lloyd considers systemic risk to be an inherent risk. This is the risk of the economic system or the entire market collapsing due to war, global illiquidity, hyperinflation or similar massive events.

Solvency II

Solvency II is the new regulatory framework for insurance companies operating in the European Union. It is due to be implemented on 1 January 2016, however Delta Lloyd already includes several risk-based elements in its daily operations.
Under Solvency II capital requirements depend directly on consistently-measured risk. It is based on economic principles for measuring assets and liabilities. Although the preparations that insurance companies have to make for Solvency II are far-reaching and comprehensive, Delta Lloyd supports the principles underlying the new framework.

Delta Lloyd has opted to report its required solvency using an 'internal model', except for operational risk. In 2014, progress was made to meet the requirements for using the internal model. All sub-parts of the internal model have been submitted to DNB for review. Timely action to remedy the shortcomings identified by DNB before the final application in 2015 remains challenging, but Delta Lloyd is making every effort to achieve approval by the end of 2015.

In early 2014, the European legislators set the implementation date for 1 January 2016, prompting Delta Lloyd to establish its Solvency II Steering Committee to closely monitor all preparations for Solvency II. The committee consists of members of the Board and senior executives from business units and staff departments. The focus of the Solvency II programme that reports to the committee is on the disclosure and transparency requirements for pillar 3 of the framework. As part of the preparatory phase commissioned by EIOPA, all insurance companies need to submit Solvency II reports to their regulators in 2015. For the pillar 2 requirements in the preparatory phase, Delta Lloyd submitted the Own Risk & Solvency Assessment to DNB in 2014 and will again in 2015.

The major risks Delta Lloyd is exposed to, their impact and the way they are managed are explained below. The top five risks that Delta Lloyd identified in 2014 are included in section 2 'Delta Lloyd in 2014' of the annual report.

Financial risks

Credit risk

Credit risk consists of default risk, credit spread risk and concentration risk. Default risk is the risk that counterparties are unable or unwilling to meet all or part of their payment obligations. Credit spread risk is the risk that the perceived risk of default increases, reducing the value of the asset (bond, mortgage or otherwise). Concentration risk arises from the concentration of default risk at large counterparties and from inadequate sector or country diversification.

Defaults may occur in the bond, mortgage and consumer and commercial loan portfolios or at counterparties including reinsurers, insurance intermediaries, policyholders, banks, derivative counterparties and other debtors. In 2014, Delta Lloyd increased the risk tolerance for credit default risk in the fixed income portfolio (excluding mortgages), although it remains at an average credit quality equivalent to an external single A rating. In addition, restrictions were in place to limit concentrations to individual counterparties and countries, based on the internal model as well as based on external ratings.

The credit risk that Delta Lloyd faces, is shown in the table below. The risk reduction effect of credit default swaps is limited and hence not included. The collateral has been capped at the carrying value of the asset.

The residential mortgage portfolio of € 16.7 billion (2013: € 16.8 billion) is included under loans and includes securitised residential mortgages. More information about the residential mortgage portfolio of Delta Lloyd, and the changes made to the valuation methodology, can be found in section 5.1.7.37. 'Fair value of assets and liabilities'.

Credit risk own risk

In millions of euros	Gross credit risk 2014	Collateral 2014	Net credit risk 2014	Gross credit risk 2013	Collateral 2013	Net credit risk 2013
Debt securities	31,430.4	-	31,430.4	26,168.0	-	26,168.0
Loans and receivables at amortised cost	17,082.8	11,157.7	5,925.1	17,191.1	11,055.8	6,135.4
Loans at fair value through profit or loss (FVTPL)	5,525.3	4,667.7	857.6	5,784.0	4,675.9	1,108.2
Reinsurance assets	652.9	343.3	309.6	554.0	330.5	223.6
Receivables and other financial assets	1,998.1	-	1,998.1	2,123.1	-	2,123.1
Derivatives	2,244.7	1,974.2	270.5	1,201.7	947.1	254.6
Deferred tax assets	2,488.7	-	2,488.7	1,135.5	-	1,135.5
Current tax assets	48.9	-	48.9	71.2	-	71.2
Accrued interest and prepayments	669.6	-	669.6	672.1	-	672.1
Cash and cash equivalents	2,979.8	-	2,979.8	1,275.7	-	1,275.7
Maximum credit risk recognised on the balance sheet	**65,121.3**	**18,143.1**	**46,978.2**	**56,176.4**	**17,009.2**	**39,167.2**
Gross maximum credit risk not recognised on the balance sheet	604.8	-	604.8	699.1	-	699.1
Gross maximum credit risk own risk	**65,726.1**	**18,143.1**	**47,583.0**	**56,875.5**	**17,009.2**	**39,866.3**

* Restated, see section 5.1.6.2. 'Financial impact of changes in accounting policies and reclassifications'.

At 31 December 2014, Delta Lloyd's debt securities amounted to € 31.4 billion (2013: € 26.1 billion), of which 51% (2013: 44%) was invested in government bonds, 31% (2013: 34%) in corporate and collateralised bonds and 18% (2013: 22%) in bonds of non-central government institutions. The increase in the amount of debt securities is predominantly caused by market value increases. The deferred tax assets have increased as a result of a revaluation of technical provisions and derivatives for tax purposes. Lower interest rates and credit spread decline caused higher derivative positions as well as higher cash and cash equivalents, the latter reflecting the collateral repayment obligations of counterparties.

For the above-mentioned exposures, Delta Lloyd received the following collateral:

- Loans and receivables at amortised cost: property, cash collateral, salary waiver, pledges, term accounts and deposits;
- Loans at fair value through profit or loss: property;
- Reinsurance assets: cash collateral;
- Derivatives: cash collateral.

Delta Lloyd charges its collateral on a daily basis to ensure the fungibility of the underlying assets. Delta Lloyd maintains a diversified fixed-income investment portfolio, structured to match its insurance liabilities. Its credit risk is primarily related to government bonds, corporate bonds, residential mortgages and reinsurance assets. Delta Lloyd's fixed income portfolio managers and specialist staff are primarily responsible for managing default risk. Default rates of Delta Lloyd's residential mortgage loans are monitored and reported monthly. A significant part of the mortgage portfolio is securitised and some of the default risk relating to the securitised mortgages is passed on to third parties (the buyers of the mortgage-backed securities). All assets exposed to credit defaults are monitored at group level. The exposure of the asset portfolio to default and concentration risk is analysed in depth each quarter.

Exposure to sovereign and sub-sovereign debt of southern European countries and Ireland at 31 December 2014 amounts to € 1,760.5 million, compared to € 502.8 million at year-end 2013. Investment in these countries increased because in general the southern European economies further stabilised in 2014, which was evidenced by the ending of support programmes and favourable lending conditions in the market. Economic recovery was supported by the unprecedented set of measures that were presented by the European Central Bank (ECB) to weaken the exchange rate of the euro, increase inflation and support lending to the private sector. In general the risk/return profile for investing in the southern European countries has further improved, although the situation per country differs and sustainable recovery still has a long way to go. This is illustrated by the new turmoil surrounding Greece. Therefore, Delta Lloyd continues to strictly monitor exposure to southern European countries and Ireland.

The tables below show Delta Lloyd's total exposure to risks on southern European countries and Ireland, including lending to the financial sector and other private businesses. Lending to private businesses in these countries is, by their nature and activities, not necessarily exposed to the same credit risk as in countries where their headquarters are located. The tables are based on Delta Lloyd's 'country of risk' methodology and the figures include accrued interest. The risk-reduction effect of credit default swaps is not shown. Delta Lloyd has hedged a nominal value of € 414.2 million of default risk relating to all fixed-income investments in these countries using credit default swaps (2013: € 378.4 million). A nominal value of € 50.0 million is hedged against a default of Italy and € 364.2 million against a default of Spain. The 'Other bonds' column includes collateralised bonds. All amounts are gross, i.e. before adjustment for any collateral received.

Position in sovereign, sub-sovereign and other bonds and receivables at year-end

In millions of euros	Sovereign and sub-sovereign bonds	Corporate bonds (non-financials)	Corporate bonds (financials)	Other bonds	Loans and receivables	Position at 31 December 2014
Portugal	97.2	44.9	0.3	72.4	-	214.8
Italy	650.9	175.4	42.8	306.1	-	1,175.2
Ireland	448.4	55.5	116.0	122.7	-	742.6
Greece	-	5.4	0.3	-	-	5.7
Spain	564.0	230.0	177.7	506.6	263.5	1,741.7
Total	**1,760.5**	**511.2**	**337.1**	**1,007.8**	**263.5**	**3,880.0**

Position in sovereign, sub-sovereign and other bonds and receivables at prior year-end

In millions of euros	Sovereign and sub-sovereign bonds	Corporate bonds (non-financials)	Corporate bonds (financials)	Other bonds	Loans and receivables	Position at 31 December 2013
Portugal	21.2	6.5	-	18.9	-	46.6
Italy	254.1	169.7	17.9	137.4	-	579.1
Ireland	122.7	28.4	43.8	131.2	-	326.2
Greece	-	-	-	-	-	-
Spain	104.8	169.1	72.6	419.0	199.7	965.2
Total	**502.8**	**373.8**	**134.3**	**706.5**	**199.7**	**1,917.1**

In 2014, the Russian economy deteriorated significantly because of lower oil prices and international sanctions as a result of the conflict in Ukraine. Delta Lloyd’s total debt exposure in the Russian Federation at 31 December 2014 amounts to € 26.8 million (year-end 2013: € 162.8 million), of which a nominal value of € 20.0 million of default risk has been hedged by credit default swaps. Delta Lloyd has no exposure in Ukraine.
Cash position (treasury) limits are in place to maximise exposure to counterparties, and are based on credit ratings. Delta Lloyd monitors this at regular intervals. Counterparty default risk related to derivative contracts is mitigated by collateral and by maintaining a diversified portfolio.

The concentration risk in relation to reinsurance contracts is monitored through the Delta Lloyd Security List, which contains the maximum exposure per reinsurance counterparty.

The tables below show the own credit risk based on external ratings. The external ratings are based on Standard & Poor's, but if these ratings are not available then Moody's or Fitch is used. Most of the loans and receivables without external ratings concern residential mortgages. The portfolio exposed to credit risk increased by about € 4,994.2 million in 2014. This reflects both market value increasing as a result of lowering interest rates and lower spreads, as well as a shift in investments from equity securities towards fixed income. The average credit rating of the portfolio has slightly decreased. The weight of sub-sovereigns and corporate credits in the portfolio debt securities was increased, at the expense of sovereign credits, because it improves the risk/return profile of the fixed income portfolio.

Gross credit risk own risk at year-end

In millions of euros	AAA	AA	A	BBB	BB	B	Speculative rating	Without external rating	Total 2014
Debt securities	8,368.3	10,147.0	4,524.5	4,525.0	901.3	24.7	-	2,939.5	31,430.4
Loans and receivables	594.5	868.4	323.2	231.6	85.0	-	-	20,505.4	22,608.2
Reinsurance assets	5.7	372.0	208.9	3.6	-	-	-	62.8	652.9
Total	**8,968.5**	**11,387.4**	**5,056.6**	**4,760.2**	**986.3**	**24.7**	**-**	**23,507.7**	**54,691.4**

Gross credit risk own risk at prior year-end

In millions of euros	AAA	AA	A	BBB	BB	B	Speculative rating	Without external rating	Total 2013
Debt securities	7,116.6	8,220.7	3,336.6	4,134.3	480.9	23.6	-	2,855.3	26,168.0
Loans and receivables	668.2	688.2	508.9	255.9	85.0	-	-	20,769.0	22,975.2
Reinsurance assets	-	382.9	104.3	8.1	-	-	-	58.6	554.0
Total	**7,784.8**	**9,291.9**	**3,949.8**	**4,398.3**	**565.9**	**23.6**	**-**	**23,682.9**	**49,697.2**

Delta Lloyd suffered limited losses on its portfolio of Dutch residential mortgages loans: € 7.8 million in 2014. Although this is almost € 1.9 million more than last year, the absolute amount is still limited compared to the size of the portfolio. This supports Delta Lloyd's view that this portfolio is of a high credit quality.

The economic crisis has had substantial consequences for the housing market and for employment. Delta Lloyd commits to proactively helping its customers to prevent and resolve their financial difficulties.
It is in the customer's interest and stems from Delta Lloyd's duty of care to customers in all phases of the mortgage product cycle. Forbearance measures are taken in cases where customers temporarily experience:

- double housing costs, by offering, under strict conditions, the option to rent out the property;
- the threat of getting into financial difficulty by providing information offering temporary or permanent solutions;
- financial problems resulting from a permanent decrease in income by restructuring the mortgage.

The maximum exposure on double housing costs is € 40.6 million (2013: € 29.2 million) on a total mortgage portfolio of € 16.7 billion (2013: € 16.8 billion). Delta Lloyd takes a proactive approach toward customers who are likely to get into financial difficulties due to their mortgage product type (securities-based).

The tables below provide details on the carrying amount of financial assets that have been impaired and the ageing of financial assets that are past due but have not been impaired. The tables relate to own risk financial assets.

Financial assets after impairments at year-end

In millions of euros	Neither past due nor impaired	Financial assets that are past due but not impaired	Financial assets that have been impaired	Total 2014
Debt securities	31,419.5	0.3	10.6	31,430.4
Loans and receivables	22,047.6	468.0	92.6	22,608.2
Receivables and other financial assets	1,946.8	44.9	6.4	1,998.1

Financial assets after impairments at prior year-end

In millions of euros	Neither past due nor impaired	Financial assets that are past due but not impaired	Financial assets that have been impaired	Total 2013
Debt securities	26,137.2	0.7	30.0	26,168.0
Loans and receivables	22,486.0	380.1	109.1	22,975.2
Receivables and other financial assets	1,551.2	557.8	14.1	2,123.1

* Restated, see section 5.1.6.2. 'Financial impact of changes in accounting policies and reclassifications'.

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 2014
Debt securities	-	-	-	0.3	0.3
Loans	337.8	64.5	41.1	24.6	468.0
Receivables and other financial assets	23.7	6.9	14.2	-	44.9
Total	**361.6**	**71.5**	**55.3**	**24.9**	**513.3**

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 2013
Debt securities	-	-	-	0.7	0.7
Loans	269.4	50.8	33.2	26.7	380.1
Receivables and other financial assets	531.3	10.5	15.9	0.1	557.8
Total	**800.7**	**61.3**	**49.1**	**27.6**	**938.7**

The fair value of collateral held for loans that are past due and not yet impaired was € 400.2 million on 31 December 2014 (2013: € 295.5 million).

Equity risk

Equity risk is the risk of loss in assets and liabilities as a result of lower market prices, or changes in the volatility of equity prices. Most of Delta Lloyd's equity risk is in the investment portfolio and there is equity related risk originating from guarantees in the unit-linked and GSB (Gesepareerde Beleggingdepots) liabilities portfolio. In 2014, Delta Lloyd kept the risk tolerance for equity risk at 35% of total available economic capital.

On 31 December 2014, Delta Lloyd's equity portfolio which is held at own risk was € 3.0 billion (2013: € 3.3 billion). About 10% (2013: 18%) of these equity investments was in shareholdings with a stake of 5% or more of the outstanding capital of mainly Dutch companies: 56% (2013: 47%) in investment funds and 19% (2013: 19%) in alternative equity (includes private equity, hedge funds and CDO equity). The property and bond funds with a value of € 1.3 billion (2013: € 643.1 million) are accounted for in equity securities (investment funds). The remaining 15% (2013: 16%) of the portfolio comprises ordinary and preference shares. Excluding private equity, preference shares and property and bond funds, and including equity derivatives, the equity portfolio is € 1.8 billion (2013: € 2.3 billion). A considerable part of the equity portfolio is invested in large and medium-sized Dutch companies.

As a result of the high capital charges for equity under Solvency II, Delta Lloyd reduced equity risk by selling € 547 million of equity securities. These were sold across all categories, but predominantly equity funds, participations and ordinary shares.

Delta Lloyd has studied the optimal equity hedge strategy for its portfolio and concluded that the use of options may lead to suboptimal results. Delta Lloyd therefore decided to gradually reduce its equity option portfolio. In 2014, the hedges were reduced in line with the reduction in equity exposure. On 31 December 2014, the notional value of the long puts was € 1.2 billion and the notional value of short futures was € 0.5 billion (2013: € 1.5 billion and € 0.5 billion futures).

Property risk

Property risk is the risk of losses due to lower prices of property investments. There is no direct property risk in Delta Lloyd's liabilities. Rental income from the residential portfolio offers protection to the long-term inflation risk faced by Delta Lloyd's life insurance business.

Delta Lloyd maintains a diversified property portfolio that includes residential property, car parks, shopping centres and commercial property. Part of it is directly invested and part is invested through funds. The residential sector, which to date has remained relatively stable, makes up the largest part of the portfolio. The residential letting market is positive in the sector in which Delta Lloyd invests. The largest part of Delta Lloyd's office portfolio (€ 525.1 million) is located in Germany, where demand, vacancy rates and prices are in general stable. This portfolio is part of the Delta Lloyd Deutschland investment portfolio.

Demand for commercial property (mainly offices and shops) in the Netherlands has been under pressure for some time due to the state of the Dutch economy. This resulted in higher vacancy rates in the Dutch market in 2014. This trend is reflected in Delta Lloyd's Dutch commercial property portfolio. In addition, more efficient use of its own office space led to higher vacancy rates in the properties Delta Lloyd occupies.

On 31 December 2014, Delta Lloyd's property portfolio (excluding property funds), which is held at own risk, was valued at € 2.2 billion (2013: € 2.3 billion), divided into residential 45% (2013: 41%), offices 35% (2013: 36%), retail 13% (2013: 12%), property occupied by Delta Lloyd 5% (2013: 6%) and other 2% (2013: 5%). Of this portfolio 69% is located in the Netherlands (2013: 70%), 25% (2013: 24%) in Germany and 6% (2013: 6%) in Belgium. Residential property, which has to date, remained relatively steady, accounts for the largest share of the portfolio. Vacancy rates for property in the Netherlands are 2% (2013: 2%) for residential, 8% (2013: 7%) for retail and 26% (2013: 20%) for offices. The vacancy rate for offices in Germany is 10% (2013: 3%), the increase is due to the fact that one of the main tenants went into administration. Delta Lloyd is in the process of finding new tenants for this building. Vacancy rates for German property are calculated based on the number of vacant square meters versus the total number of available square meters. Vacancy rates for the Dutch property portfolio are calculated by stating rental income foregone as a percentage of total gross rental income.

The section on sensitivity analysis quantifies the effect of changes in property values. In view of the increased risks in the Dutch market, the table below demonstrates the expiry dates of leases of offices rented out by Delta Lloyd in the Netherlands, where the value of the rented offices is shown as a percentage of the total office portfolio in the Netherlands (€ 189.2 million, excluding offices occupied by Delta Lloyd against € 242.9 million in 2013). The table shows that during 2014 the share of contractual terms of leases that expire within three years increased significantly, but also the percentage of long-term contracts decreased.

Contractual terms of leases for offices in the Netherlands at year-end

	Within one year	Between one and three years	Between three and five years	More than five years	Total 2014
Offices in the Netherlands excluding those occupied by Delta Lloyd	24%	53%	9%	14%	100%

Contractual terms of leases for offices in the Netherlands at prior year-end

	Within one year	Between one and three years	Between three and five years	More than five years	Total 2013
Offices in the Netherlands excluding those occupied by Delta Lloyd	14%	23%	40%	23%	100%

During 2014, Delta Lloyd revisited its property investment strategy, which aims to build a balanced portfolio with stable cash flows, low volatility and low capital requirements. Part of this strategy is to increase the focus on the residential portfolio in the Netherlands and on the commercial side to shift from owning equity and operating real estate, towards providing debt for real estate.
Delta Lloyd's risk management strategy for property risk focuses on retaining a self-managed portfolio of high quality. Most purchases and sales take place through a tender process and the value is determined objectively through external appraisals. Delta Lloyd's overall property exposure is managed by volume limits and by conducting periodic stress tests.

The retail and office portfolio needs to be pro-actively managed and requires intensive contact with managers and agents to keep vacancy rates at the lowest possible level. Negotiations with tenants take place well before a lease expires. The portfolios are subject to hold-sell analyses. Each property is assessed critically, with the sale of less strategic assets being considered. The office portfolio receives the greatest attention as it has the highest vacancy rates.

Interest rate risk

Delta Lloyd is subject to interest rate risk as the market value of the assets and liabilities depends mainly on interest rates. There is an additional risk regarding fixed-income assets and instruments, as the yields on these assets may develop differently from the yields used to value the insurance liabilities.

Delta Lloyd uses the greater of the swap and the minimum cost replicating portfolio represented by the Collateralised AAA curve to measure the value of most insurance liabilities. In 2013, an ultimate forward rate (UFR) of 4.2%, which will be reached in 40 years starting at year 20, was introduced in line with the methodology adopted by DNB for the Financial Supervisory Act (Wet op financieel toezicht / Wft) adequacy test and Solvency II. This adaptation was made to avoid too much dependence on the low number of long-maturity bonds. There is only one bond in this universe with a maturity exceeding 15 years. At year-end 2014, the universe of the Collateralised AAA curve still contained that one particular bond. Due to its downgrade by Fitch to AA, the bond disappeared from the Collateralised AAA curve per 2 January 2015. As a result of the downgrade, Delta Lloyd will reconsider the parameterisation of the Collateralised AAA curve in the first half of 2015.

The Collateralised AAA curve comprised 381 bonds on 31 December 2014, compared to 338 bonds on 31 December 2013. Because of bond-buying programmes by central banks worldwide, interest rates declined considerably in the second half of 2014. The Collateralised AAA curve decreased by 1.56 percentage points (156 basis points) to 0.88% at the 10-year point, compared to year-end 2013, which is six basis points higher than the comparable swap rate.

The Dutch life insurance entities of Delta Lloyd also use the Collateralised AAA curve as a basis for reporting under the Wft. The adequacy of the insurance liabilities is assessed on the basis of the DNB swap curve with UFR and deficits are added to the insurance liabilities. Delta Lloyd has decided to switch from the ECB AAA curve to the swap curve per year-end, for Delta Lloyd Leven, because Delta Lloyd considers that the interbank market has recovered and that the swap curve is representative as the risk-free rate again. In addition, the swap curve is more in line with the Solvency II curve. DNB has approved this change.

Interest rate risk is measured based on the interest rate curve used in Solvency II. This curve published by DNB is based on the euro swap curve plus a liquidity premium minus a deduction for credit risk, and converges towards the UFR of 4.2% after 20 years. In the third quarter of 2014, Delta Lloyd implemented the volatility adjustment in the Solvency II curve, to replace the liquidity premium that was used up to that moment. The interest rate risk tolerance was set at 7.5% of Delta Lloyd's total available economic capital, both for level and slope risk.

Interest rate risk is managed by matching the duration of assets and liabilities, and by cash flow matching. The interest rate risk is controlled by means of bonds and derivatives, including swaps and swaptions. The unit-linked guarantee is actively hedged in a separate portfolio. The effect of interest rate movements on an economic basis may be different compared to the effects on a regulatory basis. Accounting and capital regimes are focused on exit values, which do not fully represent the asset's value from an economic view, for example by matching assets to liabilities. A notable example is the stable retail income of houses, which offsets the stable payment of pensions on a cash basis, but is not consistently reflected in this exit value approach. The section on sensitivity analysis explains the quantitative effect of interest rate movements.

Inflation risk

Delta Lloyd has written group pension contracts under which pension benefits are indexed in line with the Dutch or European inflation rate. Part of this inflation risk is hedged by inflation-linked derivative instruments. Delta Lloyd also faces inflation risk on claims provisions: if inflation rises, so will claims payments. For example, car damage repair costs will be higher than was projected when the premium was set. Finally, Delta Lloyd's expenses are sensitive to inflation risk as a result of, for example, increasing wages. In the event of deflation, the pension obligations are not adjusted downwards, even though the value of the inflation linked swaps would fall. On the other hand, deflation reduces economic costs. This has a positive net effect on total required economic capital employed by Delta Lloyd. The inflation risk tolerance was set at 7.5% of total available economic capital.

Currency risk

Delta Lloyd defines currency risk as the risk that the value of financial instruments will change due to exchange rate fluctuations.

Delta Lloyd operates primarily within the euro area. Its investments in foreign currencies are mainly in pound sterling and the US dollar. Delta Lloyd hedges investment positions in foreign currencies to limit the impact of exchange rate fluctuations on profit and loss. In 2014, the risk tolerance for currency risk was set at 4% of total available economic capital.

Delta Lloyd does not apply hedge accounting under IAS 39 to offset currency risk. The sensitivity to foreign currency in the event of a 10% decrease in the exchange rate of all foreign currencies at the same time is € -115.4 million (2013: € -82.0 million) on the result before tax and € -86.6 million (2013: € -61.5 million) on capital and reserves. If an internationally-operated company expresses its equity in foreign currency, the value of the equity is expected to rise if the exchange rate in which the equity is quoted falls. This compensating effect has not been included in the sensitivity analysis.

The table below demonstrates foreign currency assets and liabilities that are held at Delta Lloyd's own risk. The amounts are before and after hedging using currency derivatives. The category 'Other' consists mainly of Australian dollars, Turkish liras and New Taiwan dollars.

Foreign currency exposure own risk

In millions of euros	Currency exposure at year-end	Hedged through currency derivatives at year-end	Net currency exposure at year-end	Currency exposure at prior year-end	Hedged through currency derivatives at prior year-end	Net currency exposure at prior year-end
Pound sterling	185.9	83.7	102.2	155.3	88.1	67.2
US dollar	1,075.4	644.6	430.8	1,442.0	1,190.0	252.0
Brazilian real	50.8	-0.4	51.2	22.3	-	22.3
Canadian dollar	39.2	10.4	28.8	26.6	8.3	18.3
Swedish krona	26.8	9.6	17.2	14.4	13.5	0.9
Singapore dollar	17.7	-	17.7	14.5	-	14.5
Hong Kong dollar	53.3	-	53.3	34.4	-	34.4
Danish krone	204.4	199.0	5.4	10.3	-	10.3
Japanese yen	139.6	93.1	46.5	33.1	-0.2	33.3
Mexican peso	39.2	-	39.2	31.3	-	31.3
Polish zloty	33.0	-	33.0	29.3	-	29.3
South African rand	57.1	-0.3	57.4	34.1	-0.1	34.2
Russian ruble	5.7	-9.8	15.5	35.5	9.3	26.2
Malaysian Ringgit	30.6	-	30.6	1.5	-	1.5
Other	220.8	-4.8	225.6	231.2	-12.8	244.0
Total	**2,179.5**	**1,025.1**	**1,154.4**	**2,115.8**	**1,296.1**	**819.7**

Underwriting risk

Underwriting risks arise from the possibility that insurance premiums and/or provisions will not be sufficient to meet future payment obligations. This can occur due to mis-selling, inadequate pricing or when claims differ from what was expected. To manage the underwriting risk, Delta Lloyd has a policy that is periodically tested, in order to ensure that the underwritten risks remain within accepted limits. Each business unit has a dedicated pricing team and a pricing board, that reflect on the pricing and underwriting.

Life insurance

The main underwriting risks for life insurance are mortality risk, longevity risk, lapse risk and expense risk.

Delta Lloyd distinguishes between three risk factors within mortality risk: catastrophe risk, trend risk and portfolio-specific mortality risk. Catastrophe and trend risks relate to national developments while the portfolio-specific mortality risk relates to variances in mortality between the national trend and the Delta Lloyd portfolio. The sensitivity analysis separately demonstrates the effects of a change in mortality assumptions.

Delta Lloyd manages longevity risk (the risk that people will live longer than expected) through hedging and detailed analysis, using mortality data within its portfolio as well as the latest external industry data and trends. Delta Lloyd uses this data to form adequate insurance liabilities. Expected future mortality improvements are incorporated in the pricing of products. In principle and when appropriate, Delta Lloyd uses the most recent mortality forecasts when valuing insurance liabilities, other than term life policies.

At year-end 2014, Delta Lloyd switched to the AG2014 mortality prognosis, which is based on more up-to-date mortality figures than the previous AG2012-2062 prognosis that had been used. One of the main strengths of the AG2014 mortality prognosis is that it is based on historic mortality figures in the Netherlands, but also takes into account the stable European mortality development trend. This makes it transparent, reproducible and suitable for the majority of the population relevant to Delta Lloyd.

Delta Lloyd is setting aside additional longevity provisions for annuity and pension products on top of the premium principles. The additional longevity provisions were € 2,238.0 million at 31 December 2014 (2013: € 1,828.9 million). The increase is mainly caused by lower interest rates.

In August 2014, Delta Lloyd Levensverzekering completed a longevity derivative transaction with Reinsurance Group of America (RGA) to mitigate a part of the longevity risk related to its Dutch life insurance portfolio. The contract takes the form of a six-year longevity derivative, which relates to an underlying longevity portfolio of approximately € 12.6 billion. In December, Delta Lloyd increased the protection for longevity.

Mortality risk (the risk that people will die sooner than expected) is also significant to Delta Lloyd’s Life insurance business. As with longevity, insight into this risk is obtained by extensive analysis of mortality statistics. Although mortality and longevity risks are opposite risks, they cannot always be netted because of the different age structures and exposures in the portfolios concerned.

Mortality risk is managed by reinsurance and checks for accepting new business. The mortality risk reinsurance programme is set annually. On 31 December 2014, Delta Lloyd Levensverzekering renewed the additional one-year mortality reinsurance contract originally agreed in 2011. The capital relief for 2015 has increased compared to 2014. To manage mortality risk, Delta Lloyd’s guidelines for term life business include mandatory medical examination above set limits.

The life insurance business is also exposed to lapse risk. This involves all the options available to policyholders to change their insurance. At Delta Lloyd, this mainly involves the possibility that the policies are surrendered, or become paid-up. Keeping life insurance products attractive for customers, agents, intermediaries and banks is key to managing this risk. Trends in lapses in the portfolio are carefully monitored.

Due to the low interest rate environment, most interest-guaranteed products are 'in the money', the most important risk element is having lower lapses than anticipated.

Expense risk to life insurance mainly involves the risk of increasing costs to maintaining current policies. Delta Lloyd manages this risk through detailed budgeting, a dedicated cost reduction programme and monitoring all costs using activity-based costing (ABC).

Life insurance contracts do not have a high concentration risk.

Delta Lloyd regularly tests whether insurance liabilities are adequate. The liabilities in this adequacy test are measured using realistic assumptions plus a margin for uncertainty. Delta Lloyd tests for both IFRS (liability adequacy test) and Wft (adequacy test) purposes. Each year, an external actuary provides an opinion on the adequacy of the technical provisions. Both IFRS and the Wft tests require the overall technical provisions to be adequate.
Due to the low interest rate environment, the uncertainty of longevity has become much more expensive. Mainly due to this effect, the margin for uncertainty (risk margin) increased with € 183.8 million for IFRS and € 181.5 million for the Wft during the year.

General insurance

Risk management of the general insurance portfolios focuses on risk mitigation through strict acceptance policies, stringent claims-handling procedures and risk-based reinsurance contracts.

An acceptance policy is developed for each Delta Lloyd product line and is evaluated each year and revised if necessary. Regular random checks are carried out on the product lines to check whether underwriters are following the rules and regulations.

Delta Lloyd has customised reinsurance programmes for the various business units and risk groups. The exposure to the parent reinsurance companies of these reinsurance contracts (general insurance, life insurance and Delta Lloyd Life Belgium) are monitored in the Delta Lloyd Security List, to ensure that they remain below the concentration limits of the Group's risk appetite.

Catastrophic events are a major risk to Delta Lloyd's general insurance business. The main natural catastrophe threatening the Netherlands is storms that cause severe wind damage. Delta Lloyd's cumulative risk (maximum possible loss) resulting from natural disasters (particularly storms) is identified using postal codes. Delta Lloyd purchased a reinsurance contract offering protection against a 1 in 200 year storm based on the RMS catastrophe model.
The catastrophe reinsurance contract for 2014 provides a cover of € 390.0 million (2013: € 370.0 million) above the retention limit of € 50.0 million (2013: € 50.0 million). For a second catastrophe the retention limit is lowered to € 20.0 million by means of a special reinsurance contract.

Delta Lloyd's general insurance business also faces risks regarding the frequency and size of claims, unexpected claims, inaccurate pricing of the general insurance risks, inadequate reinsurance protection and concentration risk. To manage the risk of higher claim frequencies and higher-than-expected claims and a higher ratio of claims to premiums (claims ratio), Delta Lloyd monitors the probability of occurrence and the required economic capital per risk group.

In addition, reinsurance contracts per risk group are in place, covering Delta Lloyd against large one-off events such as fires. All these contracts cover both Dutch property and casualty entities within Delta Lloyd.

In 2014 the insurance risks of the Dutch Marine Insurance portfolio were fully reinsured. The reinsurance company that took over the risk is specialised in runoff business. By setting up a trust the counterparty default risk of this transaction is minimised.

Delta Lloyd takes the 'premium rating cycle' characteristic of the general insurance industry into account when pricing general insurance policies. Favourable market results put downward pressure on premiums (due to a higher capital supply) and this leads to weaker financial performance, necessitating an increase in premiums. Delta Lloyd has product teams and specific knowledge centres to manage this risk and for the correct timing of premium pricing or adjustments.

To value insurance liabilities for the general insurances Delta Lloyd calculates best estimates based on standard actuarial projection techniques. Delta Lloyd therefore uses past claims to project future claims development. This involves the risk that the insurance liabilities may prove to be inadequate. The adequacy of claim liabilities is therefore tested each quarter, with the external actuary providing an opinion on the adequacy of the technical provisions. Both IFRS (liability adequacy test) and the Wft (adequacy test) require that the overall technical provisions are adequate at the legal entity level. Delta Lloyd has internal requirements of adequacy on the segment level of property & casualty as well as disability insurance.

The sensitivity analysis demonstrates the quantitative effect of underwriting risks.

Liquidity risk

Delta Lloyd has a strong liquidity position, and therefore liquidity risk at group level is deemed to be limited. Active cash management within Treasury ensures Delta Lloyd has sufficient liquidity to meet its liabilities when these fall due. Within Delta Lloyd the banking operations face the highest liquidity risk. This is the risk that liquid assets are insufficient to meet short-term obligations. The banking activities have a separate liquidity policy in place to mitigate this risk. The liquidity risk is closely monitored by risk management functions and asset liability committees within the banking business.

In June 2014, Delta Lloyd placed a new € 750.0 million fixed-to-floating-rate subordinated note transaction under the euro medium-term note (EMTN) programme at a coupon of 4.375%. The subordinated perpetual notes can be redeemed at Delta Lloyd's option from 13 June 2024 onwards. The EMTN programme was launched in 2010 to gain efficient and flexible access to working capital. This is in addition to the sources of capital and liquidity already in use. In 2014, Delta Lloyd regularly continued to use its Commercial Paper Programme, set up in 2010, to meet part of its short-term financing requirement. The maximum total financing available under these programmes is € 4.0 billion. Delta Lloyd also has substantial credit facilities in place with several reputable financial institutions.

Delta Lloyd's insurance operations face a limited liquidity risk: there are sufficient liquid investments and inflows of new premiums compared to a stable outflow of payments. Delta Lloyd has defined a target liquidity coverage ratio (LCR) of 105% for the insurance entities. The LCR largely meets the target, i.e. the ratios show that in case of a stress situation (e.g. mass lapse, catastrophe) Delta Lloyd will have sufficient liquid stock of assets.

Delta Lloyd's banking business requires liquidity to fund residential mortgage and retail lending. In 2014, Delta Lloyd Bank Nederland successfully securitised € 1.557 million of NHG residential mortgages in two transactions (Arena NHG 2014-I and Arena NHG 2014-II). Residential mortgages are also funded from alternative sources, such as savings, premium deposits, intercompany loans and assignments, traditional bank financing and repurchase agreement transactions. In 2014, € 98.1 million (2013: € 135.9 million) of funding was obtained through *banksparen*; this particular type of tax-efficient savings can be withdrawn less quickly than traditional savings. If necessary, Delta Lloyd can partially limit its funding needs by increasing the margins on mortgage loans, thereby limiting new mortgage lending.

During 2014, Delta Lloyd's mortgage entity Amstelhuys successfully refinanced several securitisation programmes with an aggregated amount of € 3.0 billion, using a combination of internal and external funding sources. Amstelhuys also securitised a portfolio of Dutch residential mortgage loans for an amount of € 352.7 million under the name of iArena. Furthermore, Amstelhuys transferred mortgages with a total value of € 371.8 million to the life business (2013: € 247.2 million), enabling the life business to extend the term of its investments and reduce the interest rate risk. In addition, € 0.2 million (2013: € 62.3 million) was transferred to the general insurance business and € 398.1 million to Delta Lloyd Bank (2013: € 229.4 million).

The table below provides details on the contractual maturity of the assets on the statement of financial position of Delta Lloyd. The amounts reported are Delta Lloyd's own risk. The derivatives are presented in a separate table. The receivables and other financial assets are not included in the statement as they are held for the short term. See section 5.1.7.20. 'Receivables and other financial assets' for further information on receivables and other financial assets.

Contract maturity date of assets at year-end

In millions of euros	Within one year	Between one and three years	Between three and five years	More than five years	Not stated	Total 2014
Goodwill	-	-	-	-	290.4	290.4
AVIF and other intangible assets	-	-	-	-	104.2	104.2
Deferred acquisition costs	-	-	-	-	118.3	118.3
Property and equipment	-	-	-	-	102.2	102.2
Investment property	-	-	-	-	2,079.5	2,079.5
Associates and joint ventures	-	-	-	-	338.3	338.3
Debt securities	568.3	1,633.4	1,663.8	27,428.4	136.5	31,430.4
Equity securities	-	-	-	-	2,964.0	2,964.0
Loans and receivables	2,244.2	784.4	954.7	18,548.1	76.7	22,608.2
Reinsurance assets	136.3	111.3	68.4	336.9	-	652.9
Accrued interest and prepayments	669.6	-	-	-	-	669.6
Cash and cash equivalents	2,979.8	-	-	-	-	2,979.8
Assets held for sale	3.1	-	-	-	-	3.1
Total	**6,601.3**	**2,529.1**	**2,687.0**	**46,313.4**	**6,210.1**	**64,340.8**

Contract maturity date of assets at prior year-end*

In millions of euros	Within one year	Between one and three years	Between three and five years	More than five years	Not stated	Total 2013
Goodwill	-	-	-	-	283.5	283.5
AVIF and other intangible assets	-	-	-	-	100.1	100.1
Deferred acquisition costs	-	-	-	-	137.8	137.8
Property and equipment	-	-	-	-	106.3	106.3
Investment property	-	-	-	-	2,183.0	2,183.0
Associates and joint ventures	-	-	-	-	296.9	296.9
Debt securities	479.8	1,318.7	1,700.8	22,522.4	146.3	26,168.0
Equity securities	-	-	-	-	3,300.1	3,300.1
Loans and receivables	1,889.2	1,450.0	871.0	18,691.6	73.5	22,975.2
Reinsurance assets	87.0	95.3	65.9	305.8	-	554.0
Accrued interest and prepayments	648.0	-	0.1	1.7	-	649.8
Cash and cash equivalents	1,275.7	-	-	-	-	1,275.7
Assets held for sale	6.8	-	-	-	-	6.8
Total	**4,386.5**	**2,864.0**	**2,637.8**	**41,521.4**	**6,627.4**	**58,037.1**

* Restated, see section 5.1.6.2. 'Financial impact of changes in accounting policies and reclassifications'.

The table below presents the maturity analysis for derivatives. The amounts reported are held at Delta Lloyd's own risk and at the risk of policyholders. All positive cash flows are added up and broken down by maturity, and all negative cash flows are added up and broken down by maturity. Neither the positive nor the negative cash flows are discounted, so they cannot be reconciled with the statement of financial position.

Maturity analysis of derivatives at year-end

In millions of euros	Within one year	Between one and three years	Between three and five years	More than five years	Total 2014
Negative cash flow	1,761.7	308.9	373.5	4,385.9	6,830.1
Positive cash flow	1,889.6	941.2	316.1	5,448.4	8,595.3

Maturity analysis of derivatives at prior year-end*

In millions of euros	Within one year	Between one and three years	Between three and five years	More than five years	Total 2013
Negative cash flow	1,951.0	747.5	511.9	6,224.3	9,434.6
Positive cash flow	1,884.0	930.1	949.9	5,619.5	9,383.5

* Restated, see section 5.1.6.2. 'Financial impact of changes in accounting policies and reclassifications'.

The table below provides information on the contract maturity dates of the insurance contracts. The amounts are discounted cash flows.

Contract maturity date of insurance contract liabilities at year-end

In millions of euros	Within one year	Between one and five years	Between five and fifteen years	More than fifteen years	Total 2014
Non-unit-linked	2,098.5	6,498.9	12,643.9	13,458.9	34,700.2
Unit-linked	938.0	2,882.2	5,170.5	4,620.5	13,611.1
Total life insurance contract liabilities	**3,036.5**	**9,381.1**	**17,814.4**	**18,079.4**	**48,311.4**
General insurance liabilities	692.1	832.3	540.2	105.7	2,170.4
Total	**3,728.7**	**10,213.4**	**18,354.6**	**18,185.1**	**50,481.7**

Contract maturity date of insurance contract liabilities at prior year-end

In millions of euros	Within one year	Between one and five years	Between five and fifteen years	More than fifteen years	Total 2013
Non-unit-linked	2,207.9	6,596.1	10,904.9	9,932.9	29,641.8
Unit-linked	748.9	2,547.2	4,434.3	4,689.7	12,420.1
Total life insurance contract liabilities	**2,956.8**	**9,143.4**	**15,339.1**	**14,622.6**	**42,062.0**
General insurance liabilities	794.6	889.4	490.1	104.6	2,278.8
Total	**3,751.5**	**10,032.8**	**15,829.2**	**14,727.2**	**44,340.7**

The table below provides details on the contract maturity dates of investment contracts. The amounts shown are undiscounted cash flows and therefore cannot be reconciled with the statement of financial position. The increase in the undiscounted cash flows of the investment contracts (€ 863.6 million) compared to last year is significantly lower than the increase as reported on the statement of financial position (€ 1,337.3 million). This is mainly due to lower interest rates.

Contract maturity date of investment contracts at year-end

In millions of euros	Within one year	Between one and five years	Between five and fifteen years	More than fifteen years	Total 2014
Non-unit-linked	302.9	1,017.5	2,401.0	2,456.2	6,177.6
Unit-linked	13.8	175.3	573.6	478.6	1,241.3
Total life investment contract liabilities	**316.7**	**1,192.8**	**2,974.6**	**2,934.8**	**7,418.9**

Contract maturity date of investment contracts at prior year-end

In millions of euros	Within one year	Between one and five years	Between five and fifteen years	More than fifteen years	Total 2013
Non-unit-linked	307.2	1,069.1	2,257.8	2,235.0	5,869.1
Unit-linked	25.0	148.8	352.8	159.6	686.2
Total life investment contract liabilities	**332.2**	**1,217.9**	**2,610.6**	**2,394.6**	**6,555.3**

The table below provides details on the contractual maturities of borrowings. The amounts reported may differ from those in the consolidated statement of financial position, which are based on undiscounted cash flows. Items that do not generate cash flow are discounting, amortisation of expenses, value changes in derivatives, own risk surcharges and the like. In addition, undiscounted future interest payments are reported in a separate line and allocated to the relevant maturity category.

Interest payments on loans and loan terms are recognised until the contract end date.

Contract maturity date of borrowings at year-end

In millions of euros	within one year	Between one and two years	Between two and three years	Between three and four years	Between four and five years	More than five years	Total 2014
Subordinated debt	-	-	-	-	-	1,650.7	1,650.7
Securitised mortgage loan notes	-	-	-	15.3	-	2,920.1	2,935.4
Medium-term note	-	-	575.0	-	-	-	575.0
Commercial paper	311.0	-	-	-	-	-	311.0
Convertible loan	-	-	-	-	-	2.0	2.0
Other	42.1	88.4	24.5	4.7	3.8	16.7	180.3
Total borrowings	**353.2**	**88.4**	**599.5**	**20.0**	**3.8**	**4,589.6**	**5,654.4**
Future interest payments	127.9	125.6	146.5	145.9	121.2	5,333.7	6,000.9
Total borrowings including future interest payments	**481.1**	**214.0**	**746.0**	**165.8**	**125.1**	**9,923.3**	**11,655.4**

Contract maturity date of borrowings at prior year-end

In millions of euros	Within one year	Between one and two years	Between two and three years	Between three and four years	Between four and five years	More than five years	Total 2013
Subordinated debt	-	-	-	-	-	1,004.7	1,004.7
Amounts owed to credit institutions	11.9	50.7	-	-	-	-	62.6
Securitised mortgage loan notes	-	-	-	27.9	-	4,150.7	4,178.6
Medium-term note	-	-	-	575.0	-	-	575.0
Commercial paper	94.9	-	-	-	-	-	94.9
Convertible loan	-	-	-	-	-	2.0	2.0
Other	102.2	42.8	92.1	26.2	5.0	21.5	289.8
Total borrowings	**209.0**	**93.5**	**92.1**	**629.1**	**5.0**	**5,178.9**	**6,207.5**
Future interest payments	148.0	142.7	141.1	127.6	112.5	3,266.4	3,938.2
Total borrowings including future interest payments	**356.9**	**236.2**	**233.2**	**756.8**	**117.5**	**8,445.3**	**10,145.8**

Sensitivity analysis

Due to the nature of Delta Lloyd's business, a number of assumptions are made in compiling the financial statements. These include assumptions concerning lapse rates, mortality rates and expenses in connection with in-force business. The investment return also affects the results. The sensitivity of the result and equity to changes in assumptions is set out below. For each sensitivity factor, all other assumptions have been left unchanged. This is unlikely to occur in practice and changes in some of the assumptions may be correlated, for instance a change in interest rate with a change in equity prices or a change in lapses with future mortality. These sensitivities can be described as follows:

Sensitivity factor

Factor	Description of sensitivity factor
Credit spreads	The effect of a 50 bps change in credit spread (applicable to collateralised and (sub)sovereign bonds with a rating below AAA, corporate bonds and FV loans).
Interest rates	The effect of a parallel 25 bps increase or decrease across the yield curve taking the UFR methodology into account (UFR is not changed)
Equity values	The effect of a change of 10% in equity markets (applicable to ordinary shares, 5% participations, investment funds and derivatives), taking into account a beta factor of 81%
Property values	The effect of a change of 10% in property value (applicable to offices, residential, retail and other property).
Funding spreads	The effect of a 50 bps change in funding spread (applicable in the valuation of FV mortgages without NHG guarantee and mortgage funding).
Expenses	The effect of a 10% increase in expense assumptions
Mortality and disability risk in life insurance	The effect of an increase of 5% in mortality and disability risk probabilities.
Longevity risk	The effect of a reduction of 5% in mortality probabilities.
Claims ratio	The effect of an increase of 5% in the gross claims ratio for general and health insurance.

The effects of these sensitivity factors, which are determined using actuarial and statistical models, are shown in the tables below. For life insurance, the sensitivities are only disclosed gross of reinsurance as the reinsured portion does not lead to a material change in value. For general insurance, the sensitivities are shown both gross and net of reinsurance. The sensitivity analysis of level 3 measurements in the fair value hierarchy (measurement method not based on significant observable market inputs) is presented in section 5.1.7.37. ‘Fair value of assets and liabilities’. The sensitivity analysis of pensions is presented in section 5.1.7.29. ‘Pension obligations’.

The tables below show the impact of the main market risks for Delta Lloyd on results and shareholders’ funds. The IFRS sensitivities are based on Delta Lloyd accounting policies and are shown after tax. The interest rate sensitivities take into account the UFR methodology and are calculated using a fixed UFR (UFR is not changed). In determining the sensitivities per 31 December 2014, the figures of Delta Lloyd Deutschland and Delta Lloyd Bank Belgium are no longer taken into account. Both entities are classified as held for sale and the exit value is fixed. Remaining equity movements come at the risk of the buyer. Sensitivities at prior year-end have been restated for funding spread risk. In addition interest rate and credit spread sensitivities on IFRS results at prior year-end have been restated for Delta Lloyd Schadeverzekering, due to a change in accounting policy (see section 5.1.6.2. ‘Financial impact of changes in accounting policies and reclassifications’).

Sensitivity analysis of investments of life insurance business

In millions of euros	Impact on result at year-end	Impact on equity at year-end	Impact on result at prior year-end	Impact on equity at prior year-end
Credit spreads +50 bps	-426.5	-426.5	-271.7	-292.1
Credit spreads -50 bps	463.2	463.2	291.0	312.4
Interest rates +25 bps	-845.5	-845.5	-605.2	-616.7
Interest rates -25 bps	899.2	899.2	640.6	652.4
Equity values +10%	-25.5	35.6	-11.7	92.9
Equity values -10%	38.9	-22.3	27.8	-76.8
Property values +10%	140.2	140.2	184.2	184.2
Property values -10%	-140.2	-140.2	-184.2	-184.2

Sensitivity analysis of liabilities of life insurance business

In millions of euros	Impact on result at year-end	Impact on equity at year-end	Impact on result at prior year-end	Impact on equity at prior year-end
Credit spreads +50 bps	-	-	5.3	23.7
Credit spreads -50 bps	-	-	-5.6	-24.9
Interest rates +25 bps	823.0	823.0	616.9	627.3
Interest rates -25ps	-861.7	-861.7	-649.3	-660.0
Equity values +10%	37.0	37.0	34.5	33.7
Equity values -10%	-39.4	-39.4	-36.8	-35.9
Property values +10%	-	-	-42.7	-42.7
Property values -10%	-	-	42.7	42.7
Longevity risk -5%	-213.5	-213.5	-161.1	-161.1
Expense risk +10%	-35.1	-35.1	-33.6	-33.6
Mortality risk +5%	207.4	207.4	150.1	150.1

Sensitivity analysis of general insurance, gross of reinsurance

In millions of euros	Impact on result at year end	Impact on equity at year end	Impact on result at prior year end	Impact on equity at prior year end
Credit spreads +50 bps	-12.9	-25.9	-18.3	-25.7
Creditspreads -50 bps	13.5	27.2	19.1	26.9
Interest rates +25 bps	2.6	-8.7	1.1	-13.1
Interest rates -25 bps	-2.7	9.0	-1.2	13.4
Equity values +10%	0.4	10.6	0.5	14.6
Equity values -10%	-1.0	-10.6	-8.9	-14.6
Property values +10%	-	4.1	-	3.3
Property values -10%	-	-4.1	-	-3.3
Expense risk +10%	-23.8	-5.1	-23.1	-4.4
Claims ratio +5%	-36.4	-36.4	-38.6	-38.6

Sensitivity analysis of general insurance, net of reinsurance

In millions of euros	Impact on result at year-end	Impact on equity at year-end	Impact on result at prior year-end	Impact on equity at prior year-end
Credit spreads +50 bps	-12.9	-25.9	-18.3	-25.7
Credit spreads-50 bps	13.5	27.2	19.1	26.9
Interest rates +25 bps	2.6	-8.8	1.3	-13.2
Interest rates -25 bps	-2.7	9.0	-1.4	13.5
Equity values +10%	0.4	10.6	0.5	14.6
Equity values -10%	-1.0	-10.6	-8.9	-14.6
Property values +10%	-	4.1	-	3.3
Property values -10%	-	-4.1	-	-3.3
Expense risk +10%	-23.8	-5.1	-23.1	-4.4
Claims ratio +5%	-29.3	-29.3	-35.8	-35.8

Sensitivity analysis of bank and other

In millions of euros	Impact on result at year-end	Impact on equity at year-end	Impact on result at prior year-end	Impact on equity at prior year-end
Credit spreads +50 bps	-	-3.2	-1.8	-7.9
Credit spreads -50 bps	-	3.2	1.8	7.9
Interest rates+25 bps	-27.5	-28.9	-	-16.2
Interest rates -25 bps	28.1	29.5	-	16.2
Equity values +10%	-	7.4	-	8.6
Equity values -10%	-	-7.4	-	-8.6
Funding spreads +50 bps	-18.1	-18.1	-19.8	-19.8
Funding spreads -50 bps	18.0	18.0	21.0	21.0

Sensitivity factor IGD

Factor	Description of sensitivity factor
Credit spreads	The effect of a 50 bps change in credit spread (applicable to (sub)sovereign with a rating below AAA, corporate and collateralised bonds and loans).
Interest rates	The effect of a 25 bps increase or decrease across the yield curve taking the UFR methodology into account (UFR is not changed).
Equity values	The effect of a change of 10% in equity value (applicable to ordinary shares, 5% participations, investment funds and derivatives), taking into account a beta factor of 81%.
Property values	The effect of a change of 10% in property (applicable to offices, residential, retail and other property).
Funding spreads	The effect of a 50 bps change in funding spread (applicable to FV mortgages without NHG guarantee and mortgage funding)

The table below shows the impact of the main market risks on IGD available capital after tax. The IGD available capital sensitivities on 31 December 2014 and comparable figures on 31 December 2013 are based on local Solvency I guidelines, instead of using a single consolidated approach. The IGD interest rate sensitivity on available capital reflects the effects of yield curve changes using the prevailing legislative environment and take into account the UFR methodology. The sensitivities are calculated with a fixed UFR (UFR is not changed). The IGD available capital sensitivities at prior year-end have been restated for funding spread risk.

Sensitivity analysis according to IGD

In millions of euros	Impact on available solvency at year-end	Impact on available solvency at prior year-end
Credit spreads +50 bps	-296.5	-200.8
Credit spreads -50 bps	316.8	211.6
Interest rates +25 bps	-74.0	-27.7
Interest rates -25 bps	84.5	35.4
Equity values +10%	73.9	130.9
Equity values -10%	-64.1	-118.5
Property values +10%	135.2	133.4
Property values -10%	-135.2	-133.4
Funding spreads +50 bps	-48.7	-55.2
Funding spreads -50 bps	50.8	57.9

Interest rate, credit and equity risks sensitivities markedly changed, mainly as a result of management actions in combination with decreased interest rates in 2014.

Credit risk

Credit risk increases under both IFRS and IGD due to an increase in exposure to credit risk in 2014. Exposure in sovereign bonds with a AAA-rating decreased in favour of bonds with lower credit rating. In addition the market value of the bond portfolio increased as a result of decreased interest rates resulting in higher exposure. Credit spread sensitivities do not contain spread sensitivity on mortgages and mortgage funding, sensitivity in the funding spread of mortgages is reported separately. Under IFRS there is no longer an effect of credit risk on liabilities at year-end. This effect was caused by Delta Lloyd Deutschland and is therefore no longer present. This change is compensated by a similar change on the investment side by excluding Delta Lloyd Deutschland from the sensitivity calculation.

At year-end 2014 Delta Lloyd Schadeverzekering retrospectively changed the valuation policy of their long-term provisions such that all these liabilities are valued at market interest rates. As a consequence the assets backing these reserves are re-classified from Available for Sale to Other than Trading meaning that unrealized gains and losses now impact the result. This results in an increase in credit spread sensitivities on IFRS result, year-end 2013 sensitivities have been restated for this effect. For further details see section 5.1.6.2. 'Financial impact of changes in accounting policies and reclassification'.

Interest rate risk
Under IFRS, liabilities are measured using the Collateralised AAA curve including the UFR. Interest rate sensitivities are calculated using a fixed UFR. In addition, due to historically low interest rates, interest rate sensitivities are based on a 25 bps increase or decrease in interest rates. The restatement at Delta Lloyd Schadeverzekering described above is also applicable for interest rate risk.

Market interest rates decreased further in 2014. This results in an increase in sensitivity impact for both assets and liabilities. Asset impact increased more than liability impact mainly caused by the purchase of additional receiver swaps at Delta Lloyd Levensverzekering. This results in an increase in interest rate sensitivities at year-end 2014 both under IFRS and IGD.

Equity risk
Sensitivity to a fall in equity markets decreased both under IFRS and IGD. This decrease is mainly caused by a decrease in equity exposure. This impact is enhanced by the roll-forward of equity options by Delta Lloyd Levensverzekering in the third quarter of 2014, resulting in higher sensitivity of equity options and therefore decreased equity risk. Differences between local IGD and IFRS are due to the fact that not all equity values are affected when valued on local solvency basis.

For life insurance business investments, the impact of a change in equity markets on the results has an opposite sign from the impact on equity because equity derivatives are valued through the P&L while this does not hold for all other equity classes. In determining the equity sensitivities Delta Lloyd takes into account the relation between Delta Lloyds' equity risk profile and general market equity risk. If market equity values drop by 10% a less severe loss is expected in Delta Lloyds' equity portfolio. This beta factor used in determining the equity sensitivities is based on internal investigation on the equity portfolio and equals 81% per year-end 2014 (year-end 2013: 89%).

Property risk
Sensitivity to a fall in property markets remained stable compared to prior year-end. In the liability impact for life insurance business the effect of excluding Delta Lloyd Deutschland is also present, similar to the effect for credit risk. The impact is again compensated by a similar change in life insurance business investments.

Funding spread risk
Sensitivity of mortgages and mortgage funding is reported separately under the funding spread sensitivity, as introduced at the end of 2013. The fair value of the mortgage portfolio depends on spreads obtained from the residential mortgage-backed securities (RMBS) market. As a result there is no direct relation in the valuation of mortgages to the corporate bond credit spread market. Funding spread sensitivities at prior year-end have been restated. As of 2014 Delta Lloyd only includes mortgages without a national mortgage guarantee (NHG) in determining the funding

spread sensitivity. The treatment of NHG mortgages is in line with the methodology under Basel II. In addition, mortgages are used by Delta Lloyd as matching assets for long-term insurance liabilities. In this respect Delta Lloyd primarily faces default risk on its mortgage portfolio. The exclusion of mortgages with NHG guarantee decreases the +50 bps sensitivity on result and shareholders' funds by € 42.2 million and decreases the -50 bps sensitivity by € 42.8 million as per year end of 2014. IGD sensitivities decrease by € 45.9 million for +50 bps and € 47.7 million for -50 bps per year-end of 2014 by the exclusion of NHG mortgages.
The difference between IFRS and IGD is caused by a large portion of the mortgage portfolio that is not accounted for at fair value under IFRS. Under IGD the fair value of the mortgages is included in the LAT margin.

Insurance risks
In addition to the sensitivities on the main market risks, the sensitivity on a number of insurance risks is also presented. Mortality and longevity risk increased compared to year-end 2013, mainly due to development of the insurance portfolio. The impact of a 10% increase in expenses and a 5% increase in the claims ratio remained stable compared to year-end 2013.

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, this is very unlikely due to correlation between the factors. Furthermore, these sensitivities are non-linear, and larger or smaller impacts cannot easily be derived from the results. The sensitivity analysis does not take into consideration that Delta Lloyd's assets and liabilities are actively managed and may vary when actual market movement occurs. The financial risk management strategy aims to minimise the exposure to market fluctuations. Techniques used include selling investments, changing investment portfolio allocation and using derivative financial instruments. Another limitation in the sensitivity analysis is that the hypothetical market movements used only represent Delta Lloyd's view of reasonably possible near-term market changes, which cannot be predicted with any certainty. A final limitation is the assumption that all interest rates move in an identical direction (with exception of convergence to the UFR) while this may not be the case in practice.

Strategic risk

Scenario thinking

When Delta Lloyd devises its strategy it takes into account scenarios outlining possible directions for the business in the future. The scenarios analyse social, economic and market trends that are not under Delta Lloyd direct influence and how these could shape the business environment in 15 or 20 years' time. Based on this, Delta Lloyd can make strategic decisions that allow it to act upon opportunities and mitigate uncertainties and risks.
Delta Lloyd has used scenarios since 2004 to guide its strategy. Scenario thinking is embedded in its management and control processes. It determines the choices made and the areas Delta Lloyd focuses on when it plans its business activities. The current Future Secured strategy is based upon the findings of the scenarios formulated in 2009. More on this can be found in section 1.4. 'Our strategy'.

Own risk and solvency assessments

Delta Lloyd uses scenarios to assess whether inherent risks, effectiveness of controls and an assessment of the probability and consequences of residual risks are covered. A quarterly risk update, which is done by the management of each Delta Lloyd business unit, includes own risk and solvency assessments (ORSA), which are also a requirement of Solvency II. The update is a bottom-up process, which reflects risks at team, business unit and group level. Based on the identified risks, a top 10 risk map is made and actions defined to mitigate these risks. ORSA is a more forward-looking risk management exercise, to oversee and manage the effects of risk scenarios over a longer period.

Corporate competences

To achieve strategic goals, Delta Lloyd must have the right competences in the organisation. Delta Lloyd excels in areas such as multi-channel distribution, risk management, efficiency, and anticipating regulatory and market changes that could influence our business, such as the growing demand for defined-contribution products.

Areas where Delta Lloyd needs to develop or improve competences include customer focus, further simplifying our relatively complex IT systems and risk-based pricing – analysing specific risks and pricing products accordingly, rather than applying a generic price. Many of these competences are IT-related – digitalisation, effectively mining big data, migrating more products and services online.

To strengthen Delta Lloyd's market position and optimise business mix, customer centricity, improving efficiency, risk/return and capital management will be prioritised.

In addition, the following business objectives for the medium term have been identified:

- Improve Delta Lloyd's position in Life insurance in Belgium and the Netherlands;
- Focus on ways to grow General insurance in the Netherlands;
- Develop products that address social, technological and environmental issues such as the ageing population, technology replacing human tasks and climate change.

Legal and regulatory risk

By correctly interpreting and translating relevant legislation and regulations, industry codes and codes of conduct into policy, Delta Lloyd can avoid inappropriate behaviour and manage inherent reputation risk and financial risks. A compliance policy has been set up and contains four themes:

- Awareness;
- Governance;
- Signalling legislation and regulations;
- Implementing legislation and regulations.

The Compliance function is responsible for Delta Lloyd’s adherence to laws and regulation and focuses on the requirements of the supervisory authorities. Group departments like Group Finance, Control & Tax, Group Actuarial and Risk Management, Group HRM, Group Business Development and Group Legal deal with specific legislation and regulations, e.g. with respect to financial reporting, capital management and HRM-related subjects.

Regulators Desk

Regulation of the financial markets has increased significantly in recent years, partly influenced by involvement of European regulators. Simultaneously the supervising authorities have strengthened their supervision at financial institutions. The Regulators Desk co-ordinates internal and external contacts with the regulatory authorities and distributes regulators' supplementary guidelines to the different business units. The Regulators Desk is coordinated by Group Compliance.

Customer centric

Focus on treating customers fairly is a key element of Delta Lloyd's strategy. A specific programme was set up in 2012 to ensure that focus on the customer's interest is a key priority. The Compliance function actively contributes to the various pillars of this programme and encourages the implementation of any new legislation, regulations and industry codes in this area.

Operational risk

Delta Lloyd recognises the risk of simultaneously implementing several major change processes, such as sharing services through chain integration and profit improvement programmes, since each of these initiatives requires careful monitoring and control. The Group Business Development department is responsible for central coordination of the inception, management and implementation of change processes.

Delta Lloyd records and analyses operational losses in the business units and keeps a central register of losses exceeding € 10,000. Scenarios based in part on possible operational losses are computed for impact and probability. This supports current and future risk analysis and controls, which are in place or will be implemented. Delta Lloyd is a member of the Operational Risk Consortium, an independent 'loss data' consortium set up by the Association of British Insurance Companies to provide and benchmark operational loss data for internal Solvency II modelling and operational risk management.

The Delta Lloyd Operational Risk Committee consists of risk management specialists from the divisions and discusses and advises on operational risks. These include the consequences of IT risks on operations, outsourcing, fraud and crime, business protection and human resources.

IT and infrastructure

Delta Lloyd believes that its ICT systems are appropriately structured and utilised to achieve its strategic and operational goals, look after its customers' interests and meet statutory and regulatory requirements. To maintain this situation, Delta Lloyd has an effective IT risk management and control system in place. The IT risk manager supervises compliance with and the further development of the risk management system in a changing environment and under changing market conditions. The ICT Board is the risk committee on IT matters. It comprises managing directors, two members of the Executive Board and the Chief Information Officer of Delta Lloyd. Internally and externally reported issues are regularly discussed by the ICT Board.

Sourcing, outsourcing and supplier management

Delta Lloyd has effective control over Sourcing, outsourcing and supplier & contract management. Specific compliance clauses, for example security, business continuity, right to audit and supervisory access or annual independent assurance, are added to high risk contracts. In 2014, cloud applications were examined to the standard DNB risk model and necessary measures were taken. To date, Delta Lloyd performs a risk assessment before a new cloud computing application is allowed into operation. As Delta Lloyd is exposed to supplier risk, controls are in place to review risk and performance of suppliers. This is primarily aimed at detecting and preventing vendor lock-in in business processes, but also as performance review of supplied goods of services relating to cost and quality.

Business continuity management

Delta Lloyd aims to deliver secure and reliable services. To ensure adequate response to unusual events, Delta Lloyd regularly tests its incident and crisis management procedures.

Contingency and continuity plans have been prepared for all critical business operations and applications.
In 2014, the Business Continuity programme invested further in risk management, crisis management training and exercising, as well as ICT continuity testing. Continuity measures continue to be aligned with customer expectations.

Information security

Information security ensures the delivery of secure and reliable services to Delta Lloyd's customers. In 2014, Delta Lloyd continued the information security programme and assessed and improved the information security maturity level as well as cyber security capabilities. Delta Lloyd made important steps towards a robust cyber security defence and identified opportunities to further strengthen the security of online presence and information security risk management capabilities.

Human resources

Recruiting, developing and retaining qualified staff is vital to Delta Lloyd's business. Trainee programmes have been developed to attract young talent, and Delta Lloyd is strengthening management's leadership abilities through a customised leadership programme. Employees' professional and personal development is appraised annually by management and facilitated by using performance-based management, including development programmes and professional courses. This enhances the retention of qualified staff and preserves vital knowledge and expertise for Delta Lloyd.

Fraud and crime

Fraud and other criminal activities result in operational losses. Group Integrity has defined fraud prevention measures. In addition, controls to minimise fraud risks were implemented in the context of Solvency II. Delta Lloyd has taken out 'crime insurance' for major claims (over € 5 million) resulting from fraud.

Group Integrity prevents fraud by raising employees' awareness of fraud, by giving advice and performing fraud risks analyses (e.g. by using analytical fraud detection software), so that attempts at fraud are identified as quickly as possible and an honest portfolio is achieved. If losses are caused by fraud or other criminal activities, Group Integrity investigates them and aims to recover the loss and the cost of the investigation from the perpetrator.

Financial reporting risks

Delta Lloyd manages its financial reporting risks through an internal control framework and external audit. Financial reporting within Delta Lloyd is the outcome of a structured process carried out by various divisions, directed and supervised by the Group's financial management. The Executive Board is responsible for designing, maintaining and monitoring the controls for financial reporting.

5.1.7.2. Capital management

The capital structure of Delta Lloyd is managed on the basis of the economic risks and the statement of financial position as well as on the current regulatory requirements for insurers (Solvency I) and banks (Basel III). Minimum capital requirements are set for each individual entity based on different economic and operating scenarios. Total capital employed is allocated in a way that meets the required minimum and maximises the expected returns while the operational result on issued capital is higher than the cost of capital.

In managing its capital, Delta Lloyd seeks to:

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

An important aspect of Delta Lloyd's capital management process is setting after-tax profitability targets for the individual divisions. These targets are aligned to performance objectives and ensure Delta Lloyd remains fully focused on creating value for its shareholders. Delta Lloyd has access to a number of sources of capital and seeks to optimise its debt-to-equity ratio in order to ensure that it can consistently maximise returns to shareholders.

Total capital employed

Total capital employed is defined as share capital and reserves, adjusted for other capital items. Other capital items are subordinated loans received, prudential margin and other capital items. The prudential margin is defined as the sum of the LAT margin for life insurance and the prudential margin for general insurance. The other capital items are conditional profit sharing at Delta Lloyd Deutschland, intangible assets, mortgage revaluation and asset management fees. Capital employed is determined using carrying amounts based on IFRS accounting policies. The composition is as follows:

Total capital employed at year-end

In millions of euros	2014	2013
Total capital and reserves attributable to parent	2,468.4	2,620.6
Perpetual subordinated debts	878.8	136.0
Other subordinated debts	454.0	547.9
Goodwill	-290.4	-283.5
Prudential margin	495.7	1,056.1
Other capital items	684.6	667.5
Total capital employed	**4,691.0**	**4,744.7**

Subordinated debts with a maturity date can be accounted for as capital employed under IGD up to a limit of 25% of the lower of either the total of the actual solvency margin or of the required solvency margin of Delta Lloyd. The perpetual subordinated debts can be accounted for as capital employed under IGD up to a limit of 50% of either the lower of the total of the actual solvency margin or of the required solvency margin at Delta Lloyd. The amount of perpetual subordinated debts at Delta Lloyd increased due to the perpetual loan of € 750.0 million placed with investors in June 2014. For more detailed information on subordinated debts see section 5.1.7.32. 'Borrowings'.

Total capital employed decreased by € 53.7 million compared to 2013 mainly as a result the increased subordinated debts due to the perpetual loan placed in June, partially offset by the decreased prudential margin.

Capital requirements

To provide strong assurance to shareholders and policyholders that Delta Lloyd can meet their demands, management has defined a minimum capital requirement. Delta Lloyd targets to pay out a stable annual dividend, subject to internal solvency targets.

Delta Lloyd tests the total capital employed and the required capital level at regular intervals. During the year, Delta Lloyd complied with the regulatory requirements, both on a consolidated basis and at the level of regulated entities.

The table below shows the solvency ratio (Solvency I) under IFRS and the regulatory requirements (Insurance Group Directive, IGD) for insurance and all non-banking activities. The capital relating to the banking activities is assessed based on the transitional Basel III system in 2014.

Solvency ratio at year-end

	2014	2013
IFRS Solvency	200%	215%
Regulatory (IGD) group solvency	183%	184%
Bank NL - Total capital ratio	15.5%	19.6%
Bank BE - Total capital ratio	13.4%	13.7%

Due to sound risk and capital management, Delta Lloyd still enjoys healthy solvency levels. The Solvency ratios include the sale value of Delta Lloyd Bank Belgium. Delta Lloyd agreed a sale price with a third party for Delta Lloyd Bank Belgium. Following the IFRS treatment as held for sale, we have allocated this additional capital at the IGD holding level. Although the sale is not final, it only awaits the approval of the Belgium insurance regulator. Up until the fourth quarter of 2014, no amount of capital from the banks was included in this figure, but this recognizes the fact that there is additional free capital and follows the IFRS treatment. The impact of including this sale value in the IGD ratio is + 10pp, hence IGD ratio excluding the sale value of Delta Lloyd Bank Belgium is 173%.

Regarding Solvency II capital requirements, Delta Lloyd is seeking approval from DNB to use its economic capital model as an internal model. The target capital position is consistent with an AA rating. Solvency II is explained further in section 5.1.7.1. 'Risk Management'.

5.1.7.3. Segment information

> Reports to the Executive Board of Delta Lloyd are based on both operations and divisions. Delta Lloyd bases its operating segments on the nature of the products and services provided, i.e. the nature of the operations. This choice was made as operations will take a more prominent role in the decision-making and management process for allocating resources and measuring and evaluating financial performance. The following operating segments were identified: Life Insurance, General Insurance, Bank, Asset Management and Other. All transactions between the segments are at arm's length. Although the segment information for the Executive Board is based on the IFRS figures, as shown in the financial statements, there are some exceptions, which are explained below in 'basis of accounting'. <

Operating segments

Life

The life business comprises life insurance, savings, pensions and annuity business written by the life insurance subsidiaries, including managed pension fund business and the share of the other life and related business written by associates. Premium and investment income are the main sources of revenues for this operating segment. Although Delta Lloyd Deutschland is treated as an asset held for sale in the consolidated financial position and income statement, it is still included in the segment information.

General

The general insurance business provides insurance coverage to individuals and businesses for risks associated with motor vehicles, property, disability and liability, such as employers' liability and professional indemnity liability. Premium and investment income are the main sources of revenues for this operating segment.

Bank

Delta Lloyd Bank has retail banking and mortgage activities in the Netherlands and Belgium. The main sources of revenue for this operating segment are interest income and fees. Although Delta Lloyd Bank Belgium is treated as an asset held for sale in the consolidated financial position and income statement, it is still included in the segment information.

Asset Management

The asset management business invests at Delta Lloyd's own risk and at the risk of policyholders, provides investment management services to institutional pension fund mandates and manages a range of retail investment products, including investment funds.

Other

Any business activities that are not reportable segments are reflected in this category. It includes Delta Lloyd mortgage business, which is unrelated to the Life and Bank segments. The mortgages shown in the Life segment are part of the investment portfolios of life insurance companies. Health label activities are also included in the Other segment. Overheads, such as the financing of Delta Lloyd, expenses incurred by corporate staff departments and other activities not related to the core segments, as well as results on the run-off of the health insurance business, are also classified as 'Other'. The Eliminations column relates to intercompany eliminations between operating segments and eliminations for group purposes.

Basis of accounting

Segment performance is evaluated using a profit or loss measure, which is measured differently in certain respects from the profit or loss in the consolidated financial statements. The Executive Board assesses the performance of the operating segments using operational result after tax and non-controlling interests.

Operational result after tax and non-controlling interests as presented by Delta Lloyd is a non-GAAP financial measure and is not a measure of financial performance under IFRS. Delta Lloyd presents operational result after tax and non-controlling interests because it is less affected by short-term external market impacts than IFRS measures of performance and, in management's view, provides a better basis for assessing trends in Delta Lloyd's operational performance over time. A key aspect of the calculation of operational result after tax and non-controlling interests is that it represents the normalised long-term performance of Delta Lloyd's investment portfolio. The actual investment return is reported under IFRS and is subject to short-term volatility.

Operational result after tax and non-controlling interests should not be considered in isolation as an alternative to the result before tax from continuing operations or to other data presented in Delta Lloyd's financial statements as indicators of financial performance. Since operational result after tax and non-controlling interests as presented by Delta Lloyd is not determined in accordance with IFRS, it may not be comparable to other similarly titled measures of performance of other companies.

Delta Lloyd's operational result after tax and non-controlling interests comprises the following elements:

- The actual technical result of the life insurance business line, consisting of the margins earned on mortality, disability, lapses and expenses;
- The actual technical result of the general insurance business line, which is the total of all the line items represented in the combined ratio.
- The actual technical result of the banking business line, consisting of the interest, fee and commission income less operating expenses;
- The results from the asset management and other segments; asset management results are comprised of performance fees, treasury income and management fees less operating expenses;
- The long-term investment returns, which are given by the reference rate (10-year point of the Collateralised AAA curve) on average shareholders' equity, the long-term excess return on policyholder assets plus the risk margins earned on investments at own risk. The risk margin on mortgages of 0.8% is included besides the risk return on equities (3.5%) and real estate investments (2.0%).
- The long-term excess investment return on life policyholder assets, which consists of a 20-basis point margin on average assets backing non-linked life insurance liabilities;
- The long-term investment return on general insurance policyholder assets, which is given by the reference rate (10-year point of the Collateralised AAA curve) on average assets backing technical liabilities; and
- Adjustments to exclude non-operational items, which reflect one-off circumstances or are, in the judgment of management, not attributable to the ongoing business operations of the Delta Lloyd.

The figures for operational result after tax and non-controlling interests presented were calculated by deducting (i) the actual amount of non-controlling interests for the relevant period and (ii) illustrative tax at a rate of 25% from the operational result before tax and non-controlling interests. The tax rate employed for this purpose is the statutory corporate tax rate in the Netherlands.

In July 2014, Delta Lloyd acquired the remaining 50% of BeFrank. This had a € 4.1 million impact on the management cost base and a negative impact of € 0.8 million after tax on the operational result.

Segment information provided to the Executive Board

The segment information on 31 December 2014 is reported as follows to the Executive Board:

Income and result for the financial year

In millions of euros	Life	General	Bank	Asset Management	Other	Elimi-nations	Total
Income							
Gross written premiums	2,867.9	1,336.7	-	-	-	-	4,204.5
Net premiums earned	**2,800.4**	**1,124.1**	**-**	**-**	**-**	**-**	**3,924.6**
Fee and commission income	92.6	61.4	74.8	118.8	56.5	-103.4	300.7
Net investment income							
Interest income	1,431.7	60.5	258.1	13.4	154.0	-76.4	1,841.4
Net rental income	114.8	-	-	-	-	-6.0	108.8
Dividends	243.7	5.8	-	-	0.9	-	250.4
Movements in the fair value of investments classified as held for trading	-1.2	-	0.1	-	-	-	-1.1
Movements in the fair value of investments classified as other than trading	6,203.5	46.5	39.7	0.5	15.3	-	6,305.6
Realised gains and losses on investments classified as available for sale	140.3	91.9	26.9	-	16.6	-	275.6
Impairment of investments classified as available for sale	-30.4	-1.1	-	-	-0.1	-	-31.6
Reversal of impairment of investments classified as available for sale	-	0.3	7.0	-	-	-	7.3
Result from loans and receivables	2.8	0.1	0.3	-	-	-	3.2
Impairment of loans and receivables	-16.7	-	-13.5	-	-6.2	-	-36.4
Reversal of impairment of loans and receivables	1.0	-	7.0	-	-	-	8.0
Result from derivatives	1,490.6	-45.1	-20.5	-1.6	-22.9	-	1,400.5
Other investment income	12.4	-	-	-	-73.4	-8.3	-69.3
Share of profit or loss after tax of associates	73.4	-	-	0.1	-	-	73.4
Total investment income	**9,665.9**	**159.0**	**305.1**	**12.4**	**84.3**	**-90.7**	**10,135.9**
Other income	3.3	-3.7	-	-	7.1	0.1	6.8
Total income	**12,562.2**	**1,340.8**	**380.0**	**131.2**	**147.8**	**-194.0**	**14,368.0**
Total intercompany income	117.2	0.4	38.8	28.4	9.3	-194.1	-
Revenue from external customers	**12,445.0**	**1,340.4**	**341.1**	**102.8**	**138.6**	**0.1**	**14,368.0**
Result after tax and non-controlling interests	482.0	56.2	43.2	22.7	-242.8	-	361.1
Operational result after tax and non-controlling interests	**250.7**	**76.9**	**26.7**	**25.9**	**-3.4**	**-**	**376.8**

Expenses for the financial year

In millions of euros	Life	General	Bank	Asset Management	Other	Elimi-nations	Total
Net claims and benefits paid*	**3,457.2**	**895.4**	**-**	**-**	**-**	**-**	**4,352.7**
Total change in insurance liabilities, net of reinsurance	**7,149.4**	**-153.7**	**-**	**-**	**-**	**-**	**6,995.7**
Charge to financial liability on behalf of third party interest in investment funds	**660.6**	**-**	**-**	**-**	**-**	**-**	**660.6**
Expenses relating to the acquisition of insurance, investment and other contracts	**302.5**	**341.5**	**15.2**	**49.1**	**23.9**	**-103.3**	**629.0**
Total finance costs	**189.2**	**55.1**	**142.2**	**2.5**	**196.3**	**-84.8**	**500.4**
Staff costs and other employee-related expenditures	141.9	108.2	70.6	26.2	177.3	-	524.3
Amortisation of intangible fixed assets	7.8	1.3	0.1	2.5	2.6	-	14.3
Depreciation of property and equipment	3.4	-	-	-	5.9	-	9.4
Operating expenses	153.5	130.6	86.9	20.4	25.7	-5.9	411.2
Gains and losses on disposals	-	-	0.1	-	-	-	0.1
Impairment of AVIF	-	-	-	-	-	-	-
Impairment of other intangible fixed assets	0.6	-	2.6	-	-	-	3.2
Impairment of property and equipment	3.2	-	3.6	-	-	-	6.8
Impairment of receivables	1.2	5.8	-	-	-	-	7.0
Reversal of impairment of receivables	-1.2	-5.0	-	-	-	-	-6.2
Allocated to expenses relating to the acquisition of insurance, investment and other contracts	-93.9	-131.2	-	-	-	-	-225.1
Total other operating expenses	**216.6**	**109.8**	**163.9**	**49.2**	**211.5**	**-5.9**	**745.0**
Total expenses	**11,975.5**	**1,248.0**	**321.2**	**100.8**	**431.8**	**-194.0**	**13,883.3**
Income tax	76.5	23.1	15.6	7.8	-41.2	-	81.8

* Net claims and benefits paid includes profit sharing and discounts

Segment statement of financial position at year-end

In millions of euros	Life	General	Bank	Asset Management	Other	Eliminations	Total
Assets							
Intangible assets	71.8	26.4	0.1	12.5	283.8	-	394.6
Associates and joint ventures	239.1	5.2	-	0.2	93.7	-	338.3
Financial investments	63,407.7	2,462.9	11,267.5	326.5	3,615.1	-3,052.7	78,027.0
Reinsurance assets	427.0	226.0	-	-	-	-	652.9
Assets held for sale	-	-	3.1	-	-	-	3.1
Other assets	7,264.4	499.0	1,181.6	1,797.0	3,942.8	-4,121.7	10,563.1
Total assets	**71,409.9**	**3,219.5**	**12,452.3**	**2,136.1**	**7,935.4**	**-7,174.3**	**89,979.0**
Total shareholders' funds	**3,023.4**	**533.6**	**508.2**	**43.4**	**-1,362.5**	**-**	**2,746.2**
Liabilities							
Investment liabilities	6,154.3	-	-	-	-	-	6,154.3
Insurance liabilities	48,311.4	2,170.4	-	-	-	-	50,481.7
Borrowings	1,011.8	130.0	1,741.4	311.0	3,553.4	-1,162.2	5,585.4
Other liabilities	12,847.3	385.5	10,264.4	1,781.7	5,744.5	-6,012.1	25,011.3
Total liabilities	**68,324.7**	**2,685.9**	**12,005.8**	**2,092.7**	**9,297.9**	**-7,174.3**	**87,232.7**
Total shareholders' funds and liabilities	**71,348.1**	**3,219.5**	**12,514.1**	**2,136.1**	**7,935.4**	**-7,174.3**	**89,979.0**
Capital expenditure							
Property and equipment	0.7	-	3.7	-	10.2	-	14.6
Intangible assets	16.5	-	2.2	-	2.5	-	21.2
Capital injection subsidiaries	350.0	37.1	-	-	-	-	387.1
Purchase of subsidiaries	19.5	-	-	-	-	-	19.5
Total capital expenditure	**386.6**	**37.1**	**5.9**	**-**	**12.8**	**-**	**442.4**

Differences compared to the consolidated statement of financial position are due to Delta Lloyd Bank Belgium and Delta Lloyd Deutschland, which are not presented as assets held for sale in the table above.

Income and result for the prior financial year

In millions of euros	Life*	General*	Bank	Asset Management	Other	Eliminations	Total*
Income							
Gross written premiums	3,589.2	1,427.8	-	-	-	-	5,017.0
Net premiums earned	**3,521.4**	**1,390.2**	**-**	**-**	**-**	**-**	**4,911.6**
Fee and commission income	61.8	62.0	76.1	142.8	59.7	-104.6	297.8
Net investment income							
Interest income	1,302.5	60.7	267.0	18.4	154.2	-83.4	1,719.3
Net rental income	118.3	-	-	-	-0.2	-6.4	111.7
Dividends	271.9	8.4	-	-	0.1	-	280.4
Movements in the fair value of investments classified as held for trading	2.6	-	0.4	-	-	-	3.0
Movements in the fair value of investments classified as other than trading	-56.5	-7.7	29.0	1.4	-150.6	-	-184.4
Realised gains and losses on investments classified as available for sale	177.6	32.8	-25.1	-	6.2	-	191.5
Impairment of investments classified as available for sale	-81.7	14.5	-2.5	-	-1.9	-	-71.6
Reversal of impairment of investments classified as available for sale	-	0.3	-	-	-	-	0.3
Result from loans and receivables	-0.6	-0.2	-	-	-	-	-0.7
Impairment of loans and receivables	-8.7	-	-13.7	-	-3.9	-	-26.4
Reversal of impairment of loans and receivables	3.0	-	6.8	-	-	-	9.8
Result from derivatives	-905.5	20.8	5.1	2.8	185.9	-	-690.9
Other investment income	-152.8	-	-	-	1.6	-7.6	-158.8
Share of profit or loss after tax of associates	-14.6	-	-	-0.1	0.1	-	-14.6
Total investment income	**655.6**	**129.7**	**266.9**	**22.5**	**191.5**	**-97.4**	**1,168.7**
Other income	52.9	1.2	0.1	-	-9.7	-	44.5
Total income	**4,291.7**	**1,583.1**	**343.0**	**165.3**	**241.5**	**-202.0**	**6,422.6**
Total intercompany income	71.9	2.1	50.9	36.3	40.8	-202.0	-
Revenue from external customers	**4,219.8**	**1,581.0**	**292.1**	**129.0**	**200.7**	**-**	**6,422.6**
Result after tax and non-controlling interests	163.9	39.8	-13.8	40.0	-46.5	-	183.3
Operational result after tax and non-controlling interests	**318.5**	**66.6**	**23.6**	**44.9**	**-27.5**	**-**	**426.1**

* Restated, see section 5.1.6.2. 'Financial impact of changes in accounting policies and reclassifications'.

Expenses for the prior financial year

In millions of euros	Life**	General**	Bank	Asset management	Other	Eliminations	Total**
Net claims and benefits paid*	**3,290.4**	**947.4**	**-**	**-**	**-**	**-**	**4,237.7**
Total change in insurance liabilities, net of reinsurance	**-295.9**	**38.6**	**-**	**-**	**-**	**-**	**-257.3**
Charge to financial liability on behalf of third party interest in investment funds	**372.0**	**-**	**-**	**-**	**-**	**-**	**372.0**
Expenses relating to the acquisition of insurance, investment and other contracts	**315.6**	**382.8**	**13.8**	**60.0**	**25.6**	**-104.6**	**693.1**
Total finance costs	**173.5**	**27.1**	**151.0**	**3.6**	**168.3**	**-91.1**	**432.4**
Staff costs and other employee-related expenditures	137.8	112.7	69.2	26.2	208.6	-	554.4
Amortisation of intangible fixed assets	7.0	1.7	1.1	2.5	3.3	-	15.5
Depreciation of property and equipment	3.7	-	2.7	-	6.5	-	12.9
Operating expenses	159.7	133.1	79.8	19.5	-119.9	-6.3	265.8
Gains and losses on disposals	-	-	0.1	-	-	-	0.1
Impairment of goodwill	-	-	12.8	-	9.1	-	21.8
Impairment of other intangible fixed assets	-	-	4.7	-	-	-	4.7
Impairment of property and equipment	4.2	-	19.2	-	0.2	-	23.7
Impairment of receivables	0.9	4.5	-	-	-	-	5.5
Reversal of impairment of receivables	-2.2	-2.0	-	-	-0.4	-	-4.6
Foreign exchange differences	-	-	-	-	-	-	-
Allocated to expenses relating to the acquisition of insurance, investment and other contracts	-79.8	-135.2	-	-	-	-	-215.0
Total other operating expenses	**231.3**	**114.7**	**189.6**	**48.2**	**107.3**	**-6.3**	**684.8**
Total expenses	**4,086.9**	**1,510.5**	**354.4**	**111.8**	**301.2**	**-202.0**	**6,162.8**
Income Tax	19.4	14.7	2.5	13.6	-11.7	-	38.5

* Net claims and benefits paid includes profit sharing and discounts.

** Restated, see section 5.1.6.2. 'Financial impact of changes in accounting policies and reclassifications'.

Segment statement of financial position at prior year-end							
In millions of euros	Life*	General*	Bank	Asset Management	Other	Eliminations	Total*
Assets							
Intangible assets	56.3	27.7	0.7	15.0	283.9	-	383.6
Associates and joint ventures	293.6	-	-	0.2	3.1	-	296.9
Financial investments	54,527.8	2,497.6	9,827.7	707.7	6,052.0	-2,384.7	71,228.1
Reinsurance assets	441.4	112.7	-	-	-	-	554.0
Assets held for sale	0.6	-	6.2	-	-	-	6.8
Other assets	5,716.7	553.0	1,082.7	517.5	3,384.2	-3,418.9	7,835.1
Total assets	**61,036.3**	**3,191.0**	**10,917.3**	**1,240.3**	**9,723.1**	**-5,803.5**	**80,304.5**
Total shareholders' funds	**2,836.9**	**496.6**	**406.1**	**55.9**	**-865.4**	**-**	**2,930.0**
Liabilities							
Investment liabilities	4,817.0	-	-	-	-	-	4,817.0
Insurance liabilities	42,062.0	2,278.8	-	-	-	-	44,340.7
Borrowings	586.8	98.3	560.2	94.9	5,118.5	-704.5	5,754.1
Other liabilities	10,733.7	317.3	9,951.1	1,089.5	5,470.1	-5,099.0	22,462.8
Total liabilities	**58,199.4**	**2,694.4**	**10,511.3**	**1,184.4**	**10,588.6**	**-5,803.5**	**77,374.5**
Total shareholders' funds and liabilities	**61,036.3**	**3,191.0**	**10,917.3**	**1,240.3**	**9,723.1**	**-5,803.5**	**80,304.5**
Capital expenditure							
Property and equipment	0.7	-	4.3	-	3.8	-	8.8
Intangible assets	2.2	-	3.3	-	2.2	-	7.7
Capital injection subsidiaries	43.9	-	-	-	-	-	43.9
Purchase of subsidiaries	50.0	-	-	-	-	-	50.0
Total capital expenditure	**96.8**	**-**	**7.6**	**-**	**6.0**	**-**	**110.3**

* Restated, see section 5.1.6.2. 'Financial impact of changes in accounting policies and reclassifications'.

Differences compared to the consolidated statement of financial position are due to Delta Lloyd Bank Belgium, which is not presented as assets held for sale in the table above.

Reconciliation to primary financial statements

A reconciliation of operational result after tax and non-controlling interests to result before tax from continuing operations is as follows:

Reconciliation of the result		
In millions of euros	2014	2013*
Operational result after tax and non-controlling interests	**376.8**	**426.1**
Income tax	135.3	153.5
Non-controlling interests	29.0	34.5
Operational result before tax and non-controlling interests	**541.1**	**614.1**
Assumed long-term investment return	-286.0	-360.0
Fair value gains and losses	-6,398.5	725.2
Actual return including required interest	6,674.0	-600.4
Longevity - non operational	176.2	-14.3
Non-operational items	-256.7	-145.8
Operational result before tax and non-controlling interests from discontinued operations	18.1	26.0
Result before tax from continuing operations	**468.2**	**244.8**

* Restated, see section 5.1.6.2. 'Financial impact of changes in accounting policies and reclassifications'.

Reconciliation non-operational items		
In millions of euros	**2014**	**2013**
Run-off result on the reinsured international marine portfolio	-3.6	18.0
Impact in WGA-ER	3.3	44.8
Impairments	11.6	51.4
Onerous contract regarding sale Bank Belgium	134.0	-
(Strategic) projects	77.0	43.6
Other	34.3	-12.0
Total	**256.7**	**145.8**

The decline in the assumed long-term investment return is primarily attributed to a lower Collateralised AAA curve.

In 2014, the Collateralised AAA curve further decreased. This resulted in an increase of the life insurance provision.

The decrease in interest rates led to higher actual investment return in the fourth quarter of 2014, mainly as a result of the increased market value of the fixed income portfolio and derivatives. This is compared to the equivalent period in 2013 when interest rates increased, which resulted in a negative actual return in 2013.

In 2014, the new AG2014 mortality table was introduced. In addition, experience (based on updated trend analysis) and refined drivers led to further insight in the life provisions and related result on longevity. The charge in 2013 relates to the finalisation of the AG2012-2062 mortality table and a refinement of the longevity model. These longevity effects are considered to be non-operational.

Management cost base per segment		
In millions of euros	**2014**	**2013***
Life Insurance	263.7	278.6
General Insurance	221.6	232.7
Bank	140.3	143.7
Asset Management	45.5	43.5
Other	43.1	77.1
Total	**714.2**	**775.6**

* Restated, see section 5.1.6.2. 'Financial impact of changes in accounting policies and reclassifications'.

Reconciliation IFRS operational costs to other operating expenses		
In millions of euros	**2014**	**2013***
Other operating expenses	716.0	658.9
Allocated to expenses relating to the acquisition of insurance and investment contracts	225.1	215.0
Movement in other provisions	-139.2	-5.4
Non-operational costs	-115.3	-117.7
Expenses from discontinued operations	27.7	24.7
Management cost base	**714.2**	**775.6**

* Restated, see section 5.1.6.2. 'Financial impact of changes in accounting policies and reclassifications'.

Other operating expenses		
In millions of euros	**2014**	**2013***
Other operating expenses		
Staff costs and other employee-related expenditures	508.9	546.8
Amortisation of intangible fixed assets	13.9	15.1
Depreciation on property and equipment	9.0	12.3
Operating expenses	399.6	248.5
Impairment of property held for sale	0.1	0.1
Impairment of goodwill	-0.6	21.8
Impairment of AVIF	-	-
Impairment of other intangible fixed assets	3.2	4.7
Impairment of property and equipment	6.1	23.7
Impairment of receivables	7.0	5.5
Reversal of impairment of receivables	-6.2	-4.6
Allocated to expenses relating to the acquisition of insurance, investment and other contracts	-225.1	-215.0
Total other operating expenses	**716.0**	**658.9**

* Restated, see section 5.1.6.2. 'Financial impact of changes in accounting policies and reclassifications'.

The operating expenses include the provision of € 134.0 million for the onerous contract relating to the sale of Delta Lloyd Bank Belgium.

Other operating expenses allocated to expenses relating to the acquisition of insurance and investment contracts of € 225.1 million (2013: € 215.0 million) include acquisition costs of € 153.8 million (2013: € 156.8 million) and costs for handling claims of € 71.3 million (2013: € 58.3 million).

Entity-wide disclosures

Geographical areas

Delta Lloyd operates in three main geographical areas. These are the Netherlands, Belgium and Germany. Revenue by geographical area does not differ materially from the revenue by area of origin, as most risks are located in the countries where the contracts were written.

Gross written premiums in the financial year		
In millions of euros	**2014**	**2013**
Netherlands	3,200.1	3,953.9
Belgium	763.2	803.6
Germany	241.2	259.5
Total	**4,204.5**	**5,017.0**

Fee and commission income in the financial year		
In millions of euros	**2014**	**2013**
Netherlands	222.1	244.4
Belgium	71.1	45.1
Germany	7.6	8.2
Total	**300.7**	**297.8**

Interest income in the financial year		
In millions of euros	**2014**	**2013***
Netherlands	1,357.8	1,230.6
Belgium	336.0	343.8
Germany	147.6	145.0
Total	**1,841.4**	**1,719.3**

* Restated, see section 5.1.6.2. 'Financial impact of changes in accounting policies and reclassifications'.

Assets per geographical area at year-end								
In millions of euros	**Netherlands 2014**	**Netherlands 2013***	**Belgium 2014**	**Belgium 2013***	**Germany 2014**	**Germany 2013***	**Total 2014**	**Total 2013***
Assets								
Intangible assets	393.8	381.2	0.8	1.7	-	0.8	394.6	383.6
Associates and joint ventures	338.3	296.9	-	-	-	-	338.3	296.9
Financial investments	57,423.3	52,679.3	16,162.3	14,439.3	4,441.4	4,109.5	78,027.0	71,228.1
Reinsurance assets	616.8	520.0	32.6	30.2	3.5	3.9	652.9	554.0
Assets held for sale	-	-	3.1	6.2	-	0.6	3.1	6.8
Other assets	7,617.6	5,603.9	1,942.5	1,271.1	1,003.0	960.0	10,563.1	7,835.1
Total assets	**66,389.8**	**59,481.2**	**18,141.3**	**15,748.5**	**5,447.9**	**5,074.7**	**89,979.0**	**80,304.5**

* Restated, see section 5.1.6.2. 'Financial impact of changes in accounting policies and reclassifications'.

Differences compared to the consolidated statement of financial position are due to Delta Lloyd Bank Belgium and Delta Lloyd Deutschland, which are not presented as assets held for sale in the table above.

5.1.7.4. Subsidiaries

Information on the principal associates on 31 December 2014 is included in section 5.2.1.3. ‘Participating interest’.

The restrictions on dividend distributions relate to minimum regulatory capital requirements.

Acquisitions during the financial year

Delta Lloyd and BinckBank started the joint venture BeFrank in 2010. In 2011, BeFrank got a permit from the Dutch Central Bank as the first Premium Pension Institution (PPI) in the Netherlands. Currently BeFrank has a strong position in the PPI market, thanks to its innovative defined contribution pension products.

On 18 July 2014 Delta Lloyd Levensverzekering signed an agreement with BinckBank to take over the remaining 50% interest in BeFrank. Due to the fact that Delta Lloyd already owned 50% of the shares at acquisition date, the step up acquisition method has to be applied according to IFRS 3.42. The fair value at the moment of acquisition was € 10.4 million. This resulted in a gain of € 4.3 million which is presented under result of associates. In the calculation of the purchase price allocation, Delta Lloyd Levensverzekering also recognised € 4.3 million deductible tax losses (recognised in ‘other assets’). These tax losses are realisable due the purchase of the remaining 50% interest. Therefore in the calculation of the goodwill in the table below € 2.2 million is adjusted.

The acquisition of the remaining 50% of BeFrank is in line with Delta Lloyd’s strategy. Delta Lloyd is focused on the growth of collective pension contracts, simplicity and high customer satisfaction. Synergy effects are expected because Delta Lloyd will use the systems and online tools developed by BeFrank for its pension services. BeFrank is a subsidiary of Delta Lloyd Levensverzekering NV.

Assets and liabilities acquired

In millions of euros	**2014**
Assets	
Intangible assets	13.0
Property and equipment	0.1
Equity securities	207.8
Receivables and other financial investments	13.9
Other assets	4.3
Accrued interest and prepayments	0.1
Cash and cash equivalents	5.6
Total assets	**244.7**
Liabilities	
Liabilities for investment contracts	215.0
Financial liabilities	8.9
Total liabilities	**224.0**
Shareholders' fund	**20.7**
Shareholders' fund acquired (50%)	10.3
Deductable tax losses	2.2
Purchase price	-19.5
Goodwill	**7.0**

This agreement contributed € -1.4 million to Delta Lloyd’s total net result, and € 36.0 million to the revenue in 2014.
If Delta Lloyd would have had the 100% share as from 1 January 2014, the contribution to the net result would be € -4.3 million and the revenue would be € 62.1 million.
In the amounts mentioned above is not taken into account the fact that Delta Lloyd already owned 50% of the shares at acquisition date.

The final acquisition balance sheet of BeFrank has not yet been drawn up. The allocation of the purchase price of the remaining 50% interest in BeFrank is € 19.5 million. In accordance with the applicable reporting standards, the final acquisition balance sheet will be drawn up within 12 months. No significant differences compared with the provisional balance sheet are expected.

ZA Verzekeringen

In 2013 Delta Lloyd bought 100% of the shares of ZA Verzekeringen. After one year the final acquisition balance sheet has been drawn up. There are no differences compared with the provisional balance sheet. The allocation of the purchase price of the standalone interest in ZA Verzekeringen remains the same. The realised badwill (€ 41.5 million) has been presented under other income in 2013.

5.1.7.5. Discontinued operations and assets and liabilities held for sale

> Classification as held for sale takes place if the carrying amount will be recovered principally through a sale transaction rather than through continuing use. This is only the case when the sale is highly probable:

- The disposal group or group of assets is available for immediate sale in its present condition;
- Delta Lloyd is committed to a plan to sell these assets and has an active programme to locate a buyer;
- The sale is expected to occur within one year from the date of classification as held for sale.

When a group of assets classified as held for sale represents a major line of business or geographical area the disposal group classifies as discontinued operations. Assets classified as held for sale (including assets of operations which are discontinued) are recorded at the lower of their carrying amount and their fair value, less the expected cost to sell the assets. Delta Lloyd assess if the expected sale price is higher than the book value. Any impairment is restricted to the carrying amount of the non-current assets within the scope of IFRS 5 measurement requirements. <

The composition of the assets and liabilities classified as held for sale and of discontinued operations at year-end was:

Assets and liabilities relating to assets held for sale

In millions of euros	2014	2013
Assets held for sale		
Delta Lloyd Deutschland	5,225.5	0.6
Delta Lloyd Bank Belgium	6,925.5	6,724.5
Total assets held for sale	**12,151.0**	**6,725.1**
Liabilities held for sale		
Delta Lloyd Deutschland	5,044.3	-
Delta Lloyd Bank Belgium	6,572.5	6,435.9
Total liabilities held for sale	**11,616.8**	**6,435.9**

On 16 December 2014, Delta Lloyd announced that it had reached an agreement to sell Delta Lloyd Bank Belgium to Anbang Insurance Group Co. Ltd for a consideration of € 219.0 million. The sale process for the Belgium-based banking business was started on 2 October 2013 and is expected to be finalised during 2015.

As the sale price of € 219.0 million is below the book value (shareholders' funds of Delta Lloyd Bank Belgium at year-end amounted to € 353.0 million), a provision for onerous contracts is made for the difference (€ 134.0 million) in the reporting segment Other (see section 5.1.7.30. 'Provisions for other liabilities'). At year-end 2013, the assessment of the fair value of the assets resulted in an impairment of € 24.0 million, which is presented as part of other operating expenses in the income statement. In 2014 an additional impairment on the assets held for sale was taken for an amount of € 6.5 million.

At year-end 2013, German properties held for sale amounted to € 0.6 million. The sales of these properties were all finalised during 2014 and resulted in no gain/loss.

On 15 January 2015, Delta Lloyd announced the sale of its German life business to Athene Holding Ltd. ('Athene'). As of year-end 2014, the activities of the German division met the terms for the definition of held for sale. Also, as Delta Lloyd Deutschland is a separate geographical area of Delta Lloyd it is classified as a discontinued operation. The sale is expected to be finalised in 2015 with an expected sale price of € 22.8 million. At year-end 2014, the assessment of the fair value of the assets resulted in an impairment of € 1.2 million. A provision for onerous contracts is expected to be taken in 2015 for an amount of € 158.4 million.

On 1 January 2009, the health business was sold to CZ Verzekeringen. In accordance with the sales contract, Delta Lloyd continued to bear the insurance risks up to 1 January 2009. In 2013, Delta Lloyd reached an agreement to transfer the remaining insurance risks up to 1 January 2009 to CZ Verzekeringen. As a consequence, no net result after tax from discontinued operations was reported for 2014 (2013: € 1.3 million).

Assets and liabilities at 31 December

In millions of euros	Delta Lloyd Deutschland	Delta Lloyd Bank Belgium	Total 2014	Total 2013*
Assets				
AVIF and other intangible assets	-	-	-	0.4
Deferred acquisition costs	1.3	-	1.3	-
Property and equipment	-	-	-	0.5
Investment property	550.0	3.9	553.9	1.7
Deferred tax assets	13.5	67.2	80.7	55.4
Debt securities	1,615.3	1,272.6	2,887.9	1,107.9
Equity securities	74.3	0.2	74.5	0.2
Derivatives	-	5.9	5.9	28.7
Investments at policyholders' risk	361.7	-	361.7	-
Loans and receivables at amortised cost	2,246.2	5,032.7	7,279.0	5,084.1
Reinsurance assets	3.5	-	3.5	-
Receivables and other financial assets	97.4	347.8	445.2	275.2
Current tax assets	5.3	-	5.3	-
Accrued interest and prepayments	74.0	37.4	111.3	35.0
Cash and cash equivalents	183.0	154.8	337.8	129.1
Assets held for sale	-	3.1	3.1	6.2
Assets held for sale	**5,225.5**	**6,925.5**	**12,151.0**	**6,724.5**
Liabilities				
Insurance liabilities	4,819.3	-	4,819.3	-
Pension obligations	62.2	3.4	65.6	3.6
Provisions for other liabilities	9.4	5.8	15.2	5.7
Deferred tax liabilities	9.3	47.3	56.7	5.6
Current tax liabilities	4.5	-	4.5	-
Subordinated debt	7.0	60.0	67.0	107.5
Securitised mortgages loan notes	-	15.3	15.3	27.9
Derivatives	-	392.9	392.9	311.9
Customer savings and deposits	4.4	4,944.8	4,949.1	4,813.5
Other financial liabilities	36.6	799.9	836.5	766.3
Other liabilities	91.5	303.2	394.7	393.9
Liabilities relating to assets held for sale	**5,044.3**	**6,572.5**	**11,616.8**	**6,435.9**

* 2013 figures regards Delta Lloyd Bank Belgium only.

Revaluation reserve

In millions of euros	Delta Lloyd Deutschland	Delta Lloyd Bank Belgium	Total 2014	Total 2013*
At 1 January	**4.4**	**0.7**	**5.1**	**14.9**
Fair value gains and losses arising in period	16.0	83.3	99.3	-21.6
Aggregate tax effect	-4.4	-28.3	-32.7	7.3
At 31 December	**16.0**	**55.7**	**71.7**	**0.7**

* 2013 figures regards Delta Lloyd Bank Belgium only.

The recognised tax losses for Delta Lloyd Deutschland and Delta Lloyd Bank Belgium are € 63.7 million (2013: € 35.1 million), for which a deferred tax asset is recognised of € 20.3 million (2013: € 11.9 million). The unrecognised tax losses are € 236.2 million (2013: € 32.1 million). The tax losses in the tax position for Delta Lloyd Bank Belgium include notional interest deductions; these are taxable interest deductions that reduce the taxable amount.

The tables below show financial assets and liabilities measured at fair value and the total carrying value to maintain the link with the above table of assets and liabilities relating to held for sale.

Assets held for sale by measurement method at year-end

In millions of euros	Total carrying value	Total fair value	Level 1	Level 2	Level 3
Property and equipment	-	22.2	-	9.1	13.1
Investment property	553.9	553.9	-	550.0	3.9
Debt securities	2,887.9	2,887.9	2,775.9	112.0	-
Equity securities	74.5	74.5	1.4	73.1	-
Derivatives	5.9	5.9	-	5.9	-
Investments at policyholders' risk	361.7	361.7	361.7	-	-
Loans and receivables at amortised cost	7,279.0	7,780.7	-	7,780.7	-
Receivables and other financial assets	445.2	445.2	298.4	146.9	-
Cash and cash equivalents	337.8	337.8	337.8	-	-
Total	**11,945.9**	**12,469.7**	**3,775.1**	**8,677.7**	**17.0**

Assets held for sale by measurement method at prior year-end

In millions of euros	Total carrying value	Total fair value	Level 1	Level 2	Level 3
Property and equipment	0.5	21.8	-	8.5	13.3
Investment property	1.7	1.7	-	-	1.7
Debt securities	1,107.9	1,107.9	1,107.9	-	-
Equity securities	0.2	0.2	0.2	-	-
Derivatives	28.7	28.7	-	28.7	-
Loans and receivables at amortised cost	5,084.1	5,435.0	-	5,435.0	-
Receivables and other financial assets	275.2	275.2	248.8	26.4	-
Cash and cash equivalents	129.1	129.1	129.1	-	-
Total	**6,627.5**	**6,999.7**	**1,486.0**	**5,498.7**	**15.1**

Liabilities held for sale by measurement method at year-end

In millions of euros	Total carrying value	Total fair value	Level 1	Level 2	Level 3
Subordinated debt	67.0	78.4	-	78.4	-
Securitised mortgages loan notes designated at amortised cost	15.3	15.3	-	15.3	-
Derivatives	392.9	392.9	-	392.9	-
Other	5,785.6	6,059.5	1,028.7	5,030.7	-
Total	**6,260.8**	**6,546.1**	**1,028.7**	**5,517.3**	**-**

Liabilities held for sale by measurement method at prior year-end

In millions of euros	Total carrying value	Total fair value	Level 1	Level 2	Level 3
Subordinated debt	107.5	119.8	-	119.8	-
Securitised mortgages loan notes designated at amortised cost	27.9	27.9	-	27.9	-
Derivatives	311.9	311.9	-	311.9	-
Other	5,579.9	5,954.9	925.7	5,029.2	-
Total	**6,027.1**	**6,414.5**	**925.7**	**5,488.7**	**-**

Due to the allocation of impairment arising from the transfer to assets held for sale, the fair value of property and equipment is higher than the carrying amount.

There were no transfers of recurring assets and recurring liabilities between fair value measurement based on published prices (level 1 of the fair value hierarchy) and fair value measurement based on observable market inputs (level 2 of the fair value hierarchy) during the year.

The valuation techniques used to obtain the fair value of assets and liabilities which are held for sale are the same of that of assets and liabilities not held for sale. See section 5.1.7.37. 'Fair value of financial assets and liabilities' for a description of the valuation techniques and inputs used in the fair value measurements.

The table below offers additional information on assets for which there are significant unobservable market inputs (level 3 of the fair value hierarchy).

Statement of changes in assets and liabilities valued using a level 3 measurement method in the financial year 2014

In millions of euros	Owner-occupied property	Investment property	Total 2014	Total 2013*
At 1 January	**13.3**	**1.7**	**15.1**	**14.7**
Changes in fair value recognised through profit and loss	-0.2	2.2	1.9	0.3
At 31 December	**13.1**	**3.9**	**17.0**	**15.1**

* 2013 figures regards Delta Lloyd Bank Belgium only.

The fair value of owner-occupied property and investment property is assessed by qualified external appraisers, in compliance with international valuation standards published by the International Valuation Standards Committee and/ or the regulations and standards in the RICS valuation standards prescribed by the Royal Institute of Chartered Surveyors. Delta Lloyd believes that no reasonable alternative assumptions will change the fair value significantly.

Condensed income statement Delta Lloyd Bank Belgium		
In millions of euros	**2014**	**2013**
Income	184.1	200.3
Expenses	166.6	172.5
Results before tax and held for sale impairment	**17.5**	**27.8**
Held for sale impairment	6.5	24.0
Results before tax	**10.9**	**3.8**
Income tax	1.7	3.1
Net result	**9.2**	**0.8**

Condensed income statement discontinued operations		
In millions of euros	**2014**	**2013***
Income	491.1	472.3
Expenses	473.3	457.3
Results before tax and held for sale impairment	**17.7**	**15.0**
Held for sale impairment	1.2	-
Results before tax	**16.5**	**15.0**
Income tax	-6.0	2.0
Total result after tax from discontinued operations	**22.5**	**13.0**

* 2013 figures regards Delta Lloyd Deutschland and Delta Lloyd Group Health.

5.1.7.6. Details of income

> Premiums relating to insurance contracts

General insurance premiums written reflect new and renewed business during the year, and exclude any sales-based taxes. A limited part of the general insurance portfolio (mainly pools, exchange and inward reinsurance) is reported with a delay of one quarter. Unearned premiums are premiums written in a year related to periods of risk after the reporting period. Unearned premiums are computed daily, monthly or quarterly on a pro rata basis.

Premiums on life insurance contracts and discretionary participating investment contracts are recognised as income when receivable. For single-premium business, this is the date from when the policy is effective. Premiums on regular-premium contracts and additional contributions are recognised when payments are due. Premiums on unit-linked insurance contracts are recognised when they are received. Premiums are shown gross of commission and before any sales-based taxes and duties. When policies lapse due to non-receipt of premiums, all accrued premium income is debited to premium income from the date when the policies are deemed to have lapsed.

No premium income is recognised in the income statement for investment contracts without discretionary participating features (non-DPF).

Income relating to investment contracts

Investment contract policyholders are charged fees for policy administration, investment management, surrenders and other contract services. These fees are recognised as revenue in the period in which they arise unless they relate to future services, in which case they are deferred and recognised when the service is provided. If there is no contract for investment management services, the upfront fee is recognised as revenue on receipt. However, for investment contracts which are measured at amortised cost the fee forms part of the amortised cost.

Net investment income

Investment income consists of cash and stock dividends, interest and rental income receivable for the year, fair value changes in investments through profit or loss, impairment charges on available-for-sale investments, impairment charges on loans and receivables at amortised cost and book gains and losses on the sale of investments. Dividends on investments in equity securities are recorded as revenue on the ex-dividend date. Interest income is recognised as it accrues, taking into account the effective interest rate of the investment. It includes interest income as a result of interest rate differentials on forward foreign exchange contracts. Rental income is recognised based on the elapsed rental period.

The realised gain or loss on the disposal of an investment is the difference between the proceeds received, net of transaction costs, and its original cost or amortised cost as appropriate. Unrealised gains and losses represent the difference between the carrying value at year-end and the carrying value at the previous year-end or the purchase price during the year, less the reversal of previously recognised unrealised gains and losses on disposals made during the year.

Income from securities lending is settled with the counterparty and recognised in the income statement on a quarterly basis.

Fee and commission income

Fee and commission income consists primarily of management and distribution fees from investment funds, commission revenue from the sale of investment fund shares and intermediary fees. These fees are recognised in the period when the services they relate to are provided. Reinsurance commission receivable and other commission income are recognised on the trade date. <

Details of income

In millions of euros	2014	2013*
Premiums written Life	2,626.6	3,329.7
Premiums written General	1,336.7	1,427.8
Gross written premiums	**3,963.3**	**4,757.5**
Premiums ceded to reinsurers Life	-63.5	-63.7
Premiums ceded to reinsurers General	-272.4	-109.5
Net written premiums	**3,627.5**	**4,584.3**
Gross movement in provision for unearned premiums	59.9	77.2
Reinsurers' share of movement in provision for unearned premiums	-	-5.3
Net movement in provision for unearned premiums	**59.8**	**71.9**
Net premiums earned	**3,687.3**	**4,656.2**
Net investment income		
Interest income	1,500.1	1,343.1
Net rental income	77.1	82.1
Dividends	88.4	152.7
Movements in the fair value of investments classified as held for trading	-1.1	3.0
Movements in the fair value of investments classified as other than trading	4,442.9	-1,043.4
Realised gains and losses on investments classified as available for sale	274.2	188.1
Impairment of investments classified as available for sale	-29.1	-71.3
Reversal of impairment of investments classified as available for sale	7.3	0.3
Result from loans and receivables	2.2	-2.9
Impairment of loans and receivables	-34.3	-25.9
Reversal of impairment of loans and receivables	7.4	9.2
Result from derivatives	1,436.0	-708.6
Realised/unrealised other investment income	11.7	-86.4
Result from investment property	-72.6	-71.6
Share of profit or loss after tax of associates	73.4	-14.6
Total net investment income - own risk	**7,783.5**	**-246.1**
Interest income	129.0	152.7
Dividends	111.1	77.3
Movements in the fair value of investments classified as other than trading	1,453.4	576.1
Result from derivatives	-24.1	12.5
Total net investment income - at policyholders' risk	**1,669.3**	**818.7**
Interest income	64.8	78.5
Dividends	45.9	48.4
Movements in the fair value of investments classified as other than trading	337.7	257.9
Result from derivatives	-11.4	5.1
Total net investment income - third party interest	**437.0**	**389.9**
Total net investment income	**9,889.9**	**962.4**
Fee and commission income		
Fee income from investment contract business	3.6	1.2
Fund management fee income	105.6	120.9
Other fee income	69.2	43.2
Total income from reinsurance premiums	28.5	29.1
Other commission income	86.2	95.1
Total fee and commission income	**293.1**	**289.6**
Other income	6.6	42.9
Total income	**13,876.9**	**5,951.0**

* Restated, see section 5.1.6.2. 'Financial impact of changes in accounting policies and reclassifications'.

Life gross written premiums decreased mainly due to a decline in single premium, for specification see table gross written premiums of life in the financial year. Market circumstances are more difficult compared to last year.

Increase in premiums ceded to reinsurers for general insurance mainly relates to the reinsurance of the international marine business.

Net rental income consists of rental income on investment properties of € 116.2 million (2013: € 117.5 million) and operating expenses including repairs and maintenance on rented property of € 39.1 million (2013: € 35.5 million) of which € 2.2 million related to vacancies (2013: € 1.8 million). Lease agreements are at arm's length. Expected future rental income is disclosed in section 5.1.7.36. 'Off-balance sheet positions'.

Movements in the fair value of investments classified as other than trading include € 400.2 million (2013: € 215.1 million) of realised fair value changes for debt securities at own risk and € 3,901.3 million (2013: € -1,250.8 million) of unrealised fair value changes for debt securities at own risk.

Total results from derivatives (own risk, at policy holders' risk and third party interests) included € 1,564.2 million (2013: € -1,043.6 million) of unrealised fair value changes and € -163.6 million of realised fair value changes (2013: € 352.7 million).

Result from investment property mainly consists of unrealised fair value gains/losses on investment € -71.7 million (2013: € -80.4 million).

Gross written premiums of Life in the financial year

In millions of euros	Individual insurance	Group insurance	Individual investment	Group investment	Total
Single premium	235.3	502.5	155.5	79.1	972.4
Annual premium	552.2	953.6	49.6	65.9	1,621.3
Reinsurance	23.9	9.1	-	-	33.0
Total	**811.5**	**1,465.2**	**205.1**	**145.0**	**2,626.6**

Gross written premiums of Life in the prior financial year*

In millions of euros	Individual insurance	Group insurance	Individual investment	Group investment	Total
Single premium	389.2	1,016.9	172.1	141.8	1,720.0
Annual premium	633.8	834.2	48.3	62.8	1,579.1
Reinsurance	25.5	5.1	-	-	30.6
Total	**1,048.5**	**1,856.2**	**220.4**	**204.6**	**3,329.7**

* Restated, see section 5.1.6.2. 'Financial impact of changes in accounting policies and reclassifications'.

Interest income in the financial year - own risk		
In millions of euros	**2014**	**2013***
Debt securities available for sale	73.3	74.6
Debt securities other than trading	705.5	696.5
Total debt securities	**778.8**	**771.1**
Total mortgages	**690.9**	**689.2**
Deposits	3.6	2.9
Issued loans	89.9	88.7
Loans to banks	1.3	2.0
Loans and advances to clients	64.2	71.4
Cash and cash equivalents	6.8	-92.9
Other	-135.2	-189.4
Other interest income	**30.5**	**-117.2**
Total interest income	**1,500.1**	**1,343.1**

* Restated, see section 5.1.6.2. 'Financial impact of changes in accounting policies and reclassifications'.

Other mainly consists of the result on interest rate swaps € -98.1 million (2013: € -134.4 million).

Movements in fair value of derivatives held for fair value hedge accounting		
In millions of euros	**2014**	**2013**
Movement in fair value of the hedging instrument	-151.2	104.2
Movement in fair value of the hedged positions	174.6	-118.7
Amortisation of the fair value of the hedged positions	-20.7	-28.6
Movements in fair value of derivatives held for fair value hedge accounting	**2.7**	**-43.1**

Movements in the fair value of the hedging instrument and movements in the fair value of the hedged positions are included in result from derivatives. Amortisation of the fair value of the hedged positions is included in other interest income.

5.1.7.7. Details of expenses

> Expenses are recognised in the period in which the services or goods were provided and to which the payment relates.

Claims and benefits

General insurance claims incurred include all losses occurring during the year, whether reported or not, related handling costs for claims, reduced for the value of salvage and subrogation, and adjustments to claims outstanding from previous years. Claims-handling costs relate to internal costs incurred in connection with the settlement of claims. Internal claims-handling costs include the direct expenses of the claims department and allocated general expenses.

Life insurance benefits reflect the cost of all claims arising during the year, including handling costs and bonuses accrued.

Expenses for investment contracts

Expenses for investment contracts without discretionary participating features are recognised insofar as payments or recalculated obligations exceed the carrying value of the obligations.

Fee and commission expense

Other fee expenses represent any uncapitalised commission expense paid during the reporting period to agents, advisors, brokers and dealers (e.g. renewal commission). <

Details of expenses in the financial year

In millions of euros	**2014**	**2013****
Life	3,121.1	2,945.6
General	982.9	992.3
Total claims and benefits paid*	**4,104.0**	**3,937.9**
Claim recoveries from reinsurers		
Life	-71.4	-79.4
General	-87.5	-44.9
Total claim recoveries from reinsurers	**-158.8**	**-124.3**
Net claims and benefits paid*	**3,945.1**	**3,813.6**
Change in insurance liabilities, net of reinsurance		
Change in insurance liabilities	7,078.7	-237.1
Change in reinsurance assets for insurance	-104.2	-7.1
Total change in insurance liabilities, net of reinsurance	**6,974.5**	**-244.2**
Charge to financial liability on behalf of third party interest in consolidated investment funds	**660.6**	**372.0**
Expenses relating to the acquisition of insurance, investment and other contracts	**618.8**	**680.3**
Finance costs		
Interest on other financial liabilities	28.9	33.7
Interest on savings and (demand) deposits	127.1	134.5
Interest on issued bond loans	107.4	68.7
Interest on subordinated loans	106.3	74.0
Interest on securitised mortgage loan notes	50.7	48.8
Pension interest cost	73.3	65.9
Total finance costs	**493.7**	**425.6**
Other operating expenses		
Staff costs and other employee-related expenditures	508.9	537.6
Amortisation of intangible fixed assets	13.9	15.1
Depreciation on property and equipment	9.0	12.3
Operating expenses	399.6	257.7
Impairment of property held for sale	0.1	0.1
Impairment of goodwill	-0.6	21.8
Impairment of AVIF	-	-
Impairment of other intangible fixed assets	3.2	4.7
Impairment of property and equipment	6.1	23.7
Impairment of receivables	7.0	5.5
Reversal of impairment of receivables	-6.2	-4.6
Allocated to expenses relating to the acquisition of insurance, investment and other contracts	-225.1	-215.0
Total other operating expenses	**716.0**	**658.9**
Total expenses	**13,408.7**	**5,706.2**

* Total claims and benefits paid includes profit sharing and discounts

** Restated, see section 5.1.6.2. 'Financial impact of changes in accounting policies and reclassifications'.

Of the total finance costs, € 472.9 million (2013: € 408.2 million) relates to loans measured at amortised cost and € 20.8 million (2013: € 17.4 million) to securitised mortgage loan notes measured at fair value.

5.1.7.8. Employee information

> Staff costs are recognised for the period in which the employees provide the services that relate to the payments. The accounting policy for pensions is included in 5.1.7.29. 'Pension obligations' and for share-based payments (profit sharing and incentive plans) is incorporated further on in this note. <

Average number of employees (FTEs) during the year

Number in FTEs	2014	2013
Permanent staff	5,090.9	5,221.4
Temporary staff	567.0	511.1
Total	**5,657.9**	**5,732.5**

The average number of employees decreased as a result of a cost-saving programme. Average number of employees includes Delta Lloyd Deutschland 188.3 FTE (2013: 200.9 FTE)

Staff costs in the financial year

In millions of euros	2014	2013*
Salaries	277.2	286.2
External staff	79.3	66.4
Social security contributions	52.5	50.9
Pension expenses**	28.8	48.6
Profit sharing and incentive plans	8.7	12.2
Termination benefits	5.1	12.2
Other staff costs	57.3	61.1
Total	**508.9**	**537.6**

* Restated, see section 5.1.6.2. 'Financial impact of changes in accounting policies and reclassifications'.

** See section 5.1.7.29. 'Pension Liabilities'

Staff costs charged to:

In millions of euros	2014	2013
Expenses relating to the acquisition of insurance and investment contracts	76.0	72.4
Claims-handling expenses	25.4	21.6
Other operating expenses	407.5	443.6
Total	**508.9**	**537.6**

* Restated, see section 5.1.6.2. 'Financial impact of changes in accounting policies and reclassifications'.

Pension expenses are € 19.9 million lower than last year mainly due to past service costs related to the retrenchment of the pension plan.

Other staff costs include € 40.7 million of travel expenses, holiday allowances and training costs (2013: € 36.5 million).

> Share-based and performance-related incentive plans

Delta Lloyd has one equity-settled (Variable Incentive Plan for identified staff) and two cash-settled (Delta Lloyd Phantom Option Plan and Variable Incentive Plan for other managers) share-based and performance related incentive plans.

For the equity-settled plan the overall expense is calculated on the grant date of the conditional shares as the fair value of a conditional share multiplied by the estimated number of conditional shares that will vest based on expectations regarding performance criteria that are not related to market conditions, and the continuation of employment ('vesting conditions'). In determining the fair value, account is taken of the market conditions applicable to the performance criteria related to total shareholder return. The fair value does not change during the period up to vesting. See the general section below for the fair value calculation method. The overall expense is allocated on a straight-line basis over the vesting period (four years), based on the employee services rendered, taking into account the estimated number of conditional shares that can vest under the applicable vesting conditions on each reporting date. The expense is recognised in staff costs with 'equity compensation plan' in equity as the contra-account. On vesting the difference between the 'equity compensation plan' in equity and the actual costs is transferred to retained earnings.

Cash-settled plans
For the cash-settled plans Delta Lloyd determines the fair value on each grant, reporting and settlement date. All changes are immediately recognised in the income statement with a related adjustment to the ‘equity compensation plan’ provision. The fair value of the phantom options granted is measured using a binomial tree model, taking account of the terms and conditions under which they were granted, including a cap on the actual payment. See the general section below for the fair value calculation method for the Variable Incentive Plan.

General
The fair value of the grants under the variable incentive plans is measured using a Black- Scholes model and Monte Carlo simulation models that incorporate all the specific characteristics of the plans. Expected dividends are applied in accordance with the dividend policy of Delta Lloyd. Volatility is based on historic data of the Delta Lloyd share price.

The vesting of grants is subject to set performance criteria and continued employment at Delta Lloyd on the vesting date. If employment is terminated, the grants lapse immediately, except in a situation where the employee leaves as a result of early retirement, disability, death or because the entity for which the employee works is no longer part of Delta Lloyd. In this last case, the grants vest immediately and become exercisable for a period of one year, after which they lapse.

There is an ex-post risk adjustment for each deferred payout when the performance is reassessed against the original targets. There is also a clawback clause under which any variable remuneration may be recovered during a five-year period after the vesting date, if an employee has acted unethically and/or in conflict with Delta Lloyd’s policy. <

The share-based and performance-related incentive plans are presented including discontinued operations.

An amount of € 3.9 million for share-based and performance-related incentive plans as described below was charged to the income statement under profit sharing and incentive plans (2013: € 11.0 million), and an amount of € 5.1 million for other profit sharing and incentives was charged to the income statement (2013: € 1.5 million).

Profit sharing and incentive plans		
In millions of euros	**2014**	**2013**
Equity-settled share-based payment transactions		
- Performance Share Plan*	-	-0.7
- Variable Incentive Plan for identified staff	4.0	3.5
	4.0	**2.8**
Cash-settled share based payment transactions		
- Phantom option plan	-2.2	5.4
- Phantom Performance Share Plan*	-	0.1
- Variable Incentive Plan for other managers	1.8	2.2
- Variable Incentive Plan for identified staff and other managers for the cash settlement that is based on the Delta Lloyd NV share price development	0.5	0.3
	-	**8.0**
Cash-settled performance-related incentive plan		
Variable Incentive Plan for identified staff and other managers for the cash settlement that is not based on the Delta Lloyd NV share price development	-0.1	0.2
Total share-based and performance-related incentive plans	**3.9**	**11.0**
Other profit sharing and incentives	5.1	1.5
Transfer to result after tax from discontinued operations	-0.2	-0.3
Total profit sharing and incentive plans	**8.7**	**12.2**

* Closed and fully settled in 2013.

Delta Lloyd Phantom Option Plan (to 3 November 2009)

The final grants under the 2006 Phantom Option Plan were made in 2009. According to this plan on 1 January of each year, conditional phantom options were granted to members of the Executive Board and to certain members of the senior management of Delta Lloyd. No initial payment was required. A phantom option entitles the holder to receive in cash the increase in value of a 'performance unit' measured from the grant date until the date of exercise. The options vest after three years (performance period) and are exercisable until five years after the vesting date. As a result of the public offering on 3 November 2009, the Supervisory Board revised the terms and conditions of the plan. Existing performance criteria attached to the outstanding options were dropped and the vesting percentage of the outstanding options granted in 2007, 2008 and 2009 was fixed at 75%. The other terms and conditions attached to the options remained in place.

The fair value is calculated using individual caps, forfeitures and the following:

Parameters for phantom options current year		
	2008 options	**2009 options**
Outstanding number at year-end	1,449,729	522,921
Date of grant	01-Jan-2008	01-Jan-2009
Vesting date	01-Jan-2011	01-Jan-2012
Expiry date	31-Dec-2015	31-Dec-2016
Share price volatility	22.00%	24.00%
Exercise price (euros)	22.10	13.63
Dividend yield	5.51%	5.51%
Risk-free interest rate	-0.09%	-0.12%
Remaining term (years)	1	2

Parameters for phantom options prior year

	2007 options	2008 options	2009 options
Outstanding number at year-end	1,687,746	1,521,320	974,464
Date of grant	01-Jan-2007	01-Jan-2008	01-Jan-2009
Vesting date	01-Jan-2010	01-Jan-2011	01-Jan-2012
Expiry date	31-Dec-2014	31-Dec-2015	31-Dec-2016
Share price volatility	25.00%	32.00%	37.00%
Exercise price (euros)	20.64	22.10	13.63
Dividend yield	5.55%	5.55%	5.55%
Risk-free interest rate	0.09%	0.25%	0.49%
Remaining term (years)	1	2	3

The release to the income statement was € 2.2 million (2013: charge of € 5.4 million). The movements in the number of options granted were as follows:

Statement of changes in phantom options granted

In numbers of options	2014	2013
Outstanding at 1 January	**4,183,530**	**5,909,890**
Granted	-	-
Exercised during the year	-480,673	-1,907,996
Expired	-1,552,669	-
Forfeiture by termination of employment during the year	-177,538	181,636
Outstanding at 31 December	**1,972,650**	**4,183,530**

All phantom options that were granted and have vested are unconditional. The exercise of phantom options 2009 took place from 20 February 2014 to 2 October 2014 at a weighted average share price of € 20.22. During 2014, no other phantom options were exercised.

The total intrinsic value of options granted is € 2.4 million at 31 December 2014 (2013: € 4.3 million); the Delta Lloyd NV share price of € 18.19 at 31 December 2014 (2013: € 18.04) was above the exercise prices of the options granted in 2009.

Variable Incentive Plan for identified staff (VIP-is, from 1 January 2011)

The VIP-is is a plan for Executive Board members, directors and managers in control functions and functions affecting the risk profile. Their grant until 31 December 2012 is conditional and paid 50% in cash and 50% in shares. Their grant from 1 January 2013 onward is conditional and fully paid in shares. The conditional shares confer the right to a distribution of Delta Lloyd NV shares and may become unconditional after the respective vesting dates, depending on the achievement of set performance criteria and continued employment at Delta Lloyd.

Identified staff other than the Executive Board have a holding period of two years after the shares become unconditional. The holding period for the Executive Board is between two and four years depending on the vesting date.

The table below provides further information on shares granted conditionally and the parameters applied to determine their fair value. For the grants in 2011, the 10 April 2011 parameters (volatility 55%, dividend yield 3.80%, risk-free rate 2.25% and share price at grant date € 19.35) continue to apply to converted grants made under the former Performance Share Plan as their fair value (€ 15.77) is higher than it was on the modification date. The modification date of 8 December 2011 is the date that DNB formally approved the revised remuneration policy. The 8 December 2011 parameters only apply to additional grants made in 2011 under the VIP-is.

Parameters for conditional shares (VIP-is)

	shares granted 2014	shares granted 2013	shares granted 2012	shares granted 2011
Valuation date (grant date)	20-Mar-2014	01-Jan-2013	22-Feb-2012	08-Dec-2011
Start vesting period	01-Jan-2014	01-Jan-2013	01-Jan-2012	01-Jan-2011
First determination date	31-Dec-2014	31-Dec-2013	31-Dec-2012	31-Dec-2011
Vesting date first tranche	01-Jan-2015	01-Jan-2014	01-Jan-2013	01-Jan-2012
Vesting date second tranche	01-Jan-2016	01-Jan-2015	01-Jan-2014	01-Jan-2013
Vesting date third tranche	01-Jan-2017	01-Jan-2016	01-Jan-2015	01-Jan-2014
Vesting date fourth tranche	01-Jan-2018	01-Jan-2017	01-Jan-2016	01-Jan-2015
Share price volatility	24-37%	36-44%	38-53%	31-50%
Share price at initial grant date (euros)	20.01	13.41	14.53	13.83
Share price at modification date (8 December 2011 in euros)	-	-	-	13.10
Dividend yield	5.41%	7.40%	6.66%	7.36%
Risk-free rate	0.15-0.60%	-0.03 - 0.42%	0.18 - 1.10%	0.11 - 1.26%
(Average) fair value at grant date (in euros)	-	-	-	11.44

The charge for 2014 was € 4.0 million (2013: € 3.5 million). This accounts for the forfeiture of conditional shares and 100% vesting (the maximum is 150%) of grants made, except for 2012. In 2012, the vesting was adjusted to 50% due to the discretionary decision of the Supervisory Board and the Executive Board to make downward adjustments based on the rules of the variable incentive plan.

Statement of changes in conditional shares (VIP-is)

In numbers of shares	2014	2013
Outstanding at 1 January	**582,097**	**336,341**
Granted	301,159	415,779
Exercised	-246,844	-130,138
Forfeiture by termination of employment during the year	-46,018	-10,056
Forfeiture by performance criteria during the year	-20,965	-29,829
Outstanding at 31 December	**569,429**	**582,097**

All conditional shares were fully unvested at 31 December 2014 and 31 December 2013.

Variable Incentive Plan for other managers (VIP-om, from 1 January 2011)

The VIP-om is a plan for other managers who are not identified staff. Their grant until 31 December 2012 is paid 50% in cash and 50% in conditional phantom shares. From 1 January 2013 their grant is fully in conditional phantom shares. The conditional phantom shares confer the right to a distribution in cash. There is no right to dividend phantom shares while the phantom shares have not yet vested and the payout is 50% after the remuneration year and 50% is paid in equal instalments in the three subsequent years. This payout depends on achieving set performance criteria and continued employment at Delta Lloyd.

The table below provides further information on the phantom shares and the parameters used to determine the fair value at 31 December 2014, based on the closing price of Delta Lloyd NV shares of € 18.19 (2013: € 18.04).

Parameters for phantom shares (VIP-om) current year

	2014 shares	2013 shares	2012 shares	2011 shares
Grant date	20- Mar-2014	01- Jan-2013	22- Feb-2012	08- Dec-2011
Start of vesting period	01- Jan-2014	01- Jan-2013	01- Jan-2012	01- Jan-2011
First determination date	31- Dec-2014	31- Dec-2013	31- Dec-2012	31- Dec-2011
Vesting date first tranche	01- Jan-2015	01- Jan-2014	01- Jan-2013	01- Jan-2012
Vesting date second tranche	01- Jan-2016	01- Jan-2015	01- Jan-2014	01- Jan-2013
Vesting date third tranche	01- Jan-2017	01- Jan-2016	01- Jan-2015	01- Jan-2014
Vesting date fourth tranche	01- Jan-2018	01- Jan-2017	01- Jan-2016	01- Jan-2015
Share price volatility	0-29%	0-24%	0-22%	0%
Dividend yield	5.51%	5.51%	5.51%	5.51%
Risk-free rate	-0.12-0%	-0.12-0%	-0.09-0%	0%

Parameters for phantom shares (VIP-om) previous year

	2013 shares	2012 shares	2011 shares
Grant date	01-Jan-2013	22-Feb-2012	08-Dec-2011
Start of vesting period	01-Jan-2013	01-Jan-2012	01-Jan-2011
First determination date	31-Dec-2013	31-Dec-2012	31-Dec-2011
Vesting date first tranche	01-Jan-2014	01-Jan-2013	01-Jan-2012
Vesting date second tranche	01-Jan-2015	01-Jan-2014	01-Jan-2013
Vesting date third tranche	01-Jan-2016	01-Jan-2015	01-Jan-2014
Vesting date fourth tranche	01-Jan-2017	01-Jan-2016	01-Jan-2015
Share price volatility	0% - 37%	0% - 32%	0% - 25%
Dividend yield	7.40%	5.55%	5.55%
Risk-free rate	0% - 0.49%	0% - 0.25%	0% - 0.09%

The charge in 2014 was € 1.8 million (2013: € 2.2 million). This accounts for the forfeiture of conditional shares and 100% (the maximum is 150%) vesting of grants made, except for 2012. In 2012, the vesting was adjusted to 50% due to the discretionary decision of the Supervisory Board and the Executive Board to make downward adjustments based on the rules in the variable incentive plan.

The movements in the number of phantom shares granted are set out below.

Statement of changes in conditional phantom shares (VIP-om)

In numbers of shares	2014	2013
Outstanding at 1 January	**218,372**	**126,108**
Granted	109,237	162,658
Exercised	-98,147	-44,879
Forfeiture by termination of employment during the year	-12,260	-11,444
Forfeiture by performance criteria during the year	-10,181	-14,071
Outstanding at 31 December	**207,021**	**218,372**

All conditional phantom shares were fully unvested at 31 December 2014 and 31 December 2013.

5.1.7.9. Goodwill

> Goodwill represents the excess of the cost of an acquisition over the fair value of Delta Lloyd's share of net assets, including the (contingent) liabilities, of the acquired subsidiary on the date of acquisition. The carrying amount of goodwill for each cash generating unit, or combination of cash generating units, is reviewed annually, or more frequently when circumstances or events indicate a possible impairment. Goodwill is impaired to the recoverable amount if the recoverable amount is lower than the carrying value. The impairment is charged as an expense to the income statement (other operating expenses).

Impairment of goodwill regarding life insurance activities

The minimum recoverable amount related to life insurance activities is determined by the embedded value (EV) of the activities concerned. The embedded value is calculated using estimates of future distributable profits arising from the existing portfolio of an insurance company. The embedded value provides a prudent estimate of the value in use (VIU) as it does not include the value of future new business. Whether goodwill is impaired, is verified as follows:

- There is no impairment if the carrying value (net assets including attributable goodwill) is lower than the embedded value;
- It is possible that impairment of goodwill must be recognised if the carrying value (net assets including attributable goodwill) is higher than the embedded value. In this case, a decision must be made as to whether asset spread contracts make up a significant portion of the life insurance activities. Asset spread contracts are insurance contracts where the margin for the insurer comprises the difference between the return made on the underlying investments and the return paid to policyholders;
- If asset spread products do not make up a significant portion of the life insurance activities, appraisal value is used to determine the recoverable amount. Appraisal value is an actuarial value comparable to fair value and determined as the sum of two components: (i) the embedded value of the existing portfolio of life insurance activities and (ii) the present value of various annual tranches of future new business. The value of new business in one year is determined on EV principles that discount expected future distributable profits. The present value of various annual tranches of expected future new business are generally calculated by taking the value of new business in one year and extrapolating it into the future, taking into account recent growth and volatility of new business, expected future growth and profitability of new business, the types of distribution channel and degree of control over them and recent estimates by analysts and industry benchmarks.

If asset spread products make up a significant portion of the life insurance activities, the value attributed to these must be explicitly included in an appraisal value calculation.

The key assumptions to calculate embedded value are the use of Solvency II interest rate structure including a liquidity premium of 34 (2013: 39) basis points for new business, a volatility adjustment starting in the third quarter of 2014 for in-force business (2014: 21 basis points) and an UFR of 4.2%. No growth expectations for in-force business and tax rates of 25% in the Netherlands, 34% in Belgium and 30% in Germany.

Calculating the recoverable amount for ABN AMRO Verzekeringen takes into account the duration of the contract with ABN AMRO Bank.

Impairment of goodwill regarding general insurance and other operating activities

The recoverable amount relating to general insurance and other operating activities is defined as the higher of the VIU and fair value less costs to sell. The discounted cash flow method is used to establish the VIU and fair value less costs to sell. This uses net-of-tax forecasts of cash inflows and cash outflows which are incurred to generate the cash inflows. Factors at the basis of the expected future cash flows include historical growth, agreed business plans for the activities, expected working and fixed capital requirements and historical and expected levels of operating profits. In addition, the asset's ability to generate cash flows beyond the explicit forecast period is included through establishing a terminal value. The future cash flows and the terminal value are then discounted using a risk-adjusted discount rate (often the weighted average cost of capital or the cost of equity), which accurately reflects the inherent risk of the asset. In order to avoid double counting, risks that have already been taken into account in determining the cash flows are not included in the discount rate.

The key assumptions used to calculate the recoverable amount of goodwill are:

- Expected cash flows for future periods based on plan figures for a period of three years, similar to the plan period of the cash-generating entity;
- For the years after management's plan period, cash flows are extrapolated using an average growth rate ranging between 1.31% and 1.44% (2013: between 0.8% - 1.2%) depending on the specific circumstances of the activities; and
- Depending on the activities being valued, the risk adjusted discount rate is 9.0% to 11.2% (2013: 10.7% - 11.3%).

The expected cash flows for future periods are based on the figures for the 2015-2017 plan period. The expected cash flows beyond the plan period are extrapolated based on a growth rate that takes into account analysts' estimates of the increase in gross national product and inflation. <

Statement of changes in carrying value of goodwill

In millions of euros	2014	2013
Gross carrying value of goodwill		
At 1 January	**345.2**	**344.2**
Addition	7.0	1.0
Disposals	-	-
Other movements	-	-
At 31 December	**352.2**	**345.2**
Accumulated impairment		
At 1 January	**-61.7**	**-39.9**
Impairment losses	-	-21.8
Disposals	-	-
Transfer to assets relating to held for sale	-	-
At 31 December	**-61.7**	**-61.7**
Net carrying value of goodwill at 31 December	**290.4**	**283.5**

Goodwill allocation and impairment testing

For impairment testing purposes, goodwill is allocated to cash-generating units by division and operating segment.

Goodwill allocated to cash-generating units

In millions of euros	Delta Lloyd ABN AMRO Verzekeringen Holding BV	Swiss Life Belgium NV	Cyrte Investments BV	Other	Total
Carrying value at 31 December 2014	127.3	131.8	21.3	10.0	290.4
Carrying value at 31 December 2013	127.3	131.8	21.3	3.1	283.5

The impairment test for ABN AMRO Verzekeringen established a surplus value of € 50.0 million (2013: € 55.0 million). A rise of 25 basis points in market interest rates would lead to a fall of € 9.8 million in the embedded value component of realisable value (€ 5.0 million based on 51%). A fall of 25 basis points in market interest rates would lead to a rise of € 10.1 million in the embedded value component of realisable value (€ 5.2 million based on 51%). The calculation does not take new business into account.

An impairment test for Swiss Life Belgium established a surplus value of € 259.0 million (2013: € 150.8 million). The main variables in this calculation are the market interest rates used to calculate the embedded value. A 25 basis points rise in market interest rates would lead to an increase of € 16.4 million in the embedded value component of realisable value. A 25 basis points fall in market interest rates would decrease the embedded value component of realisable value by € 20.8 million.

At year-end the impairment test for Cyrte Investments established a surplus of € 18.9 million. A 100 basis points rise in discount rates would lead to a decrease of € 3.7 million in the realisable value. A 100 basis points fall in discount rates would increase the realisable value by € 4.5 million.

The movement in Other is due to the acquisition by Delta Lloyd of 50% of the shares in BeFrank, thereby raising its interest to 100%. This led to an addition in goodwill of € 7.0 million. In accordance with the applicable reporting standards, the final acquisition balance sheet will be drawn up within 12 months. No significant differences compared to the goodwill are expected. No impairment test has been performed at year-end. See section 5.1.7.4. ‘Subsidiaries’ for more information on the acquisition of BeFrank.

5.1.7.10. AVIF and other intangible assets

> Acquired value of in-force business (AVIF)

The present value of future profits on a portfolio of insurance and investment contracts acquired, either directly or through the purchase of a subsidiary, is recognised as an intangible asset. The amortisation on AVIF follows the development of the portfolio to which it is linked. The amortisation charge is part of other operating expenses. The estimated values are adjusted if they differ from earlier estimates. The carrying amount of AVIF is reviewed annually for impairment by including it in the liability adequacy test. Any impairment is charged to the income statement.

Other intangible assets

Other intangible assets include software, customer relationships and distribution channels recognised in relation to an acquisition. An acquisition is initially recognised at fair value (cost price). In subsequent periods, acquisitions are accounted for at cost net of amortisation and impairment. Amortisation and impairment are charged to the income statement. Purchased and proprietary internal developed software are amortised using a straight-line method over their useful lives, up to a maximum of three years. The amortisation charge is included in the income statement under 'Other operating expenses'.

Customer relationships and access to distribution channels, when acquired in a business combination, are capitalised when the definition of an intangible asset is met and when fair value can be measured reliably. Upon the acquisition of ABN AMRO Verzekeringen, the access obtained to the ABN AMRO distribution channel was separately identified as an intangible asset and is being amortised over 30 years. This represents the duration of the agreement with ABN AMRO Bank.

Amortisation periods for other intangible assets are reviewed once a year. The estimated values are adjusted if they differ from previous estimates. Circumstances can also lead to impairments.

Impairment of other non-financial assets

An impairment loss is accounted for in other non-financial assets for the amount by which the carrying amount of the asset exceeds its recoverable amount, whichever is the higher between the asset's net realisable value and its value in use. The net realisable value is the fair value less selling expenses. The value in use is the discounted value of the expected future cash flows generated by the asset in question. Assessing as to whether an impairment occurs takes place either at the level of the separate asset or at that of the smallest identifiable cash flow-generating entity. <

Carrying value of AVIF and other intangible assets at year-end

In millions of euros	AVIF	Software	Other	Total 2014
Cost	74.5	77.1	182.3	333.9
Cumulative amortisation	-63.3	-65.0	-96.0	-224.3
Cumulative impairment	-	-5.4	-	-5.4
Carrying value	**11.2**	**6.7**	**86.2**	**104.2**

Carrying value of AVIF and other intangible assets at prior year-end

In millions of euros	AVIF	Software	Other	Total 2013
Cost	74.5	105.8	169.2	349.5
Cumulative amortisation	-59.6	-95.6	-89.0	-244.3
Cumulative impairment	-	-5.4	-	-5.4
Carrying value	**14.9**	**4.7**	**80.2**	**99.8**

The AVIF (acquired value of in-force) refers to the acquired portfolio value of ABN AMRO Verzekeringen of € 11.2 million (2013: € 14.9 million). AVIF is amortised on a straight-line basis. The remaining amortisation period for the AVIF portfolio at the end of 2014 is three years.

As of 2014, Delta Lloyd Deutschland is classified as held for sale. As a result, the external software is transferred to held for sale. The external software of Delta Lloyd Deutschland consists of a cost value of € 34.4 million and an accumulated amortisation of € - 33.7 million.

The other intangibles mainly consist of the distribution channel acquired as part of the takeover of ABN AMRO Verzekeringen, the carrying value at 31 December 2014 amounts of € 60.6 million (2013: € 64.0 million). This item will be amortised over the next 18 years.

As a result of the purchase price allocation of BeFrank, Delta Lloyd recognised the technical infrastructure as part of the other intangibles for € 13.1 million. This item will be amortised over nine years, starting 18 July 2014.

5.1.7.11. Deferred acquisition costs

> Acquisition costs comprise fixed and variable costs arising from writing insurance contracts. Acquisition costs relating to life insurance contracts and investment contracts are amortised systematically over a term no longer than the period expected to recover them from future margins, subject to a maximum of ten years. Acquisition costs relating to general insurance contracts are amortised over the term in which premiums are earned. Deferred acquisition costs are reviewed by business segment at the end of each reporting period. They are impaired if they are no longer considered recoverable. <

Deferred acquisition costs at year-end

In millions of euros	Life	General	Total 2014	Life	General	Total 2013
Participating insurance contracts	24.2	-	24.2	26.3	-	26.3
Non-participating insurance contracts	37.4	37.6	75.0	48.0	44.3	92.3
Investment contracts	17.8	-	17.8	19.2	-	19.2
Total deferred acquisition costs	**79.4**	**37.6**	**117.0**	**93.5**	**44.3**	**137.8**

5.1.7.12. Property and equipment

> Owner-occupied properties (including those under construction) and equipment are carried at historical cost less accumulated depreciation and impairment. Depreciation and impairment are accounted for through profit or loss. The historical cost of assets that take a long time to develop, and owner-occupied properties in particular, also include capitalised borrowing costs.

Depreciation of property and equipment to their residual values is calculated on a straight-line basis over their estimated useful lives: land and properties under construction (own use) no depreciation, properties 40 years and computer equipment and furniture/fixtures respectively four and five years. The useful life and residual value are reviewed once a year. If the estimated values deviate from previous estimates, adjustments are made.

Where the carrying amount of an asset is greater than its estimated recoverable amount, the impairment is taken to the income statement. Gains and losses on the disposals of property and equipment, representing the difference between the sales price and the carrying value, are taken to the income statement in the period in which the property or equipment is sold.

Repairs and maintenance are charged to the income statement in the financial period to which they relate. The cost of major renovations is included in the carrying amount of the asset when it is probable that additional future economic benefits from the existing asset will flow to Delta Lloyd. Major renovations are depreciated over the remaining useful life of the asset concerned. <

Carrying value of property and equipment at year-end

In millions of euros	Owner-occupied property	Computer and other equipment	Total 2014	Owner-occupied property	Computer and other equipment	Total 2013
Cost	149.6	118.6	268.2	152.7	123.5	276.2
Cumulative depreciation	-40.1	-97.4	-137.4	-38.0	-105.6	-143.6
Cumulative impairments	-25.6	-3.0	-28.6	-24.3	-2.6	-26.8
Carrying value	**84.0**	**18.2**	**102.2**	**90.4**	**15.3**	**105.8**

Delta Lloyd has no material financial leases for property and equipment, nor has it leased property and equipment to third parties under operating leases. There are no restrictions on ownership and no property and equipment has been pledged as security for liabilities.

There was no property under construction. As such no related borrowing costs were capitalised in the reporting period.

The fair value of property and equipment is included in section 5.1.7.37. 'Fair value of assets and liabilities'. The fair value of computer and other equipment is not materially different from the carrying value.

Delta Lloyd's owner-occupied properties were impaired by € 1.3 million (2013: € 4.2 million), which relates to vacancies at the office building in Arnhem.

5.1.7.13. Investment property

> Investment property (including property under construction) is held for long-term rental yields and is not occupied by Delta Lloyd. Investment property (including property under construction) is measured at fair value, which is supported by market evidence, as assessed by qualified external valuers. Changes in fair value are recognised in the income statement within net investment income. Borrowing costs on investment property under construction are capitalised until completion. <

Statement of changes in investment property at year-end

In millions of euros	Investment property under construction	Investment property - freeholds	Investment property - long-term leaseholds	Investment property - short-term leaseholds	Total
At 1 January 2014	**64.5**	**2,023.4**	**50.7**	**42.6**	**2,181.2**
Additions	0.4	76.6	0.1	0.2	77.3
Disposals	-32.2	-72.6	-0.3	-	-105.0
Transfers from owner-occupied property	-	1.9	-	-	1.9
Fair value gains and losses	-0.6	-77.5	-1.5	-0.2	-79.8
Transfer to assets held for sale	-	-550.0	-	-	-550.0
At 31 December 2014	**32.1**	**1,401.9**	**49.0**	**42.6**	**1,525.6**
Cumulatives					
Cost	41.3	1,101.7	91.6	49.9	1,284.5
Revaluation	-9.2	300.1	-42.6	-7.3	241.1
Carrying value at 31 December 2014	**32.1**	**1,401.9**	**49.0**	**42.6**	**1,525.6**

Statement of changes in investment property at prior year-end

In millions of euros	Investment property under construction	Investment property - freeholds	Investment property - long-term leaseholds	Investment property - short-term leaseholds	Total
At 1 January 2013	**45.8**	**2,017.1**	**58.7**	**45.9**	**2,167.5**
Additions	4.5	52.0	0.7	0.1	57.4
Changes within Group	-	30.8	-	-	30.8
Disposals	-0.4	-19.3	-	-	-19.7
Transfers from owner-occupied property	29.8	5.7	-	-	35.5
Fair value gains and losses	-15.2	-54.3	-8.6	-3.5	-81.6
Transfer to assets held for sale	-	-8.7	-	-	-8.7
Other movements	-	0.1	-	-	0.1
At 31 December 2013	**64.5**	**2,023.4**	**50.7**	**42.6**	**2,181.2**
Cumulatives					
Cost	91.1	1,699.9	91.8	49.7	1,932.5
Revaluation	-26.6	323.5	-41.1	-7.1	248.7
Carrying value at 31 December 2013	**64.5**	**2,023.4**	**50.7**	**42.6**	**2,181.2**

Transfers to held for sale in 2014 relate to investment property in Delta Lloyd Deutschland for € 550.0 million.

Investment properties are assessed every half year by qualified external valuers based on desktop appraisals and a full appraisal is carried out every three years. All investment properties had a full external appraisal at the end of 2014. Each appraisal is also checked by a second valuer. There is a fixed fee for desktop appraisals and the fee for a full appraisal is a fixed percentage of the rental value. The appraisals are performed in compliance with international valuation standards published by the International Valuation Standards Committee and/or the regulations and standards in the RICS valuation standards prescribed by the Royal Institution of Chartered Surveyors.

The valuers use the capitalised rental method, supported by the discounted cash flow method, to determine the market values. The table below shows the discount rates used for the three main groups.

Discount rate used

Main group	2014	2013
Residential	5.3% to 8.35%	5.8% to 8.5%
Retail	7.0% to 7.5%	7.0%
Offices	6.5% to 14.0%	6.2% to 9.0%

It has become more difficult to establish market values of Dutch retail and offices due to a lack of a sufficient number of comparable sales transactions. This implies that the degree of uncertainty in the appraisals is greater than usual. The appraisal values reflect the volatility of today's market.

The investment properties are appraised using:

- Current leases, which form the basis of the appraisal;
- A gross initial yield, which is the percentage relationship between annual rental income at year-end and the fair value of the property excluding costs;
- A best estimate of the costs of future renovations and maintenance; and

- At the end of a lease contract, realistic estimates are made of the probability of vacancy, the potential impact of future rent discounts (lease incentives) and re-letting expectations. These estimates reflect the current situation in the property market.

In the reporting period no borrowing costs were capitalised (2013: nil).

See section 5.1.7.1. 'Risk management' for the breakdown of the own risk property portfolio in residential, retail and offices.

5.1.7.14. Associates

> Associates

Associates are entities over which Delta Lloyd has significant influence, but which it does not control. It is generally presumed that Delta Lloyd has significant influence when it has between 20% and 50% of the voting rights.

Investments in associates are accounted for based on the equity method of accounting. The equity method of accounting is discontinued when Delta Lloyd no longer has significant influence over the investment or when it obtains control, in which case the entity is consolidated.

When Delta Lloyd's share of losses in an associate equals or exceeds its interest in the associate, Delta Lloyd does not recognise further losses unless it has incurred obligations or made payments on behalf of the entity.

Joint venture

Joint ventures are entities over which Delta Lloyd has joint control. This control is contractually agreed and strategic decisions on financial and operational policies are taken unanimously. Joint ventures are accounted for based on the equity method, starting on the date Delta Lloyd gains joint control until the date on which it ceases to have such control. <

Statement of changes in associates and joint ventures at year-end

In millions of euros	2014	2013
Carrying value		
At 1 January	**296.9**	**193.6**
Change in ownership	-1.6	34.4
Capital injection	8.9	59.0
Capital withdrawal	-162.0	-19.5
Share of result after tax	73.4	-14.6
Dividends received	-	-68.8
Fair value changes in equity	-82.4	62.5
Transfer from equity securities	215.8	-
Transfer to investment in subsidiaries	-8.5	-
Other movements	-2.2	50.3
At 31 December	**338.3**	**296.9**

The capital withdrawals relate to Project Holland Fonds CV (€ 69.6 million), Cyrte Fonds I CV (€ 15.8 million) and Cyrte Fonds I Investments (€ 76.6 million).

Delta Lloyd held a 30.2 % interest in Van Lanschot NV at 31 December 2014 (2013: 30.5%). It is generally assumed that significant influence is exercised on the financial and operating policy of an entity when the interest is above 20%.

Before 2014, interest in Van Lanschot NV was presented as an investment in stead of an associate. As Delta Lloyd interest is above 20%, a yearly test was performed to validate the presentation of this interest as an investment. The outcome of this test concluded that Delta Lloyd was unable to exercise influence on the strategic financial policy, operating policy and dividend policy.

In 2014, the circumstances changed. Based on developments during the second half of 2014, Delta Lloyd assessed that significant influence existed over Van Lanschot at the end of 2014 and reclassified the interest from equity security (AFS) to associate. Among other things, the Supervisory Board of Van Lanschot has indicated that Delta Lloyd could speak to a proposed new supervisory board member before the nomination process. If Delta Lloyd endorses this candidate the nomination process continues. Due to the changing circumstances, Delta Lloyd is now able to exercise influence on the strategic financial policy, operating policy and dividend policy and therefore reports its stake at year-end 2014 in Van Lanschot NV as an associate.

The reclassification did not have an impact on shareholders' equity of Delta Lloyd, since the first time recognition as an associate is at fair value. The cumulative revaluation reserve of € 42.2 million has been transferred to the retained earnings through the income statement (investment income).

The tables below represent Delta Lloyd's principal associates' financial data. The figures are based on the most recent financial information on the associates made available to Delta Lloyd. As such, this financial information is not based on the carrying values (including goodwill) initially recognised by Delta Lloyd as a result of the notional purchase price allocation performed on the date when significant influence commenced.

Summarised statement of financial position of Delta Lloyd's principal associates at year-end

In millions of euros	Van Lanschot	Project Holland Fonds CV	CF I Invest CV	Dasym Investments V BV
Current assets	5,321.9	98.1	114.6	62.2
Of which is cash and cash equivalent	1,157.0	0.1	0.2	-
Non-current assets	11,937.6	0.6	12.0	-
Total assets	**17,259.4**	**98.7**	**126.6**	**62.2**
Current liabilities	12,642.7	2.6	-	0.1
Non-current liabilities	3,266.2	-	-	-
Total liabilities	**15,908.9**	**2.6**	**0.1**	**0.1**
Net assets	**1,350.5**	**96.0**	**126.5**	**62.2**

Summarised statement of financial position of Delta Lloyd's principal associates at prior year-end

In millions of euros	Project Holland Fonds CV	CF I Invest CV	Dasym Investments V BV	Dasym Investments IX BV
Current assets	90.9	433.0	58.4	63.0
Of which is cash and cash equivalent	0.1	50.2	-	1.5
Non-current assets	137.4	12.0	-	-
Total assets	**228.3**	**445.0**	**58.4**	**63.0**
Current liabilities	2.1	0.2	-	0.1
Total liabilities	**2.1**	**0.2**	**-**	**0.1**
Net assets	**226.2**	**444.8**	**58.4**	**62.9**

Summarised statement of comprehensive income of Delta Lloyd's principal associates at year-end

In millions of euros	Van Lanschot	Project Holland Fonds CV	CF I Invest CV	Dasym Investments V BV
Revenue	**1,097.1**	**3.2**	**29.3**	**3.8**
Interest income	735.4	0.1	0.3	-
Dividends received	-	-	1.0	-
Depreciation and amortisation	-22.5	-	-	-
Interest expense	522.9	-	-	-
Total comprehensive income	**108.7**	**9.1**	**26.5**	**3.8**

Summarised statement of comprehensive income of Delta Lloyd's principal associates at prior year-end

In millions of euros	Project Holland Fonds CV	CF I Invest CV	Dasym Investments V BV	Dasym Investments IX BV
Revenue	**82.7**	**28.0**	**15.4**	**4.9**
Interest income	0.1	0.4	-	-
Dividend received	1.4	55.8	-	-
Total comprehensive income	**80.7**	**24.1**	**15.4**	**4.8**

Reconciliation of summarised financial information to carrying amount at year-end

In millions of euros	Van Lanschot	Project Holland Fonds CV	CF I Invest CV	Dasym Investments V BV
Net asset	**1,350.5**	**96.0**	**126.5**	**62.2**
Proportion of ownership interest	30.21%	49.63%	21.73%	50.00%
Group share of net assets of associate, excluding fair value adjustment	408.0	47.7	27.5	31.1
Fair value adjustment	-192.2	-1.4	9.0	-5.6
Carrying amount	**215.8**	**46.3**	**36.5**	**25.5**

Reconciliation of summarised financial information to carrying amount at prior year-end				
In millions of euros	Project Holland Fonds CV	CF I Invest CV	Dasym Investments V BV	Dasym Investments IX BV
Net asset	**226.2**	**444.8**	**58.4**	**63.0**
Proportion of ownership interest	49.39%	24.41%	41.04%	60.14%
Group share of net assets of associate, excluding fair value adjustment	111.7	108.6	24.0	37.9
Fair value adjustment	-	1.4	-	-
Carrying amount	**111.7**	**107.2**	**24.0**	**37.9**

The Netherlands is the primary place of business of the four principal associates. The investments in principal associates include stakes in investment funds, which are required to maintain a minimum capital based on regulatory directives. Such restrictions can affect the ability of these principal associates to transfer funds in the form of cash dividends, or repayments of loans or advances, and therefore, there can be no assurance that these restrictions will not become a limitation in the future.
There are no unrecognised shares of losses in associates.

Individual investments in other associates are not considered material and are therefore not included in the statement of Delta Lloyd's principal associates and joint ventures.

Summarised information of other associates at year-end		
In millions of euros	**2014**	**2013**
Post tax profit or loss	45.6	14.0
Other comprehensive income	0.5	-0.5
Total comprehensive income	**46.0**	**13.4**
Carrying amount	**14.3**	**14.6**

5.1.7.15. Debt and equity securities

> Investments classified as 'held for trading', 'other than trading' and 'available for sale' are measured at fair value. The fair value of investments is measured using the fair value hierarchy as described in section 5.1.7.37. 'Fair value of assets and liabilities'. Changes in the fair value of investments 'held for trading' and 'other than trading' are accounted for in the income statement in the period in which the value change occurs. Changes in the fair value of investments classified as available for sale, other than impairment losses and relevant foreign exchange gains and losses, are recorded in a specific investment revaluation reserve within equity. When investments classified as available for sale are sold or impaired, the accumulated fair value adjustments are transferred out of the revaluation reserve to the income statement.

Purchases and sales of investments are recognised at fair value when the trade occurs; i.e. the date that Delta Lloyd commits to purchase or sell the assets. Transaction costs directly attributable to the initial acquisition of investments are recognised as follows:

- Transaction costs for investments designated at fair value through profit or loss are included in the income statement.
- Transaction costs for investments designated as available for sale are included in the initial measurement. Transaction costs for debenture loans are recognised as part of amortisation in the income statement using the effective interest rate method. Transaction costs for equity instruments are recognised in the income statement on sale.

The interest amount recognised in the income statement for debenture loans and other fixed-income investments at fair value, including transaction costs, is set annually based on amortised cost. The difference between the initial value and future repayment is recognised through profit or loss as amortisation, using the effective interest rate method. The initial amortised cost is calculated as the fair value including transaction costs.

At each reporting date Delta Lloyd assesses whether objective evidence exists that an available for sale financial asset is impaired. In the case of equity instruments classified as ‘available for sale’, this means a significant or prolonged decline in the fair value of the security below its cost. Significant is defined as at least 20% over an uninterrupted period of six months or more than 40% on the reporting date.

Prolonged is defined as measured below cost for more than a year. Delta Lloyd uses a graduated scale for the period between six months and one year and for a decline in value of up to 20%, to determine whether a financial asset available for sale is impaired. If the impairment proves to be structural, Delta Lloyd may decide to recognise it despite the period being less than six months. Impairment losses on equity securities cannot subsequently be reversed through the income statement. If a financial asset has been impaired, any future reductions in value, irrespective of the amount, are recognised through the income statement.

Debt securities available for sale are impaired if there is objective evidence that they are unlikely to be redeemed or if it is known that the issuer is in financial difficulties. If such evidence exists, the cumulative loss, measured as the difference between the acquisition cost and current fair value (excluding previously recognised impairment losses) is removed from equity and recognised in the income statement. If, in a subsequent period, the fair value of a debt instrument classified as ‘available for sale’ increases and the increase can be related to an objective event occurring after the recognition of the impairment loss, the impairment is reversed through the income statement.

Financial assets carried at fair value through profit or loss are not subject to impairment testing. The fair value of these assets already reflects possible impairments. <

Debt and equity securities for own risk at year-end

In millions of euros	**2014**	**2013***
Debt securities	28,676.9	25,060.1
Equity securities	2,889.5	3,299.8
Total	**31,566.4**	**28,359.9**

* Restated, see section 5.1.6.2. 'Financial impact of changes in accounting policies and reclassifications'.

Fair value of debt and equity securities for own risk by category at year-end

In millions of euros	**Debt securities**	**Equity securities**	**Total**
Recognised at fair value through profit or loss other than trading	27,009.8	1,177.4	28,187.2
Available for sale	1,667.1	1,712.1	3,379.2
Total	**28,676.9**	**2,889.5**	**31,566.4**

Fair value of debt and equity securities for own risk by category at prior year-end*

In millions of euros	**Debt securities**	**Equity securities**	**Total**
Recognised at fair value through profit or loss trading	0.1	0.8	**0.9**
Recognised at fair value through profit or loss other than trading	22,172.0	1,150.6	**23,322.6**
Available for sale	2,888.0	2,148.5	**5,036.4**
Total	**25,060.1**	**3,299.8**	**28,359.9**

* Restated, see section 5.1.6.2. 'Financial impact of changes in accounting policies and reclassifications'.

Accumulated impairment of debt securities available for sale		
In millions of euros	**2014**	**2013**
At 1 January	**28.2**	**23.6**
Impairment charges during the period	0.1	7.4
Reversal of impairment charges during the year	-7.3	-0.3
Disposals	-7.5	-2.4
At 31 December	**13.5**	**28.2**

Accumulated impairment of equity securities available for sale*		
In millions of euros	**2014**	**2013**
At 1 January	**979.8**	**1,099.6**
Impairment charges during the period	31.5	85.8
Disposals	-509.0	-205.5
Transfer to assets held for sale	-10.0	-
At 31 December	**492.4**	**979.8**

* Restated, see section 5.1.6.2. 'Financial impact of changes in accounting policies and reclassifications'.

Repurchase agreements

Delta Lloyd had no repurchase agreements on debt securities at 31 December 2014 (2013: € 433.4 million) except for assets held for sale Delta Lloyd Bank Belgium. See section 5.1.7.38. 'Transferred financial assets' for further explanation on repurchase agreements and section 5.1.6.2. ‘Financial impact of changes in accounting policies and reclassification’.

Investments in unconsolidated structured entities

Delta Lloyd’s investments in unconsolidated structured entities such as RMBSs, ABSs and CDO/CLOs are presented in the line item ‘debt securities’ of the statement of financial position. Delta Lloyd did not recognise other interests in unconsolidated structured entities such as commitments, guarantees, provisions, derivative instruments or other liabilities.
Delta Lloyd did not provide financial or other support to unconsolidated structured entities. Nor does Delta Lloyd have intentions to provide financial or other support to unconsolidated structured entities in which Delta Lloyd has an interest or previously had an interest.

The composition of the structured entities portfolios of Delta Lloyd are widely dispersed looking at the individual amount per entity. This is shown in the following table together with the number of individual entities.

Overview of own risk investments in unconsolidated structured entities at year-end		
In millions of euros	**Number of entities**	**Carrying amount**
EUR 0-10 million	123	279.5
EUR 10-20 million	18	246.4
EUR 20-30 million	3	75.0
EUR 30-40 million	2	60.7
EUR > 40 million	5	305.9
Total	**151**	**967.5**

The table below presents the carrying amount of the investments in unconsolidated structured entities at the reporting period, and total income and losses recognised in this period.

Investments in structured entities type - carrying amount, income and losses

In millions of euros	Total carrying amount debt securities	Interest income	Realised / Unrealised gains and losses	Total income	Losses recognised in profit/loss
Mortgage-backed securitisations (RMBS)	555.6	4.1	13.6	17.7	-5.0
Asset-backed securities (ABS)	404.0	12.4	39.6	52.0	-
CDOs and CLOs	7.9	0.2	0.1	0.3	-17.1
Total	**967.5**	**16.7**	**53.2**	**69.9**	**-22.2**

For the most significant structured entities (> € 30.0 million), the following table presents the maximum exposure to loss for Delta Lloyd by type of structured security. The table presents a comparison of Delta Lloyd's interest with the total asset of those unconsolidated structured entities. The amounts shown as total assets are based on the most current available information.

For equity and debt securities, loans and receivables, the maximum exposure to loss is the current carrying value of these interests. The maximum exposure to loss does not take into account the effects of any hedging activities of Delta Lloyd designed to reduce that exposure to loss.

Delta Lloyd's significant investments in structured entities can be classified as senior interests.

Maximum exposure to loss by type of structured security and by seniority of interest for significant structured entities

In millions of euros		Note structure of structured entity (notional values)					
Security name	***Type***	***Subordinated interest***	***Mezzanine interest***	***Senior Interest***	***Most Senior Interest***	***Total***	**Delta Lloyd's exposure to loss***
GPPS4.375 01/22	ABS			1,500.0		1,500.0	93.0
GPPS3.75 01/21	ABS			1,500.0		1,500.0	72.9
SIENA 2010-7 A3	RMBS		817.6	1,666.9	70.3	2,554.8	53.2
CORDR 4 A2	RMBS	21.5	216.9	738.6	481.6	1,458.6	44.2
ELAN4.691 0517	ABS			488.3		488.3	42.5
BERAB 3 A	RMBS	115.0	93.9	764.5		973.4	30.7
EMAC 2007 0148	RMBS	1.3	45.2	438.0		484.5	30.0
Total		**137.8**	**1,173.6**	**7,096.3**	**551.9**	**8,959.5**	**366.7**

* Only senior exposure

The maximum exposure to loss of the significant investments in structured entities is not reduced by any collateral.

5.1.7.16. Derivatives

> Delta Lloyd uses derivatives as part of its asset and liability management to hedge financial risks (e.g. interest, currency, equity and inflation) in financial assets and liabilities arising from market movements. Derivative financial instruments include foreign exchange contracts, interest rate futures, currency and interest rate swaps, currency and interest rate options (both written and purchased), swaptions and other financial instruments that derive their value mainly from underlying interest rates, foreign exchange rates, commodity values or equity instruments. All derivatives are initially recognised in the statement of financial position at fair value, which usually represents their cost. They are subsequently measured at their fair value through profit or loss. The fair value is measured using the fair value hierarchy as described in section 5.1.7.37. 'Fair value of assets and liabilities'. Derivatives are carried as assets when fair values are positive and as liabilities when fair values are negative. The notional or contractual amounts associated with derivative financial instruments are not recorded as assets or liabilities on the statement of financial position as they do not represent the potential gain or loss associated with such transactions.

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.

Fair value hedge accounting

Delta Lloyd uses derivatives to partially hedge the market value risk of certain financial assets due to interest rate movements. Fair value hedge accounting can be used for these derivatives in accordance with IAS 39, provided they have been designated for this and specific conditions are met. The EU carve-out on hedge accounting, which allows for more leniency when calculating hedge effectiveness, has been in use since 1 July 2012 for the banking activities in Belgium.

Changes in the fair value of derivatives designated as 'fair value hedges' that meet the set conditions are recognised in the income statement under 'result from derivatives'.

Changes in the fair value of the hedged assets are disclosed under the same heading, to the extent that those changes relate to the hedged risk. The net effect of this is that only the ineffective part of the hedge influences the result. An adjustment to the carrying value of a hedged financial instrument is amortised and credited or charged to the income statement under 'result from derivatives' from the moment the carrying value is first adjusted and during the anticipated remaining life of the hedged instrument.

Derivatives not included in a hedge relationship

Changes in the value of derivatives that are not included in a hedge relationship are taken directly to the income statement and presented separately in the result from derivatives. <

Derivatives for own risk at year-end

In millions of euros	Contract / notional amount 2014	Fair value asset 2014	Fair value liability 2014	Contract / notional amount 2013	Fair value asset 2013**	Fair value liability 2013
Foreign exchange contracts						
OTC						
Forwards	4,695.8	48.4	94.0	7,151.9	74.9	44.1
Currency swaps *			-	-	136.1	151.6
Total foreign exchange contracts	**4,695.8**	**48.4**	**94.0**	**7,151.9**	**211.0**	**195.6**
Interest rate contracts						
OTC						
Interest rate and currency swaps held for fair value hedge accounting	1,596.6	-	183.2	1,644.2	1.3	103.2
Interest rate and currency swaps not held for fair value hedge accounting	16,649.0	1,680.7	257.3	22,531.3	748.5	731.2
Options	5,650.0	284.5	9.3	4,400.0	180.3	-
Exchange traded						
Futures	906.5	-	-	2,059.5	-	-
Options	-	-	-	550.0	0.2	-
Total interest rate contracts	**24,802.1**	**1,965.2**	**449.9**	**31,185.0**	**930.3**	**834.4**
Equity/index contracts						
OTC						
Options	4,148.4	52.0	630.5	3,678.5	25.8	316.9
Exchange traded						
Futures	0.2	-	-	0.2	-	-
Options	-	-	-	224.9	2.4	-
Total equity/index contracts	**4,148.5**	**52.0**	**630.5**	**3,903.6**	**28.1**	**316.9**
Longevity derivative	**-**	**35.6**	**-**	**-**	**-**	**-**
Derivatives related to life settlement	**-**	**127.7**	**-**	**-**	**-**	**-**
Credit default swaps	**673.8**	**10.4**	**-**	**826.9**	**3.6**	**10.3**
Total	**34,320.3**	**2,239.3**	**1,174.4**	**43,067.4**	**1,173.0**	**1,357.2**

* No notional amount of the currency swaps is reported, as it is relates to back-to-back transactions.

** Restated, see section 5.1.6.2. 'Financial impact of changes in accounting policies and reclassifications'.

Delta Lloyd has applied an OIS (overnight indexed swap) curve to measure fully cash-collateralised derivatives. The projected cash flows of these derivatives are discounted using the EONIA (euro overnight index average) swap curve, which reflects the fair value of future overnight interest rates and is regarded as the best estimate of a risk-free interest rate.

In 2014, Delta Lloyd completed a transaction with Reinsurance Group of America (RGA) with an entry date of 1 January 2014, to mitigate part of the longevity risk related to its Dutch life insurance portfolio. This contract will reduce the financial effects of policyholders living longer during the next six years than currently expected, relating to an underlying longevity portfolio of approximately € 12.6 billion. However, the longevity derivative does not protect against changes in methodology of future forecast tables and unexpected changes in future mortality rates that will happen after the contractual period of six years. At maturity date, RGA will pay the difference between the value of the underlying portfolio based on the actual mortality (based on an index) during the contract term and its impact on future mortality (commutation mechanism 80 years) and the value of the underlying portfolio based on the current expected mortality. There is a threshold, a minimum reduction of mortality to be achieved in order to receive payment (attachment point). There is also a limit beyond which no additional payment takes place (detachment point: € 450.0 million). Delta Lloyd and RGA have the intention (memorandum of understanding) to a rollover transaction at the end of the six year contract period.

For most of the derivative positions the credit risk is nil as they are fully cash collateralised. The accumulated credit risk as part of the fair value revaluation (credit value adjustment) is € 10.1 million for positions that are not fully cash collateralised at year-end 2014 (2013: € 15.5 million). This credit risk mainly relates to the fact that Delta Lloyd is the beneficiary owner on life settlement contracts issued by high-rated US insurance companies (through consolidation of Orca Trust). The value of these contracts is dependant on the value of the life settlement contracts issued and was established by using best estimate principles. These contracts are valued using a fair value market discount rate of 15%, of which approximately 200bps (€ 10.1 million) reflects the credit risk of the underlying insurance carriers.

The result for derivatives held for fair value hedge accounting in 2014 was € -151.2 million (2013: € 104.2 million). The result on the hedged mortgages arising from the hedged interest rate risk was € -17.2 million in 2014 (2013: € 1.5 million).

Fair value hedge accounting is applied within the segments Bank and Other. Fair value hedge accounting is applied per period and in accordance with the dollar offset method.

5.1.7.17. Loans and receivables

> Loans and receivables with fixed maturities, including policyholder loans, issued loans, mortgage loans, securitised mortgages and loans, are recognised on the statement of financial position when cash is advanced to borrowers. Measurement of these loans and receivables, excluding loans initially recognised as ‘at fair value through profit or loss’, is based on amortised cost, using the effective interest rate method and taking impairments into account where necessary. To the extent that loans and receivables are not collectible, they are written off as impaired. Any subsequent recoveries are credited to the income statement.

Certain securitised mortgages and derivatives and related liabilities are managed on the basis of fair value. Delta Lloyd also evaluates their performance on the basis of fair value, in line with its risk strategy. The securitised mortgages are also recognised as 'financial assets at fair value through profit or loss'. The fair value is measured using the fair value hierarchy as described in section 5.1.7.37. ‘Fair value of assets and liabilities’.

A financial asset or a group of financial assets carried at amortised cost is considered to be impaired when there is objective evidence of impairment due to events occurring after the date of the initial recognition (a ‘loss event’), and when that event has an impact on estimated future cash flows. Objective evidence that a financial asset or a group of assets is impaired includes observable data about the following loss events:

- Significant financial difficulty of the issuer or debtor;
- A breach of contract, such as a default or repeated delinquency in payment of interest or principal;
- The lender entering bankruptcy or a financial reorganisation;
- The disappearance of an active market for that specific asset because of financial difficulties;

Observable data indicating a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified based on the individual financial assets in Delta Lloyd, including adverse changes in the payment status of borrowers of Delta Lloyd and national or economic conditions that correlate with defaults on the assets of Delta Lloyd.

Delta Lloyd first assesses whether objective evidence of impairments exists for financial assets that are individually significant. If there is no objective evidence of impairment for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has occurred on loans and receivables carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. Future credit losses that have been incurred are not taken into account. The impairment is recognised in the income statement. If a financial investment has a variable interest rate, the discount rate for measuring the impairment loss is the current effective interest rate determined in the contract. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related to an event occurring after the impairment was recognised, the previously recognised impairment is reversed and accounted for in the income statement. <

Loans and receivables

In millions of euros	**2014**	**2013**
Loans at fair value through profit or loss	5,525.3	5,784.0
Loans and receivables at amortised cost	9,924.4	12,194.4
Total	**15,449.7**	**17,978.5**

The conditions governing financial assets that would otherwise have been matured or impaired were not renegotiated.

Loans recognised at fair value through profit or loss

Loans recognised at fair value through profit or loss consists mainly of mortgage assets that have first priority mortgage rights. Second ranking mortgages are only granted when the first priority mortgage assets are granted by Delta Lloyd.

Loans at fair value through profit or loss include € 5,386.6 million of mortgages (2013: € 5,650.5 million). The fair value calculation has changed in 2014 as an outcome of prudent capital management and regulatory guidance. The discount rate was changed to include a solvency spread for future parameter uncertainty and an extra spread to incorporate additional market observable data (i.e. primary consumer pricing). This led to a downward adjustment of the recognised fair value of € 191.9 million. Of the total fair value gains and losses on loans at fair value through profit or loss, € 21.8 million (cumulative € -37.5 million) is attributable to changes in credit risk. The change, during the period and accumulated, in the fair value of the loans attributable to changes in the credit risk of the financial asset is determined based on the following method: A comparison between the applied credit spread between year-end 2013 and year-end 2014 was made on instrument level. The credit delta in basis points was multiplied by the basis point value figure.

The revaluation in 2014 of loans recognised at fair value through profit or loss was € 62.8 million (2013: € -125.5 million).

Loans and receivables recognised at amortised cost

Loans and receivables at amortised cost for own risk at year-end		
In millions of euros	**2014**	**2013**
Loans to policyholders	197.7	181.6
Loans to banks	161.9	54.2
Loans and advances to clients and intermediaries	18.9	23.1
Issued loans	1,738.0	4,141.7
Total loans and advances	**2,116.5**	**4,400.6**
Securitised mortgages	2,081.1	1,284.1
Non-securitised mortgages	5,726.8	6,509.8
Total mortgages	**7,807.9**	**7,793.8**
Total loans and receivables	**9,924.4**	**12,194.4**
Terms of loans and receivables		
Less than one year	256.7	1,000.1
More than one year	9,667.7	11,194.4
Total	**9,924.4**	**12,194.4**

The decrease of € 2,270.0 million is mainly caused by the transfer to held for sale of Delta Lloyd Deutschland of € 2,232.0 million. In 2014, mortgages worth € 825.0 million (2013: € 1,295.0 million) were granted and € 669.1 million (2013: € 942.3 million) was redeemed. Amortisation of the fair value of hedged positions was € -0.4 million (2013: € -5.4 million) for ordinary mortgages, € 25.3 million (2013: € 36.2 million) for securitised mortgages and nil (2013: € -2.2 million) for other loans, making up a total of € 24.9 million (2013: € 28.6 million).

Almost all mortgages are for residential properties. Of the mortgages granted, 37.41% (2013: 39.3%) have a loan-to-value ratio that is less than 90%. Dutch mortgages guaranteed through the government’s national mortgage guarantee scheme (‘Nationale Hypotheek Garantie’) make up 39.91% (2013: 46.7%) of the portfolio. No new mortgages were granted with a loan-to-value ratio exceeding 103% without the applicant pledging additional collateral. No derivative instruments were contracted to mitigate any credit risk related to mortgage loans for it is Delta Lloyd’s opinion that hedging is not required given the relatively small credit risk exposure.

Accumulated impairment of loans and receivables at amortised cost		
In millions of euros	**2014**	**2013**
At 1 January	**74.3**	**112.5**
Impairment charges during the period	25.6	25.9
Reversal of impairment charges during the year	-3.7	-9.8
Irrecoverable	1.9	0.2
Disposals	-28.2	-6.0
Transfer to assets held for sale	-8.8	-48.5
At 31 December	**61.1**	**74.3**

Impairment for the period is part of investment income.

The gross value of loans on an individual basis on which an impairment loss is recognised is € 111.7 million (2013: € 195.8 million). The impairment recognised on these loans was € 3.3 million (2013: € 25.4 million). Loans which are fully impaired are not taken into account. The value of the collateral relating to these loans was € 100.4 million (2013: € 158.6 million). The collateral is measured mainly on the basis of the original appraisal value when the loan was granted. The collateral consists mainly of mortgaged properties. Collateral for loans that have not been impaired is also mainly made up of mortgaged properties.

Accrued interest of € 1.6 million (2013: € 0.8 million) was recognised in financial assets subject to individual impairment.

5.1.7.18. Investments at policyholders' risk

> Delta Lloyd classifies and measures its investments at policyholders' risk as financial assets at fair value through profit or loss. <

Carrying value of financial investments related to unit-linked liabilities at year-end

In millions of euros	**2014**	**2013***
Debt securities	4,528.2	2,759.1
Equity securities	9,131.5	9,815.3
Derivatives	249.5	120.5
Receivables and other financial assets	110.5	121.0
Accrued interest and prepayments	62.1	2.5
Cash and cash equivalents	107.4	27.5
Total	**14,189.3**	**12,846.0**
The associated liabilities are:		
Unit-linked contracts classified as insurance contracts	13,145.8	12,314.2
Unit-linked contracts classified as investment contracts	1,024.5	523.3
Derivatives liabilities	16.1	11.4
Total	**14,186.3**	**12,849.0**

* Restated, see section 5.1.6.2. 'Financial impact of changes in accounting policies and reclassifications'.

The liabilities relating to unit-linked investments were adjusted to eliminate pension obligations as explained in section 5.1.7.30. 'Provisions for other liabilities'. Without this elimination, the obligations would be higher than presented.

5.1.7.19. Third party interests in consolidated investment funds

> Delta Lloyd classifies and measures its investments for third parties as financial assets at fair value through profit or loss. <

Carrying value of financial investments for third party interests in consolidated investment funds at year-end

In millions of euros	**2014**	**2013***
Debt securities	2,182.8	2,322.8
Equity securities	1,679.9	2,170.1
Derivatives assets	1.6	12.5
Receivables and other financial assets	21.9	1.0
Accrued interest and prepayments	30.1	38.9
Cash and cash equivalents	48.3	104.4
Total	**3,964.6**	**4,649.7**
The associated liabilities are:		
Third party interests in consolidated investment funds	3,964.6	4,649.7
Total	**3,964.6**	**4,649.7**

* See section 5.1.6.2. 'Financial impact of changes in accounting policies and reclassifications'.

5.1.7.20. Receivables and other financial assets

Receivables and other financial assets at year-end

In millions of euros	**2014**	**2013***
Receivables from policyholders	650.1	616.1
Receivables from intermediaries	163.5	180.1
Deposits with ceding undertakings	8.1	7.9
Plan assets	21.6	20.2
Other receivables	285.9	374.6
Other financial assets	507.5	777.1
Total	**1,636.7**	**1,976.0**
Expected to be settled within one year	1,612.9	1,951.0
Expected to be settled in more than one year	23.8	25.0
Total	**1,636.7**	**1,976.0**

* See section 5.1.6.2. 'Financial impact of changes in accounting policies and reclassifications'.

Most of the receivables from policyholders are owed to Delta Lloyd Levensverzekering, which had receivables from policyholders of € 543.0 million at year-end 2014 (2013: € 476.3 million).

Other receivables include receivables from reinsurance companies, short-term receivables, prepaid benefits and receivable dividend payments.

Part of the other financial assets consists of cash collateral linked to the derivative position. The decrease in the other financial assets was mainly due to a decrease in posted collateral as a result of a lower derivative position.

Concentrations of credit risk regarding receivables are limited due to the size and spread of Delta Lloyd’s operations.

See section 5.1.7.1. ‘Risk management’ for an analysis of receivables and other financial assets adjusted for impairments, and an analysis of payment arrears regarding receivables and other financial assets.

For Plan assets see section 5.1.7.29. ‘Pension obligations’.

5.1.7.21. Share capital

The company's ordinary and preference share capital is as follows:

Share capital at year-end

In millions of euros	2014	2013
The authorised share capital of the company was:		
360,000,000 ordinary shares with a nominal value of € 0.20 each	72.0	72.0
15,000,000 convertible preference shares A with a nominal value of € 0.20 each	3.0	3.0
375,000,000 convertible preference shares B with a nominal value of € 0.20 each	75.0	75.0
Total	**150.0**	**150.0**
The issued share capital of the company was:		
199,330,887 ordinary shares with a nominal value of € 0.20 each (2013: 191,797,530 with a nominal value of € 0.20 each)	39.9	38.4
Total	**39.9**	**38.4**
The 10,021,495 (2013: 10,021,495) outstanding convertible preference shares A with a nominal value of € 0.20 each are recognised as a convertible loan.	2.0	2.0

Ordinary shares have equal ranking. All the ordinary shares carry the same rights to dividends and other distributions declared, made or paid by the company.

The shares in issue were fully paid-up, and each share gives the bearer the right to cast one vote.

Statement of changes in ordinary shares

In numbers	2014	2013
At 1 January	**191,797,530**	**176,770,871**
Issue of shares	-	4,000,000
Conversion of preference shares A	-	3,000,000
Stock dividend	7,533,357	8,026,659
At 31 December	**199,330,887**	**191,797,530**

Convertible preference shares A

The convertible preference shares A carry a fixed dividend of 2.76%. Fonds NutsOHRA holds all 10,021,495 preference shares A and is entitled to convert these cumulative preference shares A on a one-to-one basis up to 6,510,748 shares per annum. The conversion price is € 30.94 (2013: € 30.94) per ordinary share less € 0.20 (the nominal value of the convertible preference shares A).

Preference shares B

The preference shares B are protective preference shares. The preference shares B have not been issued but there is an option agreement with Stichting Continuïteit Delta Lloyd (see section 1.6 'Corporate governance'), a foundation that is legally and administratively independent of Delta Lloyd. Stichting Continuïteit Delta Lloyd has a call option to acquire protective preference shares B in Delta Lloyd NV for an indefinite period. The maximum to be acquired equals 100% of the share capital in issue in the form of ordinary shares and preference shares A immediately prior to the exercise of the call option, minus one share. This will entitle it to 49.9% of the voting rights after the issuance of such shares.

On acquisition, at least one quarter of the nominal value must be paid up on each preference share B. The call for further payment on preference shares B shall be made pursuant to a resolution of the

Executive Board of Delta Lloyd NV. Such a resolution shall be subject to the approval of the Supervisory Board. Delta Lloyd believes that the call option is not material as meant by IAS 1.31 since there is a very small probability of the call option being exercised. In the highly exceptional circumstances in which the call option would be exercised, these preference shares B would, in all probability, be cancelled within a very short time. The option is, therefore, not recognised in the financial statements nor is any additional information presented pursuant to IAS 32 and IAS 39.

5.1.7.22. Earnings per share

The earnings per share as calculated below are based on the number of shares at year-end (basic earnings per share) and on potential shares. Net profit in the following tables is after tax and non-controlling interests.

Earnings per share at year-end

In millions of euros (unless indicated otherwise)	**2014**	**2013***
Net profit from continuing operations	338.7	170.3
Net profit from discontinued operations	22.5	13.0
Net profit (loss) attributable to holders of ordinary shares for calculating the earnings per ordinary share	**361.1**	**183.3**
Weighted average number of ordinary shares in issue	195,128,794	182,953,236
Basic earnings per share continuing operations (in euros)	1.74	0.93
Basic earnings per share discontinued operations (in euros)	0.12	0.07
Basic earnings per share (in euros)	**1.85**	**1.00**

* Restated, see section 5.1.6.2. 'Financial impact of changes in accounting policies and reclassifications'.

Diluted earnings per share at year-end

In millions of euros (unless indicated otherwise)	**2014**	**2013***
Net profit (loss) attributable to holders of ordinary shares for calculating the earnings per ordinary share	361.1	183.3
Net profit (loss) attributable to holders of ordinary shares for calculating the diluted earnings per ordinary share	**361.1**	**183.3**
Net profit from continuing operations	338.7	170.3
Net profit from discontinued operations	22.5	13.0
Net profit (loss) attributable to holders of ordinary shares for calculating the earnings per ordinary share	**361.1**	**183.3**
Weighted average number of ordinary shares in issue	195,128,794	182,953,236
Effect of conversion rights of preference shares A at year-end	10,021,495	10,021,495
Effect of stock dividend	6,827,567	6,754,553
Effect of employee equity compensation plan	720,009	873,146
Diluted weighted average number of ordinary shares	**212,697,865**	**200,602,430**
Diluted earnings per ordinary share from continuing operations (in euros)	1.59	0.85
Diluted earnings per ordinary share from discontinued operations (in euros)	0.11	0.06
Diluted earnings per ordinary share (in euros)	**1.70**	**0.91**

* Restated, see section 5.1.6.2. 'Financial impact of changes in accounting policies and reclassifications'.

The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential ordinary shares that would have an antidilutive effect on earnings per share. The conversion of share options granted to employees under the Phantom Option Plan will not lead to movements in the number of shares in issue as they are settled in cash, but the conditional shares granted under the Variable Incentive Plan do have a dilutive effect (see section 5.1.7.8. ‘Employee information'). The terms and conditions for the convertible preference shares A are set out in section 5.1.7.21. 'Share capital'.

No other transactions involving ordinary or potential ordinary shares occurred between the reporting date and the signing date of these financial statements.

5.1.7.23. Revaluation reserves

The revaluation reserve only comprises the revaluation of available-for-sale investments including value changes taken to equity less deferred tax liabilities and less any part of the revaluation allocated to the DPF provision.

Statement of changes in revaluation reserves

In millions of euros	2014	2013*
At 1 January	**553.0**	**559.8**
Gross fair value gains and losses arising in period	577.5	3.4
Transfer of available for sale relating to DPF contracts to provisions	-144.2	8.2
Impairment losses transferred to income statement	29.0	70.9
Reversal of impairment losses transferred to income statement	-7.3	-0.3
Realised gains/losses on revaluations of financial instruments available for sale transferred to income statement	-274.2	-188.1
Fair value adjustments due to micro hedge debt securities available for sale	-40.5	16.0
Fair value adjustments associates	-82.4	62.5
Fair value adjustments owner-occupied property	-	0.1
Aggregate tax effect	-76.7	20.5
At 31 December	**534.1**	**553.0**

* Restated, see section 5.1.6.2. 'Financial impact of changes in accounting policies and reclassifications'.

5.1.7.24. Non-controlling interests

Total non-controlling interest of € 277.9 million includes ABN AMRO Verzekeringen (€ 260.3 million) and Delta Lloyd Dutch Property Fund CV (€ 17.5 million).

Delta Lloyd owns 51% of ABN AMRO Verzekeringen. ABN AMRO Verzekeringen is required to maintain a minimum solvency margin based on local directives. Such restrictions can affect the ability of ABN AMRO Verzekeringen to transfer funds in the form of cash dividends, or repayments of loans or advances, and therefore, there can be no assurance that these restrictions will not become a limitation in the future.
ABN AMRO Verzekeringen's principal place of business is Zwolle, the Netherlands.

Delta Lloyd Leven owns 79.6% participations in Delta Lloyd Dutch Property Fund CV. Delta Lloyd Dutch Property Fund CV's principal place of business is Amsterdam, the Netherlands.

Summarised statement of financial position of ABN AMRO Verzekeringen Holding before intercompany eliminations

	ABN AMRO Verzekeringen	
In millions of euros	**2014**	**2013**
Current assets	171.4	206.6
Non-current assets	5,848.4	5,838.5
Total assets	**6,019.8**	**6,045.1**
Current liabilities	199.9	178.0
Non- current liabilities	5,288.7	5,291.0
Total liabilities	**5,488.5**	**5,469.0**
Net assets	**531.3**	**576.1**

Summarised financial information of subsidiary with a material amount of non-controlling interests before intercompany eliminations at year-end

	ABN AMRO Verzekeringen	
In millions of euros	**2014**	**2013**
Revenue	**1,049.0**	**939.0**
Profit or loss	94.4	75.6
Other comprehensive income	13.5	-0.5
Total comprehensive income	**107.9**	**75.2**

Statement of changes in non-controlling interest ABN AMRO Verzekeringen Holding BV

	ABN AMRO Verzekeringen	
In millions of euros	**2014**	**2013**
Accumulated non-controlling interest at 1 January	**282.3**	**279.5**
Profit/Loss allocated to non-controlling interest during the year	46.3	37.0
Dividends paid to non-controlling interest	-74.9	-34.0
Other comprehensive income	6.6	-0.2
Accumulated non-controlling interest as of 31 December 2014	**260.3**	**282.3**

5.1.7.25. Insurance liabilities

> In accordance with IFRS 4 ‘Insurance contracts’ all insurance and DPF investment contract liabilities are recognised on the basis of local pre-IFRS accounting policies with certain adjustments allowed under IFRS. Delta Lloyd uses the Collateralised AAA curve as market interest rate to measure the insurance liabilities for most of its products, with the exception of the insurance liabilities of Delta Lloyd Deutschland which are calculated on the basis of German GAAP principles with historic interest rates. Delta Lloyd Deutschland has been reclassified to the held for sale category (see section 5.1.7.5. ‘Discontinued operations and assets and liabilities held for sale’).

The Collateralised AAA curve is defined as the higher of the DNB SWAP curve and a yield curve derived from collateralised AAA euro area bonds. Since 30 June 2013 Delta Lloyd adjusted the extrapolating method of the Collateralised AAA curve by using an Ultimate Forward Rate (UFR) because the long end of the Collateralised AAA curve had been comprised over a longer period on a very limited number of constituents. The yield-curve is extrapolated using the Smith-Wilson method after the last liquid point. The last liquid point is 20 years, the convergence period 40 years and an UFR of 4.2% at 31 December 2014 (unchanged since 30 June 2013). Each reporting period Delta Lloyd assesses whether the long end of the curve can be derived from sufficient observable market inputs. If that is the case, Delta Lloyd will cease to apply the extrapolation approach and will use the collateralised AAA euro area bonds curve for the long end of the curve. If no sufficient relevant observable market inputs are available, Delta Lloyd will continue to estimate current market interest rate using the described extrapolation approach while reassessing the parameters used. Delta Lloyd believes that the Collateralised AAA curve with the new extrapolation method is a good representation of the market interest rate.

Delta Lloyd applies a method and assumption setting cycle (MASC). In this cycle, all methods and assumptions used to determine provisions and the liability adequacy tests are adjusted and validated.

Life insurance business

The actuarial valuation of liabilities arising under life insurance contracts involve discounting of expected premiums and benefits payments. Delta Lloyd generally uses the net premium method. Under the net premium method, the premium taken into account in calculating the provision is determined actuarially using policies on discount rates, mortality and disability. The difference between this net premium and the actual premium received provides a margin for expenses. This method does not allow for voluntary early termination of the contract by the policyholder. Explicit provision is made for vested bonuses, including those vesting contractually following the most recent investment valuation. No such explicit provision is made for the majority of future annual terminal bonuses.

Profit sharing in the Netherlands is non-discretionary and its timing and/or level is based on an external standard (such as the U-return). In contrast, profit sharing in Belgium is discretionary. In Germany, profit sharing is based on realised interest income and the underwriting result.

Provisions are also formed for the longevity risk associated with certain types of individual and group life insurance contracts as the original life expectancy assumptions are no longer prudent. At the end of 2014, the longevity provision was valued on the basis of AG2014, the most recent mortality table published by the Dutch Society of Actuaries (Actuarieel Genootschap). The AG2014 mortality table is adjusted for mortality experience, based on observed differences between mortality in the Delta Lloyd portfolio compared to the mortality in the entire population as observed by CBS. Furthermore, an explicit risk margin is included in the longevity provision.

Life insurance business provisions are calculated separately for each life operation, based on local generally accepted interest rates and published standard mortality tables for different categories of business as appropriate. The provisions are based on assumptions including a margin for prudence. The assumptions used in the calculations and any estimated margin for prudence depends on the specific situation of the entities involved. The provision for guaranteed benefits for participating insurance contracts is calculated, like all other insurance provisions, in accordance with prevailing actuarial principles using a deterministic approach and a prudent set of valuation assumptions. Other options in insurance contracts (including guarantees in unit-linked contracts) are measured stochastically at fair value. Related changes in value are recognised through profit or loss.

Unit-linked contracts and GSB, which are classified as insurance contracts, are valued based on the same principles as those used to measure the investments on behalf of policyholders. Any additional provisions that are needed to cover mortality risks or guaranteed surrender values are included in the insurance provisions where the insurer carries the investment risk. If the policyholder carries the investment risk, stochastically measured minimum return guarantees are recognised in the insurance provision.

The liability adequacy test is performed to ensure the total insurance liabilities are sufficient: in other words, the insurance liabilities recognised in the statement of financial position must be higher than the best estimate of the insurance liabilities plus the risk margin. The liability adequacy test for life insurance business provisions is conducted on each reporting date; losses will be recognised in the income statement when they occur. The adequacy test is established taking into account explicit best estimate assumptions for future profit sharing, discount rates, mortality and disability, early termination of the contract by the policyholder and future expenses. It also takes into account the risk margin and time value of options and guarantees in the insurance contracts. The test considers current estimates of all contractual and related cash flows, such as administration costs, as well as cash flows resulting from embedded options and guarantees.

Embedded derivatives (such as options and guarantees) are measured at fair value. The 'best estimate' provision (including the intrinsic value and time value of options and guarantees) is increased by a risk margin for unhedgeable insurance risks, based on a 4% (2013: 4%) cost of capital approach.

The test is performed for each portfolio component at company level. The portfolio components are classified as 'group' and 'individual', and then broken down into ‘traditional' and 'unit-linked'. Traditional is broken down further into participating and non-participating contracts. Unit-linked is broken down further into contracts with and without guarantee.

An additional test is conducted at group level, which takes into account the unhedgeable financial insurance risks. Financial risks are defined as risks that Delta Lloyd is exposed to as a whole, including credit, equity, investment property, interest, inflation and currency risk, insurance risks and liquidity and capital management.

If the tests performed at business level or at group level show that the provision is inadequate, the entire deficiency is charged to the income statement. When the provision in the Netherlands and Germany becomes adequate again, no release is made to the income statement. In Belgium the adequacy test is leading.

General insurance business

Claims provisions for general insurance are based on the estimated ultimate cost (including claims-handling expenses) of all claims incurred but not settled at the reporting date, whether reported or not. 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. Movements in provisions are taken to the income statement. The provision required for benefit payments for individual occupational disability class B (post first-year risk) and WIA/WAO was established using best estimate principles. The benefit provision is the discounted fair value of expected future cash flows including recovery and mortality probabilities. Outstanding claims provisions include a margin for prudence. According to the guidelines of Delta Lloyd, each business unit's margin for prudence must ensure that the level of adequacy for the majority of the general insurance business provisions (except disability contracts) is within a set range.

The majority of the general insurance provisions are valued on an undiscounted basis. The provision for disability is valued on a discounted basis based on the Collateralised AAA curve.

For general insurance, the proportion of written premiums, gross of commission payable to intermediaries, attributable to subsequent periods, is deferred in a provision for unearned premiums. Changes in this provision are taken to the income statement during the risk period in question to ensure the premium reflects the insured risk throughout the policy period. An additional premium reserve, the unexpired risk reserve, is formed for contracts with a lower premium compared to the actuarial required premium, if no compensation is available in premium surplus within other products in the same segment.

The adequacy test for claims provisions tests whether the claims provision recognised in the statement of financial position is greater than the best estimate of the provision. If positive, the difference between these two amounts is called the surplus in the claims provision. 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. Premium provisions are tested against a best estimate based on the expected combined operating ratio.

For property and casualty products and for products accident & absenteeism, the claims provision is tested against a lower and upper bound. Any deficit with respect to the lower boundary or any margin against the upper boundary is taken to the income statement. For disability products the adequacy is tested against a lower boundary based on a 4% (2013: 4%) cost of capital.

Delta Lloyd is subject to various periodic insurance-related assessments or guarantee fund levies. Provisions related to these are established when there is a present obligation (legal or constructive) resulting from a past event. Such amounts are not included in insurance liabilities but are disclosed under section 5.1.7.30. 'Provisions for other liabilities', except for provisions for the Dutch Motor Insurers' Guarantee Fund (Waarborgfonds der Motorrijtuigenverzekeraars), which are part of the IBNR. <

Insurance liabilities at year-end

In millions of euros	Life	General	Total
Discretionary participating contracts	8,351.7	-	8,351.7
Non-discretionary participating contracts	4,097.7	-	4,097.7
Unit-linked non-participating contracts	13,145.8	-	13,145.8
Other non-participating contracts	17,896.8	-	17,896.8
Outstanding claims provisions	-	1,421.5	1,421.5
Provision for claims-handling expenses	-	63.3	63.3
Provision for claims incurred but not reported	-	466.7	466.7
Provision for unearned premiums	-	218.9	218.9
Total	**43,492.0**	**2,170.4**	**45,662.4**

Insurance liabilities at prior year-end

In millions of euros	Life	General	Total
Discretionary participating contracts	7,488.5	-	7,488.5
Non-discretionary participating contracts	3,864.8	0.1	3,864.8
Unit-linked non-participating contracts	12,314.2	-	12,314.2
Other non-participating contracts	18,394.4	-	18,394.4
Outstanding claims provisions	-	1,376.9	1,376.9
Provision for claims-handling expenses	-	58.8	58.8
Provision for claims incurred but not reported	-	559.2	559.2
Provision for unearned premiums	-	257.5	257.5
Provision for unexpired risks	-	26.3	26.3
Total	**42,062.0**	**2,278.8**	**44,340.7**

See section 5.1.7.26. 'Reinsurance assets' for information on insurance liabilities after reinsurance.

Movements

Life insurance business

The movements in the Life provisions were as follows:

Statement of changes in life insurance business provisions

In millions of euros	2014	2013
At 1 January	**42,062.0**	**42,423.4**
Provisions in respect of new business	929.3	1,635.5
Expected change in existing business provisions	-1,153.1	-1,273.9
Movement in longevity provision	410.7	-7.2
Variance between actual and expected experience	686.3	301.5
Effect of operating assumption changes	12.0	-70.7
Effect of economic assumption changes	5,275.7	-855.2
Other movements recognised as expense	-40.6	-53.8
Change in liability recognised as expense	**6,120.3**	**-323.8**
Other movements not recognised as expense	129.1	-42.1
Changes in group	-	4.5
Reclassified as liabilities relating to assets held for sale	-4,819.3	-
At 31 December	**43,492.0**	**42,062.0**

The change in expected change in existing business provisions and the variance between actual and expected experience relate to the claims, interest and portfolio developments.

The changes in the operating assumptions are a result of:

- Adjustments to explicit expense, lapse and mortality assumptions in Delta Lloyd Life's adequacy test;
- Delta Lloyd Levensverzekering adjusted the lapse rate for the individual and collective portfolio and also the parameters for mortality;
- ABN AMRO Levensverzekering adjusted the mortality parameters.

The change in mortality parameters includes the impact of the new AG2014 mortality table.

The changes in economic assumptions are mainly the result of the effect of interest rate movements reflected in the Collateralised AAA curve, on which many of the provisions are based (see section 5.1.7.28. 'Effect of changes in assumptions and estimates on provisions for insurance and investment contracts'). The related effect of changes in market interest rates, increased insurance provisions by € 5,422.8 million (2013: decreased by € 626.5 million), of which € 439.7 million included in the movement of the longevity provision. The movements in the provisions for interest rate guarantees on unit-linked and segregated funds are also included in the economic assumption changes. The movements in the provision for the unit-linked portfolio, due to changes in the underlying investments, are recognised as expected changes and the variance between expected and actual movements.

Other movements recognised as expenses of € -40.6 million (2013: € -53.8 million) mainly relates to adjustments in the model used in the adequacy test at Delta Lloyd Life Belgium.

Other movements not recognised as expenses in 2014 totalled € 129.1 million and mainly relate to profit sharing in Germany of € 107.1 million. Furthermore there was a transfer of provisions from the segment General Insurance to the segment Life of € 22.0 million (2013: € -42.1 million to profit sharing in Germany).
The provision of Delta Lloyd Deutschland has been reclassified as held for sale.

General insurance business

Movements

The movements in the claims provisions were as follows:

Statement of changes in general insurance provisions		
In millions of euros	**2014**	**2013**
At 1 January	**2,278.8**	**2,299.3**
Premiums written during the year	1,336.7	1,427.8
Premiums earned during the year	-1,375.0	-1,513.9
Release of unexpired risk reserve	-21.6	-
Other gross movements	-5.1	10.3
Movement in premium provision recognised as expense	**-64.9**	**-75.8**
Effect of changes in operational assumptions	-27.2	3.6
Effect of changes in economic assumptions	78.4	-3.4
Claim losses and expenses incurred in the current year	905.8	1,024.0
Movement in anticipated claim losses and expenses incurred in prior years	-11.6	8.7
Incurred claims losses and expenses	**945.4**	**1,032.9**
Payments made on claims incurred in the current year	-427.1	-443.9
Payments made on claims incurred in prior years	-567.0	-563.0
Recoveries on claim payments	11.2	13.2
Claims payments made in the year, net of recoveries	**-982.9**	**-993.7**
Movement in claims provision recognised as expense	**-37.5**	**39.1**
Increase in provision due to passage of time recognised as expense	11.0	16.1
Other gross movements	-16.9	-

The movement in the provision for unearned premiums amounts € 38.3 million and mainly relates to the use of improved premium data in the co-insurance portfolio. The unexpired risk was released in 2014. At year-end 2014 no unexpired risk reserve is required as any unexpired risks in the premiums are offset by premium surpluses. The other gross movement in the unearned premium and unexpired risk reserve is related to the transfer of the remaining portfolio of Delta Lloyd Life Belgium to the Life segment.

The effect of changes in assumptions was € -27.2 million for operational assumptions and € 78.4 million for economic assumptions, which is completely caused by the curve effect. This curve effect is increased due to the change in accounting policy for disability provisions and the decrease in the Collateralised AAA curve. See section 5.1.7.28. 'Effect of changes in assumptions and estimates on provisions for insurance and investment contracts' and section 5.1.6.2. 'Financial impact of changes in accounting policies' and reclassification for further details on the assumption changes.

Claim losses and expenses incurred in the current year and movement in anticipated claim losses and expenses incurred in prior years decreased considerably in comparison to 2013. Here, the run-off effect in the international marine portfolio and WGA ER portfolio is visible. In 2014, the run-off risk of the international marine business portfolio was transferred to a reinsurer.

Loss development table

The following table presents the development of gross cumulative incurred claims for the accident years 2005 to 2014. Part of these incurred claims are reinsured, but adjusting for reinsured claims will not impact the development pattern significantly.

Loss development gross of reinsurance

In millions of euros	All prior years	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Total
Estimate of gross cumulative claims												
At end of accident year		748.5	785.1	825.7	896.5	971.3	1,000.0	1,018.6	1,139.5	1,031.8	925.8	
One year later		684.4	689.6	770.5	920.1	950.1	1,014.2	1,114.1	1,149.3	1,082.7	-	
Two years later		634.6	701.8	782.2	902.0	936.7	1,019.6	1,109.9	1,121.2	-	-	
Three years later		622.2	673.9	776.5	898.9	918.6	1,021.3	1,073.2	-	-	-	
Four years later		602.4	680.4	773.8	913.2	926.1	1,020.0	-	-	-	-	
Five years later		588.7	674.1	778.1	928.4	931.9	-	-	-	-	-	
Six years later		589.8	688.1	785.3	941.5	-	-	-	-	-	-	
Seven years later		605.7	675.6	788.4	-	-	-	-	-	-	-	
Eight years later		602.5	673.8	-	-	-	-	-	-	-	-	
Nine years later		600.4	-	-	-	-	-	-	-	-	-	
Estimate of cumulative claims		**600.4**	**673.8**	**788.4**	**941.5**	**931.9**	**1,020.0**	**1,073.2**	**1,121.2**	**1,082.7**	**925.8**	
Cumulative payments		**553.2**	**628.7**	**722.3**	**846.7**	**828.7**	**879.2**	**889.3**	**844.7**	**710.9**	**420.0**	
Total	170.5	47.2	45.1	66.1	94.8	103.2	140.9	183.9	276.5	371.8	505.7	2,005.7
Effect of discounting	-8.0	-0.6	-1.7	-2.3	-3.2	-3.8	-1.8	-2.5	-5.9	-16.9	-7.4	-54.2
Current value	**162.4**	**46.6**	**43.5**	**63.7**	**91.6**	**99.4**	**139.1**	**181.4**	**270.6**	**354.9**	**498.3**	**1,951.5**
Unearned premium and unexpired risk reserve												218.9
Value recognised in balance sheet												**2,170.4**

The table below includes information on asbestos and environmental pollution (A&E) claims provisions for business written before 2005. The uncertainty inherent in A&E claims provisions is largely due to the extremely long latency period, uncertainties in the cover and claims costs, the limited availability of data and uncertainties in the surrounding completeness and accuracy of the data. The A&E cumulative payments and claim reserves are shown separately in the following table.

Asbestos and environmental pollution loss development table

In millions of euros	Cumulative payments	Claims reserves	Estimate of cumulative claims
31 December 2005	10.7	49.6	60.3
31 December 2006	16.1	57.8	74.0
31 December 2007	20.3	53.2	73.5
31 December 2008	21.1	56.8	77.9
31 December 2009	22.6	55.8	78.4
31 December 2010	25.0	50.2	75.2
31 December 2011	27.8	49.4	77.2
31 December 2012	34.5	39.4	73.8
31 December 2013	39.5	37.8	77.3
31 December 2014	41.2	36.3	77.4

There is a provision of € 36.3 million (2013: € 37.8 million) for the exposure to claims associated with asbestos-related diseases. The provisions were estimated by claims handlers on a case-by-case basis. A provision was also made for future asbestos-related claims. Claims development is monitored periodically. Asbestos and environmental pollution contracts have not been reinsured.

5.1.7.26. Reinsurance assets

> Delta Lloyd assumes and cedes reinsurance in the normal course of business, with retention limits varying according to the type of insurance contract. Reinsurance assets assumed are recognised in the same way as direct business, reflecting the product classification of the reinsured business. The cost of reinsurance relating to insurance contracts is accounted for over the life of the underlying reinsured policies, based on assumptions consistent with those used to account for the original policies.

Reinsurance assets primarily include amounts receivable from reinsurance companies on ceded reinsurance. In the case of life insurance, this is mainly non-proportional reinsurance relating to group contracts and for general insurance it relates primarily to excess of loss. Amounts recoverable from reinsurers are calculated in a manner that is consistent with the insurance provisions or the settled claims associated with the reinsured policies and in accordance with the relevant reinsurance contract. Reinsurance assets included in life insurance business provisions were not measured on the basis of market interest rates, but on the basis of fixed interest rates.

If a reinsurance asset is impaired, Delta Lloyd reduces the carrying amount accordingly and recognises that impairment loss in the income statement. <

Reinsured share in provisions at year-end

In millions of euros	**2014**	**2013**
Life	423.5	441.4
General	226.0	112.7
Total	**649.5**	**554.0**

The net provision is calculated by deducting reinsured business included in provisions from the gross provision.

Gross provisions, reinsurers' share and net provisions at year-end						
In millions of euros	**Gross insurance provisions 2014**	**Reinsurance assets 2014**	**Net 2014**	**Gross insurance provisions 2013**	**Reinsurance assets 2013**	**Net 2013**
Discretionary participating contracts	8,351.7	16.3	8,335.4	7,488.5	17.1	7,471.4
Non-discretionary participating contracts	4,097.7	5.2	4,092.5	3,864.8	2.8	3,861.9
Unit-linked non-participating	13,145.8	-	13,145.8	12,314.2	-	12,314.2
Other non-participating	17,896.8	402.1	17,494.8	18,394.4	421.4	17,973.0
Life provisions	**43,492.0**	**423.5**	**43,068.5**	**42,062.0**	**441.4**	**41,620.6**
Outstanding claims provisions	1,421.5	178.9	1,242.6	1,377.0	96.9	1,280.1
Provision for claims-handling expenses	63.3	-	63.3	58.8	-	58.8
Provision for claims incurred but not reported	466.7	40.2	426.5	559.2	8.9	550.3
Provision for unearned premiums	218.9	6.8	212.1	257.5	6.9	250.7
Provision for unexpired risks	-	-	-	26.3	-	26.3
General provisions	**2,170.4**	**226.0**	**1,944.4**	**2,278.8**	**112.7**	**2,166.1**
Total	**45,662.4**	**649.5**	**45,012.9**	**44,340.7**	**554.0**	**43,786.7**

The movements in reinsurance assets during the year were as follows:

Statement of changes in life insurance reinsurance assets		
In millions of euros	**2014**	**2013**
At 1 January	**441.4**	**416.9**
Assets in respect of new business	0.4	18.4
Expected movement in existing business assets	-3.6	0.7
Variance between actual and expected experience	-9.6	-9.2
Other movements	0.4	-
Movements reinsurance assets recognised as income	**-12.4**	**9.8**
Other movements not recognised as expense	-2.0	-
Reclassified as liabilities relating to assets held for sale	-3.5	-
Changes in group	-	14.7
At 31 December	**423.5**	**441.4**

Statement of changes in general insurance reinsurance assets		
In millions of euros	**2014**	**2013**
At 1 January	**112.7**	**118.3**
Reinsurers' share in the year	272.4	109.5
Reinsurers' share of premiums earned during the year	-272.4	-114.7
Movements in provision for unearned premiums	**-**	**-5.3**
Effect of changes in assumptions	0.2	-
Reinsurers' share of claim losses and expenses incurred in current year	66.2	35.4
Reinsurers' share of claim losses and expenses incurred in prior years	137.2	9.8
Reinsurers' share of claim losses and expenses incurred	**203.6**	**45.3**
Reinsurance recoveries received on claims incurred in current year	-32.6	-12.7
Reinsurance recoveries received on claims incurred in prior years	-54.9	-32.9
Reinsurance recoveries received in the year	**-87.5**	**-45.6**
Movements in reinsurance assets recognised as income	**116.2**	**-0.3**
Other movements	-2.8	-
At 31 December	**226.0**	**112.7**

The reinsured share in provision within the General Insurance segment increased by € 113.3 million, which is mainly the result of a new reinsurance contract that fully reinsures the international marine business. The reserving risk of the international marine business is transferred from 1 January 2014 onwards.

5.1.7.27. Liabilities for investment contracts

> Investment contracts are those that do not transfer significant insurance risk from the contract holder to the risk bearer and are therefore treated as financial instruments.

Provision for discretionary participating investment contracts
Liabilities for discretionary participating investment contracts are measured at fair value and treated in the same way as life insurance contracts.

Provision for non-participating investment contracts

Liabilities for non-participating investment contracts are measured at amortised cost, with the exception of unit-linked liabilities. The fair value of the liability is initially established through the use of prospective discounted cash-flow techniques. For unit-linked contracts, the value of the liability equals the fair value of the investments, plus a provision, if required, for guaranteed returns. For unit-linked contracts, deferred acquisition costs and a deferred income reserve liability are recognised for transaction costs and front-end fees respectively. These relate to the management of investments and are amortised systematically over the contract term.

Amortised cost is calculated as the fair value of the consideration received on the date of initial recognition, less the net effect of initial payments such as transaction costs and front-end fees. During subsequent periods, the cumulative amortisation (using the effective interest rate method) of any differences between that initial amount and the maturity value are either added or deducted, less any write-down for surrender payments. The effective interest rate is the rate at which the discounted cash payments are equal to the initial amount. On each reporting date, the amortised cost provision is determined as the estimated value of future cash flows discounted at the effective interest rate.

Provision for unit-linked contracts

Unit-linked contracts are valued at fair value. The liability is equal to the unit-linked investment value plus, if required, additional non-unit provisions on fair value basis. <

Investment contract liabilities at year-end		
In millions of euros	**2014**	**2013**
Discretionary participating policies (fair value)	4,645.6	3,799.3
Non-participating investment contracts (amortised cost)	484.1	494.3
Unit-linked contracts (fair value)	1,024.5	523.3
Total investment contracts	**6,154.3**	**4,817.0**

The total interest expense on discretionary participating investment contracts was € 110.4 million (2013: € 99.0 million). The discretionary participation feature of participating business concluded by Delta Lloyd Life is recognised separately from the guaranteed element and is classified as a separate liability within discretionary participating policies referred to as unallocated distributable surplus.

Statement of changes in investment contract liabilities		
In millions of euros	**2014**	**2013**
At 1 January	**4,817.0**	**4,736.8**
Provisions in respect of new business	100.4	76.8
Expected change in existing business provisions	181.4	217.9
Variance between actual and expected experience	-32.9	-218.8
Effect of changes in assumptions	874.1	-129.0
Other movements	-0.7	51.0
Changes in group	215.0	82.3
At 31 December	**6,154.3**	**4,817.0**

The effect of changes in assumptions increased mainly because of changes in market interest rates, € 897.1 million (2013: increased by € 95.1 million). For further details on the movements and impact of changes in assumptions see section 5.1.7.28. ‘Effect of changes in assumptions and estimates on provisions for insurance and investment contracts’.

Changes in group relate to the consolidation of BeFrank, see section 5.1.7.4. ‘Subsidiaries’ for more information.

5.1.7.28. Effect of changes in assumptions and estimates on provisions for insurance and investment contracts

Determining the technical provision for life and general insurance contracts is dependent on the accounting policies and assumptions used. Changes in assumptions and estimates will directly affect the technical provision and have an indirect impact on the result.
The effect on the result is shown in the table below:

Effect of changes in assumptions and estimates on provisions for insurance and investment contracts

In millions of euros	Effect on result 2014	Effect on result 2013
Life insurance contracts		
Interest rate/price movements	-5,661.9	879.4
Expenses	10.8	23.5
Lapse rate	-21.7	46.3
Mortality risk for life insurance contracts	62.4	2.5
Other	-2.3	-3.3
Investment contracts		
Interest rate/price movements	-891.2	99.9
Expenses	12.3	31.0
Lapse rate	4.3	15.2
Mortality risk for investment contracts	-1.7	0.6
Other	2.3	-17.7
General insurance contracts		
Change in discount rate assumptions	-78.4	3.4
Change in expense ratio assumptions	-7.3	-3.6
Change in loss ratio assumptions	34.5	-
Total	**-6,537.9**	**1,077.3**

Section 5.1.7.25. 'Insurance liabilities' addresses the effect of changes in economic assumptions on insurance provisions. This differs from the effect of movements in interest rates/prices. The interest rate effect on the result involves the consequences of movements during the year in the Collateralised AAA curve.

The impact on result of the movement in the Collateralised AAA curve in 2014 was € -5,422.8 million (2013: € 626.5 million) of life insurance contracts and € -897.1 million (2013: € 95.1 million) of investment contracts. These effects, and the effect of interest rate changes in particular, are partly offset by movements in the investment portfolio resulting from changes in market interest rates. The result will be affected primarily by differences in volumes and maturities.

The changes in assumptions and estimates for insurance contracts are a result of:

- Adjustments to explicit expense, lapse, mortality and other assumptions in Delta Lloyd Life's adequacy test;
- Delta Lloyd Levensverzekering adjusted the lapse rate for the individual and collective portfolios, related to the guarantee provisions.

The adjustment to mortality assumptions include the transfer to the new AG2014 mortality table.

The changes in assumptions and estimates for investment contracts are due to changes in the explicit assumptions in the adequacy test of Delta Lloyd Life.

The change in discount rate assumptions in general insurance relates to the decrease of the Collateralised AAA curve. After a change in accounting policy in 2014, the disability portfolio is now completely valued based on the Collateralised AAA curve. See section 5.1.6.2. 'Financial impact of changes in accounting policies and reclassification' for further details on the assumption changes.

The change in loss ratio assumption is mainly due to favourable claims realisations and the use of more recent tariff principles.

5.1.7.29. Pension obligations

> Pension obligations

Delta Lloyd operates a number of defined benefit and defined contribution plans in all countries in which it operates. The assets of these are generally held in separate investment deposits. To finance the pension plans, contributions are paid by the relevant subsidiaries and employees.

For defined benefit plans, the pension expenses and obligations are assessed using the projected unit credit method. The cost of providing pensions is charged to the income statement to spread the regular cost over the service life of employees, in accordance with actuarial calculations. Additionally, the pension cost includes the interest cost and expected return on plan assets. The pension obligation is measured as the present value of the estimated future outflows using a discount rate based on market yields for high-quality corporate bonds. The net asset or liability in the statement of financial position is the difference between the liabilities and the qualified plan assets at fair value. These assets are held by a fund that is legally separate from Delta Lloyd, with the exception of non-transferable financial instruments issued by Delta Lloyd. They may only be used to pay employee benefits; they may not be used to meet any other obligations of Delta Lloyd. Actuarial gains and losses are recognised in other comprehensive income. In the Netherlands, Delta Lloyd Pensioenfonds has reinsured most of its pension obligations with Delta Lloyd Levensverzekering. As a result, the related investments do not qualify as plan assets. To avoid double-stating of the assets and the liabilities, the insurance liabilities and the associated cash flows have been eliminated.

For defined contribution plans, Delta Lloyd pays contributions to collective or individually administered pension plans. Once the contributions have been paid Delta Lloyd, as an employer, has no further payment obligations. Delta Lloyd's contributions are charged to the income statement. <

Pension obligations

Delta Lloyd has a number of pension plans in the countries where it operates, whose members are entitled to defined benefit pensions. The main defined benefit plan is in the Netherlands. Other defined benefit plans exist in Belgium and Germany. The main plan in the Netherlands is held in a separate foundation that has reinsured its pension obligations with the subsidiary Delta Lloyd Levensverzekering. In the insurance agreement Delta Lloyd Levensverzekering guarantees the payment of the vested nominal pensions. In January 2013, Delta Lloyd Pensioenfonds decided to split its investment portfolio. The portfolio is still reinsured at Delta Lloyd Levensverzekering to an aimed coverage ratio of 105%. Since January 2013, the amount above this aimed coverage ratio is invested for own risk of Delta Lloyd Pensioenfonds. At year-end 2014, investments of € 29.5 million were transferred out of Delta Lloyd Pensioenfonds (2013: € 269.3 million transferred into Delta Lloyd Levensverzekering). The current IFRS coverage ratio, calculated as investments divided by defined benefit obligation, is 120% (year-end 2013: 121%). Delta Lloyd Levensverzekering guarantees a minimum solvency level of 100%.
The figures include provisions to meet other post-retirement obligations to staff.
There were no significant contributions outstanding or prepaid during the past two years.

Details of the significant defined benefit plans

The measurement of the defined benefit plans is based on the most recent actuarial valuations, which were updated to assess the liabilities of the significant plans on 31 December 2014.

The principal features of the current plan in the Netherlands are as follows:

- From 1 January 2014, the main pension plan is based on average pay and a retirement age of 67 years (employees are expected to retire from the company between 65 and 67). Pension contributions are determined on 1 January of each year and based on the hourly salary of the employee (including holiday pay and a ‘13th month’) multiplied by the number of contract hours. From 1 January 2015, the pension entitlements per service year are 1.875% (2014: 2.15%) of the employee's pension base;
- Delta Lloyd is not obliged to make additional contributions in relation to any indexation after 1 January 2011. The pension fund will only apply indexation on the basis of investment returns made by the fund;
- The average weighted duration of the pension obligation is 20.8 years; an increase compared to last year (2013: 18.4 years), mainly due to the decrease in the discount rate and increased life expectancy (corresponding to the change in mortality table adopted).

The pension obligations relating to the defined pension entitlements will be increased to the level of the investments if there is a surplus. The surplus accrues to members and is to be used for indexation purposes. The pension and post-retirement obligations of Delta Lloyd 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 € 480.0 million (2013: € 386.5 million). Details of the main defined benefit plans are shown below. Where plans provide both defined benefit and defined contribution pensions, the assets and liabilities shown only relate to defined benefit pensions. The mortality table used for the Dutch pension plan from 31 December 2014 onwards is the AG2014 mortality table, taking into account the “Delta Lloyd Levensverzekering experience adjustment” (2013: AG2012-2062 mortality table).

Main financial assumptions used to calculate defined benefit obligations

In percentages	Netherlands 2014	Netherlands 2013	Belgium 2014	Belgium and Germany 2013
Inflation rate	1.55%	2.00%	0.2%-1.45%	1.00%-2.05%
General salary increases	1.65%+merit	2.10%+merit	0.3%-1.55%+merit	1.10%-2.15%+merit
Pension increases active members	1.20%	1.60%	0.00%	0.00%-2.15%
Pension increases inactive members	1.15%	1.55%	0.95%-1.45%	1.00%-2.05%
Discount rate	2.15%	3.80%	0.25%-2.0%	1.25%-3.60%

Delta Lloyd Pensioenfonds’ investment policy is aimed at maintaining a balanced portfolio. This limits the risk of underfunding that arises from the selected asset mix. The composition of the investments is considered to be the most important mechanism to optimise the revenue and risk structure of the pension fund. The investments are managed by the asset managers of Delta Lloyd, who are constrained to mandates. The composition of the portfolio is regularly evaluated and will be adjusted when it appears the revenue and risk structure are no longer adequate.

The expected rate of return on plan assets equals the discount rate used to calculate the pension obligation (see table above).

The defined benefit obligation recognised in the statement of financial position can be reconciled to the actual defined benefit obligation at year-end as follows:

Defined benefit obligation recognised in the statement of financial position		
In millions of euros	**2014**	**2013**
Net defined benefit liability	2,592.5	2,007.6
Net defined benefit liability related to Delta Lloyd Deutschland classified as discontinued operations	62.2	-
Other post-retirement benefits related to Delta Lloyd Bank Belgium classified as held for sale	3.4	3.6
Net pension obligation recognised in statement of financial position	**2,658.1**	**2,011.2**
Recognised in plan assets	21.6	20.2
Recognised in pension obligation	2,616.1	2,030.5
Recognised in liabilities relating to assets held for sale	65.6	3.6
Other post-retirement schemes	-2.0	-2.7
Net pension obligation recognised in statement of financial position	**2,658.1**	**2,011.2**

Plan assets are presented under Receivables and other financial assets in the statement of financial position (see also section 5.1.7.20. ‘Receivables and other financial assets’). Other post-retirement schemes includes other long-term employee benefits for the Netherlands and is recognised in the pension obligation and presented separately in the table above.

Within the same pension plan, plan assets are netted with the defined benefit obligation. For one of the pension plans of Delta Lloyd Belgium, the total of plan assets is higher than the defined benefit obligation, netted € 21.6 million (2013: € 20.2 million).

The increase in liabilities relating to assets held for sale is due to the classification of Delta Lloyd Deutschland as a discontinued operation. Comparative figures are not restated.

Net defined benefit liability and experience adjustments		
In millions of euros	**2014**	**2013**
Defined benefit obligation	2,958.9	2,372.3
Plan assets	-367.2	-368.6
Asset ceiling	0.9	4.0
Net defined benefit liability	**2,592.5**	**2,007.6**
Experience adjustments on plan liabilities	26.9	15.9
Experience adjustments on plan assets	21.9	23.3

Statement of changes in defined benefit obligation		
In millions of euros	**2014**	**2013**
At 1 January	**2,372.3**	**2,410.9**
Current service cost	55.5	62.9
Past service cost	-28.9	-15.3
Interest cost on pension obligations	88.6	76.1
Payments and acquisitions	-79.4	-79.0
Employee contributions current year	12.0	12.2
Other transfers	1.5	1.9
Actuarial (g)&l on pension obligations	605.1	-97.4
Transfer of liabilities to held for sale category	-67.8	-
At 31 December	**2,958.9**	**2,372.3**

Due to the higher discount rate at the beginning of 2014 compared to the beginning of 2013, the calculated current service cost in 2014 is lower than in 2013. In 2014 a past service cost is recognised of € -28.9 million due to a change in the pension scheme in the Netherlands. This includes the change in the accrual rate from 2.15% to 1.875%, the introduction of a maximum pensionable salary of € 0.1 million for all employees, and the decrease in the offset (franchise). In 2013, a past service cost of € -15.3 million was recognised due to a change in the retirement age.

The interest cost on pension obligations is calculated using the discount rate at the beginning of the year. The discount rate at 1 January 2014 was higher than at 1 January 2013, therefore the interest cost is higher compared to 2013.

The actuarial loss on pension obligations of € 605.1 million (2013: € -97.4 million) is mainly due the lower discount rate for year-end 2014 (for the Netherlands 2.15%) compared to year-end 2013 (for the Netherlands 3.80%).

Payments take place evenly (monthly) throughout the year.

Statement of changes in plan assets

In millions of euros	2014	2013
At 1 January	**368.6**	**69.2**
Interest income	13.6	8.5
Contributions	-29.1	269.9
Benefits paid	-1.9	-2.2
Actuarial g&(l) on pension assets	22.0	23.3
Transfer of assets to held for sale category	-5.9	-
At 31 December	**367.2**	**368.6**

Contributions include transfers of investments out of the Delta Lloyd Pensioenfonds of € 29.5 million (2013: € 269.3 million transferred in).

Statement of changes in total net pension obligations

In millions of euros	2014	2013
At 1 January	**2,007.6**	**2,342.2**
Pension expense for defined benefit plans	101.7	115.2
Actuarial (g)&l	580.4	-117.2
Distributions and investment gains and losses	-36.4	-334.4
Other transfers	1.5	1.9
Transfer of liabilities/assets to held for sale category	-62.2	-
At 31 December	**2,592.5**	**2,007.6**

Distributions and investment gains and losses include transfers of investments out of the Delta Lloyd Pensioenfonds of € 29.5 million (2013: € 269.3 million transferred in).

As the Delta Lloyd Pensioenfonds has reinsured the main part of its pension obligations at Delta Lloyd Levensverzekering in the Netherlands, this entity recognises the related investments and related insurance liability. To avoid double recognition, under actual investments and reimbursement rights on the asset side and defined benefit obligations and insurance liabilities on the liability side, reimbursement rights and insurance liabilities have been eliminated. The remaining plan assets are mainly related to plan assets invested for own risk of the Delta Lloyd Pensioenfonds.

Pension obligations of € 63.0 million relate to plans that are completely unfunded (2013: € 58.9 million). These pension obligations are classified as defined benefit plans.
The assets of the pension schemes attributable to participants under the defined benefit plans can be specified as follows:

Assets of the pension schemes attributable to participants under the defined benefit plans (without elimination of plan assets) at year-end

In millions of euros	Netherlands 2014	Belgium 2014	Total 2014	Netherlands 2013	Belgium and Germany 2013	Total 2013
Equity securities	553.1	24.8	577.9	448.6	21.5	470.1
Debt securities	2,017.9	28.2	2,046.0	1,610.8	21.8	1,632.6
Investment property	58.0	-	58.0	64.1	-	64.1
Other	258.3	43.2	301.5	121.2	54.2	175.4
Total fair value of assets	**2,887.3**	**96.2**	**2,983.5**	**2,244.7**	**97.5**	**2,342.2**

Listed/unlisted assets of the pension schemes attributable to participants under the defined benefit plans (without elimination of plan assets) at year-end

In millions of euros	Listed 2014	Unlisted 2014	Total 2014	Listed 2013	Unlisted 2013	Total 2013
Equity securities	500.7	77.2	577.9	205.2	264.9	470.1
Debt securities	289.2	1,756.9	2,046.0	136.4	1,496.2	1,632.6
Investment property	-	58.0	58.0	-	64.1	64.1
Other	-	301.5	301.5	-	175.4	175.4
Total fair value of assets	**789.9**	**2,193.6**	**2,983.5**	**341.6**	**2,000.6**	**2,342.2**

Three types of investment funds are recognised. All equity securities and property in the Netherlands are investments within investment funds. Of the total debt securities in the Netherlands, € 1,756.9 million (2013: € 1,496.2 million) is invested in investment funds.
The above tables list the categories of the underlying securities in the investment funds.

For the financial years 2014 and 2013, equity securities and debt securities in the pension schemes did not include any equity securities and debt securities in Delta Lloyd. In addition, the property of the pension schemes did not include any property that was in use by Delta Lloyd. 'Other' includes mainly derivatives that are all interest rate swaps.

The investments at Delta Lloyd Deutschland of € 5.9 million, which is classified as held for sale, are excluded from the 2014 figures.

Pension deficit (without elimination of plan assets) at year-end

In millions of euros	2014	2013	2012	2011	2010	2009	2008
Fair value of plan assets and reimbursement rights at year-end	2,983.5	2,342.2	2,366.4	2,042.8	1,801.1	1,639.5	1,564.9
Present value of defined benefit obligations at year-end	2,958.9	2,372.3	2,410.9	2,079.3	1,835.3	1,667.2	1,564.9
Asset ceiling	0.9	4.0	0.5	1.1	-	-	-
Net pension deficit	**-23.7**	**34.1**	**45.0**	**37.6**	**34.2**	**27.7**	**-**

The defined benefit obligation for the Dutch pension plans is set equal to the plan assets, as such no surplus or deficit is applicable here. The net pension deficit at Delta Lloyd Deutschland, which is classified as discontinued operation, of € 62.2 million is excluded from the 2014 figures.
The surplus of € 23.7 million at year-end 2014 relates to the Belgian plans.

Pension expenses		
In millions of euros	**2014**	**2013***
Current service cost	55.3	62.7
Past service cost (gain)/loss	-28.9	-15.3
Net interest expense	73.3	65.9
Pension expense for defined benefit plans	**99.7**	**113.2**
Pension expense for defined contribution plans	2.4	1.3
Total pension expense recognised in the income statement	**102.1**	**114.6**
Investment income (gain)/loss	-645.6	32.7
Total pension result recognised in the income statement	**-543.5**	**147.2**
Actuarial (gains) and losses recognised in OCI	573.2	-114.5
Total net pension result	**29.7**	**32.7**
Net pension expense from discontinued operations	**8.9**	**-0.7**

* Restated for Delta Lloyd Deutschland.

Pension expenses recognised as staff costs (see section 5.1.7.8. ‘Employee information’) consist of current service cost, past service cost and pension expense of defined contribution plans. Net interest expense is recognised as part of finance cost. The net pension expenses related to Delta Lloyd Deutschland are presented on the separate line item Net pension expense from discontinued operations.

The investment income is the actual return on the assets backing the pension obligations. For the Netherlands an amount of € 639.2 million (2013: € -36.5 million) was recognised in the investment income of the Life segment as this segment holds the investments. The actual return on plan assets of the Belgian defined benefit plan for 2014 was € 6.4 million (2013: € 3.8 million).

Changes in other comprehensive income		
In millions of euros	**2014**	**2013***
At 1 January	**-317.0**	**-431.5**
Actuarial gains and (losses) on pension obligations due to changes in demographic assumptions	-3.3	-
Actuarial gains and (losses) on pension obligations due to changes in financial assumptions (mainly discount rate change)	-536.1	172.2
Actuarial gains and (losses) on pension obligations due to adjustment for funding agreement	-93.5	-90.7
Actuarial gains and (losses) on pension obligations due to experience adjustments	27.8	15.9
Actuarial gains and (losses) on pension assets	22.0	23.3
Actuarial gains and (losses) due to change in asset ceiling	2.7	-3.5
Transfer of liabilities/assets to held for sale category	7.2	-2.7
Total changes in other comprehensive income	**-573.2**	**114.5**
At 31 December	**-890.2**	**-317.0**

* Restated for Delta Lloyd Deutschland.

The actuarial gains and losses related to Delta Lloyd Deutschland are presented on the separate line item Transfer of liabilities/assets to held for sale category.

Sensitivity analysis of defined benefit obligations at year-end		
In millions of euros	Impact on equity 2014	Impact on equity 2013
Interest rate risk +25 bps	93.1	67.4
Interest rate risk -25 bps	-93.1	-67.4
Value of equity shares +10%	-57.3	-46.8
Value of equity shares -10%	57.3	46.8

The table above shows the effect of a 25 basis-point interest rate change for the total interest rate structure. A change in interest rate does not have a direct impact on equity or the result, as the impact is first recognised at the expense or in favour of the surplus. The table above assumes that there is no surplus. See section 5.1.7.1. 'Risk management', subsection 'Sensitivity analysis' for further explanation of the sensitivity analysis and the limitations of the analysis.

Estimated future benefit payments in the next 10 years are as follows:

Estimated future benefit payments	
In millions of euros	
Financial year	
2015	56.6
2016	56.7
2017	60.0
2018	62.3
2019	64.8
2020-2024	362.1

5.1.7.30. Provisions for other liabilities

> Provisions for other liabilities

Provisions for other liabilities are recognised if Delta Lloyd has a present legal or constructive obligation resulting from past events, if it is probable it will require an outflow of resources to settle the obligation and if a reliable estimate of the scope of the obligation can be made. If it is virtually certain that a provision will be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset.

The restructuring provisions include redundancy payments to employees and the cost of non-cancellable rental commitments. Delta Lloyd recognises a provision for onerous contracts when the expected benefits are less than the unavoidable costs of meeting the obligations under the contract.

Provisions are measured as the best estimate of the expenditure required to settle the present obligation on the reporting date. Liabilities that do not meet the criteria for recognition as outlined above are disclosed as contingent liabilities, unless the possibility of an outflow of economic benefit is deemed to be remote. <

Provisions at year-end

In millions of euros	2014	2013
Restructuring provisions	7.2	17.4
Employee equity compensation plan	6.4	12.4
Other provisions	176.1	49.4
Total	**189.6**	**79.2**

The restructuring provisions decreased € 10.2 million mainly due to the restructuring of the sales department € 4.9 million and € 4.4 million relating to the discontinuation of the activities of OHRA Belgium NV.

The equity compensation plan comprises € 2.4 million for the Phantom Option Plan (2013: € 7.5 million) and € 4.0 million for the Variable Incentive Plan (2013: € 4.9 million), see section 5.1.7.8. 'Employee information'.

As the sale price of Delta Lloyd Bank Belgium is below the book value, a provision for onerous contracts is made for an amount of € 134.0 million, which is included in other provisions.

The expected funds outflow is € 160.1 million within a year and € 29.5 million after one year.

5.1.7.31. Income taxes

> The tax expense is based on the taxable profits for the year, after any adjustments made for previous years and after any changes in deferred tax assets and liabilities. Tax is allocated to the result before taxation and amounts are charged or credited to reserves, as appropriate.

Deferred tax assets and deferred tax liabilities are recognised on all material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the statement of financial position. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available to use against the temporary differences. The principal temporary differences arise from depreciation of property and equipment, revaluation of certain financial assets and liabilities, including derivatives and insurance liabilities, pension obligations, other post-retirement benefits and tax losses carried forward. The rates enacted or decided upon on the reporting date are used to determine the deferred tax. Deferred tax related to fair value re-measurement of available-for-sale investments and other amounts taken directly to equity are recognised in the statement of financial position as a deferred tax asset or liability. <

Deferred tax assets and liabilities caused by temporary differences in tax base at year-end

In millions of euros	**2014**	**2013***
Insurance liabilities	1,657.8	1,009.3
Investments	-2,027.7	-1,086.0
Equalisation reserve	-11.2	-8.1
Unused tax losses	224.5	9.4
Intangible fixed assets	-19.9	-19.2
Pension plans	485.1	466.5
Other	1.6	3.5
Total deferred tax	**310.2**	**375.3**

* Restated, see section 5.1.6.2. 'Financial impact of changes in accounting policies and reclassifications'.

The full amount of tax assets and liabilities is expected to be recoverable or payable.

Deferred tax assets

In millions of euros	**2014**	**2013**
At 1 January	**1,080.1**	**1,533.3**
Recognised through the income statement	735.6	-374.6
Movement in other comprehensive income	143.8	-20.2
Reclassification between deferred tax assets and liabilities	457.4	-3.6
Transfer to assets held for sale	-12.8	-55.4
Changes in group	4.3	0.5
Other movements	-0.4	-
At 31 December	**2,408.0**	**1,080.1**

Deferred tax liabilities

In millions of euros	**2014**	**2013***
At 1 January	**704.7**	**1,220.2**
Recognised through the income statement	889.7	-516.2
Movement in other comprehensive income	51.4	-12.8
Changes in group	3.3	25.1
Reclassification between deferred tax assets and liabilities	457.4	-3.6
Transfer to liabilities held for sale	-8.6	-5.5
Other movements	-	-2.4
At 31 December	**2,097.9**	**704.7**

* Restated, see section 5.1.6.2. 'Financial impact of changes in accounting policies and reclassifications'.

The deferred tax assets and liabilities of companies that are part of the corporate tax entity Delta Lloyd NV are cumulated. The same approach is used for the corporate income tax entity Delta Lloyd ABN AMRO Verzekeringen Holding BV.

The tax assets and liabilities are shown on a net basis per item. There was a reclassification of € 457.4 million between deferred tax assets and liabilities in 2014 (2013: € -3.6 million).

Tax assets on tax losses		
In millions of euros	**2014**	**2013**
Delta Lloyd NV tax entity	218.4	-
Delta Lloyd Life	3.8	4.5
Consolidated investment funds	2.3	-
Delta Lloyd Deutschland	-	4.9
Total	**224.5**	**9.4**

In the Netherlands, losses are carried forward to a maximum of nine years. The tax loss of the Dutch fiscal entity Delta Lloyd NV is expected to be compensated within the available time frame. Taxable losses are recognised at an amount of € 873.6 million.

In Belgium, the tax position consists of the combination of tax losses and notional interest deduction, which is a taxable interest deduction that reduces the taxable amount. The tax losses can be carried forward indefinitely. The regulations on the deduction of notional interest have changed, abolishing the carried forward period of seven years. As of 2012, the notional interest deduction is limited to the actual year. The existing notional interest deduction at the end of 2011 will, under certain conditions, be deductible for the remaining seven years.
The tax losses in Belgium are expected to be compensated within coming years. At year-end 2014, Delta Lloyd Bank Belgium is recognised as held for sale.

Per 2014, Delta Lloyd Deutschland is recognised as held for sale.

Delta Lloyd has recognised tax losses of € 894.1 million (2013: € 29.5 million). Held for sale companies are not included in these amounts. Tax losses carried forward are recognised to the extent that realisation of the related tax benefit through future taxable profits is probable.
Delta Lloyd has unrecognised tax losses of € 154.3 million (2013: € 387.0 million) of which € 134.1 million is related to the IFRS 10 consolidated investment funds. Held for sale companies are not included in these amounts.

Tax charged to the income statement in the financial year		
In millions of euros	**2014**	**2013***
Current tax liabilities	-65.6	181.1
Adjustment for prior-year final assessments	-7.1	-
Tax due for immediate payment	**-72.7**	**181.1**
Deferred taxation:		
Originating from timing differences	160.8	-154.2
Measurement of deferred tax assets	-0.3	9.6
Total deferred tax	**160.5**	**-144.6**
Total tax charged to income statement	**87.8**	**36.5**

* Restated, see section 5.1.6.2. 'Financial impact of changes in accounting policies and reclassifications'.

The categories of movements in deferred tax were as follows:

Movements in deferred tax in the income statement

In millions of euros	2014	2013*
Insurance liabilities	-648.6	398.0
Investments	880.8	-548.7
Equalisation reserve	3.1	0.7
Unused tax losses	-213.9	32.6
Intangible fixed assets	-2.5	-3.1
Pension plans	142.2	-27.7
Other movements	-0.5	3.6
Total	**160.5**	**-144.6**

* Restated, see section 5.1.6.2. 'Financial impact of changes in accounting policies and reclassifications'.

Tax charged to equity at year-end

In millions of euros	2014	2013*
Deferred tax	-64.1	8.7
Total tax charged to equity	**-64.1**	**8.7**

* Restated, see section 5.1.6.2. 'Financial impact of changes in accounting policies and reclassifications'.

Deferred tax charged to equity mainly relates to investments that are recognised directly into equity.

In 2014 and 2013, the nominal tax rates were 25.0% in the Netherlands, 33.99% in Belgium and 30.0% in Germany. The difference between the effective tax rate and the nominal tax rate is explained below:

Tax charged to the income statement in the financial year

In millions of euros	2014	2013*
Result before tax from continuing operations	**468.2**	**244.8**
Tax calculated at standard Netherlands corporation tax rate of 25%	**117.0**	**61.2**
Non-assessable dividends	-14.1	-28.5
Impairment of 5% interests in investments	7.1	17.5
Untaxed realised / unrealised gains and losses	-35.1	-36.3
Non-deductable losses sale of subsidiaries	33.5	2.9
Transfers to capitalised losses in Belgium	-0.3	9.6
Tax rate difference with Belgium	-13.7	20.2
Notional interest Belgium	-4.4	-3.0
Badwill ZA Verzekeringen	-	-14.1
Releases of tax provision	5.4	4.4
Other	-7.6	2.6
Total tax charged to income statement	**87.8**	**36.5**

* Restated, see section 5.1.6.2. 'Financial impact of changes in accounting policies and reclassifications'.

5.1.7.32. Borrowings

> Borrowings are initially recognised at the proceeds of their issue less transaction costs incurred. Subsequently, borrowings are measured at amortised cost, and any difference between net proceeds and the redemption value is recognised in the income statement over the remaining term of the borrowings using the effective interest rate method.

Certain notes issued by Delta Lloyd that relate to securitised mortgages are recognised at fair value through profit or loss (see section 5.1.6.6. 'Product classification'). These notes are restated to fair value through profit or loss at the end of each period. The fair value is measured using the fair value hierarchy as described in section 5.1.7.37. 'Fair value of assets and liabilities'. <

Description and features of loans at year-end

In millions of euros	2014	2013
Subordinated debt		
Institutional investors	454.0	448.0
Institutional investors perpetual loan	742.8	-
Fonds NutsOHRA perpetual loan	136.0	136.0
Rabobank Nederland	-	98.3
	1,332.8	**682.3**
Securitised mortgage loan notes		
Securitised mortgage loan notes valued at fair value	667.5	2,123.8
Securitised mortgage loan notes valued at amortised cost	2,436.5	1,790.4
	3,104.0	**3,914.2**
Other borrowings		
Amounts owed to credit institutions	-	62.6
Medium-term note	573.0	572.4
Commercial paper	311.0	94.9
Convertible loan	2.0	2.0
	886.1	**731.9**
Total	**5,322.9**	**5,328.4**

Subordinated debt

In 2012, Delta Lloyd issued a € 500.0 million subordinated loan. The fair value of this loan was € 653.8 million at 31 December 2014 (2013: € 607.0 million).

As on 13 June 2014, Delta Lloyd placed a new € 750.0 million fixed-to-floating-rate subordinated note transaction at a coupon of 4.375%. The subordinated perpetual notes, which were sold to a wide range of international institutional investors, can be redeemed at Delta Lloyd's option from 13 June 2024 onwards. Delta Lloyd settled the offering on 13 June 2014. The notes were admitted for trading on Euronext following the settlement. The fair value of the subordinated perpetual loan at 31 December 2014 was € 724.5 million.

The notes were issued under the existing Delta Lloyd EMTN programme. The notes qualify as higher supplementary capital for Delta Lloyd under IGD. Standard & Poor's Ratings Services has assigned a BBB-rating to the notes.

Perpetual subordinated loan notes with an initial interest rate of 2.5% were issued to finance the acquisition of Nuts OHRA Beheer BV in 1999. The notional amount at 31 December 2014 was € 404.7 million (2013: € 404.7 million) and the carrying amount was € 136.0 million (2013: € 136.0

million). The interest rate on the notes was 2.76% at 31 December 2014 (2013: 2.76%) and the fair value of the subordinated loan was € 270.5 million (2013: € 206.9 million).

A subordinated loan of € 100.0 million was repaid to Rabobank Nederland on 30 June 2014. The early redemption penalty of € 32.2 million was charged to the income statement. This was mainly due to the fact that the remaining contract period was five years and the paid interest rate was 10.44%.

In the event of bankruptcy, subordinated loans rank lower than other liabilities but higher than preference and other shareholders. The perpetual subordinated loan extended to Fonds NutsOHRA ranks below other subordinated loans.

Securitised mortgage loan notes

A part of the mortgage portfolio of Delta Lloyd is pooled and transferred to special purpose vehicles (securitisation companies). To fund the acquisition of the mortgages, these special purpose vehicles (SPVs) issue notes known as Arena and DARTS notes. Delta Lloyd is not obliged to support these vehicles by funding any losses that may be suffered by the note holders other than those arising from the structure. The notes have been issued on the basis that the note holders are only entitled to receive payment of principal and interest to the extent to which the available resources of the securitisation companies concerned are sufficient. This is including funds due from customers regarding the securitised loans. Delta Lloyd has no right or obligation to repurchase the liabilities prior to the optional call date, except if, in certain circumstances, they are in breach representation and/or warranties.

Securitised mortgage loan notes at fair value at year-end

In millions of euros	Fair value 2014	Fair value 2013	Contract maturity date	Anticipated maturity date	Interest rate
Arena 2007-I	-	886.6	10/2049	10/2014	floating, range 0.5% - 3.0%
Arena 2011-II	640.4	699.9	09/2043	12/2015 / 09/2016	floating, range 0.1% - 1.9%
DARTS 2004-I	-	441.0	10/2066	10/2014	floating, 0.6%
DARTS 2005-I	-	903.5	11/2064	11/2014	floating, 0.4%
iArena	391.2	-	05/2058	05/2024 / 11/2025 / 05/2026	fixed, 3.35%
Eliminations	-364.1	-807.2			
Total	**667.5**	**2,123.8**			

The cumulative revaluation at 31 December 2014 was € -26.3 million (2013: € -16.0 million). Of the elimination, € 99.1 million (2013: € 560.7 million) is related to the Arenas and iArenas at Amstelhuys; € 40.9 million (2013: € 41.0 million) to Arenas at Delta Lloyd Levensverzekering and € 224.0 million to iArenas at Delta Lloyd Life (2013: nil). Darts 2004-I and Darts 2005-I were repurchased respectively in February and September 2014. Therefore, the eliminations at Delta Lloyd Bank Nederland and Delta Lloyd Treasury are nil in 2014 (2013: € 205.5 million). Arena 2007-I was repurchased in October 2014. The new iArena note was issued in May 2014.

Securitised mortgage loan notes at amortised cost at year-end

In millions of euros	Amortised cost 2014	Amortised cost 2013	Contract maturity date	Anticipated maturity date	Interest rate
Arena 2009-I	-	723.1	11/2041	11/2014	floating, range 1.2% - 5.0%
Arena 2011-I	576.0	612.1	12/2042	11/2015	floating, range 0.2% - 1.7%
Arena 2012-I	625.9	671.5	11/2044	11/2017	floating, range 0.1% - 1.3%
Arena B-II	679.0	765.0	10/2044	10/2016	floating, range 0.2 - 1.2%
Arena B-III	686.6	781.6	01/2045	01/2017	floating, range 0.2 - 1.2%
Arena NHG 2014-I	768.0	-	04/2046	04/2019	floating, range 0.2 - 1.2%
Arena NHG 2014-II	798.9	-	04/2046	04/2020	floating, range 0.2 - 1.2%
Eliminations	-1,682.5	-1,745.1			
Transfer to liabilities related to assets held for sale	-15.3	-17.9			
Total	**2,436.5**	**1,790.4**			

The fair value of these loan notes on 31 December 2014 was € 2,464.3 million (2013: € 1,802.5 million).

The eliminations relate to Arena 2011-I and Arena 2012-I at Amstelhuys for € 116.2 million (2013: € 188.2 million) and Arena 2012-I at Delta Lloyd Levensverzekering for € 25.6 million (2013: € 28.2 million). Arena 2009-I was repurchased in November 2014. Furthermore, Arena B-II and Arena B-III are eliminated at Delta Lloyd Bank Belgium for € 1,350.3 million (2013: € 1,528.7 million). Arena NHG-2014-I and Arena NHG-2014-II are eliminated at Delta Lloyd Bank Nederland for € 190.4 million (2013: nil). Arena NHG 2014-I notes and Arena NHG 2014-II are issued at Delta Lloyd Bank Nederland in August 2014 and November 2014.

Of the fair value gains and losses (revaluations) on borrowings at fair value through profit and loss there is no amount attributable to changes in credit risk.

The notes are mortgage collateralised. The tranches of the notes at the SPVs with the highest risk (those that are first in line not to be paid out should credit problems occur) are held at own risk for Delta Lloyd. Delta Lloyd assumes the credit risk for external parties is close to zero and no credit risk is expected.

Statement of changes in borrowings

In millions of euros	2014	2013
At 1 January	**5,328.4**	**6,692.3**
New borrowings	2,918.5	790.8
Repayments of borrowings	-2,949.2	-1,786.4
Net cash inflow / outflow	**-30.7**	**-995.6**
Revaluation	18.3	16.0
Fonds NutsOhra subordinated loan	-	-40.7
Transfer to liabilities relating to assets held for sale	-10.0	-307.7
Other borrowings	17.0	-35.8
At 31 December	**5,322.9**	**5,328.4**

New borrowings of € 2,918.5 million (2013: € 790.8 million) consist of the issued perpetual subordinated loan of € 750.0 million, new securitisations of a total of € 1,496.5 million and new issued commercial papers of € 672.0 million during 2014. New loans at fair value were issued at Amstelhuys under the name of IArena BV (iArena) for an amount of € 352.7 million. In addition, new loans at amortised cost were issued under the name of Arena NHG 2014-I BV for an amount of € 768.0 million and under the name of Arena NHG 2014-II BV for an amount of € 798.9 million.

During the year, DARTS 2004-I, DARTS 2005-I, Arena 2007-I and Arena 2009-I were redeemed for a total amount of € 2,962.0 million before elimination. Total repayments on commercial paper were € 455.7 million (2013: € 788.9 million). The 2014 year-end amount on commercial paper of € 311.0 million (2013: € 94.9 million) has repayment dates throughout whole 2015.

5.1.7.33. Financial liabilities

Financial liabilities at year-end

In millions of euros	**2014**	**2013***
Savings	2,756.8	2,623.0
Demand deposits	1,520.6	526.1
Deposits	1,534.7	1,581.3
Customer savings and deposits	**5,812.1**	**4,730.4**
Other financial liabilities	259.8	633.6
Other financial liabilities	**259.8**	**633.6**
Financial liabilities	**6,071.9**	**5,364.0**
Expected to be settled within one year	3,927.0	4,789.3
Expected to be settled in more than one year	2,144.9	574.7
Total	**6,071.9**	**5,364.0**

*Restated, see section 5.1.6.2. 'Financial impact of changes in accounting policies and reclassifications'.

Savings are liabilities held by Delta Lloyd Bank. Deposits are mainly held by Delta Lloyd Bank Nederland and Amstelhuys NV. The large increase in demand deposits are due to collateral repayment obligations primarily held by Delta Lloyd Levensverzekering.

Furthermore, the decrease in other liabilities are due to the fact that there were no repurchase agreements (2013: € 433.4 million).

5.1.7.34. Other liabilities

Other liabilities at year-end

In millions of euros	**2014**	**2013***
Payables arising out of direct insurance	411.5	300.4
Payables arising out of reinsurance	27.1	44.5
Deposits received from reinsurers	364.8	374.6
Accruals and deferred income	886.4	829.7
Short-term creditors	610.7	545.5
Total	**2,300.5**	**2,094.8**
Expected to be settled within one year	2,300.5	2,015.4
Expected to be settled in more than one year	-	79.4
Total	**2,300.5**	**2,094.8**

* Restated, see section 5.1.6.2. 'Financial impact of changes in accounting policies and reclassifications'.

5.1.7.35. Contingent assets and liabilities

Uncertainty over claims provisions

Section 5.1.7.25. 'Insurance liabilities' gives details of the estimation techniques and assumptions used to determine the provisions for the general insurance business and for the life insurance business. The assumptions are designed to ensure that the provisions for future liabilities, including any future bonuses, are prudent. Both are expected to give an estimated result. Due to the nature of the estimation process, there is uncertainty about this future liability, for example where actual outcomes are worse than assumed for the general insurance business, or where assumptions about inflation of life business claims may change in the future.

Asbestos, pollution and other environmental hazards

Companies in Delta Lloyd receive general insurance liability claims as part of their insurance business that could lead to actual or threatened litigation. This includes claims in respect of pollution and other environmental hazards. Among these are claims relating to asbestos production and handling in the Netherlands. The ultimate cost cannot be determined with certainty, given the significant delays experienced in receiving notification of these claims, the number of potential claims involved, and the uncertainties associated with establishing liability. Delta Lloyd's net exposure to such liabilities is further explained in section 5.1.7.25. 'Insurance liabilities'. On the basis of current information and taking into account the level of provisions made for these specific general insurance claims, Delta Lloyd considers it unlikely for any additional costs arising to have a material impact on its financial position.

Guarantees

Delta Lloyd has granted warranties as part of its insurance contracts. These warranties are taken into account in the calculation of the insurance liabilities. Warranties have also been granted with respect to investment properties. No other material warranties have been granted.

Litigation

Several claims against Delta Lloyd have been filed, all of which are being contested. Based on the legal advice and information obtained, it is assumed these claims will not have a material adverse effect on Delta Lloyd's financial position. Accordingly, no significant provisions have been made in this respect.

The main pending legal proceedings are:

Swiss Life NV

On 4 May 2006, Swiss Life NV, now Delta Lloyd Life NV, was indicted in Belgium for breaches of the Belgian Consumer Credit Act *(Wet op het Consumentenkrediet)* and Trade Practices Act *(Wet Handelspraktijken)* in relation to alleged mis-selling of investment products by Spaar Select. The case also has a civil component and to date 309 people have filed claims.

The judgment of the Belgian Court of Appeal dated 21 November 2012, found in favour of Delta Lloyd Life. One civil party gave notice of appeal against this judgement, but did not file any legal brief and eventually decided not to continue the procedure before the Supreme Court.

Following final settlement of the criminal case, the civil parties resumed their civil claim. The hearing before the Justices of the Peace of Antwerp was scheduled for 21 June 2013. The claimants requested: (i) partial waiver of the procedure towards certain defendants, (ii) joinder of the cases and (iii) fixing of the calendar. Delta Lloyd Life opposed the joinder of the different proceedings and argued that such issue could not be tried at that point in time. On 22 January 2014, the Justice of the Peace referred the Spaar Select matter to the Court of First Instance in Brussels, which has to rule on the issue of joinder and the early termination of the proceedings towards certain parties. The hearing before the Court took place on 12 December 2014 and a judgement is expected in the first quarter of 2015.

When Swiss Life NV was acquired by Delta Lloyd Life, the seller, SNS, made a provision for a warranty that includes possible civil convictions. On the basis of the available information at that time, the warranty should be sufficient.

Cyrte/Boekhoorn

On 9 May 2009, Mr. Boekhoorn initiated legal proceedings against Delta Lloyd Group, Cyrte and the Chief Executive Officer of Cyrte, Mr. Botman ('Cyrte c.s.'). Mr. Boekhoorn claims he was instructed to purchase shares in Telegraaf Media Groep by Mr. Botman, acting on behalf of Cyrte, and that Cyrte had agreed that Mr. Boekhoorn would have the opportunity to sell the Telegraaf Media Groep shares back to Cyrte for the original price, or at a lower price to be determined. Cyrte c.s. contest Mr. Boekhoorn's claim that there was a verbal agreement. On 6 April 2011, the District Court of Amsterdam ruled in favour of Cyrte c.s. and dismissed all Mr. Boekhoorn's claims. Mr. Boekhoorn appealed on 4 July 2011. The appeal is directed against Cyrte and Mr. Botman. Unlike the proceedings in first instance, Delta Lloyd is no longer a party to the dispute, although it was noted in the pleadings in appeal that Delta Lloyd may possibly become a party in the case at a later stage.

On 10 December 2013, the Court of Appeal ruled to dismiss the appeal. Mr. Boekhoorn filed a cassation appeal to the Supreme Court on 7 March 2014. Judgement is expected in 2015.

Econcern

On 9 May 2014, Delta Lloyd Asset Management and the curator of sustainable energy company Econcern, filed a joint complaint with the Accountantskamer (accountants' disciplinary body) against the two PwC accountants responsible for the audit assignment at Econcern, which was declared bankrupt in 2009. In addition, on 21 May 2014 Delta Lloyd Levensverzekering together with Rabobank and in consultation with SHV held PwC (and the two auditors in their personal capacities) severally liable for the alleged damage caused by the bankruptcy of Econcern. The filing of a complaint and the liability accountability are motivated by the risk of the end of the statutory term and the fact that the curator wanted to take a settlement with PwC outside the judicial process. The hearings before the Accountantskamer took place on 18 and 20 August 2014. The Accountantskamer ruled on October 13, 2014. The complaint was upheld and disciplinary measures were imposed on the two auditors. On 6 January 2015 both accountants lodged an appeal against the decision to the Trade and Industry Appeals Tribunal (College van Beroep voor het Bedrijfsleven) in The Hague. Delta Lloyd is currently assessing its possible next steps.

Dutch Central Bank (DNB) measures imposed on Delta Lloyd Levensverzekering and Delta Lloyd

On 22 and 23 December 2014 and 30 January 2015, Delta Lloyd NV issued press releases regarding measures by the Dutch central bank (DNB). DNB has imposed a fine of € 22.8 million on Delta Lloyd Levensverzekering NV. DNB also reassessed the 'suitability' (geschiktheid) of Delta Lloyd's CFO Emiel Roozen, and concluded that Delta Lloyd should dismiss him by 1 January 2016 at the latest. DNB concluded that Emiel Roozen's 'integrity' (betrouwbaarheid) is beyond dispute.

Delta Lloyd's Supervisory Board instituted its own review of the same facts and circumstances. The Supervisory Board interprets the facts and circumstances differently from DNB and has reached different conclusions. Delta Lloyd decided to submit DNB's measures to the court and request it to rule on the interpretation of the facts and circumstances and the associated conclusions, including the 'dismissal' of the CFO, as well as the fine and the way it was calculated. At 31 December 2014, no provision was recognised for the fine.

On 29 January 2015, the Administrative Court (bestuursrechter) in Rotterdam established in summary proceedings that DNB is not allowed to pre-emptively publish its resolution to impose the aforementioned administrative fine on Delta Lloyd Levensverzekering.

Delta Lloyd is exposed to the possible risk of claims from customers concerning unit-linked insurance contracts

Following the public debate that began in 2006 around the (alleged) lack of transparency concerning unit-linked insurance contracts and the level of costs associated with these products, Delta Lloyd entered into agreements in 2008 and 2010 with consumer and investor interest groups (Stichting Verliespolis, Stichting Woekerpolis Claim, Vereniging van Effectenbezitters and Vereniging Eigen Huis). The agreements include a settlement on standardised charges for individual, privately-held unit-linked insurance products purchased in the past. The Wabeke recommendation was taken into account by determining the compensation. An arrangement was also made for customers in 'distressed' situations. In 2013, Delta Lloyd added the compensation directly to the policies and is therefore included in the insurance liabilities, a method which was recommended by the Ministry of Finance.

Currently, there are no claims filed or proceedings initiated against Delta Lloyd, individually by policyholders or by consumer-interest organizations on their behalf.
In June 2014, the Attorney General to the European Court of Justice gave a non-binding advisory opinion to the European Court of Justice on preliminary questions raised in a court case pending before the District Court in Rotterdam against another insurance company in the Netherlands. A judgement of The European Court is expected in the first half of 2015. It is inherently difficult to predict the outcome of these developments and the impact on the insurance business as a whole, including Delta Lloyd.

For more information in regards to unit-linked insurances, see section 4.2.1. 'Fair products and services'.

Other

The company and several of its subsidiaries have guaranteed the overdraft and borrowings of certain subsidiaries and associates. In addition, in line with standard industry practice, various subsidiaries have, in recent years, given guarantees, indemnities and warranties in connection with disposals of subsidiaries and associates in third parties. In the opinion of Delta Lloyd, no material loss will rise in respect of these guarantees, indemnities and warranties. The nature of the guarantees and security provided does not require them to be measured in accordance with IAS 39.

5.1.7.36. Off-balance sheet positions

> Off-balance sheet commitments

Contingent liabilities, including credit facilities granted and guarantees issued for the liabilities of third parties, are not recognised in the statement of financial position as their existence is confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Delta Lloyd. The amount of these obligations cannot be measured with sufficient reliability.

The maximum potential credit risk of these contingent liabilities is stated. In order to determine the maximum potential credit risk the assumption is that all counterparties will fail to meet their contractual obligations and that all collateral received has no value.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are recognised as operating leases. Payments made as lessee under operating leases (net of any incentives received from the lessor) are recognised in the income statement on a straight-line basis over the lease period, unless another systematic basis is more representative of the time pattern in which users benefit. There are no material financial leases affecting Delta Lloyd as either lessor or lessee. <

Contractual commitments for acquisitions of capital expenditure on investment property, property and equipment, and intangible assets not recognised on the statement of financial position, including Delta Lloyd Bank Belgium and Delta Lloyd Deutschland, are as follows:

Off-balance sheet liabilities at year-end

In millions of euros	**2014**	**2013**
Investment property	9.9	6.5
Property and equipment	2.6	3.4
Repairs and maintenance	7.2	6.3
Investments	65.4	78.2
Outsourcing	2.2	1.5
Contingent liabilities	424.4	530.5
Operational lease commitments rental		
Within one year	12.0	11.7
Between one and five years	31.0	35.8
More than five years	38.7	12.7
Operational lease commitments non-rental		
Within one year	5.0	5.2
Between one and five years	6.5	7.4
More than five years	-	-
Total	**604.8**	**699.1**

All the leases are eligible for renewal. There are no subleases to third parties. The increase in Operational lease commitments rentals with a term greater than five years is due to renewing the lease contract for the ‘Toorop’ office building in Amsterdam until 2025.
Contingent liabilities include irrevocable facilities of € 285.7 million (2013: € 386.1 million) which mainly consist of mortgage credit, investment loans and consumer credit. Due to a change in tax ruling in Belgium, more credit was granted and irrevocable facilities decreased.

Off-balance sheet receivables at year-end		
In millions of euros	**2014**	**2013**
Operational lease receivables rental		
Within one year	65.0	88.5
Between one and five years	244.2	266.1
More than five years	134.4	193.8
Operational lease receivables non-rental		
Within one year	-	-
Between one and five years	35.7	39.5
More than five years	-	-
Total	**479.2**	**587.9**

Rental receivables, at 31 December 2014, were € 443.5 million (2013: € 548.4 million) and related mainly to property investments held by Delta Lloyd Asset Management to a total of € 197.2 million (2013: € 220.1 million); and Delta Lloyd Deutschland, totalling € 199.9 million (2013: € 266.6 million).

The non-rental receivables of € 35.7 million due from LeasePlan and Athlon on 31 December 2014 is for the financing of the vehicle fleet of Delta Lloyd (2013: € 39.5 million). The non-rental receivables within one year regarding LeasePlan and Athlon are accounted for in the statement of financial position to a total of € 8.9 million (2013: € 9.9 million).

5.1.7.37. Fair value of assets and liabilities

> Financial assets and liabilities are categorised according to the following fair value hierarchy. Transfers between levels of the fair value hierarchy are deemed to occur at the end of the reporting period:

Published prices in active markets ('Level 1')

Fair value measured at level 1 only uses quoted prices (unadjusted) in active markets for identical assets and liabilities. An active market is one in which transactions take place with sufficient frequency and volume so that prices are regularly available. Examples are equity securities, bonds and investment funds listed on active markets.

Measurement method based on significant observable market inputs ('Level 2')

Fair value measured at level 2 uses inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. If an asset or liability has a given contractual term, a level 2 input variable must be observable for practically the full term of that asset or liability. Level 2 involves the following input variables:

- Quoted prices for similar (i.e. not identical) assets/liabilities in active markets;
- Input variables other than quoted prices observable for the asset (for example, interest rates and yield curves observable at customary intervals, volatility, early redemption spreads, loss ratio, credit risks and default percentages);
- Input variables arising mainly from or confirmed by observable market data by correlation or other means (market-confirmed inputs).

Examples of assets or liabilities at level 2 are financial instruments measured using discounted cash flow models. These are based on observable market swap yields (such as securitised mortgages or private interest rate derivatives), on investment property measured using observable market data and quoted debt instruments or equity securities in a non-active market.

Measurement method not based on significant observable market inputs ('Level 3')

Fair value measured at level 3 uses inputs for the asset or liability that are not based on observable market data. Unobservable inputs can be used if observable inputs are not available, and so fair value can still be measured at the reporting date in situations in which there is no or almost no active market for the asset or liability. For private equity investments and private placements external broker quotes are used when the market is no longer transparent and/or liquid. These broker quotes are challenged twice a year by obtaining quotes from other brokers as well. The value of Delta Lloyd's own broker is leading, but when the difference between the brokers is significant additional information is obtained and a best estimate is made based on all available information. Investment property is reported under level 3 if there is no active market. <

A small percentage of the total assets are measured at fair value based on estimates and recorded as level 3.
The tables below show assets and liabilities measured at fair value and the total carrying value to maintain the link with the relevant statement of financial position items.

Assets at year-end

In millions of euros	Total carrying value	Total fair value	Level 1	Level 2	Level 3
Property and equipment	102.2	132.1	-	132.1	-
Investment property	1,525.6	1,525.6	-	949.2	576.4
Debt securities	28,676.9	28,676.9	28,340.1	318.2	18.7
Equity securities	2,889.5	2,889.5	1,281.7	598.7	1,009.0
Derivatives	2,239.3	2,239.3	51.9	2,024.1	163.3
Loans at fair value through profit or loss	5,525.3	5,525.3	-	5,510.5	14.8
Loans and receivables at amortised cost	9,924.4	11,013.0	-	11,013.0	-
Receivables and other financial assets	1,636.7	1,594.2	26.1	1,568.1	-
Cash and cash equivalent	2,642.0	2,642.0	2,642.0	-	-
Total assets for own risk	**55,161.9**	**56,237.9**	**32,341.7**	**22,114.1**	**1,782.2**
Investments at policyholders' risk	14,189.3	14,189.3	8,062.7	6,061.9	64.6
Third party interests in consolidated investment funds	3,964.6	3,964.6	3,833.1	131.2	0.3
Total	**73,315.8**	**74,391.8**	**44,237.6**	**28,307.2**	**1,847.1**

Assets at prior year-end *

In millions of euros	Total carrying value	Total fair value	Level 1	Level 2	Level 3
Property and equipment	105.8	144.0	-	144.0	-
Investment property	2,181.2	2,181.2	-	1,519.7	661.5
Debt securities	25,060.1	25,060.1	24,844.9	184.1	31.1
Equity securities	3,299.8	3,299.8	1,738.1	593.8	968.0
Derivatives	1,173.0	1,173.0	25.8	1,147.2	-
Loans at fair value through profit or loss	5,784.0	5,784.0	-	5,784.0	-
Loans and receivables at amortised cost	12,194.4	13,254.6	-	13,254.6	-
Receivables and other financial assets	1,976.0	1,976.0	0.5	1,975.5	-
Cash and cash equivalent	1,146.6	1,146.6	1,146.6	-	-
Total assets for own risk	**52,921.0**	**54,019.4**	**27,755.9**	**24,602.9**	**1,660.6**
Investments at policyholders' risk	12,846.0	12,845.5	7,984.1	4,788.8	72.5
Third-party interests in investment funds	4,649.7	4,649.7	4,649.7	-	-
Total	**70,416.7**	**71,514.6**	**40,389.8**	**29,391.7**	**1,733.1**

* Restated, see section 5.1.6.2. 'Financial impact of changes in accounting policies and reclassifications'.

Financial liabilities at year end

In millions of euros	Total carrying value	Total fair value	Level 1	Level 2	Level 3
Liabilities for investment contracts					
Liabilities for investment contracts designated at fair value	5,670.1	5,670.1	876.4	4,793.8	-
Liabilities for investment contracts designated at amortised cost	484.1	537.3	-	537.3	-
Total liabilities for investment contracts	**6,154.3**	**6,207.4**	**876.4**	**5,331.0**	**-**
Subordinated debt	**1,332.8**	**1,648.7**	**1,378.2**	**270.5**	**-**
Securitised mortgages loan notes					
Securitised mortgages loan notes designated at fair value	667.5	667.5	574.0	93.5	-
Securitised mortgages loan notes designated at amortised cost	2,436.5	2,464.3	2,082.1	382.2	-
Total securitised mortgages loan notes	**3,104.0**	**3,131.8**	**2,656.1**	**475.7**	**-**
Medium-term note	573.0	631.5	631.5	-	-
Commercial paper	311.0	311.0	311.0	-	-
Convertible loan	2.0	1.1	-	1.1	-
Total other borrowings	**886.1**	**943.6**	**942.5**	**1.1**	**-**
Derivatives	**1,174.4**	**1,174.4**	**-**	**1,174.4**	**-**
Other financial liabilities	**6,071.9**	**6,354.3**	**2,915.7**	**3,438.6**	**-**
Total financial liabilities for own risk	**18,723.4**	**19,460.2**	**8,768.9**	**10,691.2**	**-**
Investments at policyholders' risk	**16.1**	**16.1**	**-**	**16.1**	**-**
Third party interests in consolidated investment funds	**3,964.6**	**3,964.6**	**-**	**3,964.6**	**-**
Total	22,704.1	23,440.8	8,768.9	14,671.9	-

Financial liabilities at prior year-end *

In millions of euros	Total carrying value	Total fair value	Level 1	Level 2	Level 3
Liabilities for investment contracts					
Liabilities for investment contracts designated at fair value	4,322.7	4,322.7	435.4	3,887.3	-
Liabilities for investment contracts designated at amortised cost	494.3	534.7	-	534.6	-
Total liabilities for investment contracts	**4,817.0**	**4,857.3**	**435.4**	**4,421.9**	**-**
Subordinated debt	**682.3**	**936.0**	**607.0**	**329.1**	**-**
Securitised mortgages loan notes					
Securitised mortgages loan notes designated at fair value	2,123.8	2,200.3	796.3	1,403.9	-
Securitised mortgages loan notes designated at amortised cost	1,790.4	1,802.5	1,802.5	-	-
Total securitised mortgages loan notes	**3,914.2**	**4,002.8**	**2,598.9**	**1,403.9**	**-**
Amounts owed to credit institutions	62.6	62.9	-	62.9	-
Medium-term note	572.4	620.0	620.0	-	-
Commercial paper	94.9	94.9	94.9	-	-
Convertible loan	2.0	0.8	-	0.8	-
Total other borrowings	**731.9**	**778.6**	**715.0**	**63.7**	**-**
Derivatives	**1,357.3**	**1,357.2**	**-**	**1,357.1**	**-**
Other financial liabilities	**5,364.0**	**5,471.9**	**1,755.9**	**3,716.0**	**-**
Total financial liabilities for own risk	**16,866.7**	**17,403.9**	**6,112.1**	**11,291.6**	**-**
Investments at policyholders' risk	**11.4**	**11.4**	**-**	**11.4**	**-**
Third party interests in consolidated investment funds	**4,649.7**	**4,649.7**	**-**	**4,649.7**	**-**
Total	**21,527.8**	**22,065.0**	**6,112.1**	**15,952.7**	**-**

* Restated, see section 5.1.6.2. 'Financial impact of changes in accounting policies and reclassifications'.

The fair value of assets and liabilities is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under the current market conditions. The way the fair value is established for each statement of financial position category is set out below.

Assets

Property and equipment, investment property and inventory of real estate projects

The fair value is assessed by qualified external appraisers, in compliance with international valuation standards published by the International Valuation Standards Committee and/or the regulations and standards in the RICS valuation standards prescribed by the Royal Institution of Chartered Surveyors.

Desktop appraisals are performed every half year and full appraisals are carried out every three years. However, given the current market circumstances, all investment properties had a full external appraisal at the end of 2014. Each appraisal is independently executed by two external appraisers. The main assumptions used in property appraisals are the current leases discounted by the gross initial yield. Also taken into account as assumptions are the best estimates of future renovations and maintenance and probability of vacancy, future rent discount and re-letting expectations. The details of the parameters are included in section 5.1.7.13. 'Investment property'.

The investment property of the German portfolio and the Dutch residential portfolio are recognised under fair value level 2 because the property appraisals are based on observable data in active markets.

The fair value of equipment is not materially different from the carrying value. The carrying value is determined by historical cost less accumulated depreciation and impairment.

Financial instruments (debt securities, equity securities and derivatives)

Quoted prices in an active market ('unadjusted, market observable prices') are sought first. If such prices are not available or if there is no active market, financial instruments are measured using input available in the market other than market prices: measurement derived from pricing. If no direct external or derived market prices are available, Delta Lloyd uses brokers' quotes. This category includes measurement based on Delta Lloyd's own measurement models (for derivative financial instruments) and statements from fund managers (for private equity investments).

Loans at fair value through profit or loss and Loans and receivables at amortised cost

The fair value of loans (including mortgages) and receivables is estimated by comparing discounted future cash flows using market interest rates at the date the loan was granted against current market interest rates for similar loans and advances at the reporting date. The measurement model takes into account observable as well as non-observable inputs. As far as possible, the input for the model uses observable market data rather than unobservable data. With regard to the mortgage portfolio, observable inputs used are risk free interest rates (swap), illiquidity/funding spreads (RMBS spreads) and an extra spread to incorporate additional market observable data (i.e. primary consumer pricing). Non-observable inputs includes servicing cost, early repayment probabilities, credit spreads, and a solvency spread for future parameter uncertainty.

The loans included in each of the two different categories have similar characteristics. Therefore no separate categories are presented.

Receivables, other financial assets and cash and cash equivalents

The carrying value of receivables and other financial assets is regarded as a good approximation of the fair value, as these assets have a short term nature.

Financial liabilities

Liabilities for investment contracts

The fair value of the provision for non-participating investment contracts is initially established through the use of prospective discounted cash flow techniques. For unit-linked contracts, the value of the liability equals the fair unit-fund value, plus additional provisions for guaranteed returns, if required. The fair value of discretionary participating investment contracts is the same as that for life insurance contracts (as explained in section 5.1.7.25. 'Insurance liabilities').

Financial instruments (subordinated loans, medium-term notes, commercial paper, convertible loans)

The fair value of financial instruments presented at level1 are recorded at the relevant market listing. The fair value of financial instruments recorded at level 2 are estimated by discounting future cash flows using the discount rate applicable for similar financial instruments at the reporting date.

Securitised mortgages loan notes

If the securitised mortgages loan notes are actively traded on the market the quoted prices are used. If this is not the case, fair value is calculated by discounting the expected cash flows at the market interest rates.

Amounts owed to credit institutions

The fair value of amounts owed to credit institutions is not materially different from the carrying value.

Other borrowings and other financial liabilities

The carrying value of other borrowings and other financial liabilities is regarded as a good approximation of the fair value.

The tables below offer additional information on financial instruments for which there are insufficient observable market inputs (level 3 of the fair value hierarchy).

Movement in fair value level 3 of investment property and investment at policyholders' risk is also included in the table compared to prior year. The recurring assets and financial liabilities designated at fair value are included per class in the movement of fair value level 3. In prior year, the presentation was on total level of assets.

As Delta Lloyd Bank Belgium has been transferred to held for sale, the fair value levels of the assets and financial liabilities are presented in section 5.1.7.5. 'Discontinued operations and assets and liabilities held for sale'.

Statement of changes in financial instruments/other investments within level 3 at year-end

In millions of euros	Investment property	Equity securities	Debt securities	Investments at policy-holders' risk	Derivatives	Loans at fair value through profit or loss	Total
At 1 January	**661.7**	**968.0**	**31.2**	**72.5**	**-**	**-**	**1,733.4**
Additions	87.4	58.6	5.7	1.0	36.0	14.8	203.5
Disposals	-107.9	-84.7	-19.4	-6.3	-3.0	-	-221.2
Changes in fair value recognised through equity	-2.6	71.6	2.4	-	-	-	71.5
Changes in fair value recognised through profit and loss	-62.1	-4.5	1.8	-2.6	2.5	-	-64.9
Transfer into level 3	-	-	-	-	127.7	-	127.7
Transfer out of level 3	-	-	-2.9	-	-	-	-2.9
At 31 December	**576.5**	**1,009.0**	**18.8**	**64.6**	**163.3**	**14.8**	**1,847.1**

Statement of changes in financial instruments/other investments within level 3 at prior year-end

In millions of euros	Investment property	Equity securities	Debt securities	Invest-ments at policy-holders' risk	Total 2013
At 1 January	**-**	**1,085.7**	**54.6**	**66.8**	**1,207.1**
Additions	-	35.0	0.4	-	35.4
Disposals	-	-115.5	-10.8	-6.3	-132.6
Changes in fair value recognised through equity	-	-23.4	0.1	-	-23.2
Changes in fair value recognised through profit and loss	-	-16.0	-31.8	-2.3	-50.1
Transfer into level 3	661.5	2.2	18.9	14.3	697.0
Transfer out of level 3	-	-	-0.4	-	-0.4
At 31 December 2013	**661.5**	**968.0**	**31.1**	**72.5**	**1,733.1**

In 2014, the total transfers from level 2 to level 1 amounted to € 103.7 million. This relates to several debt securities that were actively traded on the market due to increased frequency and volume.

As a result of a lack of quoted prices for some debt securities, theses securities were transferred out of level 1 to level 2 and amount to € 6.7 million.

In 2014, there were no transfers from level 1 to level 3 (2013: nil).

A number of transfers totalling € 2.9 million (2013: nil) were made from level 3 into level 2, all related to debt securities.

The level 3 equity securities consist primarily of private equity securities.

The total accumulated unrealised gains and losses on level 3 investments recognised in the income statement, which amount to € -87.4 million (2013: € -22.5 million), comprise gains and losses on investment property, debt securities, equity securities and financial assets at policyholders' risk and derivatives. These gains and losses are presented in the line item 'investment income' in the consolidated income statement.

The total accumulated unrealised revaluation of the investments on level 3 at year-end, which amount to € 250 million (2013: € 177.8 million), through comprehensive income, results from debt securities and equity securities held as available for sale. These gains and losses are recognised in the 'revaluation reserve' in the consolidated statement of comprehensive income. The realised gains and losses are transferred to income statement and presented as line item 'realised gains and losses on investments classified as available for sale'. The accumulated impairment of investments on level 3 at year-end was € 172.8 million (2013: € 229.0 million). The impairment on the investments held as available for sale in 2014 is € 18.1 million (2013: € 36.6 million).

A small percentage of the total assets are measured at fair value based on estimates and recorded as level 3. Where estimates are used, these are based on a combination of evidence from independent third parties and models developed in-house, calibrated where possible against observable market input. Although such measurements can be sensitive to estimates, it is presumed that changing one or more assumptions to another reasonable alternative assumption will not significantly change the fair value.

Sensitivity analysis level 3

In millions of euros	Significant non-observable assumptions	Impact on result 2014	Impact on equity 2014	Impact on result 2013	Impact on equity 2013
Investment property	Property value +/- 10%	42.6	42.6	49.6	49.6
Equity securities	Market spread +/- 10%	8.7	149.6	8.7	76.7
Debt securities	Liquidity premium +/- 0.5%	0.2	0.2	0.2	0.2

Delta Lloyd adjusted the assumption pertaining to investment property values up or down by 10%, which is seen as a probable market change. Also the value of equity securities (private equity investments and private placements) is calculated up or down by 10% because the underlying investments are highly diversified in nature by terms of sector, type of investment and investment strategy. There is no one significant unobservable assumption or combination of assumptions that could be identified and used to perform a reasonably possible sensitivity analysis for this portfolio.

5.1.7.38. Transferred financial assets

> Securities sold under repurchase agreements are reclassified as related assets in the financial statements if the recipient is entitled by custom or contract to sell or offer the collateral as security. This obligation towards the counterparty is recognised as other liabilities to banks, bank deposits, other funds entrusted or deposits due to customers. Securities purchased under re-sale agreements (reverse repos) are recognised as loans and advances to other banks or customers. The difference between the selling price and the repurchase price is accounted for as interest using the effective interest rate method over the term of the contract. Lent securities are also recognised in the financial statements as beneficial ownership of these securities is retained. <

The tables below reflect the transferred financial assets that are not derecognised in their entirety. This regards debt instruments in sale and repurchase agreements.

Delta Lloyd is not active in the securities lending market.

There are no transferred financial assets that are derecognised in their entirety with continuing involvement (2013: nil).

Transferred financial assets that are not derecognised in their entirety at year-end

In millions of euros	Mortgages at amortised cost 1)	Mortgages at fair value 1)	Equity securities and debt securities	Total 2014
Carrying amount of assets	3,422.8	1,982.5	805.1	6,210.4
Carrying amount of associated liabilities	-4,134.4	-1,031.6	-795.4	-5,961.4
Total net carrying amount	**-711.6**	**950.9**	**9.7**	**249.0**
Fair value of assets	3,700.5	1,982.5	805.1	6,488.1
Fair value of associated liabilities	-4,162.1	-1,031.6	-795.4	-5,989.1
Total net fair value	**-461.6**	**950.9**	**9.7**	**499.0**

1) The securitised mortgages at amortised cost and securitsed mortgages at fair value with their associated liabilities should be analysed together.

Transferred financial assets that are not derecognised in their entirety at prior year-end

In millions of euros	Mortgages at amortised cost 1)	Mortgages at fair value 1)	Equity securities and debt securities	Total 2013
Carrying amount of assets	2,806.7	4,043.6	1,187.0	8,037.2
Carrying amount of associated liabilities	-3,553.3	-2,931.0	-1,195.1	-7,679.5
Total net carrying amount	**-746.7**	**1,112.6**	**-8.2**	**357.8**
Fair value of assets	3,045.0	4,043.6	1,187.0	8,275.5
Fair value of associated liabilities	-3,575.5	-2,931.0	-1,195.1	-7,701.6
Total net fair value	**-530.5**	**1,112.6**	**-8.2**	**573.9**

1) The securitised mortgages at amortised cost and securitsed mortgages at fair value with their associated liabilities should be analysed together.

The transferred financial assets at Delta Lloyd Bank Belgium, which has been transferred to assets held for sale, are also included in this table. The carrying amount of the mortgages at amortised cost is € 1,341.7 million (fair value: € 1,438.1 million) and the associated liabilities are € 1,365.6 million (fair value: € 1,365.6 million). The carrying amount of the available for sale equity securities and debt securities is € 805.1 million (fair value: € 805.1 million) and the associated liabilities are € 795.4 million (fair value: € 795.4 million).

The carrying amount of the liabilities includes notes of the mortgage securitisation held as own book. The own book positions are eliminated for an amount of € 2,181.0 million (2013: € 2,552.2 million).

Transferred financial assets are repurchase agreements and securitisation.

Repurchase agreements

Delta Lloyd has entered into repurchase agreements for € 795.4 million (2013: € 1,195.1 million) on debt securities from various investment portfolios. The agreements were made with Rabobank, KBC Bank NV, ING Groep and BNP Paribas Fortis. In 2014, the repurchase agreements were only made by Delta Lloyd Bank Belgium.

Securitisation

Delta Lloyd does not derecognise securitised mortgages; see section 5.1.6. 'Consolidation principles'. For more information about securitised mortgages and related liabilities see section 5.1.7.32. 'Borrowings'.

5.1.7.39. Related party transactions

Due to the acquisition of BeFrank, no income or receivables on services to related parties were recognised in 2014 (2013: € 0.2 million income earned).

Services provided by related parties at year-end

In millions of euros	Expenses incurred in year 2014	Payable at year-end 2014	Expenses incurred in year 2013	Payable at year-end 2013
Employee pension plans	101.6	2,654.7	115.2	2,007.6
Total	**101.6**	**2,654.7**	**115.2**	**2,007.6**

All related party transactions are on terms equivalent to arm's length transactions.

Related party transactions mainly involve transactions with the pension fund. The main plan in the Netherlands is held in a separate foundation that has reinsured its pension obligations with the subsidiary Delta Lloyd Levensverzekering. In January 2013, Delta Lloyd Pensioenfonds decided to split its investment portfolio. The portfolio is still reinsured at Delta Lloyd Levensverzekering to a coverage ratio of 105%. The amount above 105% is invested for own risk of Delta Lloyd Pensioenfonds at Delta Lloyd Asset Management. See section 5.1.7.29. 'Pension obligations' of the consolidated financial statements for additional information on the pension obligations.

Related party payables are not secured and no guarantees have been received in respect of them. The payables will be settled on normal credit terms.

Information on remuneration, interests and transactions of the members of the Executive Board and the Supervisory Board is included in the remuneration report (see section 3.2.). Within Delta Lloyd, only the Executive Board and the Supervisory Board are considered to be key management, as they respectively determine and monitor the company's operational and financial policies.

Key management personnel compensation at year end

In millions of euros	Active Executive Board members	Former Executive Board members	Total Executive Board members	Supervisory Board	Total 2014
Short-term employee benefits	3.0	-	3.0	0.5	3.5
Post-employment benefits	0.7	-	0.7	-	0.7
Other long-term benefits	0.2	-	0.2	-	0.2
Termination benefits	-	-	-	-	-
Share-based payment	0.5	-	0.5	-	0.5
Total	**4.4**	**-**	**4.4**	**0.5**	**4.9**

Key management personnel compensation at prior year end

In millions of euros	Active Executive Board members	Former Executive Board members	Total Executive Board members	Supervisory Board	Total 2013
Short-term employee benefits	2.7	0.1	2.7	0.5	3.3
Post-employment benefits	0.7	-	0.7	-	0.7
Other long-term benefits	0.2	-	0.2	-	0.2
Termination benefits	-	-	-	-	-
Share-based payment	2.0	-0.1	1.9	-	1.9
Total	**5.6**	**-**	**5.6**	**0.5**	**6.1**

In 2014, the measure taken by the Dutch government to impose an additional levy of 16% on incomes above € 150,000 of employees who pay Dutch income tax ceased. The crisis levy of the Executive Board in 2013, totalling € 600,000, is not included in the table above.

In addition to the positions presented in the tables above, Delta Lloyd has a long-term loan with Fonds NutsOHRA. Further information about this loan is given in section 5.1.7.32. 'Borrowings' in the consolidated financial statements and section 5.2.1.8. 'Subordinated debt' in the separate financial statements.

5.1.7.40. Subsequent events

On 15 January 2015 Delta Lloyd announced the sale of Delta Lloyd Deutschland to Athene Holding, a Bermuda based insurance holding company. The sale contract needs approval by the German Federal Financial Supervisory Authority. On 31 December 2014 Delta Lloyd Deutschland meets the conditions to be classified as held for sale and also as a discontinued operation as it forms a geographical area. The expected loss on the sale is € 158.4 million. At year-end 2014 the sale contract was not signed, therefore no loss is recognised under onerous contracts.

On 16 March Delta Lloyd completed an equity offering of 19.9 million new ordinary shares via an accelerated bookbuild. The shares were sold at a price of € 17.00 per new ordinary share. Consistent with Delta Lloyd's approach to prudent capital management, Delta Lloyd intends to use the proceeds of the transaction to further reinforce its solvency position in light of the various uncertainties still associated with Solvency II.

Amsterdam, 20 March 2015

Executive Board

Hans van der Noordaa, chairman
Ingrid de Graaf
Emiel Roozen
Onno Verstegen

Supervisory Board

Jean Frijns, chairman
André Bergen
Eric Fischer
Jan Haars
Fieke van der Lecq
Rob Ruijter
Clara Streit

5.2. Separate financial statements

Separate income statement for the year ending 31 December		
In millions of euros	**2014**	**2013**
Result from participating interests after tax	541.4	244.6
Other results after taxation	-180.2	-61.2
Total result after tax	**361.1**	**183.3**

Separate statement of financial position before appropriation of result			
In millions of euros		**2014**	**2013**
Goodwill	I	148.5	148.5
Total intangible assets		**148.5**	**148.5**
Participating interests in group companies	II	3,404.1	3,142.2
Participating interests with significant influence	II	92.7	2.1
Long-term loans	III	642.4	210.1
Total financial fixed assets		**4,139.2**	**3,354.4**
Total fixed assets		**4,287.7**	**3,502.9**
Debt securities		0.5	0.4
Equity securities	III	116.3	77.0
Receivables	IV	571.7	465.4
Cash and cash equivalents		6.3	2.0
Total current assets		**694.8**	**544.8**
Total assets		**4,982.5**	**4,047.8**
Share capital	V	39.9	38.4
Share premium	V	505.9	507.4
Other statutory reserves	V	0.2	0.2
Revaluation reserve	V	648.8	660.6
Other reserves	V	908.9	1,227.9
Equity compensation plan	V	3.5	2.8
Unallocated profit / (loss)	V	361.1	183.3
Total shareholders' funds	**V**	**2,468.4**	**2,620.6**
Provisions	VI	144.3	17.5
Subordinated debt	VII	880.8	138.1
Long-term borrowings	VIII	573.0	572.4
Total long-term liabilities		**1,598.1**	**727.9**
Other liabilities	IX	916.0	699.3
Total liabilities		**2,514.1**	**1,427.2**
Total shareholders' funds and liabilities		**4,982.5**	**4,047.8**

5.2.1. Notes to the separate financial statements

5.2.1.1. Accounting policies

The separate financial statements of Delta Lloyd NV have been prepared in accordance with the legal requirements of Part 9 of Book 2 of the Dutch Civil Code. As the income statement of Delta Lloyd NV for 2014 is incorporated in the consolidated financial statements, only an abridged company income statement is presented pursuant to Section 2:402 of the Dutch Civil Code.

The option to use the same accounting policies in the separate financial statements as in the consolidated financial statements, as described in section 2:362 of the Dutch Civil Code, has been exercised. Consequently, the accounting policies in the separate financial statements are the same as those presented in notes A to AI to the consolidated financial statements, except for the following:

Subsidiaries and associates

Subsidiaries and associates in which Delta Lloyd Group has a controlling interest are measured at the net asset value. The net asset value is determined by measuring the assets, provisions and liabilities and calculating the net result using the same accounting policies applied in the consolidated financial statements.

Restatement of comparative figures in the balance sheet at 31 December 2013

In millions of euros	Before adjustments	Change in accounting policy	After adjustments
Revaluation reserve	675.6	-15.1	660.6
Unallocated profit / (loss)	168.3	15.1	183.3
Total shareholders' funds and liabilities		-	

Restatement of comparative figures in the income statement for the year 2013

In millions of euros	Before adjustments	Change in accounting policy	After adjustments
Income statement			
Result from participating interests after tax	229.5	15.1	244.6

5.2.1.2. (I) Goodwill

The carrying value at 31 December 2014 was € 148.5 million, (2013: € 148.5 million).

5.2.1.3. (II) Participating interests

Movements in associates

In millions of euros	Participating interests in group companies	Participating interests with significant influence	Total
At 1 January 2013	**3,134.8**	**2.2**	**3,137.0**
Disposals	-2.5	-	-2.5
Share of result after tax	244.6	-	244.6
Withdrawn dividend	-589.2	-	-589.2
New equity capital	288.9	-	288.9
Amount recognised directly in equity	65.7	-0.2	65.5
At 31 December 2013	**3,142.2**	**2.1**	**3,144.3**
Additions	-	15.9	15.9
Share of result after tax	541.4	-	541.4
Withdrawn dividend	-234.1	-	-234.1
New equity capital	387.1	-	387.1
Amount recognised directly in equity	-432.5	-0.1	-432.6
Transfer from investments	-	74.8	74.8
At 31 December 2014	**3,404.1**	**92.7**	**3,496.8**

Restrictions on dividend distributions relate to minimum capital requirements.

Before 2014, interest in Van Lanschot NV was presented as an investment in stead of an associate. As Delta Lloyd interest is above 20%, a yearly test was performed to validate the presentation of this interest as an investment. The outcome of this test concluded that Delta Lloyd was unable to exercise influence on the strategic financial policy, operating policy and dividend policy.

In 2014, the circumstances changed. Based on developments during the second half of 2014, Delta Lloyd assessed that significant influence existed over Van Lanschot at the end of 2014 and reclassified the interest from equity security (AFS) to associate. Among other things, the Supervisory Board of Van Lanschot has indicated that Delta Lloyd could speak to a proposed new supervisory board member before the nomination process. If Delta Lloyd endorses this candidate the nomination process continues. Due to the changing circumstances, Delta Lloyd is now able to exercise influence on the strategic financial policy, operating policy and dividend policy and therefore reports its stake at year-end 2014 in Van Lanschot NV as an associate.

The reclassification did not have an impact on shareholders' equity of Delta Lloyd, since the first time recognition as an associate is at fair value. The cumulative revaluation reserve of € 14.6 million with regard to the 10.5% direct interest held by Delta Lloyd NV has been transferred to the retained earnings through the income statement (investment income).

List of major Group companies at year-end

The major Group companies in which Delta Lloyd NV has an interest (100% unless otherwise stated) are:

Holding

Delta Lloyd Houdstermaatschappij Verzekeringen NV (Amsterdam)
Delta Lloyd Bank NV (Amsterdam)
Delta Lloyd Bank België NV (Brussels, Belgium)
Delta Lloyd Deutschland AG (Wiesbaden, Germany)
Delta Lloyd Houdstermaatschappij België BV (Arnhem)
Delta Lloyd ABN AMRO Verzekeringen Holding BV (51%) (Zwolle)
Delta Lloyd Services BV (Amsterdam)
Amstelhuys NV (Amsterdam)
Delta Lloyd Asset Management Holding BV (Amsterdam)
Delta Lloyd Treasury BV (Amsterdam)

Life

Delta Lloyd Levensverzekering NV (Amsterdam)
Delta Lloyd Lebensversicherung AG (Wiesbaden, Germany)
Delta Lloyd Vastgoed Fonds NV (Amsterdam)
Delta Lloyd Life NV (Brussels, Belgium)
ZA Verzekeringen NV (Brussels, Belgium)
ABN AMRO Levensverzekering NV (51%) (Zwolle)
BeFrank NV (Amsterdam)

Investment funds

Delta Lloyd Investment Fund NV (94.1%) (Amsterdam)
Delta Lloyd Mix Fonds (99.4%) (Amsterdam)
Delta Lloyd Rente Fonds (71.8%) (Amsterdam)
Delta Lloyd Fixed Umbrella (between 55.0% and 92.8%) (Amsterdam)
Delta Lloyd Luxemburg (Sicav: between 3.8% and 99.6%) (Luxemburg, Luxemburg)

General

Delta Lloyd Schadeverzekering NV (Amsterdam)
Delta Lloyd Schadeverzekering Volmachtbedrijf BV (Amsterdam)
ABN AMRO Schadeverzekering NV (51%) (Zwolle)
ABN AMRO Assuradeuren BV (51%) (Zwolle)

The list pursuant to Sections 379 and 414 of Book 2 of the Dutch Civil Code has been filed with the Chamber of Commerce in Amsterdam.

5.2.1.4. (III) Investments

Statement of changes in loans			
In millions of euros	**Long-term loans**	**Short-term loans**	**Total**
At 1 January 2013	**155.0**	**20.8**	**175.8**
Additions	80.0	-	80.0
Disposals	-21.4	-	-21.4
Impairment losses	-2.2	-	-2.2
Other adjustments	-1.3	-20.8	-22.1
At 31 December 2013	**210.1**	**-**	**210.1**
At 1 January 2014	**210.1**	**-**	**210.1**
Additions	480.0	-	480.0
Disposals	-47.7	-	-47.7
Reversal of impairment	-	-	-
At 31 December 2014	**642.4**	**-**	**642.4**

The fair value of the total loan portfolio with an amortised cost of € 642.4 million (2013: € 210.1 million) was € 642.4 million (2013: € 210.1 million).

An amount of € 642.0 million (2013: € 209.5 million) of the long-term loans was held by subsidiaries and associates. Of the long-term loans held by subsidiaries and associates € 642.0 million (2013: € 209.5 million) is subordinated. In 2014 new loans were issued for € 350.0 million with Delta Lloyd Levensverzekering and for € 130.0 million with Delta Lloyd Schadeverzekering.

As in 2013, there were no arrears on interest or repayments.

Statement of changes in investments in equity securities		
In millions of euros	**2014**	**2013**
At 1 January	**77.0**	**69.2**
Additions	116.3	-
Disposals	-0.1	-4.5
Fair value gains and losses	-2.2	12.3
Transfer to associate	-74.8	-
At 31 December	**116.3**	**77.0**
Cumulative fair value gains and losses	-	16.8
Cumulative impairment losses	-42.4	-172.6

5.2.1.5. (IV) Receivables

Receivables at year-end		
In millions of euros	**2014**	**2013**
Receivables from Group companies	469.4	364.5
Receivables and other financial assets	0.4	0.1
Accrued interest and prepayments	24.5	10.7
Tax assets (refer to section IX 'Other liabilities')	77.3	90.1
Total	**571.7**	**465.4**

As in the previous reporting period, all receivables are due within one year.

Accrued interest and prepayments include € 21.9 million (2013: € 8.1 million) from Group companies.

5.2.1.6. Equity

Statement of changes in equity

In millions of euros	2014	2013
Share capital		
At 1 January	**38.4**	**35.4**
Conversion Preference A shares	-	0.6
Issues of shares	-	0.8
Final dividend	0.8	0.9
Interim dividend	0.7	0.7
At 31 December	**39.9**	**38.4**
Share premium		
At 1 January	**507.4**	**355.2**
Conversion Preference A shares	-	92.2
Issues of shares	-	61.6
Final dividend	-0.8	-0.9
Interim dividend	-0.7	-0.7
At 31 December	**505.9**	**507.4**
Other statutory reserves		
At 1 January	**0.2**	**1,073.6**
Result on participating interest in prior year	244.6	-1,364.9
Transfer to other reserves	427.3	796.0
Other direct equity movements in participating interest	-437.8	84.7
Dividends received from participating interests	-234.1	-589.2
At 31 December	**0.2**	**0.2**
Revaluation reserves		
At 1 January	**660.6**	**667.5**
Movements in the value of investments	-17.0	12.1
Movements in the value of participating interests	5.3	-19.1
At 31 December	**648.8**	**660.6**
Other reserves		
At 1 January	**1,227.9**	**1,668.0**
Transfer from other statutory reserves	-427.3	-796.0
Dividends received from participating interests	234.1	589.2
Prior year result of the holding company excluding result on participating interests	-61.2	-131.0
Final dividend paid	-41.3	-38.4
Interim dividend paid	-24.2	-29.6
Conversion of Preference A shares	-	-51.5
Change in treasury shares	2.3	2.4
Change in conditional shares granted	-1.4	-0.2
Change in shares held indirectly in investment funds at policyholders' risk	-	15.1
At 31 December	**908.9**	**1,227.9**
Equity compensation plan	3.5	2.8
Result for the year	361.1	183.3
Total shareholders' funds	**2,468.4**	**2,620.6**

Share capital

Issued shares are fully paid-up and each gives the bearer the right to cast one vote.

Statement of changes in ordinary shares

Numbers	2014	2013
At 1 January	**191,797,530**	**176,770,871**
Issue of shares	-	4,000,000
Conversion of Preference shares A	-	3,000,000
Stock dividend	7,533,357	8,026,659
At 31 December	**199,330,887**	**191,797,530**

Convertible preference shares A

The convertible preference shares A carry a fixed dividend of 2.76%. Fonds NutsOHRA holds all 10,021,495 preference shares A and is entitled to convert these cumulative preference shares A on a one-to-one basis up to 6,510,748 shares per annum. The conversion price is € 30.94 (2013: € 30.94) per ordinary share less € 0.20 (the nominal value of the convertible preference shares A).

Preference shares B

The preference shares B are protective preference shares. The preference shares B have not been issued but there is an option agreement with Stichting Continuïteit Delta Lloyd (see section 1.6 'Corporate governance'), which is legally and administratively independent of Delta Lloyd. Stichting Continuïteit Delta Lloyd has a call option to acquire protective preference shares B in Delta Lloyd NV for an indefinite period. The maximum to be acquired equals 100% of the share capital in issue in the form of ordinary shares and preference shares A immediately prior to the exercise of the call option, minus one share. This will entitle it to 49.9% of the voting rights after the issuance of such shares.

On acquisition, at least one quarter of the nominal value must be paid up on each preference share B. The call for a further payment on preference shares B shall be made pursuant to a resolution of the Executive Board of Delta Lloyd NV. Such resolution shall be subject to the approval of the Supervisory Board. Delta Lloyd Group believes that the call option is not material as meant by IAS 1.31 since there is a very small probability of the call option being exercised. In the highly exceptional circumstances in which the call option would be exercised, these preference shares B would, in all probability, be cancelled within a very short time. The option is, therefore, not recognised in the financial statements nor is any additional information as referred to in IAS 32 and IAS 39.

Share premium

This reserve includes amounts received from the issuance of shares in excess of their nominal value. The movement in 2014 is attributable to a stock dividend charge. The share premium is freely distributable to the relevant class of shareholders (holders of preference shares A and ordinary shareholders) to the amount they have paid in.

Revaluation reserve

The revaluation reserve recognises unrealised value changes in investments available for sale, less the related deferred tax liability. It includes direct movements in the equity of associates that also cannot be distributed without restrictions.

Other statutory reserves

This reserve includes the associates' reserve, which is the profit from subsidiaries and associates. It is not freely distributable, partly because of solvency requirements imposed on subsidiaries and associates. The result of the subsidiary is transferred to the other reserves if the subsidiary has a negative equity.

Other reserves

The category 'Other reserves' includes the result of the company, treasury shares held directly and indirectly and transfers out of the associates reserve due to the dividends received from subsidiaries and associates. These reserves are freely distributable.

5.2.1.7. (VI) Provisions

Statement of changes in provisions

In millions of euros	Restructuring provisions	Employee share option plan	Other provisions	Total
At 1 January 2013	**14.5**	**3.1**	**-**	**17.7**
Additional provision made in the year	6.3	5.3	-	11.6
Unused amounts released	-4.4	-	-	-4.4
Withdrawal provision during the year	-5.0	-2.4	-	-7.4
Movement in provisions	**-3.1**	**2.9**	**-**	**-0.2**
At 31 December 2013	**11.4**	**6.1**	**-**	**17.5**
Additional provision made in the year	4.7	-	134.0	138.5
Withdrawal during the year	-9.3	-2.6	-	-11.8
Movement in provisions	**-4.6**	**-2.6**	**134.0**	**126.8**
At 31 December 2014	**6.8**	**3.5**	**134.0**	**144.3**

The restructuring provision of € 6.8 million relates to the discontinuation of the activities of OHRA Belgium NV, a general insurer operating in the Belgian market. OHRA Belgium NV will be wound up as soon as the remaining claim files have been closed. As the sale price of Delta Lloyd Bank Belgium is below the book value, a provision for onerous contracts is made for an amount of € 134.0 million which is included in other provisions.

The expected funds outflow of the provisions are € 6.8 million for the restructuring provisions, € 2.7 million for the employee share option plan and € 134.0 million for the other provision within a year.

5.2.1.8. (VII) Subordinated debt

The following table provides information on the composition of the company's subordinated debt and preference shares. Both loans have terms of more than five years.

Subordinated debt at year-end

In millions of euros	2014	2013
Subordinated debt	878.8	136.0
Preference shares	2.0	2.0
Total subordinated debt	**880.8**	**138.1**

Perpetual subordinated loan notes with an initial interest rate of 2.5% were issued to finance the acquisition of Nuts OHRA Beheer BV in 1999. The notional amount at 31 December 2014 was € 404.7 million (2013: € 404.7 million) and the carrying amount was € 136.0 million (2013: € 136.0

million). The interest rate on the notes was 2.76% at 31 December 2014 (2013: 2.76%) and the fair value of the subordinated loan was € 270.5 million (2013: € 206.9 million).

As on 13 June 2014, Delta Lloyd placed a new € 750.0 million fixed-to-floating-rate subordinated note transaction at a coupon of 4.375%. The subordinated perpetual notes, which were sold to a wide range of international institutional investors, can be redeemed at Delta Lloyd's option from 13 June 2024 onwards. Delta Lloyd settled the offering on 13 June 2014. The notes are admitted for trading on Euronext following the settlement. The fair value of the subordinated perpetual loan at 31 December 2014 was € 724.5 million.

The notes were issued under the existing Delta Lloyd EMTN programme. The notes qualify as higher supplementary capital for Delta Lloyd under IGD. Standard & Poor’s Rating Services has assigned a BBB- rating to the notes.

In the event of bankruptcy, subordinated loans rank lower than other liabilities, but higher than preference and other shares. The perpetual subordinated loan extended to Fonds NutsOHRA ranks below other subordinated loans.

5.2.1.9. (VIII) Long-term borrowings

The long-term borrowings relate to the EMTN programme which was issued in 2010. Delta Lloyd NV has not pledged shares (2013: € 77.0 million) to a subsidiary.

Statement of changes in borrowings

In millions of euros	2014	2013
At 1 January	**572.4**	**705.1**
New borrowings drawn down, net of expenses	0.6	0.6
Repayments of borrowings	-	-133.3
Net cash inflow / outflow	**0.6**	**-132.7**
At 31 December	**573.0**	**572.4**

None of the long-term borrowings fall due within one year and € 573.0 million (2013: € 572.4 million) falls due within five years. The average interest rate on these loans is 4.32% (2013: 4.25%).

5.2.1.10. (IX) Other liabilities

Other liabilities at year-end

In millions of euros	2014	2013
Tax liabilities	21.0	140.8
Accrued interest	33.7	11.9
Amount owed to Group companies	299.2	16.6
Credit on demand	558.8	527.6
Other	3.4	2.4
Total	**916.0**	**699.3**

As in 2013, all other liabilities are payable within one year.

Tax assets and liabilities at year-end

In millions of euros	2014	2013
Current tax assets	32.2	64.0
Deferred tax assets	45.1	26.1
Total tax assets	**77.3**	**90.1**
Current tax liabilities	19.8	140.4
Deferred tax liabilities	1.2	0.4
Total tax liabilities	**21.0**	**140.8**
Net tax asset	**56.4**	**-50.8**

Delta Lloyd NV is the parent company of the Delta Lloyd tax entity. In 2014 € 20.1 million of the deferred tax relates to unused tax losses (2013: nil).

Deferred tax assets and liabilities at year-end

In millions of euros	2014	2013
Unrealised gains and losses on investments	0.2	1.3
Unused tax losses	20.1	-
Other temporary differences	23.6	24.4
Net deferred tax asset	**43.9**	**25.7**

Statement of changes in deferred tax assets / liabilities

In millions of euros	2014	2013
At 1 January	**25.7**	**40.4**
Amounts charged/credited to result	212.2	-14.7
Transfer tax assets within tax entity	-194.0	-
At 31 December	**43.9**	**25.7**

The company does not have unrecognised tax losses.

5.2.1.11. (X) Related party transactions

Services provided to related parties

In millions of euros	Income earned in year 2014	Receivable at year-end 2014	Income earned in year 2013	Receivable at year-end 2013
Subsidiaries	245.6	1,133.4	227.2	582.1
Total	**245.6**	**1,133.4**	**227.2**	**582.1**

Services provided by related parties

In millions of euros	Expenses incurred in year 2014	Payable at year-end 2014	Expenses incurred 2013	Payable at year-end 2013
Subsidiaries	40.4	857.9	47.2	544.1
Total	**40.4**	**857.9**	**47.2**	**544.1**

The related party transactions concern intercompany loans between the holding and Group companies, and the related interest. All related party transactions are at arm's length.

Information on directors' remuneration is included in the remuneration report (see section 3.2.) and section 5.1.7.39. 'Related party transactions'. Within Delta Lloyd, only the Executive Board and the Supervisory Board are considered to be key management, as they are respectively responsible for determining and monitoring the operational and financial policies.

Related party payables are not secured and no guarantees have been received in respect of them. The payables will be settled on normal credit terms. There are no arrears of interest or repayments.

5.2.1.12. (XI) Off-balance sheet commitments

Off-balance sheet commitments at year-end

In millions of euros	**2014**	**2013**
Contingent liabilities	4.8	4.8
Total	**4.8**	**4.8**

The contingent liabilities relate to two (2013: two) guarantees. Both contingent liabilities are expired on 1 January 2015.

5.2.1.13. (XII) Employee information

Average number of employees (FTE) during the year

Number in FTE	**2014**	**2013**
Permanent staff	1,060	1,068
Temporary staff	223	217
Total	**1,283**	**1,285**

Staff costs for the financial year

In millions of euros	**2014**	**2013**
Salaries	68.8	70.2
External staff	43.9	39.3
Social security contributions	9.7	8.8
Pension and post-retirement expenses	-13.6	7.0
Profit sharing and incentive plans	2.7	7.6
Termination benefits	0.9	3.9
Care	1.4	1.6
Other staff costs	13.9	13.5
Total	**127.6**	**151.8**

Details of the remuneration of directors and the Supervisory Board members are given in section 3.2. ‘Remuneration Report 2014’ and section 5.1.7.39. ‘Related party transactions’ of the consolidated financial statements.

All staff are employed by Delta Lloyd Services BV. The costs included in the table above represent recharges to the company from Delta Lloyd Services BV. The recharges are based on allocated staff numbers relating to the Executive Board, corporate staff departments and include all related expenditures.

Pension expenses are negative due to past service costs related to the retrenchment of the pension plan.

5.2.1.14. (XIII) Audit fees

Audit fees in the financial year

In millions of euros	2014	2013
Audit of the financial statements	2.8	2.6
Other audit services	0.1	0.1
Other non-audit services	-	-
Total	**2.9**	**2.7**

5.2.1.15. Subsequent events

On 15 January 2015 Delta Lloyd announced the sale of Delta Lloyd Deutschland to Athene Holding, a Bermuda based insurance holding company. The sale contract needs approval by the German Federal Financial Supervisory Authority. On 31 December 2014 Delta Lloyd Deutschland meets the conditions to be classified as held for sale and also as a discontinued operation as it forms a geographical area. The expected loss on the sale is € 158.4 million. At year-end 2014 the sale contract was not signed, therefore no loss is recognised under onerous contracts.

On 16 March Delta Lloyd completed an equity offering of 19.9 million new ordinary shares via an accelerated bookbuild. The shares were sold at a price of € 17.00 per new ordinary share. Consistent with Delta Lloyd's approach to prudent capital management, Delta Lloyd intends to use the proceeds of the transaction to further reinforce its solvency position in light of the various uncertainties still associated with Solvency II.

Amsterdam, 20 March 2015

Executive Board

Hans van der Noordaa, chairman
Ingrid de Graaf
Emiel Roozen
Onno Verstegen

Supervisory Board

Jean Frijns, chairman
André Bergen
Eric Fischer
Jan Haars
Fieke van der Lecq
Rob Ruijter
Clara Streit

5.3. Other information

5.3.1. Dividends and appropriation of result

Delta Lloyd may by law only pay dividend if the share capital and reserves so permits.

Profit appropriation provisions in the articles of association

Article 44, relating to the appropriation of result, if appropriate here, specifies that, first of all, a percentage dividend shall be paid on the preference shares B equal to the average 1-month Euribor plus a premium set by the Executive Board and approved by the Supervisory Board of at least one percentage point but no more than four percentage points, depending on market conditions. The dividend shall be computed on the paid-up part of the nominal amount. If the profit is insufficient to pay this dividend in full, the shortfall shall be distributed from the reserves, except the dividend reserve A and the share premium A (article 44.1).

From the profit remaining after the dividend paid on the preference B shares, a dividend of 2.76% on the paid-up amount of the issued preference shares A shall be added to the dividend reserve A (and if applicable, on the dividend reserve A and the share premium A). If the profit in the year under review is insufficient to make the addition to the dividend reserve A, the provisions below shall not be implemented until the shortfall is extinguished (article 44.2).

From the profit not distributed and added to the dividend reserve A pursuant to articles 44.1 and 44.2, such additions shall be made to reserves as determined by the Executive Board, subject to the approval of the Supervisory Board (article 44.3).

The profit remaining after the above (articles 44.1, 44.2 and 44.3) shall be at the disposal of the General Meeting of Shareholders.

The General Meeting of Shareholders may, on a proposal of the Executive Board approved by the Supervisory Board, resolve that a dividend be paid in full or in part in ordinary shares of the company and not in cash (article 44.9).

Proposed dividend

Based on our operational result after tax and non-controlling interest, Delta Lloyd proposes to declare a dividend of € 1.03 per ordinary share for 2014, unchanged from 2013. The dividend, which amounts to € 216.1 million, is available from the freely distributable reserves. Taking into account the interim dividend of € 0.42 per share already paid, the final dividend will be € 0.61 per ordinary share.

Shareholders can choose to receive the dividend payment entirely in cash or entirely in shares. The value of the stock dividend has a premium of approximately 2% above the value of the cash dividend and will be paid out of share premium reserve. The final dividend for 2014 on ordinary shares will be paid after the approval of the annual general meeting on 21 May 2015.

To calculate the value of the dividend, we use a share fraction based on the weighted average share price over a period of five trading days (to take the prevalent market price into account), prior to the definitive determination. Shareholders have from 27 May 2015 until 9 June 2015 to choose whether they want to receive the dividend in cash or in ordinary shares. If no preference is made clear, the dividend will be paid in ordinary shares.

The number of dividend coupons entitling the holder to one new ordinary share (with a nominal value of € 0.20) will be determined on 9 June 2015 after 5.30 p.m. These will be based on the weighted average closing price on NYSE Euronext Amsterdam for the five consecutive trading days from 3 to 9 June 2015.

Appropriation of result

Upon approval of the proposed dividend by the General Meeting of Shareholders, the appropriation of result shall be:

Appropriation of result		
In millions of euros	**2014**	**2013**
Addition to/withdrawal from (-) other reserves	145.1	-11.1
Dividend on ordinary shares	216.1	194.5
Total	**361.1**	**183.3**

5.3.2. Independent auditor's report

To: the Shareholders and the Supervisory Board of Delta Lloyd NV

Report on the audit of the financial statements 2014

Our opinion

We have audited the financial statements 2014 of Delta Lloyd NV (‘the Company’ or ‘the Group’), based in Amsterdam as set out in section 5.1 and 5.2. The financial statements include the consolidated financial statements and the separate 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 2014, and of its result and its cash flows for 2014 in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.
- the separate financial statements give a true and fair view of the financial position of Delta Lloyd NV as at 31 December 2014, and of its result for 2014 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2014;
- the following statements for 2014: consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement; and
- the notes comprising a summary of the significant accounting policies and other explanatory information.

The separate financial statements comprise:

- the separate statement of financial position as at 31 December 2014;
- the separate income statement for 2014; and
- the notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Delta Lloyd NV within the meaning of the relevant Dutch ethical requirements as included in the “Verordening op de gedrags- en beroepsregels accountants” (VGBA) and the “Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten” (ViO) and have fulfilled our other responsibilities under those ethical requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion. Based on our professional judgment we determined the materiality for the financial statements as a whole at EUR 50 million. The materiality is based on (approximately) 2% of Shareholders’ funds. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of EUR 2.5 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Delta Lloyd NV is head of a group of entities. The financial information of this group is included in the consolidated financial statements of Delta Lloyd NV.

We are responsible for directing, supervising and performing the Group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for the group entities based on their size and/or the risk profile. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

Our group audit mainly focused on significant group entities which represent the principal business units within the Group’s reportable segments and account for approximately 100% of the Group’s total equity and approximately 100% of the Group’s profit before tax. We have:

- performed audit procedures at group entities Delta Lloyd Levensverzekering, Delta Lloyd Schadeverzekering, Delta Lloyd Asset Management Holding, Delta Lloyd Bank, Amstelhuys,

Delta Lloyd ABN AMRO Verzekeringen Holding, Delta Lloyd Life Belgium and Delta Lloyd Bank Belgium;
- used the work of non-EY auditors when auditing entity Delta Lloyd Germany;
- performed review procedures or specific audit procedures at the other group entities.

By performing the procedures mentioned above, together with additional procedures at Group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Audit Committee. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Fair value measurement of investments and related disclosures
The Group invests in various asset classes, of which 69% is carried at fair value in the balance sheet. Of these assets, 28% is related to investments for which no published prices in active markets is available (e.g. for mortgages, real estate, private equity investments, derivatives and for non-listed bonds or equities, which have been classified as Level 2 or Level 3 assets within the IFRS fair value hierarchy). Valuation techniques for these investments can be subjective in nature and involve various assumptions regarding pricing factors. With regard to Level 3 assets, the use of different valuation techniques and assumptions could produce significantly different estimates of fair value. Associated risk management disclosure is complex and dependent on high quality data. Specific areas of audit focus include the valuation of fair value Level 2 assets and Level 3 assets where valuation techniques are applied in which unobservable inputs are used.

We assessed and tested the design and operating effectiveness of the controls over valuation, independent price verification and model approval. We performed additional procedures for areas of higher risk and estimation with the assistance of our valuation specialists. This included, where relevant, comparison of judgments made to current and emerging market practice and re-performance of valuations on a sample basis. We also assessed the impact of other sources of fair value information including gains or losses on disposal. Finally, we assessed and tested the design and operating effectiveness of the controls over related disclosures including the disclosure of valuation sensitivity and fair value hierarchy in note 5.1.7.37.

Estimates used in calculation of insurance liabilities, DAC and Liability Adequacy Test (LAT)
The Group has significant insurance liabilities of EUR 46 billion representing 52% of the Group's total liabilities. The measurement of insurance liabilities involves significant judgment over uncertain future outcomes, mainly the ultimate total settlement value of the insurance liabilities, including any guarantees provided to policyholders. Various economic and non-economic assumptions are being used to estimate these long-term liabilities.
Specifically, the Group uses current market interest rates to measure the insurance liabilities for most of its products in The Netherlands and Belgium (life and long tail non-life). The Group uses the Collateralized AAA curve as approximation for current market interest rates, including an Ultimate Forward Rate (UFR).

The valuation of the insurance liabilities in relation to the Netherlands' and Belgium life business requires the application of significant judgment in the setting of longevity, expense and lapse assumptions.

We involved our own actuarial specialists to assist us in performing our audit procedures in this area, which included among others:

- Consideration of the representativeness of the Collateralized AAA curve including the extrapolation technique and extrapolation parameters, by reviewing developments in the universe of the collateralized AAA bonds and developments in the public domain.
- Consideration of the appropriateness of the longevity, expense and lapse assumptions used in the valuation of the individual life and pension liabilities by reference to Company and industry data and expectations of future longevity, expense and lapse developments.

Further, we considered the validity of the Group's IFRS liability adequacy test (LAT) results which is a key test performed in order to ensure that insurance liabilities, net of deferred acquisition cost, are adequate in the context of expected future cash flows. Our work on the IFRS LAT includes assessing the reasonableness of the projected cash flows and challenging the assumptions adopted, including expenses and lapses, based on Company's and industry experience data, expected market developments and trends.

Other key audit procedures included assessing the Group's methodology for calculating the insurance liabilities and an assessment of internal controls in this respect, including the analysis of the movements in insurance liabilities during the year. We assessed whether the movements are in line with the changes in assumptions adopted by the Group, our understanding of developments in the business and our expectations derived from market experience.
We considered whether the Group's disclosures in note 5.1.7.25 of the financial statements in relation to insurance contract liabilities are compliant with the relevant accounting requirements.

Solvency
In the capital management section (section 5.1.7.2) of the financial statements, Delta Lloyd discloses the Group's capital position of its insurance activities under its existing solvency regime, Solvency I. These disclosures provide information on the capital position of Delta Lloyd on a regulatory basis (IGD) of accounting compared to an IFRS basis. In the calculation of the Solvency I ratio of Delta Lloyd, the surplus between the fair value and book value of the mortgage portfolio of Delta Lloyd Levensverzekering is taken into account. The determination of fair value of the mortgage portfolio is sensitive to the assumptions used, especially the discount rate, which requires the application of judgement.

We involved our actuarial specialists to assist us in performing our audit procedures with regard to the Solvency I calculation, which included among others consideration of the fair value methodology applied for the mortgages portfolios, the assessment of the calculation of models used, and the assumptions applied.

We assessed the design and operating effectiveness of the internal controls over the IGD calculation. This included, where relevant, interpretation of guidelines, comparison of judgements made to current and emerging market practice and re-performance of calculations on a sample basis.

Unit-linked exposure
Following the public debate that began in 2006 around the lack of transparency concerning unit-linked insurance contracts sold in the Netherlands where the customer bears all or part of the investment risk and the level of costs associated with these products, Delta Lloyd Group entered into agreements in 2008 and 2010 with consumer and investor interest groups. The agreements include the implementation of standardized charges for individual, privately-held unit-linked insurance products concluded in the past. In 2013, the 'Wabeke' provision was allocated to the individual policies and included in the insurance liabilities. Management informed us that there are currently no claims filed or proceedings initiated against the Group, individually by policyholders or by consumer protection organizations on their behalf. However, holders of unit-linked products, or consumer protection organizations on their behalf, have filed claims or initiated proceedings against other insurers and may continue to do so. A negative outcome of such claims and proceedings in respect of unit-linked products, settlements or any other actions for the benefit of customers by other insurers and sector-wide measures could have a significant impact for the Group relating to compensation. It is inherently difficult to predict the outcome of these developments and the impact on the insurance sector as a whole, including Delta Lloyd.

We performed audit procedures in this area, which included:
- An assessment of the Group's governance, processes and internal controls with respect to unit-linked customer complaints within its operating companies, in particular for
- Delta Lloyd Levensverzekering in the Netherlands.
- A review of and discussion on the documentation of the unit-linked exposures with management;
- Consideration of the recognition and measurement requirements to establish provisions under the Group's accounting framework.

We also considered whether the Group's disclosures in respect of this legal exposure is compliant with the relevant accounting requirements. We focused on the adequacy of disclosure of the related risks and assumptions in notes 5.1.7.25 and 5.1.7.36 to the financial statements.

Adoption of new accounting standard IFRS 10
IFRS 10 'Consolidated Financial Statements' is mandatory in the EU as from 1 January 2014. The application of this new standard impacts the financial position of Delta Lloyd (see note 5.1.6.2.) as several investment funds have been consolidated due to the change in the accounting policy. The comparative figures in the 2014 financial statements have been restated to reflect the effect of the change in accounting standard. The consolidation of investment funds leads to an increase of the balance sheet total due to the third party interests amounting to EUR 3,790.0 million at year end 2013. In addition, the adoption of this new standard impacted the 2013 profit and loss account by EUR 19.5 million positive.

We assessed the IFRS 10 impact analyses of Delta Lloyd. We also assessed and tested the design and operating effectiveness of the controls over the consolidation process of the investment funds. Finally, we assessed and tested the design and operating effectiveness of the controls over the related disclosures in notes 5.1.6.2 and 5.1.7.19.

Fine of Dutch Central Bank
In December 2014, De Nederlandsche Bank (DNB) imposed a fine to Delta Lloyd Levensverzekering and instructed the Company to dismiss its CFO by 1 January 2016 at the latest. The fine imposed amounts to EUR 22.8 million. Delta Lloyd has decided to submit DNB's measures to the court and

request it to rule on the interpretation of the facts and circumstances and the associated conclusions. Delta Lloyd has not recognised a provision for the fine in its 2014 financial statements, and disclosed the fine in Note 5.1.7.35 'Contingent Assets and Liabilities' in accordance with the relevant accounting requirements.

We assessed whether the accounting treatment by the Company of the fine is in accordance with the relevant accounting requirements. We consulted the Company's external legal counsel on this matter. Furthermore, we considered the impact of the allegations of DNB related to the fine, including the DNB's decision on the CFO, on our evaluation of the control environment and risk assessment.

Reliability and continuity of electronic data processing
Delta Lloyd is strongly dependent on its IT-infrastructure for the continuity of the business processes. In the last few years, Delta Lloyd invested in the improvement of IT-hardware, systems and processes, and the security, reliability and continuity of electronic data processing. Delta Lloyd has IT disaster recovery plans in place that are tested on a regular basis. Reference is made to Note 5.1.7.1 of the financial statements.

We assessed the reliability and continuity of electronic data processing only to the extent necessary within the scope of the audit of the financial statements. Our work consisted of assessing the developments in the IT infrastructure and testing of relevant internal controls related to IT systems and processes.

Responsibilities of management and the Supervisory Board for the financial statements

The Executive Board is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the Executive Board's report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Executive Board is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Executive Board is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Executive Board should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Executive Board should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and fraud.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Board.
- Concluding on the appropriateness of the Executive Board's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company ceasing to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating is in the public interest.

Report on other legal and regulatory requirements

Report on the management board report and the other information
Pursuant to legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the Report of the Executive Board and other information):

- We have no deficiencies to report as a result of our examination whether the Report of the Executive Board, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code, and whether the Other information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed.
- We report that the Report of the Executive Board, to the extent we can assess, is consistent with the financial statements.

Engagement
We were engaged by the Audit Committee of the Supervisory Board as auditor of Delta Lloyd NV on 14 May 2008 and have operated as statutory auditor since that date.

Amsterdam, 20 March 2015
Ernst & Young Accountants LLP

Signed by M. Koning

6. GENERAL INFORMATION

6.1. Colophon

The 2014 annual report is a publication of Delta Lloyd's Corporate Communications & Investor Relations department. It is posted on www.deltalloyd.com. The report is published in English. A Dutch summary is available on this website from 7 April 2015.

More details on Delta Lloyd, our brands, personal details of the Executive Board and our management and the addresses of our office locations are posted on www.deltalloyd.com.

Contact information

Corporate Communications & Investor Relations
P.O. Box 1000
1000 BA Amsterdam
The Netherlands
Telephone: +31 20 594 96 93
Email: ir@deltalloyd.nl

6.2. Glossary

Acquired value of in-force business (AVIF)

The present value of future profits on a portfolio of insurance and investment contracts acquired either directly, or through the purchase of a subsidiary, is recognised as an intangible asset.

Acquisition costs

Fixed and variable costs arising from writing insurance contracts.

Actuarial gains and losses

These comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions.

Amortised cost of financial asset or financial liability

The amount at which the financial asset or financial liability is measured at initial recognition less any principal repayments plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability.

Asset and liability management (ALM)

The process Delta Lloyd uses to gain insight into mutual dependencies in the development of its assets and liabilities, with the aim of limiting market risks while at the same time achieving the highest possible return within those limits.

Associates

Entities over which Delta Lloyd has significant influence but does not control. Generally, it is presumed Delta Lloyd has significant influence where it has between 20% and 50% of the voting rights.

Available for sale (AFS)

This is a category of financial assets, other than derivative financial instruments, designated as available for sale or that are not classified as loans, held-to-maturity investments, or financial assets at fair value through profit or loss. They are measured at fair value with gains and losses recognised through equity.

Basel II

Recommendations on banking laws and regulations issued by the Basel Committee on Banking Supervision.

Claims ratio

The claims ratio is claims, including claims handling costs, expressed as a percentage of net written premiums.

Collateralised AAA curve

Delta Lloyd defines the discount curve for the majority of its insurance liabilities as the higher of the DNB swap curve and a yield curve derived from collateralised AAA euro-area bonds. This composite curve is known as the Collateralised AAA curve.

Collateralised debt/loan obligation (CDO or CLO)

The general term for a type of debt or loan obligation secured on collateral consisting mainly of receivables, such as a group of mortgages.

Combined operating ratio

A measure of profitability used by an insurance company to indicate how well it is performing in its daily operations. A ratio below 100% indicates that the company is making underwriting profit while a ratio above 100% means it is paying out more money in claims that it is receiving from premiums. The combined operating ratio is calculated by taking the sum of incurred losses and expenses and dividing this by earned premium.

Commercial paper

A tradable loan issued by a financial institution or large enterprise with a term of usually less than two years, and in general between one and six months, and which is not secured.

Control

Delta Lloyd has control of an (structured) entity if it (a) has power over the entity; (b) is exposed, or has rights, to variable returns due to its involvement in the relevant activities of the entity; and (c) has the ability to use its power to affect the level of return, reflecting a link between power and return.

Coverage ratio (pensions obligation)

The investments divided by defined benefit obligation.

Credit default swap

A contract between two parties under which the credit risk is transferred from a third party.

Credit risk

The risk that one party to a financial instrument will cause a financial loss for the other party by failing to fulfill an obligation.

Currency risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Deferred acquisition costs (DAC)

Costs directly attributable to the acquisition of new business for insurance and participating investment contracts are deferred provided they are covered by future margins on these contracts. Acquisition and selling costs for non-participating investment contracts and investment management contracts that are directly attributable to securing investment management services are also deferred.

Defined benefit obligation (DBO or DB)

Pension plan other than a defined contribution plan. The amount to be paid for the pension entitlement is set using a formula that is usually based on the employee's income and/or length of service.

Defined contribution plan (DC)

Pension plan under which an entity (a company) pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to meet its obligations to its current and future beneficiaries.

Delta Lloyd

Delta Lloyd NV and its subsidiaries.

Delta Lloyd Security List

Internal list of the maximum exposure per reinsurance counterparty.

Derivative financial instruments

Derivative financial instruments include foreign exchange contracts, interest rate futures, currency and interest rate swaps, currency and interest rate options (both written and purchased), swaptions and other financial instruments that derive their value mainly from underlying interest rates, foreign exchange rates, commodity values or equity instruments.

Diluted earnings per ordinary share

This is calculated by dividing the net result for the period attributable to holders of ordinary shares by the weighted average number of ordinary shares in issue adjusted for dilutive potential ordinary shares, such as convertible bonds and share options.

Dilution

A reduction in earnings per share or an increase in loss per share resulting from the assumption that convertible instruments are converted, that options or warrants are exercised, or that ordinary shares are issued subject to the satisfaction of specified conditions.

Discretionary participating contracts

Contracts with discretionary participating features (DPF) are contracts in which policyholders are assigned an entitlement to a profit share of which the timing and/or level is at the insurer's discretion in addition to their entitlement to a guaranteed element. Delta Lloyd is entitled to decide whether this additional return is distributed to the policyholders or the shareholders, subject to the contract terms and conditions.

Earnings per ordinary share

This is calculated by dividing the net result attributable to holders of ordinary shares after deduction of the preference share dividend for the period by the weighted average number of ordinary shares in issue during the period, excluding the weighted average number of ordinary shares purchased by Delta Lloyd and held as treasury shares.

Economic capital

Unlike external minimum capital requirements, such as those imposed by regulators, economic capital refers to the amount of capital that Delta Lloyd needs, according to its own insights, to absorb economic risks. The economic capital is the total capital employed according to a valuation of assets and technical obligations based on economic principles. The required economic capital is the required solvency level, based on the internal models of Delta Lloyd, to meet its obligations over a one-year period with at least 99.5% probability.

Effective interest method

A method of calculating the amortised cost of a financial asset or a financial liability and allocating the interest income or interest expense over the relevant period.

Embedded value (EV)

Embedded value comprises the market value of the freely distributable shareholders' funds (net worth) and the present value of the expected future results on the life insurance portfolio itself (value of in-force).

Equity method

A method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets of the investee. The profit or loss of the investor includes the investor’s share of the profit or loss of the investee.

Euro over Night index average (Eonia)

Eonia is the one-day interbank interest rate for the euro zone. Hence it is the rate at which banks provide loans to each other with a duration of one day.

EU carve-out

The EU created a ‘carve-out’ in 2005 from certain aspects of the IAS 39 hedge accounting rules to ease hedge accounting. The following aspects were carved out: hedges of prepayment risk in macro fair value hedges; hedges where the hedged risk is lower than that represented in the hedging instrument (also known as the sub-LIBOR issue); and the ability to apply fair value hedge accounting to demand deposits.

Fair value

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial reporting risks

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

Financial risk

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

Goodwill

The positive difference between the cost of an acquired activity and Delta Lloyd's share in the fair value of the assets, liabilities and contingent liabilities of the acquired subsidiary on the acquisition date.

Gross written premiums

Total premiums (earned or unearned) in a given period on insurance and reinsurance contracts (including deposits for investment contracts with no or limited life insurance features).

Gudrun index

An index used to value commercial property in Belgium.

Held for sale

A business or group of assets for which the carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Incurred but not reported (IBNR) provision

A provision for claims that have occurred by the reporting date but have not yet been reported to the insurer.

INK model

The plan cycle model used by Delta Lloyd, based on the Dutch Quality Institute model (*Instituut Nederlandse Kwaliteit model*).

Insurance contract

A contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder in exchange of a premium.

Insured event

An uncertain future event that is covered by an insurance contract and creates insurance risk.

Interest rate risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates or the Collateralised AAA curve.

International Financial Reporting Standards (IFRS)

Reporting standards and interpretations for companies adopted by the International Accounting Standards Board (IASB). These comprise:

- International Financial Reporting Standards (IFRS);
- International Accounting Standards (IAS); and
- Interpretations by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC).

Investment contracts

Any contract not included in the scope of IFRS 4 is classified as an investment contract and treated as a financial instrument. Investment contracts can be reclassified as insurance contracts after inception if the insurance risk becomes significant.

Joint control

The contractually-agreed sharing of control over an economic activity that exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

Joint venture

See joint control.

Lapse risk

The risk that policyholders will terminate their insurance contracts earlier or, more often, before the expiry date. The stress test assumes an increase in the lapse rate, meaning a decline in future profits and earlier benefit payments. This only affects the Life business, due to the permanent character of Life contracts. Most general insurance contracts are short-term contracts (usually one year).

Lease

An agreement where the lessor transfers the right to use an asset for an agreed period to the lessee in return for a series of payments.

Legal and regulatory risk

The risk of not complying with laws, regulations and Delta Lloyd's own policies and procedures, including risks related to legal proceedings, compliance and tax.

Liquidity coverage ratio

A ratio showing how sufficient the liquid stock of assets is in case of a stress situation (e.g. mass lapse, catastrophe).

Liquidity risk

The risk that an entity will encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or another financial assets.

Longevity risk

The opposite effect of mortality risk. The effects of a further improvement in life expectancy over and above the expected improvement already built into the current prognoses. These effects lead to higher benefit costs for annuities and lower payments under term life policies.

Market risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Method and assumption setting cycle (MASC)

In this cycle, all methods and assumptions used to determine provisions and the liability adequacy tests are adjusted and validated.

Monte Carlo simulation model

A mathematical model that provides a range of outcomes and the probabilities they will occur for any choice of action.

Mortality risk

The opposite effect of longevity risk. The mortality figure may undergo an extreme increase as a result of external factors (e.g. a worldwide pandemic). This leads to accelerated payment of traditional life insurance policies, an increase in payments under term life policies and a possible decrease in benefits paid under annuities.

Mortgage-backed securities (MBS)

Mortgage-backed securities are securities where the cash flows are covered by the principal and/or interest payments in a portfolio of mortgages.

Net investment income

Investment income consists of cash and stock dividends, interest and rental income receivable for the year, fair value changes in investments through profit or loss, impairment charges on available-for-sale investments, impairment charges on loans and receivables at amortised cost, and gains and losses on the sale of investments.

Net written premiums

Gross written premiums less reinsurance premiums paid in a given period.

Non-controlling interest

That portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned directly by Delta Lloyd NV or indirectly through subsidiaries.

Operational risk

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

Over-the-counter (OTC) instrument

Non-standard financial instruments that are not exchange traded but negotiated directly between market parties.

Phantom option

A conditional option that entitles the holder to receive in cash the increase in value of a ‘performance unit’ measured from the date of grant until the date of exercise.

Premiums earned

The portion of net written premiums in the current and previous periods that relate to the expired part of the term or the policy, calculated by deducting movements in the provision for unearned premiums and unexpired risks from the net premiums.

Provision for unearned premiums

The proportion of written premiums, gross of commission payable to intermediaries, attributable to subsequent periods.

Proxy curve

The curve composed on the basis of credit curves with similar credit rating in the same industry sector and industry group.

Realistic net asset value

The value of shareholders' funds when all assets and liabilities have been measured on an economic basis.

Receiver swaption

A receiver swaption entitles the buyer to enter into a swap where a fixed interest rate is received on a principal sum and a variable interest rate is paid on the same principal sum. The seller of a receiver swaption undertakes, upon the exercise of the swaption by the buyer on the exercise date, to enter into a swap where the seller pays a fixed interest rate on the principal sum in exchange for a variable interest rate on the same principal sum. The seller receives a premium for entering into the swaption.

Repurchase agreement

Contract under which parties commit to sell bonds or equities to each other at a given time and to trade those securities in the opposite direction in the future.

Share premium

Calls paid on shares in excess of the nominal value.

Silo

A silo is part of an entity, for which control is assessed as if it were a separate entity, when all of the following criteria are met:

- specified assets of the entity are the only source of payment for specified liabilities of (or other interests in) the entity and
- apart from the party with the specified liability of the silo, other parties do not have rights or obligations related to the specified assets or to residual cash flows from the assets.

Significant influence

The power to participate in the financial and operating policy decisions of an entity, but not to exercise control over those policies. Significant influence may be gained by share ownership, by law or under an agreement.

Solvency II

The new regulatory framework for insurance companies operating in the European Union.

Stadim index

An index used to value residential property in Belgium.

Strategic risk

The risk that targets are not achieved because the business units of Delta Lloyd fail to respond, or respond inadequately, to changes in the business environment and risks related to matters such as mergers and acquisitions, brands and reputation, risk management, audits, corporate social responsibility, climate, customers and communications.

Structured entity

An entity that has been designed so that voting rights are not the dominant factor in deciding who controls the entity, for example when any voting rights relate to administration tasks only and the relevant activities are directed by means of contractual agreements.

Subrogation

Some insurance contracts allow Delta Lloyd to pursue third parties for payment of some or all costs (income from subrogation).

Subsidiary

An entity, including an entity without legal personality such as a partnership, over which another entity (the parent) exercises control.

Ultimate forward rate (UFR)

The UFR is the fixed forward discount rate, after the last liquid point in the swap futures

Unit-linked contracts

Contracts where savings are invested in investment funds. The savings are used to purchase units. There is often a choice between equity, bond and mixed funds.

Vesting conditions

The conditions that employees must satisfy to become entitled to receive cash or equity instruments of Delta Lloyd, under the share-based payment arrangements. Vesting conditions include service conditions, which require the employee to complete a specified period of service, and performance conditions, which require specified performance targets to be met.

6.3. Abbreviations

A&E	Asbestos and environmental pollution claims
ABC	Activity-based costing
ABS	Asset Backed Securities
AC	Audit Committee
AFM	Financial Markets Authority *(Autoriteit Financiële Markten)*
AFS	Available for sale
AG	Dutch Society of Actuaries (*Actuarieel Genootschap*)
ALCO	Asset & Liability Committee
AuM	Assets under management
AVIF	Acquired value of in-force business
BMO	Business Management Objective
Bps	Basis points
CAO	Collective labour agreement
CBS	Statistics Netherlands (*Centraal Bureau voor de Statistiek*)
CDO	Collateralised debt obligation
CFO	Chief Financial Officer
CLO	Collateralised loan obligation
Coll-AAA curve	Collateralised AAA curve
COR	Combined operating ratio
CRO	Chief Risk Officer
CSR	Corporate Social Responsibility
DAC	Deferred Acquisition Costs
DBO/DB	Defined Benefit Obligation
DC	Defined Contribution plan
DJSI	Dow Jones Sustainability Index
DNB	Dutch Central Bank (*De Nederlandsche Bank NV*)
DPF	Discretionary participating features
ECB	European Central Bank
EIOPA	European Insurance and Occupational Pensions Authority
EONIA	Euro OverNight Index Average
EMTN	Euro Medium Term Note
ESG	Environmental, social, governance
EV	Embedded value
FTE	Full-time equivalent
FVTPL	Fair value through profit or loss
GAAP	Generally accepted accounting principles
GRAS	Group Risk Appetite Statement
GRI	Global Reporting Initiative
GSB	Separate Investment Portfolio *(Gesepareerde Beleggingsdepot)*
GWP	Gross Written Premium
HFT	Held for Trading
HRM	Human Resource Management
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IBNR	Incurred but not reported
IFRIC	International Financial Reporting Interpretations Committee

IFA	Independent Financial Advisor
IFRS	International Financial Reporting Standards
IRR	Internal Rate of Return
LAT	Liability adequacy test
LCR	Liquidity coverage ratio
LTIR	Long Term Investment Return
MASC	Method and Assumption Setting Cycle
NAPI	Net Annual Premium Income
NBM	New business margin
NHG	National Mortgage Guarantee (*Nationale Hypotheek Garantie*)
NVB	*Nederlandse Vereniging van Banken* (Dutch Bankers' Association)
NYSE Euronext	New York Stock Exchange Euronext
OCI	Other comprehensive income
OIS	Over Night Index Swap
ORSA	Own Risk and Solvency Assessment
OTC	Over-the-counter
OTT	Other than Trading
PARP	Product approval and review process
pp	Percentage points
PPI	Premium Pension Institution (*premiepensioeninstelling*)
PRI	Principles for Responsible Investment
QRT	Quantitative Reporting Template
RICS	Royal Institution of Chartered Surveyors
RMBS	Residential mortgage-backed security
RMS	Risk Management Solutions (catastrophe model)
SIC	Standing Interpretations Committee
SPV	Special purpose vehicle
S&P	Standard & Poor's rating agency
UFR	Ultimate forward rate
VIP-is	Variable Incentive Plan for identified staff
VIP-om	Variable Incentive Plan for other managers
VIU	Value in use
WAO	Occupational Disability Insurance Act (*Wet op de arbeidsongeschiktheids-verzekering*)
Wft	Financial Supervision Act (*Wet op het financieel toezicht*)
WGA-ER	Return to work of partially disabled persons scheme-own risk (*Regeling werkhervatting gedeeltelijk arbeidsgeschikten eigen risico*)
WIA	Work and Income (Capacity for Work) Act (*Wet werk en inkomen naar arbeidsvermogen*)

6.4. Disclaimer

Certain statements in this annual report 2014 that are not historical information are "forward-looking statements". These forward-looking statements are based on management's understanding and assumptions and on information currently available to them. These forward-looking information and statements can generally be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements usually use terminology such as “targets”, “believes”, “expects”, “aims”, “assumes”, “intends”, “plans”, “seeks”, “will”, “may”, “anticipates”, “would”, “could”, “continues”, “estimate”, “milestone” or other words of similar meaning and similar expressions or the negatives thereof. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond Delta Lloyd's control and all of which are based on management's current understanding and expectations about future events.

Forward-looking statements involve inherent risks and uncertainties and apply only on the date they were made. Delta Lloyd does not undertake to update any of the forward-looking statements in light of new information or future events, except to the extent required by law. A number of significant factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statement as a result of risks and uncertainties facing Delta Lloyd. Such risks, uncertainties and other significant factors include: (i) changes in the financial markets and general economic conditions, (ii) changes in competition from local, national and international companies, new entrants in the market and self-insurance and changes to the competitive landscape in which Delta Lloyd operates, (iii) the adoption of new, or changes to, existing laws and regulations such as Solvency II, (iv) catastrophes and terrorist-related events, (v) default by third parties owing money, securities or other assets on their financial obligations, (vi) equity market losses, (vii) long and/or short-term interest rate volatility, (viii) illiquidity of certain investment assets, (ix) flaws in underwriting assumptions, pricing and/or claims reserves, (x) the termination of or changes to relationships with principal intermediaries or partnerships, (xi) the unavailability and unaffordability of reinsurance, (xii) flaws in Delta Lloyd's underwriting, operating controls or IT systems, or a failure to prevent fraud, (xiii) a downgrade (or potential downgrade) of Delta Lloyd's credit ratings and (xiv) the outcome of pending, threatened or future litigation or investigations. Should one or more of these risks or uncertainties materialise, or should any underlying assumptions prove to be incorrect, Delta Lloyd's actual financial condition or results of operations could differ materially from those described herein as “anticipated”, “believed”, “estimated” or “expected” or other words of similar meaning and similar expressions or the negatives thereof.

delta lloyd